

# **Block Granting, Performance based incentives and the fiscal space issue**

The new generation of HRH reforms in Rwanda

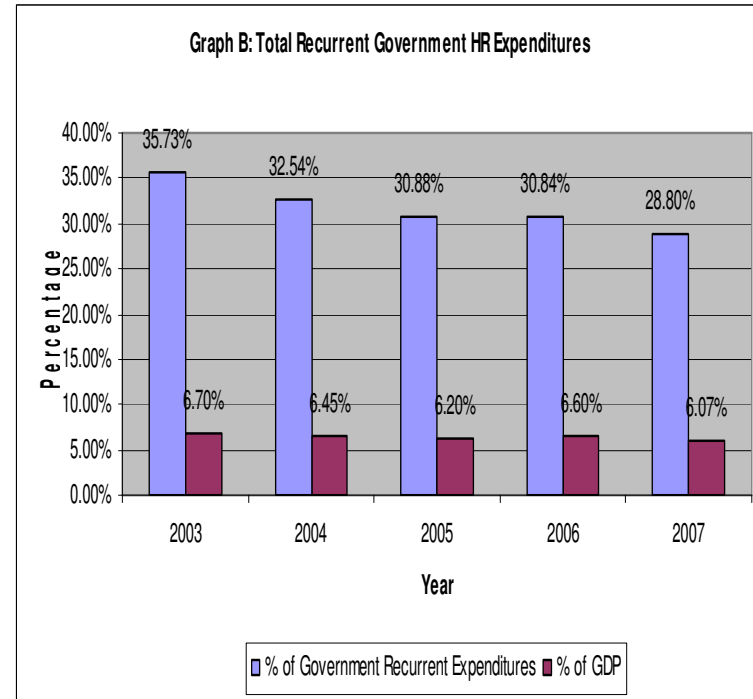
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# The study

- Context
  - Rwanda has made a remarkable transition from reconstruction to development since the 1994 genocide that killed one million people
    - Outcomes have been most remarkable in the area of health service delivery
- Objectives
  - To review how Rwanda, faced with constrained fiscal conditions, has implemented innovative reforms to create fiscal space for human resources and to make these resources more responsive to needs
- Method
  - Analysis of budget documents and policy and regulation changes
  - Key informants interviews

# Evolution of the overall wage bill in Rwanda

- *Although no wage and salaries ceilings are explicitly set up in the agreements with the IMF, the ministries negotiate under an expenditure constraint that forces them to limit their wages and salary bills;*
- *Overall recurrent government expenditures on human resources, although stable relative to GDP, have suffered during the period to the benefit of other government recurrent expenditures;*
- *The share of Minisante in total government recurrent HR expenditures has declined over the years;*
- *The share of HR in Minisante's total recurrent expenditures has been in constant decline;*
- ***Conclusion:** Faced with this relative contraction of the wage bill, the Rwandan health sector has created the needed fiscal space by institutionalizing an innovative model aimed at increasing the efficiency with which funds are allocated.*

