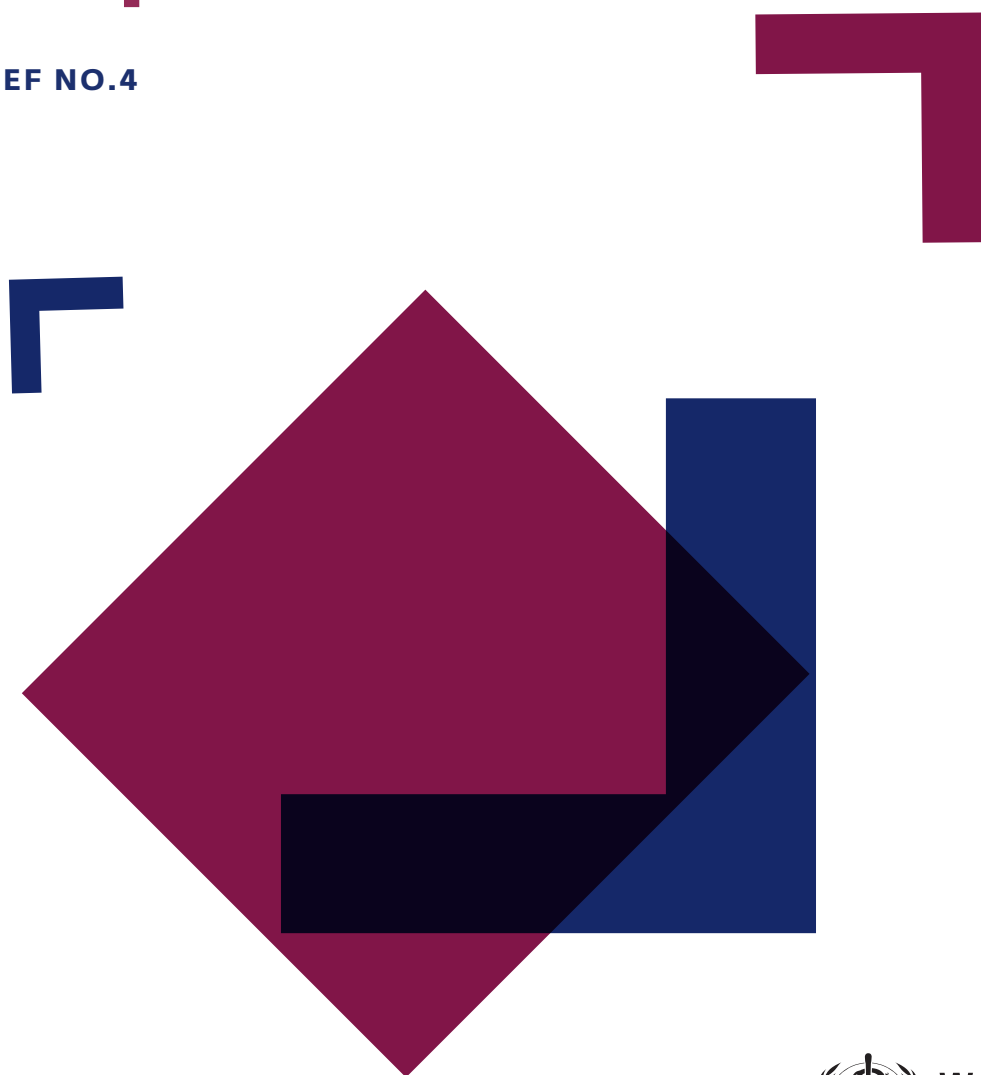




The WHO Council
on the Economics of
Health for All

Strengthening public sector capacity, budgets and dynamic capabilities towards Health for All

COUNCIL BRIEF NO.4
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World Health
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EXECUTIVE SUMMARY

A key lesson of the Covid pandemic is that future preparedness critically depends on strengthening public sector capacity and budgets. International financial institutions and national ministries of health must thus recognize the harm done by austerity, as implemented across many countries and levels of government – making the crisis much worse than it had to be: estimated deaths are 2.5 to 3.4 times greater than official reporting by countries.¹⁻³

It is vital to place a priority on: universal access to quality health care; a radical increase in the effectiveness and uptake of services, and; the capacity to implement policies – be it in terms of testing and tracing, or vaccine rollouts. High debt-servicing costs and diminished focus on health have hurt the ability to place a priority on universal health coverage, especially in low-income countries.

Budgets

Governments must put in place and maintain a whole-of-government approach to secure domestic resources for health, promote cross-sectoral whole-of-society approaches, and thereby reorient economies towards Health for All. This requires investing in public sector capacities and capabilities needed for dynamic action. International finance institutions must alter their conditions and mechanisms to support domestic budgets and enable a flexible management of public finance towards health and well-being. All countries require effective governance and governance norms that must be strengthened, particularly in low-income countries.

The Council recommends four sets of actions to empower and equip the public sector to lead towards Health for All:

- **First, governments should stop thinking about health as a discretionary annual expenditure and start viewing it as a vital long-term investment in society and future prosperity.** This is central to building resilience. Governments, International Financial Institutions and ratings agencies should recognize health spending as a capital investment that contributes to economic stability, growth and resilience, rather than as an unwelcome drag on a country's ratio of debt to gross domestic product (GDP). This is urgent as the gap in Pandemic Preparedness and Response (PPR) financing is around US\$ 10.5 billion per year: this represents only 1% of the devastating cost of inaction on PPR, which will result in a loss of over US\$ 1 trillion dollars per year in GDP.⁴
- **Second, ministers of finance and economy should see themselves not only as guarantors of macroeconomic stability, but also as active supporters of healthy and equitable societies with strong health systems.** Greater investments in health and well-being cannot be conditional on efforts to curtail inflation, build reserves and reduce debt. All ministries—not just those with 'health' in their name—should be encouraged to use a broader set of tools to reshape their economies for health and measure the impact of their policies towards the collective goal of Health for All.
- **Third, there is a need to entrench a learning culture that institutionalizes capacities and prioritizes dynamic capabilities, and ultimately sustains them through continuous investment.** Common goals at the organizational and individual levels can nurture such a culture, which is founded on respect, the building of relationships, decision space and personal motivation.
- **Lastly, governments can take specific actions to build in-house capacity and strengthen dynamic capabilities,** beyond securing an appropriate level of funding.
 - They can adopt policy design and implementation methods that encourage policy makers to iterate, learn and adapt policies based on tight feedback loops. Governments must adopt such methods for a wide range of policy levers across multiple sectors.
 - Governments can design roadmaps to strengthen in-house rather than out-sourced capacity and dynamic capabilities, using appropriate tools, such as outcome-based budgeting, strategic procurement and enhanced digital infrastructure.

This should help develop and update capacities and capabilities—ranging from the technical to the managerial—that improve systems and increase the efficient allocation of resources as well as the effective monitoring and evaluation of outcomes.

Capacities

This brief discusses the crucial **need to invest in the capacity to develop governance, policy and administrative processes and structures** so as to provide fiscal space and investment options. **It specifies the capacity to:**

- set a direction for development via strong core government functions and behaviours;
- create political and legislative consensus and coordinate practices, to govern and direct resilient production systems for public value, adapt the legislative and regulatory framework, and;
- create public service infrastructure and implement public policy instruments.

Dynamic capabilities

In describing dynamic capabilities, the brief considers the **need to develop skills within government organizations and to use tools that support dynamic action. It mentions capabilities to:**

- anticipate, adapt and learn within and across organizations;
- harness social participation, public initiatives and transformation to democratize innovation, and scrutinize public policy, and;
- build and govern digital infrastructures and platforms for the common good.

Such capacities and dynamic capabilities can be steered to achieve Health for All. The governance of health relates to the governance of the health system and governance for health addresses a whole-of-government approach. **Governments need to strive towards good governance, building trust, participatory engagement and accountability—four elements that create conditions for a virtuous cycle.**

Tools

Additionally, there is a need for specific dynamic capabilities to identify, design and effectively use approaches and tools that can bring governments closer to the objective of Health for All, and increase the scale and impact of activities. The tools include:

- **outcome-based budgeting as an instrumental approach to achieving more accountable and effective public policies.** When the connection between budgets and expected outputs or performance becomes central to a whole-of-government approach, it improves public financial management and maximizes the budgetary space for health.⁵
- **mission-oriented strategic procurement that helps channel existing public spending towards key Health for All objectives.** The State's purchasing power can be directed towards precise health objectives—from health promotion and disease prevention and preparedness to increased domestic health-related research and development—engaging the public and private sectors and fostering new partnerships. Countries around the world are using procurement as a tool to advance public policies and objectives, including in health.
- **digital infrastructure that renders it possible to engage socially, make complex decisions and deliver common goods.** This requires secure new sources of data, digital instruments, data standards and regulations that protect the public interest and personal information.

Governance

Building public sector capacities and capabilities across different sets of political and economic contexts requires smart governance for health. In turn, such governance strengthens democratic engagements through a combination of top-down and bottom-up approaches. It is necessary to gain and sustain a high level of public trust by investing in representative and informed public forums that feed meaningfully into policy processes. Additionally, there is a need to put in place accountability mechanisms that can effectively “watch over those who watch,” and prevent conduct that could erode the competence of, and the public's confidence in, the public sector. Perverse conduct includes the abuse or misuse of public resources. A variety of countries, such as Bangladesh, Finland, Mexico, Togo, Ukraine and Viet Nam provide examples of positive changes and lessons learned.

INTRODUCTION

Coronavirus disease (COVID-2019) starkly revealed that governments around the world are unprepared for major health emergencies.

Even in good times, most of them do not fund Health for All. Lessons from the crisis must lead to key changes. When the pandemic hit the world, governments had to take a whole-of-government approach to rapidly implement test and trace systems, deliver personal protective equipment to front-line workers, and make sure that vaccines were put into people's arms. States also had to govern the infodemic side of the crisis, which made digital platforms and community outreach crucial.

» Decades of austerity eroded State capacity, and not only in low-income countries. For example, public sector employment as a share of total employment declined between 2007 and 2019 in 12 out of 24 European countries. «

Yet so many countries had no budgets. As of 20 June 2022, 66.4% of people around the world have received at least one dose of a COVID-19 vaccine, including only 17.8% in low-income countries, which is far from the 70% target recommended by WHO.^{6,7} The official COVID-19 death toll is estimated at a sobering 6.3 million⁸ and excess mortality estimations imply more than two times as many deaths, between 13.3 and 16.6 million.^{1-3,9} It was impossible, even for potentially game-changing public-private initiatives like the Access to COVID-19 Tools Accelerator, to fully realize the potential to save lives, in part due to severe underfunding.^{10,11} The figures remind us that in many countries, neither domestic budgets nor public finance management were ready or agile enough to support an effective emergency response. Of the overall Development Assistance for Health, only 1–2.5% is directed towards supporting core PPR functions, and even less for use at the country level.⁴ With a need for US\$ 31.1 billion annually, recent estimates by the World Bank and WHO indicate that the minimum priority PPR financing gap is around US\$ 10.5 billion per year, assuming 3% of domestic health investments are in PPR.⁴

Decades of austerity eroded State capacity, and not only in low-income countries. For example, public sector employment as a share of total employment declined between 2007 and 2019 in 12 out of 24 European countries.¹² The spectre of austerity—a perilously short-sighted instrument—has time and again come back to haunt and hurt the development of the public sector at national and international levels, ultimately generating substantial welfare costs.¹³ Current economic narratives continue to hinge on knee-jerk, business-as-usual reactions to short-term events such as inflation, food security and war, rather than long-term strategic actions to address climate change and prepare for the next pandemic.

Action must and can be taken. Dispelling the temptation of austerity policies is a first step, given that public investments in health,¹⁴ education¹⁵ and infrastructure¹⁶ have a significant positive impact on development, whereas austerity can lead to lower economic growth.¹⁷ Health for All must be at the centre of a new economic system that values the health of people and of the planet and that explicitly recognizes health as an investment not as a cost. Health budgets should not be the target of forced cuts to meet conditions imposed by International Financial Institutions—conditions that often derail national efforts towards Health for All.

» Health for All must be at the centre of a new economic system that values the health of people and of the planet and that explicitly recognizes health as an investment not as a cost. «

But budgets are not enough. The on-going pandemic has also shown that appropriate budgets and a flexible management of public finance are necessary, but not sufficient to address a crisis. The dynamic capabilities of the public sector are key ingredients for governing and shaping an economy that favours Health for All. Effective responses to the pandemic demonstrate that a visible public sector will have the critical mass to lead and steward the health system to achieve effective governance in the public interest. Such State capacity is critical in establishing the right rules and incentives to achieve health gains and improve equity, both in periods of crisis and in good times. **Public sector capacity** helps create sufficient fiscal space and incorporate innovation for the effective, efficient and equitable use of resources for the common good. But to fulfil a new social contract, **dynamic public-sector capabilities** must include the development and use of the tools needed to deliver on public policies and objectives, including Health for All. **Outcome-based budgets, strategic procurement and digital platforms** are some of the tools that can build local production capacity and meet people's expectations in an agile, forward-looking and transparent manner.

