

# Financing health and drug policy in the wake of the economic recession

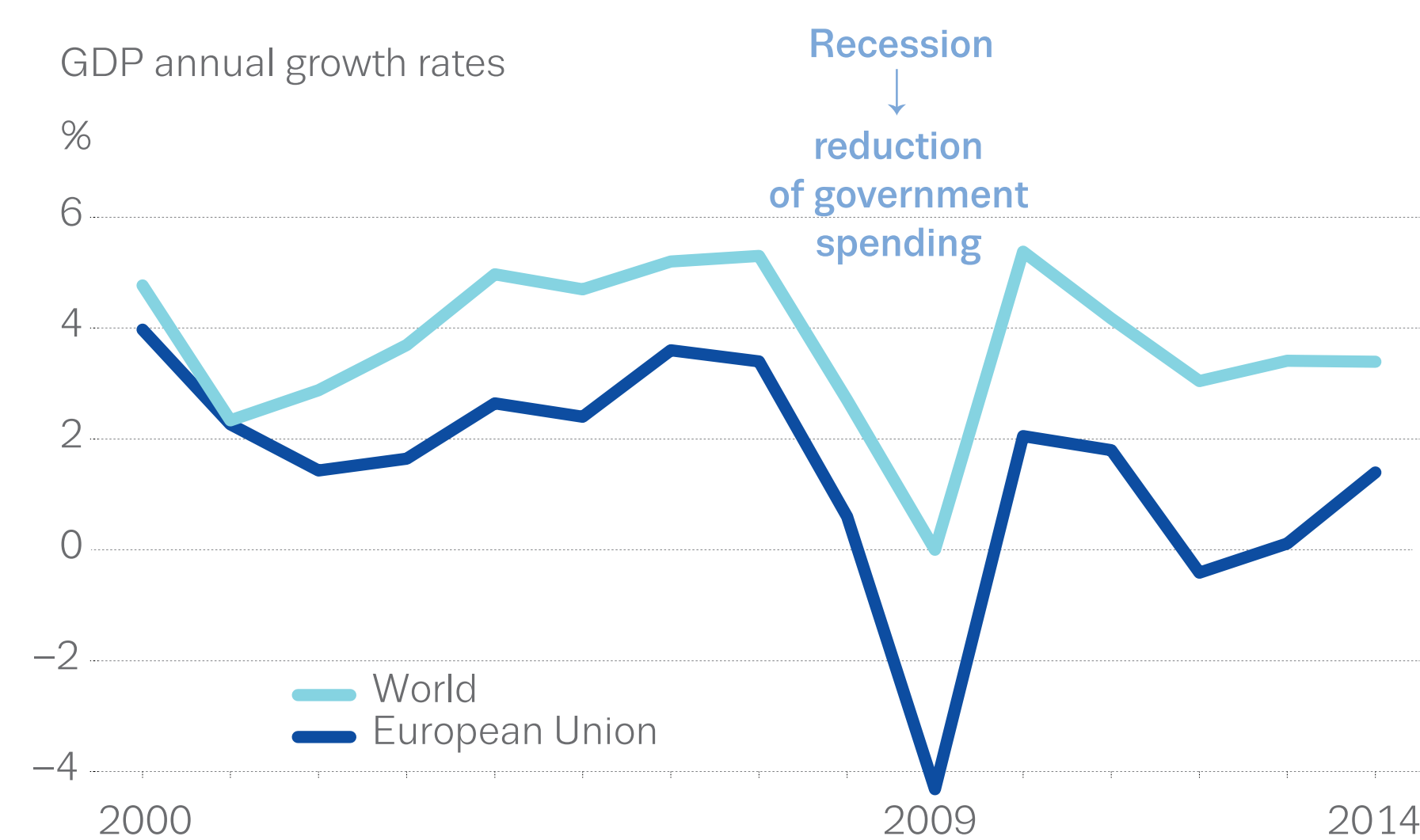
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## Background

The financial crisis that hit the global economy in the summer of 2007 has no precedent in post-war economic history. It differed from other fluctuations in its magnitude and the degree to which it was synchronous around the world. In 2009, the world economy contracted, having an overall GDP growth rate of  $-0.4\%$ , while the rate in the European Union was  $-4.3\%$ . In 2013 and 2014, the EU economy started growing again after the less pronounced recession registered in 2012 (Figure 1).

The 2008–09 recession presented a grave challenge to public finances. Many governments reacted by implementing stringent fiscal consolidation plans, frequently based on the reduction of government spending.

