



Islamic Republic of Afghanistan Ministry of Public Health

HEALTH FINANCING STRATEGY 2019- 2023



August 2019



Foreword

Afghanistan has made significant progress in providing health services to its citizens over the last decade. Despite improvements in expanding the health coverage for the population, progress in expanding financial protection has been slow.

Afghanistan have embraced the international call to achieving universal health coverage (UHC) as an ambitious but a worthy goal. Under the UHC approach to service delivery, all women would have access to healthy deliveries; all children would have access to life-saving immunizations; and all families would have access to quality health services without the fear of impoverishment. Achieving UHC entails a more strategic approach to sustainable and affordable health financing reforms for expanding and maintaining health gains.

The global evidence shows that two of the largest barriers to achieving universal health coverage are inefficiencies in the delivery of health services and the continued reliance of the health sector on household out-of-pocket payments. Raising funds through prepayment mechanisms, in some countries, has proven to be able to decrease risk of financial ruin and increase efficiency and equity. National wealth is not the only factor in determining the country progress towards UHC – political commitment and sound policy decisions can fill the monetary gap and provide greater value for population health.

Afghanistan's security is currently in transition and the country is challenged with limited resources. The Ministry of Public Health (MoPH) is in a position to identify how to spend more efficiently and invest for the greatest impacts. The development of the Health Financing Strategy 2019-2023 is an enormous accomplishment for the MoPH. This strategy outlines the strategic directions for the MoPH to mobilize external and domestic resources for health; provide financial protection against catastrophic health expenditure and avoid impoverishment caused by out of pocket spending; improve purchasing mechanisms; improve efficiency and equity of public spending; improve resource tracking mechanisms; and strengthen governance for health financing.

The MoPH is excited and ready to take on the task of implementing this strategy, thorough which to accelerate the pace to providing Universal Health Coverage for all.

I would like to sincerely thank the Health Financing Working Group for their efforts in developing this strategy, especially Farhad Farewar, Acting Director of the Health Economics and Financing Directorate (HEFD), for his contributions and leading the development of this strategy.

Sincerely,

Ferozuddin Feroz, MD, MBA, MScPHM

Minister of Health



Acknowledgements

The development of the Afghanistan Health Financing Strategy 2019-2023 has only been possible through the intensive efforts by many individuals and institutions. We express our sincere gratitude to those who have made significant contributions toward completing this important strategy.

We specially appreciate the work of the Health Financing Working Group members over several months to identify the strategic directions and objectives of the MoPH in health financing. The participatory process allowed for greater stakeholder inputs and enhancing the country's ownership. The working group members include: Dr. Abo Ismael Foshanji, Dr. Ajmal Behzad, Dr. Farhad Farewar, Dr. Khwaja Mir Ahad Saeed, Mohammad Yonus Zawoli, Dr. Najmuddin Hashimi, Dr. Omarzaman Sayedi, and Dr. Said Mohammad Karim Alawi.

We would particularly like to thank Dr. Wu Zeng from the USAID-funded Health System Resiliency (HSR) project for assisting the team with the preparation and finalization of this strategy document.

Sincerely,

Diwa Samad

Deputy Minister of Policy and Planning
Ministry of Public Health

Contents

| | |
|---|------------|
| LIST OF TABLE | I |
| ACRONYMS | III |
| FOREWORD | IV |
| ACKNOWLEDGEMENT | V |
| INTRODUCTION | 1 |
| Development Process of the 2019-2023 Health Financing Strategy | 2 |
| Situational Analysis and Lessons Learned | 2 |
| COUNTRY-SPECIFIC OBJECTIVES | 5 |
| VISION | 5 |
| MISSION | 5 |
| GOAL | 5 |
| CORE VALUES AND PRINCIPLES | 6 |
| STRATEGIC DIRECTION 1: Mobilize domestic and external financing for health | 7 |
| <i>Strategic Objective 1.1: Increase domestic financing for health</i> | 7 |
| <i>Strategic Objective 1.2: Strengthen harmonization and alignment of donor support toward national health priorities to increase predictability and support increased funding requests</i> | 8 |
| <i>Strategic Objective 1.3: Leverage private sector resources and increase investment in health</i> | 9 |
| STRATEGIC DIRECTION 2: Provide financial protection against catastrophic health expenditure and avoid impoverishment of families caused by out of pocket spending | 10 |
| <i>Strategic Objective 2.1: Introduce pre-payment mechanisms to reduce out of pocket payment</i> | 10 |
| <i>Strategic Objective 2.2: Protect the poor from catastrophic health expenditures</i> | 10 |
| STRATEGIC DIRECTION 3: Improve purchasing mechanisms | 11 |
| <i>Strategic Objective 3.1: Promote strategic purchasing</i> | 11 |
| STRATEGIC DIRECTION 4: Improve efficiency and equity of public spending | 12 |
| <i>Strategic Objective 4.1: Improve efficiency in the health sector</i> | 12 |
| <i>Strategic Objective 4.2: Improve equity in health spending</i> | 13 |
| STRATEGIC DIRECTION 5: Improve resource tracking mechanisms | 13 |