Governments and International Financial Institutions must acknowledge the essential role that investment in public-sector capacity plays in tackling the societal challenges that endanger human life and the sustainability of society. Beyond the pandemic, this also concerns the current global context of weakened economies, renewed pressures for fiscal consolidation, dramatic increases in military expenditure and debates about the future of unfettered capitalism in light of extreme inequality and the climate crisis.

In this brief, the Council considers three key questions that concern equipping the public sector to lead towards Health for All:

- What steps can we take to advance the critical role of public-sector leadership and thereby drive progress towards Health for All?
- What public sector capacities do we need specifically for transformative change?
- What can we learn from countries that have structured and governed the public and private sectors to work together towards the shared goal of Health for All, with meaningful impact?

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- Health for All as an investment and development objective
- Public sector capabilities play a crucial role in delivering systemic and sustainable change
- Tools and approaches for change
- Governance is about leadership, stewardship and democratic engagement
- Unfolding crises call for urgent action

1. Health for All as an investment and development objective

If Health for All is the goal, what is needed on the public-sector side? The answer is budgets, capacity and capabilities. The late public health titan, Paul Farmer, once said: “You can’t have public health without working with the public sector.”¹⁸ In other words, **a strong public sector is the bedrock for achieving Health for All.** This means the public sector must be able to make, implement and evaluate policies, act as a system steward and have the capability to adapt and respond to change. It must be well-governed and geared towards maximizing public value.

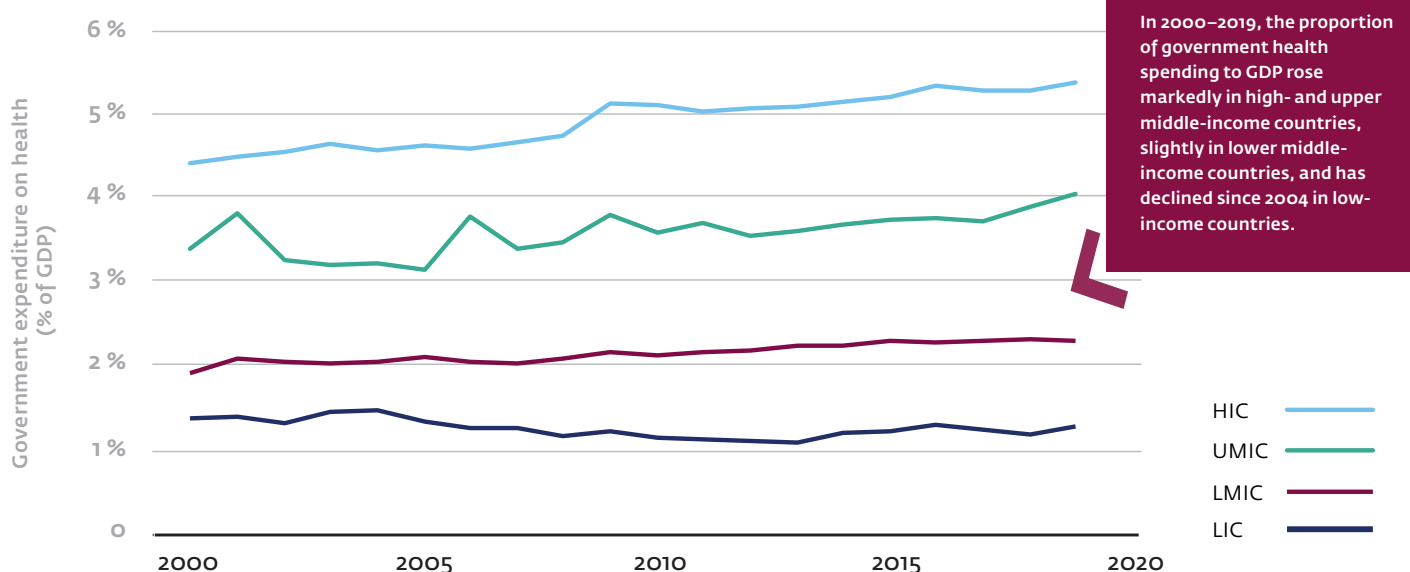
Governments have the ultimate responsibility to ensure the health and well-being of their populations. Indeed, while the public sector – encompassing central, sub-national or local government agencies and their staff – has played a central role in the on-going global response to the COVID-19 pandemic, this has stretched it to a breaking point owing to underinvestment in its capacity.

FIGURE 1 shows the evolution of government investment on health from domestic sources as a proportion of GDP, for different income groups of countries. While governments in high-income countries and upper middle-income countries have increased investment on health since 2000 (4.4%–5.4% and 3.4%–4%, respectively), lower middle-income governments have been unable to increase expenditures to reach a significantly higher level (only 1.9%–2.3%). Alarming, in low-income countries government investment on health as a share of GDP actually declined between 2004 and 2014, and had not yet recovered to levels recorded in 2000 (1.4%) by 2019 (1.3%). These very low allocations do not bode well for pandemic preparedness and response.

» Alarming, in low-income countries government investment on health as a share of GDP actually declined between 2004 and 2014 «

FIGURE 1.

Government expenditures on health as a percentage of GDP
2000–2019, 192 countries



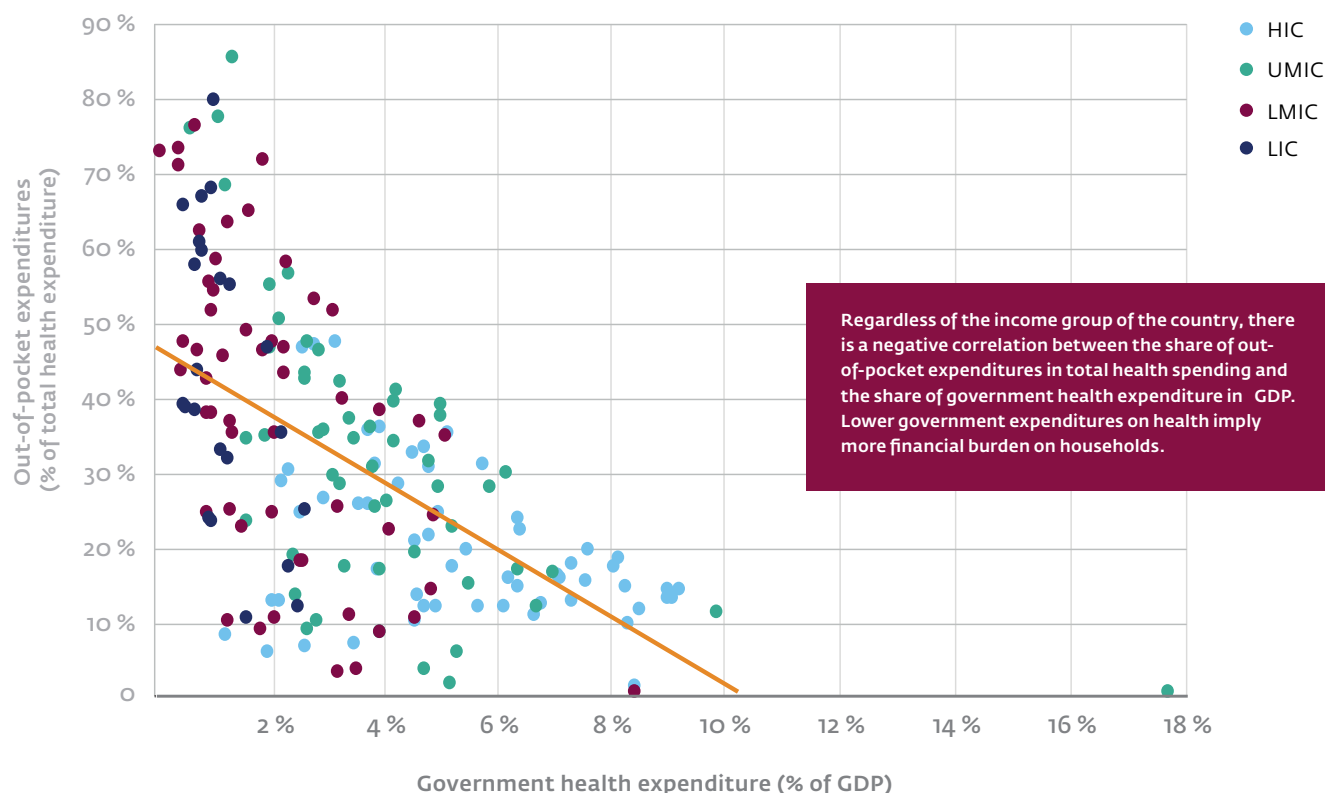
Source: WHO. Global health expenditure database, including 25 low-income, 54 lower middle-income, 55 upper middle-income and 58 high-income countries.

Insufficient public investment in health brings about a decline in access to services and a rise in inequalities in the financial burden. **FIGURE 2** shows that government investment on health is inversely correlated with the population's out-of-pocket expenditure on health in 187 countries. At 5% of GDP, out-of-pocket payments are on average a quarter of total health expenditures, whereas at 2% of GDP, they are higher, on average over a third of total health expenditures. Importantly, in this context, many people cannot pay and use services, further entrenching existing inequalities in access. Those, who can afford it, pay directly for health services or products, which further increases the financial burden sometimes to catastrophic levels, rendering households even more vulnerable.

» Insufficient public investment in health brings about a decline in access to services and a rise in inequalities in the financial burden. «

FIGURE 2.

Government health expenditures and out-of-pocket payments 2019, 187 countries



Source: WHO. Global health expenditure database (2019).

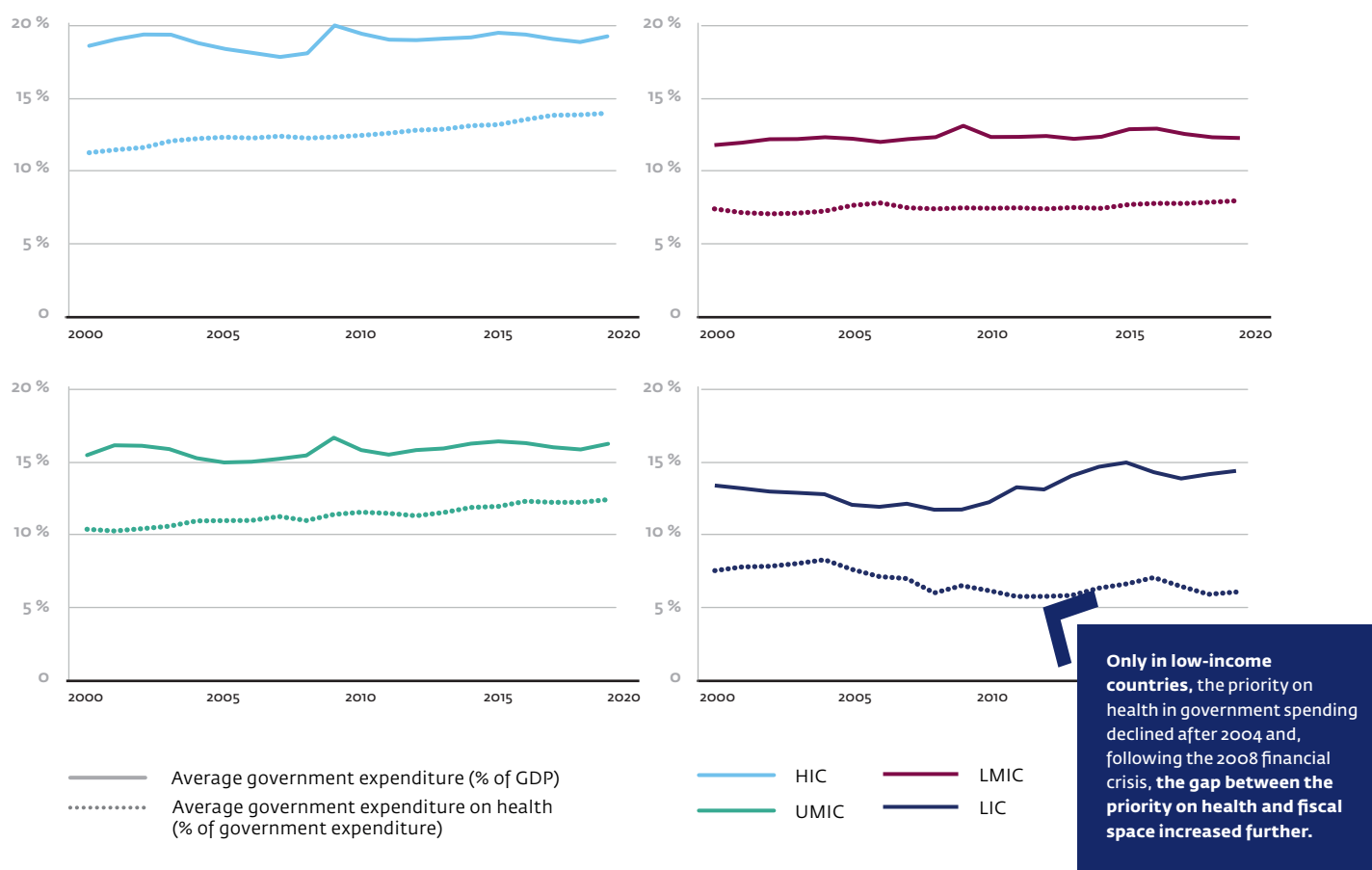
Government investment in health must be seen as just that: an investment, not a cost. This must involve long-term planning that strengthens the system and increases sustainability, rather than just throwing money at it during a crisis. **Health for All must be an objective of economic development and not merely a means of attaining it.** This must be at the centre of our value system. We must stop conflating price with value. We must put an end to our self-destructive under-investment in a wide range of crucial activities that are vital for health, for the very survival of humans and of our planet.¹⁹

» Government investment in health must be seen as just that: an investment, not a cost. «

Since the financial crisis in 2008, governments in low-income countries have lowered health as a priority for government investment, whereas other countries have not. **FIGURE 3** shows that since 2008 fiscal space (dotted line, crudely proxied by government expenditure as a percentage of GDP) has declined in three of the four groups of countries defined by income. At the same time, health priority (solid lines depicting health expenditure by government as a percentage of total government expenditure) has increased on average in 47 high-income and 38 upper middle-income countries throughout 2000–2019.²⁰ Priority on health has remained almost unchanged in 36 lower middle-income countries. However, since 2011 it has fallen on average in 17 low-income countries included in this analysis, from 8.3% in 2004 to 5.8%.

