GLOBALISATION AND HEALTH SECTOR REFORM

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Introduction

he two phenomena named in the title of this paper - Globalisation and Health Sector Reform - have now virtually become household terms in the parlance of policy makers in the Caribbean. Not to be aware of the significance and even, the imperative, of each of these phenomena would quickly earn one the label of being "out of the loop" as it were. Yet, on the face of it, we would normally refer to the two phenomena in question as if they were unrelated.

For the Caribbean region, the link between globalisation and health sector reform needs to be highlighted, for not only is the region closely linked to the rest of the world by diseases such as HIV/AIDS but also the response to such an epidemic cannot be addressed in purely national terms.

The objective, of this paper, therefore, is to posit a direct link between globalisation and health sector reform, and to explore the significance of this link for the governance of Caribbean nations.

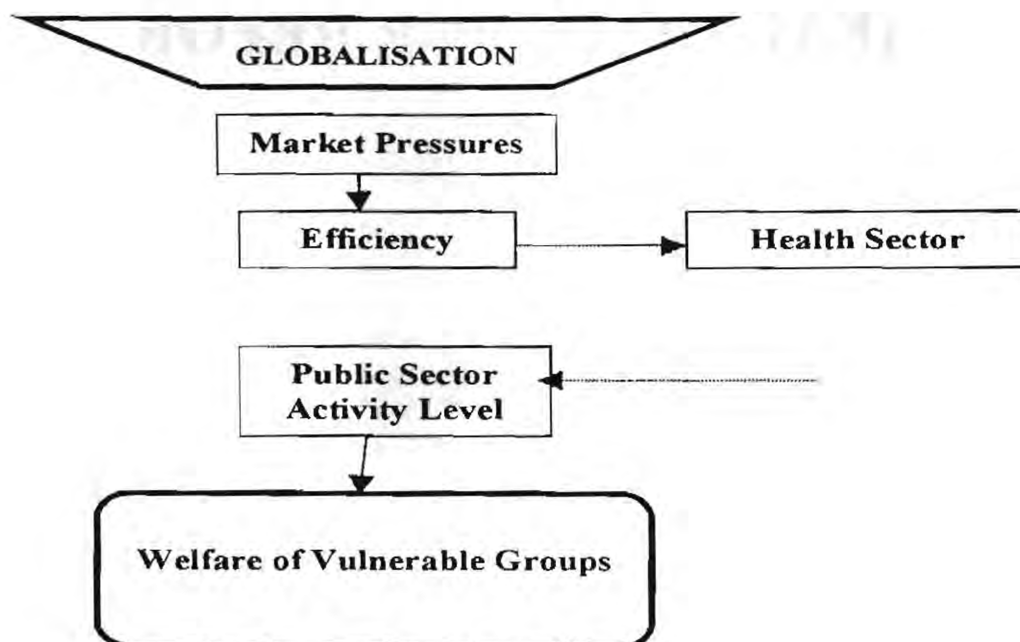
Linking the Phenomena

The relentless drive to break down trade and financial barriers among countries has emerged as the outcome of attempts to restructure many economies of the world which had, by the mid 1980s, landed themselves into deep economic and financial crisis (CARICOM 2000). Structural adjustment programs were then introduced, with one of the main tenets of the economic reforms being retrenchment of government from many areas of economic activity and the establishment of market driven institutions and agencies all in the name of efficiency (World Bank 1993)

It was therefore no surprise that in its own diagnosis of the health sector problems in the countries of the world, the Bank listed ***operational inefficiency*** at the top of the list. In its explanation of this, the Bank was very explicit that the dominance of the public sector in the delivery and financing of health services was a major source of the inefficient outcomes which were characteristic of many countries. Moreover, even as the Bank added ***cost explosion*** and ***inequity*** as additional health sector problems which needed to be addressed it found ways of linking these problems to the way in which the public sector operated

If the objective was to get the health sector to deal with the problems identified it was therefore important to embark on reforms which involved, *inter alia*, a smaller role for the government in the health system. The needs of the health system were to be

Figure 1: Globalisation and Population Welfare



substantially met by non-governmental institutions, with the government retaining two important functions – regulation of private providers of health care services and guaranteeing a minimum package of health services for those who could not afford to do so for themselves.

Despite its obvious simplification, the essence of the of the World Bank's position, can be captured in the diagram above.

Competitive pressures flowing from globalisation in order to secure and consolidate markets invariably means that the dominant criterion used by policy makers would be ***economic efficiency***. This in turn usually points to reduced levels of public sector activity and with this a reduction in the welfare of the vulnerable groups traditionally protected by a range of subsidised government programmes.

Actual Experience of Globalisation

While there is no doubt that the removal of trade barriers and the easing of financial regulations have generally led to increased volumes of trade and even to phenomenal movements of capital (CARICOM 2000), the jury is probably still out on whether on balance globalisation has been a positive benefit to all parties involved. For while, on the one hand the world's income has expanded significantly over the past decade, on the other hand, there is evidence of both an accelerated widening of the gap between richer and poorer nations as well as an increase in poverty in many parts of the world (UNDP 2000; World Bank 2000). Compounding this are the reports which now suggest that globalisation has fostered a rapid expansion of illegal economic and financial activities, in other words, an international breakdown of the rule of law.