| | |
|---|----|
| <i>Strategic Objective 5.1: Institutionalization of National Health Accounts (NHA)</i> | 13 |
| <i>Strategic Objective 5.2: Institutionalization of Expenditure Management Information System (EMIS)</i> | 14 |
| <i>Strategic Objective 5.3: Implementation of Public Expenditure Review (PER) and Public Expenditure Tracking Survey (PETS)</i> | 14 |
| STRATEGIC DIRECTION 6: Strengthen Governance for health financing | 15 |
| <i>Strategic Objective 6.1: Improve governance in health financing</i> | 15 |
| <i>Strategic Objective 6.2: Promote a culture of research in health financing</i> | 16 |
| <i>Strategic Objective 6.3: Increase local capacity in health economics and financing</i> | 16 |
| DESIRED RESULTS AND OUTCOMES FOR 2023 | 17 |
| Phase 1 (2019-2020) | 17 |
| Phase 2 (2021-2022) | 17 |
| Phase 3 (2023) | 17 |
| MEASURING PERFORMANCE: MONITORING IMPLEMENTATION OF THE HEALTH FINANCING STRATEGY 2019-2023 | 18 |

LIST OF TABLE

| | |
|--|----|
| TABLE 1: Performance Management Framework | 21 |
|--|----|



Acronyms

| | |
|----------------|---|
| AHS | Afghanistan Household Survey |
| ANPD | Afghanistan National Peace and Development Framework (ANPDF) |
| BPHS | Basic Package of Health Services |
| CCT | Conditional Cash Transfer |
| CHE | Catastrophic Health Expenditure |
| EMIS | Expenditure Management Information System |
| EPHS | Essential Package of Health Services |
| EU | European Commission |
| GDHR | General Directorate of Human Resources |
| GDP | Gross Domestic Product |
| HCF | Health Care Financing |
| HEFD | Health Economics and Financing Directorate |
| HFSC | Health Financing Steering Committee |
| HMIS | Health Management Information System |
| HTA | Health Technology Assessment |
| IPEHS | Integrated Essential Health Services |
| MoF | Ministry of Finance |
| MoJ | Ministry of Justice |
| MoPH | Ministry of Public Health |
| MOPH-SM | Ministry of Public Health - Strengthening Mechanism |
| NCDs | Non-Communicable Diseases |
| NSIA | National Health Accounts |
| NSIA | National Statistics and Information Authority |
| NPP | National Priority Programs |
| OOP | Out of Pocket |
| PETS | Public Expenditure Tracking Survey |
| PER | Public Expenditure Review |
| RBF | Performance Based Financing |
| PMF | Performance Management Framework |
| PPP | Public Private Partnership |
| RBF | Results Based Financing |
| RGSF | Revenue Generation Strategic Framework |
| SMART | Specific, Measurable, Assignable, Realistic and Time related |
| SDGs | Sustainable Development Goals |
| SEHAT | System Enhancement for Health Action in Transition SEHAT |
| THE | Total Health Expenditure |
| UHC | Universal Health Coverage |
| VAT | Value Added Tax |
| USAID | United States Agency for International Development |
| USD | United States Dollar |
| | World Bank |



Introduction

Afghanistan, a low-income country, had a total population of 29.7 million in 2017 based on the latest Afghanistan National Statistics and Information Authority (NSIA) estimates¹. Over the past decade, economic growth has been volatile but rapid, with construction and agriculture as key contributors to economic expansion. The average annual growth rate of Gross Domestic Product (GDP) was 7.4%² over the last decade. Economic growth has slowed in recent years, with a rate of 2.4% in 2018, down from 2.7% in 2017³. Afghanistan's GDP was USD 19.9 billion, with a GDP per capita of US\$ 548 in 2018⁴.

In the last on and half decade, Afghanistan has substantially expanded access to health services and improved health outcomes among its population. The Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS) expanded access to primary and secondary health services and improved population health coverage rates⁵. The Afghanistan Health Survey (AHS) 2018 found that a 57% of the respondents could reach a facility within thirty minutes and cumulatively, and over 90% of respondents could reach a facility within two hours. Consequently, Afghan's health outcomes improved significantly over the past fifteen years. The maternal mortality ratio was reduced from 1,600 in 2002 per 100,000 live births to 327 in 2010, and under-five mortality was 191 per 1000 live births in 2006, which was reduced to 50 in 2018⁶.

Despite these achievements, Afghanistan still faces considerable health challenges. At 327 deaths per 100,000 live births⁷, its maternal mortality ratio remains among the highest in the region. Additionally, Afghanistan is encountering a triple burden of disease: communicable disease continues to account for a large proportion of the overall burden of disease while non-communicable diseases (NCDs) and injuries are increasing rapidly. Along with rapidly growing population, these exert substantial pressures on financing and provision of health services.

In light of the growing health needs among the population, the current health financing arrangement will not sustainably finance health service delivery and system development, delaying progress towards achieving the Universal Health Coverage (UHC) goals. The national health accounts (NHA) 2017 reported that the total per capita health spending was USD 87 in 2017. Direct out-of-pocket (OOP) spending by households accounted for 75.5 % of total spending on health – increased from 72% in 2014, whereas donors contributed 19.4%, and the government financed 5.1%⁸. Given low government funding and the expected reduction in donors' financial support, it is essential that Afghanistan refine its health financing system to mobilize more resources for health and extract more benefits from existing resources.

