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**HEALTH POLICY
INITIATIVE**

Targeting Resources and Efforts to the Poor:

Allocating Resources Equitably in Latin America and the Caribbean (LAC)/Africa

Presenter's Name

Date



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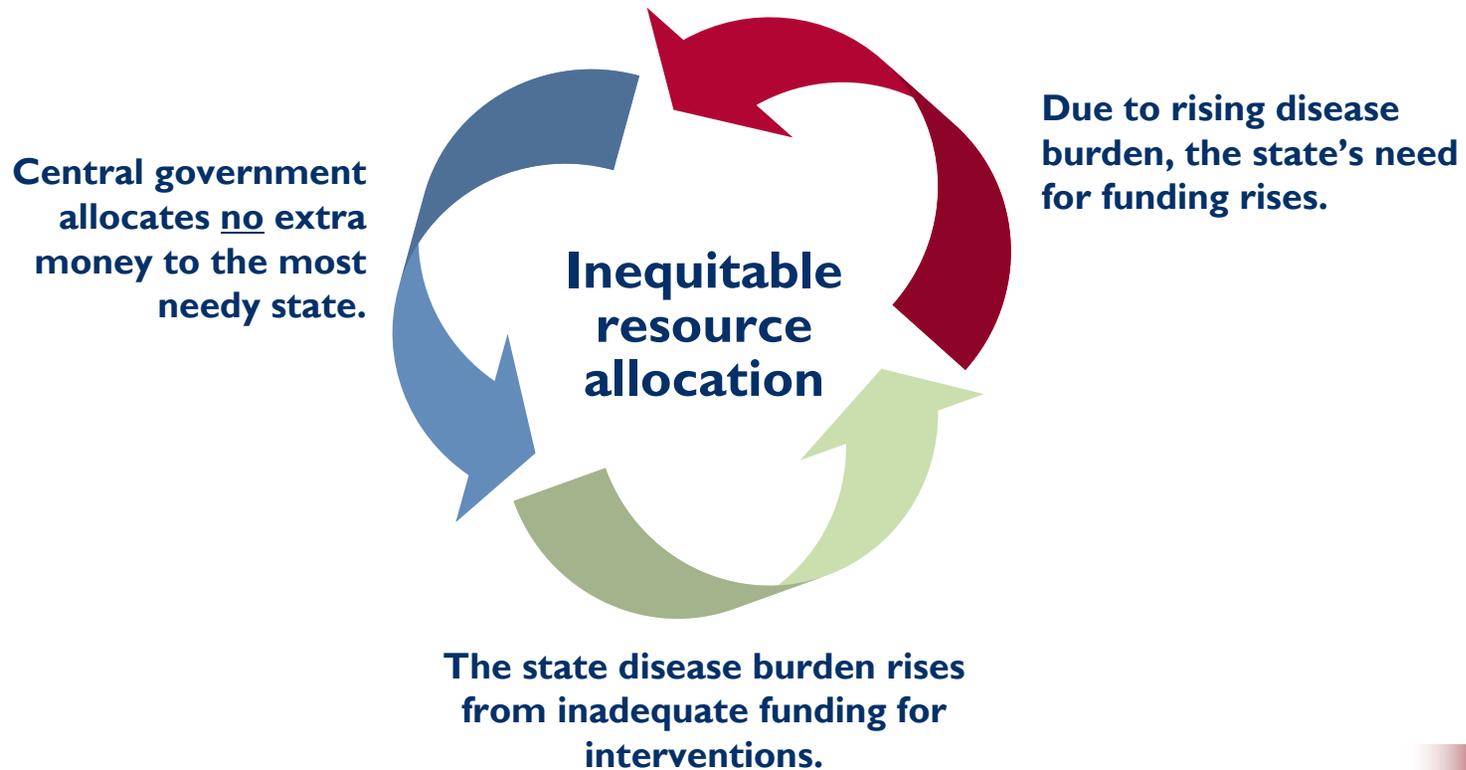
Session Goals

We will discuss the following:

1. Why is resource allocation important?
2. What policies can address inequities in resource allocation?
3. Case studies from Africa and LAC

Resource Allocation: What Is the Problem?

In many countries, resources are allocated to subnational entities without adequate consideration of variations in need. This perpetuates and reinforces poor health and poverty.

