

July 10, 2017



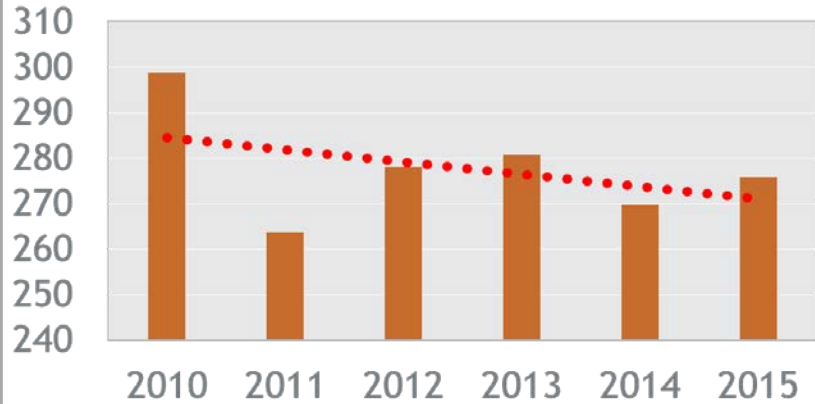
Guatemala: Mobilizing Resources for Health The Role of Municipalities

Ricardo Valladares, Health Policy Plus

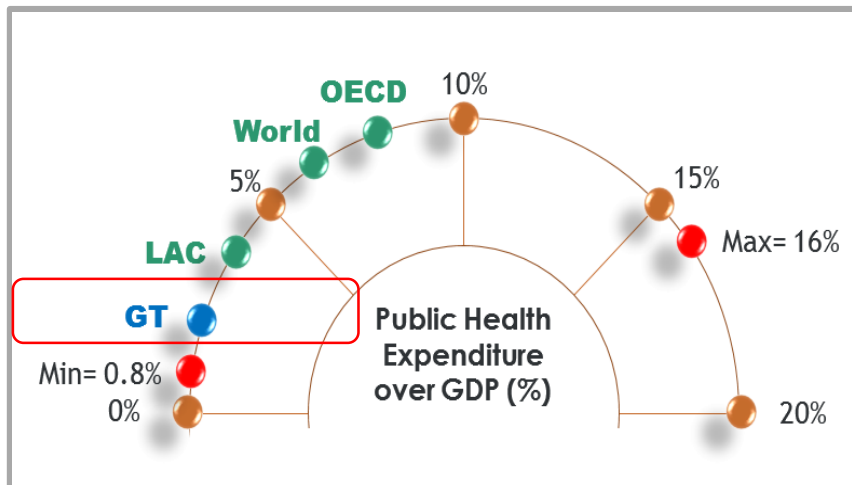
International Health Economics Association Congress, Boston, MA



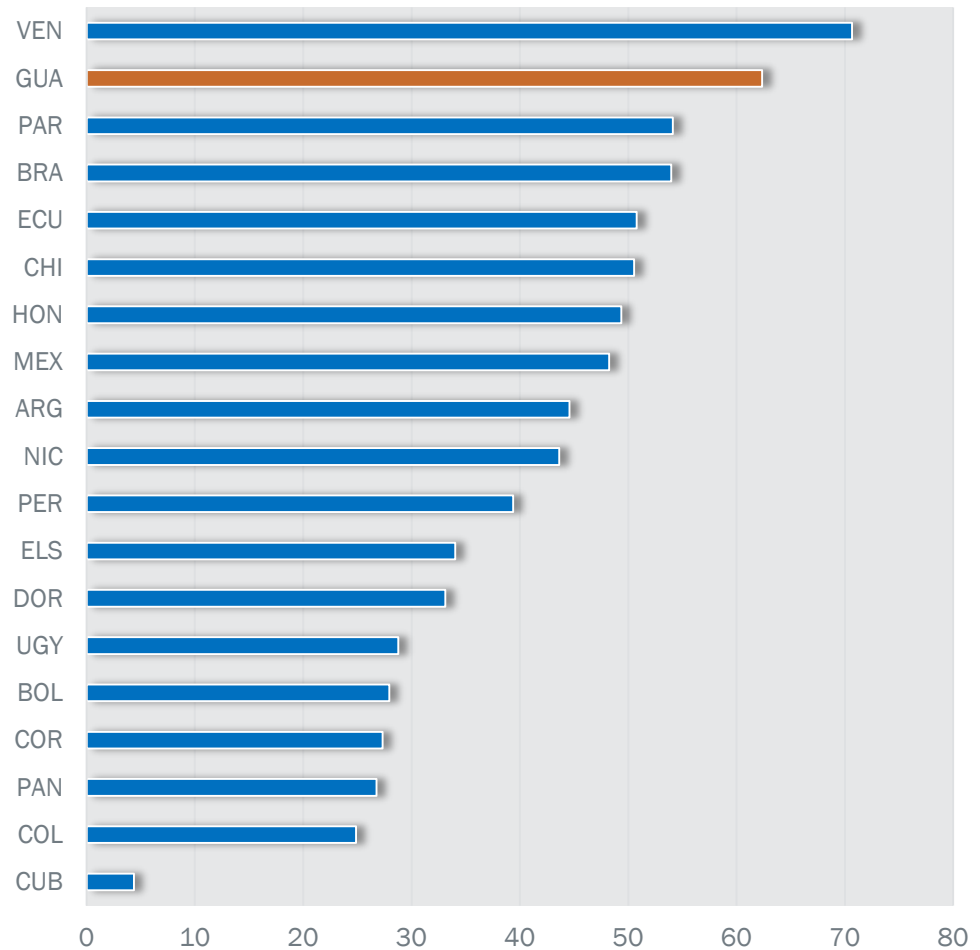
**Government Health Expenditure Per Capita
Guatemala, 2010-2015 (Prices 2010)**



