

Public finances in the health sector: (how) does public financing work?

Feature: Public finances in the health sector: (how) does public financing work? | 2



News from partner countries: Rwanda: Reporting procedures in the health SWAp | 7



Public Finance issues: Performance-based financing (PBF) in health sector reforms | 9



Upcoming events: International Tax Compact (ITC) Workshop in Brussels | 12



01 | Introduction

02 | Feature: Public finances in the health sector: (how) does public financing work?

06 | News from partner countries

09 | Public Finance issues

12 | Current events

- Staff news
- Preview of our next issue

Dear Readers,

The question of the function of a country's public finance system is no longer an issue that is of interest only to a handful of specialists. The significance and impact of this system for the performance of political tasks are of central importance for many of those decision-makers who are responsible for the planning and implementation of reforms in different sectors.

In this joint newsletter we wish to examine the linkage between public finance and sectoral work. Using the example of the health sector and other already existing forms of co-operation, we formulate joint questions. Several articles illustrate that German technical co-operation has long been providing support for comprehensive reform approaches that aim both at improving the public finance system and at supporting the structuring of the health care system.

We wish you a happy Christmas and hope you enjoy your reading.

Yours sincerely,

Claudia Pragua

Head of Division
Governance, Democracy, Rule of Law

Public Finance Reform

Feature: Public finances in the health sector: (how) does public financing work?

Budget steering as a key element in sectoral governance

An effective health policy cannot be had on the cheap. The funds required are provided in part by the state, especially if basic health care is to be accessible to the poorer sections of the population. The performance of the health sector is therefore dependent on the overall health care strategy, as well as on the provision of adequate resources and their efficient management. One central problem is that the government budget does not reflect the corresponding political prioritisation. Appropriate implementation of the budget is another obstacle to be overcome.

Vital factors in the success of budget planning and implementation are coherent processes and competent actors in the Ministries of Health and Finance. The participation of the Ministry of Health in preparation of the budget, for example, should be regulated by law and the planning horizons of the ministries involved should match with each other. However, decision-makers in the Ministry of Finance can only consider divergent political priorities if they have knowledge of the sectoral policies. Their main role, on the other hand, is to bring together the different sectoral approaches. In order to resolve the problem, therefore, the Ministry of Health must be placed in a position where it can present a realistic financial plan and represent its own interests and political points of emphasis in negotiations with the Ministry of Finance. Ideally, therefore, reform measures will comprise two levels: **processes** and **capacities** in the Ministries of Health and Finance, as well

as their respective **roles and interactions in the budget system.**

In the course of increasing program orientation in recent years, this approach has captured ever more attention. As a result of the demand for the use of partner systems and the consequent focusing on the public finance system, sectors have become increasingly preoccupied with these questions. There is a potential for development not only with regard to the structure of partner systems but also in the conception of reform projects on the donor side. Although advice has often been sought on the structuring of the financing system in the health sector, only in very few cases has consideration been given to the good financial governance perspective. In the case of reforms in the field of public finance, attention is usually focused primarily on advising the Ministry of Finance. The leverage of **public finance as a cross-sectional topic** that can enhance effectiveness in all sectors has so far received insufficient attention in both consulting practice and theory.

The interfaces between sectoral strategies and their implementation in the political system are often a starting point for interesting discussions between sector specialists and governance experts. The question to be raised here is how sector governance can gain from experience gained in the core areas of public policy.

*Dr. Kristin Sanger, GTZ
Contact: Kristin.Sanger@gtz.de*

*Lotte Schneider, GTZ
Contact: Lotte.Schneider@gtz.de*



The [Global Health Initiative](#) of the [Woodrow Wilson Center](#) promotes dialogue and the exchange of experience between practitioners, scientists, NGOs and other stakeholders.



In the policy brief [Improving Ministry of Health and Ministry of Finance Relationships for Increased Health Funding](#) with descriptions of experiences from Ghana, Senegal and Uganda, the Initiative illustrates the challenges in coordinating collaboration between the Ministries of Health and Finance.



Lotte Schneider has been working as an intern in the Good Financial Governance component since October 2009. Previously she studied political science and public law in Göttingen. Her MA thesis focused on the funding of a school health programme by provincial governments in the Philippines.

