Methods

Objective

How can African countries fund universal health coverage when user fees are inequitable donor funding is unsustainable health insurance schemes struggle to extend coverage?

What about increasing public financing of health care through improved tax collection and expanded government budgets for Health?

Methods

Country research teams developed a common data collection and analytical approach. Mixed methods were used in each country based on:

- document reviews
- trend analyses of quantitative data on government revenue and expenditure
- semi-structured interviews with key stakeholders

Results

How did countries increase tax revenue?

Tax revenue in the study countries increased 2 to 6-fold over the study period.

These dramatic increases are explained by the range of factors in Table 1.

Arguably, the economic and political climate - and changes to tax policy - were as important as the internal transformation of the tax collection agencies.

Interestingly, Lagos State was particularly successful in reaching the informal sector (see Box 1).

Table 1: Factors explaining improved tax collection capacity

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Kenya</th>
<th>Lagos State</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>User acceptability</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Equity</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>User demand</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Economic growth, climate during key phases</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Public sector institutional environment</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Tax policy reforms provided government legitimacy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Multiple strategies to promote tax compliance (e.g. education, automation, prioritisation of tax collection activities)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Tax administration (e.g. multi-departmental tax agencies)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Tax policy reform that rationalises tax rates and bases</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Adequate funding of tax collection agencies</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Adequate capacity</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Increased tax revenue</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Increased tax base</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Increased tax rate</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Did the public health sector benefit from increased tax revenue?

In all three countries, economic growth and increased government revenue did not translate into greater per capita spending on Health. On the contrary, all three countries saw periods of disinvestment in Health. This was the case for South Africa, for example, where health spending was effectively de-prioritised for the decade after 1996.

Figure 1: Trends in real GDP and health expenditure per capita, South Africa

Why was this so, when all countries demonstrated political support for improving health systems?

The answer seems to lie in the complex interplay between economic, political and administrative issues:

- macroeconomic policy reined in public expenditure, required rapid debt servicing or prioritised other sectors
- Ministries of Health did not always have the political clout or technical capacity to argue for larger allocations for Health
- opaque and fluid Health budget development processes undermined Health allocations
- Treasury did not support allocations to Health because it distrusted Health’s ability to deliver (see Box 2)

Conclusions and recommendations

1. With commitment and creativity it is possible to raise additional domestic resources through expanding the tax base and improving the efficiency of tax collection.

2. Fiscal space for Health is constrained by many factors, even in the context of economic growth, increased tax collection and strong political support for Health.

3. Macro-economic policy influences the size of the government health budget.

4. Ministries of Health and others working on health policy need to engage with debates on appropriate macro-economic choices. The trade-offs between developing public health services and growing the economy must be made explicit.

5. Ministers of Health must strengthen their ability to negotiate with Cabinet colleagues for larger allocations, including demonstrating the economic and social benefits of Health investments and the debilitating effects of underfunding.

6. Ministries of Health will strengthen these arguments, and win the trust of colleagues from Cabinet and Treasury, if they are able to demonstrate improved performance and achievements in service delivery.

7. In managing these challenges it is important for Ministries of Health to have clear strategies for presenting and defending budgets, and adequate technical and analytical capacity to support these strategies.

References

Individual country reports on which this study is based (still in press)


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Introduction

How can African countries fund universal health coverage when user fees are inequitable donor funding is unsustainable health insurance schemes struggle to extend coverage?

For a government to have “fiscal space for Health” it must have the capacity to provide the public health sector with an increased budget without compromising its financial sustainability.