Public Health Expenditure/GDP = 2.3%



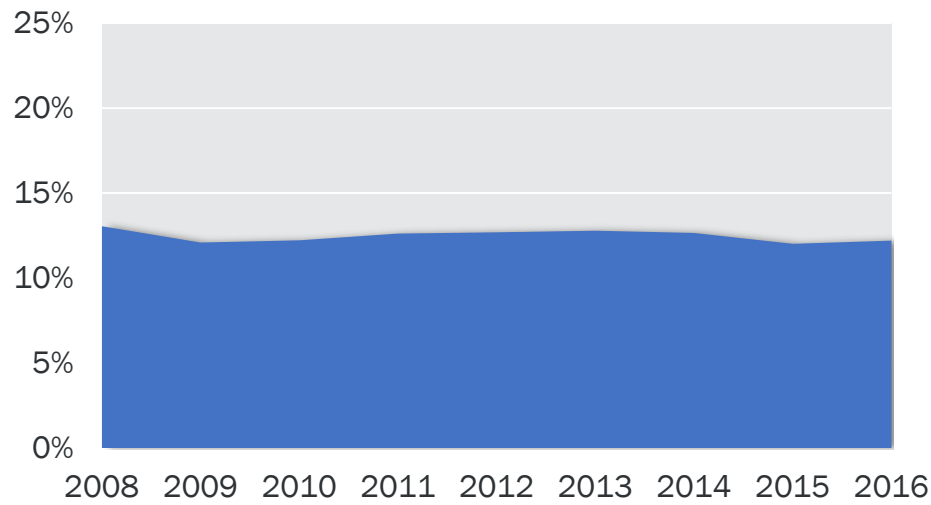
**Private/Total Health Expenditure (%)
Latin America, 2014**



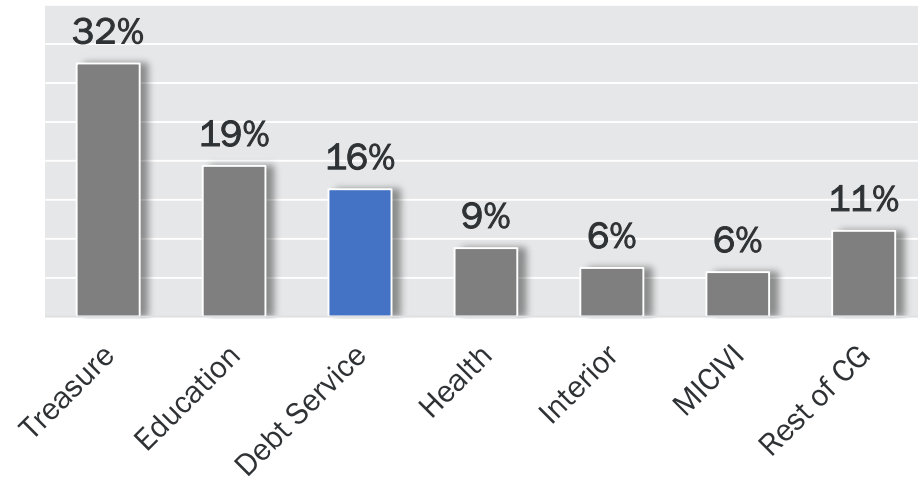
THE PROBLEM

Public funding is limited and declining...