When these facts are all taken together it seems correct to conclude that if globalisation is to have a clear positive impact on the world it will be necessary to introduce a countervailing force which would seek to reverse the observed trends in inequality and poverty. In other words, what seems to be necessary is a force which would temper the market-driven pressures for economic efficiency with a strong thrust in the direction of equity and better economic conditions for the poor.

The position being advanced here, is as follows. Since the aforementioned have been traditionally the roles assigned to national governments, ***globalisation will work for the advantage of all mankind only if accompanied by a move to make national governments stronger in carrying out their traditional functions***. Using the framework contained in Figure 1 it can be seen that the ***public sector activity level*** becomes the crucial element in the flow chart.

Health Sector Reform – A Golden Opportunity for Creating Balance in Development

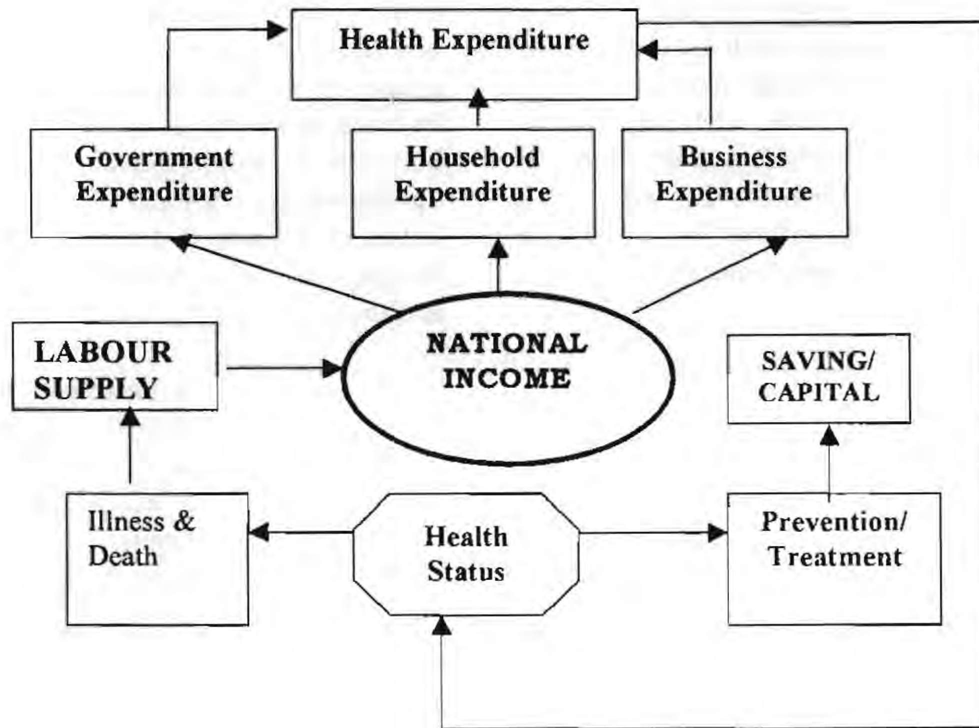
If we take the position that for the foreseeable future globalisation will be a dominant trend in the international economic system, it becomes important that countries know how to position themselves in order to protect themselves from its unwanted consequences. As shown in Figure 1, the ***health sector reform*** (HSR) design used by many countries is mainly influenced by the dominant efficiency criterion which in turn impacts on the level of public sector activity. At this point we take note that one of the main concerns of the development programmes adopted by national governments was improving the degree of equity creating more opportunities for human development. In this context we propose that the health system and the attempts to reform it constitute a golden opportunity for creating the required balance between efficiency and equity, between economic expansion and human development. The basis of this proposition is the assumption that there is a symbiotic interdependence between the health system and the economic well-being of a country.

This interaction is portrayed in Figure 2. In this diagram we see that while national income which provides the resources needed by the health system, rests on its well known pillars – labour and capital – these pillars are themselves impacted upon by the health status of the population, through illness and death on the one hand and by the expenditure which goes to dealing with health problems instead of to investment. If health status declines then both the labour force and capital accumulation will be negatively affected. When these pillars are negatively affected the national income itself is negatively affected.

Designing Health Sector Reform (HSR) Programmes

In the final analysis, the objective of HSR is to improve and consolidate the health status of the population. It will therefore be important that the sector leading the reform process – the public sector – be appropriately focussed and equipped to achieve the desired results. It follows that the HSR will need to be designed in a way that all health-related expenditures feedback into the health status of the population in a predictable fashion. In other words, the HSR will need to be designed

