

## Domestic Public Funding Sources

### KEY POINTS

- \* As countries transition from donor funding, domestic public financing sources such as general revenue have the greatest potential to be governed by existing budgetary controls, integrated into health financing architecture, and recognized as the financial foundation of universal health coverage, with immunization financing as an integral component.
- \* Mechanisms such as health earmarks or trust funds, where they exist, are likely to play only a supporting role in immunization financing. They do not guarantee additive funding and can add complexity.
- \* Well-timed budget advocacy can help ensure that general revenue is allocated to health priorities. In countries where public financing or the financial management systems through which funds flow is irregular, help from sources such as the Vaccine Independence Initiative can ease financing challenges.

A COUNTRY'S PUBLIC finance system provides the financial backbone for realizing national health commitments. Worldwide, governments use general revenue and additional, complementary public sources to finance the move toward universal health coverage (UHC) and the immunization services that are important for reaching UHC goals. As some countries take on a greater role in financing their immunization programs and transition away from Gavi and other donor support (see Brief 9), domestic public funding sources will play an increasingly important role in bridging the gap (see Brief 2).

An analysis of comprehensive multi-year plans (cMYPs) for immunization in 40 Gavi countries between 2008 and 2011 found that government spending from all sources covered an estimated 67% of total routine immunization costs and 76% of shared service delivery costs in the baseline year. More recent analyses based on modified System of Health Accounts data in six low- and lower-middle-income countries confirmed that, on average, governments financed more than 50% of immunization costs, with most of the financing channeled through government agencies and spent at the primary health care level.

This brief explores the role of domestic public funding sources in financing immunization programs. (External revenue sources for immunization are explored in Briefs 9 and 10.)

### DOMESTIC FUNDING FOR HEALTH

Domestic funding for health can come from public or private sources. Public sources include general revenue raised through broad-based taxes at the national or subnational levels and public insurance contributions. These may be complemented by "on-budget" external resources that flow through government accounting systems. Private sources commonly include private (voluntary) health insurance premiums and formal or informal user fees paid at the point of service. (See Brief 8.) Domestic

public revenue sources for health programs that flow through government systems are more easily pooled and redistributed to achieve equity and financial protection.

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### GENERAL REVENUE

General revenue includes the money that governments raise through taxes on personal income, taxes on corporate income and profits, value-added and sales taxes, duties and import taxes, property and inheritance taxes, payroll taxes, and/or taxes on profits from the sale of natural resources. These sources are typically pooled in a consolidated fund and appropriated to pay public expenses through regular budgeting and planning cycles. (See Brief 17.) Because these resources are combined in a single fund, general revenue usually offers a better opportunity for redistribution and efficient allocation than other domestic resources that are not pooled in this way.

The amount of general revenue collected depends on the breadth of the country's tax base and the efficacy of tax collection and enforcement—both factors outside the health sector's control. However, the amount of general revenue allocated to health is determined in part by the budget process and how the government sets priorities during budget formulation.

The share of general revenue channeled into the various components of a national immunization program depends on budget allocation and structure, how much goes to the health sector as a whole, and how, within that pool of funding, allocations to immunization are made. Most low- and middle-income countries aim to make allocations to vaccine purchases transparent through a dedicated budget line. An evaluation based on data from 2000 to 2006 found that by 2006, 166 countries reported a vaccine line item in their national health budget. By 2006, 98% of African countries reported that their government had a specific budget line item for vaccines. However, the existence of a line item or

strategic plan for immunization is not a guarantee that immunization services will be funded, protected, or managed accountably.

### SOCIAL INSURANCE CONTRIBUTIONS

Some countries rely on earmarked payroll taxes or other mechanisms to generate revenue for the health system. It is important that social insurance contributions be allocated effectively, efficiently, and equitably toward health priorities, including immunization. In some countries, the social health insurance system focuses on curative care, which can shift priority away from immunization. (See Brief 2.) If a country has any sort of non-universal contribution mechanism—such as an "opt-in" scheme that includes immunization in its benefits package—it must ensure that immunization is financed for those who remain uncovered.