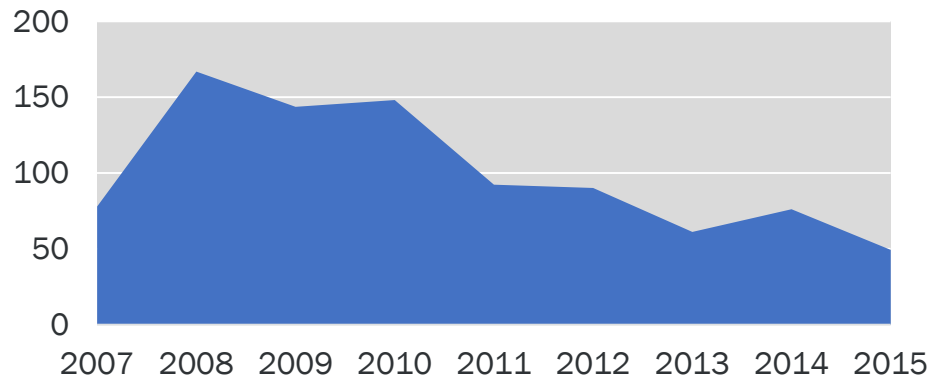
Tax Burden: 2008–2016



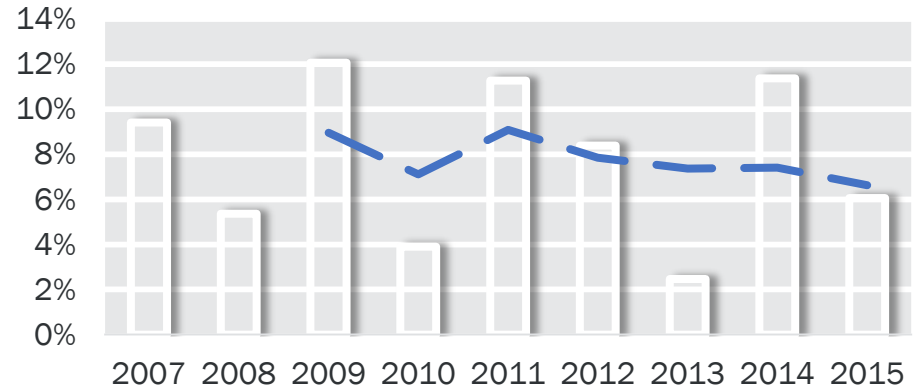
Debt Service as Compared to Other Budget Functions, Guatemala, 2015



