



## “PRIORITIES OF HEALTH ECONOMICS IN AFRICA”

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### **Plenary session 5: International health financing mechanisms**

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#### **PL 05/2**

#### **Are current debt relief initiatives an option for scaling up health financing in beneficiary countries?**

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33 Sub-Saharan African countries are currently eligible to benefit from debt reduction under the enhanced HIPC Initiative and the more recent Multilateral Debt Relief Initiative (MDRI). Many hopes and promises were attached to the launch of these initiatives. For the first time, the provision of debt relief was explicitly linked with the goal of poverty reduction: budgetary resources no longer needed for debt service are meant to be used for scaling up expenditures conducive to poverty reduction and the attainment of the MDGs. Given the important role of health in the achievement of the MDGs, this sector was expected to benefit considerably from additional resources. One decade after the launch of the HIPC Initiative and two years after the implementation of the MDRI it has become clear that things are far more complicated. A dollar debt relief does not necessarily translate into one additional dollar of pro poor (or even health) spending. The successful realization of the initiatives' objective with regard to increased poverty expenditures depends on many factors.

The aim of this paper is to shed some light on the opportunities and challenges arising from recent debt relief initiatives to scale up health financing in beneficiary countries. Our main focus is articulated around the following questions: How much fiscal space is annually created in the government budget as a result of debt relief? What is the share of resources allocated to the health sector? What mechanisms and procedures had been put in place to manage debt relief resources and how can health officials use them for their advocacy? And most importantly, are debt relief funds additional at national and international level? Case studies have been undertaken in 2007 for nine countries: Burundi, Cameroon, Madagascar, Malawi, Mauritania, Mozambique, Tanzania, Uganda and Zambia. A main finding is that countries have chosen very different approaches to manage and integrate the potential savings resulting from debt relief initiatives into their public expenditure

systems. The questions outlined above can not be answered systematically for all beneficiary HIPC's, but must be assessed in the specific country context. The paper therefore introduces a typology consisting of three typical settings which can be found among countries already qualified for the HIPC Initiative. Our ability to measure whether debt relief resources are being devoted to the health sector and the resulting policy implications for (health) officials are intimately linked to the type of setting in which the country operates.

Key Words: Debt relief, HIPC, MDRI, health financing