

# **STRATEGIES FOR HEALTH CARE FINANCE IN DEVELOPING COUNTRIES**

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# STRATEGIES FOR HEALTH CARE FINANCE IN DEVELOPING COUNTRIES

with a focus on community financing in  
Sub-Saharan Africa

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# Contents

<i>Preface</i>	vii
<i>The authors and contributors</i>	x
<b>Part 1</b>	
<b>TOWARDS BETTER HEALTH THROUGH COMMUNITY FINANCING IN POOR COUNTRIES</b>	
<i>Guy Carrin with Marc Vereecke</i>	
1. Triggering further progress in health in the developing world	3
2. Linkages between health, health financing and the economy	18
3. Lessening the constraints on health development	26
4. Economic analysis of community financing schemes	45
<b>Part 2</b>	
<b>CASE STUDIES OF COMMUNITY FINANCING</b>	
5. Direct payment for drugs at the public pharmacy in Fianga (Chad)	75
<i>Guy Carrin, Philippe Autier, Barou Djouater and Marc Vereecke</i>	
6. The role of user fees in financing health care at government health centres in Rwanda	96
<i>Donald S. Shepard, Guy Carrin and Prosper Nyandagazi</i>	
7. Appraisal of the utilization of health care in the district of Kita (Mali)	117
<i>Guy Carrin, Go Kegels, Sanousi Konaté, Marc Réveillon and Marc Vereecke</i>	

<b>8. The Pikine project in Senegal: Fifteen years of experience in financing urban primary health care</b>	136
<i>Guy Carrin, Michel Jancloes, Emile Jeannée, Salif Guindo, Birama Ndiaye, Marc Réveillon and André Stroobant</i>	
<b>9. Prepayment for hospital care in the Bwamanda health zone (Zaire)</b>	157
<i>Freddy Moens and Guy Carrin</i>	
<b>10. Main lessons from the practice of community financing schemes</b>	171
<i>Guy Carrin and Marc Vereecke</i>	
<i>Appendix: List of Exchange Rates</i>	188
<i>Index</i>	189

# Preface

During the last decade, health care finance in developing countries has become an important subject of scientific reflection and debate. One of the main reasons is that quite a number of developing countries, especially those of Sub-Saharan Africa, experienced a long-term economic decline, and hence found it increasingly difficult to allocate sufficient funds to the public health sector. However, apart from these financial difficulties, it also became increasingly apparent that governments, again mostly those of the poorest countries, continued to lack the administrative capacities to engage in effective nationwide health care financing.

As an answer to constraints on spending in the public health sector, and to mobilize resources other than those of the government, cost recovery schemes were established in various countries. One particular form of cost recovery is community financing, involving the financial participation of well-defined communities, such as the population of a city or of a rural district. In principle, community financing also supposes some population participation in the management of a scheme. However, community financing schemes are not shaped according to one particular model. In some, the population pays directly for medicines; in others, the population participates via a fee-for-service or a prepayment system. In some, the central government still finances part of recurrent costs; others have complete financial autonomy. Some community financing schemes organize the financing of primary health care, while others focus upon hospital care only.

The purpose of this book is to help to clarify the current and potential role of community financing methods in the securing of resources for health, especially in Sub-Saharan Africa. The book also identifies why, in specific settings, community financing was judged to be a suitable way of financing health care. Given this emphasis the book finds a very natural home in the series concerned with Economic Issues in Health Care, where change is the key theme. The first part of the book begins with a reflection on the current state of health in developing countries (Chapter 1). We also review the various influences on health status and

provide an initial discussion of the financing of health determinants. In Chapter 2, we present and analyse a simple model of the linkages between the functioning of the health sector and that of the economy at large. We discuss in Chapter 3 the various possibilities of coping with the constraints on public health development in developing countries. In this chapter, alternative methods of health care finance are also studied. We also identify the specific reasons why it may be rational for well-defined populations to engage in community financing. We provide a detailed economic analysis of community financing in Chapter 4. This last chapter also discusses how the criteria of economic efficiency, administrative efficiency and equity can be used when evaluating community financing schemes in practice.

In the second part of the book, case studies of community financing schemes are presented and analysed. We study the system of direct payment for drugs in Fianga (Chad) in Chapter 5. In Chapters 6 to 8, respectively, the fee-for-service systems in Rwanda, Kita (Mali) and Pikine (Senegal) are presented. Chapter 9 focuses on the prepayment scheme for hospital care in Bwamanda (Zaire). One of the main objectives of the case studies is to learn how schemes came into being and how they currently operate. Furthermore, each scheme is evaluated using the criteria of efficiency and equity defined earlier in Chapter 4. We also reflect upon the possible direction each scheme may take in the future. In the last chapter overall lessons from the five case studies and from a selected number of other community financing schemes are presented.

Preliminary research for this book was started while I was on leave from the University of Antwerp in 1985–86 and serving as a Takemi Fellow in International Health at the Harvard School of Public Health. I am grateful to Professors David Bell, William Hsiao, Michael and Don Shepard of Harvard University, as well as to my Takemi colleagues Mitsuru Fujii, Uriel Kitron, El Fateh El-Samani, Sam Samarasinghe and Tomas Uribe for many suggestions and critical remarks on earlier research papers in the field of health financing. Over the years, I became involved in applied health economics analysis of financing schemes in Sub-Saharan Africa. This has led to the series of case studies in this book. The case study on health financing in Rwanda also appeared, but in another format, in the book *Health Economics Research in Developing Countries* edited by Ken Lee and Ann Mills. The Bwamanda prepayment scheme was also discussed by F. Moens in last year's volume of *Social Science and Medicine*.

Various chapters have been used as background papers for a series of lectures I have been giving at the Boston University School of Public Health since 1987. These lectures are part of a course on Financing Health Care in Developing Countries, organized by the Office of Special



Projects of Boston University's School of Public Health. I thank in particular the Course Director Professor William Bicknell and Assistant Directors Sarah Degnan, Michael Devlin and Michael Trisolini for providing me each time with a stimulating work environment. Many participants on these courses commented on earlier versions of the book and gave advice enabling me to apply health economics concepts better to the reality of the third world. Among my former students, I would like to cite especially Miaka Mia Belenge, Sabri Belgacem, Somsak Chunharas, Mahamane Kalil Maiga, Olusegun Oshin and Martin van Zijl for their interest.

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*Geneva, 1991*

G.C.

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