Public Finance Reform

Inter-sectoral co-operation creates added value

For years the health sector has been increasing its share of international aid and now accounts for more than 16% of all bilateral commitments by DAC countries. Thanks to international initiatives the volume of multilateral funds has also increased very substantially. According to the latest estimates 10% of all health care expenditure in Africa is financed by donors.

Obviously, this development has had consequences at all levels. Already in the 1990s before it began in earnest, international health experts had called for individual projects to be abandoned in favour of programme-based approaches for the entire sector. GTZ Health supported these endeavours at an early stage and has ensured that our technical co-operation in the health sector has been recognised by both the BMZ and partner governments as a valuable contribution to the respective national sectoral programs.

Sectoral plans must be reflected in the budget

A major part of international funds are used to combat a few diseases such as HIV/AIDS, tuberculosis and malaria. It was evident at a very early stage that only exceptionally few national health care systems are capable of applying additional funds efficiently and in good time. Obviously it is not enough to act within systems, but they must be strengthened overall. The planning, implementation and evaluation cycle that has so far been a vital element in the support provided by technical co-operation at local and re-

gional level has now become a theme in government consulting.

A central debate is focused on the choice of the right priorities and in this case health economic methods are helpful. In recent years, therefore, the health and social security sections within GTZ have provided made-to-measure further education courses on health economics for GTZ employees and consulting clients. Moreover, there have been a growing number of indications that fundamental problems which hinder the implementation of sectoral plans arise at interfaces between the public finance system and the health care system. The health sector can only be permanently strengthened if sectoral plans are reflected in public budgets and the flow of public funds functions. This also implies that health experts advising at system level need a basic understanding of the management of the public finances. This was a central theme in each of the last two courses (2008 und 2009).

Co-operation between the different sectors and competence areas in the „Health, Education and Social Security“ and „State and Democracy“ departments was therefore a key element in the courses. This issue of our newsletter has been based on this collaboration and is proof that inter-sectoral cooperation creates added value for our work.

*Dr. Wolfhard Hammer, GTZ
Contact: Wolfhard.Hammer@gtz.de*

*Dr. Christian Pfeleiderer, GTZ
Contact: Christian.Pfeleiderer@gtz.de*

In its [Sector Strategy](#) [“German Development Policy in the Health Sector”](#)

the **Federal Ministry for Economic Cooperation** lays the foundations for its health program.



The health sector stands high on the international list of priorities and has long been the favoured object of reforms. **Programme-Based Approaches** including basket financing and sector budget support have been bywords here for much longer than in other sectors. Besides their sectoral skills, therefore, advisers must also possess a wide range of other competences. More:

[Budget support in the framework of PJF](#)

Dr. Wolfhard Hammer is a doctor and public health specialist who had worked for years in the Democratic Republic of Congo before coming to the GTZ in 1996. **Dr. Christian Pfeleiderer** is a doctor with an additional qualification in health economics. He worked for some years as a consultant in Germany and on several occasions as adviser in Asia. He has been with GTZ since May 2009.

Public Finance Reform

Corruption undermines reform efforts in the health sector

Interview with Taryn Vian, Boston University

Why should development cooperation care about corruption in the health sector?

The process of development cooperation brings donor agency personnel together with country nationals to work on improving health care access, quality, and outcomes. We all want to believe that everyone shares the goal of promoting the public good and increasing the effectiveness of government investment in health. Raising the problem of corruption, however, seems to imply a lack of trust in the motives of others. Also, development agency workers don't want to give the impression that they are justified in judging others.

But is it better to ignore the problem? There are serious problems with corruption in the health sector, from procurement fraud which raises the prices of inputs or allows fake drugs into the country, to informal payments which patients feel they must pay to even be seen by a doctor or nurse. I've heard many stories of financial fraud, embezzlement, leakage of drug supplies in public facilities, and misuse of vehicles meant for health care outreach. These problems won't go away on their own.

Corruption creates hidden incentives that undermine health reform efforts and reduce the impact of program investments. Addressing vulnerabilities to corruption should be seen as another aspect of "preventive health" – only this time it is the integrity of government systems that we are protecting. We need to think of corruption more as an economic issue, and not simply a moral choice.

