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Equitable Financing of Primary Health Care under a Fiscal Federal System: Swimming Against the Tide?

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Background The introduction of fiscal federalism is a reform not done primarily with health sector concerns. Many countries have adopted this form of government structure. In general, the objective has been to promote democracy and efficiency in service delivery, through better responsiveness to local needs and preferences. A key concern for the health sector is that the decentralisation of expenditure responsibilities for health care can lead to or exacerbate existing inequities in the allocation of health resources across geographic areas. However, the philosophy of the primary health care (PHC) approach subscribes to the provision of PHC services by lower government levels or health administrations such as local governments and health districts. Thus, many health systems have been encouraged to decentralise the responsibilities for financing and provision of PHC services.

Objective The objective of the study was to assess the impact of intergovernmental structures within the South African fiscal federal system on equity in the financing of PHC services. Influence of factors such as levels of autonomy, intergovernmental transfer mechanisms, community participation, budgeting and resource allocation processes were considered in the analysis.

Methods The primary site for the study was South Africa, with Nigeria as a study site for comparative analysis. The study made use of both qualitative and quantitative data. Qualitative data was from interviews with government officials involved in decision making for intergovernmental transfers and budgeting processes that determine the size of PHC allocations to districts (South Africa) and local governments (Nigeria). Quantitative data was used to assess the changes in the pattern of PHC allocations, based on health needs. Health needs were measured by the use of deprivation indices. The study also reviewed the experience of other fiscal federal systems in the financing of PHC.

Research Findings Countries where SNGs enjoyed higher levels of autonomy in the financing of PHC, experienced inequity in PHC financing along existing socio-economic differences in local jurisdictions. In older and more advanced federal systems, basic services such as health (and PHC) was financed jointly by the central

and SNGs. This allowed the central government the option to intervene in fiscal arrangements in order to achieve a more equitable distribution of PHC services. In the case of South Africa, the increased involvement of the central government in fiscal matters at the level of the province coincides with convergence of PHC expenditure per capita across local jurisdictions. Although the study focused on federal systems, the results also have implications for decentralised health systems.

Key words: Equity, fiscal federalism, health care financing.