Health Financing and Fiscal Health in Africa
Bridging Collaboration between Ministries of Finance and Health

Countries in Sub-Saharan Africa (SSA) and global stakeholders alike have been committed to develop effective and sustainable health financing systems that aim to ensure access to appropriate services and avoid financial hardship to pay for these services. Making progress towards Universal Health Coverage (UHC) also calls for more effort and innovation in the reform of health financing systems. While the goal of universal access is shared, the specific instruments and models vary across and even within countries, and reflect the social, economic, political and institutional histories and aspirations of each society. No single model or formula applies to all. This brief presents both historical and current trends in health financing, including variations in how efficiently resources for health are used and in the pace of progress towards the Millennium Development Goals (MDGs). Further, by discussing both challenges and promising approaches on the ground, it sets the stage for discussion on how to reform health financing systems in Africa.

KEY MESSAGES

- Average per capita health spending is low in Africa, but higher than in South Asia. Yet South Asia, in general, has better health outcomes. So Africa not only needs more money for health, it also needs more health for the money.
- In many African countries, external resources account for a substantial proportion of total health expenditure. However, it is mostly fragmented and unpredictable. This trend raises the question of sustainability. Countries have to build more domestic capacity for health, with the intention of becoming self-financing in the medium- to long-term.
- Household out-of-pocket health expenditure is unacceptably high in SSA. This is both inefficient and inequitable. There is a need for country-led policies and strategies that can help reduce out-of-pocket payment based on each unique social, economic and political context.

THE CURRENT STATE OF HEALTH FINANCING IN AFRICA

Low per capita health spending, slow growth in health spending, and weak results focus. SSA has very low per capita health spending and slow growth in health spending compared with other regions, except for South Asia (Figure 1). South Asia spends less on health than SSA but has better health outcomes for most key indicators. The challenge for SSA is thus not only the low level of spending but also the results and returns for current allocations. In 2010, average per capita total health expenditure for SSA stood at US$84, compared to South Asia (US$47), East Asia and Pacific (US$183), Middle

Figure 1: Per capita total health expenditure (PPP adjusted) by region and time

Sources: aggregate-level data from World Bank HNP databank, PPP adjusted constant dollars in 2005 are used and the data is for developing countries only.
East and North Africa (US$203), Europe and Central Asia (US$438) and Latin America and the Caribbean (US$670).

Total health expenditure as a share of GDP increased only slightly from 5.8 percent in 1995 to 6.5 percent in 2010. Similarly, health as a share of total government expenditure registered a modest increase, from 9.8 percent in 2004 to 10.8 percent in 2010. The average per capita total health expenditure for SSA has more than doubled, increasing from US$32 in 1995 to US$84 in 2010. However, much of the increase is from external sources and there is a wide variation across countries in the magnitude and level of increases.

Public-private health financing and out-of-pocket expenditure have remained more or less the same. Private expenditure on health accounts for over half the total expenditure on health, with a slight decline in 2010 to 55 percent from 61 percent in 1995. On average, household out-of-pocket spending constitutes about one-third of total health expenditure in SSA, 30 percent in 1995 and 32 percent in 2010. However, in some countries out-of-pocket expenditure is a much higher share of health expenditure. For instance, it accounts for more than 60 percent in Cameroon, Central African Republic, Chad, Sierra Leone, Cote d’Ivoire, Guinea and Guinea-Bissau. This creates a major challenge in terms of financial protection, as out-of-pocket spending impoverishes people and excludes them from accessing health services.

External resources remain important for health. Despite the global economic slump, donors gave generously to global health, though at a slower rate. Development assistance for health remains an important source of health financing in SSA (Figure 2). Development assistance for health for SSA has grown substantially from US$0.53 billion in 1990 to US$5.43 billion in 2008. A third of development assistance for health is invested in three diseases (HIV, TB and Malaria). In many cases, external resources are fragmented and unpredictable, and uncertain since the global economic downturn.

Low income SSA countries rely heavily on external assistance for health. This is in comparison with middle and high income SSA countries (Figure 3). As of 2010, six countries have more than 40 percent of their total health expenditure from external assistance—Burundi, Malawi, Tanzania, Rwanda, Gambia and Liberia. At this critical moment, it is imperative for countries to continue to improve the efficiency of existing health expenditures as well as critically explore mobilization of additional domestic resources.

CHALLENGES

SSA countries need to tackle great challenges in improving access to and quality of basic essential services while reducing dependency on external assistance.

- Slow progress towards MDGs: With only a couple of years to 2015, SSA still faces big challenges in achieving MDG 4 and 5. The average maternal mortality ratio for SSA (500 per 100,000) far exceeds the levels in South Asia (220) and Latin America and the Caribbean (80). Despite a faster decline in the under-five mortality rate, the highest rates of child mortality are still in SSA—where 1 in 9 children dies before age five, more than 16 times the average for developed regions (1 in 152) and significantly higher than in South Asia (1 in 16). In 2010, with 13 percent of the world’s population, SSA accounted for 56 percent of maternal deaths, 49 percent of under-five child deaths and 69 percent of HIV/AIDS cases.

