



Technical

Discussions



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FINAL REPORT OF THE TECHNICAL DISCUSSIONS

The Technical Discussions at the XIX Meeting of the Directing Council of the Pan American Health Organization were held on 7 October 1969 at the Headquarters Building in Washington, D. C. The topic was "Financing of the Health Sector".

In accordance with the Rules for Technical Discussions, Dr. Luis Ochoa Ochoa was elected moderator, and Dr. David A. Tejada-de-Rivero, Rapporteur. Dr. Alfredo Arreaza Guzmán served as Technical Secretary.

Pursuant to the Rules for Technical Discussions, the topic was introduced by Mrs. Lucilla L. de Araújo, and the Guidelines were explained by Dr. Juan José Barrenechea.

The participants were then divided into two working parties, which elected the following officers:

Working Party I: Moderator: Dr. Luis Gómez-Lince
 Rapporteur: Dr. Alberto Aguilar Rivas

Working Party II: Moderator: Dr. Ignacio Avila Cisneros
 Rapporteur: Dr. Héctor Trajano Arias

Fifty-two participants, including representatives of international, governmental, and non-governmental organizations, took part in the discussions.

The working parties followed the Guidelines in discussing the topic in the morning and afternoon sessions for a total period of six hours. The views expressed and the conclusions reached by each working party were summarized by the Rapporteur concerned, and consolidated for the purposes of the present report by the Rapporteur of the Technical Discussions with the assistance of the Moderators and the Rapporteurs of the working parties.

1. Financing is an important aspect of the diagnosis of the situation and of technical proposals for health plans and programs.

2. By and large, the countries do not have an accurate knowledge of the health sector financing, primarily because budgetary and accounting data are unavailable or not properly used. However, it was recognized that techniques are available for making a complete study of the problem.

3. The problems besetting the financing of the health sector arise not only from the relative scarcity of money but also from the lack of coordination of the multiple sources and institutions channeling funds. Consequently there is overlapping, and deficient orientation and utilization of these funds. Strong pressure exercised by various health sector institutions, in an effort to obtain priority in the distribution of funds, hampers the solution of these problems. The reorganization of the institutional structure of the health sector is therefore considered urgent. This would result in an increase in productivity, which is more important than a mere increase in sectoral financing.

4. Different systems are used for distributing funds to the sector and to institutions, but the decisions taken have no rational basis. These allocations may be decided by national planning organizations, ministries of finance or by other agencies with executive authority. At present it is impossible to accurately measure the effect of health activities because there are no proper indicators and this accounts for the present mode of distributing funds among the institutions of the sector.

Variations in the amount of funds allocated to the health sector expressed as a percentage of the total financing of the public sector and of the gross national product, which are determined by the economic and social structure, level of development, government policies, immediate needs, etc., were also discussed.

5. In discussing the possibility of increasing internal financing the view was expressed that, although there were various sources, as a whole they were limited by the overall financing capacity of each country, which in turn depended on the structure and level of economic and social development. Any disproportionate increase in the financing of a particular sector might have negative effects on the overall development of a country.

The basic purpose of expanding internal financing should be to extend geographical coverage and to include population groups at present without continuous services. It was also agreed that a practical way of achieving this expansion might be national health insurance or similar schemes.

6. The following were considered to be the most important constraints on the use of internal financing:

- a) Inadequate administrative procedures that prevent complete use of allocated funds within a budgetary period.

b) The earmarking of funds for special disease programs or specific population groups, which prevents them from being used for other higher priority problems.

7. The following were mentioned as obstacles to obtaining external financing:

a) Prolonged and sometimes over rigid procedures in the formalities for obtaining loans.

b) Owing to the fact that most of the investment loans are obtained for health services infrastructure projects, the countries subsequently have difficulty in obtaining the necessary internal funds for their maintenance.

c) Long-term commitments to satisfy loan obligations, which sometimes exceed the debt capacity of the health sector and its financial capacity for operating and maintaining the system.

d) Sometimes loans involve a commitment to purchase materials and equipment in the lender country, an arrangement which may be detrimental to local industry or result in the purchase of products that are more expensive than locally available substitutes.

e) Donations which may involve undesirable commitments by the country.

8. External financing should be used solely for developing the health infrastructure, in its broadest sense; that is, not only for financing the construction of water supply and sewerage systems, and health establishments, but also for manpower training, operations research, and for promoting the application of modern methods to administration. In this way productivity and working capacity can be increased. However, external financing must be used as a resource for "takeoff", and not as a regular and continuous source of funds.

9. It was suggested that external funds should be preferably channeled through multilateral agencies because they are true instruments of international solidarity.

10. It is evident that the financial resources at present available to the health sector cannot satisfy the growing demand for services; therefore every increase in external or internal financing should be used to deal with priority problems in a rational manner; that is, through technically prepared projects reflecting a well-defined health policy, thereby enabling optimum use to be made not only of funds but also of manpower and physical resources in all health sector institutions.