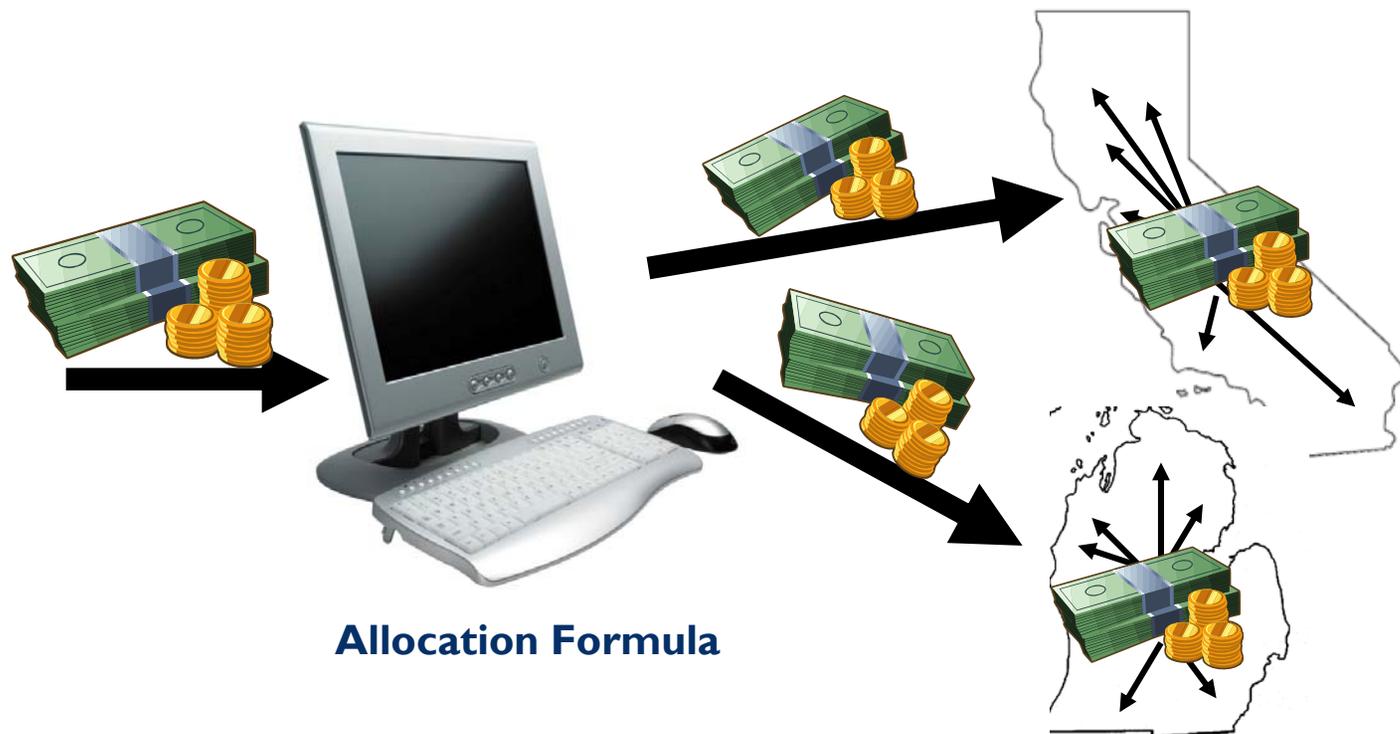


Why Is Allocation Often Inequitable?

- **Distribution is typically influenced by more vocal populations:**
 - Result: Health systems are not geared to serving the health needs of the population (especially those of the poor).
 - Result: Resources are heavily concentrated in urban hospital settings, rather than essential health services.
- **Political inertia → governments allocate resources the same way every year, rather than according to need**
 - Each facility receives allocation, which is usually increased (or decreased) by a percentage each year, in line with the overall increase (or decrease) in the health budget.