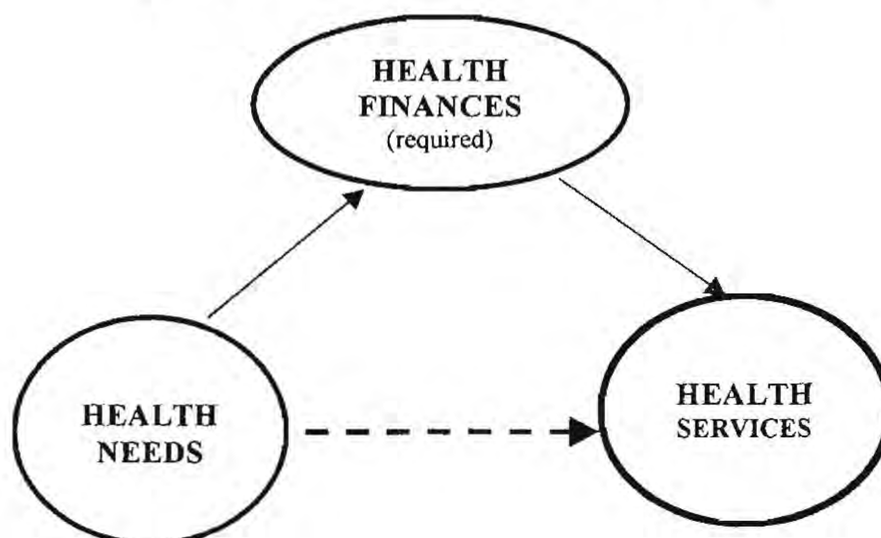
Figure 2. Interaction Between the Health System and the Economic System



to remove access barriers which stand in the way of improved population health. If this predictable outcome is to emerge, there will need to be a set of specific adjustments to the health system. In particular, the health system will have to be restructured to accommodate a ***solidarity-based approach*** to the financing of basic services in the health system. In order to represent this type of adjustment it will be useful to portray health systems as a network linking health needs, health services and health finances. Following La Foucade (2001) we employ such a portrayal of the health system. We now refer to the health system as a **Health Care Access Network** (HCAN) (Refer to Figure 3).

In the network portrayed, a dominant efficiency criterion will require that the health services actually delivered are so done at the lowest cost possible. However, there will be no requirement that the pool of services bear any particular mapping to the pool of needs. In this sense the efficiency criterion says nothing about the appropriateness of the pool of finance. On the other hand, if we postulate a ***solidarity-based*** pool of finance there would immediately be the implicit requirement that the pool of services be some agreed mapping of the pool of needs. This mapping, in turn, will be determined mainly by the agreements governing what services will be financed and what eligibility criteria have been established.

Figure 3: Health Care Access Network (HCAN)



Source: Adapted from La Foucade 2001.

The HCAN as portrayed comprises three main pools – a ***health needs*** pool, a ***health services*** pool, and a ***health finance*** pool. It is because the criteria of efficiency and equity as well as those of economic expansion and human development are all relevant to the operation of the HCAN that we make the case for health sector reform as an opportunity for creating the required balance among the criteria.

HSR Strategy in a Globalised Environment

What then should be the HSR strategy if the impacts of inequality and poverty are to be minimized? Since **health status** is the common link between the working of the economic system and that of the health system and since it is the economic system which makes the health services which the health system delivers to the population possible, the HSR strategy will need to relate these services to the human development of the population even as the economic constraints are acknowledged. In these circumstances the appropriate strategy would seem to be ***the maximization of universal access to health services subject to standards of efficiency informed by the economic limitations of the country***. Since there is no meaningful requirement to provide all the health services every member of the population can possibly need, the health services referred to will be the subset which by agreement between the stakeholders, is deemed to be necessary to provide the level of health security ordained by the values of the community.

What this means is that in a globalised environment where the principle of *devil-take-the-hindmost* is likely to become the norm, the same HSR which will be necessary to keep the economic processes operating smoothly will be used to ensure that these processes do not contribute to the dehumanizing of the society. In the final analysis one should strive for a type of globalisation that is consistent with human development. This can be referred to as ***second generation globalisation***.

It should be obvious that this second generation globalisation will only become a reality if the HSR is guided by the principle of ***solidarity*** – the principle of being your brother's keeper. For the proper fit between health needs and health services (a fit which is required if the economy is to benefit from the operations of the health system), depends not simply on the macro level sufficiency of the health finances pool but on the manner in which that pool is put together and on the eligibility for accessing it when health needs arise. Here is where the role of the government in creating appropriate institutions and an appropriate legislative framework will matter. (No doubt this model is only valid where the government is not "captured" by a certain section of the community and made to serve only the interest of this group).

Conclusion

If we accept that globalisation is now a major determinant of the quality of life enjoyed by the people of many countries of the world and if we also accept that the ascendancy of market forces which come with globalisation have so far proven to be inimical to the well being of many of the world's population, we will then conclude that in many countries population welfare will depend on the willingness and the ability of the governments of these countries to act as a countervailing force in the face of globalisation. At a time when the restructuring of the world economy has also brought attempts to restructure the health systems of many countries, the links between the health system and the economic system suggest that proposed health sector reforms, if appropriately designed can serve not only to strengthen the economic system but can also reduce the disparities between different income groups and protect the poor from some of the worst effects of economic adjustment. In particular, if governments adopt the policy of universal access to a defined set of health services and create institutions which incorporate the principle of solidarity in health financing, the new international economic environment will be consistent with human development and the countries concerned will experience what has been labeled ***second generation globalisation***.

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