**Bilateral ODA, All Sectors
(USD, Million, Health ~7%)**



**ODA Health/All Sectors
Moving Average (3 Periods)**



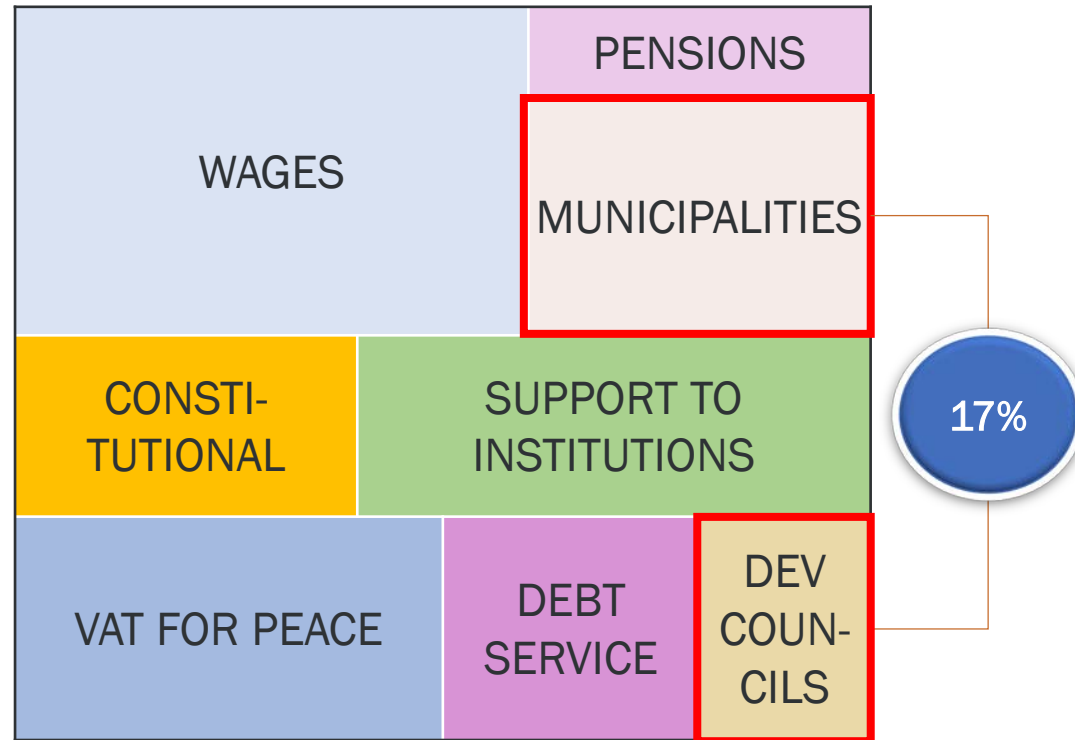
THE PROBLEM

Alternative sources have limited prospects

ANALYSIS QUESTION (1/5)

Where is the money? Are there any fungible funds in the public budget susceptible to reallocation?

- BUDGET RIGIDITY
 - Salaries
 - Liabilities
 - Earmarked funds
 - Transfers to local government



Earmarked by functions, other than health = not fungible
Earmarked for local governments = allocable for health

Rationale of Municipal Transfers

- ✦ Vertical equilibrium: funding vs responsibilities
- ✦ Taxes or subsidies?
- ✦ Balancing revenue - equalization
- ✦ Local implementation/national objectives
- ✦ Administrative efficiency
- ✦ Accountability
 - Proximity to voters
- ✦ Devolution vs delegation
 - Competencies and performance measures

Decentralization Patterns

+ Central government:

- **National public goods:** defense, foreign affairs, currency and banking, national infrastructure
- Pensions, unemployment insurance

+ Subnational governments:

- **Essential public services:** health care, education, social protection, public safety, roads, water and sanitation, recreation

ANALYSIS QUESTION (2/5)

What functions are these resources supposed to fund?

