Improving the capacity of national health authorities to engage more effectively with national budgetary authorities is essential to make progress on critical issues about the level of funds to be provided, the quality and efficiency of health public spending and the flexibility with which such funds can be used – while concurrently ensuring accountability for the use of these funds. Efficiency in health expenditure requires good practices during the entire budget cycle: effective allocation mechanisms during budget formulation phase, good operational management practices, coordination mechanisms, measuring and evaluating results, and reporting and monitoring tools are essential to ensure that resources are spent in an efficient way, and following the lines mapped in the initial budget.

In OECD member countries, budget overruns in health remain common and often lead to unplanned savings requests to spending units at the end of the year. This panorama contrasts with the one of the LAC region, where countries tend to have lower expenditure levels than the ones initially programmed in the budget. More than half of countries reported under-spending in at least five of the last ten years. In Costa Rica and Paraguay, for example, the budget executed is often more than 20 per cent below the initial budget. Operational management issues in the health sector are one of the main reasons behind these levels of under execution. Additional possible causes are weak health budgeting planning, over-optimistic projections, funds being released late, deficiencies in the planning phase, complexities and duration of procurement processes, and low supply of qualified human resources in certain regions. Information of social security institutions and subnational government's expenditure levels is often not available for the Central Budget Authority which limits the quality of data on health spending.

There have been initiatives to introduce periodic reporting and monitoring systems in the LAC region (e.g. in Peru, budget programs are monitored and evaluated every three months, taking into account institutional targets, performance indicators and commitments to improve services). Many countries have introduced automatic reporting of central government health expenditure, allowing timely information to monitor and control health expenditure. Most LAC countries have information of central government health expenditure available with less than a month of delay, which is a remarkable achievement. In a similar way, most LAC countries have a monitoring system in place, through periodic reporting in the health sector. However, these practices tend to be applied only to health expenditure that is included in the central public budget. Health expenditure information from the social security systems tends to have larger delays to be reported and in some cases (e.g. Peru and Belize) is not available.

Improvements on the quality of information as well as monitoring and reporting are a key step to improve efficiency in health expenditure in the LAC region. Further research is needed to identify causes for under-spending and possible ways to overcome it.

Methodology and Definitions

Most data presented comes from an OECD Survey of Budget Officials on Budgeting Practices for Health adapted specifically for Latin America and the Caribbean, carried out between November 2015 and February 2016. The survey was answered by 13 LAC countries (Argentina, Peru, Uruguay, Honduras, Colombia, Mexico, Guatemala, Ecuador, Paraguay, Chile, Belize, Costa Rica and Brazil). A follow up survey was conducted between March and May 2016, gathering additional data on key issues for the region. The follow up survey was answered by all initial respondents, except for Honduras. The results were presented and discussed at the First OECD Health Systems Joint Network Meeting for Latin America and the Caribbean held in Bogota, Colombia in July 2016.

The Central Budget Authority is a public entity, or several co-ordinated entities, responsible for the custody and management of all (or the majority) of public funds. It is often the Central Government Ministry of Finance or Treasury, or a specific part of these. Over (under)-spending means that actual expenditure is higher (lower) than the initial budgeted expenditure. Variations below 5 per cent were not considered as over or under-spending.

