Earmarking Health Taxes
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Earmarking gives political visibility to a “revenue + spending” package, with the implicit assumption of commensurability.
Sustainable financing can be achieved through the combination of non-health and health-related taxes

**Non-health**

- No direct link with health outcomes, e.g., VAT, CIT, PIT, fuel taxes
- Generally broad-based and important revenue sources
- High and low health risks contribute together (probably net benefit progressive in the short run)

→ Allows development of health systems at scale
→ Supports universal healthcare

**Health**

- Direct link with health outcomes, e.g., tobacco, alcohol, sugar taxes
- Narrow base and relatively small revenue sources
- Mostly high health risks contribute (probably net benefit progressive in the long run)

→ Allows potentially large health-related savings in the long run
→ “Polluter pays” narrative
Pros and cons of hard earmarking discussed in the literature

**In the short run**, a coherent “revenues + spending” package

- Can generate willingness to pay new taxes
- Ease oversight of budget allocation by vested stakeholders (e.g., members of parliament, industry, unions)

**In the medium run**, a less coherent package

- Can rigidify the budget process
- Can crowd out financing from general budget (destabilizing systems)
- Can require piling up new sources of financing (lower willingness to pay and mistrust of government’s management)
Concluding remarks

• The COVID-19 pandemic gives momentum to strengthen health systems
  • Willingness to channel resources to health systems is high
  • Other structural weaknesses call for strengthening (social protection, education)

• Countries need to prioritize scarce resources
  • Evidence-based, costed, and prioritized Medium-Term Health Expenditure Plan
  • Consistent with operational capacity
  • Accounting for the possibility of another pandemic and lockdown-easing cycle