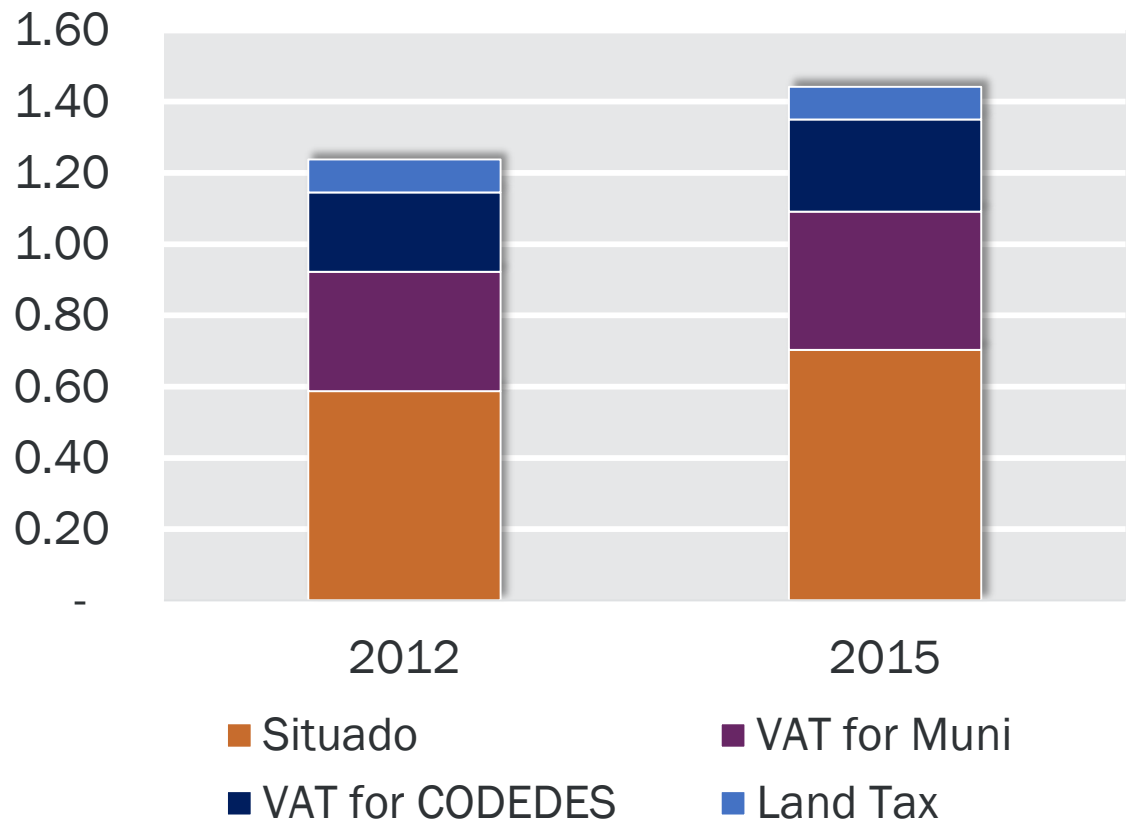
- **CONSTITUTIONAL TRANSFERS**

- Health programs
- Education
- Infrastructure
- Actions to improve quality of life

- **VAT FOR PEACE (?)**

- Municipalities: fixed capital
- Development councils: programs and projects
- Health, nutrition, education, and safety

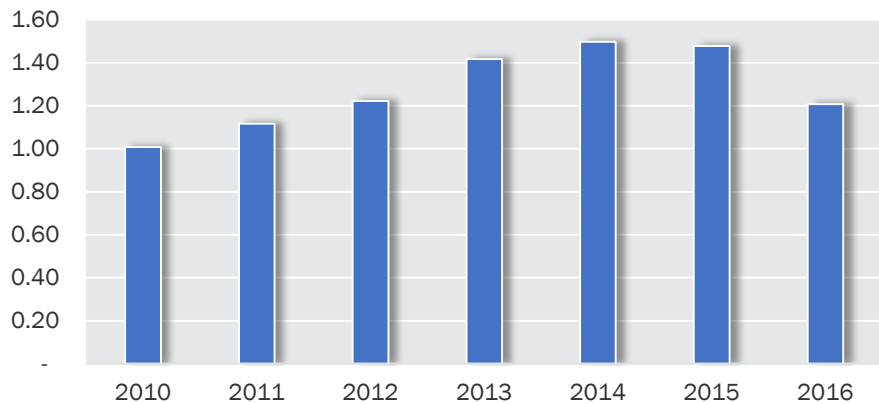
Municipal Transfers by Source, USD Billion, Current



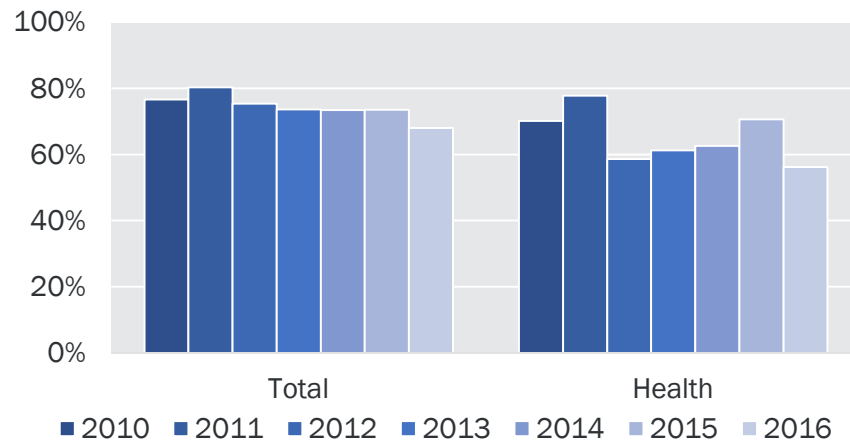
ANALYSIS QUESTION (3/5)

How much is actually spent on health?

