HEALTH FINANCING **IN THE DRC**

A SUMMARY OF STUDIES ON THE FISCAL SPACE OF THE NATIONAL HEALTH DEVELOPMENT PLAN (NHDP) AND ON THE MOBILIZATION AND ALLOCATION OF HEALTH RESOURCES AT CENTRAL AND LOCAL LEVELS.

THE DRC CAN ACHIEVE UHC IF IT WISHES TO

DEMOCRATIC REPUBLIC
OF THE CONGO

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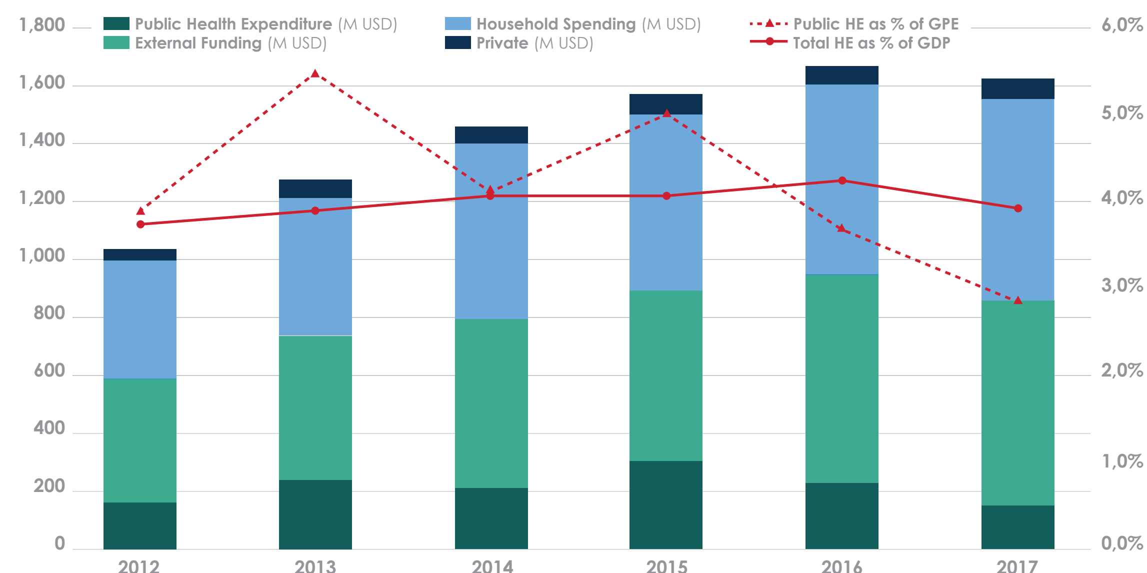
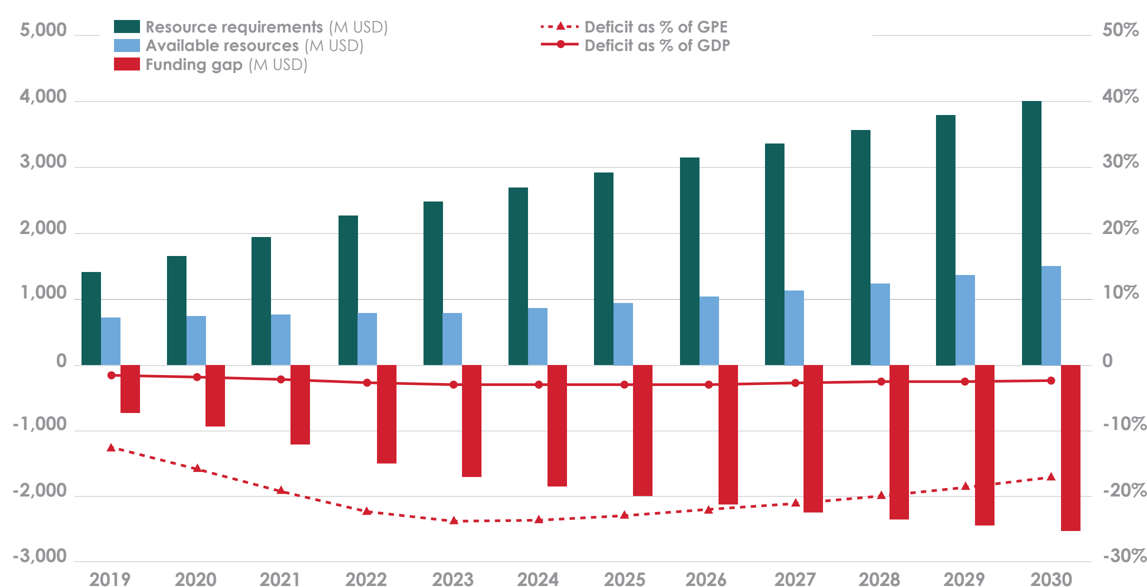
CONTEXT

