WHY 5% OF GDP

Why the 2019 UN High-Level Meeting on Universal Health Coverage should encourage all countries to achieve this target

csem

Civil Society Engagement Mechanism for UHC2030

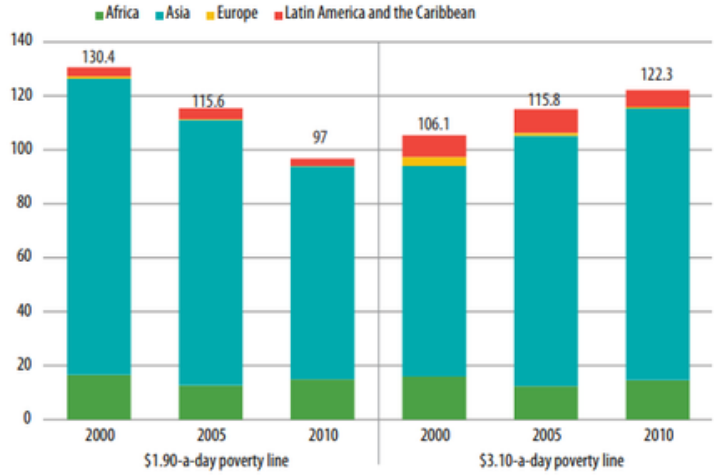
While there is consensus that Universal Health Coverage (UHC) must be funded by public resources, that out-of-pocket payments should be reduced or eliminated and that financing for UHC means compulsory pooling through fair mechanisms, there is not an agreed target for national government spending. The Political Declaration for the United Nations High-Level Meeting on Universal Health Coverage, in September 2019, would be the first time that the target of 5% of GDP as minimum government health expenditure is supported by an international communiqué. The Civil Society Engagement Mechanism for UHC2030 (CSEM) believes that this is an ambitious and clear health financing target which all countries can achieve.

WHY WE SUPPORT 5% OF GDP

There is consensus that the most important shift to move towards UHC is sufficient public financing which can replace private voluntary expenditure. However, the proportion of people impoverished by out-of-pocket health spending (measure at $3.10 per day poverty line) continues to grow. Public financing for health in low-and-middle-income countries is stagnating. At the same time, Overseas Development Assistance (ODA) for health is stagnating and commitments to align ODA behind national health plans to build UHC do not materialize.

Only by increasing public financing and improving public health services for all can out-of-pocket payments reduce. Only public financing can ensure that all contribute fairly to the national budget, ideally through progressive taxation, but health care is available to all based on need.

Fig. 3. Global and regional trends in impoverishment due to out-of-pocket payments: $1.90-a-day and $3.10-a-day poverty lines



WHERE DOES 5% OF GDP COME FROM?

A 5% figure for health spending as a share of GDP appeared in WHO documents as early as 1981.[1]

The World Health Report 2010 Health systems financing: the path to universal coverage for UHC says: “It is difficult to get close to universal coverage at less than 4–5% of GDP, although for many low-and-middle-income countries, reaching this goal is aspirational in the short term and something to plan for in the longer run.” The report also points out that “Those countries whose entire populations have access to a set of services usually have relatively high levels of pooled funds – in the order of 5–6% of Gross Domestic Product (GDP).”

McIntyre, Meheus and Røttingen analyzed the level of government spending needed to reduce impoverishment, the costs of sufficient numbers of health workers and the cost of providing 90% coverage of essential health services and concluded that “a target of government expenditure of at least 5% of GDP is an appropriate one.”[2]

The Chatham House Working Group Shared Responsibilities for Health on Health Financing recommended that “Every government should commit to spend at least 5 percent of GDP on health and move progressively towards this target, and every government should ensure health expenditure of at least $86 per person whenever possible. Most middle-income countries should be able to reach both targets without external support.”

[1] Savedoff, William (2003), ‘How Much Should Countries Spend on Health?’, Discussion Paper, Geneva: World Health Organization.
[2] What level of domestic government health expenditure should we aspire to for universal health coverage?, Health Economics, Policy and Law, 20 17.

All governments are capable of raising and spending 5%. While taxing people is more difficult in countries with large informal economies, many countries can improve tax collection, stop illicit financial flows and tax avoidance. Governments can increase fair taxes including through land and sin taxes and mandatory social health insurance.

The Civil Society Engagement Mechanism for UHC2030 started calling for 5% of GDP to be a target in 2017. In 2019 it was included in the Key Asks from the UHC Movement for the UN High-Level Meeting (although not as a clear ask). The zero draft of the high-level meeting political declaration now cites this target, although it is under attack from some sources.

WHY NOT OTHER TARGETS?

