Rough Draft for Preliminary Review, September 6, 2001

Preliminary Note on Budget Line Item for Immunization

Background

During recent GAVI Financing Task Force meetings, questions have arisen about the advisability of requiring countries receiving Vaccine Fund support to establish a line item in national budgets for the National Immunization Programme or one of its components (e.g., vaccine purchases). Reference has been made to the fact that eligibility for UNICEF's Vaccine Independence Initiative and the European Union's ARIVAS Program depends, in part, on the creation of a line item for vaccines, as a means of inducing greater national expenditures on vaccines and ensuring a reliable annual allocation.

The discussions about the value of a budget line item have generated diverse views: some believe that a line item is essential for long-term financial sustainability; others believe that it has a neutral or only weakly positive effect; and still others believe that the creation of a budget line item—and the possible earmarking of funds implied by that action—provides no benefits for the immunization program itself, and harms overall health sector development, particularly in the context of a sector-wide program of external support (commonly known as a SWAp).

During the most recent Financing Task Force meeting in Geneva in June 2001, it was agreed that to move forward on this issue it be useful to answer three specific questions:

- First, what is the potential utility of a budget line item for immunization?
- Second, is the creation of a budget line item related to immunization consistent with the concepts and working arrangements underlying a sector-wide program of support, which is an increasingly popular mode of providing external aid?
- Third, what alternatives to the creation of a budget line item might bring about the same potential benefits? A preliminary exploration of those issues is provided below, to stimulate further discussion.

Before addressing the specific questions, it is useful to highlight the distinction between a line item for vaccine purchases only, and one for all program-specific expenditures.[1] The first implies that the health budget is organized by component or

[1] Programme-specific expenditures include vaccines, syringes, supplies, fuel, in-service training, community mobilization efforts specific to immunizations, and direct immunization program management costs. They do not include the costs of immunization service delivery personnel, since they often perform multiple duties beyond providing immunizations, making it difficult to separate out the share to be attributed to immunizations. Programme-specific costs also include the cost of capital goods dedicated to the programme, such as cold chain equipment and vehicles used for EPI activities exclusively.

input, such as personnel, drugs, training, fuel, communication, maintenance and so forth. This is the typical arrangement. The second implies that the health budget is organized by program, such as immunization, malaria control, perinatal services, and so forth. This is rarely, if ever, found. In fact, it has long been observed that while program budgeting may have some positive attributes, it is extremely difficult to develop because of the joint production of various services as well as rigidities of public budgeting processes. Combining traditional line items (personnel, etc.) and program line items has serious flaws, because it induces inconsistencies in accounting practices. Therefore, while both the "immunization program" line item and the "vaccine" line item are discussed below, only the vaccine line item is likely to be a viable option.

Questions

1. What is the potential utility of a budget line item for immunization?

All countries confront the problem of how to protect resources for essential public health programs from the vagaries of the budget process—how to ensure that activities that are defined as priorities in public health terms (i.e., conveying positive externalities, highly cost-effective, affecting large numbers of people, and so forth) receive "adequate" levels of support, and do not lose out in the budget process to spending that may appeal more to defined political constituencies. Advocates for specific public health programs, such as immunization, also face the challenge of tracking public expenditures to see whether public spending meets established targets, and/or how it compares over time and across countries.

Some observers believe that the creation of a budget line item for the immunization program or one of its components, such as vaccine purchases, can contribute significantly to improved financing. The creation of a line item is commonly thought to bring about the following benefits:

- Increases awareness of the need to allocate funds (including foreign exchange) to a priority health service. The notion is that government officials responsible for budgetary decisions will be more conscious of the importance of the immunization program and/or vaccine procurement if it is flagged in the budget. They may be less aware if all elements of the program are "hidden" under categories such as personnel, drugs, training, maintenance and so forth.