Do you have any good examples of anti-corruption initiatives in the health sector? Have they been linked to overall Public Financial Management (PFM) reforms?

There really *are* things that can be done to prevent corruption. Interventions need to reduce opportunities and change incentives—giving more positive incentives for good performance, and increasing the probability of getting caught and punished for abusing one's position. We can do this by controlling discretion, increasing transparency, and making government officials more accountable for performance.

On the systems level, the introduction of electronic cash registers in hospitals in **Kenya** has helped to reduce theft of user fees by cashiers. Development cooperation helped to pay for the initial investment in equipment and software, to allow reporting on revenue and utilization of services. The efforts also required strong leadership on the Kenyan government side, and willingness to fire or discipline staff who would not follow the new procedures.¹

On the procurement side, price transparency can be very helpful in limiting the scope of corruption. For example, when government officials in **Argentina** published the prices paid by different hospitals for common medical supplies, the average prices fell quite dramatically, even before the first price report was circulated. Procurement officers were reacting to the fact that their actions were being reviewed and made public.

The interview continues on the next page



Taryn Vian is Assistant Professor of International Health at Boston University School of Public Health where she is Faculty Director of the MBA-MPH dual degree program in Global Health Management. Her teaching and research focus on governance issues and transparency in health including work for the U4 Anticorruption Resource Centre, Transparency International, and other development agencies. Ms. Vian has worked in over 30 countries including two years managing a child health project in the Philippines. A returned Peace Corps volunteer from Cameroon, Ms. Vian holds a Master of Science degree in Health Policy and Management from the Harvard School of Public Health, and a Bachelor of Arts degree in Philosophy from Colgate University. She is currently a doctoral candidate at Boston University.

¹ Vian, T. "Reducing Vulnerabilities to Corruption in User Fees". U4 Brief No. 3. October 2006. www.u4.no/themes/health

Public Finance Reform

Looking specifically at PFM reforms, I know that in **South Africa** health sector managers have been encouraged to analyze budget versus actual performance in terms of cost per output, instead of just looking at inputs or line items spent. They found that it was really difficult to combine data on health care outputs with the budget data, but analyzing performance in this way helped to highlight some hospitals and districts which seemed to have unusual spending patterns. As with Argentina, I think that the practice of analyzing and questioning performance data can close opportunities for corruption by increasing accountability.

In **Lesotho**, PFM reform has been less successful in the health sector because there has not been adequate attention to building capacity and infrastructure. These reforms do require a lot of support, at least initially. For example, there's a need for better costing systems to estimate what it should cost to provide certain services. Only then can we hold government accountable for what they actually spent.

Unfortunately we are still lacking experience in linking PFM reforms and anti-corruption reforms in a specific sector. But I'm optimistic that PFM reforms will allow greater management control, which limits corruption.

Finally, do you have a clue on how to overcome the measurement problem and what indicators you could recommend for health projects which want to measure progress in anti-corruption and governance?

Some projects such as USAID's Health Systems 20/20 project, are trying to create health governance indicators

(<http://www.healthsystems2020.org/>). They talk about them in terms of "rules indicators" – indicators which measure whether rules or procedures are in place that will assure better governance – and "outcome indicators", that is, measures of whether the rules are really working. Also, WHO has created a toolkit of health systems strengthening indicators, several of which are meant to measure good governance. **WHO indicators** look at the level of absenteeism, leakage of government funds reaching districts, stock-outs of drugs, informal payments, and some pharmaceutical regulatory measures.²

Another great tool is the **WHO guide** on "Measuring Transparency in the Public Pharmaceutical Sector"³. WHO has produced reports measuring transparency in many parts of the world including the Philippines, Cambodia, Malawi, and Bolivia.

I personally believe it is really important to also measure the perceptions of stakeholders. Surveys of doctors, nurses, and patients can be helpful in establishing a baseline and seeing progress overtime.

In general I think in the health sector we have *too many* indicators. We have so many that we lack the time and staff to carefully review and discuss performance. We need to set realistic targets and make sure people have the resources they need to achieve them. The choice of indicators is actually the easy part. Making sure we have the time and staff to review performance and give rewards or punishments based on that performance — now there's the challenge!