The health sector in the DRC suffers from several challenges. First of all, per capita health expenditure is low at 21 USD in 2017, of which only 2 USD comes from the government - a low budget allocation for health (10 percent in 2019); household spending is too high (9 USD per capita in 2017); high reliance on external funding (43 percent of total health expediture); available resources poorly spent with low budget execution at 54 percent in 2017; governance problems and a process of decentralization that remains theoretical. These are all obstacles to achieving the government's ambitions for its people, namely universal health cover (UHC).



IF NOTHING CHANGES... THE FUNDING DEFICIT FOR UHC WILL PERSIST

The priorities were defined in the National Health Development Plan (NHDP) for 2019 - 2022. This NHDP base indicates an average funding deficit of 1.8 billion USD per year from 2019 to 2030. This deficit is equivalent to 20 percent of the budget and 2.4 percent of GDP over this period.



[(1)] Ministry of Health. National Health Accounts, 2019.

REDUCING THE DEFICIT IS POSSIBLE

Technical solutions are possible, yet they can only be achieved with strong and unequivocal political will.

1 Budget allocation

By focusing on the execution of domestic health expenditure, domestic health expenditure could increase from 180 million USD in 2019 to 280 million USD in 2022 (the status quo scenario would be USD 225 million in 2022). Consequently, if the health sector is successful in advocating for a greater share of the national budget, total domestic expenditure on health could be tripled by 2030 compared to the projected status quo scenario for 2030.

2 Specific taxes

Seven different specific taxes have been analysed. Average revenue from these taxes would reduce the deficit of the NHDP by 5 percent, or 80 million USD per year. It is clear that the three best options in terms of potential revenue would be to tax the extractive industries, to impose taxes on tobacco and alcohol or to levy a tax on airlines.

3 Efficiency

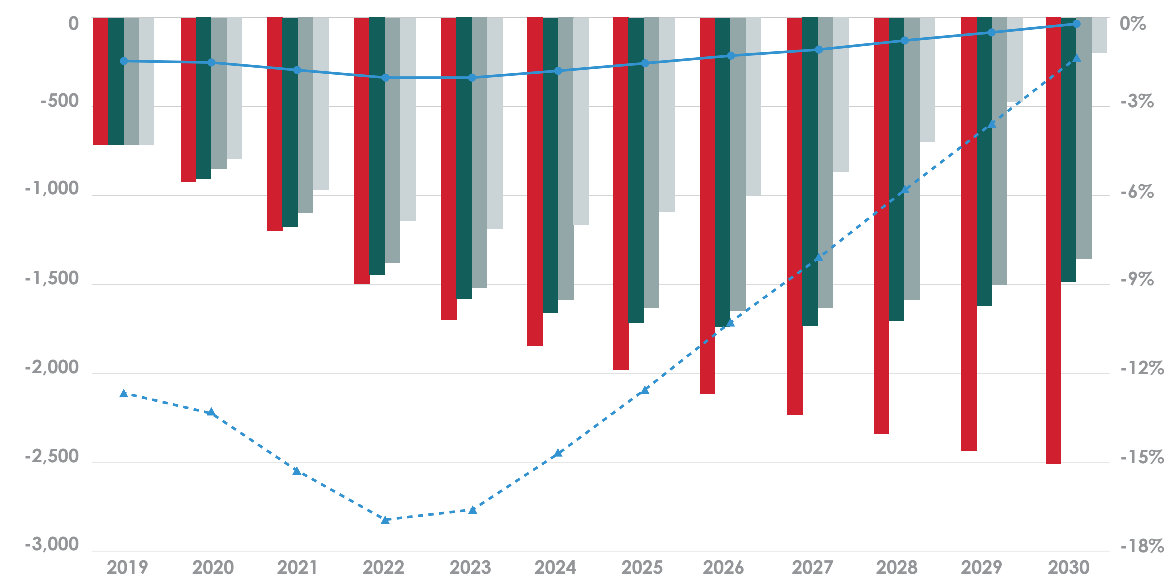
Resources needed for health might be less if the same amount were better spent. Our analysis showed that it was possible to reduce the need for health resources by 500 million USD per year over the entire period, thereby reducing the funding gap by more than 40 percent by 2030. These efficiency gains would increase over time from 60 million in 2020 to 1 billion USD in 2030.