- Signals long-term political commitment to the immunization. Governments that are willing to introduce an immunization-related line item into the official budget, it is assumed, have a strong commitment to maintaining the program. They are willing to make allocations visible—an indication that the government anticipates that those allocations will remain at an adequate level.

- Induces greater spending on immunization by national governments. It is thought that the presence of a line item for immunization and/or vaccines—with the greater awareness it creates—will inspire national governments to

increase their budgetary effort toward this priority health program. (It is notable that a review of the experience of VII and ARIVAS demonstrates that the creation of a line item does not necessarily produce this result, at least over the medium term.)

- Permits tracking of allocations and expenditures. The creation of a line item for the immunization program and/or vaccine purchases is thought to permit more transparency in the allocation of funds, and can permit external agencies and advocacy groups to better monitor the government's budgetary effort.

Whether these benefits are realized depends on many factors. It is clearly the case that simply creating a budgetary line item does not guarantee that it will be "filled" to an adequate (or increasing) level. In addition, in a decentralized context tracking of allocations and expenditures is only enhanced by the creation of a line item at a national level if (a) the national government finances all or most of the immunization program (or the vaccine purchases); and/or the structure of subnational units' budgets conforms to the national budget.

2. Is the creation of a budget line item related to immunization consistent with the concepts and working arrangements underlying of sector-wide programme of support?

A sector-wide program of external support, commonly known as a Sector-wide Approach (or by the acronym SWAp), is a relatively new way for donor and lending agencies to organize their support to a developing country's health sector. The fundamental idea is that development partners work with the beneficiary government to agree upon a comprehensive vision and strategy for the health sector as a whole, and then provide all external support within that framework—rather than as isolated categorical programs determined solely by external interests and priorities.

In concept, a fully evolved SWAp has the following characteristics, among others: external funds are not earmarked; external financing does not go directly to a project unit, but rather to an overall budget; the government sets priorities; and reviews and reporting processes are consolidated. [See Annex A for a description of the evolution of the SWAp concept.]

In many instances, SWAps are associated with sectoral reform processes—that is, the development partners seek to work with the government to define a vision and strategy for more efficient and equitable functioning of the sector, rather than maintenance and expansion of the government's current "way of doing business." That said, there is not necessarily a one-to-one correspondence between a SWAp and sector reform.

There currently are no examples of fully-evolved SWAps—i.e., where unearmarked budget support is provided by all donors, based on an agreed-upon framework. However, in several countries (e.g., Ghana, Bangladesh, Zambia, Tanzania and others) there are a

range of variants on the concept, and popularity of such arrangements appears to be increasing.

In many discussions a tension has existed between advocates of the SWAp concept and proponents of establishing a line item and earmarking funds for immunization (and/or other priority health) programs. It is not necessarily the case, however, that the creation of a line item and/or the earmarking of funds for immunization are inconsistent with the SWAp concept. While it is certainly true that earmarking of *donor* funds is anathema to SWAps (although it still is often done), allocation of *government* funds for priority public health programs at the national level is actually encouraged by the SWAp process: All partners participate in negotiations about how public spending patterns can be reoriented to improve health conditions. Under the SWAp concept, a line item for specific expenditures can be established *provided it fits within the overall logic of the national budget* (i.e., does not set up a parallel accounting system). The implication of this is that, for immunization, it would be acceptable within the SWAp context to establish a line item for a specific input, such as vaccines, but not for the full program. [See Annex B for a fuller articulation of the role of priority health programs within a SWAp.

3. What alternatives to the creation of a budget line item might bring about the same potential benefits?

Financial sustainability of an immunization program rests, in part, on the development of awareness among key decision makers of immunization as a priority program; political commitment to funding immunization; increases in national expenditures on immunization services to match program targets; and improved ability to track public spending on immunization. It has been proposed that requiring the creation of a budget line item for immunization (or vaccines alone) can contribute significantly to achievement of these aims. However, changing the structure of a public sector budget may require considerable political and bureaucratic effort and, as noted above, the establishment of a line item by itself has not yet been demonstrated to yield increased spending.