Policies That Can Improve Equitable Allocation

1. Implement needs-based allocation formula



2. Decentralize allocation decisionmaking



Using Formulas for Equitable Allocation

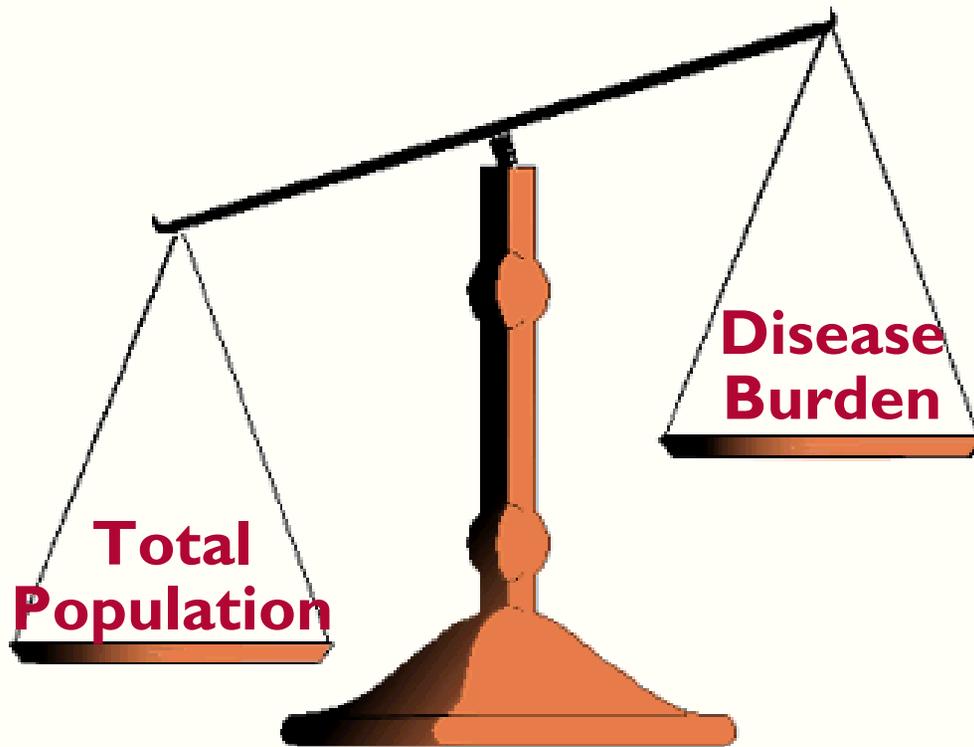
The following information can help you assess variations in need:

- Size of population served
- Other demographics
 - Higher percentage of children <18?
 - Higher fertility rate in one region?
- Need for healthcare
 - Disease burden, birth rates, etc.
- Other factors
 - Does geography increase delivery costs?
 - Are donors already filling gaps?

Using Formulas for Equitable Allocation

You then need to weigh each variable:

