

**ASSESSING FISCAL SPACE FOR HEALTH EXPANSION
IN LOW-AND-MIDDLE INCOME COUNTRIES:
A REVIEW OF THE EVIDENCE**

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**World Health
Organization**

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SUMMARY

Key Messages

- Advances in the conceptualization of fiscal space for health made during the MDG era have helped structure analysis and situate health financing reforms within macro-fiscal environments.
- Fiscal space for health studies show significant alignment on the potential for economic growth, budget reprioritization and efficiency improvement measures to drive fiscal space for health expansion.
- From the fiscal space for health studies reviewed, the limited evidence available is not conclusive in showing potential for ear-marked funds, in the form of public health taxes or social health insurance contributions, to provide large-scale, sustained expansion of fiscal space for health.
- While highlighting the valuable contribution that fiscal space for health assessments can make to contextualizing health financing within each country's macro-fiscal environments, this paper also calls for refinements in methodological approaches in order to strengthen the relevance and applicability of study results.
- More systematic attention should be placed on assessing possible gains derived from better efficiency and public expenditure management. Additional guidance is needed on how to define and measure those gains to free up resources for the sector.
- To more effectively support the design and implementation of health financing reforms, future fiscal space for health assessments would need to be routinized in budgeting processes and have their political and technical feasibility explicitly considered.

Background: Despite the proliferation of the term 'fiscal space for health' in recent years, there has been no comprehensive review of how the concept can be applied to assess and support the expansion of resources for the health sector. There is also a certain amount of confusion regarding the conceptual underpinnings and application of fiscal space for health analysis, notably regarding the way in which such analysis can help countries realize potential fiscal space for health expansion.

Methods: A qualitative review of 35 studies was undertaken in four stages to identify all fiscal

space for health studies and to systematically assess their findings and methods. These four stages involved a literature search, crowd-sourcing techniques, data extraction, and comprehensive qualitative analysis.

Results: There is significant alignment regarding the evidence that economic growth, budget reprioritization and efficiency improving measures are the main drivers of fiscal space for health expansion. Conversely, there is scarce evidence regarding the prospective role of earmarked funds, and development assistance for health in expanding fiscal space for the sector. The

lack of standardized methods and metrics to systematically assess fiscal space for health results in variations in the analytical approaches used, and limits study relevance and applicability for policy reform.

Conclusions: A more contextualized approach to fiscal space analysis is required that focuses on key sources of fiscal space for health expansion and includes efficiency

enhancements. Fiscal space analysis should be systematically embedded in domestic budgeting processes and explicitly consider both technical and political feasibility of assessed options. Adopting this approach could offer considerable potential for optimizing government budget and expenditure decisions and more effectively support progress toward universal health coverage.

INTRODUCTION

The concept of fiscal space (including fiscal space for health) has gained increased visibility in global and national policy discussions, where it is recognised as an important issue that all countries must take into consideration as they seek to make progress toward universal health coverage (UHC). The topic is of particular importance for many low- and middle-income countries (LMICs), which are the focus of this review, as they try to expand fiscal space for the sector to meet health coverage goals in the context of structural revenue and financing constraints. Importantly, the issue of fiscal space for health is also critical for higher income countries; however, it is approached in a different way as highlighted in work on the recent financial crisis. Specifically, countries in the European region have faced challenges in maintaining or limiting the contraction of fiscal space for health due to overall fiscal pressures or reduction in health budgets [1]. Therefore, the concern is focused on sustaining rather than expanding fiscal space for health.

First defined by Heller in 2005 [2], fiscal space is the budgetary room allowing a government to provide resources for public purposes without impacting fiscal sustainability, that is to say

While the basic concept applies to all public spending, subsequent frameworks derived from it have been used extensively in LMICs to assess the currently available and potential space for increased public spending on health specifically. Heller's work on the health sector (2006) [4] was largely motivated by Latin American and European countries' concern in the late-1990s regarding fiscal restrictions, particularly for "meritorious programmes", such as those related to health and other social sectors. While focused on one sector, the framework clearly acknowledges that government expenditure decisions are typically made in the context of competing demands for higher public spending, and that overall increases in the supply of public resources does not necessarily lead to more public spending on health.

Building on Heller's framework, Tandon and Cashin [5] elaborated on the sources that could be used to generate fiscal space for health and included: (i) conducive macroeconomic conditions, (ii) reprioritization of health within the government budget, (iii) an increase in health sector-specific resources (i.e. earmarked funds), (iv) health sector-

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