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2013 Iraq Healthcare Sector Outlook

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Abstracts

GEOPOLICITY BUSINESS INTELLIGENCE UNIT (BIU) OVERVIEW

The health system in Iraq, led by the Ministry of Health, is experiencing a period of substantial growth, accompanied by restructuring in support of improved service provision. Bolstered by strong GDP growth outturns (forecast at 14.7% in 2013), budgetary appropriations for health have increased substantially (US$6 billion in 2012), leading to increased per capita health spending to over US$247 per annum. While still substantially below regional comparators, the planned tripling of oil production between 2012 and 2017/18 (to 8-8.5 million barrels per day (bpd)) will precipitate substantial additional funding for healthcare, which is likely to top US$10-12 billion by 2014, once private financing is included.

Although still relatively high, an easing political and security risks perception, particularly in the South of the country and in Iraqi Kurdistan, nurtures substantial upside gains for international investors seeking to support improved public and private health provision over the medium to longer term. The Prime Minister's plans for restructuring and corporatization of state owned enterprises, alongside progressive gains in the ease of doing business make Iraq an attractive investment destination for investors seeking a long-term footprint. Opportunistic gains also exist.

GOVERNMENT OF IRAQ VISION

The national healthcare vision focuses heavily on the primary health care model, the integration of all promotive, preventive, curative and rehabilitation services, and on the coordination between the various tiers of the delivery system through a well-organized referral system. Sector policy and strategy aims to address priority sector and public health problems, supported by evidence from statistical and epidemiological data.

ECONOMIC GROWTH AND THE NATIONAL BUDGET

Iraq is going through an intense period of growth that will last a decade. Real GDP growth in 2012 is expected around 10.2%, increasing to 14.7% in 2013. Given the commitment of the Government of Iraq (GOI) to almost triple oil production by 2017, medium term growth could be sustained at this level and even reach 15-18%.

As oil production increases from 2.9 million bpd in 2012 the draft budget for Iraq for 2013 is set to increase to US$115 billion (ID 138 trillion), an 18% increase over 2012. With oil production likely to reach 8-8.5 bpd by 2017, the national budget would increase to more than US$250 billion in 5 years.

With 30% of the national budget already dedicated to capital spending, the Government has earmarked between US$250 to US$275 billion for infrastructural investments over the next 5 years, requiring pubic-private-partnership arrangements, of which a substantial share could be targeted for the health sector.

HEADLINE EXPENDITURE PROJECTIONS

Public spending through the central Ministry of Health (MOH) increased from US3.8 billion in 2010, to US$4.5 billion in 2011 and US$6 billion in 2012 (following the second appropriations bill). Kurdistan Regional Government (KRG) spending totaled US$715 million in 2011. Health spending, based on the current sector percentage rule and GDP growth forecasts, could increase to US$9 billion by 2014 and, based on regional cross-national benchmarks (US$636 average), could reach US$15-20 billion within a decade.

The majority of public spending goes to pharmacies, which is US$1,174,955,249 (ID 1,365,298 million) or 26.6% of total health care expenditure in 2010; followed by Primary Healthcare Centers (PHC) at US$1,113,629,087 (ID 1,294,037) million or 25.2% of the total expenditure. Further, 22% of expenditure is spent on administration costs and salaries, 14.6% on general hospitals and 10.3% is incurred at private pharmacies. In general, health care expenditure in Iraq is primarily spent on curative care (more than 37%). A significant share (36.8%) is spent on pharmaceuticals dispensed on outpatient care.

Public funding accounted for 80.5% of health spending in 2010. Private spending was 18.7% and international donor support was 0.8%. Out of pocket expenditure by citizens accounts for 19% in 2011. As noted in Iraq Household Socio-Economic Survey (IHSES) 2007, 18% of out-of-pocket direct spending is utilized by MOH hospital facilities, with

around 34% accounting for private physicians, and 39% for pharmaceuticals. Transportation absorbs 9% of out-of-pocket health spending.

The health workforce employed by the public sector consumed 47% of MOH budget in 2010.

Trend analysis has shown that share of health workforce has only exceeded 50% of MOH budget in 2004-5. Comparing the Electronic Medical Record (EMR) with similar countries elsewhere, the share of health workforce remains low compared to an average of 50-70%. According to MOH (federal) Annual Report of 2010, Iraq has 206,746 health workers. The ratio of Human Resources for Health (HRH) to population is 6.28HRH/1,000 population.

TRENDS AND FORECASTS

The private insurance market is still nascent in Iraq, and alongside ICT, infrastructure and human resource development gaps, considerable investment in market-based solutions is required. An increasing market demand for medical appliances and equipment, laboratory equipment and consumables, hospital management, pharmaceuticals, and multi-disciplinary technical training accounts for an estimated industry growth of 61% for the pharmaceutical sub-sector and 40% for related equipment and technologies within the past five years.

The public and private health care system in Iraq is one of the fastest growing in the world, and although Iraq is not a market economy, the Prime Ministers Advisory Commission (PMAC) and Task Force on Economic Reforms (TFER) have established working groups on the restructuring of State Owned Enterprises (SOE). The eventual restructuring or corporatization of the State Company For Drugs And Medical Appliances (KIMADIA) and the State Company for Drugs, Industry and Medical Supplies (SAMARRA) will begin. With considerable black-market trade occurring in both real and counterfeit pharmaceuticals, greater state regulatory enforcement is urgently required.

POLITICAL ECONOMY OUTLOOK

Challenges undoubtedly remain, internally, and with local elections planned for January 2013, sectarian violence seems set to continue, through less so in the south. With relations between political factions breaking down in 2011, and with the spillover effects from Syria and potentially Iran, Iraq will struggle to balance interests between

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Washington DC and Tehran. Unresolved issues such as centralization of power, Sunni community grievances and tensions with KRG underline continued volatility albeit against a growth tide that cannot be ignored.

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COMPANY MENTIONED

State Company For Drugs And Medical Appliances (KIMADIA)

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State Company for Drugs Industry and Medical Appliances (NINEWA)
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