¹ GIRA, 2017-2018, *Afghanistan Statistical Year Book*, Kabul

² <https://data.worldbank.org/country/afghanistan>

³ <https://www.worldbank.org/en/country/afghanistan/overview>

⁴ World Bank, August 2018, *Afghanistan Development Update*

⁵ MoPH, 2017, *A vision for achieving Universal Health Coverage in Afghanistan*, Kabul

⁶ MOPH, Aug 2008 and 2019, *Afghanistan Health Indicators Fact Sheet*, Kabul; 2002, RAMOS; MOPH, 2006, AHS, Kabul; MOPH, 2018, AHS, Kabul

⁷ MOPH, 2010 *Afghanistan Mortality Survey*, Kabul

⁸ MoPH, 2017, *Afghanistan National Health Accounts*, Kabul



This document builds upon the previous health financing strategies, and it covers the years 2019 to 2023. In line with the 2012-2020 Afghanistan Health Financing Policy, this five-year strategy builds on previous health financing successes and serves as a guide for strengthening health financing system designed to achieve UHC and Sustainable Development Goals (SDGs) in Afghanistan.

■ Development Process of the 2019-2023 Health Financing Strategy

The development of the Health Financing Strategy 2019-2023 relied on the participation of various stakeholders within and beyond the Ministry of Public Health (MoPH). A steering committee and a technical working group were established for this purpose, including development of clear terms of reference. Throughout the strategy development process, the working group met on a regular basis to discuss the implementation timeline. As part of the revision process, the technical team conducted a rapid assessment of Afghanistan health financing, and agreed on components of the new strategy i.e. strategic directions, objectives, and interventions. The working group presented their findings and approach for approval to the Health Financing Steering Committee (HFSC). In order to promote buy-in of all relevant stakeholders, the rapid assessment reported findings on the current status of health financing as well as achievements and challenges. A technical workshop on health financing was conducted by the World Bank, with the workshop outputs, specifically technical inputs, integrated into the health financing strategy as much as possible. The technical working group presented the first draft of the health financing strategy architecture to a larger group of stakeholders at a consultative workshop. The strategic framework presented in this document incorporates the feedback and opinions of those who participated in the consultative workshop.

■ Situational Analysis and Lessons Learned

The current status of healthcare financing in Afghanistan demonstrates that the country is in the early stages of moving towards UHC. Similarly, the high OOP spending and reliance on donors' support and limited availability of prepayment mechanisms for health services support the same conclusion. Domestic sources for health, namely the government budget (i.e. general tax), remains low at 2% of the total health expenditure while the general share of government budget (both ordinary and development) for the health sector is only 5% of total health expenditure⁹.

Revenue collection in Afghanistan is primarily through a centrally managed government system. Revenues are mostly comprised of national taxation and custom tariff collection. The government revenue is collected and pooled into a single government account managed by the Ministry of Finance (MoF)¹⁰. Currently, a pooling mechanism has been developed through

⁹ MoPH, 2017, *Afghanistan National Health Accounts*, Kabul

¹⁰ GIRoA, MoF, 2007 *Afghanistan Public Finance and Expenditure Management Law*, Kabul



donors' financial support to the health sector. The key health sector donors, such as USAID, WB and the EU, are contributing to a single trust fund, which is then used by the government to procure BPHS and EPHS service provision from NGOs in 31 out of the 34 provinces. The health services in the three remaining provinces are managed by the government as part of the Ministry of Public Health Strengthening Mechanism (MoPH-SM). There is still room for improvement as several aid organizations support the BPHS and EPHS implementing NGOs on top of the MoPH contracts in some provinces – commonly known as off 'budget support', which weakens the accountability systems and potentially affects aid effectiveness due to duplication in funding health services.

In order to diversify the sources of financing to health, the MoPH has developed and regularly revises a Revenue Generation Strategic Framework (RGSF). The 2018 revised version highlighted some of the potential sources of funding for health, such as increasing tax on tobacco products, vehicle license renewals, fuel, and sweet beverages and energy drinks. Establishment of pre-payment mechanisms such as health insurance schemes for the general population and implementation of user fees at secondary and tertiary hospitals are among other potential options for improving the health financing situation. Based on the RGSF 2018, an estimated USD 192,530,090 would be generated if the interventions proposed in the framework are fully implemented¹¹.

A significant achievement in the past five years has been the amendment of the health law to allow for charging of user fees for secondary and tertiary care among those who can afford to pay. This is considered a turning point in the public health history as health services across the spectrum including primary, secondary and tertiary care were previously perceived as free. In reality, as demonstrated by the very high OOP spending, Afghan families already spend far too much on health services. Although free primary care will remain the right of all citizens, charging user fees for secondary and tertiary care in hospitals for the citizen who have the ability to pay discourages frivolous use of health services and ultimately improves quality of services that will be provided free of charge to the poor. This will also allow for broader public health financing reforms which requires contributions from the public (mainly those who have the ability to pay), such as the introduction of health insurance.

Recently, the MoPH has explored various strategic purchasing mechanisms for BPHS and EPHS in order to improve efficiency in health spending and utilization of the existing resources for improving health outcomes. The strategic purchasing includes employment of a performance-based contracting approach, whereby the contracts signed with the NGOs under the System Enhancement for Health Action in Transition (SEHAT) project and follow on Sehatmandi project link their payments to improvement of specific mother and child health indicators. In addition to a lump sum payment to the contracted BPHS and EPHS NGOs to cover their basic costs, the NGOs will receive payments on a fee for service basis upon the achievement of agreed targets. A cap is applied in order to contain costs. Purchasing of tertiary health care services at national hospitals, however, remains based on the classic line item payment method using the government operational budget.