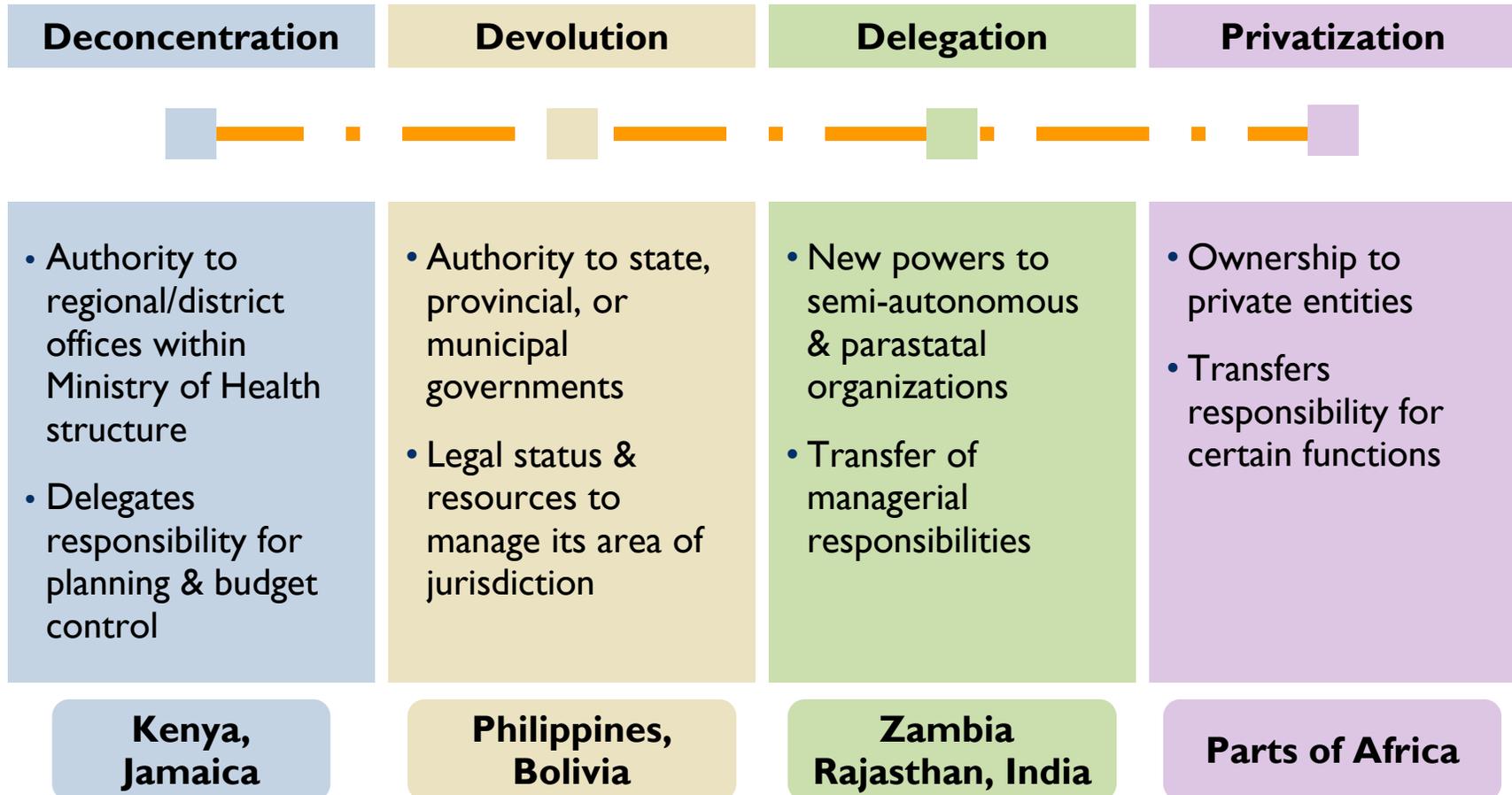
- Should disease burden drive 20% of funding allocation? 30%? 10%?
- Does the total population determine 80% of the funding needs? 90%? 70%?



Decentralizing Decisionmaking to Improve Equitable Allocation

- Peripheral governments usually understand local health needs better than the central government.
- Likewise, any one hospital usually understands the health needs of its clientele better than the central government.
- In theory, empowering such peripheral entities to allocate resources themselves leads to greater equity and efficiency in service delivery.

Decentralizing Decisionmaking to Improve Equitable Allocation



Examples from Africa

Uganda and Tanzania



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Uganda: Background

Implemented decentralization beginning in the 1990s

Goals:

- Equitable distribution of public resources between and within districts
- Reduction of the disparities in health outcomes between the poorest and wealthiest income quintiles by at least 10% by 2010

Uganda: Challenges

Small revenue-earning capacity of Ugandan local governments necessitates financial transfers from center to subnational governments:

- **Equalization grants** were created, using formulas to promote the equitable distribution of resources across subnational governments.
- **Local development grants (LDGs)** also contain performance-based formulas: local governments that demonstrate improvement in performance are eligible for a 20% increase in their LDG allocations the following year, while those that show poor performance take a 20% reduction in their allocations.
- **Capacity-building grants** provide support for using LDGs.
 - **Emphasizes continuous improvement**

Uganda: Results

- Decentralization resulted in transfer of substantial financial resources to districts' health programs
- Districts expanded infrastructure to increase access
- Between 2001 and 2006, more resources allocated to district health systems in a transparent and equitable allocation of resources across health subdistricts and health units
- Funds were released on time to the health sector

Tanzania: Background

- One of the poorest countries in the world
- Significant geographic variation in economic and health indicators
- Previously allocated health money based on a single indicator—population:
 - This was transparent and simple, but perpetuated discrepancies between wealthier urban and poorer rural areas
 - Grants would follow previous year's allocation, plus inflation

Tanzania: Challenges

- Health system mainly funded by block grants, transfers from central to local government
- Funding unequally distributed
- Inequalities persist each year, as grants were given based on the previous year, plus inflation

Addressing inequities is particularly difficult, given the low level of overall funding available for health services.