It is worth considering, then, whether there are alternatives to the creation of a line item that might be as or more effective in raising awareness, increasing spending and improving budgetary transparency. Such alternatives, which are mutually compatible, could be provided as examples to countries as they prepare their Financial Sustainability Plans. The alternatives could include the following, among other options:

ALTERNATIVE 1. Development of awareness-raising activities targeted at key decision-makers. A government could create a comprehensive communications program aimed at Ministry of Finance officials and other key cabinet members to raise awareness about the importance of adequate and reliable funding for immunization. This would have many of the same potential benefits as the creation of a line item.

ALTERNATIVE 2. Development of legislation that protects financing of priority health programs. If a country could demonstrate that it is taking concrete steps to legislate baseline funding for immunization and other priority health programs (e.g., guaranteeing a specific per capita amount annually) then two of the core objectives associated with establishing a line item would be met (i.e., signaling long-term political commitment, and adequately financing the program).

ALTERNATIVE 3. Creation of detailed health accounts. The tool of national health accounts, which has a well established methodology, provides a way to estimate public expenditures on a wide variety of health inputs and programs. If a country undertook periodic health accounts exercises in sufficient detail to permit estimation of expenditures on vaccines and/or the full immunization program, then this would permit tracking of spending both at national and subnational levels.

ALTERNATIVE 4. Preparation of an immunization expenditures study. A detailed analysis of spending on the immunization program and its key inputs could be prepared on a periodic basis. Like the more comprehensive national health accounts, such a study could meet the objective of providing a mechanism for tracking public spending.

Conclusion

From this brief exploration of the topic of line items for immunization programs, the following tentative conclusions emerge:

(a) Line items should be established only in a way that is consistent with existing budgeting practices (e.g., vaccines as a sub-item under drugs and supplies in the health budget).

(b) The creation of a line item for vaccines at the national level does not conflict directly with sector-wide programs of external support.

(c) There is no firm evidence that the creation of a line item for vaccines results in increased allocations of funds to the immunization program.

(d) Alternatives to the creation of a line item do exist that would potentially yield benefits.

(e) GAVI may wish to strongly recommend the creation of a line item for vaccines. However, in each country, the costs of changing the structure of public budgets should be weighed against the potential benefits—and compared to the costs of alternatives. GAVI may wish to indicate that the creation of a line item is one of several possible approaches to attainment of objectives related to improved funding of immunization, and better monitoring of spending trends.

(f) GAVI may wish to request that both countries opting for creation of a line item for vaccines, and those choosing alternatives to a line item, indicate how the success of those initiatives will be measured, relative to the objectives.

Annex B. Excerpts from the most comprehensive written source on SWAps, *A Guide to Sector-wide Approaches for Health Development: Concepts, Issues and Working Arrangements* (Andrew Cassels, 1997)

Under "Priority Health Programs" (pages xii and xiii)

Sector-wide approaches are concerned with improving health status and bring together work on health systems and health outcomes. Difficulties arise if there is a disagreement about priorities. Particularly if, in the judgment of donors or their technical advisors, funding the sector as a whole would result in insufficient resources being made available for tackling major causes of ill health.

Negotiation about the proportion of funds allocated to addressing major health problems—particularly those that affect the poor—will be critical in designing a sector-wide approach. However, separate lines of funding should not be regarded as the default. Instead, agreement is needed on which areas of expenditure merit special protection, and when this is necessary, government mechanisms for ring-fencing funds should be used. Earmarking by donors and the establishment of separate programmes should only be used as a last resort.

When separate funding *is* required, it will be important to pay careful attention to the institutional consequences of creating special programs. It is essential to avoid the problems associated with maintaining separate budget lines, dedicated staff, and information systems. The need to introduce new technologies or practices, and to back these with the provision of drugs, equipment or technical advice, does not in itself justify the establishment of separate or special programs.