¹¹ MOPH, 2018, *Revenue Generation Strategic Framework for the Health Sector, Kabul*



One of MoPH's responsibilities in health financing is to generate evidence in support of health financing reforms and to advocate for positive changes including increased revenues to the health sector and ensuring the efficient use of existing resources. Thus, the role of the Health Economics and Financing Directorate (HEFD) of the MoPH has been instrumental in generating economic evidence for informed decision-making and advocacy. A number of health economics studies, including studies on efficiencies and equity, health insurance feasibility study, and producing NHA and public expenditure tracking surveys (PETS), have been crucial in deliberating health financing issues in Afghanistan.

A key lesson learned from implementation of previous health financing strategies has been that effective implementation of the health financing strategy requires the full support of the strategy by the MoF as the central ministry in the public finance reform.

Health sector donor alignment around key health financing objectives and strategies is also essential given the health sector's dependence on foreign aid. The MoPH acknowledges the ongoing need to further streamline the thinking of the line Ministries and the donors around health financing reform objectives and outcomes. Nonetheless, in the past several years, many efforts have focused on advocating for more revenues while there is also considerable room for improving the efficiency of spending the existing resources as well as improving budget execution. The later, however, has been improved substantially - for instance, the health budget execution improved from 70% in 2015 to over 93% in 2018¹².

The private health sector, on the other hand, is playing an expanding role in delivery of healthcare around the country. More than 50% of the population attend the private for-profit health sector (sole practitioners, private clinics and hospitals) to receive healthcare. Medicines and diagnostics constitute major drivers of the household OOP expenditure, at 48% and 35% respectively¹³. Lack of an adequate government regulatory system of the private sector increases concerns over wastage of resources and reduced efficiency. Dominance of private for-profit health sector and prevalence of OOP also increases the potential for inequitable use of services by the well-off, while depriving the poor of necessary health care.

There continues to be lack of provider and purchaser split in the MOPH-run tertiary hospitals. The MoPH currently plays the role of both a provider and a purchaser of tertiary services.

¹² MoPH, 2018, *budget execution report*, Kabul

¹³ MoPH, 2017, *Afghanistan National Health Accounts*, Kabul



Country-Specific Objectives

The Health Financing Strategy 2019-2023 serves to guide the Afghanistan health sector to strategically address major financing gaps to become more responsive to the health needs of the population. The specific objectives of this strategy are:

- ▶▶ To increase revenues available to the health sector to expand healthcare;
- ▶▶ To improve equity, efficiency and sustainability of health financing;
- ▶▶ To reduce the OOP expenditure by families and thus prevent families from falling into poverty;
- ▶▶ To improve effective pooling of health financing resources and strengthen strategic purchasing mechanisms to facilitate equitable and efficient resource allocation and delivery of quality health services;
- ▶▶ To strengthen local capacity to generate timely health economics, financing and expenditure information to guide policy and decision making.

Vision

All citizens enjoy good health and well-being and are satisfied with the quality of services the government provides. And as a result, the country benefits from the increased productivity and growth due to improved physical and mental health and increased life expectancy, and reduced mortality and morbidity.

Mission

The MoPH works across various strategic directions and implements health financing interventions, including advocating for more resources; improving budget expenditure and increase efficiency in spending of existing resources through better targeting and strategic purchasing; and generating necessary evidence for health financing in order to support increases in the total financial resources available for the health system.

Goal

Rapid movement toward UHC through raising sufficient funds and improving efficiency and equity of financing.



Core Values And Principles

The development and implementation of the reforms proposed in this Health Financing Strategy will be guided by the following core principles:

- ▶▶ Solidarity, which is concerned with promoting health for all, with special considerations for the poor and vulnerable.
- ▶▶ Efficiency in resource mobilization, allocation and use to reduce wastage within the health sector.
- ▶▶ Transparency and accountability in the management of health sector resources.
- ▶▶ Sustainability through increased domestic resource mobilization.
- ▶▶ Evidence based decision-making.
- ▶▶ Ensuring access to health care among of population in need.
- ▶▶ Improving quality of care.
- ▶▶ Enhancing equity in utilization of health services and funding.

Strategic Directions

Each strategic direction and objective was selected based on a set of criteria to ensure their alignment with MoPH policy objectives and priorities. The proposed criteria for the selection of strategic directions and objectives are as follows:

- ▶▶ Relevant to the Afghanistan health system
- ▶▶ Aligns with the National Health Policy 2015-2020 and National Health Strategy 2016-2020
- ▶▶ Aligns with the National Priority Programs (NPP)
- ▶▶ Aligns with the Health Financing Policy 2012-2020
- ▶▶ Aligns with Afghanistan National Peace and Development Framework (ANPDF)
- ▶▶ Builds on the Health Financing Strategy 2014-2018
- ▶▶ Measurable - can be measured with Specific, Measurable, Attainable, Realistic, Time-bound (SMART) indicators
- ▶▶ Sustainable related to financing mechanisms
- ▶▶ Understandable - easy to understand the rationale for inclusion
- ▶▶ Feasible in Afghanistan context
- ▶▶ Contributable to the following themes: efficiency, equity, effectiveness, access, transparency, accountability, system development



Strategic Direction 1:

Mobilize Domestic And External Financing For Health

Historically, Afghanistan under allocates from its national budget for health. For example, the government currently allocate approximately 4.2% of the total government budget¹⁴ to the MoPH in 2019. In order to achieve UHC, WHO recommends that 5% of the country's GDP be directed to public spending on average¹⁵. To ensure sustainability of funding for health, Afghanistan should gradually increase the share of spending in health from its domestic sources towards these recommendations.

