

**Report of the Commission on
Macroeconomics and Health**
*Investing in Health for Economic
Development*

**The CMH Report: Its Relevance
for countries of the Latin America
and Caribbean Region**



**Public Policy and Health Program
Health and Human Development Division**
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ACRONYMS AND ABBREVIATIONS

CARICOM	Caribbean Community
CMH	WHO's Commission on Macroeconomics and Health
CTC	Close-to-Client system
GDP	Gross Domestic Product
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GHRF	Global Health Research Fund
GPGs	Global Public Goods
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HRP	Special Program on Research, Development and Research Training in Human Reproduction
IVR	Initiative for Vaccine Research
LAC	Latin American and Caribbean Region
LDC	Least-developed country
NCMH	<i>National Commissions on Macroeconomics and Health</i>
ODA	Official Development Assistance
PAHO	Pan American Health Organization
PHC	Primary Health Care
PRSP	Poverty Reduction Strategy Paper
R&D	Research and development
TB	Tuberculosis
TDR	Special Program for Research and Training in Tropical Diseases
WHO	World Health Organization

The CMH Report^{*}: Its relevance for countries of the Latin America and Caribbean Region

Pan American Health Organization
Regional Office of the
World Health Organization

The Millennium Summit of the United Nations, held in September 2000 calls for a dramatic reduction in poverty and marked improvements in the health of the poor. The central argument put forward in the report of WHO's Commission on Macroeconomics and Health (CMH)¹ is that improving health of the poor is a mean to achieving the development goals of poverty reduction. Increased investments in health would translate into a substantially increased income in the low-income countries. The burden of diseases is a barrier to economic growth, particularly in sub-Saharan Africa. AIDS is undermining Africa's development, and may cause tens of millions of deaths in India, China and other developing countries.

The CMH Report focuses mainly on the least developed countries (LCD) and the poor in low and lower-middle income countries of the world. These are countries in which the control of communicable diseases and improved maternal and child health remain the highest public health priorities. In these countries the main causes of avoidable deaths are HIV/AIDS, malaria, tuberculosis (TB), childhood infectious diseases, maternal and perinatal conditions, micronutrient deficiencies, and tobacco-related illnesses.

The countries of the Latin American and Caribbean region (LAC) included in the cost estimates of the Report are Haiti (a Least Developed Country),

^{*} *Macroeconomics and health: Investing in health for economic development.* Report of the Commission on Macroeconomics and Health. Geneva: World Health Organization; 2001. (Report presented by Jeffrey D. Sachs to Gro Harlem Brundtland, Director-General of the World Health Organization.)

Nicaragua (a low-income country), and Bolivia, Cuba, Guyana and Honduras (Lower-Middle-income Countries). In the Report the term LAC region is used to refer to a Latin and Central America region, it is defined as including only the countries listed above.

THE KEY RECOMMENDATION OF THE COMMISSION

It is that the world's low-income and low middle-income countries should scale up the access of the world's poor to essential health services, including key specific *essential interventions* through close-to-client (CTC) system that involves an organizational reform to ensure universal coverage for priority (essential) interventions throughout health centers, health posts, or the outreach facilities.

To scale up the access of the poor to essential health services will require additional domestic and international resources. However, current and projected level of health spending in the least developed and in low-income countries will be insufficient to address the health challenges they face². There is a resources gap that should be covered with contributions from donors from high-income countries. The high-income countries would/should increase their financial assistance, in the form of grants, especially to the countries that need help most urgently, which are concentrated in sub-Saharan Africa. In this regard, the Report argues that "Lack of donor funds should not be the factor that limits the capacity to provide health services to the world's poorest peoples."

The Report estimates that high-income countries would need to increase their financial assistance to these countries to around \$27 billion per year in 2007 and to \$38 billion per year in 2015³. Current official development assistance (ODA) is on the order of \$6 billion.⁴

An action agenda for investments in health for economic development includes:

- *The establishment of temporary national commissions on macroeconomics and health (NCMH) to formulate a long-term program for scaling-up essential health interventions as part of their overall framework in their poverty reduction strategy paper (PRSP).*
- *Mobilizing donor resources to support country level programs, the World Health Organization (WHO), The World Bank, and new international health entities.*

- Resources from donors should be channeled to finance country level programs (around 80 percent) and for international activities related to research and development for diseases of the poor, and the provision of other public goods (20 percent)⁵. The WHO and The World Bank, with a steering committee of donor and recipient countries would be in charge of coordinating and monitoring the resource mobilization process.
- The CMH Report proposes that the international community should establish two new funding mechanisms: (a) A global fund to fight AIDS, tuberculosis, and malaria (GFATM), US\$ 8 billion. This fund has already been created by the Secretary-General of the United Nations (UN). (b) A global health research fund (GHRF), \$1.5 billion.

