

Public Investment for Health in Vietnam: The Current State and Policy Recommendations



Nguyen Viet Hoang

The board of construction investment project management in Trieu Son district; and PhD candidate in Vietnam National University, Hanoi

ABSTRACT: The latest Vietnamese health system is being steadily renewed and strengthened in the direction of equality-efficiency-development and social security. Over past years, the health sector has been involved in investing in the construction of central-to-local medical examination and treatment facilities with state budget money, government bonds, ODA and other sources. The main purpose of this study is to empirically test the Public investment for health in Vietnam. The author collected secondary data from previous studies and the reports of Ministry of Health, Ministry of Planning and Investment, Ministry of Finance. The results of the research show that the public investment plan for the period 2016-2020 is focused on the ability to collect the state budget; State budget expenditure on health is not consistent every year, but tends to increase; the demand for investment in health in the period 2016-2020 is very large and is surely to increase in the future. Based on the findings, some conclusions are given.

KEYWORDS: Public investment, health, government investments, economics

JEL codes: P26, P48, H54, I18, R53

1. INTRODUCTION

Over the last few decades, government investments, with the help of health aid groups, have made tremendous strides in the fight against diseases that are the key cause of death in children as well as the fight against HIV/AIDS, tuberculosis and malaria... This is partly attributed to investments in the expansion of highly successful health care programs, such as anti-malaria nets, childhood immunizations and anti-HIV medications, etc. However, due attention has not been given to the outcomes of these investments. The burden of maternal and child mortality and infectious diseases remains high in many parts of the world. Healthcare expenses continue to be a financial burden for about 150 million people per year, and outbreaks of Zika, Ebola and most recently Covid-19 pandemic have shown that the global health system remains vulnerable and susceptible.

In general, the market is capable of promoting efficient production of products, making use of resources where they are most useful, and of contributing to maximize general social well-being. However, there are some dimensions of the specificity of health care services mentioned above that discourage consumer resources from working well. The problem is known as "market failure." The position of Government interference must therefore always be the right one. Investment from the state budget is seen as an effective intervention used by most countries all over the world. In the one hand, it helps to create a national health infrastructure in terms of quantity and efficiency, on the other hand, it decreases the financial burden on citizens, leads to social justice, overcomes market failures and ensures that the objective of maintaining public health and national development is achieved.

Currently, the investment budget for health services is still limited, such as, inadequate facilities, insufficient number of hospital beds compared to patient needs. The team of doctors has not met the actual requirements, leading to the overload of public hospitals. The basic reason for this situation is assessed as the unreasonable allocation of the state budget. The limited state budget allocated to district hospitals has not really encouraged people to use hospital services at lower levels. This situation requires innovation and more reasonable financial allocation mechanisms for hospitals, how to allocate funds based on the actual operation of the hospital and encouraging people to use lower-level medical services.

For the above reasons, it is necessary to study the public investment for health in Vietnam.

2. METHODOLOGY

2.1. Research context

Besides services, such as education, transportation, electricity, water, culture and information, etc; health services are essential public services, serving people's lives and receiving special attention from the State. Up to now, the role of the State in the provision of health services in particular and in public services in general has shifted from the form of subsidies and monopolies to the socialization of public service provision; implement fairness and equality between suppliers and beneficiaries. Health services, the health system of Vietnam has been built and developed from the central level, the Ministry of Health and central hospitals, to the provinces, districts and communes, all have a network of organizations on health care preventive and curative services.

For many years, the State has always determined budget priorities for the health sector, aiming to increase the proportion of state budget expenditure on health higher than the increase rate of state budget expenditure, innovate in the health care system health budget allocation, in which 20% of the health budget is used to support people to participate in health insurance

2.2. Research method

This study used qualitative research methods. The author used techniques of synthesis, analysis, comparison to evaluate the Public investment for health in Vietnam.

Qualitative research methods orientated and refined the research results of previous studies; from there, this study inherited and applied.

