

BUILD BACK BETTER

WEBINAR 

SERIES

Theme:

**The Role of Public Finance in Fostering
Health System Resilience in the Context
of COVID-19**

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Build Back Better Policy Brief

The Role of Public Finance in Fostering Health System Resilience in the Context of COVID-19

Introduction

Capacity of health system to absorb shocks and continue to produce its core functions of service provision, financing and stewardship without compromising quality in the face of devastating pandemic was brought under the spotlight by COVID-19. A highly resilient health system [absorbs shocks, adapts to a new reality and embraces a new normal paradigm to transform itself](#). Public financing plays a crucial role in expanding health care access with equity and it is the most important financing mechanism that sets a country on a sustained trajectory towards Universal Health Coverage (UHC). In the same vein, optimal spending on health with maximum level of efficiency possible is *sine qua non* of health system resilience.

The role of public finance in fostering health system in context of COVID-19 was the focus of a maiden edition of Build Back Better Webinar series that took place on the July 7, 2020 to consider how Nigeria can build resilience of its health financing to build back better. High profile speakers (see figure 1 for details of speakers) from a wide range of background provided insights on the topic “The Role of Public Finance in Fostering Health System Resilience in the Context of COVID-19” that forms the basis for this policy brief.

Some consensus on public finance and UHC quest.

It is commonly believed that there is no blueprint or recipe when it comes to health financing reforms geared towards setting

countries on the trajectory of UHC – context largely shapes the content of reform agenda. However, there are known knowns of reform that determine success or rate of progress; 1.) Public financing (tax financing and social insurance) is the key to UHC; 2.) Market-driven privately financed health systems do not result in UHC; 3.) User fees are the worst way to finance health services; and 4.) Private voluntary insurance including community based insurance is ineffective, inefficient and inequitable.

Why waste a good crisis? Rethinking public finance in the context of COVID-19

Crisis often necessitate rethink, redesign of systems and bringing to the fore the need to chart a different course of action. Countries in the past have taken advantage of exigency of pandemic to redesign their health financing landscape. As a case in point, China re-socialized its health financing system after the SARS crisis and considerable social unrest while President Ramaphosa of South Africa is gearing up to launch a National Health Insurance emerging from the COVID-19 crisis which brought to the fore, inherent weakness in the prevailing private health insurance scheme in the country. Nigeria stands a good chance to seize the opportunity of COVID-19 to reform its health financing landscape and spark a transition toward improved public investment in health, outcome based health spending, expansion of financial protection mechanism and reduction in out of pocket expenditure.

Reshaping public finance for health in an unfavorable macro-fiscal context: Best practice or best fit?

Nigeria health finance landscape is characterized by suboptimal public spending on health as Nigeria government spent '10 USD per capita on health which represent less than 1% of the country's GDP in 2017 – a far cry from established benchmark of 86 USD per capita and 5% of GDP respectively. Nigeria government's inadequate spending on health is partly attributable to unfavorable macro fiscal context in the country; "Nigerias tax to GDP ratio of 7% is one of the lowest in the world and less than half of Africas average. Nigeria government's dependence on oil as the mainstay of the economy also means the country is vulnerable to any economic shock that impacts on international oil price such as the ongoing COVID-19 pandemic.

The foregoing raises the question of feasibility of a predominant tax-based financing given Nigeria's unfavorable macrofiscal context. How then should Nigeria finance its UHC agenda given its low revenue collection capacity? In the short to medium term, should the government augment tax based financing for health with a sort of “universal contribution scheme” leveraging technology to remove inefficiency associated with collection of health insurance contribution especially from the informal sector?

How does health fit into the overall government economic policy response to COVID-19? Health resilience is considered an important component of economic recovery strategy as articulated in the national Economic Sustainability Plan (ESP) which allots substantial part of the 500 billion Naira Federal Government COVID19 intervention fund to the health sector as health stimulus package.

Among other things, the ESP also encourages a shift from input based financing of health to strategic purchasing and review of the tariff regime that will promote domestic production of pharmaceutical to boost local economy and health system resilience.

How are the states adjusting public finance space to the reality of COVID-19?

Gombe and Ogun provide examples of how some states are adjusting to this new socio-economic reality of COVID-19. The two states demonstrated re-prioritization of health spending as part of their COVID-19 response – both states almost double their share of health allocation in their revised 2020 budget and introduced some efficient strategies. In addition to increased budgetary allocation to the health sector, Gombe State introduced measures geared towards improving efficiency in the award and execution of government contract in the health sector and others. The prevailing unfavorable macro-fiscal dynamics has proved to be a catalyst for rethinking health system design in Ogun State; the state has embarked on referral system strengthening to maximize utilization of facilities especially the PHCs through a “hub and spoke” approach. In the same vein, the state has conducted audit of its hospital equipment and commenced redistribution of equipment and put in place an equipment maintenance plan to foster efficient utilization of equipment and promote maintenance culture respectively. The state also deploy technology such as telemedicine to minimize disruption to service utilization induced by COVID-19.