In addition, resources in the amount of \$1.5 billion per year should be channeled through existing institutions such as WHO to expand financing of the Special Programme for Research and Training in Tropical Diseases (TDR), the Initiative for Vaccine Research (IVR), and the Special Programme on Research, Development and Research Training in Human Reproduction (HRP), the Global Forum for Health Research and various public-private partnerships that are currently aiming toward new drug and vaccine development.

- The CMH also calls for increased funding to WHO and The World Bank to bolster the supply of other global public goods (GPGs): \$1 billion per year during the period 2002-2007 and \$2 billion per year during 2007-15⁶.

Other non financial (normative) recommendations

- The International Monetary Fund and The World Bank should work with recipient countries to incorporate the scaling up of health and other poverty-reduction programs into a viable macroeconomic framework.
- Through the GFATM and other mechanisms pre-commitments should be established to purchase new targeted products at commercially viable prices in order to provide incentives to the private sector in high-income countries for late-stage drug development. A cooperative agreement should be established between the international pharmaceutical industry, the high-

income countries and the WHO to ensure access of the low-income countries to essential medicines. (Commitments to provide essential medicines at the lowest viable commercial prices and to license the production of essential medicines to generics producers as warranted by cost and/or supply conditions).

RELEVANCE FOR THE LATIN AMERICA AND CARIBBEAN REGION

While only five countries of the Latin American and Caribbean Region were included in the cost estimates of the report, many of the arguments put forward may be useful for strengthening arguments on specific health policy issues⁷. We focus here on some of the arguments of the Report that may be relevant for advancing the agenda for better health in the Americas. They are organized around three major themes covered in the Report. These are: (a) on the relationships between health and economic growth; (b) on the main problems affecting the low-income and low-middle income countries; and, (c) on expenditure and financing gaps to address main problems affecting the poor in low and low-middle income countries.

(a) On the relationships between health and economic growth

The report provides some arguments on the relationships between health and economic development that may help us to strengthen advocacy about the importance of investments in health for long term economic growth and social development: reduction of poverty and inequalities.

The call for establishing national inter-ministerial commissions on health and macroeconomics may be an important tool for advocacy on the role of health and economic growth. However, in the case of LAC, given the situation at the moment it may require additional arguments beside the empirical analysis presented in the Report.

The most compelling arguments presented in the Report are those coming from economic theory, as well as from new empirical analysis of the relationships between health and economic growth—rate of economic growth. Particularly the arguments and empirical evidence developed by Nobel Prize winners quoted in the Report (Schultz T.; Becker G., and Fogel R.; pp. 21-22).

Arguments based on the economic costs of avoidable diseases (burden of diseases) may be important for proposing investments in health as a poverty reduction strategy, and should go hand in hand with arguments on the importance of health as a mechanisms for enhancing the long term (*rate of economic growth*).

(b) On the main problems affecting the low-income and low-middle income countries

The CMH report also stresses the role of some basic and low-cost health care interventions that may have a large impact in addressing main causes of avoidable deaths. This general observation also holds for most countries of the Region.

Interventions to deal with these health problems are integral part of national primary health care (PHC) strategies/programs that are largely under-funded arguments of the report that may be used to reinvigorate government commitments to PHC strategies. It is not clear that there are benefits to be derived from re-labeling this strategy

(c) On expenditure and financing gaps to address main problems affecting the poor in low and low-middle income countries

An exercise of estimating the current level of expenditure in PHC and the "coverage gap" of different type of services may be a useful tool for identifying country specific needs for reallocation and/or mobilization of resources that need to be addressed⁸. A more efficient use of resources and a better allocation of public expenditures to address main health problems of the poor are policies more suitable for most countries of the LAC region.

The proposal for increasing levels of public expenditures in 1 percent of the GDP by the year 2007 and in 2% by the year 2015 needs arguments other than those of lack of resources to cover CTC system put forward in the Report. Comparisons with the level of public expenditures as percentage of GDP between developed countries (around 6%) and the Latin American countries (around 3%) may provided better arguments about the needs for increasing public expenditures in health for governments to play a meaningful role in developing comprehensive national health care systems.