3. THE CURRENT STATE OF PUBLIC INVESTMENT IN HEALTH IN VIETNAM FOR THE PERIOD 2016-2020

The latest Vietnamese health system is being steadily renewed and strengthened in the direction of equality-efficiency-development and social security. Over past years, the health sector has been involved in investing in the construction of central-to-local medical examination and treatment facilities with state budget money, government bonds, ODA and other sources. From 2010 to now, 610/760 hospitals at central, provincial and district levels have been invested by government bonds, progressively completed and placed into patient care (Ministry of Planning and Investment, 2021). Despite the state's commitment and efforts on the part of the health sector and society as a whole, the infrastructure of the new health sector has not yet met people's needs for medical evaluation and care.

Pursuant to the 2014 Law on Public Investment (National Assembly, 2014), the Government issued Decree 77/2015/ND-CP dated 10 September 2015 guiding the implementation of medium-term public investment plans (Government, 2015); Document No. 5318/BKHDT-TH 15 August 2014 of the Ministry of Planning and Investment on 5-year public investment planning for the 2016-2020 period; guiding the formulation of the 5-year socio-economic development plan (Ministry of Planning and Investment, 2014). On the basis of these legal bases, the medium-term public investment plan 2016-2020 has been instructed by the Ministry of Planning and Investment to create ministries, branches and localities. Funding for the medium-term public investment plan 2016-2020 is based on the projection of the five-year socio-economic growth for the period 2016-2020, the rate of mobilization of the government budget to GDP, the rate of inflation, the rate of the government budget deficit. In addition, in order to develop a capital plan, it is important to take into account the ability to fund the state budget, the ability to mobilize domestic and foreign capital, and the overall investment capital of the entire organization.

The public investment plan for the period 2016-2020 is focused on the ability to collect the state budget. The average rate of mobilization in the state budget for the period 2016-2020 is estimated to be about 23.8% of GDP, of which taxes and fees are about 21.8% of GDP. With the ability to balance the budget, the total medium-term investment capital of the State budget for the period 2016-2020 is estimated to be USD 2 trillion by the Ministry of Planning and Investment, of which: Central budget capital is VND 1,120 trillion, while local budget capital is VND 880 trillion (National Assembly, 2016). The basic capital structure shall be as follows (see figure 1):

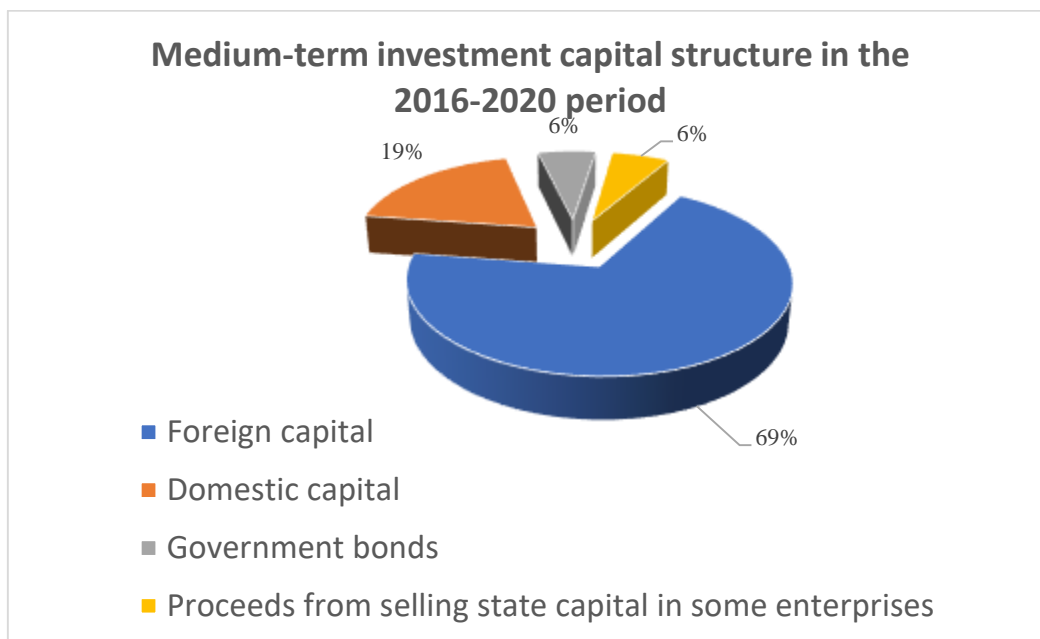


Figure 1: Structure of medium-term investment capital sources from central budget sources in the period 2016 – 2020
(Sources: National Assembly, 2016)