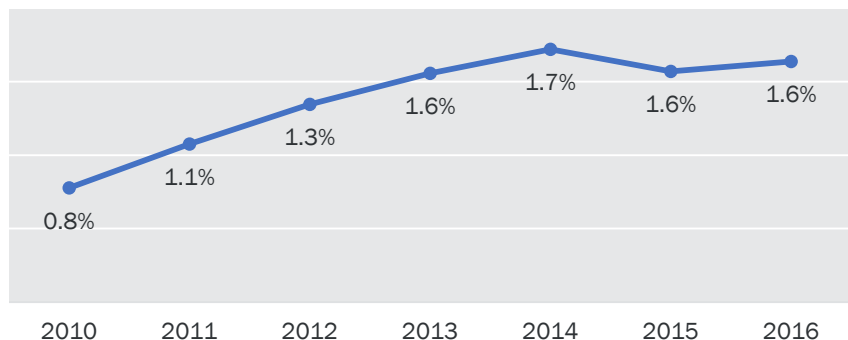
Municipal Expenditure All Sectors, USD Billion



Execution Rate: All Sectors and Health



Municipal Health Expenditure (As % of Total Expenditure)



- **Municipality contribution to health < 2%; execution levels \approx total = 75%; health = 67%**
- Deficit of regulation to enforce final use of transfers by function
- Lack of a clear mandate for health protection or healthcare

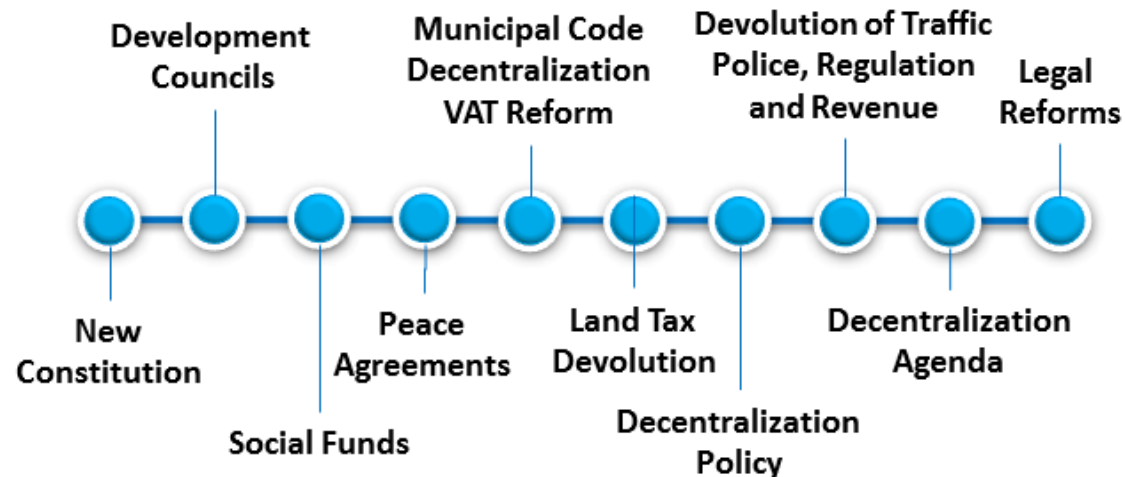
ANALYSIS QUESTION (4/5)

What is the strategy to secure funds for health at the municipal level?

Decentralization:

- A constitutional mandate
- Earmarked funding for local governments
- Participation spaces: development councils
- Running and successful experiences
- High ranking offices are responsible

Building on a timeline since 1985



National
Decentralization
Agenda
(ANDE)

Budget and
Operative Plan for
Decentralization

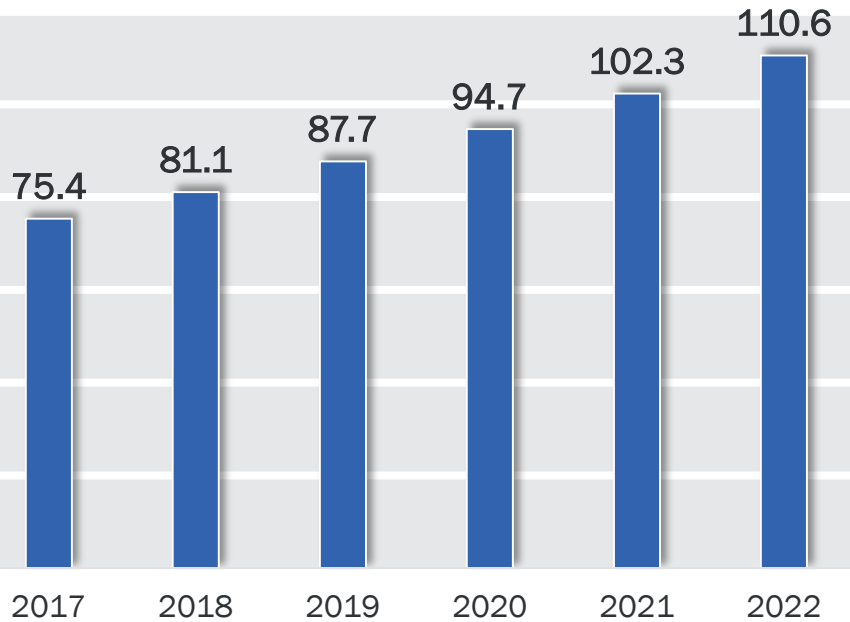
Legal Reforms to
Regulate Transfers

Standard Delegation
Protocol

ANALYSIS QUESTION (5/5)

How substantial (and predictable) would the resources yielded by municipal delegation efforts be?