Focus on the specific taxes

The implementation of these taxes may be very difficult in the short term. The government of the DRC is moving towards the simplification of its fiscal environment, so new taxes would contradict this. Furthermore, the use of funds from specific taxes has not been successful to date, and lastly a specific tax could only close the funding gap of the 2019-2022 NHDP by up to 5 percent, which seems marginal compared to other mechanisms.

Review of funding gap

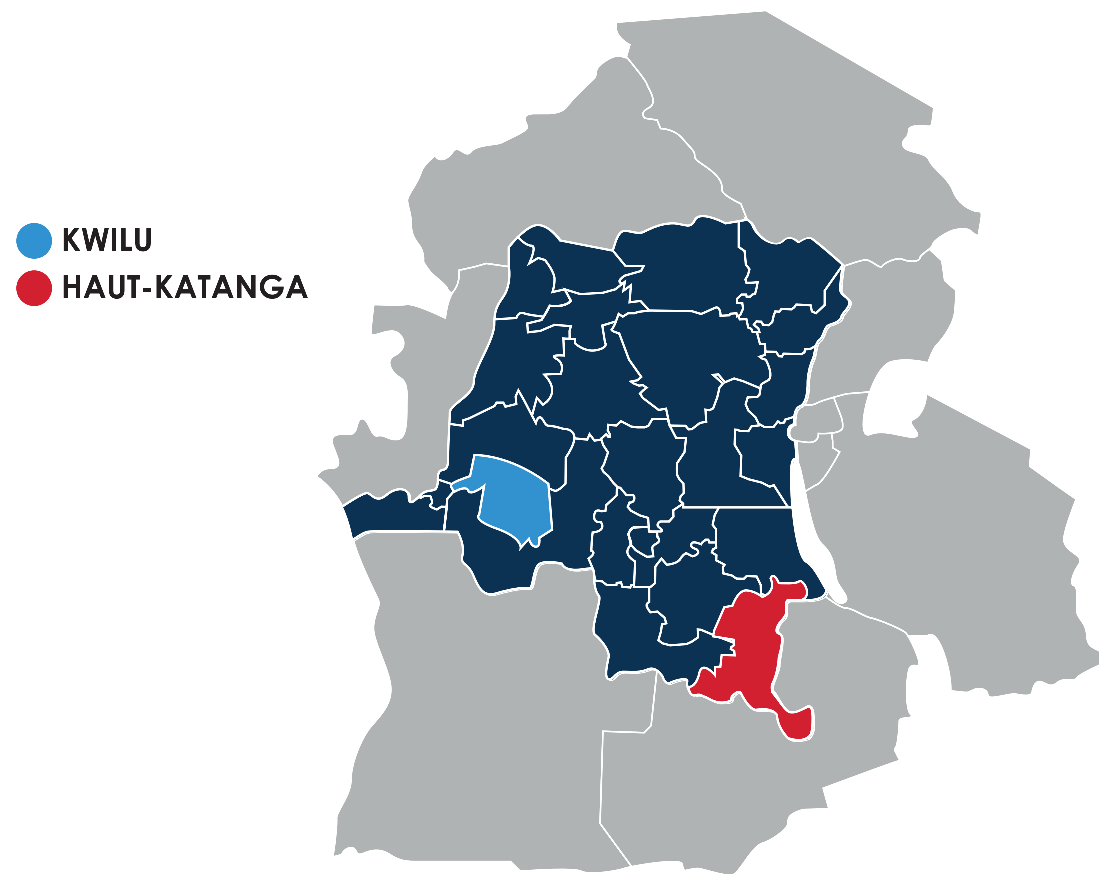
With this focus on health funding for 2030, the deficit could potentially be reduced from 2.5 billion USD to 0.2 billion USD. This is equivalent to 0.2 percent and represents 1.3 percent of General Public Expenditure (GPE) in 2030.