This is particularly important to prevent any shocks to the health system due to possible reductions in external financing. Despite the fact that security remains the highest priority for the Government of Islamic Republic of Afghanistan (GIRoA), it is essential that the GIRoA increase national budget allocations for health given the importance of health capital in stabilization of economy and security. Furthermore, international experience demonstrates that increasing government funding is the most effective way to reduce high OOP spending by families. Various innovative financing mechanisms could be used to improve the fiscal space, including introduction or scale-up of sin taxes (i.e. tobacco tax, tax on sugary products, etc.), value added tax (VAT), and establishment of pre-payment mechanisms. Thus, implementation of the MoPH RGSF 2018 is essential for improving the resources available for the health sector. Although there is real potential for expanding the fiscal space leading to positive impacts on the health sector funding, Afghanistan's ability to increase domestic revenues and prioritize the health sector remains limited to the short or medium term. As a result of these considerations, maintaining the current level of external funding is crucial to ensuring that Afghanistan is able to institutionalize a mature health financing system that supports the health system towards achievement of goals.

■ *Strategic Objective 1.1:* **Increase domestic financing for health**

INTERVENTIONS:

- ▶▶ Advocate for increasing government financing for the health sector (prioritization of health in the national budget);
- ▶▶ Advocate for earmarked funds to the health sector (i.e. tobacco tax);
- ▶▶ Strengthen partnerships for resource mobilization with key stakeholders: e.g. Ministry of Finance (MoF), Ministry of Education (MoE), Ministry of Higher Education (MOHE), Parliament, and Ministry of Justice (MoJ);
- ▶▶ Develop policy briefs for the proposed interventions included in the Revenue Generation Strategic Framework (RGSF);

¹⁴ GIRoA, MOPH, 2019, National budget document, Kabul

¹⁵ WHO, 2010, World Health Report,



- ▶▶ Implement the RGSF;
- ▶▶ Explore Zakat and Takaful as domestic sources for health;
- ▶▶ Explore other welfare options for increasing domestic resources for health, particularly at facility levels, beyond the RGSF, Zakat and Takaful;
- ▶▶ Review and adjust the user fees system for secondary and tertiary care to ensure that the poor is not barred from receiving care

EXPECTED OUTCOME:

Domestic government funding for health increased.

■ *Strategic Objective 1.2:*
Strengthen harmonization and alignment of donor support toward national health priorities to increase predictability and support increased funding requests

INTERVENTIONS:

- ▶▶ Develop a comprehensive tool to conduct regular mapping of current and anticipated external health sector resources;
- ▶▶ Advocate for maintenance of current donor funding;
- ▶▶ Ensure effective coordination and communication with the development partners to identify a common approach for health financing reform;
- ▶▶ Coordinate with development partners for improved funding and sustainability of a new package of integrated essential health services (IPEHS);
- ▶▶ Identify opportunities and advocate for additional donor funding for the health sector;
- ▶▶ Strengthen the harmonization and alignment of donors' off-budget support with national health priorities.

EXPECTED OUTCOME:

More predictable external financing for health through harmonization of donor support and alignment with national health priorities.



■ *Strategic Objective 1.3:* **Leverage private sector resources and increase investment in health**

INTERVENTIONS:

- ▶▶ Advocate for private sector participation in investment in priority health areas;
- ▶▶ Advocate for public-private partnerships in hospital, diagnostics, pharmacy and laboratories sectors;
- ▶▶ Identify and advocate for additional potential private revenue streams.

EXPECTED OUTCOME:

Private sector investment in health increased.

Strategic Direction 2:

Provide Financial Protection Against Catastrophic Health Expenditure And Avoid Impoverishment Of Families Caused By Out Of Pocket Spending

Afghanistan's health financing is characterized by high reliance on the OOP spending as a mechanism of financing. This increased OOP spending and resultant catastrophic health expenditures demonstrates the inequity in access to care among the poor. The negative consequences of the high OOP spending on the families and the national economy cannot be overlooked.

In order to reduce the OOP spending at service delivery points, a proposal is to introduce prepayment mechanisms such as health insurance at the national level designed to protect the poor and support the system to achieve national health goals. Due to the fact that the much of the OOP spending is related to the purchase of drugs (almost 57%), designing and implementing a pre-payment scheme that includes paying for generic medicines may play a significant role in reducing OOP spending.

To this end, while implementation of a national pre-payment mechanism requires a fundamental sectoral reform and capacity development, there is a need to take initial steps in the interim to ensure readiness in the future. The MoPH has already begun to explore the feasibility of introducing health insurance and has worked on a legal framework for a coherent and appropriate pre-payment and mix of risk pooling mechanisms. To date, the



MoPH has completed phase one of the health insurance feasibility study and is undertaking phase two of the feasibility study. In addition, the MoPH has drafted a health insurance law which is under review by the Ministry of Justice (MoJ). One of the key challenges to cover the poor in a health scheme is the identification of those that qualify as poor since no such

■ *Strategic Objective 2.1:* ***Introduce pre-payment mechanisms to reduce out of pocket payment***

INTERVENTIONS:

- ▶▶ Explore feasibility of prepayment mechanism options
- ▶▶ Conduct willingness to pay study to assess people's willingness and ability to pay for health insurance;
- ▶▶ Develop necessary legal and administrative documents for initiating health insurance in Afghanistan
- ▶▶ Pilot implementation of pre-payment mechanisms.