FIGURE 3.

Health priority and fiscal space based on government expenditures 2000–2019, by four income groups of countries



Source: World Bank, WHO and the Organisation for Economic Co-operation and Development (OECD), 2000–2019, based on countries with complete data for all years: 17 low-income, 36 lower middle-income, 38 upper middle-income and 47 high-income.

Governments in low-income countries invest the least in health (FIGURE 1) and are more likely to de-prioritize health during a crisis (FIGURE 3). There are at least two plausible pathways to avoid.²¹ First, governments in low-income countries should not reduce their domestic health expenditures when international aid increases. Second, excessive indebtedness in low-income countries should not result in lowering health as a priority relative to debt servicing. Given this context, debt restructuring and relief could have a larger positive impact than foreign aid, since it keeps funds flowing through domestic public finance systems and can support higher health expenditures – and investments – in the long term. Governments must maintain a whole-of-government approach to securing domestic resources for health.

Government budgets for health need to be strengthened rather than weakened by International Financial Institutions' mechanisms and conditions. The International Monetary Fund (IMF), global sovereign debt markets and credit-rating agencies, together influence all countries (and not just low-income nations). **IMF and World Bank loans often involve obligatory cuts to public budgets.**^{22,23} Since their creation in the aftermath of the Second World War, International Financial Institutions have not modified their mandate substantially.

Unfortunately, such institutions continue to insist on using old recipes, including austerity clauses, which threaten to prolong underfunding of health systems worldwide, along with mixed, uncoordinated messages with no promise of better results. Such steps directly threaten three governmental functions in the health sector: the health funder, health provider and health systems steward.

As an example, in 2010–2015, the IMF recommended that 22 low- and middle-income countries and 34 high-income countries undertake fiscal consolidation through measures, such as raising fees and co-payments for patients and introducing cost-saving mechanisms in public health centres.²⁴ Studies by the IMF^{25,26} and others²⁷ documented that following the financial crisis, austerity policies failed, exacerbated inequality and hurt health. Yet in 2020 IMF staff once again recommended in 129 of 148 country reports, that governments proceed with fiscal consolidation (austerity) beginning in 2021 or 2022. However, the IMF directed additional recommendations to countries, in all income categories and regions.²⁸ In 98 of the 100 countries it recommended overall fiscal consolidation, it also supported increasing health expenditures in 84 countries (FIGURE 4, dark blue). The IMF also advised lower health expenditures in four countries (in light blue), and offered mixed recommendations to 12 other countries (green), without mentioning specific instruments. Although some recommendations may be crafted for a specific country context, such lack of a coordinated global policy with health sector-specific recommendations at best provides confused messages on the goal of development and available policy options.

» Government budgets for health need to be strengthened rather than weakened by International Financial Institutions' mechanisms and conditions. «

» Health for All must be an objective of economic development and not merely a means of attaining it. «

Continuing with business-as-usual is a mistake. There are signs of an emerging coalition for a new direction. In April 2022, the Treasury Secretary, Janet Yellen, from the United States of America (USA) pointed out that both the World Bank and the International Monetary Fund were not designed to handle the multiple global crises they now face, including fallout from the war in Ukraine and the COVID-19 pandemic, and they lack the resources to tackle climate

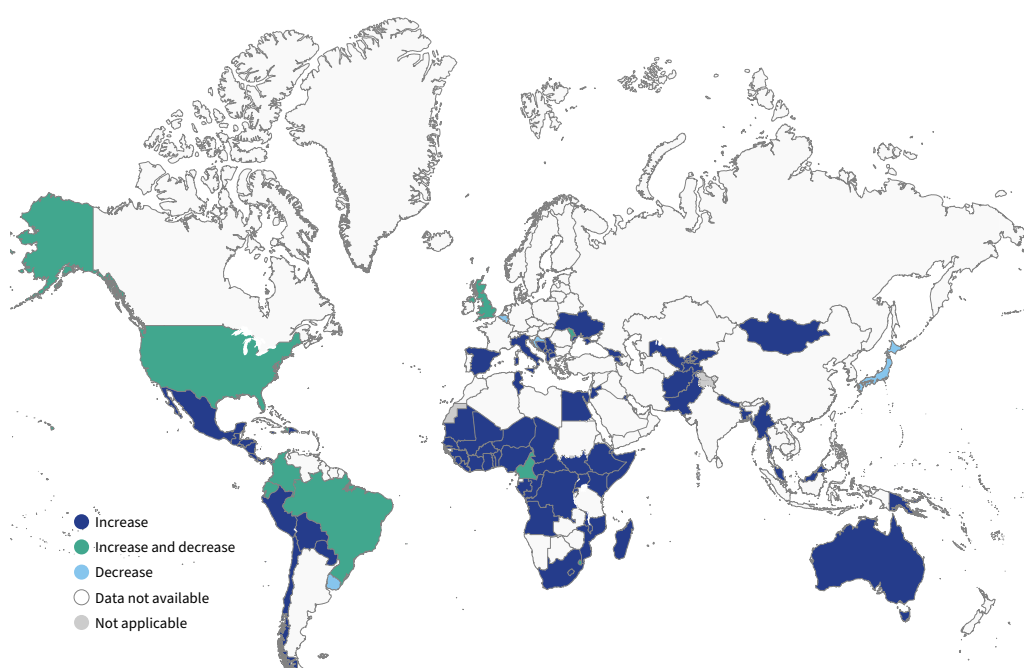
» Continuing with business-as-usual is a mistake. «

change, and that “the institutions also need to be better capable of delivering public goods such as improved public health infrastructure to handle future pandemics, which may require alterations to the World Bank’s mandate.”²⁹ International Financial Institutions should incorporate the financing of public goods, including for health, into their core mandates, and work in close coordination with WHO. Health funding for low-income countries must guard

against national governments’ lowering of health spending as a priority. Putting this into action would help move away from the toxic combination of austerity measures, high-debt servicing and aid focused on the donor’s priorities, towards the system-wide consolidation and investment that governments need to ensure Health for All.

However, some evidence exists of steps in the right direction. The World Bank supports countries’ efforts to achieve universal health coverage through stronger primary health systems and to provide quality, affordable Health for All. In 2022, the World Bank played a central role in discussions with the Group of 20 countries, with WHO as a lead technical partner, to set up and agree to a financial intermediary fund to address global PPR investment needs. In 2021, the IMF agreed on a new allocation of special drawing rights: in 2022, it is proposing to establish the Resilience and Sustainability Trust, financed by donated special drawing rights of high-income countries. However, for such loans to be effective, the IMF would need to abandon conditionalities tied to fiscal consolidation—so as to avoid undermining those same investments—and extend the loans beyond low-income countries. The initial target size of approximately US\$ 45 billion to invest in health and climate needs over the next five years is also insufficient. Moreover, if the Resilience and Sustainability Trust is structured as a traditional IMF loan, conditional on additional austerity demands, this mechanism might not be worth the cost. It would be more of temporary relief than a game changer.³⁰

FIGURE 4.
IMF recommendations on government expenditures on health
2020, 100 countries



For these 100 countries, the IMF advised increasing health expenditures (dark blue) in 84 countries, reducing health expenditures (light blue) in 4, and offered mixed recommendations (green) to 12 others, while at the same time proposing overall fiscal consolidation in 98 of the 100 countries in 2020. Although some recommendations may be crafted for a specific country context, overall, this shows a lack of coordinated global policy and health sector-specific recommendations.

Governments without sufficient resources will be unable to progress towards achieving Health for All. In many countries, especially in low-income nations, the proportion of people working in the public sector is small, relative to overall employment (7.3% in low-income countries, 25.3% in high-income countries).³¹ The same holds for per capita: **FIGURE 5** shows that the size of the government measured by the people it actually employs to deliver its objectives per capita, on average decreases with declining per capita income.

Big government in low-income countries is a myth. The proportion of people and their capacity are dwindling or under attack, and risks to be further depleted through outsourcing,^{32,33} if austerity measures are imposed around the world. Higher-income countries collect more taxes and can (and do) spend more public money, whereas the challenge for lower-income countries is how to accommodate more public spending without chronic deficit spending, given their more limited tax base.

Governments need institutions and people to craft, finance and implement economic, social and environment policies towards Health for All in an integrated fashion.

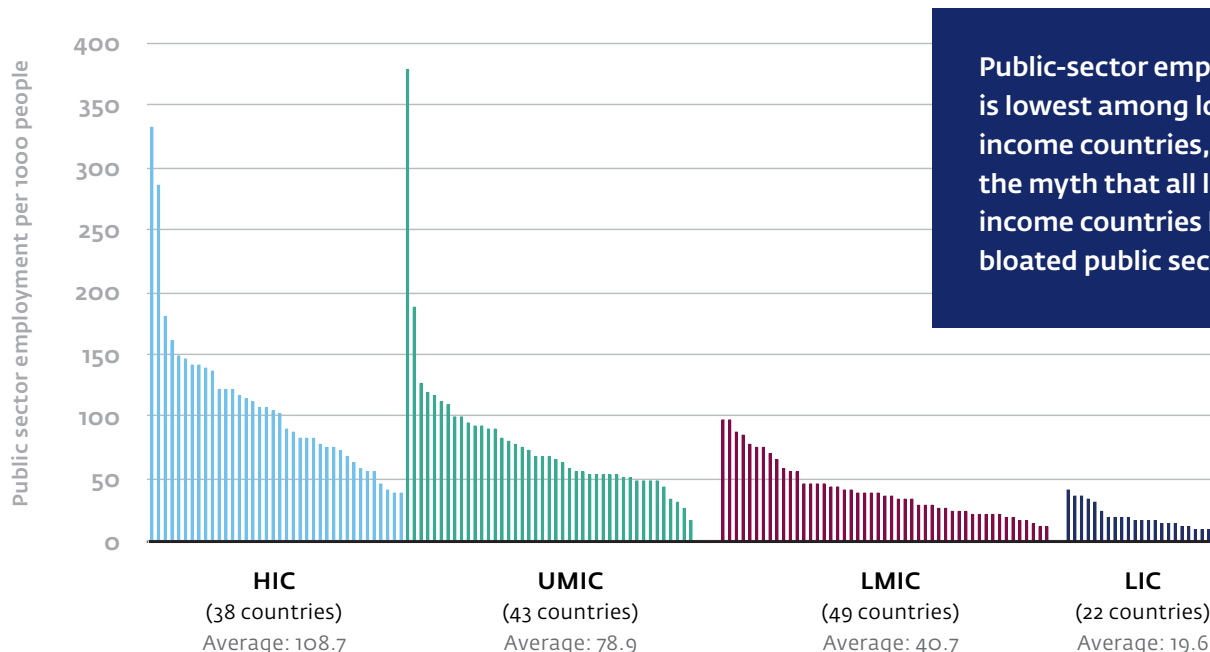
Using the Council's framework for building up an economy for health,¹⁹ **FIGURE 6** shows that governments around the world are employing a number of economic policy, legal and institutional levers that can effect changes by addressing the broad determinants of health. These include the root or structural causes that affect the way societies are organized and the degree of socio-economic inequality, as well as the level of infrastructure and systems. Together such determinants dictate whether and how communities, households and individuals gain access to the resources and opportunities that are essential for Health for All. Such levers can exist at the national or global scale and require the cooperation of all countries around the world.

