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World Health Organization

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Impact of the global financial and economic crisis on the achievement of the health MDGs

Statement by the World Health Organization

When WHO's Director-General issued a statement on the financial crisis in the days prior to the Washington meeting of the G20 last November, she said: "It is not yet clear what the current financial crisis will mean for low-income and emerging economies, but many predictions are highly pessimistic".

Over the last four months, as forecasts for economic growth in all parts of the world have been revised ever downward, it has become increasingly clear that those predictions were only too accurate. The crisis is now truly global. It strikes at a critical time for health in *all* parts of the world.

While there are others who are better qualified to speak to the causes of the crisis, I would like to focus on three sets of points: a) how the financial crisis is likely to impact on health and health systems; b) what we know already about what is happening on the ground: and, c) what we can say now about the policy actions that are going to help maintain progress toward the achievement of the MDGs?

1. The impact on people's health

First, the effect is direct. Coping with uncertainty, loss of employment, economic and social upheaval is stressful. We can expect a rise in mental illness. People may start walking to work, but smoking and drinking may also increase. So does the consumption of junk food. This crisis comes hard on the heels of a significant rise in food costs. It is estimated that 40-50 million children suffered cognitive disabilities and or physical injury last year as a result of the food crisis alone. If the crisis leads to social unrest we will have to add violence and injury to the list of direct effects. Many of the direct effects are long-term: changes in behaviour now, that have health consequences way into the future.

Second, we can expect that health care costs increase as incomes tend to fall. For many, unemployment means loss of health insurance cover, for *anyone* who loses their job, it means of less money in the home. Inevitably, health care suffers, remembering that 60% of health care is *still* purchased directly by individuals. Treatment is deferred for some, and not sought at all for others. We know that remittances are often used to meet health care costs - often for long-term illnesses or even funeral expenses. Their decline may not show up in levels of population health, but a loss of remittance income contributes to indebtedness.

Thirdly, as incomes fall, people turn to public sector services at the very time that government revenues to finance them are under the greatest pressure. Unless extra efforts is made to sustain funding for public services - without increasing barriers to access by charging more - quality and availability will fall. Worse still, vulnerable groups - and those on the margins of society, the poor, migrants and others - risk being excluded from care.

We know all of this because it has happened before, and previous downturns were shorter and less serious than what we are facing now. It is also clear that these three levels of impact are inter-related and mutually reinforcing. We risk a real vicious cycle.

2. What do we know about what is happening on the ground?

It is still difficult to identify the effects of this multidimensional crisis with any real accuracy. Information is patchy, and needs to be verified and collected more systematically. But the first signs are not good....

- In *low and middle income countries* the impact of the crisis is being felt through reduced demand for exports, falling commodity prices, tighter access to capital, less foreign direct investment and falling remittances. Consequent unemployment too often comes with no protective safety net at all. Health insurance funds, where they exist, are suffering significant falls in revenue. In the countries of Eastern Europe we are already seeing downward revisions of overall state budgets. In some, cuts to health budgets have already been announced. In Africa we know that at least seven ministries of health - including some of the poorest - have already been notified that the budget for health will be cut as the result of the crisis. Other countries anxiously await the next budget cycle.

- When local currencies are devalued the cost of imports rises. *Essential life saving medicines* may become either unavailable or unaffordable. Ministers tell us of difficulties they now face in purchasing medical equipment (such as X-ray film or surgical equipment) We know that costs of medicines rose in previous crises - and we are already seeing the same effect again as prices rise, not just in Africa but in Europe and Central Asia (up to 30%). Our office in Kinshasa reports an increase in drug costs of 10-20%. The potential impact extends beyond the individual and family to societies as a whole. Governments have made commitments to keep people living with AIDS on treatment. Careful monitoring to ensure that these commitments are not compromised becomes vitally important in the way that we assess the impact of the crisis. Drug prices are rising in some of the countries affected by drug-resistant TB. Failure to contain this threat to public health has consequences well beyond national borders.

- We are concerned here with the achievement of the MDGs. But the impact of the crisis on health is *global*. Many *high-income countries* with ageing populations have been positioning themselves for anticipated increases in spending on health and pensions. Several are in the process of undertaking complex and politically challenging reforms. We must be concerned when we see evidence that plans to set aside resources and create the fiscal space to address the future health needs of the elderly are being shelved as the crisis deepens. It would indeed be ironic if the spiralling costs of health in the global north became yet another reason for reducing aid spending in the south.

- In past recessions *aid has been cut* precisely at the time when it is needed most. Total aid for health, has sometimes bucked this trend, but it tends to be technical cooperation that is sustained, while the real value of programmable aid to countries falls. Our colleagues in Africa have seen very limited evidence so far of reductions, but already three countries have been notified, each by more than one donor, that reductions are likely to come.