The best-known target for health financing is the commitment of 15% of the government budget to health, made by the African Union in 2001. However, this target takes no account of the size of the government budget is. 15% of an inadequate government budget remains an inadequate amount.[3] The fiscal space countries have to increase their tax collection varies. It is affected by corruption, illicit financial flows, the size of the informal sector, the legitimacy of governments, and fragility. A recent ODI report proposed that low-income countries can increase their tax revenues from 17% to 19% of GDP; least developed from 18% to 20%; and middle-income countries from 25% to 30%.[4]

Various reports have proposed per capita targets for government health spending, including the World Health Report 2010 which calls for $60 per capita per year. This was updated by the Chatham House Working Group at $86 per person, per year[5]. This target has little connection with the size of the economy and is unrealistic for low-income countries. A 5% of GDP target is theoretically possible for all countries although the funds it raises may still be inadequate in low-income countries.

WHO has supported a call that no more than 15-25% of a country's total current health expenditure (i.e. from all sources) should be from out-of-pocket spending. This is a good indication of where public funding for health is inadequate. However, it is also affected by the wealth of the country. In the least developed countries, a significant number of the population is likely to lack the funds to pay out-of-pocket payments so the situation can appear better than the reality.

[3] Jowett M et al, Spending Targets for Health: No magic number, WHO 2016.
[4] https://www.odi.org/sites/odi.org.uk/files/resource-documents/12411.pdf
[5] Shared Responsibilities for Health, A Coherent Global Framework for Health Financing, Chatham House 2014.

WHAT CAN 5% OF GDP ACHIEVE?

5% looks very different from country to country, depending on the strength of the economy. In Nigeria, it would mean $105 per capita, per year and in Sierra Leone only $27. The WHO Health Financing database shows, for a sample of countries, the current total health expenditure, what proportion of that is out-of-pocket, total government expenditure if 5% of GDP was achieved.

	Current Health Expenditure (CHE) as % Gross Domestic Product (GDP)	Out-of-pocket (OOPS) as % of Current Health Expenditure (CHE)	Domestic General Government Health Expenditure (GGHE-D) as % Gross Domestic Product (GDP)	Domestic General Government Health Expenditure as $ per capita	Domestic General Government Health Expenditure as $ per capita IF 5% of GDP WERE ACHIEVED
Kenya	5	28	1.65	$24	$73
Nigeria	**4**	**75**	**0.47**	**$10**	**$105**
Sierra Leone	17	42	1.85	$10	$27
Pakistan	**3**	**65**	**0.77**	**$65**	**$423**
Sudan	6	74	1.10	$30	$136
India	**4**	**65**	**0.93**	**$16**	**$86**
Mali	**4**	**35**	**1.19**	**$9**	**$38**

In many low-and-middle-income countries, “total current health expenditure” is already close to or even above 5%. It is important to note that the majority of this funding is out-of-pocket payments, the least fair and least efficient method of funding health. The commitment to the 5% of GDP would be a challenge to governments to shift their spending from the least fair to the most fair method.

THE ROLE OF AID

Where 5% of GDP amounts to less than the $86 per capita, donors should assist countries that are doing their best but whose economies are too small to deliver essential health services. Where countries struggle to raise 5% of GDP for health, donor support should catalyze improvements to tax systems.

The declaration should continue to push donors to achieve 0.7% of GNI as ODA and specifically to ensure that 0.1% of GNI is health ODA.

WILL DOMESTIC RESOURCES COME FROM CUTTING EDUCATION OR OTHER PUBLIC SERVICES?

A GDP-focused target should encourage governments to improve tax systems and reduce tax avoidance and illicit financial flow to increase revenue for all public services. A review of the Addis Taxation Initiative showed that some countries can and have made real progress in increasing domestic revenue through taxes, with assistance to improve transparency, fairness, and efficiency.[6] Governments should also increase areas of expenditure that are necessary to achieve the SDGs but can make cuts in many areas including fuel subsidies, high-level government officials' luxury lifestyles and military conflicts.

QUALITY OF EXPENDITURE?

Increasing government health expenditure is of course not the end of the story nor will simply allocating money to health magically lead to UHC. To build health services which can achieve UHC, it is necessary to ensure that 1) health budgets are well-spent 2) inefficiencies and corruption are reduced 3) essential services at primary and community level are prioritized and 4) quality of healthcare is constantly improving. WHO estimated that 20% to 40% of all health spending is currently wasted through inefficiency[7]. However efficient, low government health budgets cannot build UHC. They only condemn people and communities to ill health and grave inequalities.

[6] International Tax Compact, Addis Taxation Initiative Monitoring Report 2015, 2015.
[7] World Health Report 2010.