Investing in the public sector to design, shape and implement these policy levers is a game changer for health. All of this requires public sector capacities.

But it's not only about securing the appropriate funding levels: it is also about ensuring dynamic State capacity—with institutions and people knowing what to do, and planning for the long term.

FIGURE 5.

Number of public sector employees per 1000 people 152 countries



Source: ILOStat. *Employment by sex and institutional sector* (latest year available between 2011-2021)

Conditionalities for public-private partnerships; assessing value to society

Efforts to guarantee wide availability and fair prices³⁷ must take into account public contribution to health research and development. To this end, all actors should agree in advance to conditions—on affordability and access—that must be attached to public funding to ensure the meeting of health needs.³⁸ Conditions can include a commitment to reinvest a portion of the company's profits into productive health innovation activities or a public innovation fund, and for intellectual property rights to be structured properly, easily licensable and not too long or narrow.³⁹ The conditions could be written into **global** agreements and regulations. The PPPs in the health domain should place a priority on the urgent and primary health care needs and rights of people's or at least not divert resources away from them.⁴⁰

Assigning legal personhood to natural commons

In 2008, **Ecuador**⁵¹ became the first country in the world to assign legal personhood to natural commons (at the constitutional level). Countries like Australia, Canada, India, New Zealand, the Plurinational State of Bolivia and Uganda followed suit.⁵² This is a promising way to increase social awareness and to punish those acting against nature's assigned rights.

Developing taxonomy for responsible investments

Chile⁵⁴ and **Brazil**⁵⁵ have mandated institutional investors to include environmental, social and governance risks in their investment policies. In the **United Kingdom of Great Britain and Northern Ireland (United Kingdom)**, the Bank of England has enhanced banks and insurers' approaches to managing climate change-related financial risks.⁵³ Health is as important to humanity as climate change and deserves more attention in the social category within the environmental, social and governance framework or even a separate health taxonomy for responsible investment.

FIGURE 6.

What is being done: economic levers to build up an economy for health



Developing universal protection systems

Some low-income countries have been unable to develop non-contributory protection systems. Cash transfer programmes targeting older people and children have the potential to close the poverty gap significantly. In **Argentina**, older women are the main recipients of Plan de Inclusión Previsional, a programme that takes into account gender inequalities in the labour market and access to social security,³⁴ and reduces poverty and inequality.³⁵ As another example, **South Africa**'s Old Persons Grant has decreased income poverty levels, and evaluations suggest that it promotes gender equality.³⁶

Aligning taxes on capital, global wealth and progressive income taxes

The world has struggled to tax the rich, while evidence suggests that their net value increased during the pandemic as everyone else's fell.⁴⁵ **Global** wealth taxation may be the answer. However, lower middle-income countries risk offshoring and tax evasion.⁴⁶ Creating national asset-recovery offices that ensure the sharing of information across countries to reduce illicit financial flows and facilitate wealth taxation is a global policy already implemented by European Union countries to remedy this problem.⁴⁷ Another formula, according to the Independent Corporation for the Reform of International Corporate Taxation, would be to tax multinational corporations at the same rate as domestic companies.⁴⁸ Additionally, governments need to invest in fiscal institutional capacity to broaden the tax base and increase the share of direct taxes, especially in low- and middle-income countries,⁴⁹ as well as in programmes that target resources to areas that embrace Health for All. Windfall taxes on excess profits are an example of a policy tool that can achieve a higher tax revenue, and a way in which tax revenues can attain the goal of Health for All.⁵⁰

Improving financial literacy

Improving financial literacy implies that households and firms can manage their savings more efficiently. Investment in financial literacy also affects the health outcomes in a society. Evidence based on the 2014–2018 **China** Family Panel Studies data reveals that financial literacy improves the health engagement of households and their health status through increased personal investment in health.⁵⁶ Data from the **USA** show that older persons with increased financial literacy have a lower risk of hospitalization.⁵⁷

Consolidating whole-of-government and whole-of-society approaches to promote health

Governments can increase the coordination across finance and health ministries and other government agencies, following lessons from successful pandemic responses. For example, in **France** the government worked with the private sector: private hospitals agreed to cancel all non-urgent activities to free up beds and private providers gave a list of employees who were available for deployment in the public sector as part of a coordinated response.⁴¹ **New Zealand** activated the National Security System – triggering regular top official monthly meetings before confirming its first case.⁴² In **Spain**, an initial response to the pandemic included the government nationalizing all of its private hospitals and health care providers, which transferred management to the government.⁴³ Whereas **Viet Nam**'s whole-of-government contingency plan for a highly infectious influenza pandemic, proved key to its effective initial response to COVID-19.⁴⁴

Reducing financial burden in the informal sector

In low- and middle-income countries, the path towards universal health care is based on tax-financed mechanisms either directly managed by the government, or as part of social health insurance, such as in the **Philippines** and **Viet Nam**. However, reaching persons in the informal sector remains the most relevant challenge to achieving universal affiliation to a programme with a funded health benefit. General budget sources relying on non-contributory entitlement drive all recent coverage expansions, meaning everyone is covered.⁵⁸ In Africa, Asia and Latin America, countries that have made the greatest progress have relied on tax funding as the source, while transforming the use of such funds from an input to an output orientation. The extent of progress has depended critically on government fiscal space, the ability to align budgets with outputs rather than inputs and political leadership.^{59,60}

2. Public sector capabilities play a crucial role in delivering systemic and sustainable change

The pandemic has shown the urgency of aligning public sector capacity and dynamic capability with public value.⁶¹

Generally, public-sector capacity refers to the set of skills, capabilities and resources necessary to perform policy functions – from the provision of public services to policy design and implementation. The public sector bears responsibility for the long-term resilience and stability of societies, a function that it discharges by developing and nurturing long-term capacities. It is also responsible for responding and adapting in an agile manner to changing environments, using capacities endowed with dynamic capabilities. **Capacity refers to the processes and structures that provide the space for intended action, for example fiscal space; capability refers to the competencies and skills that an organization needs for dynamic action.**^{62,63}

The Covid-19 pandemic has highlighted the role of the public sector in creating the conditions for Health for All. Indeed, many governments worldwide had to provide unprecedented levels of support to counter massive health and economic shocks to their populations. The measures ranged from income support and aid to struggling companies, coordinating multisectoral efforts to increase the production of personal protective equipment, putting in place test and trace systems, and supporting the invention and distribution of effective vaccines. Conversely, the pandemic also exposed the difficulties of governments that lacked the capacity or capability to undertake such measures at anywhere near the required scale or speed, for example, for under-resourced frontline health workers. The pandemic has shown, first, that such 'agile stability' matters greatly in the public sector and, second, that capacities and capabilities in certain areas are critical for governments in the aftermath of a crisis and in rebuilding economies and societies. Some of these include:

- planning for uncertainty;
- aligning public services with the population's needs;
- governing resilient production systems and capabilities to foster symbiotic public-private collaborations and tapping into citizens' innovativeness;
- the capacity to govern data and digital processes, including handling the 'infodemic' while balancing human rights protection; and
- inter- and intra-governmental learning and coordination (including at different levels of government, for instance, federal and local, inter-ministerial and international).

» The pandemic has shown, first, that 'agile stability' matters greatly in the public sector and, second, that capacities and capabilities in certain areas are critical for governments in the aftermath of a crisis and in rebuilding economies and societies. «

» Countries that performed best had certain types of institutions and capacities that supported whole-of-government and whole-of-society approaches and addressed equity. «

The pandemic also offered stark lessons on the implications of hollowing out of the State (BOX 1) through years of underinvestment and outsourcing. This is associated also with a breakdown of trust between governments and their populations, particularly in countries with chronically weak public sectors. In some countries, policy makers, including ministers of health and the economy, tried to share their plans, but government or government-led institutions lacked the State capacity to bring about action. In others, governments were able to respond quickly. A participatory governance culture that incorporates the voices of all stakeholders (including populations and the private sector), embedded within health system operations prior to the onset of crises, is imperative for rapid adaptive responses in times of crisis.

Countries that performed best had certain types of institutions and capacities that supported whole-of-government and whole-of-society approaches, and addressed equity. The capacity to manage a crisis of such proportions depends on government investment in its ability to govern, which includes the quality of its institutional and legal frameworks and public sector.

Moreover, the concept of public value has expanded from merely coordinating market failures to **shaping the market**.⁶⁴ For example, approaches taken in the United Kingdom and Viet Nam (BOX 1) demonstrated the importance of **public sector capacities to govern effectively for health through a whole-of-society-approach**: from a mission-oriented policy (quickly produce ventilators) through close collaboration (between the private sector, government and society), it was possible to adapt to changing circumstances (within the context of the COVID-19 outbreak).^{65,66} No ventilators would have been produced without **dynamic capabilities**, which in this case included a quick updating of government policies, repurposing existing infrastructure, using the community spirit for the common good, and governing data and digital solutions.

BOX 1. GAME CHANGER: PUBLIC SECTOR CAPACITIES TO GET VENTILATORS.

Prior to the pandemic, the United Kingdom had undergone a series of transformations. This included the abrogation of planning, privatization of State-owned enterprises and outsourcing of the provision of goods and services to the market. The transformation hollowed out the public sector's capacity to deliver services, without increasing the capacity to govern the private sector. This weakened the National Health Service, which encountered serious ventilator shortages during the Covid-19 outbreak.⁶⁵ In response, the British Government launched the Ventilator Challenge.⁶⁷ The head of the Cabinet Office called leading industrial firms and industry-related government agencies requesting them to meet the urgent demand for ventilators by either scaling up production or creating entirely new designs. Over 5,000 companies and 7,500 members of staff offered their support, which resulted in producing thousands of ventilators within months (compared to a usual timeline of a few years). In Viet Nam, the government ordered local manufacturers to produce ventilators and supported companies by facilitating early evaluation to help launch production. Vingroup, a company which used open-source technology from the Massachusetts Institute of Technology, produced ventilators as early as July 2020, donating hundreds internationally.⁶⁸

2.1.

Capacity

Capacity requires an effective and autonomous bureaucracy, in which agents of the organization—in management and the frontline—undertake action geared towards the successful pursuit of the organization's objectives.⁶⁹ This includes making informed policy choices and managing resources for implementation. It involves delivering policy outcomes with legitimacy and understanding, and managing power relations. Enhanced public-sector capacity is a key to success in development in many countries, including several in East Asia,⁷⁰ and reflects at least the following capacities each with a country example:

➤ Capacity to set a direction for development via strong core government functions

THE PHILIPPINES

Set mission-oriented policies involving the public sector and industry to achieve measurable success. Pantawid Pamilyang Pilipino Program (4Ps) is a social protection programme. First piloted in 2007 under the umbrella of the Department of Social Welfare and Development (DSWD), it partners with key agencies such as the Departments of Health, Education, the Interior and Local Government, and with the Land Bank of the Philippines. The programme offers cash transfers to eligible poor households who meet certain education and health conditionalities. Regional project management offices and local service providers such as school principals and midwives also help to handle routine operations and verify compliance with the conditionalities.⁷¹ The programme aims to break the poverty cycle by helping enhance income and access to education and health, and through sessions on family development. It is one of the largest and best-targeted social safety-net programmes globally, with 82% of the benefits reaching the poorest 40% of the population.⁷² Beneficiary households are also better prepared for disasters and their children are more determined to succeed in school, which implies promising future contributions to society.⁷³ During the COVID-19 pandemic, the Pantawid Pamilya programme helped distribute Social Assistance Program grants, provided by the DSWD and using cash cards. This was significant especially in geographically isolated locations and areas with high COVID-19 cases.⁷⁴ Indeed the existence of 4Ps helped in identifying and channelling financial and health support to the most vulnerable households. Nevertheless, the pandemic still increased the incidence of poverty from the pre-pandemic level of 21.1% in 2018 to 25% of the population by the end of 2021.⁷⁵

➤ Capacity to create political and legislative consensus and coordinate practices to govern and direct resilient production systems for public value

VIET NAM

Work with industry, academia and third-sector organizations to re-build domestic production and supply chains. Viet Nam has won wide acclaim for its initial response to the pandemic. While the country's laboratory facilities had polymerase chain reaction (PCR) testing machines at the onset of the pandemic, they lacked testing kits, protocols and appropriate technical training. On 31 January 2020, the Ministry of Science and Technology invited virologists to an emergency meeting to discuss the mass production of test kits. As a result, the Viet Nam Military Medical University partnered with a private biotechnological firm to mass produce test kits. By July 2020, new test kits accounted for some 80% of the country's demand and attracted orders from over a dozen foreign countries. Equipped with the new test kits, national institutes led training for every laboratory that had a real-time PCR testing machine.⁷⁶

➤ Capacity to create public-service infrastructure and implement public-policy instruments

TÜRKİYE

Evaluate essential services and align long-term health investments with the people's needs. Türkiye initiated the Family Medicine Program, a nationwide reform of the primary health care system, in 2005. Prior to the reform, local health centres offered free primary health care, but lacked the capacity to provide sufficient geographic coverage. Unequal access to primary health care and overwhelming demand in densely populated poor neighbourhoods forced patients to opt for public hospitals, creating congestion. Unlike local health centres, Family Health Centers were assigned a specific population within their geographic catchment area, allowing every citizen access to a family physician on a walk-in basis.⁷⁷ This reduced the number of patients per doctor from an average of 7 133 in Istanbul to 3 500 people.⁷⁸ Waiting times at public hospitals dropped while access to primary health care and patient satisfaction improved significantly between 2003–2010.^{79,80} Other achievements included improved immunization coverage and infant mortality rates.^{81,82} Diphtheria, tetanus and pertussis immunization rates among children aged 12–23 months rose from their pre-reform level of 68% in 2003 to 97% in 2010, while infant mortality dropped from 25 to 16 per 1 000 live births during the same period.⁸³

2.2.