MORE MONEY FOR HEALTH WILL ALSO AND ABOVE ALL REQUIRE BETTER MANAGEMENT OF PUBLIC FINANCES AND THE IMPLEMENTATION OF A DECENTRALIZATION POLICY

For better mobilization and allocation of health resources at the provincial level, the challenges to be met include:

- The effective transfer of skills and resources to provinces and Local Entities (LE) following a process of progressiveness and transfer of powers between the different levels of governance,
- The financing of decentralization within the framework of a set of coherent instruments combining local taxation, the 40 percent retrocession system and the national equalization mechanism aimed at ensuring fairer development between the provinces,
- Harmonization and coordination of support for the decentralization process by development partners,
- The correct functioning of all the management and support structures of the provinces as well as the continued adoption of the legal arsenal relating to decentralization.



KWILU
- Lives off farming and fishing
- Poor health indicators
- Vaccination rate: 14%
- % of births attended by qualified health personnel: 76%

HAUT-KATANGA
- Mining represents 75% of the province's budget revenue
- Health indicators better than the national average
- Vaccination rate: 45%
- % of births attended by qualified health personnel: 94%

Resource mobilization in the provinces: challenges and opportunities

- Allocations to provinces represented only 10 percent of the total health budget and less than 1 percent of total health expenditure from 2016 to 2018.
- Currently, revenues are not distributed in accordance with constitutional requirements, leaving provinces with large funding gaps. In addition, revenue estimates and budget allocations are not executed, so salaries are paid in priority and other forms of expenditure and investment in health are not made.
- However, decentralization has opened up possibilities for provinces to collect revenue from their own taxes, as the following case studies show.
- The case studies show that the financing trends in Haut-Katanga and Kwilu are similar on average to those observed at the central and provincial levels: retrocessions are not received in accordance with constitutional and budgetary promises and only current expenses are executed.

• Kwilu

It seems obvious that the provincial health authorities were not involved in the budget process. Kwilu's health sector receives significant aid from development partners, but payments have been delayed.

• Haut-Katanga

Health revenues represent less than 1 percent of total revenues. According to the case study, many taxes remain discretionary for provincial authorities but are not used.

Budget execution:

• Kwilu

Health sector expenditure is almost zero or not communicated to the Budget Ministry. In addition, health spending does not exceed 4 percent of total provincial spending, with the exception of 2016. Capital expenses were only 0.3 percent of total expenses on average between 2016 and 2018. For the health sector alone in Kwilu personnel costs constitute the entire health budget, with a budget execution of *the provincial health budget* at 50 percent[2].

• Haut-Katanga

For the health sector, only recurrent expenditure is executed: the level of execution of investment expenditure for the sector is zero. The overall level of expenditure execution for the health sector is 57 percent in 2017.

