Earmarking to Finance Immunization

**Key Points**

- Earmarking—setting aside some or all revenue from a tax or group of taxes for a designated purpose—is a domestic financing option considered by some countries for health, particularly as they transition away from donor support.

- Some immunization advocates are attracted to earmarking as a source of guaranteed funding, but finance authorities typically oppose it because earmarking can undermine their ability to allocate the budget most effectively.

- Earmarking can safeguard particular funding streams for immunization. But this protection can be undermined by reductions in other parts of the health budget. Such offsets can jeopardize health services that are essential for vaccine delivery.

- As funding requirements for vaccines and injection supplies increase, funding sources should be structured to support, and not limit, these changing requirements.

- A more holistic approach to protecting and increasing general funding for the health sector and ensuring immunization services is likely to yield better results than advocating for earmarks.

**Earmarking—Setting Aside**

Some or all revenue from a tax or group of taxes for a designated purpose—has become part of the global conversation on domestic financing for health, particularly as countries transition away from donor-supported global health programs. Earmarking has the appeal of potentially bypassing the annual budget negotiation process and protecting a revenue stream for health coverage or a specific health priority, such as immunization. However, earmarking introduces rigidity into the budget process and can lead to inefficiency and reduced funding for other, possibly higher-priority, spending areas. Many countries use earmarking to fund national health priorities, but earmarking for immunization specifically is not common. Even in countries that have legislated earmarking for immunization, earmarks have been challenging to implement.

Global experience suggests that earmarking for health can be effective if health services are a high national priority, the purpose is broadly defined (such as for national health coverage), and there is some flexibility to reallocate from earmarked funds if other urgent priorities emerge. But the effectiveness of an earmark can diminish over time, with the budget rigidity it creates leading to inefficiencies.

**Pros and Cons of Earmarking for Immunization**

The most important argument for earmarking is that it can “ring-fence,” or protect, resources for a government priority, especially in times of government cutbacks. In addition, it can make tax increases more politically acceptable by tying them to popular programs or services.

On the other hand, earmarked revenues may also shrink during economic downturns, and earmarking ultimately limits the government’s ability to adapt to economic fluctuations. Earmarking might also create the perception that immunization is “taken care of,” leading to budget shifts away from the immunization program, and in this way impose a funding ceiling rather than set a funding floor. Funding mechanisms should be structured to allow for growing requirements for immunization. As vaccine financing requirements grow, earmarking for immunization could lead to cuts in other parts of the health budget, possibly jeopardizing the health services that support vaccine delivery. Finally, earmarking can increase fragmentation and hinder coordination of resource allocation across the health sector overall.
Types of Earmarking for Immunization

At least nine countries (Bhutan, Bolivia, Cameroon, Costa Rica, Mongolia, Nepal, Nigeria, Senegal, and Uganda) have or have had legislation or governance structures in place to allow earmarking for immunization, but earmarked funds are actually flowing in only three of them (Bhutan, Bolivia, and Costa Rica). In these three countries, the earmarks are used to fund vaccines and injection supplies. Several other countries (including Ghana and the Philippines) have broader earmarks for health.

General Budget Earmarks for Immunization

Some countries, including Georgia, Indonesia, Mongolia, and Sri Lanka, legally mandate that the government is responsible for financing immunization. Others go a step further and mandate the percentage of total health funds that must be spent on immunization programs. In Bolivia, a certain percentage of funding is directed by law to vaccine procurement, syringes, and immunization program operating expenses through Cajas de Salud (Health Funds).

Taxes on Goods and Services

No countries currently earmark tax revenue on specific goods and services for immunization, although some countries fund immunization through broader earmarks for health. The Philippines raised taxes on alcohol and tobacco in 2012, with 85% of the additional revenue raised earmarked for the Department of Health to expand health coverage for the poor. The Department of Health further allocates this earmarked revenue to programs, including immunization. Ghana has no specific earmark for immunization, but the Ministry of Health used a portion of the earmarked value-added tax revenues that fund the National Health Insurance Scheme to fund vaccine purchases to meet the country’s Gavi co-financing commitment in 2016. (See Brief 23.)

Lottery Revenues

Costa Rica uses earmarked lottery earnings to fund immunization. Funds from one "draw" of the national lottery every November are dedicated to vaccines, after the lottery winnings and operating costs are deducted. Lottery-funded contributions to immunization are relatively small, however, at about 1% of total national funding for vaccine purchasing. (See Brief 22.)

Domestic Trust Funds

Trust funds are another mechanism that governments can use to ring-fence, or protect, funding for specific purposes. Trust funds may receive funds from multiple revenue sources. They can support accumulation of reserves by drawing down only a portion of gains from interest rather than drawing down capital. Bhutan has one of the longest-running domestic trust funds dedicated to essential medicines, including vaccines. Several other countries have established organizational structures or legislative processes around immunization trust funds, including Cameroon, Nepal, Nigeria, Senegal, and Uganda, but as of 2016 funds had not begun to flow. (See Briefs 7 and 21.)

Sources and Further Reading