Dynamic capability

Dynamic capability refers to an organization's ability to cope with and adapt to change. Governments or organizations need to respond to uncertainty and change by integrating, building and reconfiguring their internal and external competencies. This has generated a new interest in dynamic capability, and makes it necessary to explore new opportunities, reinforce existing strengths and gain a long-term view, and concerns the following capabilities also with a country example:⁸⁴



Capability to anticipate, adapt and learn within and across organizations

REPUBLIC OF KOREA

Quickly update policies using available information and repurpose existing infrastructure. Following the Middle East respiratory syndrome coronavirus crises, the government embarked on constructive pathways toward public-private partnership to build an infectious disease-response capacity. This included recognizing the need to test early in the event of an outbreak.⁸⁵ The government overhauled regulations, upgraded its Center for Disease Control to a deputy ministerial-level agency⁸⁶ and invested intensively in the biotechnology industry, which at the time comprised “scientist-led small-sized entrepreneurial start-ups”. Furthermore, it modified legislation to streamline approval processes for test-kit development and clinical trials, and developed an accreditation system for infectious disease laboratories. This paved the way for an agile regulatory response to COVID-19 when legislation was further modified to allow for rapid testing.⁸⁷ The government also established a fast-track approval process for the development of test kits with pre-vetted domestic biotechnology companies. Quality assurance of rapid tests was done in tandem through the Korean Society for Laboratory Medicine and its laboratory network. As a result of effective collaboration between government agencies and the private sector, the country began exporting test kits to more than 60 countries by April 2020.



Capability to harness social participation and public initiatives, and democratize innovation

SPAIN

Use public innovation, self-organization and the community spirit for the common good. In 2015, Ahora Madrid launched a public-initiated campaign that leveraged the creativity, spontaneity and imagination of city residents, and was credited with winning the election for Madrid's mayor. Ahora Madrid's key activity is Decide Madrid, an open-source website that aims to: i) empower citizens by giving them the opportunity to debate

issues, propose projects and vote on policies and programmes; ii) promote transparency within the public sector, and iii) foster the use and sharing of open data. The platform also supported participatory budgeting, where citizens could decide how to spend 2% of the city's budget. When this innovative proposal failed to generate the expected level of participation, the city government created face-to-face engagements that brought together more than 1 000 randomly selected citizens to discuss budgeting in Madrid. It also set up the City Observatory comprising 49 citizens whose task was to draw up recommendations within a year on how to improve city government.⁸⁸



Capability to build and govern digital infrastructures and platforms for the common good

TOGO

Invest in digital solutions to take advantage of user-generated data. In April 2020, the government devised a flagship emergency cash transfer programme, called Novissi, to ease the financial burden of the pandemic on poor households. A national voter registry containing information on individuals, their occupation and home location helped to establish eligibility. Individuals registered by calling the Novissi Unstructured Supplementary Service Data platform from a mobile phone with a valid and unique voter identification. During the first phase 511 611 beneficiaries received US\$ 22 million. In the second phase the government partnered with the American charity, GiveDirectly, to use satellite imagery and mobile phone data to pinpoint the poorest citizens in the poorest 100 cantons: 60 000 households received US\$ 4 million within a very short period of time.⁸⁹

All governments must consider growing and nurturing much stronger public sector capacity and dynamic capability as a key priority as the world emerges from COVID-19. Examples from diverse countries show how the public sector can align public and private entities at appropriate levels, delegate authority and ensure efficient sharing of resources. This demonstrates that the actions of various stakeholders and providers are coherent with public priorities, including health⁹⁰ and that capacities and capabilities can be developed over time. For example, the public sector can improve its capabilities to use more data as well as quantitative and qualitative analyses to make informed decisions. This requires using technology to involve all sectors in public policy design, and getting society's feedback to improve public services. It is also essential to link public sector needs with the curriculum and skills taught at universities and other higher education institutions. Overall, it is necessary to shift mindsets to embrace a view of the government as a market shaper and integrator of private-sector activities—like other social agents.^{91,92}

Investing in public-sector capacity and capability is ultimately a political decision. It is crucial to the implementation and shaping of what governments can do to achieve Health for All in the long-term, not just in moments of crisis.

3. Tools and approaches for change

It is possible to shift fully from the status quo to a new ecosystem that ensures Health for All, but only with the necessary long-term public-sector capacities and dynamic capabilities. Government institutions must be committed to learning and deconstruct old ways. They must use tools, including outcome-based budgeting and mission-oriented strategic procurement and ensure forward-looking digital infrastructure policies.

3.1. Outcome-based budgeting

Outcome-based budgeting helps to achieve more accountable and effective public policies by connecting budgets with expected outputs or performance, rather focusing on spent budget.⁹³ Specification of measurable targets provides a basis for an objective evaluation of how efficiently the resources were allocated. Countries can use outcome-based budgeting methods (**BOX 2**) to tailor objectives according to their needs and demonstrate their capacities to set direction for reforms or development. Flexibility in using these approaches will also help them build dynamic capabilities. Budget effectiveness also depends on public financial management, which is the way public funds are allocated, spent and reported. Budgeting can be improved through interventions such as reducing unnecessary spending and unused revenues, improving budget execution, and shaping future allocations through good budget performance.⁹⁴

BOX 2.

GAME CHANGER: PUBLIC SECTOR CAPACITIES TO GET VENTILATORS*

NEW ZEALAND is the first country to implement outcome-based budgeting since the late 1980s.⁹³ Chief executives were directly responsible for the outputs which were selected by ministers who addressed the outcomes of the policy directly.⁹⁵ The New Zealand experience was found to improve financial discipline and the prioritization of public expenditures.⁹⁶ For example, the government sought to reduce the educational inequalities at various levels, in enrolment and graduation in the Maori population. One of the goals was to increase the percentage of Maori students participating in tertiary education to 16.7% by 2006, whereas the realized goal was 21%.^{95,97}

THE REPUBLIC OF TANZANIA, among other low-income countries, successfully introduced performance budgeting in 1998, delegating a range of services to accountable executive agencies. For example, the Road fund, which collects the funds for road maintenance, makes annual performance agreements with the executive Tanzania National Roads Agency for national and highway maintenance and with local governments for rural and urban feeder roads. The agreements

contain details about the policies and criteria to be followed, works to be undertaken and budgets and costs. Outcome-based budgeting helps to achieve stronger public-sector capacity to build infrastructure and demonstrates smart governance, accomplished by engaging with independent agencies.⁹⁸

MALAYSIA's more recent example showed that the set of capacities required of the implementing team and stakeholders multiplied as the number of programmes and sectors included in the budgeting practices increased.^{99,100} Starting with the Malaysia Plan 2011–2015, the Ministry of Finance required ministries to show how their programmes and activities would help national development goals consistently validate the links between activities and the ministerial strategies and desired impact. The aim, especially for cross-sectoral outcomes, was to identify duplication across spending agencies and to co-create outcome statements with all ministries. Information management has proved to be a constant challenge, and the implementing team has learned by doing, building the needed capacities in the process.

*In this regard, countries are listed in chronological order.

3.2.

Mission-oriented strategic procurement

Mission-oriented strategic procurement is another way to channel budgets into defined objectives. Using the procurement process to direct and steer can have important effects on the social and economic structure within countries.¹⁰¹ In the European Union, almost a third of government spending reflects public procurement, about 6.3 billion euros per year, and offers a huge opportunity to increase public value.¹⁰² For example, in 2015, the Ministry of Economic Affairs and Employment in Finland used Social Impact Bonds within a public procurement project that aimed to help integrate new immigrants within labour markets: after four years, about 50% of the participants involved were employed, significantly outperforming a control group.¹⁰² Even if this opportunity is smaller in lower-income countries, shifting a small percentage of purchasing budgets to local suppliers, can substantially benefit local communities.¹⁰³ For example, strategic social purchasing can contribute to healthier and stronger communities through investment in local supply chains, ensuring investment stays in the community.

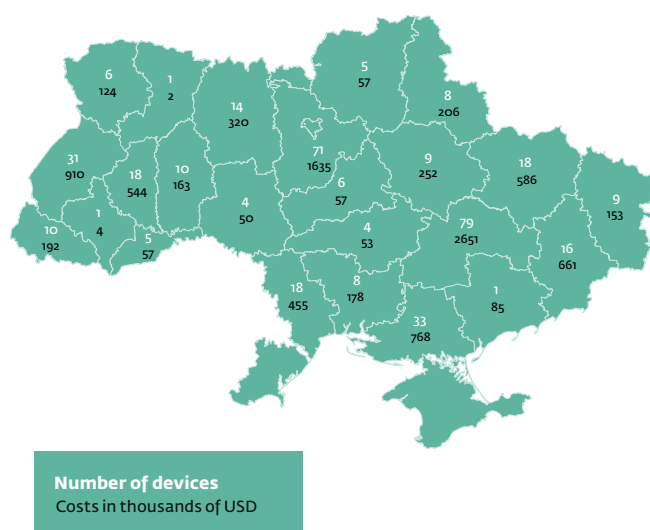
This is also a powerful tool to ensure that States can produce and secure what they need during global shortages. State purchasing power can be directed towards precise and re-identified missions, helping create new markets, and playing a critical role in social redistribution. Countries such as Finland, Sweden, the United Kingdom and the USA, use procurement as a tool to advance certain social or environmental objectives. States can also enhance procurement using digital technology—such as electronic public procurement—data-analytics to track performance, as well as disruptive technologies. For instance, the procurement supply chain uses drones to make emergency deliveries of life-saving medical supplies in Uganda,¹⁰⁴ and to fight corruption in Ukraine (**BOX 3**).

BOX 3: TRANSPARENCY IN PROCUREMENT TO FIGHT CORRUPTION: THE CASE OF PROZORRO IN UKRAINE

Corruption in public procurement remains a major challenge in many countries, and makes a huge dent in already limited financial resources. The award-winning government electronic procurement system, ProZorro, ('transparent' in Ukrainian) was designed to reduce the loss of US\$ 2 billion from a public procurement budget of US\$ 11 billion per year.¹⁰⁵ ProZorro became the official open data resource through Ukraine's law on public procurement, offering free access to all public tenders announced from 31 July 2016. In countries with weak legal systems similar to Ukraine's, transparency in public procurement may be one of the most effective tools to reduce corruption. The founding principle of ProZorro was "Everyone can see everything". This literally meant publicly available information on all submitted proposals from all participants, as well as on the decisions of the tender committees and qualification documents, among other things. In addition, a business intelligence module¹⁰⁶ allowed people to obtain consolidated information about savings at different levels of aggregation by product or service, issuing body, geographical region and so on. This whole-of-society approach, integrating the government, businesses and citizens, proved effective in responding to COVID-19 procurement challenges by helping consolidate demand for personal protective equipment and ventilators (**FIGURE 7**) as well as increasing supplier engagement.¹⁰⁷

FIGURE 7.

ProZorro: consolidation of demand for ventilators in Ukraine (as of 28 March 2020)



The boundaries and names shown and the designations used on this map do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.

3-3.