State budget expenditure on health is not consistent every year, but tends to increase. In 2016, it reached approximately 22 trillion, in 2017 it reached over than 26 trillion, in 2018 it decreased to more than 18 trillion and is expected to rise to more than 27 trillion by 2019 (Ministry of Finance, 2019) (See Figure 2). Although the amount of investment is still tight compared to the need, the health infrastructure system has improved. Since 2016, more than 4,500 patient beds have been added to the healthcare sector in central hospitals and the number of actual patient beds in medical facilities has increased significantly. The number of hospital beds increased from 26.5 beds/10,000 people in 2015 to 30.1 beds/10,000 people in 2018 (Ministry of health, 2019). Up to this point, the situation of overcrowding and transplant beds has basically been resolved. However, due to the increasing and diverse demand for medical examination and treatment, difficulties and problems are still accumulating. Disease patterns are changing, requiring specialized hospitals, but the number of facilities and the number of specialized hospital beds are still in limited supply. In the meantime, science-medical technology is increasingly developing, requiring increasingly more advanced and modern medical equipment.

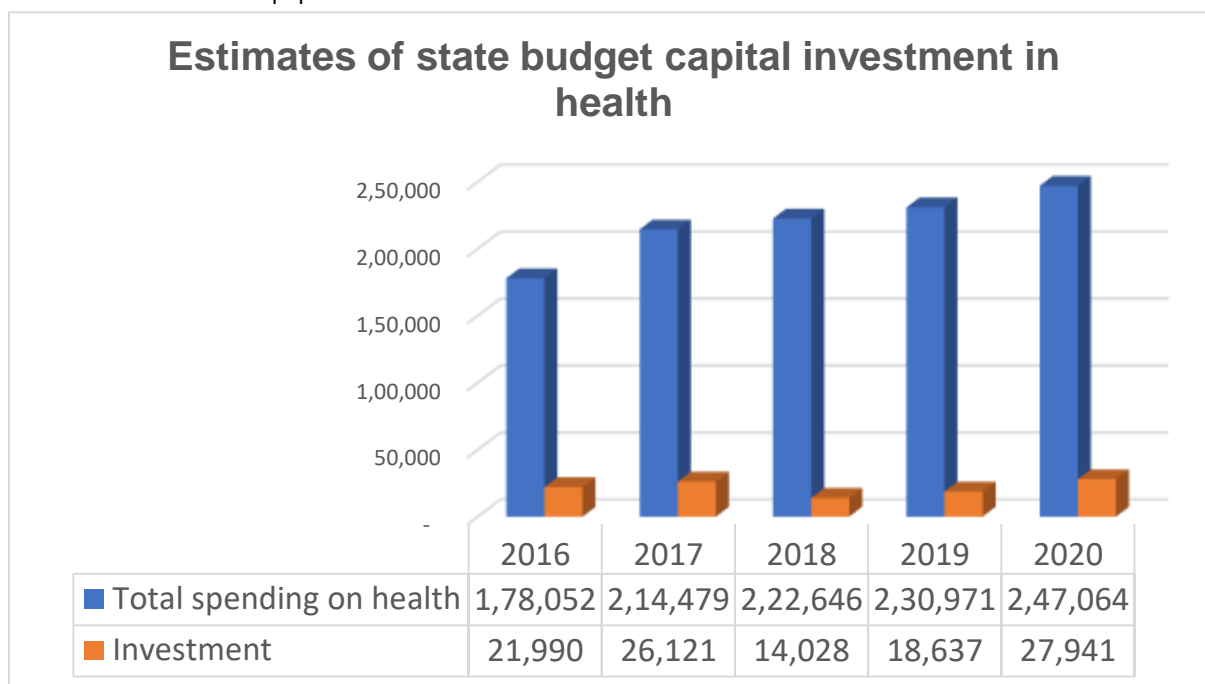


Figure 2: Estimated health budget expenditure estimates for the 2016-2020 period
Source: Ministry of Health (2019), Ministry of Finance (2019, 2020)

