

**Impact of Macro-Fiscal Determinants in Realizing Fiscal Space for Health: Empirical
Evidence from Low Income and Middle Income Countries**

Deepak Kumar Behera¹

deepakkumar.behera59@gmail.com

Department of Humanities and Social Sciences
Indian Institute of Technology Madras
Chennai-600036, Tamil Nadu, India.

Umakant Dash

dash@iitm.ac.in

Department of Humanities and Social Sciences
Indian Institute of Technology Madras
Chennai-600036, Tamil Nadu, India.

Abstract

The objective of this study is to examine the impact of taxation capacity, spending capacity, fiscal balance and debt services in realizing fiscal space for health across 85 low income and middle income countries from the period 2000 to 2013, using fixed effect model. We use public health expenditure as percent of GDP and public health expenditure as percent of government expenditure as proxy for assessing fiscal space for health. The empirical result shows that public health expenditure affected severely by the global financial crisis due to lower taxation capacity and higher debt burden during the period 2009-2013. While, taxation capacity and spending capacity are positively affects the growth of public health expenditure in the pre-global financial crisis period from 2000 to 2008. It finds that the impact of macro-economic condition towards health financing varies among the low income, lower middle and upper middle income countries because the assessment of fiscal space for health dependent on countries health needs, political commitment and efficiency level to utilize the resources. These results implies that the realization of fiscal space for health are possible through generation more domestic revenue by improving tax collection, enhance tax base and efficient utilization of health funds.

Keywords: Health Expenditure, Fiscal space, Tax revenue, Domestic debt.

JEL Classification: H5, E62, H2, H6.

¹ Corresponding author.