Tanzania: Results

- Beginning in 2004, allocation formula was introduced.
 - Population size (70% weighting)
 - Under-5 mortality rate (10% weighting)
 - Mileage covered for supervision and distribution of supplies (10%)
 - Poverty level (10%)
- Allocation formula has been applied to only a portion of grants, thereby limiting its effectiveness.
- Recurrent transfer system since 2006 has proven predictable, transparent, and timely.

Summary

Primary Strengths

- Countries used bottom-up, as well as top-down, planning to allocate resources.
- Equity was a primary concern during reallocation.
- Poverty differentials were addressed in the formulas.

Pressing Challenges

- Human resources and drug allocations still need to be addressed equitably.
- The formulas need to be adjusted to reflect cost of service delivery and health needs.
- Reliable districtwide data are lacking. Countries have initiated national health accounts (NHAs), but have not used them effectively as tracking tools.

Examples from Latin America

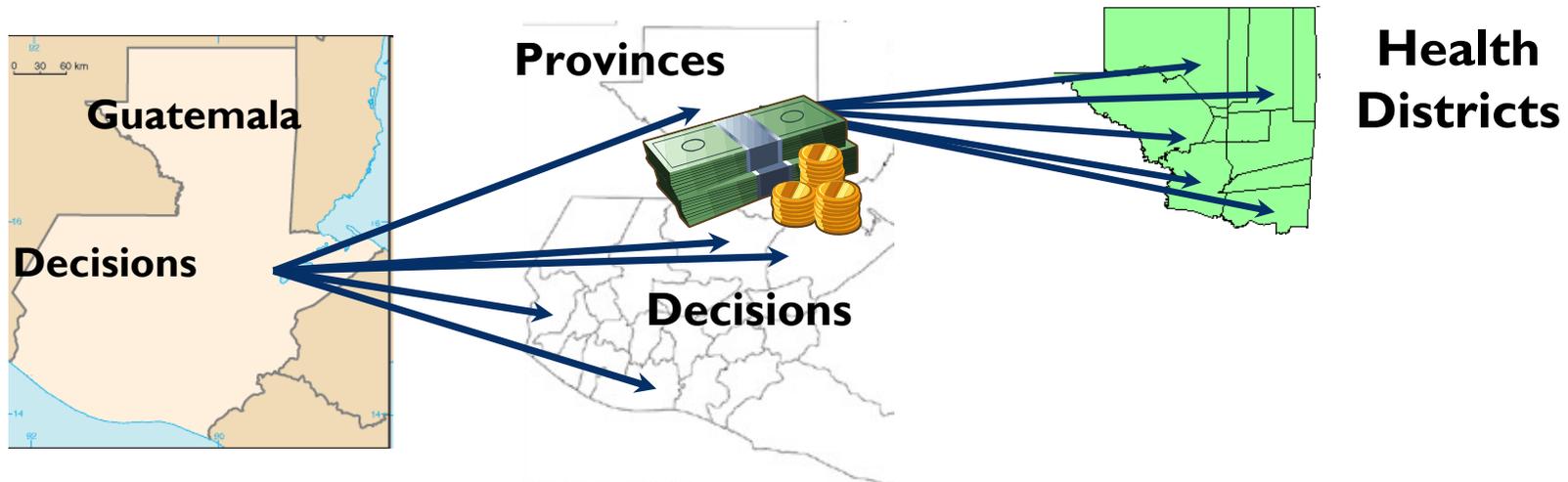
Guatemala, Colombia, and Chile



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Guatemala: Attempting to Improve Resource Allocation through Decentralization

De-concentrated resource allocation decision making to provinces, which in turn allocate resources to health districts