Indicators of sectoral performance will include targets in relation to health outcomes, the achievement of which will depend on the effective performance of a range of individual health programs. Whilst reviews of sectoral performance will not be concerned with monitoring individual programs, they will assess whether systems are in place which make such monitoring possible."

Under "Health Outcomes and Priority Health Programs" (pages 23-26)

Sector-wide approaches are concerned with improving health status—bringing together work on health systems and health outcomes. Achieving this overall objective will involve the introduction of new technologies and practices, and the protection of funding for interventions of proven effectiveness. It is the latter which causes particular problems. Should separate provision be made for external investment in categorical programs with major public health importance—such as malaria, TB, reproductive health or HIV/AIDS?

In principle, the issue is relatively straightforward. If major public health problems are given due prominence in sector policies, and receive an adequate allocation of financial, human and material resources within an overall sectoral spending

program—then no separate line of funding should be needed. Furthermore, there is no reason why the provision of technical advice on new technologies or approaches should require the establishment of a separate program. Difficulties arise only when external and national investors implicitly or explicitly *disagree* about priorities—such that, in the judgment of donors or their technical advisors, funding of the sector as a whole would result in insufficient resources being made available for tackling major causes of ill health.

In defense of separate investment for priority programs, supporters argue that without protected funding, public health programs—especially those that benefit the poor—will be the first to be squeezed when revenues decline, or when other parts of the sector (such as hospitals) overspend. Donor-funded special programs offer one way of ensuring that reasonable levels of funding are sustained.

The problem, however, is that separate funding for priority programs can perpetuate the concentration of external funds on donor-defined priorities, and thus distort overall resource allocation within the sector. Second, external funding of categorical programs tends to lead to the establishment of separate or parallel systems for managing and financing the programs concerned—with negative consequences for managerial decentralization, resource planning and overall systems development.

Suggesting that separate financing for major public health programs has no place in a sector-wide approach is currently unrealistic. Further, donor funds for disease control (particularly from global initiatives such as polio eradication) may not be made available for other purposes—and an overly purist position risks reducing overall levels of external funding. What is required therefore is a pragmatic approach which minimizes the negative effects on sector-wide planning and management. Elements of good practice includes the following:

- Negotiation between governments and donors about the proportion of funds allocated to public health programs will be critical in the early stages of designing a sector-wide approach. Separate funding for priority health programs should not be regarded as the default. Agreement on which areas of expenditure should be protected in the face of resource shortfalls will be central to budget negotiations, and government mechanisms for ring-fencing funds should be used by preference. Earmarking by donors and the establishment of separate programs should only be used as a last resort.

- In circumstances where separate funding is required, it will be important to pay careful attention to its institutional consequences. In particular, there will be a need to consider the problems associated with maintaining separate budget lines, staffing establishments and information systems. The need to introduce new technologies or practices, and to back these with the provision of drugs, equipment or

technical advice, does not in itself justify the establishment of separate or special programs.

- In determining how resources should be allocated, evidence-based approaches (such as burden of disease studies and cost-effectiveness analyses) will be important, but must be reconciled with the need to maintain adequate funding for other parts of the health system. Decisions will be influenced by technical experts, but their role should be to help governments use limited resources effectively, not to act as a lobby group for special interests.

- It is important not to conflate the need to assess the effectiveness of public health programs with the need to monitor overall sectoral performance. Individual programs will each have their own detailed information requirements, determined by health service managers and their technical advisors. Indicators of sectoral performance, on the other hand, will necessarily be far more selective. They will include targets in relation to an agreed set of health outcomes, the achievement of which will depend on the effective performance of a range of health programs. They will also include targets in relation to the development of information and other management systems. This aspect of sectoral performance is concerned not with the achievements of individual programs but asks whether systems are in place which make such monitoring possible.