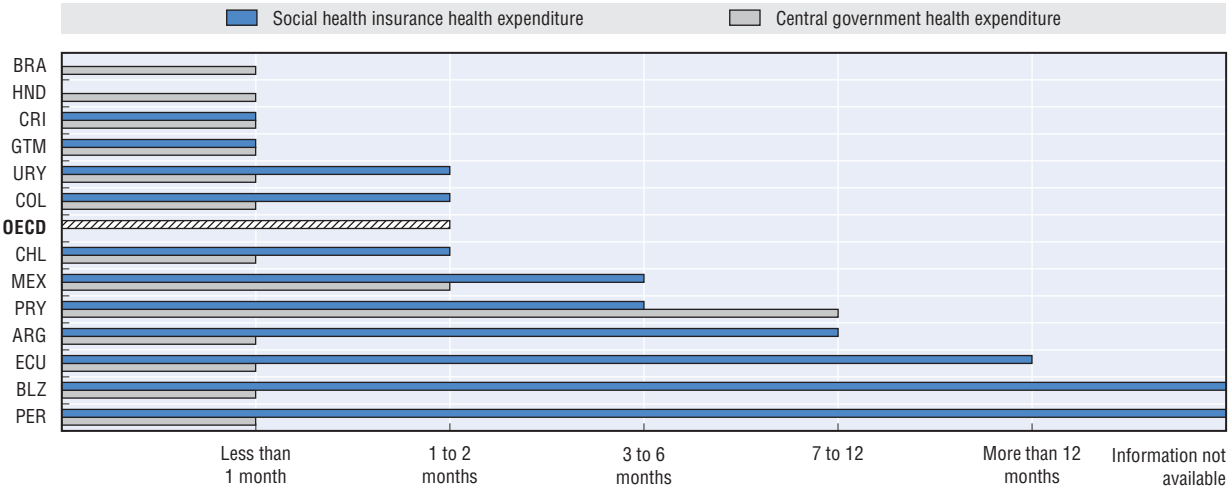
Further reading

OECD (2015), Fiscal Sustainability of Health Systems, Bridging Health and Finance Perspectives, OECD Publishing, Paris, *www.oecd.org/gov/budgeting/sbonetworkonhealthexpenditures.htm*.

Figure notes

5.18: Brazil does not have a social health insurance scheme. Honduras did not answer this question. OECD average refers to both social insurance and central government health expenditure

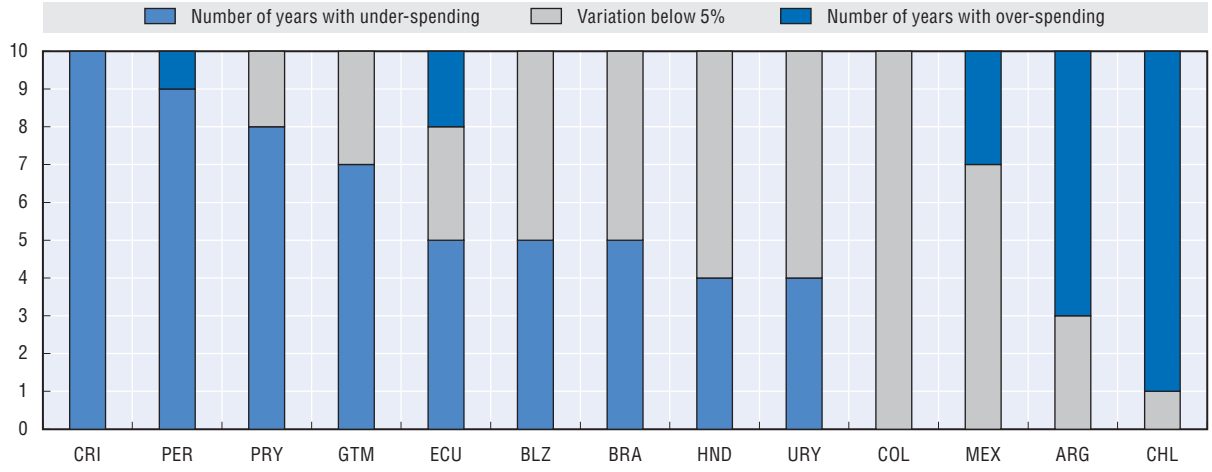
5.18. Reporting delay for health expenditures, 2015



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC Countries, OECD, Paris.

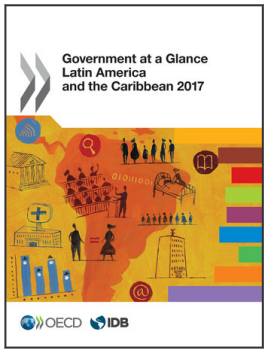
StatLink http://dx.doi.org/10.1787/888933431287

5.19. Number of years with over- or under-spending in health between 2004 and 2013



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC countries.

StatLink http://dx.doi.org/10.1787/888933431293



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