A bottleneck with poor budget management:

These two provinces, despite their differences, face similar problems that hamper good Public Financial Management (PFM), common to the rest of the country.

• Kwilu

The major obstacles of limited budget execution are: an overestimation of revenues due to a lack of reliable statistics: a lack of material and qualified human resources: and a low release of retrocessions.

• Haut-Katanga

The budget cycle is almost respected. However, due to the level of revenue realization, the provincial government makes arbitrations before proceeding to the liquidation and the sequencing of provincial expenditure through the governorate, the provincial Budget and Finance ministries. Depending on the level of resource mobilization and the nature of the expenditure, the provincial government judges whether the expenditure is appropriate.

[2] The Budget Ministry at the central level because financial information on health expenditure was not available at the provincial Budget Ministry during the field visit.

▶ MORE MONEY FOR HEALTH REQUIRES BETTER MANAGEMENT OF PUBLIC FINANCES

ACTIONS	ACTIVITIES	RESPONSIBLE FOR IMPLEMENTATION	TIMESCALE
ASSIGNED TAX REVENUE	Gradually increase the level of resources delegated to the provinces	Government	Medium term
	Implement existing resource mobilization mechanisms (mining code, property tax, future generations fund)		Medium term
ADVOCATE FOR INCREASED DOMESTIC HEALTH RESOURCES	More rigorous analysis and planning of budget forecasts. One solution to overcoming the problem of low revenue and downward revisions to budget allocations could be for the MOH to perform an internal analysis of historical budget trends	DSP / DAF MOH	Short term
	Increase by 2 percent each year the level of the health budget allocated to the provinces through the implementation of the program-based budgeting reform	Budget Ministry	Short term
	Set up a tool for the distribution of budgetary credits between the provinces and the central level	DSP / DAF MOH	Medium term
	Campaign at the provincial level for an increase in the budget allocated to health in the provincial budgets (provincial edits) through the implementation of the program-based budgeting reform	MOH / DSP	Medium term
IMPROVE BUDGET EXECUTION AND USE OF DOMESTIC RESOURCES	Speed up the establishment of the DAF	Cabinet / general secretariat	Short term
	Formalize the health budget execution monitoring committee through an inter-ministerial health-finance-budget decree	MOH Cabinet	Short term
	Make the budget commitment plan development process participatory	Budget Ministry	Short term
	Support the provinces in the execution of their budget	DSP / DAF MOF	Medium - long term
	Reduce the use of emergency procedures in budget execution	MOH Cabinet	Medium term
	Limit extra-budgetary spending	MOH Cabinet	Medium term
	Prioritize expenditure in the budget of the MOH, taking into account the actual disbursement trends	DSP / DAF MOF	Short term
	Carry out regular budget adjustments through the development of a corrective finance law	Budget Ministry / MOH	Short term
	Continue the implementation of the health services purchasing strategy to improve the use of resources at the health center levels and thus improve the budgetary execution of non-salary expenditures of the health budget at the central and provincial level	MOH contracting unit	Short term

ACTIONS	ACTIVITIES	RESPONSIBLE FOR IMPLEMENTATION	TIMESCALE
MOBILIZATION AND USE OF EXTERNAL FINANCING	Develop a strategy for mobilizing development partners on the basis of the NHDP 2019 - 22 resource mapping to meet existing needs	GIDH with support DSP / DAF MOH	Short term
	Business case for a budget line funded for co-financing needs	DSP / DAF	Short term
	Strengthen the mechanism of the single contract and extend it to all provinces	DSP / DAF MOH	Medium term
CAPACITY BUILDING	Train provincial actors on PFM mechanisms, including budget reform program-based budgeting reform	PFRSC / DAF	Short term
	Coordinate the PFM capacity building plan with technical and financial partners	GIDH / PFRSC / DAF	Medium term

ACRONYMS

DAF Directorate of Administration and Finance
DSP Directorate of Studies and Planning
DT Directorate of Tenders
GIDH Group of International Donors in Health
PFRSC Public Finance Reform Steering Committee

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