Domestic resource mobilization for sustainable financing for health in Africa

Working Paper prepared by the WHO Regional Office for Africa
Domestic resource mobilization for sustainable financing for health in Africa

WHO Regional Office for Africa, Health Systems and Services Cluster
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## Contents

Abbreviations and acronyms  iv  

**Chapter 1. Introduction**  1  

1.1. Macro-economic picture and domestic health spending in the Region  2  

**Chapter 2. Status and issues with domestic resource mobilization**  4  

2.1. Status of domestic mobilization and spending compared to spending targets  4  

2.2. How are domestic resources for health in Africa managed  11  

2.3. What is domestic financing paying for?  13  

2.4. What is the distributional impact of domestic spending  14  

2.5. Financial protection in Africa  16  

2.6. Progress on action for increased domestic financing for UHC  16  

2.7. Summary of findings  17  

**Chapter 3. Key Policy messages for countries in the Region**  18  

Reducing out of pocket spending in Africa  18  

Engendering more health for the money  18  

Managing transition from external financing  18  

Managing domestic spending on health  19  

Targeting domestic spending on health to what matters  19  

Institutionalization of monitoring  19  

Conclusions  19  

**References**  20  

**Annex**  24
### Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAAA</td>
<td>Addis Ababa Agenda for Action</td>
</tr>
<tr>
<td>DHS</td>
<td>Demographic health surveys</td>
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<tr>
<td>Gavi</td>
<td>Global Alliance of Vaccine Initiative in Africa</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>HIC</td>
<td>High Income Country</td>
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<tr>
<td>LIC</td>
<td>Lower Income Country</td>
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<tr>
<td>LMIC</td>
<td>Lower Middle Income Country</td>
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<td>MDGs</td>
<td>Millennium development goals</td>
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<td>OOP</td>
<td>Out of pocket payments</td>
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<tr>
<td>PEH</td>
<td>Public expenditure on health</td>
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<td>PvtHE</td>
<td>Private health expenditure</td>
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<td>SDGs</td>
<td>Sustainable development goals</td>
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<tr>
<td>THE</td>
<td>Total health expenditure</td>
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<tr>
<td>UHC</td>
<td>Universal health coverage</td>
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<tr>
<td>UMIC</td>
<td>Upper Middle Income Country</td>
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Chapter 1. Introduction

Achieving Universal Health Coverage (UHC) and indeed the Sustainable Development Goals (SDGs) are goals that all the of many in the African Region have adopted. Many a country has developed or is developing the National development framework aligned to these goals. Indeed, ever since coun-
tries committed to achieving UHC at the UNGASS in 2012, many countries have embarked on systematic action for health system reform to achieve UHC.

The scope of the SDGs is big spanning almost every area of sustainable development. The SDGs and UHC call for multi-sectoral action and inclusive development ensuring that no is left behind. Studies that have attempted to estimate the cost of attaining the SDGs put the price tag be-	ween US$ 1.4 trillion 2013 dollars to 2.5 trillion 2015 dollars every year until 2030 (1, 2).

With regards to UHCs, it has been estimated that , countries will have to spend on average, at least 2014 US$ US$ 271 (74–984) per capita or 7.5% (2.1–20.5) of GDP on health to achieve UHC (3). It is further estimated that 75% of the cost will be spent on strengthening the health systems alone. Another study estimates that achieving goal 3 of the SDGs will cost $67–87 billion each year from 2015–2030. This translates to investment needs for LICs ($25–29 billion) and LMICs ($43–59 billion) respectively (2). In general, all estimates show that achieving UHC will require increased investment in health by countries.

In order to foster the implementation of the SDGs, the Addis Ababa Agenda for Action (AAAA 2015) emphasises the need for greater domestic ownership for the development process driven by country owned national development plans increasingly financed by domestic resources(4). It also highlights the importance of private sector engagement and financing in addition to external support to augment the efforts of countries to achieve the SDGs.

Nowhere is the need for increased and smart domestic spending for health and development for health more important than in the African Region. The political will to improving better financing for health and UHC in the region dates back to commitments such as the Alma Ata declara-
tion of 1978 and more famously, the Abuja declaration of 2001 in which countries committed to spending at least 15% of the government budget on health (5).

Given the primacy and importance of domestic resource mobilization for health, this paper takes stock of the efforts in the region in mobilizing domestic financing for health thus far and proffers some policy considerations for action going forward. In doing so, it reviews:

- Trends in domestic financing for health and the forms that this takes;
- The extent to which current spending approached normative targets or estimated needs;
- The manner in which current spending for health is deployed or used to achieve stated priorities and finally;
- Potential shifts in domestic resource mobilization and spending that need to take place in order to achieve UHC.