Taryn Vian was interviewed by Dr. Frédéric Boehm in October 2009

Contact: Frederic.Boehm@gtz.de



The [U4 Anti-Corruption Resource Centre](http://www.U4.no) provides support for donors in their endeavours to combat corruption within the framework of their cooperation with partner countries. The U4 network is currently focusing attention on [Corruption in the health sector](#). Many publications on the topic are to be found on its website.



Links

The **World Health Organisation (WHO)** has at its disposal a wide range of instruments for measuring the quality of health systems:

[WHO Indicators](#)

Its [Toolkit on monitoring health systems strengthening](#)

and the initiative [Good Governance for Medicines Programs](#) are particularly informative for development cooperation.

² WHO Toolkit on Monitoring Health Systems Strengthening, June 2008.

³ WHO Good Governance in Medicines Program.

Public Finance Reform

News from partner countries

Bangladesh: challenges for public financing in the health sector

Health is a vital precondition for the development and growth of a state. Health policy is therefore an issue of great interest in partner countries of German co-operation, as there the poorer sections of the population have only very limited access to appropriate health care services. Bangladesh is no exception. Since 2005 it has been implementing its second „Health, Nutrition and Population Sector Program“ – the world’s largest health sector program, which is designed to improve and modernise the health system. However, any success registered to date has been hard earned.

Reform plans are not reflected in the allocation of funds

Unfortunately, the funds available for implementation of the program are insufficient. The Ministry of Health and Family Welfare (MOHFW), which is responsible for the program, has therefore turned to reform of the public finance system as a solution. The objective is to achieve a better match between policies and priorities in the health sector and the allocation of funds, and to focus attention more closely on the achievement of concrete results. Medium-term objectives and benchmarks should make it possible to evaluate results that have been achieved. It is now intended to put into practice both the theoretical top-down approach for the allocation of expenditure ceilings through the Ministry of Finance and the associated bottom-up presentation

of expenditure estimates for the sector ministry’s programmes. Different planning instruments (poverty reduction strategy, government’s five-year plan, Sector Investment Plan) that exist in addition to the sector plan must be reconciled with respect to both their functions and their informative value. Finally development and current budgets should be brought together in order to counteract the current divergence between established political goals and realised measures. A comprehensive and consistent reform approach will make it possible to resolve these difficulties.

Clarification of roles in policy dialogue

The Bangladesh government and the Ministry of Health receive support from the international community of donors in the implementation of the proposed reforms. German technical co-operation has also been participating within the framework of the joint sectoral programme since 2005, whereby German consulting has focused primarily on strengthening the ministry’s Health Economics Unit in the formulation of policy and the development of suitable instruments and on advising the ministry’s planning wing. In accordance with the action plan agreed to in 2009 German technical co-operation will focus increasingly on the clarification of roles within the MOHFW and on counselling with respect to the drafting of a standard annual work plan. Finally, support will be provided in future to the Ministry of Health in its budget negotiations with the Ministry of Finance.

*Dr. Kristin Sanger, GTZ
Contact: Kristin.Saenger@gtz.de*



Bangladesh belongs to the Least Developed Countries (LDCs) of the world. Some three quarters of the population live below the poverty line, more than 40 per cent live in extreme poverty and unemployment is very high. In the Human Development Index, Bangladesh is placed 140th among 177 countries ([HDI 2007/2008](#)).

The German Federal Ministry for Economic Cooperation (BMZ) has established health as one of the focal points of German development cooperation. More detailed information is available on the BMZ web pages:

<http://www.bmz.de/en/countries/partnercountries/bangladesh/cooperation.html>

Public Finance Reform

Rwanda: Accountability procedures in the health SWAp

The basic elements in the foundation of the Sector-Wide Approach (SWAp) in Rwanda's health sector were laid in 2007 with substantial German and Belgian support and co-operation between the 12 most important development partners and the Ministry of Health (MoH). The documents on which the SWAp is based are the budgeted sectoral strategy 2008-2012 with its medium term expenditure framework (MTEF) and annual plan including all contributions by development partners. The SWAp is financed with the following instruments: the Rwandan contribution from the government budget, sector budget support from four donors, basket financing and on plan projects. The projects alone, without sector budget support, account for 80% of the Rwandan health budget in 2009. The implementation of projects financed with sector budget support provided by the German Reconstruction Loan Corporation (KfW) is monitored by the GTZ, which also makes its own contributions within the framework of the basket financing.