GDP (USD Billion)



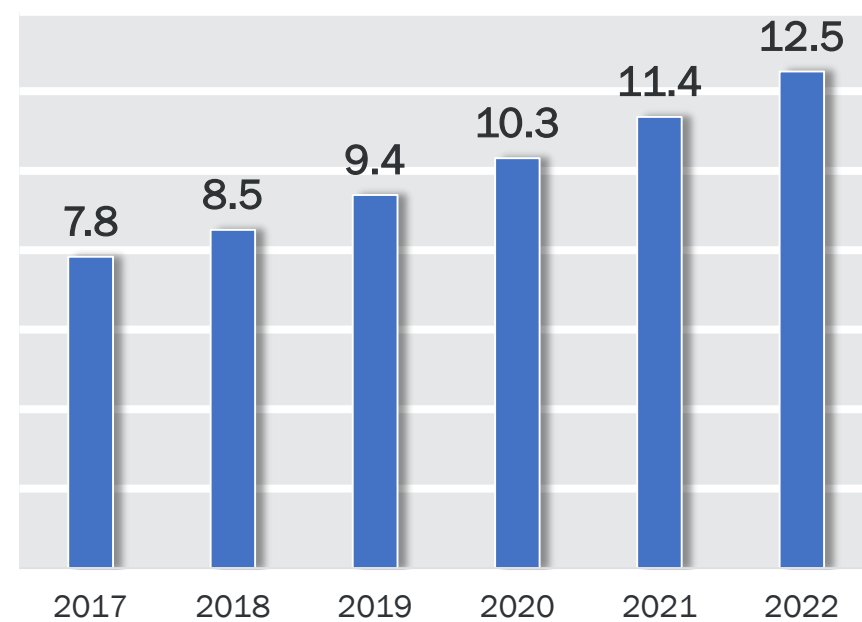
Inflation = 3%-5%

Nominal GDP Growth Rate = 7.1%

Data based on Guatemala Central Bank 2017



Projected Revenue (USD Billion)



Tax burden 10.4%-11.3%

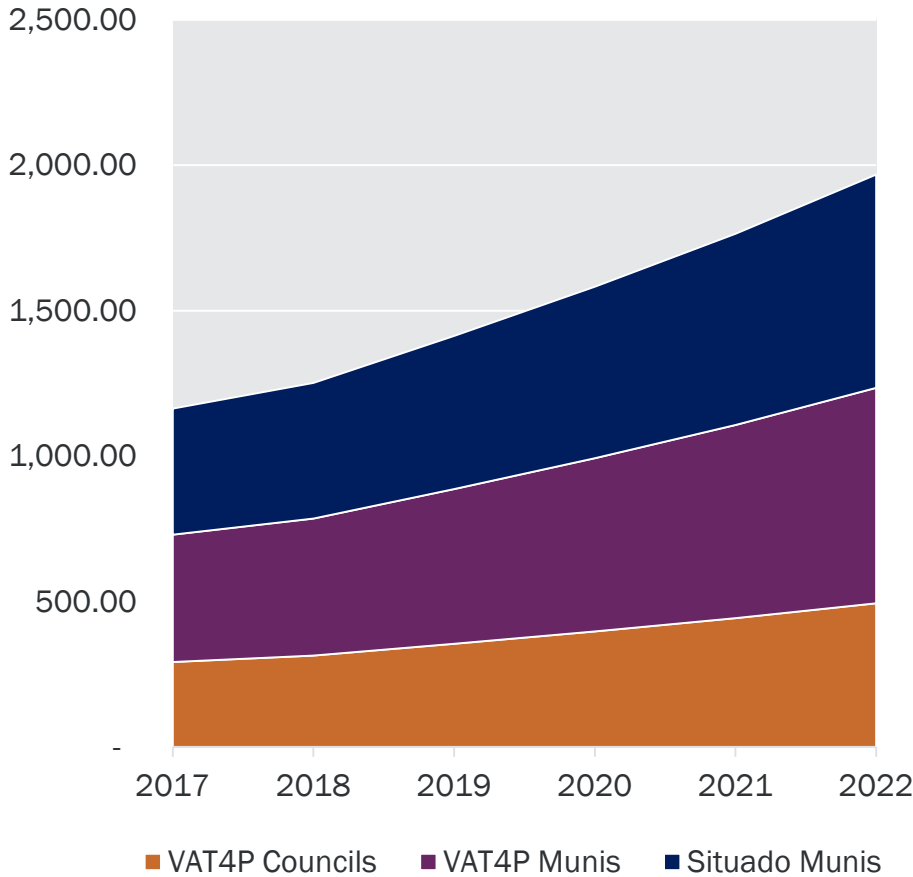
No tax changes, only operation improvement