Public Investment for Health in Vietnam: The Current State and Policy Recommendations

Indeed, the need to invest some 27 trillion in health care by 2020 is simply the need for minimum items. In the meantime, with regard to the advancement of modern society, the community's need for high-quality medical services is also increasing and, in order to do so, a common consensus is inevitable. It's the heart of the private sector. Investing in high quality health services also plays an important role in improving the investment environment, as Vietnam is actively calling for foreign investment.

The demand for investment in health in the period 2016-2020 is very large and is surely to increase in the future. According to the resolutions of the National Assembly, by 2020 investment in common health stations in difficult and extremely difficult areas must be completed and, at the same time, 70% of common health stations must comply with national health criteria. 90% of medical stations are eligible for medical examination and treatment covered by health insurance (in fact, until now, the Ministry of Health has only made pilot investment in 26 commune health stations). In recent years, the State has prioritized investment in district hospitals, some central and provincial hospitals from government bonds, ODA, but there are still many district hospitals, mainly in mountainous districts, unprivileged areas has not been facilitated. In addition, there are about 20 provincial general hospitals and 58 traditional medical hospitals that need investment but do not have resources. In central and terminal hospitals, excludes 05 modern hospitals that are being invested, there are still a number of hospitals that need to continue to invest in new construction and upgrades to reduce overcrowding. It can be seen that meeting the health sector's needs is still very complicated.

4. SOME SOLUTIONS TO INCREASE THE PERFORMANCE OF PUBLIC INVESTMENT IN THE HEALTH SECTOR IN VIETNAM

Firstly, it is mobilizing and making effective use of investment capital resources for the development of society as a whole. Government budget capital needs to be restructured in order to reduce recurrent spending in order to progressively increase the amount of development investment expenditure, while at the same time strengthening management in the direction of economic use and improving productivity. For loans, including ODA loans, it is important to strictly monitor and regulate investment targets, to be effective and to assess the impact of loans on inflation, public debt and the balance of payments of the government. For FDI sources, it is essential to have a priority strategy to attract projects with advanced technologies, environmentally sustainable and highly competitive goods. Not to license projects that use wasted electricity, natural resources and obsolete technologies that cause environmental pollution. energy, resources, outdated technology, causing environmental pollution.

Secondly, in order to improve the health system, it is necessary to increase direct investment resources. Most health investments are lacking capital at this moment. Therefore, the facilities and techniques for people's health care in localities and regions are not identical, there are locations with deteriorated medical facilities, obsolete equipment, the low ability of the medical – healing staff. Moreover, owing to the disadvantage of the lack of investment resources, the reception and application of modern medical methods have both encountered difficulties and have taken place slowly. As a result, it is necessary to increase the proportion of budgetary capital in total social investment in the health sector. With the essential function of budgetary capital, it is crucial to have measures to make efficient use of capital through coordination with other sources of capital, such as the investment needed at point, to establish investment in each work object to maximize the value of capital use. In addition, it is important to comply with the concepts of budget control through programs and projects. At the same time, raising direct investment resources for health growth in order to prioritize capacity building for preventive medicine, grassroots health care, leprosy, tuberculosis and psychiatric facilities and district hospitals, remoted, isolated and ethnic minority areas; from the hospital budget support system to the mechanism to directly support citizens through health insurance.