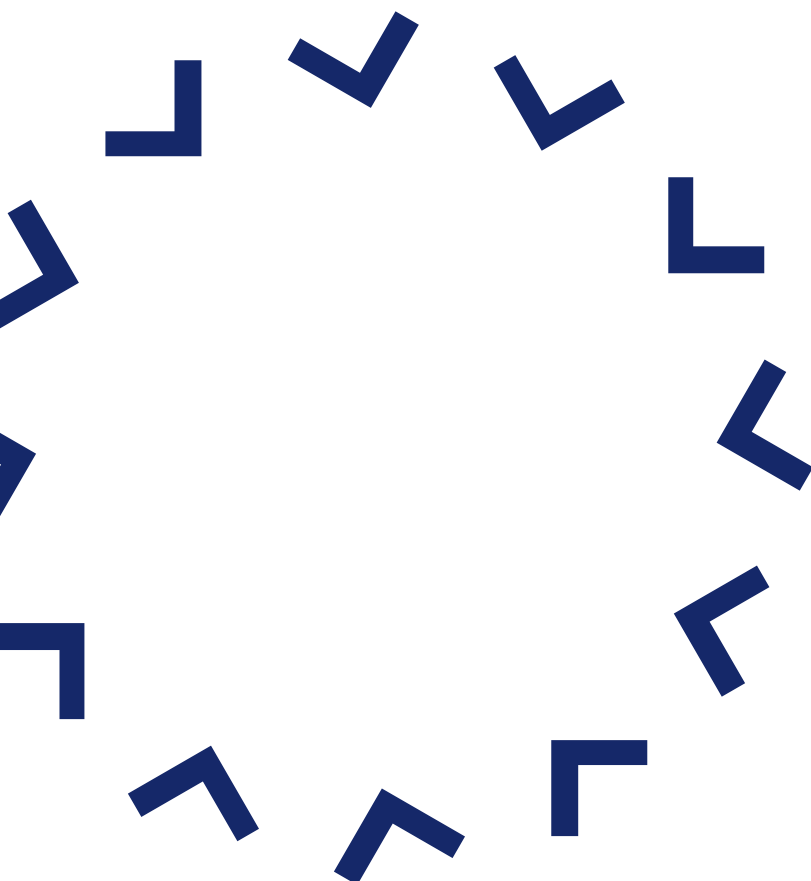
Digital infrastructure

Digital infrastructure is the basis for new social contracts and new strategies to promote health and well-being. It is also key to building core government functions to achieve Health for All.^{108,109} An innovative public sector adapts to changes when designing and implementing public services based on the needs of its population.¹¹⁰ Many are formalizing this approach. For example, the declaration of the OECD on public sector innovation, and similar guidelines, offer structured principles to encourage innovation in the public sector, cultivate new partnerships and support the testing and diffusion of best practices.¹¹¹

Public digital platforms (**BOX 4**) are key examples. On one hand, such platforms should protect privacy and human rights, increase social inclusion while helping to identify the most vulnerable groups and deliver targeted support to them (including access to social protection and essential services), and provide accurate information and infodemic management.⁹⁰ On the other, to deliver such functions, governments must have the dynamic capabilities to identify, harness and secure new sources of data. They must equip financial and social infrastructures with digital instruments, and create new data standards and regulations that protect the public interest. They also need to develop other key government capabilities including procurement and communications, given the changing opportunities of an increasingly digital world.



» Digital infrastructure is the basis for new social contracts and new strategies to promote health and well-being «



BOX 4:

GOING DIGITAL-BANGLADESH, DENMARK, PAKISTAN AND USA

Effective government policy requires a strong capacity to create, store and process quality data, especially in a situation of increasing uncertainty. Investments in data governance will create the data infrastructure needed to address health challenges and promote new types of partnership between digital-technology companies and health-service organizations within all health systems irrespective of the degree of public - private service delivery. Meanwhile, the monitoring, use and surveillance of data by both governments and private companies is an emerging relevant public concern. Governments need to invest in data protection and privacy and strike a balance between the use of data for the common good and privacy concerns.

➤ **Bangladesh** Awami League first announced, in its 2008 election manifesto, the Digital Bangladesh programme as part of its Vision 2021 agenda¹¹² to fight against poverty and corruption using digital tools. Addressing health, e-governance steps included mobile-phone access to doctors across 800 health centres, videoconferencing available in local clinics, the creation of a database for health-policy planning, and managing the immunization schedule of all registered children. The e-governance initiatives not only promoted long-term development goals but also helped to build an accountable, transparent and efficient government system with a citizen-centred and service-oriented approach.¹¹³

➤ Over the years, **Denmark**¹¹⁴ has built a robust data system that allows for individual-level record linkage among nine administrative and health datasets. Over 100 clinical quality databases complement the system. To avoid having data at multiple levels and allow for cross-checks across different databases, the Danish Government used a 10-digit personal unique identifier—Central Personal Register—to track people from birth to death, or their entry or exit from the country. Such population-based registries provide health statistics of immense value for researchers and decision-makers, among other stakeholders, regarding trends in diseases, drug use and customer satisfaction, and linkages across multiple sectors. These records have tremendous value for people to benefit from the experience of previous generations.

Investment in cyber and information security aims to protect privacy concerns. The Data Protection Act, diverse general data protection regulations and the oversight of the Danish Data Protection Agency made such an investment possible.¹¹⁵

➤ When COVID-19 hit **Pakistan** in early 2020, Sehat Kahani, an impact-driven digital health solution, was one of the very few entities able to provide telemedicine through a mobile application. Telemedicine consultations linked about 70 000 patients with COVID-19 testing and essential treatment services which were provided free of charge. The app was also used in 65 intensive care units to access critical care consultation through a virtual specialist across Pakistan. This was part of a project involving the United Nations Development Programme, the Health Services Academy, along with the federal and provincial governments. Health workers used a virtual critical care specialist. WHO partnered with the federal government to help launch an additional six clinics in hard-to-reach areas during COVID-19.¹¹⁶

➤ Stronger digital infrastructure guarantees the public sector's capability to govern data and digital platforms.³⁸ In the **USA**, the Navajo Nation (with a population of 173 000), had a high number of COVID-19 cases and deaths per capita. The community had limited access to telephone services and reliable broadband (high-speed) internet. To Jonathan Nez, President of the Navajo Nation, such challenges deepened the digital divide and exacerbated institutional inequities in many areas. These shortcomings prevented critical public health announcements and limited emergency health care command-operation responses. The Navajo Nation allocated US\$ 32 million from the United States Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and then another US\$ 18 million to increase internet services, broadband expansion and mobile towers. Funding from the CARES Act was significant and welcome.¹¹⁷

3.4.

Building a new ecosystem for an economy for health

To safeguard planetary and ecological boundaries while achieving social goals, governments need to use new tools and radically shift the objective (FIGURE 8).

They must change the status quo to expand activities and govern for the long term, including operating under uncertainty. To do so, governments should start investing in capacities and dynamic capabilities, which are hard to build, even in high-income countries. A good starting point is to focus on the policy design and implementation process. Policymakers must break down problems into their root causes, identify entry points, search for possible solutions, act and reflect upon the learnings – as proposed in the Council's framework for building up an economy for health.¹⁹ They must then adapt and act again, using dynamic processes with tight feedback loops to provide solutions that fit local contexts.¹¹⁸

One way to strengthen capacity at multiple levels is to entrench a learning culture so as to increase the knowledge base and inform the policy making process.

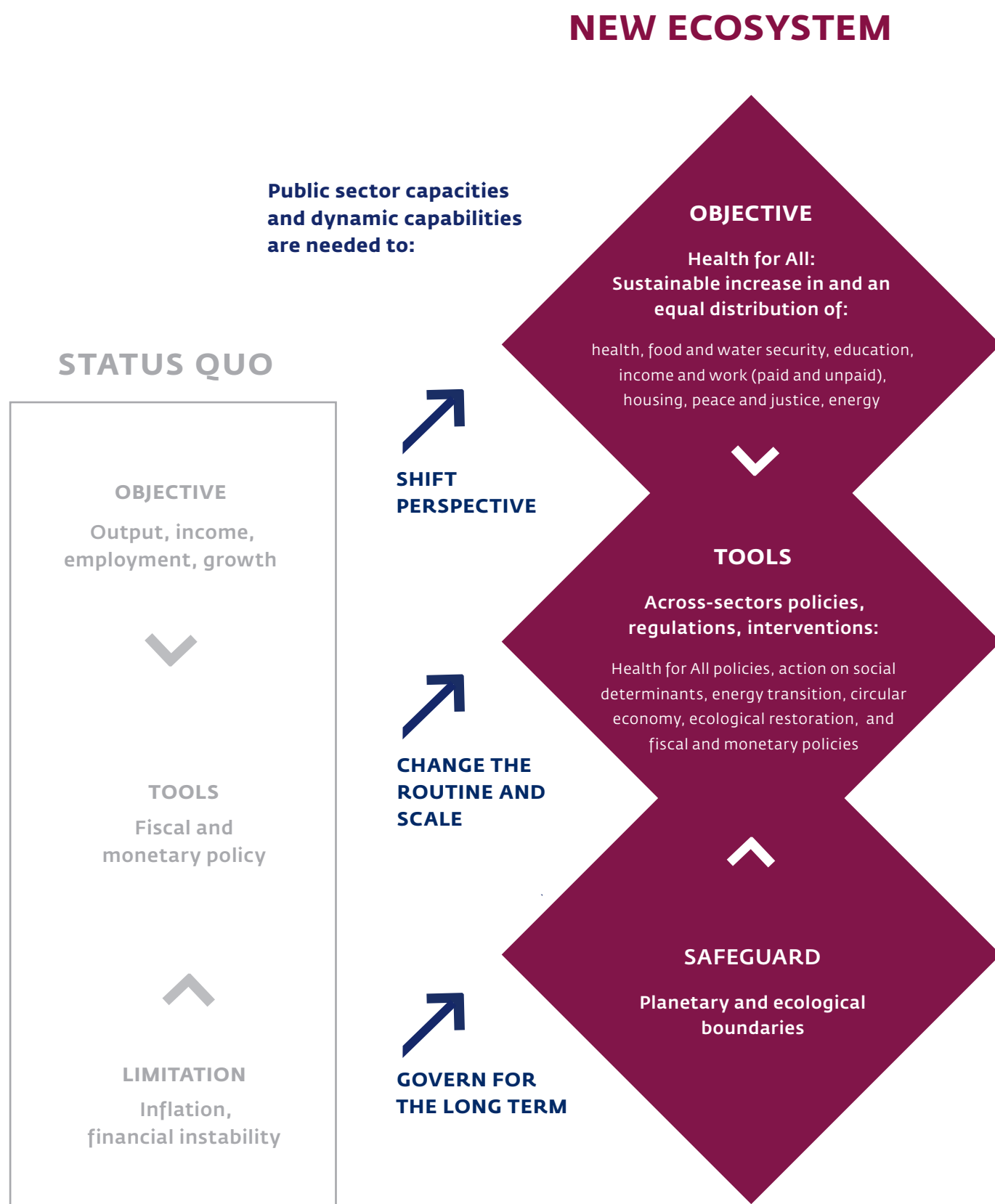
There is a need to equip institutions with the capacity to innovate, learn and adapt. This creates an enabling environment in line with their missions, including Health for All. Some countries have, for example, linked research to policy design, implementation and adaptation. A case in point is the International Health Policy Program in Thailand, which has used policy issues of utmost relevance to the Ministry of Health as a basis for its research agenda.¹¹⁹ Another example is the Oswaldo Cruz Foundation (Fiocruz) in Brazil, which has built local manufacturing capacity for drugs and vaccines over the last two decades.¹²⁰ Strengthening capacity includes encouraging productivity by allowing employees to have a healthy life-work balance and a result-based organizational approach. It also involves fostering the disruption required to enhance innovation and performance, while ensuring physical and emotional health.

» Governments need to use new tools
and radically shift the objective «



FIGURE 8.

The role of public sector capacity and dynamic capabilities to transition towards a new ecosystem based on the values of Health for All



A wide range of tools, including those that facilitate political economy analysis, may be required to engineer new ecosystems. It is essential to build the public sector's

» It is essential to build the public sector's capacity to analyse, incorporate and strategically manage different stakeholder positions. «

capacity to analyse, incorporate and strategically manage different stakeholder positions. This will allow the sector to align such positions with public interests as part of reform processes to guarantee the adoption and implementation of sound ideas. Investing in a participatory culture of dialogue with all stakeholders can help renew the social contract for health in a responsive and adaptive manner. Moreover, social cohesion promotes equity and a rights-based approach to achieving Health for All (BOX 5).¹²¹

In the same spirit, governments need to develop in-house capacities to manage uncertainty, map different scenarios of the pandemic's evolution (FIGURE 9) to suit their own context and use data and information to define policy priorities. For example, the IMF recently highlighted relevant public sector capacities for governments to build, given the likelihood that COVID-19 would linger.¹²⁴ Many of the capacities required will serve not only to address COVID-19 but other health risks and diseases as well. For example, the cornerstone of any long-term strategy to fight COVID-19 must include strengthened public health measures and multiple lines of defence, among them, genomic sequencing and therapeutics that reach all people who can benefit.