EXPECTED OUTCOME:

A pre-payment mechanism established and piloted for health care services.

■ *Strategic Objective 2.2:* ***Protect the poor from catastrophic health expenditures***

INTERVENTIONS:

- ▶▶ Advocate for and work with the related entities to identify the poor;
- ▶▶ Advocate for establishment of welfare mechanisms i.e. health equity fund and conditional cash transfer programs to improve coverage of priority health services;
- ▶▶ Ensure effective implementation of user fees exemption for the poor.

EXPECTED OUTCOME:

OOP share reduced, catastrophic health expenditure (CHE) incidence reduced, and health welfare mechanism established.



Strategic Direction 3:

Improve Purchasing Mechanisms

Managing scarce resources effectively and efficiently is an important objective of the health financing strategy. One of the key approaches in the health financing reform agenda is the design and implementation of strategic purchasing mechanisms. Introducing strategic purchasing needs to address questions, including for whom to buy, what to buy, from whom to buy, how to pay, and how much to pay.

In Afghanistan, payments to hospitals are mostly on a line item basis. For the NGOs implementing the EPHS and BPHS packages under the Sehatmandi project, it is primarily through capitation with performance-based payments. The government is not yet purchasing services from the private for-profit sector. Population purchasing services from private providers is done on a fee-for-service basis and is paid directly out of pocket at the point of services.

The MoPH intends to partner with the private for-profit sector through establishing public-private partnerships (PPP) to expand access to care and increase availability of services. Demand and supply-side financing interventions such as results-based financing (RBF), conditional cash transfers (CCT), and mobile health will continue to be piloted and implemented to improve key health indicators and address barriers to accessing services. The MoPH will explore and test additional provider payment mechanisms to ensure that health funds are effectively used to deliver high quality health services to the people.

■ *Strategic Objective 3.1:* **Promote strategic purchasing**

INTERVENTIONS:

- ▶▶ Develop and adjust legal and administrative frameworks for implementation of strategic purchasing mechanisms including Global budget for hospitals;
- ▶▶ Explore and develop strategic purchasing mechanisms for services and goods from providers to include NGOs, public and private sector;
- ▶▶ Establish PPP for hospitals, health facilities, pharmacies, and laboratories;
- ▶▶ Expand performance-based payment mechanisms for on budget contracting;
- ▶▶ Examine and expand new strategic initiatives (i.e. conditional cash transfer) and evaluate its impact on utilization of health services.

EXPECTED OUTCOME:

Strategic purchasing mechanisms designed and implemented in a number of public and private hospitals, health facilities and publicly financed projects.

**Strategic Direction 4:**

Improve Efficiency And Equity Of Public Spending

There is a potential to increase fiscal space for health by reducing inefficiencies in the health system. Efficient utilization of limited available resources requires effective planning and strategies. Generating health economics evidence through economic evaluations, cost analyses, and public expenditure review (PER) serves to support evidence-based decision making in the health sector to improve allocative and technical efficiency. Harmonization and alignment among the development partners and line ministries in support of national health priorities is prerequisite to improving efficiencies in the health sector. It is imperative that the system continues to support quality improvement of services in the public, NGOs and private health sectors thus reducing the need for Afghans to travel abroad.

This strategy also acknowledges the importance of conducting continuous reviews and studies to explore and rectify bottlenecks of the MoPH budget execution and avoid wastages. The MoPH will work to identify and address inequity in health spending within and across provinces and various geographic areas to ensure appropriateness based on population size and needs. Furthermore, the government will monitor that funds are used for priority health conditions and diseases according to allocations to monitor efficiency. The strategy also promotes introducing fiscal autonomy for the national hospitals in order to improve efficiency of their operations.

■ *Strategic Objective 4.1:* ***Improve efficiency in the health sector***

INTERVENTIONS:

- ▶▶ Conduct regular efficiency analyses in the health system to identify potential opportunities for improving performance, saving and avoiding wastage;
- ▶▶ Better align funding to health needs to improve allocative efficiency and the prioritization of health interventions;
- ▶▶ Reduce fragmentation of funds in the health sector through strengthened coordination and collaboration of relevant stakeholders;
- ▶▶ Examine and address bottlenecks in budget execution;
Introduce appropriate provider payment mechanisms to improve effectiveness and efficiency;
- ▶▶ Conduct health technology assessment (HTA) to inform adoption of cost-effective technology in the health sector;
- ▶▶ Introduce fiscal autonomy at national hospitals.

**EXPECTED OUTCOME:**

Improved efficiency in allocation and spending of public funding.

■ *Strategic Objective 4.2:* **Improve equity in health spending**

INTERVENTIONS:

- ▶▶ Provide evidence of inequity in health (i.e. health outcomes and health service provision) through conducting equity analysis;
- ▶▶ Identify barriers to use of health care services among vulnerable populations;
- ▶▶ Design and implement activities for improving equity in healthcare utilization and health outcomes;
- ▶▶ Design and implement an appropriate health equity fund to support the poor to ensure access to necessary health services.

EXPECTED OUTCOME:

Equity in health spending improved.