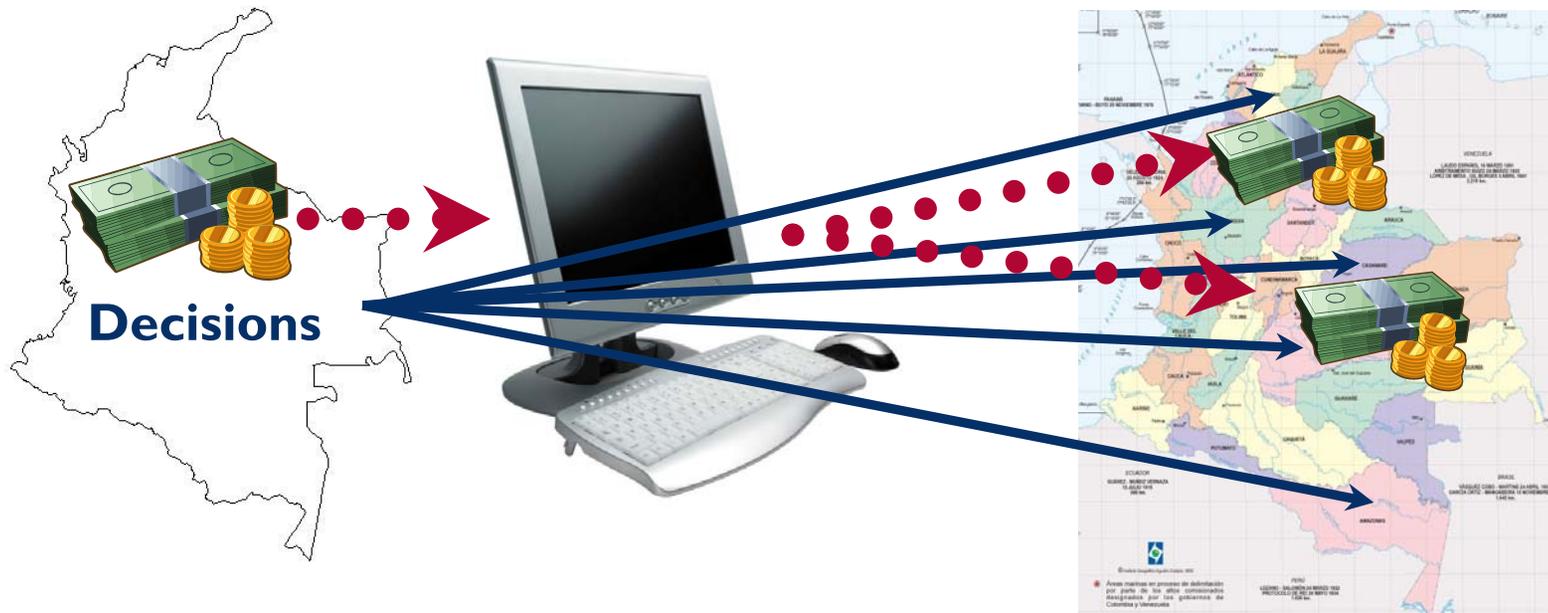


Goal: Empower provinces to allocate to districts based on need

Result: Provinces continued allocating based on historical budgets

Source: International Society for Equity and Health. 2006. "Equity and Health Sector Reform in Latin America and the Caribbean from 1995 to 2005: Approaches and Limitations." International Society for Equity and Health—Chapter of the Americas Report. http://www.iseqh.org/docs/HSR_equity_report2006_en.pdf.