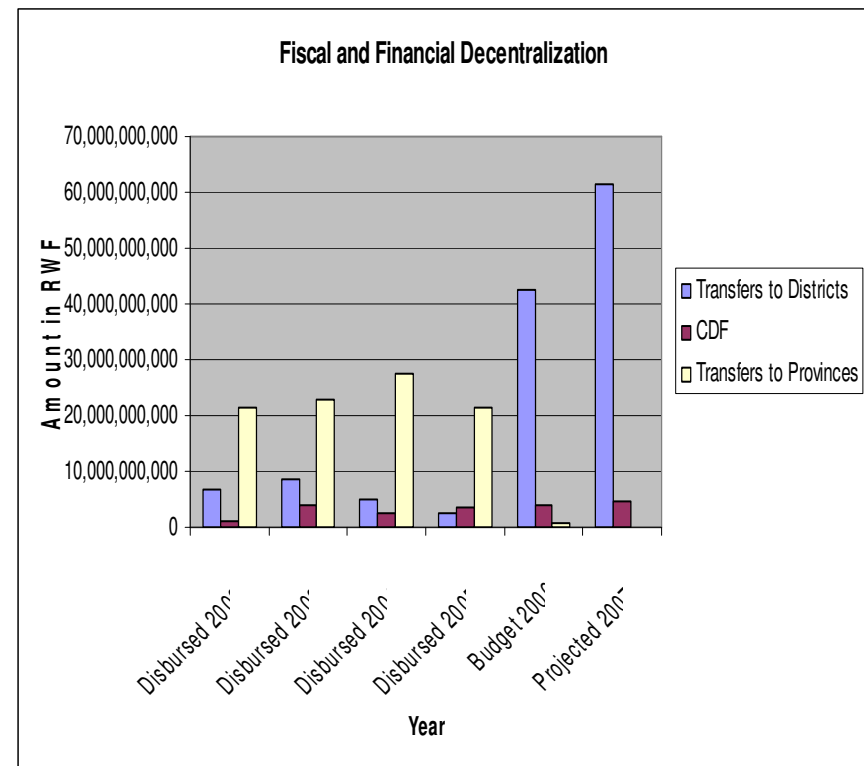


# Characteristics of the Rwandan Response Model

- Problem solving approach
- Links fiscal space creation to the resolution of sector problems
- Was facing 3 challenges:
  - Motivate health workers within Rwanda's global economic constraints and Public Service Regulations
  - Ensure that incentives used to motivate health workers would also correct incoherencies in the system and improve health outcomes
  - Increase access to the health system
- Used 4 reforms/strategies to create fiscal space within the context of a relative contraction of the wage bill:
  - Decentralization
  - Performance-Based Financing
  - Incentives, and
  - Health Mutuals

# Reform I: Decentralization

- Administrative, fiscal and financial decentralization has provided huge sums of money to local levels of government and given them much flexibility by providing them with block grants (which could be used, among other things, to fund HRH) on top of the existing earmarked funds for HRH



# Impact of decentralization in HRH funding

- **Focus of decentralization in the health sector**
  - Coverage and access to health insurance
  - Distribution and access to health facilities
  - Roles of different actors (local authorities, private sector, civil society and communities) in the delivery of health services
  - Human resources and institutional capacity
  - Financing of health services
- **Following decentralization, districts could get funds from 3 public sources to finance HRH:**
  - Earmarked funds for HRH
  - HRH motivation funds and community contractual approach
  - Block transfers (that can be used to fund HRH, among other things)

# Reform II: Performance Based Financing (PBF)

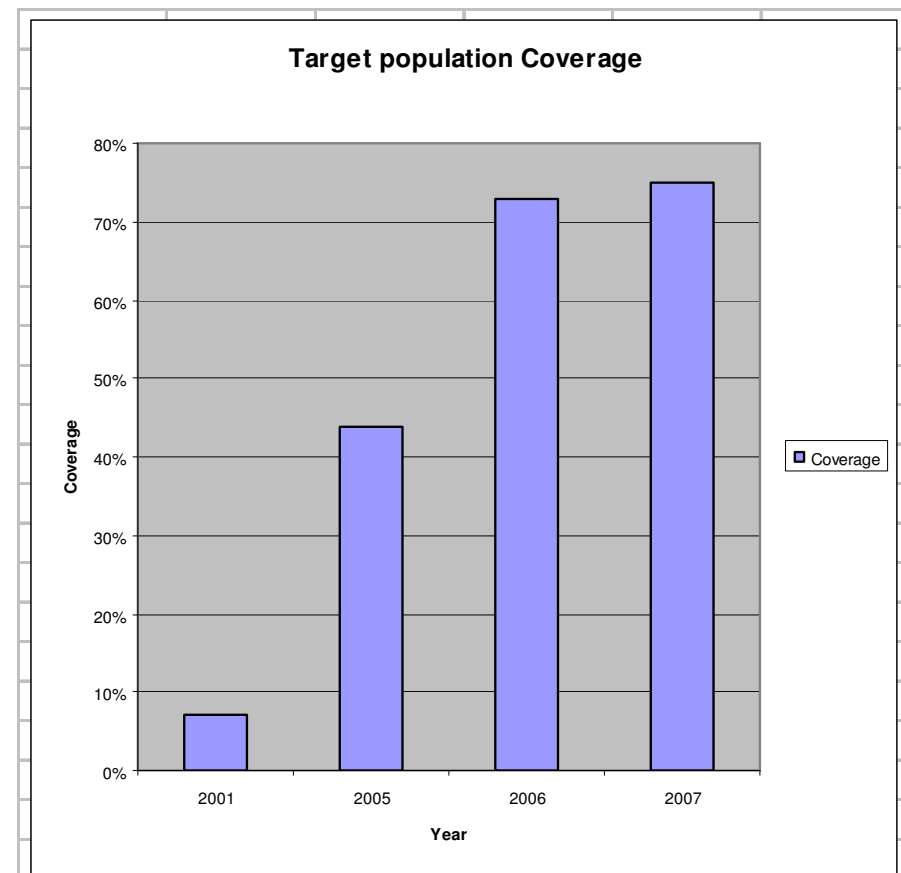
- What is PBF?
  - It is a contractual approach that buys results from health facilities instead of buying inputs
  - Rather than being a substitute to the traditional input-based payment system, it complements it and the 2 approaches co-exist in Rwanda
- By topping up the salary of health personnel and linking these top-ups to performance, the PBF has unleashed innovative approaches to service delivery and has produced impressive health outcomes:
  - In the 23 participating districts, the following increases were reported:
    - 54% for ANC, Pyrimethamine/Sulfadoxine second dose
    - 145% in Growth monitoring of children under 5 in the community
    - 71% in Family Planning new users
    - 90% in Family Planning users at the end of the month
    - 31% in Institutional deliveries
    - 160% in Referrals for Obstetric emergencies and,
    - 10% in Emergency referrals