FIGURE 1 | 2008–09 economic recession

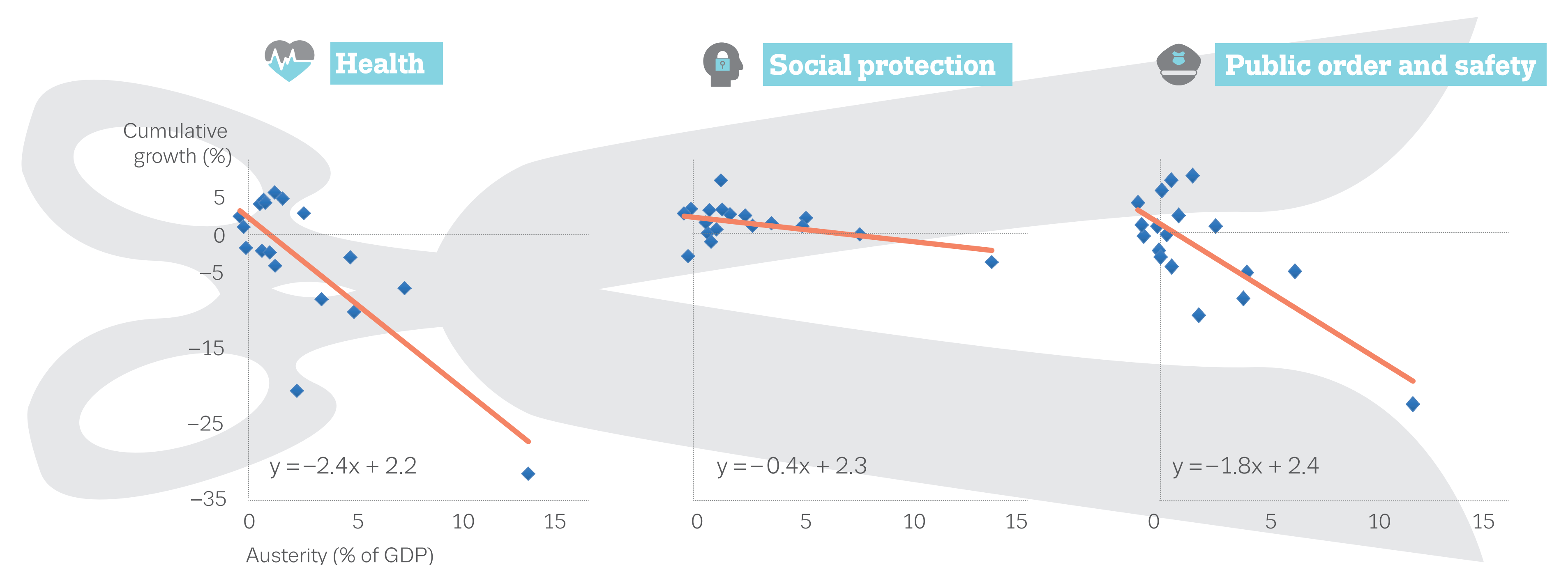


Source: International Monetary Fund.

## Methods

To understand European austerity after the 2008–09 economic recession, the impact of the recession on GDP, unemployment and public expenditure were reviewed. To measure the diversity of austerity across EU countries, changes in general government cyclically adjusted balance, as a percentage of GDP, were analysed. The impact of austerity was assessed by examining (1) total government spending in the three sectors that account for most drug-related public expenditure and (2) data on drug-related public expenditure provided by the Reitox national focal points; in addition, the literature was reviewed. It should be noted that the comparability of drug-related expenditure estimates across countries is limited because of methodological differences. Therefore, analysis was based on national trends provided by a number of countries and on qualitative information.

FIGURE 2 | National austerity and variation in public expenditure



## Results and conclusions

Public expenditure in the areas encompassing most drug-related initiatives was negatively affected by austerity (Figure 2).

The impact differed both across countries and sectors:

- Countries with greater austerity had higher than average reductions in expenditure in those sectors accounting for most drug-related spending.
- The health sector tended to register bigger cuts than public order and safety and social protection.

Analysis of the available data on drug-related public expenditure revealed differences in the effects of austerity across countries and areas of intervention:

Some countries reorganised drug-related **treatment and harm reduction** provision, changing the co-financing systems and shifting towards outpatient treatment or day-care over inpatient drug treatment, in order to improve cost-effectiveness.

**Prevention** was subject to cuts in financing. But awareness of the need for more quality control and evidence-based funding increased.

All but one of the small number of countries providing data on **law enforcement** spending reported either short-term or lasting reductions in supply reduction funding, especially in 2011.

**Social protection** funding fell in those few countries with estimates, but many countries presented insufficient data.

Reductions in overall funding for health, public order and safety and social protection are likely to impact negatively on the capacity to deliver demand and supply reduction initiatives, due to synergies.