BOX 5.

POLITICAL ECONOMY ANALYSIS CAN SUPPORT REFORM EFFORTS AND BUILD LEGITIMACY—GHANA AND MEXICO.

Stakeholders and interests, along with their relative power, can differ based on the nature of a reform or policy initiative.

In 2019, **GHANA** supported an applied political economy analysis,^{122,123} as part of the development of its new universal health coverage roadmap. The analysis highlighted the absence of civil society, subnational actors and private sector actors, and of their voices. The Ministry of Health acknowledged this shortcoming and established consultations to incorporate various stakeholder positions into the universal health coverage roadmap. This more transparent and inclusive process also built greater consensus around the roadmap to improve the feasibility of policy implementation. This strategic

approach to reform exemplifies an adaptable and responsive State, as well as the importance of stakeholder management.

During **MEXICO**'s Seguro Popular reform in the early 2000s state-level leaders played an influential role in determining the balance towards a more decentralized form of governance. However, when it came to implementation many states were reluctant to allocate additional funds to pay for the system. Consequently, it fell short of its financing goals,¹²² all of which sought the common goal of Health for All. Only after the federal government negotiated with each state and agreed to transfer federal contributions based on per capita enrolment, was the reform successful.

FIGURE 9.

Four possible post-Omicron scenarios and priorities



Source: Agarwal R, Gopinath G. 2021. Pandemic Economics. *Finance and Development*, International Monetary Fund¹²⁴

4. Governance is about leadership, stewardship and democratic engagement

Governments need to strive towards good governance, building trust, participatory engagement and accountability. These are the four elements that create conditions for a virtuous cycle to build public-sector capacity and achieve Health for All.

4.1.

Governance is vital.

This is an integral component of an effective and strong State capacity. When it comes to health policies and outcomes, this includes **governance of** and **for health**. The overall concern is that health systems in particular and governments in general vary widely in performance (the common goods that are achieved at the same level of resources), and countries with similar levels of income, education and health expenditure differ in their ability to attain key health goals.

Governance of health relates to the governance of the health system. Stewardship, as introduced by WHO, emphasizes that government on one hand operate according to governance principles and public policy, with an eye to building trust and legitimacy for the long term.¹²⁵ On the other, it is about taking responsibility for the health system and the careful management of resources to ensure the well-being of the population. This includes carrying out health system functions, assuring equity, as well as coordinating interaction across government, sectors and society.

Stewardship thrives with the support of a capable public sector. There is a need to restructure relationships across government and multisectoral engagement as a form of collective action, and a way to promote growth and learning opportunities. Overall, it is important to nurture capacities at the individual and organization levels. This demands respect, trust and personal motivation, as well as building relationships, and differs from agency-based approaches that focus on power by virtue of position and extrinsic rewards.¹²⁶

When the public sector fails to fulfil this leadership and oversight role or when opportunistic agents betray stewards, this subverts stewardship and corruption can set in. As a result, not only health systems but overall economies deviate from the mission of Health for All. It is therefore vital to strengthen public-sector capacities in light of the State's responsibilities for the health of its population. This will help ensure public-sector commitment to exercise authority and employ resources for the common good.¹²⁷ One approach is to revamp civil service to embrace outcome-oriented development opportunities.

» There is a need to restructure relationships across government and multisectoral engagement as a form of collective action, and a way to promote growth and learning opportunities. «

Governance for health addresses how governments can direct individuals and communities, with a whole-of-government and whole-of-society approach to health.

To recognize the interdependencies among social, environmental and economic determinants of health and the complexities in decision-making, all the parties concerned must work towards a more efficient governance for health. It is a broader concept than what the health system does, as it involves decision-making and policies on the governance of health outcomes across the whole of government and society.¹²⁸ This type of governance sets the foundation and demonstrates political will through formal legal frameworks to enable the public sector to carry out their stewardship functions effectively while maintaining transparency and equity in treatment. Moreover, the State needs to provide oversight and guidance on the whole health system. This ranges from addressing the health of individuals and the population as well as public health services, to operating through inter- and multi-sectoral initiatives—where ministries of health play an important role by convening various line ministries as well as non-State actors.¹²⁹

“Smart governance for health” can address health challenges through five avenues—governing through collaboration, public engagement, a mix of regulation and persuasion, with independent agencies and expert bodies—and ensure adaptive policies, resilient structures and foresight, which complement whole-of-government and whole-of-society approaches.¹³⁰ Countries around the world are already putting such smart governance strategies into practice (BOX 6).

BOX 6:

SMART GOVERNANCE FOR HEALTH—EXAMPLES* FROM KYRGYZSTAN, SOUTH AFRICA AND THE UNITED KINGDOM

➤ **Kyrgyzstan:** Smart governance also encompasses areas indirectly related to health outcomes such as the Village Investment Project (VIP) of the Government of Kyrgyzstan, supported by the World Bank. VIPs were implemented in three phases, starting in 2003, to reduce persistent rural poverty and constraints in local infrastructure and economic opportunities, while adhering to the Government’s goals on decentralization.¹³¹ The projects used a community-driven development approach that included open public meetings and hearings. The aim was to support participatory planning, budgeting and implementation activities to ensure accountable and transparent decision-making.¹²⁸

➤ **United Kingdom:** The Equally Well was introduced in 2008 as a national framework that involved a whole-of-government approach to improve social and economic progress indicators and address health inequities in Scotland. A Ministerial Task Force guided the process and involved a wide range of stakeholders via expert panels, seminars and public consultations. The actions taken included establishing areas of priority, and the assessment of systems and the capacity to guarantee the achievement of goals regarding health outcomes and inequities.¹²⁸ The Task Force also produced reviews which created indicators of the degree of progress in reducing inequalities, which are being used in the country’s report on the Long-term monitoring of health inequalities.¹³²

➤ **South Africa:** In 2020, through its Asivikelane campaign (“let’s protect one another” in Zulu), the Institute for Budget Partnership and its partners helped to improve the quality of government-provided services such as sanitation, water quality and waste management. The campaign achieved this by conducting regular surveys on service delivery, and consolidated and released the results on a monthly basis to identify bottlenecks and problem areas. This campaign has allowed for citizens’ oversight of functions of municipal and city governments and facilitated better service delivery. As a result, 400 000 people have had access to improved water taps and tanks since March 2020, while 500 000 people have access to better sanitation facilities, and 250 000 have more regular waste removal.¹³³

*In this regard, countries are listed in chronological order.

4.2.

Trust is essential for achieving success in public policies.

Even the most empowered State institutions are unlikely to be fully effective if most people doubt that the government is working in their interest. This has a bearing on competence and the ability to anticipate new needs,¹³⁴ and can be quantified across countries, with clear impacts on the health of populations. In an analysis of 177 countries from 2020–2021, trust in government increased preparedness and the ability to respond rapidly during all stages of the COVID-19 pandemic including containment, mitigation and recovery.¹³⁵ Trust is also correlated with a lower COVID-19 infection rate,¹³⁶ higher vaccination rate, and lower death rates.²

There are many factors that bolster or undermine trust in government, including perceptions of its competence and intent.¹³⁷ This calls for actions to improve trust. Many governments lack the specific skill sets needed to establish and strengthen participatory spaces that allow for meaningful engagement between various actors, including the public.

There are many approaches to enhance trust that directly work towards the policy objective of Health for All:

- **Measuring what matters to constituents and devising policy accordingly** can help ensure that the government's objectives are in line with those of its constituents.¹³⁸ When the government claims that the economy is doing well based on GDP growth, but citizens do not feel improvements in what they value¹³⁹ this will only undermine public trust.
- **Ensuring the representation of minority groups in the government** elected by a popular majority should lead to policy decisions that serve their interests in addition to those of the majority group.¹⁴⁰ Histories of structural discrimination and racial and ethnic violence can compromise governance and have long-lasting impacts (**BOX 7**).
- **Promoting female leadership** is essential in a world where only 6% of chief executive officers in Standard and Poor's 500 are women¹⁴¹ and fewer than 10% of countries have female heads of State. Yet women leaders took proactive and coordinated policy responses, which reduced mortality in their countries by half during the first wave of COVID-19, compared to countries led by men.¹⁴² In terms of their success in putting people's health and well-being at the centre, policy choices are as important as the ability to communicate effectively and gain trust from the public.¹⁴³

BOX 7.

LOW RATES OF VACCINATION AGAINST COVID-19 AMONG AFRICAN AMERICANS IN THE USA

Although the USA was one of the first countries to roll out a massive vaccination programme against COVID-19, the initial vaccination rate varied substantially among racial groups: as of March 2022 48.2% of African Americans had received their first dose, compared to 53.8% of White non-Hispanic people, and 72.7% of Native American or Alaskan Native people.¹⁴⁶ Reasons for vaccine hesitancy reflect a high level of mistrust of the government and of the health system among African Americans due to the well documented structural racism in the USA. This includes the infamous US Public Health Service study covering 1932–1972 on the consequences of untreated syphilis, where African American men were denied penicillin for treatment.^{147,148}

Addressing institutionalized racism within public institutions and the health system is crucial to building public sector capacity in the United States and elsewhere. In relation to the pandemic, this requires capacities to provide timely and transparent data documenting inequalities, understanding structural factors that lead to greater exposure to the virus and higher rates of infection, and offering clear solutions on what can be done to anticipate and mitigate inequities. For example, the New York City Department of Health acknowledged and is addressing, that lower primary vaccination and booster rates, less opportunity to work from home, longer delays in diagnosis, unequal treatments and other intersectional forms of oppression doubled the COVID-19 hospitalization rate among African Americans in New York City compared to White New Yorkers during the Winter of 2021 when the Omicron variant surge began.¹⁴⁹

➤ **Creating a culture of transparency and accountability among all health actors in decision-making and actions (including independent scrutiny) is vital.**

It is crucial to use formal mechanisms of problem identification to engage in a meaningful dialogue with public and private health actors, and co-design solutions.

➤ **Tackling fake news and disinformation** also increases trust in public institutions. Misinformation and conspiracy theories over social media have proved to be especially pernicious in undermining trust.¹⁴⁴ The ability of the press to consistently hold the government accountable is crucial, as is transparent government communication (**BOX 8**).

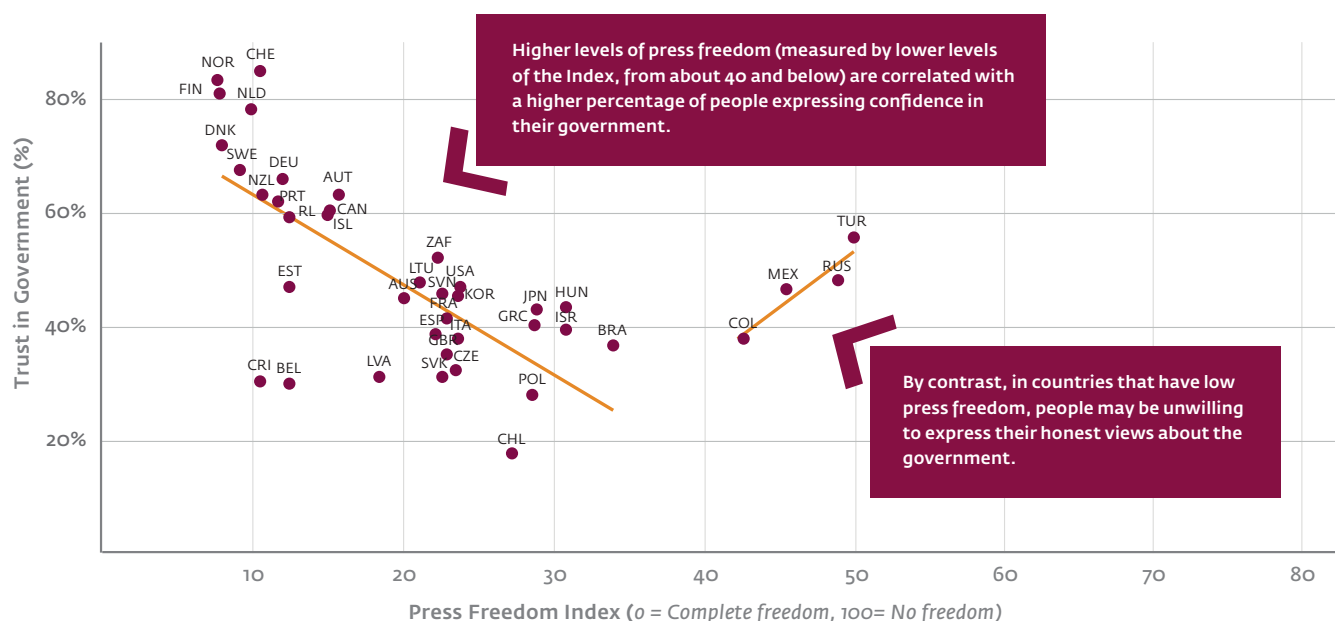
Better governance promotes greater trust, which creates a virtuous cycle, further enhancing State capacity. **During the COVID-19 pandemic, trust in government was vital to ensuring compliance with social distancing and other health measures.** A structured vulnerability approach is an effective way that suggests mapping the information a government has and the actions taken, with the information the government lacks and the strategies to obtain it. By being honest in a structured way and promoting transparency, governments can build trust with their constituents, both in regular times and in contexts of crises, as documented in Australia and New Zealand.¹⁴⁵

BOX 8: PRESS FREEDOM AND TRUST IN THE GOVERNMENT

One of the most important ways in which a government can build trust among its population is by fostering accountability, transparency and openness. Mass media provide a crucial check on the power of the government, specifically in the ways they have been misused.¹⁵⁰ Journalists around the world have exposed some of the most damaging abuses of State power. For example, we have only recently begun to appreciate the scale of tax avoidance following the release of the Pandora, Paradise, Panama and Bahamas papers, and other leaks by the International Consortium of Investigative Journalists. Similarly, the tireless efforts of journalists have revealed instances of corruption among senior government officials around the world. The ability of the press to consistently hold the government accountable is crucial for a government to build trust in governance.