Less compelling are the arguments for massive additional financial resources for "scaling-up" health interventions, in the context of the LAC

region. The same happens with the call for additional resources to finance “new” entities to manage global TB, AIDS and malaria programs as well as the call for additional resources to expand the role of WHO and World Bank in support to the CMH strategy.

AGENDA FOR THE LATIN AMERICA AND CARIBBEAN REGION:

- 1) The CMH Report and its central theme—investing in health for economic development—may be used as a tool for advancing ongoing research and advocacy on the relationships between health and economic growth, and social development; and, the importance of health in reduction of poverty and inequalities.
- 2) Presentation of the Report may be complemented with regional and country estimates on the level of expenditures on primary health care programs/strategies, the resources constraint faced by countries of the LAC region and to identify the needs for resources reallocation and/or mobilization.
- 3) Presentation of the Report may be used to present LAC region progress in addressing some of the "main health problems of the poor" listed in the Report and the type of health problems and interventions to be included in a revised/renewed PHC strategy in countries of the LAC region.
- 4) The Pan American Health Organization (PAHO) may consider supporting the creation of national—such as the one recently created by the Government of Mexico—or, subregional—such as CARICOM, Andean Community, and/or the Central American Integration System—commissions on macroeconomics and health.
- 5) In the LAC countries characterized as highly indebted poor countries (HIPC); such as, Bolivia, Guyana, Honduras, Haiti and Nicaragua, PAHO may promote the inclusion of a package of essential interventions to address the main health problems of the poor, and for this purpose country specific data will need to be assembled in order to identify resource needs and design effective delivery mechanisms.

NOTES

¹ LDC category is based on a combination of level of income, a quality of life and an economic diversification index. Income criteria is less than \$ 800 dollars. Low and lower-middle income countries are defined by the level of income, only. Low income was defined as less than \$ 765 in 1995. Lower-middle income were defined as income between more than \$ 756 but less than \$ 2,999, in 1999. Other low income countries were defined as non LDCs with income per capita of less than \$ 765 in 1995. Three Upper Middle Income countries were included: Botswana, Gabon and South Africa. No definition of income range is given.

² The Least-Developed Countries average approximately \$13 per person per year in total health expenditures. The other low-income countries average approximately \$24 per capita per years. In both, LDC's and Low-Income Countries public expenditure represents around 50 percent of total health expenditures.

³ The CMH estimates that minimum financing needs to cover essential interventions, including those needed to fight the AIDS pandemic, at around \$30 to \$40 per person per year. Estimates were derived under the assumptions that low and low-middle income countries would increase the amount of "domestic resources" spent in health from an estimated 4.1% in 2002, to 5.1% in 2001 and 6.1% in 2015 and the cost of expanding coverage of essential interventions in each one of the low and low-middle income countries included in the cost estimates of the Report.

⁴ Reported estimates of \$ 5 billion in country programs in low and low-middle income countries and \$1 billion in global public goods for health. Data presented in table 14 of the report accounts for an average of Official Development Assistance during the period 1997-99 of only \$ 2.5 billion (See Table 14, p.94.).

⁵ **Allocation of Donor Resources; in Billion of \$ per year (\$ of 2002)**

	2007	2015
Country-level programs	22	31
R&D for diseases of the poor	3	4
Provision of other global public goods	2	3
Total	27	38

Source: CMH Report, p. 18.

⁶ It includes, disease surveillance at the international level, data collection and analysis of global health trends, dissemination of best practices in disease control; among other things.

⁷ However, caution is needed in endorsing or defending the economic arguments and empirical findings of the Report. Some of the economic arguments are not well spelled-out, and/or are inconsistent with some basic economic principles. The statistical and econometric analysis is too simplistic; the methodology and

assumptions used in deriving the cost are difficult to follow; as presented in the Report. A reader interested in understanding the methodology will need to go to several of the references to be able to put together a coherent view of the soundness of those estimates. These are some elements that may make the CMH Report counterproductive to use with counterparts versed in economic analysis, economic theory and/or statistical analysis.

⁸ An exercise of assessing current level of expenditures in Primary Health Care program/interventions is currently underway at the Pan American Health Organization, Division of Health and Human Development, Program on Public Policy and Health (HDP/HDD) and the Division of Health Systems and Services Development, Program on Organization and Management of Health Systems and Services (HSP/HSO).

