



COVID-19 and fiscal space for health system in Pakistan: It is time for a policy decision

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Summary

Most developing countries with weak economies and low GDPs strive to invest an optimal amount of budget to health sector. Compounding on this state of affairs is their inherent inefficiency to spend even that meager amount on the welfare of the patients, improving service delivery, motivating their workforce and making their health systems responsive to the needs of the people they serve. With weak fiscal base and inelasticity in budget spending, when these countries face a catastrophe like COVID-19, there is a whole situation of havoc and lack of finances emerges as the biggest issue in such crises. Pakistan has been no exception to this kind of situation. Government funds allocated to other public sector development schemes are diverted to deal with the health emergency. Hence, the result is an overall socioeconomic shock that a country has to face. Amid such crises, other international commitments also face a state of uncertainty. With the changing disease patterns all over the world, the public financial management system for health sector needs to be revisited to devise a more sustainable and resilient mechanism not only to absorb shocks like COVID-19 but also to meet the international health commitments.

KEYWORDS

COVID-19, health system, medium term budgetary framework, public financial management

1 | BACKGROUND

It was in 1993 when the one of the largest financial institutions the World Bank released its annual report 'World Development Report' and surprisingly it was titled 'Investing in Health'. Although health has not been one of the major areas of investment of Bank, yet the leaders at the helm of affairs at that point in time realized and developed a consensus that the developed countries have a huge responsibility to give external assistance to the developing world for sustaining their health systems and also that without investing a judicious share of the country's own budget in health, it would be difficult to achieve the optimum level of health and social development.¹ Few years later, World Health Organization, the leading agency for global health matters presented the ranking of health systems of the entire world. The World Health Report of 2000 titled 'Improving Health Systems' admitted that the goal 'Health for All', a hallmark of Alma Ata declaration 1978,² seems unrealistic and could not be achieved because most of the developing countries do not allocate enough budget to their health systems. The report advocated allocating at least 5% of GDP to health, if countries were to improve their basic indicators of maternal, newborn and child health, nutrition and hygiene and sanitation.³ Few countries must have taken this message clearly and turned around their health systems; others could not because of their indigenous political issues and priorities. It is important to note that this was the year of advent of the United Nations' Millennium Development Goals (MDGs) of which there were three directly related to health and few others indirectly affecting the health outcomes.⁴ Once again, the Commission on Macro-economics and Health of the World Health Organization reiterated the need for health reforms in the countries, especially in the context of health financing.⁵ All countries were address to spell out their national investments, budgets and planning for health sectors, especially focusing on women's and girls' health and nutrition.⁶ The trajectories of progress made against the targets of MDGs by various countries are known to all of us. Very few countries in the developing world could sail against the tides of sociopolitical, economic, natural and man-made crises. Results have been mixed; a lot yet to be achieved and more synergies to be built within and across the sectors; hence, the world was presented a new agenda of the Sustainable Development Goals at the end of 2015.⁷

2 | CHANGING HEALTH PICTURE

In this realm of affairs, it was also noticed that burden of disease is changing globally and that non-communicable diseases have started to hit hard the population living in lower middle and middle income countries.⁸ Moreover, disease patterns started changing with the upsurge of infections like multi-drug resistant tuberculosis and typhoid.⁹ Conversely, the affluent health systems were hit by diseases such as SARS, H1N1, MERS, CHF, Swine flu, Mad Cow Syndrome and what not. It was quite obvious that the level of preparedness and responsiveness of health systems across the globe is not optimal to handle such transitions and emergencies. This assumption and hypothesis became a naked truth when the entire world was hit by COVID-19 in December 2019, and this state of helplessness continues to date. The countries with richest economies and acclaiming best health systems struggled to deal with this new pandemic, even bigger than the 1918 influenza outbreak.¹⁰

3 | COVID RESPONSE AND HEALTH FINANCING

COVID-19 crisis has ignited a changeroom about prevailing budget allocations across social sectors and in particular the health sector. The pandemic is pushing countries to reprogram their existing budgetary allocations toward the COVID-19 response. How quickly this can be done depends on the rules of business for budget allocation and spending: the public financial management (PFM) system in any country, the overall envelop of the annual public sector development program and the development assistance from the donors. Many developing countries rely heavily on the latter option and aid when it comes to a crisis like COVID-19. Pakistan is no exception to this situation. Many

low-income countries are expected to remain dependent on development assistance, although with greater government spending, larger investments in health are feasible. In the absence of sustained new investments in health, increasing efficiency in health spending is essential to meet global health targets.¹¹ In many countries, PFM rules are adaptable, and funds can be reprogrammed rapidly. This is a typical feature of countries with devolved system of governance in health sector. Medium Term Budgetary Framework (MTBF) developed and implemented at the sub-national levels gives an ample room to adapt to such emergencies and national calamities hitting the health sector so hard. Fast-track authorization process permits a rapid release of funds to health administrators, and in this way, these countries are able to maximize fiscal space for health in their response to the crisis.

4 | FISCAL SPACE FOR HEALTH IN PAKISTAN

Historically, Pakistan successive political and military governments have allocated meager amount to health sector, hence compromising its ability to become resilient and self-reliant. Less than 1% of GDP allocated to health sector is the whole envelop with which it thrives to serve the sixth most populous country of the world.¹² It has been contradictory to the fact and resolution adopted two decades back by the World Health Organization to allocate at least 5% of GDP to health sector in the developing countries. As a result, major proportion of expenditure on health (around two third) is private, that is, out of pocket (Figure 1).¹³

The disbursement of funds from federal the Public Sector Development Programme or Provincial Annual Development Plans are made through a highly bureaucratic, time consuming and antiquated process resulting in delays and lapses of funds. Coupled with too many new projects, at times driven by political exigencies, the process transforms the whole development program into a wish list.

