

**G20 Shared Understanding on the Importance of UHC Financing in Developing Countries**  
**—Towards sustainable and inclusive growth—**  
**June 6, 2019**

## **1. Background**

Universal Health Coverage (UHC) builds an essential basis for sustainable and inclusive growth. Progress towards UHC, which ensures that all people can access the quality health services they need without experiencing financial hardship, enhances health outcomes, thus helping develop human capital. It promotes job creation, increases financial protection and reduces poverty, promotes economic inclusion, and strengthens health security and thus macro-stability.

However, significant challenges remain. Many developing countries face multiple issues: inadequate domestic resource mobilization; uncoordinated development assistance for health; and inefficiencies and inequities in the health system. They are also confronted by various emerging challenges related to the future stability of their health financing systems, such as (i) rising cost pressures due to noncommunicable diseases, aging population, and technological progress; (ii) slow movement of workers from the informal to the formal economy; and (iii) health emergencies such as pandemics and Antimicrobial resistance (AMR).

Against this backdrop, we hereby present our shared understanding on the critical importance of strengthening health financing for moving towards UHC, with the common narratives shown below. The language of these narratives needs to be interpreted with due consideration to each country's contexts and priorities. We thank the World Bank (WB) for preparing a valuable background study.<sup>1</sup>

## **2. Key considerations for finance authorities**

*Power of an early start and preparedness for the future.* A move towards UHC at an early stage of development creates a firm foundation for long-term sustainable and inclusive economic growth. This can be associated with the possibility of generating a demographic dividend, as well as creating policy space and building resilience to prepare for aging populations in the future. Further, governments should recognize the importance of adapting to evolving national circumstances.

*Prioritizing domestic sources in a fair and equitable manner.* Domestic financing sources, such as taxes, insurance premiums and co-payments, are stable in the long run and hence should be the primary funding source of the health system. Each government should determine for itself what would be the best mix of domestic sources, according to its own circumstances. Governments could seek to establish a broad and diversified revenue base, by strengthening the capacity to mobilize revenue if needed. They are also encouraged to aim for a fair and balanced risk sharing, ensuring that any reliance on out-of-pocket payments does not expose the user to financial hardship. Co-payments can be implemented while minimizing their potential adverse effects on access to health services. The financial capacity to raise sufficient resources and progressivity should be taken into consideration when designing domestic financing scheme, as part of the effort to secure financial protection for the poor and vulnerable.

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<sup>1</sup> World Bank, 2019, "High-Performance Health Financing for UHC: Driving Sustainable, Inclusive Growth in the 21st Century."

***External funding sources to complement domestic sources.*** External funding sources can be mobilized strategically, addressing areas that the recipient government cannot address on its own. Partnership arrangements or collaboration platforms can be helpful for aligning aid strategies with domestic health financing and development needs. However, external funding should be gradually transitioned to domestic financing as the country develops.

***Cost-effective and equitable health systems.*** Authorities should improve the cost effectiveness of health systems by prioritizing competing needs, avoiding ineffective expenditures, promoting use of technology, and investing in essential health services including promotion and prevention ones. At the same time, it is critical that authorities ensure that high quality primary healthcare services, including immunization, as well as essential medicines, are accessible to everyone. UHC may encompass, where appropriate, scientifically proven traditional and complementary medicine.

***Public health emergency preparedness and response.*** The health financing systems should be equipped with preparedness against possible public health emergencies, thus enhancing national, regional, and global health security, in full compliance with the WHO International Health Regulations (2005). External resources, such as the WHO Contingency Fund for Emergencies and the WB Pandemic Emergency Financing Facility, as well as national contingency reserves where available, can be used to support rapid responses to public health emergencies.

***Building institutional capacity.*** Developing sufficient organizational capacity is important for collecting revenue and allocating expenditure in a timely and efficient manner. Further, governments should secure sufficient investment in both primary healthcare services and core public-health functions. These tasks can be made possible through sound institutional arrangements that cover both formal and informal sectors. Additionally, capacity building may be needed for health workers and providers as well.

***Contribution of the private sector.*** Many countries have incorporated private sector providers and financiers, as well as civil society, into their UHC strategies. Engaging the private sector can be an important contribution to development programs in health service delivery and financing. Quality control, regulatory, governance and oversight mechanisms should be institutionalized by the government, while non-state actors can also contribute. Partnership with civil society actors can improve accountability and transparency, leading to greater access to care among poor and marginalized populations.

***Finance ministries' roles and collaboration with health authorities.*** We are of the view that whole-of-government and multisector approaches are crucial for improving efficiency and enhancing public financial management, with collaboration between finance and health authorities being the centerpiece of such approaches. While health ministries are in charge of designing high-quality, financially-sustainable, equitable and inclusive health policy, this mission cannot be completed by them alone; finance authorities have a joint responsibility in designing and securing financing sources for the health systems. In particular, fiscal sustainability and the need for broad coverage needs to be well-balanced, with due consideration to cost pressures that will arise from demographic changes and technological development. Combining a set of expertise of the two ministries will help accelerate our global efforts towards UHC.