TRANSITIONING OF EXTERNAL-FUNDED HEALTH PROGRAMS

COUNTRY EXPERIENCE: INDONESIA

Pungkas Bahjuri Ali
(BAPPENAS - National Development Planning Agency)

Geneva, March 30, 2017
Outline

- Macro economic context
- Health Spending and Financing
- Challenges and Transitioning Strategy
MACRO ECONOMIC
Indonesia has made significant progress...

- Lower Middle Income with the GNI per capita: US$3,630 (2013)
- With positive macroeconomic outlook, Indonesia is projected to attain upper middle income status in the next few years
- Overall decline in poverty, the level of informality in the labor market

Conducive macroeconomic environment:
- Growth projected at 5-6% per year
- Levels of deficit and debt appear to be at manageable levels

Figure 1. GDP per capita and poverty trends in Indonesia, 1995-2013
Government Revenues are low

- National revenue is low: 17% of GDP in 2013
- Centralized collection: 90% raised by central level in 2013, but expenditures are highly decentralized (30% of spending at regional level)

Development Assistance for Health (DAH) initiatives have explicit eligibility and graduation clauses using recipient country incomes status

GFATM determines eligibility based on a series of factors that include country income and disease burden
HEALTH SPENDING & FINANCING
Health Expenditure Increase

One of the lowest in the world, but it continues to increase

- Public spending has been growing, especially at district level
- Out of pocket is high but it’s share is declining
- Demand side financing (SHI) increased substantially
Public Health Spending

- PHE has been increasing in absolute
- However it does not increase the share to GDP
- More than 50% of national government expenditures occur at the district level
- Main sources of financing is still central government
Increase Social Health Insurance Fund
The National Social Health Insurance Program - JKN

- As of mid October 2016, the program has covered 169.5 million (67% of population)
- JKN is the largest single payer insurance in the world
- Plan to expand coverage to the whole population in 2019
- Around 50% of the revenue still coming from the Government premium subsidy for the poor (2015 published report)
- High degree of informality create difficulties in collecting premium
- Overall unmet need for health care is reduced
- Out of pocket spending continue to decrease
Indonesia’s low dependence on external fund ....with the exception for several health programs

- The share of external funds: 40-60%
- The share of domestic financing has been increasing

**External funding use:**
- Ensuring budget allocation
- TA and expertise
- Contracting on state actors
CHALLENGES AND TRANSITION STRATEGY
Challenges in Technical and Financial Sustainability

• Continuing technical supports:
  • technical assistants, and knowledge sources
  • cross learning across Countries
  • push positive agenda forward
• Graduate countries need to ensure technical capacity can be continuously improved
• Provide multi stakeholders collaboration platform

• Decentralization challenges at sub-national level:
  • Implementation of minimum service standard
  • Increase source of financing
  • Building and transferring capacity in planning, implementation and monitoring and evaluation
Transition Strategy

Develop an operational transition strategy (MDTF)

- Political commitment and leadership: Advocate beyond MOH
  - Maintain and even increase coverage of the program
  - Future financial implication and create fiscal space of health
- Regulatory framework:
  - Stream of fund to reach the beneficiaries
  - Service contract with non-state actors
- Public Financial Management: (formal approach is more effective)
  - Integrating program into planning and budgeting process
- Creating fiscal space for the programs
  - Optimizing SHI (e.g. integrating HIV services into SHI package)
  - Establishing private-public partnerships for supply side provision
  - Self reliance: using public hospital revenue for investment
  - Improve efficiency of public health spending
THANK YOU
pungkas.ali@bappenas.go.id