## Reform III: Incentives for Health Professionals

- As the Government competes on the labor market with the private sector, NGOs and Donors to attract health professionals, it has appeared that the housing loan to health staff is the only benefit for which it has a comparative advantage as other employers, who more than match public salary levels, do not provide this type of benefits.

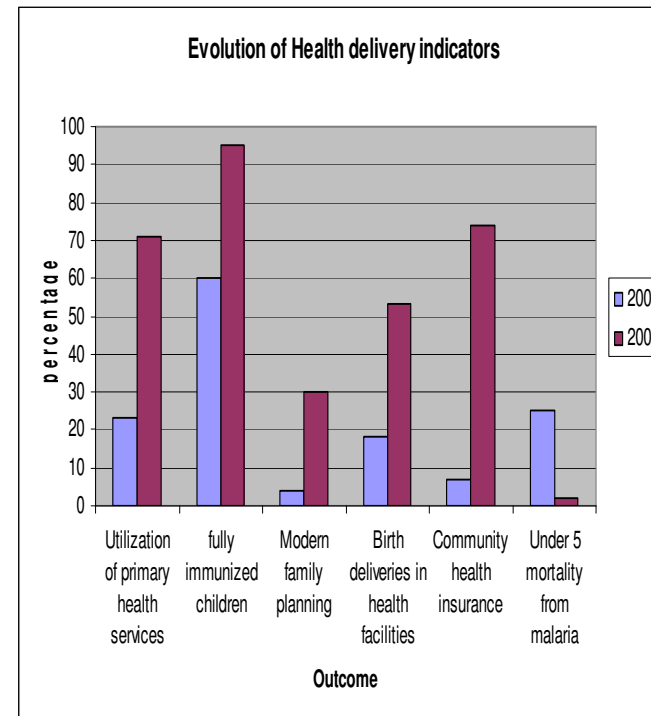
# Reform IV: The Development of Health Mutuals

- The health mutuals system is closely interwoven with the decentralized government structure
- All functional health centers in the country are covered by health mutuals
- Target population coverage has rapidly increased
- The Government is participating in the funding of the mutuals, although membership contributions represents more than 10 times more than the Government is providing



## Evolution of health service delivery indicators in Rwanda between 2001 and 2007

- Health outcomes have been most remarkable in the area of health service delivery in Rwanda.



## Funding generated for HRH by Reforms/Policies in the health sector and strength of the links with Human Resources for Health

	Impact on HRH		2003	2004	2005	2006	2007 (Budget)
<b>Minisante</b>							
		PBF					
	<b>Major</b>	Conditional Support to Communities				120,000,000	64,011,335
	<b>Major</b>	Conditional Support to Health Centers				650,000,000	2,120,000,000
	<b>Major</b>	Conditional Support to District Hospitals				150,000,000	1,226,511,423
	<b>Major</b>	Conditional Support to Reference Hospitals					1,000,000,000
	<b>very small</b>	Support to Mutuels				360,000,000	400,000,000
<b>Provinces/Districts</b>	<b>100%</b>	Earmarked	1,253,157,078	1,954,118,966	2,257,634,025	2,364,244,617	3,708,248,762
	<b>100%</b>	Health Centers Personnel Motivation					1,078,530,636
	<b>100%</b>	District Hospitals Personnel Motivation					1,682,889,216
	<b>100%</b>	Community Contractual Approach				900,000,000	900,000,000
	<b>Some</b>	Block Transfer Subsidies to Districts and Town					8,324,489,004
<b>TOTAL</b>			1,253,157,078	1,954,118,966	2,257,634,025	4,184,244,617	20,104,680,376



**THANK YOU !**

