



Introduction

Vertical equity (in health financing) means that everyone finances health services according to their ability to pay and not according to utilization of health services (WHO et al. 2017). Benin is currently deploying a new social insurance scheme called ARCH. Yet, the financing system supporting such a reform encompasses vertical equity challenges. We aim to analyse the prior composition of health expenditure to assess the overall progressiveness (or regressivity) of the health financing system in Benin before the introduction of ARCH.

Methods

Financial analysis of national health accounts (2015-2020).

Financial analysis of revenues from the tax authorities, Customs and Treasury data for non-tax revenues (2017-2022).

Financing mechanism	% of Current health expenditure	Overall progressiveness
General tax revenue	25.5	+
Social security contributions	1.8	++
Private health insurance	0	+
Community health insurance	3.8	—
Out-of-pocket expenditure	44.3	— —
External financing	24.6	++
Overall health financing	100	Overall, Benin's health financing system is inequitable

Vertical equity analysis of the health financing system in Benin

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Results

- ❖ Over 2015-2020: on average, current health expenditure (CHE) accounted for 2.9% of GDP; 6.9% of the general government budget was allocated to the health sector.
- ❖ CHE is dominated by out-of-pocket (OOP) expenditure (44.3%) which are regressive, and possibly lead to impoverishing expenses.
- ❖ As for public health expenditure (on average XX% of CHE): direct taxes, although representing a significant proportion of general taxation, are below their potential, mainly because of transfer pricing, aggressive tax optimization and specific conventions on key sectors such as mobile phones (Banque Mondiale, 2018).

Figure 1: Breakdown of healthcare expenditure from 2015 to 2020

Source: GHED Data (<https://apps.who.int/nha/database/Home/Index/en>)