### OTHER DOMESTIC REVENUE SOURCES

Budgetary constraints in the health sector have led to discussions about alternative ways to generate domestic revenue for immunization programs—a policy avenue that is often outside of the direct decision-making power of the ministry of health. These mechanisms include domestic trust funds (which can still contain a mix of public and external funds) and other earmarks, including lotteries. (See Briefs 6 and 7.) Few countries have established trust funds and earmarks for immunization financing, and countries should carefully consider the pros and cons of these mechanisms before adopting them. For instance, earmarking may not actually provide more money over the long run if it results in cuts to other parts of the health budget. Trust funds can be burdensome to create and manage and, once in place, might only partially fund immunization priorities.

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### ECONOMIC GROWTH AND NEW FISCAL SOURCES FOR HEALTH

As economies grow, governments can capture a greater share of increased economic output as revenue, as shown in the figure below. Reliance on out-of-pocket payments by patients generally decreases as the national income level rises and, in turn, as overall access to publicly financed services expands.

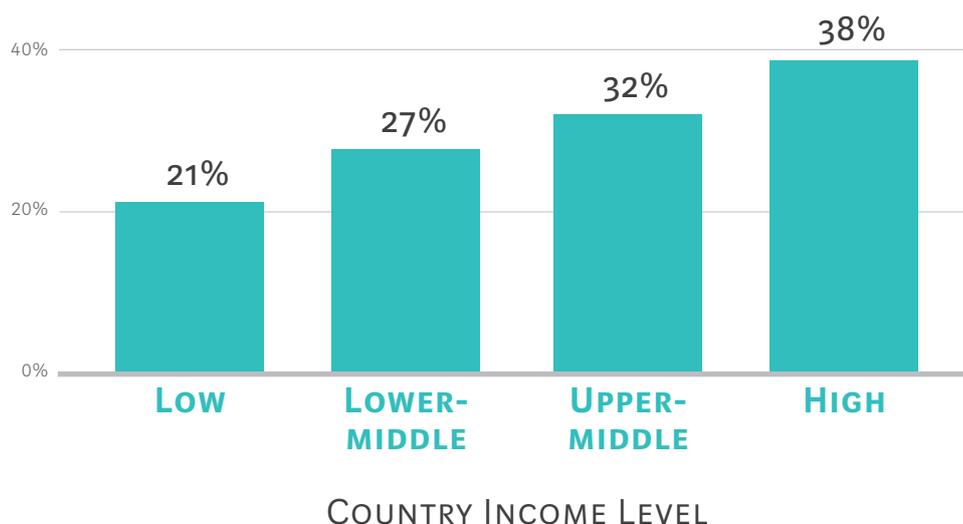
Even as their economies mature, most low- and middle-income countries will continue to face constrained resources for health. First, economic growth can act as a signal for donors to pull out funding, which leaves countries to take on more of the financial burden of supporting health. Second, it takes time for countries to broaden and strengthen their tax systems. Third, government budget

allocation processes are poorly linked to policy and planning in many countries, so even if health is a stated priority, budget allocations may not reflect this. Finally, fiscal space for health may be further constrained by inefficiencies, limited ability of the system to absorb and spend funds, corruption, and diversion or misuse of funds.

### IMPLICATIONS FOR IMMUNIZATION FINANCING

Even when domestic public resources or the systems through which they flow are constrained, they still offer the best option in terms of being governed by existing general budgetary controls, integrated into the health financing architecture, and used flexibly to meet immunization program needs. Domestic public sources, particularly general revenue, are often more predictable, equitable, efficient, and sustainable than

### GOVERNMENT REVENUE AS A PERCENTAGE OF GDP



Source: Adapted from IMF, World Economic Outlook (October 2015)

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other revenue sources. Well-timed and coordinated budget advocacy can play an important role in improving the level, prioritization, and stability of general revenue flows to health, including immunization. (See Brief 17.)

Countries with irregular timing of funding flows can consider options such as negotiating release of time-sensitive funding early in the fiscal year, as Armenia has done for vaccine procurement (see Brief 19); using the Vaccine Independence Initiative (VII) as a way to bridge intermediate gaps (see Brief 13); and tapping commercial lines of credit or guarantees to provide more liquidity for the purchase of time-sensitive essential commodities.

### SOURCES AND FURTHER READING

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