Data based on Tax Authority estimates

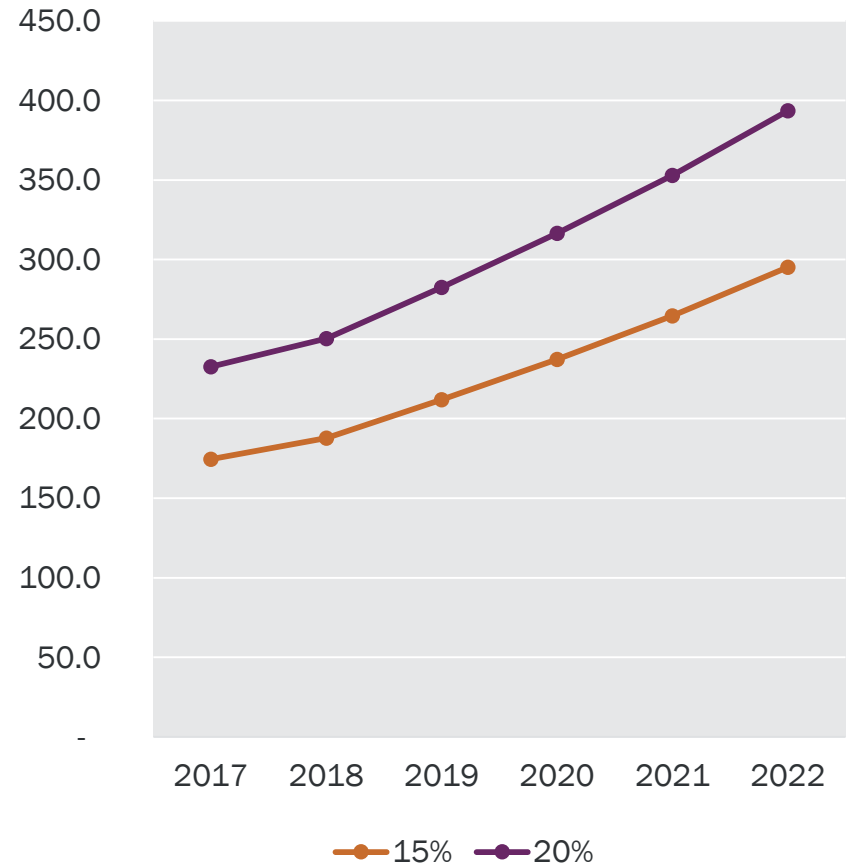
ANALYSIS QUESTION (5/5)

How substantial (and predictable) would the resources yielded by municipal delegation efforts be?

Municipal Transfers (Projected), USD Million



Earmarking Transfers for Health, USD Million



Conclusions

- ✦ Are there any funds susceptible to reallocation for community health and outpatient care services?
 - *Yes, there are several channels of funding to local governments, supposedly earmarked for health and education programs, infrastructure, and basic services, however, they are mostly used for other civil works.*
- ✦ What would be an effective strategy to secure those funds for human development areas?
 - *Decentralization is a constitutional mandate, there are participation spaces, earmarked funding, running and successful experiences, and responsible high-level offices.*
- ✦ Are resources from transfers to municipalities regulated, stable, and predictable?
 - *Yes, those funds are legally locked for distribution to development councils and municipalities; they grow at fixed proportions with GDP and fiscal revenue.*

HP+

HEALTH POLICY PLUS

Better Policy for Better Health



<http://healthpolicyplus.com>



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HealthPolicyPlusProject



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