Amidst COVID-19 pandemic, Pakistan like other developing countries of South Asia and Eastern Mediterranean Region remains unprepared for the shocks of this pandemic, particularly to absorb its financial implication. The hospitals did not have the capacity to cater to COVID-19 suspected and confirmed cases; there were no diagnostic facilities for such infection, there was lack of personal protective equipment (PPE) in the country, hardly any isolation wards and quarantine facilities. Medics and paramedics were not trained; this resulted in many casualties of the doctors treating the COVID-19 cases. Owing to a very narrow fiscal space for health, initially Government of Pakistan could allocate USD0.5 million only as an initial response for COVID-19. However, for the overall national action plan covering the needs of surveillance, rapid response teams, equipment/supplies for diagnostic labs, health and quarantine facilities, PPEs, strengthening of points of entry, and so forth, it was estimated to cost around USD11 million.¹⁴ Development partners and donors came forefront with financial and logistics assistance among which World Bank, Asian Development Bank, USAID, DFID, and others pitched in. Second, there was least elasticity noticed in the government's rules of business for carrying out urgent procurement of the essential commodities from the international market. The National Disaster Management Authority and Pakistan Armed Forces had to be looped in for the sake of emergency contracts signed for procurement of ventilators, diagnostic kits, PPEs, surgical masks, N95 respirators, and so forth, from the international market.

The pandemic is likely to take a heavy toll on the public health system, also resulting in loss of human lives. Severe repercussions on livelihoods, especially of the most vulnerable, dependent on government support, are expected. The COVID-19 is expected to have implications on food production and overall food security as well. United Nations' system, therefore, pledged a significant financial support of around USD19 million to the Government of Pakistan.¹⁵ With the present toll of COVID-19 cases reaching beyond 7000 and health system of the country in dire need of support, it is expected that public sector developed program funds will have to be diverted to deal with this national emergency, compromising on many development schemes. The pandemic has rattled global markets and real economies with breakneck speed. The impact has also adversely affected emerging markets, including Pakistan. The effects of the virus will be wide ranging, from depressed international trade, lower foreign remittances, suppressed GDP growth to reduction in government's revenues (and increase in expenditure) and impact on the real

Fiscal Years	Public Sector Expenditure (Federal and Provincial)			Percentage Change	Health Expenditure as % of GDP
	Total Health Expenditures	Development Expenditure	Current Expenditure		
2007-08	59.90	27.23	32.67	19.80	0.56
2008-09	73.80	32.70	41.10	23.21	0.56
2009-10	78.86	37.86	41.00	6.86	0.53
2010-11	42.09	18.71	23.38	-46.63	0.23
2011-12	55.12	26.25	28.87	30.96	0.27
2012-13	125.96	33.47	92.49	128.51	0.56
2013-14	173.42	58.74	114.68	37.68	0.69
2014-15	199.32	69.13	130.19	14.94	0.73
2015-16	225.33	78.07	147.26	13.05	0.77
2016-17	291.90	101.73	190.17	29.54	0.91
2017-18	336.29	88.27	248.02	15.21	0.97
Jul-Mar					
2017-18*	197.25	47.28	149.97		0.49
2018-19*	203.74	24.03	179.72	3.29	0.53

*Expenditure figure for the respective years are for the period (July-Mar)

FIGURE 1 Public sector expenditure (in Rs. billions) trends in Pakistan and % of GDP

economy, which will lead to high unemployment figures. The Planning Commission assessed that Pakistan's GDP growth would face effects of COVID-19 in the range of 0.8% to 1.3% so Pakistan's GDP growth would be standing at 2% to 2.5% against earlier envisaged target of 3.3% for the current fiscal year. Pakistan's real GDP growth rate target will be revised downward so all other macroeconomic targets will have to be re-adjusted.¹⁶ Some international monetary agencies also warned that the GDP growth rate might go into negative, if certain reforms are not undertaken immediately.

5 | WAY FORWARD

Pakistan is a classic example among the developing countries that are unable to fully spend their even meager budget allocations because of rigidities in their PFM systems, including how budgets are structured and appropriated in the health sector.¹⁷ PFM systems have often blocked the full utilization of funds by health managers (e.g., issue of access to cash, problem with re-allocations across budget lines, late budget releases). In this state of affairs, it will be a wishful thinking that Pakistan will achieve ambitious targets of SDGs or will be able to meet its international health regulations obligations of polio and other potential infections that have implications across the borders. In post-COVID times, health systems of the world will be changing drastically, and it is time to for Pakistan too for introducing the practical reforms, not only increasing the size of envelop for health but also especially creating elastic fiscal space for health in the annual development budget. MTBF for health sector should be adopted with clear mechanisms of accountability and performance related indicators. This system is poised to foster effective spending in the health sector. MTBF brings fiscal discipline, more room for predictability and a reasonable fiscal space for countering health sector shocks.¹⁸ If increasing the allocation of GDP to health is not possible and practical, then the solution is to improve the spending procedures and devolve the same at the district level to accelerate the budget execution rates. In the wake of emergencies like COVID-19, all developing countries must contemplate that addressing the root causes of under-spending in health is now more than ever a priority for health and finance authorities to urgently expand budgetary space for health. The crisis has accentuated the need to reshape our PFM framework in health sector to ensure it is not a constraint for enlarging budgetary space for the sector, specifically in an emergency like COVID-19. Such financing reform would be required in the post-COVID times to make the health system resilient and responsive to meet the needs of the population.

CONFLICT OF INTEREST

The authors have no competing interests.

AUTHOR CONTRIBUTIONS

Both authors have contributed equally in terms of intellectual content and have approved the final version.

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