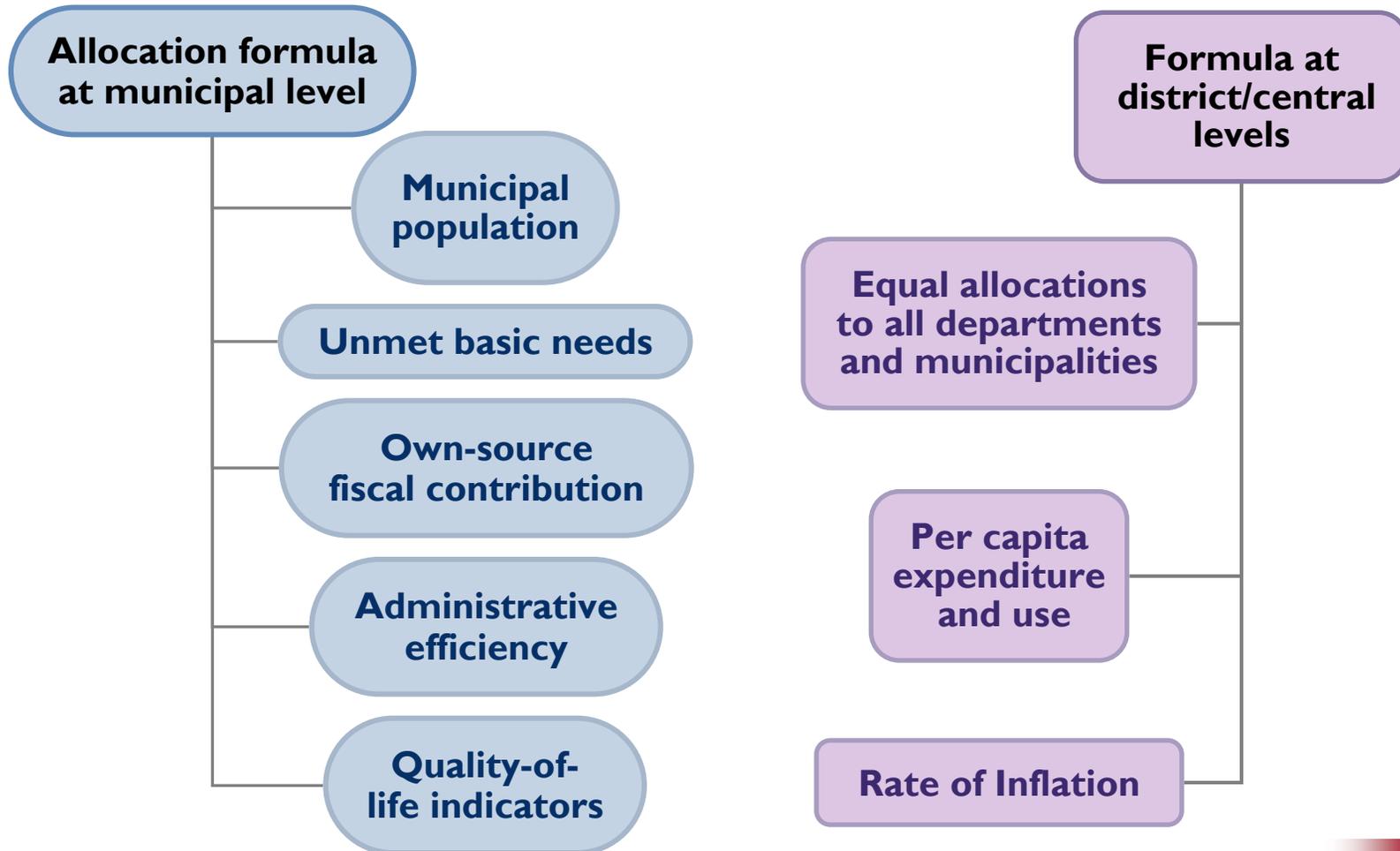
Colombia, 1994: Implemented Devolution and Progressive Resource Allocation Formula



- Total volume of resources was increasing at the same time, so no municipality had to trim its budget.
- Even the wealthiest saw a greater than 50% increase in transfers from the central government.

Source: International Society for Equity and Health. 2006. "Equity and Health Sector Reform in Latin America and the Caribbean from 1995 to 2005: Approaches and Limitations." International Society for Equity and Health—Chapter of the Americas Report. http://www.iseqh.org/docs/HSR_equity_report2006_en.pdf.

Colombia: Allocation Formulas Used at Two Levels



Chile: Allocation Strategy

Chief source of health funding:

- Municipal Common Fund (MCF)—a horizontal equity fund to redistribute resources among the municipalities

MCF is built on resources from wealthier quintiles:

- 60% of revenue from local estate taxes
- 50% of local taxes from vehicle license plates
- Some revenue from commercial and industrial licenses

Money is then reallocated on a per capita basis.

Chile: Mixed Results

- Allocation from the center was progressive, but no decrease in inequity gap was observed.
 - Still, equity presumably would have worsened without reallocation.
- Inequity gap persisted, because wealthier municipalities mostly used their own resources—not the central government's—to fund healthcare.

Source: International Society for Equity and Health. 2006. "Equity and Health Sector Reform in Latin America and the Caribbean from 1995 to 2005: Approaches and Limitations." International Society for Equity and Health—Chapter of the Americas Report.
http://www.iseqh.org/docs/HSR_equity_report2006_en.pdf.

Summary: Guatemala, Colombia, and Chile

Approach to equity included

- Devolved decentralization methods (Guatemala, Chile, Colombia)
- Population-based formulas to allocate resources (Chile, Colombia)

Results:

- Although Colombia pumped additional resources into the poorer quintiles, Chile focused on redistribution from the wealthier to the poorer sections.
- Chile and Guatemala approaches were ineffective for different reasons.

Session Goals

We have discussed:

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