Thirdly, in the context of insufficient capital from the state budget, solutions to promote the mobilization of resources from society to invest in services, equipment, management collaboration and quality enhancement is expected that the health system will have a positive effect. In order to encourage the attraction of social resources to invest in the health sector, the Ministry of Health needs to organize socialization and public-private integration in medical examination and treatment activities in accordance with Resolution No. 93/NQ.-CP of 15 December 2014 of the Government to attract social capital to invest in medical examination and treatment activities and to strengthen the capacity of the Government to invest in medical examination and treatment activities (Government, 2014). Appropriate policies should be adopted to facilitate the promotion of health socialization. The first is financial incentives, which underscore the tax exemption and reduction regime for investment in medical construction projects, with a mechanism for the use of state cooperation capital in the implementation of projects. A successful PPP investment project must be based on three factors: (i) policy, (ii) economy and (iii) actual implementation. The PPP model for investing in the construction of medical works in the coming period needs a coordinated assignment to maximize the advantages of each party, such as: professionally operating the public sector, promoting the advantages of professional human resources and high technology; proposing policies and application mechanisms that are consistent with the laws and practices of the State, consistently aiming at the social sector... for the people serving with the motto of improving service quality highlighting the positive nature of the health sector. The private sector has the conditions for investment in development and the contribution of resource;

Public Investment for Health in Vietnam: The Current State and Policy Recommendations

both make productive investments and contribute to the sharing of the investment burden from the state budget; while at the same time promoting the experience of private infrastructure management, ensuring high efficiency of investment and the state-run management of health activities. From this point of view, the health sector should incorporate some particular PPP models, such as: Private investment, public management operations; public investment - private, public management operations; private investment, public - private management operations; public - private investment, public - private management operation. At the same time, it is necessary to complete structures that specify the obligations, responsibilities and interests of private investors, in order both to harmonize the interests of the state and the enterprises and to ensure successful public investment by the state in the sector.

Fourthly, strengthen the framework for the exercise of autonomy and self-responsibility for health care agencies. In order to avoid negative impacts of the market economy by introducing financial autonomy in human health care, the health sector should continue to develop structures and policies for self-financing in public hospitals in the coming period; complete the legal framework of autonomy and self-responsibility for the tasks and organizational apparatus of public non-business units as required;

Speed up the road map and accurately assess and completely calculate the cost of medical services. Design of simple synchronous health service packages at all levels (currently there are only packages for the grassroots level). Encourage higher-level hospitals to increase professional support for lower-level hospitals across a variety of forms, such as sending staff on a regular basis to work at grassroots level, develop remote medical examinations and treatment models to build people's trust in the quality of medical examinations and treatment at grassroots level, thereby attracting patients to be examined and treated. Continue to invest in the growth of grassroots health facilities, improve primary health care and encourage the role of gatekeeper in people's health care, reduce overcrowding in end-level hospitals, reduce disease burden and financial burden for the state budget.

Assign the responsibility of the Head of Unit to give autonomy and self-responsibility to handle and use resources, both financial and human, effectively.

Develop a system to allow departments to turn to self-sustaining all daily operating costs. In addition, it is necessary to have a strategy for balancing the autonomy of the units.

Last but not least, it is essential to promote the governance of public investment activities in order to ensure the productivity of investment capital. In all stages, from the planning of the investment to the completion of the investment, the project must be reviewed and implemented in compliance with the provisions of the Law on Public Investment and its guidance documents. In order to be able to handle investment capital exclusively and efficiently in order to prevent the loss of public assets, waste, distributed and not in line with demand. More attention should be given to the stage of investment planning, in particular to the approval of investment policies. This is the deciding stage in ensuring the correctness, suitability and effectiveness of a program or initiative with socio-economic development objectives.

5. CONCLUSION

Investment in the budget includes a range of items: facilities, technological equipment, human resource training, etc. with the aim of ensuring that everybody will receive the conditions of health care to a certain level. In reality, the policy on public investment in health would be defined and implemented at different scales in many different countries, depending on the circumstances of the national budget and the government's view on the protection of the health of all people. This is an investment strategy of a social nature and relies on the structures and ways in which the common problems of society can be resolved. Despite the differences, it must be acknowledged that investment in the state budget is very important, particularly in market economic conditions. This is illustrated by the following points:

First, a particularly important role of public investment is to overcome market weaknesses, warrant fairness in people's access to input resources and access to health services. Health is a public good and a service which has its own characteristics compared to other public goods and services. One of them is to ensure "fairness" in the provision of services to all people in society. Equity is a significant reason for the Government to invest in health and to manage the health of the health sector. Hence, if there is no public investment, it will definitely not guarantee a universal health care target, leading to long-term consequences. In particular, only the public sector can invest in specific areas without first having to set profit targets, such as borders, islands, mountainous areas, etc, prevent serious pandemics which affect globally but not just stop at the national level. As far as expenses are concerned, public expenditure would help to monitor and stabilize prices for health services and alleviate problems for citizens.