The procedures for reporting on the use of funds provided within the SWAp framework have been determined as follows: twice a year the MoH draws up its *Sector Performance and Budget Execution Report* for the **Joint Health Sector Review (JSHR)**. The most important results including those of the discussions are included in a summary drafted together with ministries in the social sector. This *Joint Summary* of the assessment between development partners and the sectoral ministries serves as a reference for the adjoining *Joint Budget Support Review* of general budget support.

The JHSR is the most important element in the **mutual accountability**

process and makes it possible to see how far sector budget support is being used for its intended objectives and what relevant benchmarks have been reached. Within this framework the MoH also presents its own budget. The investment budget comprises externally financed projects managed by the MoH, which must report thereon to parliament.

However, the MoH's annual **financial report** has weaknesses. Some budget figures are contradictory or do not tally with those of the Ministry of Finance. The assessment of audit results by sector budget support donors has raised yet another challenge: to date less than 20% of the MoH's budget expenditure has been audited by the Rwandan supreme audit institution.

There is evidently a need, therefore, to clarify basic processes and procedures with respect to both the MoH and development partners. Fixed procedures provide an opportunity to structure the new instrument of **sector budget support in dialogue** and to build up reciprocal trust. Donors must initially be prepared to face the challenge of accepting certain risks. Moreover, the **position of the MoH against the Ministry of Finance** must be strengthened together with its administrative powers. As both fulfilment of indicated criteria and informative reporting of orderly application of the funds provided are a precondition for further payments, development partners have an admirable platform for the introduction into the political dialogue of such themes as poverty reduction. And, last but not least, the process can contribute to enhancing partners' ownership.

*Elisabeth Girrba*ch, GTZ Rwanda
Contact: Elisabeth.Girrba@gtz.de

Hubert Eisele, KfW
Contact: Hubert.Eisele@kfw.de



Rwanda is one of the poorest countries in the world. Its development strategies aim at implementing reforms in all sectors, including PFM. In recent years Rwanda has been able to register success in education, health and gender reform. Germany first provided general budget support in 2007 and budget support for the health sector in 2009.



Elisabeth Girrba has been coordinating the priority area health in Rwanda since 2008 and is GTZ team leader on the health program, which is implemented in cooperation by the CIM, DED, GTZ, Inwent. and KfW.

Hubert Eisele is a senior project manager in the priority area team health, education and social security (Africa) of the KfW Development Bank, where he is responsible for projects in Rwanda, Burundi, and Mozambique, as well as a regional project on HIV/AIDS prevention.

Public Finance Reform

Kenya: Public Financial Management in Health – Why do costing?

Concerning public financial management in health, there are at least two important reasons why estimating costs is useful: to ensure adequate funding is available to match the aspiration of a strategy or project plan, and to help make choices based on the efficiency gains in the health sector. Without knowing the costs we cannot determine the fiscal space needed to safely implement universal health coverage.

The critical question – ‘How much would universal health coverage cost?’ – is a question that occupies the minds of health finance and policy experts. Two years after the National Social Health Insurance Bill failed in Kenya due to insufficient knowledge about its fiscal implications, the GTZ/Kenya Health Sector Programme is able to answer this critical question through its Dynamic Costing Model. The model has been developed by the GTZ/Kenya Health Sector Programme in partnership with Oxford Policy Management. The application of this GTZ tool was used to cost the Healthcare Financing Strategy, to highlight possible efficiency gains through health system optimization, and to set appropriate insurance premiums or remuneration rates for providers. For example, the KfW in Kenya used the results to set rebate rates for its output-based approach to maternity services.

Michael Möller, GTZ Kenya
Contact: Michael.Moeller@gtz.de

New E-learning course on health financing

In order to meet the growing need for expertise in the field of health financing, InWent (Internationale Weiterbildung und Entwicklung GmbH) is offering a new E-learning course on „Health Financing and Health Insurance“. The course comprises eight modules and the first part focuses on the theoretical foundations of the following fields: health, health economics and health financing. In the second part case studies from industrial and developing countries are analysed.