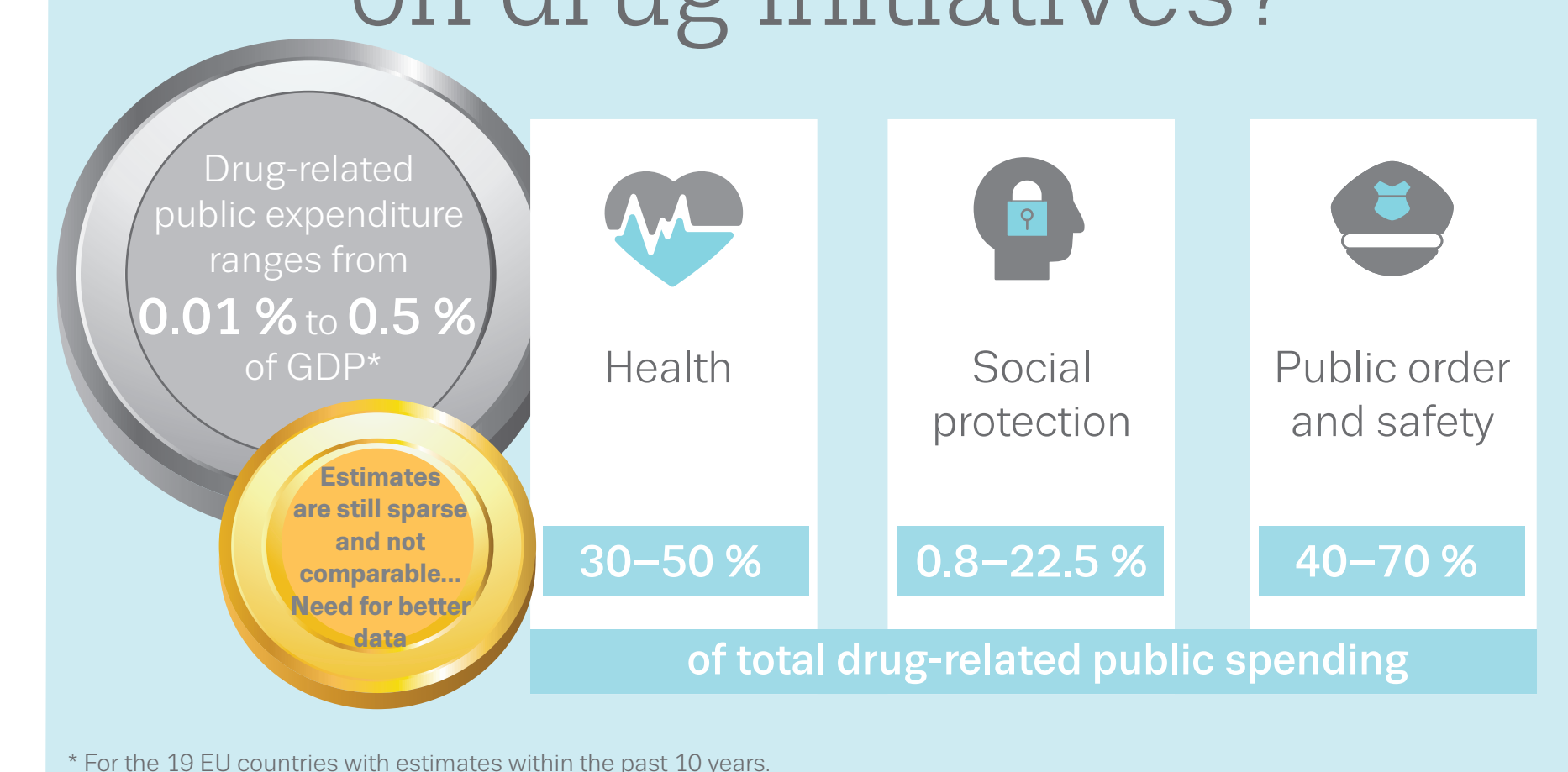
Austerity increased uncertainty among policymakers and planners since budgets became more likely to be subject to revision, often resulting in cuts.

Reduced funding has raised policymakers' awareness of the need for more cost-effective policy measures.

The full contours of the impact of the 2008–09 recession remain unknown, as some consequences on service provision may take time to occur and become visible.

Improving the data available of national drug-related public expenditure would be a valuable and necessary asset for future assessments.

## Where do EU governments spend money on drug initiatives?



\* For the 19 EU countries with estimates within the past 10 years.

[emcdda.europa.eu/publications/emcdda-papers/recession-and-drug-related-public-expenditure](http://emcdda.europa.eu/publications/emcdda-papers/recession-and-drug-related-public-expenditure)