- In Europe as in the US, the health sector is one part of the economy that is *not shedding jobs*. In fact they are still being created, acting as something of a stabilizer. As yet, there are no available data on migration of health personnel and whether this has been affected by the crisis. Clearly, though, it is yet another area where we must be thinking how best to monitor impact - if only to be sure that intra- or inter-national migration does not further destabilise already weak health systems in low income countries.

In the midst of all the bad news it is important to also *highlight some positive signs*. Several countries have signalled their intention to *increase* public funding for health and increase coverage for vulnerable groups. Some developing countries are in a better fiscal position than in previous crises and have the capacity to engage in deficit spending for safety nets. Many donors have committed to maintain levels of aid (although overall progress towards Gleneagles targets is already lagging well behind what was promised).

It is also important to stress that the impact will vary. Just to take one example from the recent Regional ECOSOC Preparatory Meeting in Colombo: Indonesia has experienced a large devaluation of the Rupiah against the US Dollar, making medicines much more expensive. Sri Lanka's rupee, on the other hand, has appreciated significantly against the Indian Rupee, making medicines imported from India much more affordable. If we also factor in the *decreased* costs faced by oil importers, the importance of carefully analysing impact country-by-country becomes very evident.

And not every problem can now be attributed to the current financial crisis. The first report we heard about stock outs of ARVs was due to faulty planning and not lack of cash. And, of course, many countries have been facing a financial crisis in health care for years. Running health systems on $20 per capita is massively difficult. For too many countries, the current situation is just making a chronically bad situation even more challenging.

3. What needs to be done to sustain progress?

I would like to highlight five areas for action.

a) **Monitoring and analysis** is vital. We have to know what is going on. As already mentioned impact and policy responses will vary country by country. There is also no point in just recording the damage, waiting for changes in health outcomes. If we are concerned about vulnerability we need to look upstream – which countries and which people are going to be most badly affected? We need agreement on best indicators that will alert us to factors that put people's health at risk. Most of our current monitoring is based on routine reports. What we need now is real-time intelligence now to identify the problem areas and systematic monitoring as the crisis unfolds. This too will require investment and changes in the way we work.

b) **Protecting life and livelihood is the first priority**. An economic crisis is not the time to reduce social protection. A basic package of social transfers, combined with actions to guarantee that the poor and vulnerable have access to needed social services is critical to mitigating the fall-out of the crisis. People are the ultimate target of economic recovery. Our concern is people's health, but health is dependent on many factors: employment, shelter, nutrition, education. Public spending as economic stimulus can target health directly (through subsidies to health insurance or building clinics). But a well planned programme will have multiple benefits: rural roads increase access to markets, boost farmers' income, and help reduce maternal mortality through access to services.

c) **Smart spending and social dialogue**: Policy at a national level really matters. Some countries have pledged to maintain or even increase health spending. Others have taken steps to widen benefits available to vulnerable groups. Experience from past crises has shown that countries that have taken advantage of economic downturns to introduce needed reforms have emerged with stronger, more inclusive health systems. There are several possibilities: introducing generic prescribing, reforming the way health providers are paid, moving toward more universal coverage of benefits. Inevitably, contraction of budgets will mean rationing of services. This is never easy – particularly when it comes to preserving funds for prevention in the face of demand for treatment; ensuring that there are resources for activities and not just salaries: and not just drugs but the means to deliver them. Without dialogue and consultation, these decisions are even harder and less likely to stick.

d) **Aid for health is vital if we are to maintain progress**. While aid can be made more effective, the quantity of aid must not be reduced while waiting for its quality of use to increase. Few low incomes countries have the reserves needed to spend their way out of this crisis. New sources of money are needed – innovative financing for development is very much the focus of the day. However, while the search for new sources and new donors is to be welcomed, new monies should not

be used as a reason for reducing traditional ODA. In addition, the channels through which they are provided are critical: in times of crisis predictability, long-term commitment and flexibility allow ministers to budget effectively.

e) **Finally, leadership**: a global crisis requires global solidarity. Maintaining levels of health and other social expenditure is critical to protecting lives and jobs. It is necessary to boost productivity. In other words it is an integral part of a global solution, not an add-on or an optional extra, to be thought about when the "real" problems are solved. The financial crisis has shown the downside of global inter-dependence and the problems inherent in systems driven purely by financial gain. The need now is to show the opposite – the benefits of global co-operation. ECOSOC can play a critical role. People and their lives are at the centre of your concerns. You have focused on health at a vitally important time. As we hope to emerge after this crisis to a world with systems that are stronger, more efficient and more equitable than those that are now under such serious threat, you can show that health can play a leading role in making this happen.

Thank you.