Second, investment in health helps to confirm the quality of human capital for the economy and national development. Investing from the state budget provides the conditions for people to solve financial problems when they are ill, they would have to pay a low amount of money, which means an increase in the number of people who have access to health care. As a consequence, the epidemic is stopped early, people's wellbeing is assured, life expectancy is improved, the mortality rate is

Public Investment for Health in Vietnam: The Current State and Policy Recommendations

decreased, etc. those results are the foundation for providing a future resource for society. This is also a critical condition for the development of a quick and sustainable economy.

Third, investment from the state budget improves the standard of medical evaluation and care. Investments with the national budget also have a very large scale of capital that the private sector can hardly mobilize, so that patients can have the ability to use more advanced equipment and use special medicines to prevent serious diseases. Especially in villages, hamlets, etc. medical facilities built under state investment would make sure minimum conditions for medical examination and care and disease prevention for people in the area. State budget capital will contribute to construct and perfect the material foundations of the health system synchronously from the central to the local level and will enable the sector as a whole to meet the setting objectives.

Fourth, investment from the state budget aims to provide preventive medicine services fully. Private health care providers in the market economy rely solely on the provision of medical services, i.e. medical evaluation and treatment services and the medicine delivery system, so that the government continues to be a provider of preventive medical services, including family planning, expanded immunization and the prevention of epidemics and infectious diseases. Preventive medicine programs are therefore still a top priority for public investment in the economy, due to the immense social benefits they provide and the private sector does not want or should participate.

In addition, it can be seen that, in order to ensure that health care can cover all walks of life in society and minimize the deficiencies caused by the market, the whole health sector needs to be satisfied following principles:

- (i), Ensuring the availability of public goods and services (which are goods that an individual enjoys the benefits that they produce does not preclude others from benefiting at the same time) with a view to achieving the objectives of social equity;
- (ii), Ensuring the availability of goods with positive externalities (the use of the goods of one subject has a direct positive impact on the interests of another object, but that such influence is not expressed in market prices) in order to optimize social welfare;
- (iii), Ensure the availability of "needed" goods or services (goods or services that patients need to use that are not actually consumed due to financial incapacity or lack of information).

In order to achieve these principles, the government must intervene differently in the health sector. And investment in the health sector from the state budget is one of them.

REFERENCES

- 1) Government (2014). Government's Resolution No. 93/NQ-CP dated 15/12/2014, on a number of mechanisms and policies on medical development.
- 2) Government (2015). Government's Decree No. 77/2015/NĐ – CP dated 10/9/2015, on annual and medium-term public investment plan;
- 3) Ministry of Health (2019). Health Statistics Yearbook 2016-2018.
- 4) Ministry of Finance (2019). Minister of Finance's Decision No. 2634/QĐ-BTC, on publicize the state budget estimate for 2019.
- 5) Ministry of Finance (2020). Minister of Finance's Decision No. 2680/QĐ-BTC, on publicize the state budget estimate for 2020.
- 6) Ministry of Planning and Investment (2021). Report on medium-term public investment plan for the period 2016 - 2020.
- 7) Ministry of Planning and Investment (2014). Document No. 5318/BKHDT-TH 15 August 2014 of the Ministry of Planning and Investment on 5-year public investment planning for the 2016-2020 period; guiding the formulation of the 5-year socio-economic development plan
- 8) National Assembly (2014). Law on public investment 2014;
- 9) National Assembly (2016). National Assembly's Resolution No. 26/2016/QH14 dated 10/11/2016, on medium-term public investment plan of 2016 - 2020 period.