What types of technical assistance are mostly needed to accelerate public finance reform?

Repositioning public finance landscape requires doing different things and doing things differently but actions must be informed in order to reform

and not to further deform the system. Dwindling resource base of government calls for available meagre resources to be deployed in such a way to buy highest level of health possible. To promote evidence-based spending, there is need for **costing of minimum package of care** and compare the cost with available pool of resources which will further inform scaling the package down based on available resources. COVID-19 is stimulating more funding for health from government, private sector and external funders. In this context of growing fragmentation of health resource pool, strengthening capacity of the government to coordinate and pool resources is essential to minimize duplication of efforts and enhance value for money. **Improved capacity for tracking volume and flow of resources** from sources to beneficiaries and use of ensuing information for decision making is central to enhancing efficiency of fund flow and ensuring that fund allocation and expenditure align with set priority at all levels of governance. A more resilient health financing landscape is almost impossible without significant change in the Public Finance Management (PFM) that ushers in **more evidence based budgeting processes that link inputs to outputs and outcomes such as program based budgeting**. It is necessary to take advantage of the ongoing crisis to clamor for a budgeting process that will support national and sub-national level government to maximize efficiency of available resources. The ongoing efforts geared towards decentralization of health insurance is one of the main policy thrusts that has potential for setting Nigeria on UHC quest. States, however, need technical capacity to put in place and operate strong institutional and operational frameworks to achieve the objectives of expanding access to quality care with financial protection through a universal health insurance system.

Conclusion

COVID-19 crisis has added more burden to the health care delivery system in Nigeria and other countries alike but it has opened a window for negotiating reforms in the health financing landscape geared towards spending more and spending better on health. Making significant progress towards UHC in an unfavorable macro-fiscal context like Nigeria calls for innovation on how meagre public resources will be utilized efficiently including mobilization of additional resources from other sources. There are early signs of enhanced health sector prioritization and introduction of efficiency measures ranging from system redesign, improved transparency in contract management and use of technology that can contribute to health system resilience agenda. However, taking advantage of the crisis to achieve an enduring health financing transition in Nigeria is both a technical and political endeavor. The increased attention being received by the health sector should be leveraged to engender resilience-oriented reforms among the political class. The political engagement should be coupled with more investment of domestic and external resources on health system strengthening efforts especially Public Financial Management system repositioning that will usher in era of evidence-based budgeting that links resources to higher level results and tracks expenditure to ensure alignment of spending to sector priorities and enhance value for money. Finally, crisis creates a policy window as it heightens political exigency for addressing problems using existing or new policy instruments.

We should not allow the policy window created by COVID-19 to go to waste – we have to leverage it to push for UHC oriented strategic shifts.

About Build Back Better Webinar Series

The Build Back Better webinar series is designed to engender health system resilience by promoting agenda-setting conversations among policy makers, donor agencies, Civil Society and professional bodies. The webinar series will foster policy dialogues that will help to collate lessons learned and insights that have implications for health system resilience in Nigeria. The webinar series is an initiative of Development Governance International Consult Ltd (DGI Consult) and Legislative Initiative for Sustainable Development (LISDEL) aimed at harnessing lessons of COVID 19 pandemic to transform Nigeria's health system landscape.



DGI Consult & LISDEL invite you to the maiden edition of

BUILD BACK BETTER

WEBINAR SERIES

DGI Consult
DEVELOPMENT GOVERNANCE
INTERNATIONAL CONSULT

Theme:
**The Role of Public Finance
in Fostering Health System
Resilience in the Context of
COVID-19**

.....SPEAKERS.....

Moderator
Olumide Okunola
World Bank/IFC

Dr. Yemi Dipeolu
Special Adviser to the President
on Economic Matters in the
Office of the Vice President
of Nigeria

Ben Akabueze
Director General, Budget
Office of the Federation

**Muhammed
Gambo Magaji**
Hon. Commissioner for Finance,
Gombe State

Dr. Tomi Coker
Hon. Commissioner for
Health, Ogun State

Rob Yates
Executive Director, Centre
for Universal Health,
Chatham House, UK

Benson Obonyo
Bill and Melinda Gates
Foundation

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JULY 7, 2020
3:00 - 4:30pm

LISDEL

Figure 1: Speakers at maiden edition of Build Back Better webinar series

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