The course is aimed at practitioners from ministries of health and finance, sub-national authorities, NGOs and other organisations that are active in the field. After an introductory seminar the E-learning phase lasts for six months.

Further information and a demo version of the course are available under:

<http://gc21.inwent.org/ibt/area=gc21/en/site/gc21/ibt/health.html>

Kontakt: InWent GmbH
health@inwent.org
www.inwent.org



The GTZ programme „Development of the Health Sector“ in Kenya has been under way since 2005. One of the main points of the programme is the introduction of a socially equitable system of financing. More at: <http://www.gtz.de/en/weltweit/afrika/kenia/26064.htm>



The **Belgian Technical Cooperation** wishes to appoint with immediate effect an international expert as adviser to the Ministry of Finance.

Further information is available under:

<http://www.btctb.org/showpage.asp?iPageID=239>

Publication

Together with the GTZ Gender Team the Public Finance Project has completed a study on gender-sensitive budget management:

[Fact Sheet Gender-Sensitive Budgeting](#)

Public Finance Reform

Public Finance issues

Performance-Based Financing in health sector reforms

Like other Sub-Saharan countries, aggravated by the Genocide in 1994, the Rwandan health system was characterized by inefficiency and poor quality of services at the onset of the new Millennium. **Performance Based Financing (PBF)** has been hailed in developing countries as the new solution to the above mentioned problems and to achieve the Millennium Development Goals (MDGs). The PBF approach is shifting the focus away from input oriented support towards outputs and ultimately health outcomes. In Rwanda, it was introduced to increase quantity as well as quality of health services and to provide incentives to health workers. Further, to the Ministry of Finance it presented the option to increase resources, improve health results and public financial management and hire more personnel without affecting the wage bill.

The **Rwandan supply-side PBF model** is a contractual relationship between health care providers, regulators and a purchasing agency based on a set of indicators and quality composite criteria which are evaluated quarterly. Indicators are based on national norms and standards with a special focus on MDG relevant activities. PBF was introduced in 2001 through different pilot schemes each following different design elements. Country-wide roll-out was completed in 2007 merging design aspects from the different pilots into one national model. Funds currently channeled through PBF for health centers and hospitals

stand at USD 1.63 per capita yearly and are meant to increase to USD 2.9 by 2012 compared to approximately USD 34 per capita currently on health. The budget for each hospital is partly based on a ceiling according to the number of beds and health centres to supervise, and partly on the performance (quantity and quality) for clinical services. The internal allocation of PBF funds is generally left to the hospitals but they are encouraged to use around 40% for incentive payments to the staff and the remainder for running costs or small investments.

Two years into the national roll-out, the **overall performance** of health facilities indicated by PBF evaluations **has substantially improved** although discussions on how to measure actual quality are ongoing. Significant impact was observed on some activities like institutional deliveries whereas other indicators like women completing four antenatal visits remained more or less unaffected by this supply-side incentive. The publication and discussion of evaluation results have increased **transparency and accountability** to patients as well as to health personnel. Increased direct funds to facilities have strengthened their autonomy. However, public financial management capacities are still limited and do not yet follow a Results-Based Management approach as envisioned by the Rwandan Government. Such a framework would have to balance supply and demand-side incentives and find the right mix with other health financing mechanisms like health insurance and input financing.

*Anja Fischer, GTZ Rwanda
Contact: Anja.Fischer@gtz.de*



German Development Cooperation has been supporting the **hospital of Ruhengeri** for many years. In 2007, GTZ in cooperation with KfW and DED started to support the district hospital PBF scheme with the aim of improving the quality of services and health worker motivation. At the central level, GTZ engages in policy dialogue with the Ministry of Health and other development partners to address the current challenges of the PBF system.



Anja Fischer is a technical advisor in the Rwandan "Primary Health Care and HIV/AIDS Control" Program. She leads the health system strengthening component and works mainly on Social Protection in Health and Performance-Based Financing. Anja has been working in Rwanda since 2006.