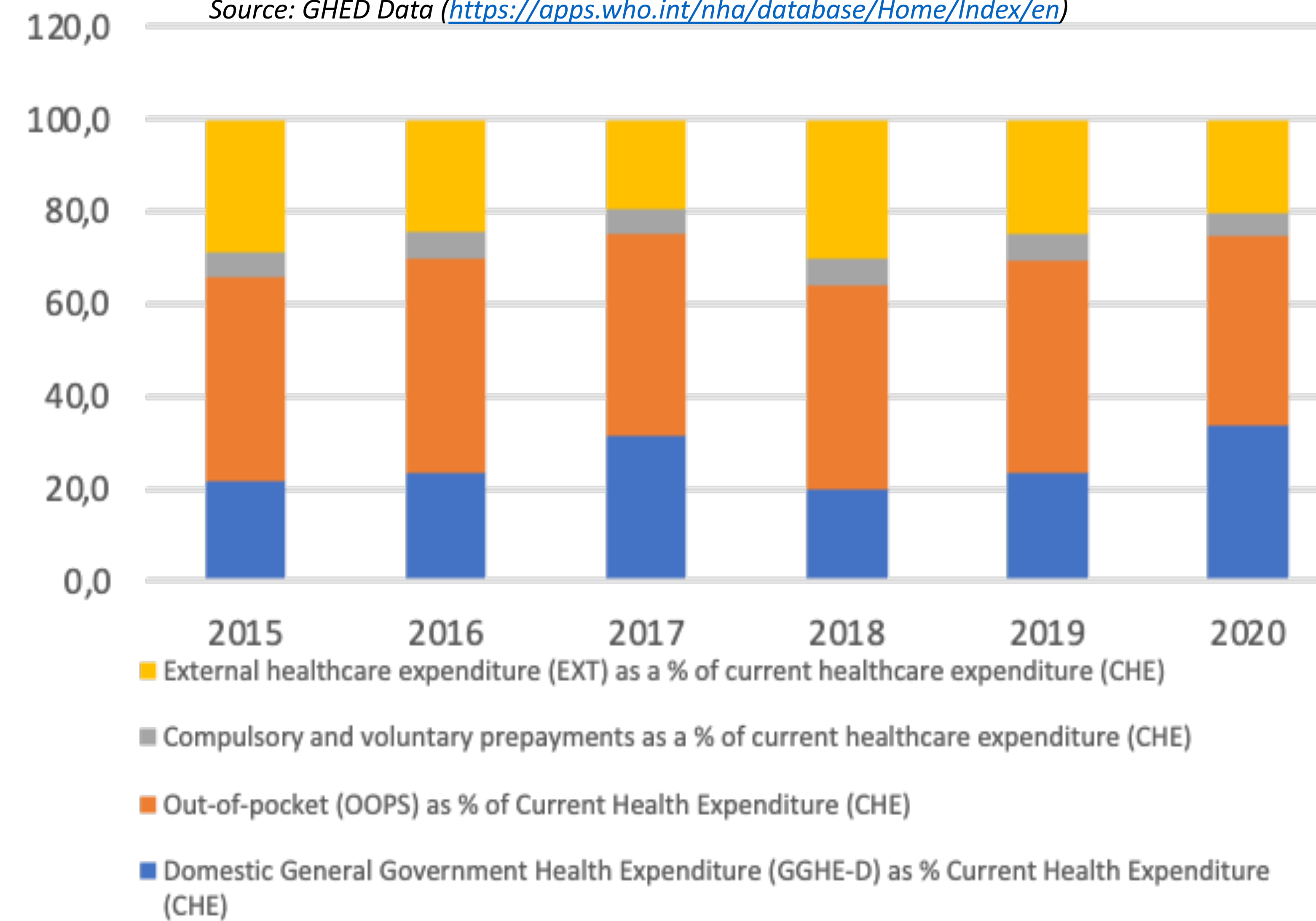
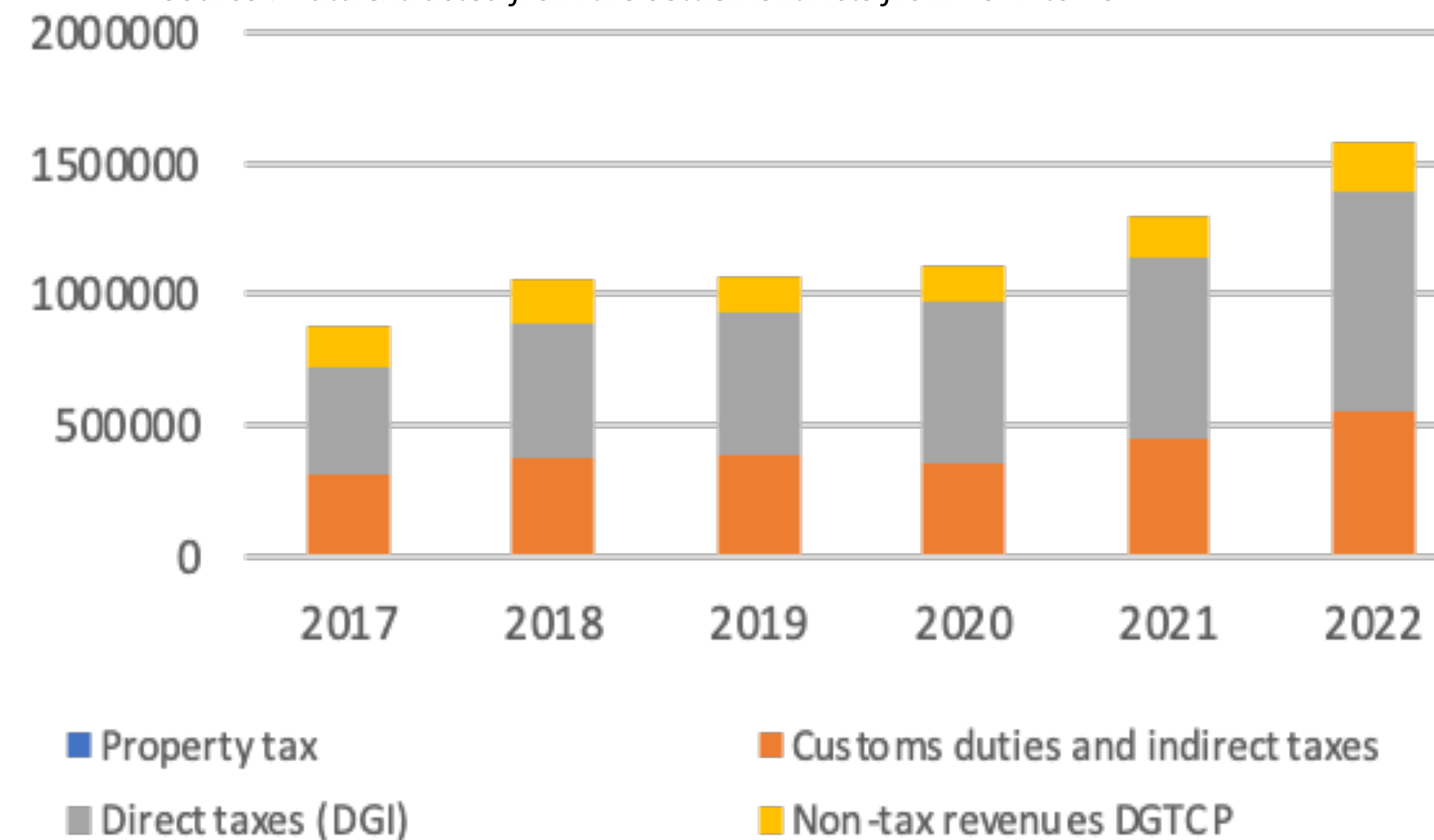


Figure 2: Composition of public revenue from 2017 to 2022

Source : Data extracted from the Settlement Acts from 2017 to 2022



Conclusion

The Beninese health financing system is not vertically equitable, mostly because 44.3% of current health expenditure is out-of-pocket and because of the composition of the fiscal revenue (large share of indirect taxes and customs, existence of tax exemptions). To improve the equity of the health financing system in Benin, it can be envisaged to:

- Increase taxes on products that are harmful to health, such as alcoholic beverages, cigarettes, and sweetened beverages.
- Revise Benin's tax treaties.
- Consider an environmental tax.
- Make active progress towards a land register, which could help strengthen property taxation.
- Use minimum taxation for corporation tax to combat aggressive tax optimisation and, more generally, collection problems

Review the incentives for businesses in the EPZs.

Main references

Banque Mondiale (2018) *République du Bénin – Analyse de la mobilisation des recettes fiscales* (74 pages) [Rapport préparé dans le cadre d'une étude sur la politique fiscale en Afrique de l'Ouest]. [World Bank Document](#)

World Health Organization, McIntyre, Diane & Kutzin, Joseph. (2016). Health financing country diagnostic: a foundation for national strategy development. World Health Organization. <https://iris.who.int/handle/10665/204283>