Strategic Direction 5:

Improve Resource Tracking Mechanisms

Tracking the flow of funds is fundamental to ensuring accountability and transparency in the health system. Conducting regular health expenditure surveys tracking how much has been spent in the health sector, who manages it, and whether it has reached the intended end-users is critical in assessing the performance of health policies and programs over time and progress towards UHC. Resource tracking is often challenging due to the fact that it is costly and often depends on external funding and technical assistance for the implementation. During the course of implementation of this strategy, the MoPH intends to build the capacity of its departments and relevant stakeholders to regularly track the flow of resources in and out of the health system and to ensure resource tracking is institutionalized within the system.

■ *Strategic Objective 5.1:* **Institutionalization of National Health Accounts (NHA)**

INTERVENTIONS:

- ▶▶ Continue producing NHA reports on a regular basis;
- ▶▶ Develop policy briefs reporting NHA results;
- ▶▶ Advocate for effective implementation of the NHA recommendations;
- ▶▶ Coordinate with relevant stakeholders to provide required inputs for of the NHA report;
- ▶▶ Disseminate NHA results at national and sub national levels;
- ▶▶ Develop tools and standards to collect the health expenditures from the private sector.



EXPECTED OUTCOME:

NHA produced on a regular basis.

■ *Strategic Objective 5.2:*
Institutionalization of Expenditure Management Information System (EMIS)

INTERVENTIONS:

- ▶▶ Scale up the implementation of EMIS at the national level;
- ▶▶ Upgrade the current EMIS to a web-based system;
- ▶▶ Link EMIS to the District Health Information System (DHIS2);
- ▶▶ Produce regular EMIS reports for evidence-based decision making and serve as inputs for economic studies and NHA production;
- ▶▶ Ensure the availability of adequate human resources and human capacity for effective implementation and expansion of the EMIS.

EXPECTED OUTCOME:

EMIS implemented and used regularly.

■ *Strategic Objective 5.3:*
Implementation of Public Expenditure Review (PER) and Public Expenditure Tracking Survey (PETS)

INTERVENTIONS:

- ▶▶ Conduct regular PETS;
- ▶▶ Conduct PER;
- ▶▶ Collaborate with partners to effectively implement the PETS and PER's recommendations;

EXPECTED OUTCOME:

PETS and PER conducted on a regular basis.



Strategic Direction 6:

Strengthen Governance For Health Financing

Governance in health encompasses politics, policy, public administration, interaction with civil society and the private sector, and the effect that the various institutions have on socio-economic outcomes¹⁶. Health system governance aims to protect and promote the health of the people. Good governance in health financing involves sound approaches to streamlining of laws and regulation affecting health financing and ensuring that the strategic goals and objectives in relation to health financing are accomplished. Effective communication and coalition building to ensure effective coordination in the health sector is paramount in maintaining good governance of health financing. Furthermore, good governance includes effective community involvement in the design and operationalization of health finance reforms. Enhancing the culture of health finance and economics research in the health sector is also part of good governance

■ *Strategic Objective 6.1:* **Improve governance in health financing**

INTERVENTIONS:

- ▶▶ Examine institutional structure, coordination mechanisms and capacity of the MoPH and government agencies related to health financing;
- ▶▶ Develop health financing policy options and a roadmap for moving towards UHC;
- ▶▶ Promote dissemination of MOPH financial data to civil society and the public;
- ▶▶ Strengthen coordination among stakeholders both within and outside of the health sector;
- ▶▶ Develop and implement an action plan for multi-sectoral coordination on health financing issues;
- ▶▶ Advocate for decentralization to lower levels including health facilities and provinces, through shared and delegated authority to ensure services are responsive to local needs;
- ▶▶ Develop and implement an action plan for community engagement on health financing.

EXPECTED OUTCOME:

Governance for health financing improved.

¹⁶ WHO, 2014, *Health systems governance for universal health coverage*



■ *Strategic Objective 6.2:* **Promote a culture of research in health financing**

INTERVENTIONS:

- ▶▶ Establish research and training collaborations with national and/or international education entities related to health economics and financing;
- ▶▶ Develop annual research agendas, including survey and costing studies on health financing and economics.

EXPECTED OUTCOME:

Evidence base on health financing policies increased and evidence-based decision making promoted.

■ *Strategic Objective 6.3:* **Increase local capacity in health economics and financing**

INTERVENTIONS:

- ▶▶ Include health economics in the curriculum of major medical universities;
- ▶▶ Build capacity among health system actors to ensure appropriate use and management of funding for health to ensure value for money;
- ▶▶ Develop competencies in the MoPH to effectively interact and manage productive relationships with health financing relevant ministries.

EXPECTED OUTCOME:

MoPH capacity in health economics and financing strengthened.



Desired Results And Outcomes For 2023

Major results and outcomes have been identified to ensure successful implementation of the health financing strategy. These are organized into three phases of implementation. The first two phases are two years each in duration, with the last phase implemented over a one-year period.

■ **Phase 1 (2019-2020)**

- ✔ Second phase health insurance feasibility study identifying risk protection options conducted and roadmap for implementation developed;
- ✔ Advocacy for domestic revenue generation conducted;
- ✔ CCT intervention scaled up based on results;
- ✔ Risk protection mechanisms such as social health insurance piloted;
User fees introduced with pilot of health equity funds in tertiary hospitals;
- ✔ EMIS partially institutionalized;
Strategic purchasing expanded in services procurement;
- ✔ Costing of tertiary care conducted.