Figure 2: Proportion of external assistance out of total health expenditure by region and time

Sources: aggregate level data from World Bank HNP databank and data for developing countries only

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1 Source: aggregate level data from World Bank HNP databank, current dollars for 2010 are used and the data is for developing countries only.
2 Institute for Health Metrics and Evaluation (IHME) global database
3 Data for number of living with HIV is as of 2011.
Additional epidemiological challenges: With the communicable disease burden still high, many countries are also facing a rapidly increasing threat from non-communicable diseases that tend to become chronic, and from injuries, imposing a direct financial burden on governments, employers and households, and slowing down the economy.

Attention to service quality: The quality of services may be of concern for many countries, especially in rural areas. With low-quality services, expanded coverage will not necessarily translate into improved health outcomes. Preliminary study results examining antenatal services indicate that quality of service often lags behind access. In many countries, more than half the pregnant women receiving antenatal services are not informed of pregnancy complications during their visit.

Can population health benefit from projected economic growth and how? SSA has proved to be resilient to the economic crisis and is likely to continue strong growth during the coming years. SSA economies are projected to grow at 5 percent to 6 percent for 2013-2017 (WEO, October 2012 projections). General government revenues are projected to be 28 percent of GDP for the coming years. There is a need to ensure that the poor benefit from these gains.

Strategic planning is important for countries refining their health financing, because emerging economies are often faced with rapid urbanization, massive population migration and increasing formal and informal employment. Globally, many countries are struggling to integrate health financing arrangements segregated by residence, employment status, and industry, among others.

Delivering more value-for-money. Making health systems more efficient will help countries to get more value out of their health spending, and release resources from the current envelope for expanded or targeted coverage. The WHO estimates that that 20–40 percent of global health spending is wasted through inefficiency. Fragmentation of the health financing system, partially with heavy reliance on external financing, and the high proportion of out-of-pocket spending are major sources of inefficiency. As shown in Figure 4, compared with the variation in under-five mortality in 2000, the variation in health spending between countries is relatively small; however, after one decade, health spending variation has increased significantly given that many countries have managed to increase their health spending, while variation in under-five mortality remains about the same. It is important to understand how efficient countries are using the increased fiscal envelope, to explore sources of inefficiency in each country, and identify ways for improvement.

Figure 3: External assistance for health as a percentage of total health expenditures, 2010

Countries are grouped by 2010 World Bank income group categories

Sources: WHO’s GHO database and IMF’s World Economic Outlook database; Zimbabwe and South Sudan are excluded
PROMISING APPROACHES USED ON THE GROUND

Promising health sector reform initiatives in many countries have resulted in rapid scaling up of service coverage and improved efficiency in how resources are used.

- **Health financing strategy:** It is encouraging that many countries are undertaking or keen to develop comprehensive national health financing strategies, and to push towards a more efficient health financing system and universal health coverage.

- **Efficiency improvement initiatives:** During the last decade, various initiatives have been undertaken to improve efficiency of financial allocation to and within the health sector. Countries are taking solid steps towards harmonizing external assistance, lifting the risk-pooling level from household to community, region and country (e.g., Ghana and Rwanda), reducing direct payment at time of care and introducing pre-payment mechanisms, and focusing more on results.

- **Pay-for-Results:** Incentives can be effectively used at different levels (individuals, institutions and countries) to finance high-impact interventions. The Results-Based Financing (RBF) approach at the facility level, pioneered in Rwanda, has resulted in substantial increase in coverage of high-impact interventions such as immunization, family planning, mosquito nets, and skilled attendance at delivery. Today, over 20 SSA countries are piloting some form of RBF. Development partners are also trying out this mechanism at the country level, e.g., the new World Bank financing instrument known as Program-For-Results (PfR) will now be used in Ethiopia to link disbursement directly with achieving national program results.

- **Building safety nets for the poor:** There have been efforts to establish social safety nets in many SSA countries. Through these initiatives, poor people identified may have improved access to basic health services, among other services, so that they do not have to skip necessary care or endure financial hardship related to it.

Questions to African Ministers

- What is the trajectory for a sustainable health financing arrangement that is more domestic, more affordable and less dependent on external sources? Please share your experiences and policy actions in innovative domestic and external financing approaches including risk pooling, revenues from taxes, and links to revenues from extractive industries.

- A shift from investments that focus on inputs and processes to those that focus on results and systemic changes is already underway, including various forms of results-based financing. How can health spending become more efficient and ensure tangible results?

- What are your priorities in strengthening health financing systems and what support do you require from external partners?

References