Public Finance Reform

Top-down und bottom-up: PFM approaches in the Tanzanian-German health program

The health programme of German development co-operation in Tanzania contains a health financing component, within whose framework partners have increasingly been advised on the implementation of PFM processes. This counselling is regarded and carried out as an integral part of the project. In accordance with their institutional mandates, the KfW and GTZ each focus on different levels and endeavour to take maximum advantage of any potential for synergy. With its wide range of activities in ministries of health, decentralisation and finance on one side and on the other the implementation of health reforms at a local level, the program's multi-level approach has proved very useful.

Basket financing needs Good Financial Governance

Within the framework of programme-oriented joint financing the KfW also uses the instrument of basket financing. Here a minimum of good financial management is a pre-condition to ensure that funds made available can be effectively applied. However, incentives are also provided for the improvement of relevant structures. In recent years it has become evident that the funds provided are effectively used if coordination and implementation mechanisms are complied with and further improved. Only then will basket financing function efficiently. Special challenges lie in the processes that should steer the trouble-free and timely transfer of donor and partner funds to districts and finally to health care facilities.

The GTZ has increasingly concentrated its activities on a decentralised level. This is particularly useful in view of the current decentralisation reform in Tanzania, which is increasingly shifting responsibility for implementation to district level. **Transparent budget planning** with citizen participation, **transparent management of financial resources** and **control** of funds used at district level (including funds from basket financing) are regarded as the bedrock of this policy, which ensures that citizens have access to acceptable health care that is within their means. The financing of the health system and the promotion of a transparent system are also public responsibilities. Here various measures currently implemented are designed to enhance capacities. District and health care facilities are supported, for example, in their endeavours to obtain, manage and usefully apply funds from both health insurance companies and government sources. The most important factor in the success of these measures has been the participation of all relevant actors.

Further challenges that have yet to be resolved in Tanzania include the promotion of understanding for compliance with the law in administrative procedures and enhancement of the participation of citizens and civil society groups in the budget process.

*Birte Frerick, Young Professional Program
Contact: Birte.Frerick@gtz.de*

*Meinolf Kuper, GTZ Tanzania
Contact: Meinolf.Kuper@gtz.de*



Meinolf Kuper (r.) is signing a PPP agreement with representatives of the Lusotho District and the private sector.

Herr Kuper is a health economist and has been working for the GTZ in Tanzania since 2003. As head of the component responsible for health finance he is responsible for strengthening PFM at district level. His special fields are financing and management of the health sector, social health insurance and PPP.



Birte Frerick is working as a trainee in the field of health finance after completing her studies of international business and her Master in Public Health. After a period with the GTZ she is currently with the KfW, where she is working on mechanisms of basket financing. Her next placements will be with the WHO and the BMZ.

Public Finance Reform

National Health Accounts facilitate an evidence-based health policy and promote transparency

National Health Accounts (NHAs) are an instrument which is increasingly being used internationally, in order to depict financial flows in the health sector: they show the origin, allocation and use of the sector's financial resources. In many industrial countries, NHAs are a long established tradition. If the data of different countries are to be compared, internationally agreed rules must be observed (WHO, OECD). The first NHAs for Pakistan were produced by the Federal Bureau of Statistics (FBS) in co-operation with the GTZ for the fiscal year 2005/06 and published in May 2009. Total health expenditure (THE) amounted to Pakistani Rupee 185m, which is equivalent to 2.6% of GDP (cf. India 3.6%, Ghana 5.1%, Germany 10.6%).

Transparency of financial flows

NHAs indicate the origin of funds that have been used. In Pakistan approximately one third comes from government sources, the remainder mainly from private households' cash payments. Moreover, they show what functions are performed at different levels and by whom. Unlike the older WHO estimates, Pakistan's NHAs embrace the total health expenditure of the districts, the armed forces, social security and free medical care provided by public services. These show the total health expenditure of the four provinces and make it possible to compare their individual expenditures.