FIGURE 10 documents the U-shaped relationship between press freedom and trust in government in OECD countries. It shows **that higher levels of press freedom (index values from 40 and below) are correlated with a higher percentage of people expressing confidence in their government.**¹⁵⁰⁻¹⁵² At significantly low levels of press freedom (index values of 40 and above), within OECD countries, people may be unwilling to express their honest views about government, which may help explain the U-shaped correlation.^{153,154} Unfortunately, press freedom is increasingly under assault in countries around the world,¹⁵⁵ which is compromising and undermining public-sector capacity.

FIGURE 10.
Press freedom and trust in government, 2020, 40 countries



¹⁵⁰Trust in Government is measured by the percentage of people who responded "Yes" to the question "In this country, do you have confidence in... national government?"
Source: OECD¹⁵¹ and Reporters without Borders (2020).¹⁵²

4.3. Participatory engagement

Investing in social participation by designing safe spaces where participants express themselves freely and without fear of repercussion plays a key role in fostering frank exchanges among people from all population groups, diverse communities and civil society. Implementation and evaluation must include the input of a broad range of stakeholders, especially beneficiaries or affected parties.

Amplifying people's voices increases the legitimacy of the policy-making process, rendering policies more responsive to the needs of the population. It also increases the likelihood of key actors' support for the policies, and of their implementation.¹⁵⁶ Countries at all income levels can create a mutually reinforcing relationship. However, in order to improve civic engagement, there is a need to create trustworthy and responsive public processes, which in turn increase trust in public institutions.¹⁵⁷ Through deliberation it is possible to mitigate the extreme partisan polarization that is affecting public life in many countries.¹⁵⁸ Improving participatory engagement has benefited governance in many countries, such as Chile and Ghana.

➤ In **Chile**, Tribu, a non-governmental organization that works to redefine democracy, partnered with Stanford University's Center for Deliberative Democracy to i) engage citizens in deliberation and thereby collectively consolidate laws, ii) encourage open government and citizen participation at the local level, and iii) use civic technology to build new democracy models. The initiative "*Los 400, Chile delibera*" convened 514 citizens through a randomized selection process to deliberate about critical reforms such as healthcare and pensions. In spite of the diversity among the citizens, they managed to reach an agreement through an informed, well-rounded deliberative process.¹⁵⁹

➤ In **Ghana**, the use of a deliberative poll on agriculture and the environment helped population groups who lack higher education and live in low-income neighbourhoods to improve their public knowledge, address complex local problems and influence policy-making.¹⁶⁰ However, there is a need to address equity concerns in the use of digital technology so as to include vulnerable population groups, such as some older persons or individuals living in rural areas with low internet connectivity, whose voices may be excluded otherwise.

4.4. Accountability mechanisms

Accountability mechanisms: without them, perceived and actual corruption feeds distrust. The usual response to corruption, which is one of the major barriers to public capacity, is to outsource important public-sector activities to the private sector, which can further undermine public-sector capacity. For example, despite substantial public funds being spent on it, the United Kingdom's privatized COVID-19 test and trace system failed to achieve its main objective. This is attributed to insufficient public outreach, lack of flexibility, uneven coverage and an absence of a long-term strategy.¹⁶¹ In the context of chronic underfunding of its National Health Service,¹⁶² this partly explains why COVID-19 affected the country more adversely, relative to other high-income countries.

In many countries, the size of the public sector is simply too small, and on average, this is correlated with country income level (see **FIGURE 2**). An increase in the size of the government is correlated with lower levels of corruption where democratic institutions are sufficiently strong.¹⁶³ The level of trust in the government heavily depends on its ability to deliver basic goods and services. When rule of the law breaks down, people may lose trust in the government and resort to bribery, violence or organized crime to access essential services and products, including those for health, irrespective of a country's income level. For example, organized crime in a wide range of countries used the aftermath of humanitarian crises to strengthen their local powers: in Japan after tsunamis, in Mexico after the 2019 hurricane and in Somalia during cyclical droughts.¹⁶⁴ In countries with low State capacity (characterized by weak institutions and kleptocratic networks) humanitarian emergencies also provided a perfect storm for corruption. For example, during the 2014–2016 Ebola outbreak, over US\$ 6 million was lost owing to corruption and fraud resulting from misreporting, bribery, and opaque procurement process.



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Yet previous epidemics—such as the 1918 influenza and the human immunodeficiency virus—also led to the creation of national health services and landmark public health reforms. **Many countries are leveraging the current pandemic to strengthen their public State capacity and level of trust. Laws on the right to information, press freedom, and judicial and public oversight of public-sector activities can be useful tools in this regard (BOX 9).** Accountability mechanisms are extremely important in combating corruption and building public-sector capacity for health. The COVID-19 pandemic has put State capacity through a stress test, revealing dangerous flaws such as labour shortages and poor access to essential medical supplies and hospital beds. The effectiveness of responses to the pandemic and future health challenges will crucially depend on State capacity and trust in government.¹⁶⁴

It is time to act now and use the window of opportunity to build State capacity.

BOX 9: PORTUGAL'S HEALTH COUNCIL

The Portuguese National Health Council (NHC) began operations in 2017, decades after its legal framework, the Basic Health Law, was passed. The NHC is a government advisory body independent from the Ministry of Health. Its mandate is to increase transparency and accountability by bringing in user voices to shape National Health Service operations.¹⁵⁶ It consists of 30 members who possess equal voting rights, with six reserved for civil society organizations. The rest of the members represent professional associations, regional health authorities and academia. The NHC is tasked with providing non-binding recommendations on health policy matters to the Ministry of Health and the Parliament. The NHC leadership works to increase the visibility of civil society representatives during debates and within the working groups. However, the representatives continue to face challenges because they are often in minority positions when the council has to vote on decisions. Nevertheless, the NHC is broadly perceived as pivotal for widening the participatory space and institutionalizing public participation in health policy making. Although the NHC was not directly involved in decision-making related to the pandemic, it informed government decisions by providing valuable information directly from communities. As a result, the NHC was recognized as a national public good.¹⁶⁵



5. Unfolding crises call for urgent action

Urgently, governments, including ministries of health and finance, need to stop looking at national—and global—health spending as a short-term cost. They must recognize such spending as long-term investments that are saving trillions down the line—including saving lives and increasing well-being. Costs of the pandemic have been devastating to people and economies: up to 16.6 million excess deaths between January 2020 and December 2021^{163,9} and global GDP contracted by 3.1% between 2019 and 2020.^{166,167} Although paid working hours dropped by 8.8% during the same period¹⁶⁸, unpaid work shot up around the world, for example, in the European Union women and men worked 35.7 and 22.7 hours per week on childcare, cooking, housework, and long-term care in 2020, a 14% and 57% increase respectively, compared to pre-pandemic levels.¹⁶⁹ But costs include many other negative impacts such as the disruption of the education of millions of children, with long-term consequences for well-being perhaps being much greater than the shorter-term unemployment and supply chain disruptions.

Anticipating and mitigating factors that lead to inequity within and across countries is also of utmost importance. If vaccination rates stay low and transmission remains unchecked in low- and middle-income countries, global GDP could lose US \$5.3 trillion over the next five years, with several million more lives lost.¹²⁴ This is in addition to other consequences of interruptions in therapies and treatments beyond those related to Covid-19,¹⁷⁰ for example, deaths from the human immunodeficiency virus, tuberculosis and malaria, which could increase by 10%–36%, over the next five years.¹⁷¹

Governments and the international community must steer clear of austerity and fill in the gap in PPR financing—through domestic and international support—and ensure that on the ground, in countries, people and institutions in the public sector are invested with capacities and dynamic capabilities. Only then can governments shape a whole-of-society approach—to eradicating the current pandemic and preparing for the next one—and ensure an economy for health.

The case of pandemic preparedness and risk management provides real-time understanding of the importance of a dynamic public sector. During the second year of the pandemic, concerns about the emergence of variants of the severe acute respiratory syndrome coronavirus 2 led the WHO in 2021 to provide national and subnational guidance on a public health response, based on 10 interconnected technical and operational pillars,¹⁷² for integration within national action plans:

- Coordination planning, financing and monitoring;
- Risk-communication, community engagement and infodemic management;
- Surveillance, epidemiological investigation, contact tracing and adjustment of public health and social measures;
- Points of entry, international travel and transport and mass gatherings;
- Laboratories and diagnostics;
- Infection prevention and control, and protection of the health workforce;
- Case management, clinical operations and therapeutics;
- Operational support, logistics and supply chains;
- Maintaining essential health services and systems, and;
- Vaccination.

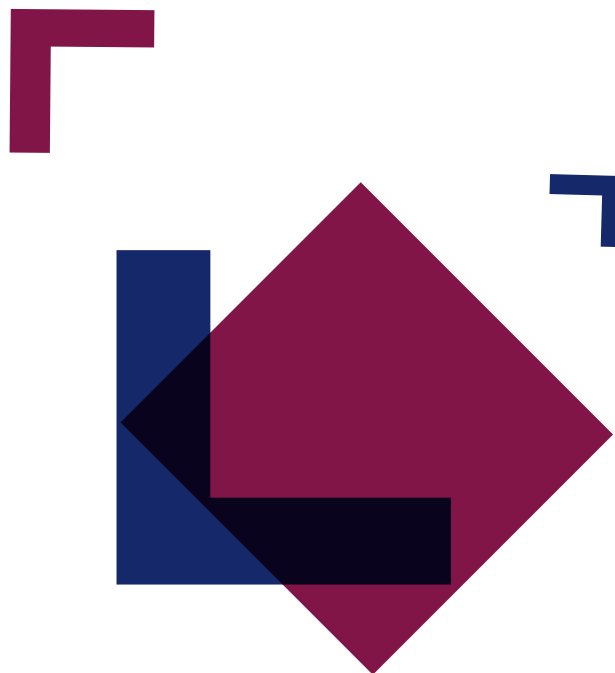
These all require public sector capacities and dynamic capabilities. At this year's 75th World Health Assembly, in 2022, governments around the world agreed to strengthen their capacities and capabilities in emergency preparedness and response, particularly in urban settings, and asked for support from WHO to do so.¹⁷³

The Council proposes the next steps, with the support of partners, to require governments to:

- **adopt policy design and implementation methods that encourage policy makers to iterate, learn and adapt policies based on tight feedback loops.** It is important to adopt such methods for a wide range of policy levers across multiple sectors.
- **design roadmaps to strengthen in-house rather than out-sourced capacity and dynamic capabilities,** using appropriate tools, such as outcome-based budgeting, strategic procurement and enhanced digital infrastructure, and;
- **strive towards good governance, building trust, participatory engagement and accountability** and choosing to entrench learning as a culture at institutional and individual levels.

This should help develop and update capacities and capabilities—ranging from the technical to the managerial—that improve systems and increase the efficient allocation of resources as well as the effective monitoring and evaluation of outcomes.

During its inaugural year, the WHO Council on the Economics of Health for All has documented key issues related to four themes—innovation, finance, value and State capacity – the ingredients needed for a radical redirection to build an economy for health. In its final year, the Council will accelerate learning from experiences in many countries, and further draw from lessons to develop and refine its final recommendations, expected in May 2023.



» Governments need to stop looking at national—and global—health spending as a short-term cost. They must recognize such spending as long-term investments that are saving trillions down the line—including saving lives and increasing well-being. «

The [WHO Council on the Economics of Health for All](#) was established on 13 November 2020 and held its first meeting on 6 May 2021 to provide guidance on the economics and health agenda of WHO. It is an independent council convened by **Dr Tedros Adhanom Ghebreyesus**, WHO Director-General.

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