■ **Phase 2 (2021-2022)**

- ✔ The 5th NHA that includes Reproductive Health, Child Health, and other disease subaccounts conducted;
- ✔ Advocacy for domestic revenue generation implemented;
- ✔ The roadmap developed based on the results of the second phase health insurance feasibility study implemented;
- ✔ Risk protection mechanisms and equity fund evaluated and scaled-up;
- ✔ Public-private partnerships implemented at tertiary health care level;
- ✔ EMIS fully institutionalized

■ **Phase 3 (2023)**

- ✔ PPP Hospitals established;
- ✔ Utilization and quality of health services significantly improved;
- ✔ Revenue to health sector through tobacco tax funds and other initiatives proposed by revenue generation strategic framework increased.

Measuring Performance: Monitoring Implementation Of The Health Financing Strategy 2019-2023

The monitoring and evaluation mechanisms for this strategic plan should be integrated within the existing M&E functions and systems. There are several sources of data that are needed to measure the implementation of this strategy, including: Health Management Information System (HMIS) and surveillance data for health outputs, household survey data, expenditure data from NHA and EMIS, as well as any other necessary budgetary and costing data. Data should be cross-checked and verified through monitoring visits for programs, as well as the production of studies, reports and meeting minutes where necessary.

Monitoring of the performance of this strategy will principally be the responsibility of the General Directorate of Policy and Planning and the Aid Coordination Unit within MoPH. However, requisite data should be provided by all relevant stakeholders. The Performance Management Framework (PMF) below proposes a set of indicators which would assess progress towards achieving the goal of the overall strategy, and objectives of each of the six strategic directions. This PMF was initially drafted by participants in the consultative workshop to ensure that proposed indicators followed the SMART framework and were agreed on by the larger group.

Table 1: Performance Management Framework

| STRATEGIC DIRECTION | INDICATOR | BASELINE | TARGET BY END OF 2023 | MEANS OF VERIFICATION |
|---|--|-------------------|-----------------------|--------------------------|
| Strategic Goal: Rapid movement toward universal health coverage through raising sufficient funds and improving efficiency and equity of funds | | | | |
| SD 1: Mobilize Domestic And External Financing For Health | | | | |
| SO 1.1: Increase domestic financing for health | Domestic financing for health as share of total government expenditure | 2 ¹⁷ % | 6% | MOF budget document |
| SO 1.2: Improve predictability and increase of external fund | External funds for health sector as percentage of total health expenditure | 20% | 20% | Health resources mapping |

¹⁷ MOPH, 2017, *Afghanistan National Health Accounts*, Kabul



| | | | | |
|--|---|-------------------------------------|---|--|
| SO 1.3: Leverage private sector resources and improve investment in health | Percentage increase in private sector investment in health | Baseline to be set after assessment | Baseline +5% | Private sector health resources mapping |
| SD 2: Provide Financial Protection Against Catastrophic Health Expenditure And Avoid Impoverishment Caused By Out Of Pocket Spending (OOPS) | | | | |
| SO 2.1: Introduce pre-payment mechanisms to reduce out of pocket payment | Implementation of a type of pre-payment mechanism such as health insurance | N/A | Prepayment mechanisms start and covers segments of population | Policy documents |
| SO 2.2: Protect the poor from catastrophic health expenditures | Percentage of population suffering catastrophic health expenditure at 10% cut-off | 44.18% | 35% | Survey report |
| SD 3: Improve Purchasing Mechanisms | | | | |
| SO 3.1: Promote strategic purchasing | Number of health facilities operating under PBF(Performance based financing) | N/A | 2,795 | Performance Management Office (PMO) report |
| | Number of Hospitals implementing global budget | N/A | 17 national hospitals | Purchasing report |
| SD 4: Improve Efficiency And Equity Of Public Spending | | | | |
| SO 4.1: Improve efficiency in the health sector | Number of efficiency analysis and economic evaluation studies conducted | 1 | 6 | Study report |
| | Number of hospitals operating under hospital autonomy | 0 | 17 | Hospital reform report |
| SO 4.2: Improve equity in health spending | Number of analyses conducted on status of equity in health spending and service use | 1 | 4 | Study report |



| SD 5: Improve Resource Tracking Mechanisms | | | | |
|--|--|-----|-----------------------|--|
| SO 5.1: Institutionalization of National Health Accounts | Number of Health Accounts produced | 4 | 6 | Policy documents |
| SO 5.2: Institutionalization of Expenditure Management Information System (EMIS) | Number of EMIS reports collect on quarterly intervals | 10 | 30 ¹⁸ | Survey report |
| SO 5.3: Implementation of Public Expenditure Review and Public Expenditure Tracking Survey (PETS) Expenditure Tracking Survey (PETS) | Number of public expenditure tracking surveys (PETS) conducted | 2 | 4 | |
| SD 6: Strengthen Governance For Health Financing | | | | |
| SO 6.1: Improve governance in health financing | Number of policy documents for HCF governance | N/A | 2,795 | Performance Management Office (PMO) report |
| | Number of multi-sectoral and community engagement meetings conducted | N/A | 17 national hospitals | Purchasing report |
| SO 6.2: Promote culture of research in health financing | Number of research studies carried out in health financing and economics | | | |
| SO 6.3: Strengthen capacity in health economics and financing | Number of provincial capacity building sessions workshops conducted | | | |

¹⁸ We assume that the current support to the EMIS sustain