NHAs facilitate the political debate on fair financing and underpin efforts to orient health policy on facts (evidence-based health policy). On this basis,

planners and political decision-makers can make their decisions on adjustments to public financing (e.g. with regard to obtaining additional revenues and their allocation). This macroeconomic overview is also useful for donors and researchers in order to follow the development of the health system and recognise the need for intervention. NHAs are therefore indispensable to the Pakistani government in its discussions with international donors on how to achieve equitable financing of the health sector. The health program promoted by German development co-operation underpins this debate.

NHAs facilitate policy debate

The GTZ has been promoting the introduction of NHAs in Pakistan since the beginning of 2008. Additional surveys are needed urgently, as until now the expenditures of providers of health services in the private sector, autonomous public bodies and the non-profit sector are lacking. The GTZ can provide support here in the form of further-training courses and methodical counselling. Updated NHAs for the fiscal year 2007/08 are already in preparation. Together with the necessary updating they will show expenditures according to providers of health services and methods of treatment, essentially the core of NHAs.

We can safely assume that NHAs will be established and improved in many developing countries in future. This provides an opportunity for the GTZ to expand its capacities and apply the experience it has already gained.

*Dr. Christian Lorenz, GTZ Pakistan
Contact: Christian.Lorenz@gtz.de*



The [NHA Pakistan](#) is available for the fiscal year 2005/06.



Dr. Christian Lorenz has a doctorate in economics and since April 2008 has been living in Islamabad, where he works on the GTZ project „Support for the Federal Statistical Office in Pakistan.“ Previously he worked for a business consultancy, in the Centre for Applied Economic Research in Münster, as well as for the RWTH in Aachen and Münster University. Dr. Lorenz's special fields are industrial economics, regulation and public finance.



Together with the OECD the **World Health Organisation** (WHO) sets the standards for the elaboration of [National Health Accounts](#) and has produced various [aids](#).

Public Finance Reform

Upcoming events

International Tax Compact (ITC) Workshop

A workshop on the ITC will be held in **Brüssels** from **January 25 to 27 2010**. After the successful launch of the ITC in March 2009, the BMZ, the Spanish Foreign Ministry and the European Commission have invited development partners and NGOs to discuss further steps to be taken.

Contact: Ute.Eckardt@gtz.de

Judicial Integrity Workshop

A workshop organised by the Judicial Integrity Group on integrity in justice will be held in **Lusaka, Zambia** from **January 23 to 24 2010**. Participants will be judges, judicial staff and development co-operation staff.

Contact: Johanna.Wysluch@gtz.de

Rutha Abraha joined the Public Policy Team as a junior expert in November 2009 and works in the field of



supreme audit institutions. She studied administrative sciences at the universities of Konstanz and Potsdam. She has gained practical experience as an intern with the GTZ in South Africa and as an adviser with the Public Finance Team.

Preview of our next issue

How is the good financial governance process in Africa progressing?

The reform of public finance systems is more important for African countries than ever before. The feature in the March newsletter will therefore focus not on a specific theme, but on a region.

German development co-operation is promoting ever more regional projects in the field of public finance. This gives the countries concerned both more leverage and more autonomy. Following the example of the successful support provided by CABRI, German development co-operation is now starting to collaborate with AFROSAI. In November the *African Tax Administrations Forum* (ATAF) was founded officially – with German support. The feature reports on these processes.

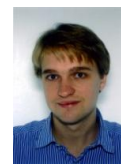
There is currently also a conceptual debate on the topic ongoing. The GTZ and the BMZ are supporting the African Development Bank and UNECA in their endeavours to find the right approaches and priorities. Our March issue will report on current discussions.

Contact: Jannick.Saeger@gtz.de

New arrivals:



Dr. Ute Eckardt has been representing the Secretariat of the International Tax Compact (ITC) in the GTZ office in Bonn since August 2009. After studying economics with public finance as a main subject, she worked on a GTZ project in the Colombian tax administration. For the last eight years she has worked as an expert in the field of public financial management.



Tassilo von Droste is seconded from the SV ITC to the EU Commission in Brussels. In the Directorate-General for Development he is engaged primarily with tax reforms and innovative mechanisms for the financing of development co-operation. Previously he worked on the Good Governance project in Mauritania. He studied for his Master's at the Institut d'Études Politiques in Paris.

Subscription:

To subscribe or unsubscribe to this newsletter please send a short e-mail to public-finance@gtz.de