Domestic spending in this paper refers to, all resources generated in the country including public domestic spending and private spending. Private expenditure includes out of pocket expenditure, pre-paid expenditure and expenditure by private enterprises on health distinct from expenditure on health care for employees in the form of health insurance.
1.1. Macro-economic picture and domestic health spending in the Region

Macro-economic context

‘Africa rising’ has been Africa’s story for the past few years considering fairly stable economic growth even in the midst of global economic recession (orange line in Figure 1) as compared to other regions and trends in the average global economic performance (light green line). Nevertheless data from the World Bank shows that over the last couple of years, the Region has experienced a decline in economic growth (6).

Economic growth in the High Income Country group has been unstable over the last 16 years with some contraction in 2008-09 followed by recovery in the last seven years. In the early years, economic growth in region was largely driven by the Upper Middle Income Countries (UMICs) in the early and mid-2000s. Nevertheless, following a drop in economic growth in 2008 to 2009, recovery in the UMICs has been slow and has not returned to pre-2008-09 levels. The Lower middle Income Countries (LMICs) and the Lower Income Countries (LICs) have largely experienced stable growth over the few years albeit less than the other countries. On the whole though, economic growth in the region appears to have been driven largely by the UMIC countries given that average growth in the region declined in 2008-09 and to have followed the same trajectory in growth that growth in the UMICs followed since this decline. Thus even though the economy in the region grew, it was mainly concentrated in economies driven by commodities and tourism and therefore is vulnerable to changes in market prices for both.
The current economic slowdown in the region has a bearing on what countries in the region can do to ensure sustainable financing for UHC and the SDGs in the short to medium term. It is likely to constrain the range of effective fiscal instruments that are available to increase the fiscal space for health. This space is further constrained given competing priorities outside of health that governments need to invest in order to attain UHC and the SDGs.

**Health Expenditure in Africa**

This section reviews the trends in health spending over the last 16 years (2000-2015) using National Health Accounts data for the countries in the region from the Global Health Expenditure Database (GHED). An analysis of the trends in health spending in the WHO region of Africa as the economy measured by average GDP per capita grew shows that, the average total health expenditure per capita increased at an average rate of 6.83% per annum. The greatest growth increase in total health expenditure is observed to have been between 2003 and 2015, at average growth rate of 7.78% p.a. compared to 2000-2002 where growth rate on average was 1.25% p.a. (see figure below).

The growth in THE per capita happened in the context of fairly stable economic growth averaging about 5.20% growth per annum from 2000 to 2015. Growth in total health spending was highest in the HIC and UMICs. On the contrary growth in expenditure on health in the LMICs and LICs was low but stable.

The growth in THE Per Capita was similar to that experienced in the South East Asian region of WHO but less than that in all other WHO regions as shown in Figure 4 below. Therefore it appears that although health expenditure in Africa increased remarkably, the region was significantly less and slower than spending in other regions. Further still, the growth in THE per capita is not evenly distributed among countries in the region, with richer countries investing more than lower income countries.
Chapter 2. Status and issues with domestic resource mobilization

2.1. Status of domestic mobilization and spending compared to spending targets

Sources of health expenditure in the region.

One issue that is fundamental to sustainable health financing is the source of health expenditure. Established evidence shows that some sources of financing like out of pocket payments (OOP) are inequitable (regressive) forms of health financing that are highly associated with catastrophic health spending and impoverishment (7, 8). On the other hand, some forms of financing such as compulsory mechanisms of financing like general tax revenue and health insurance provide a greater protective effect against impoverishment and foster equitable service coverage and access (ibid).

Figure 5 below shows breakdown in health spending by source for each year. The figure shows that from 2000 to 2015, domestic spending from health which includes public expenditure on health (PEH) and private health expenditure (PvtHE) has steadily been replaced by external financing (Ext HE). For instance, private health spending as a proportion of total health expenditure (PvtHE % THE) declined by 10% from 54.18% to 41.82%.

On the other hand, public spending on health as a share of THE (PEH % THE) also declined from 36.9% to 33.8%. On the other hand, the share of external financing for health increased by almost 13 % from 9.53% in 2000 to 24.42% in 2015 implying that the modest reduction in the burden on households in the Region was largely borne by external financing.

Table 1 below shows the breakdown of THE by country income group in 2015 (see). The table shows that except for high income countries, all income groups have similar PvtHE. However, the financial burden on households is complemented by greater domestic public spending in the
UMICs. In the LICs and LMICs countries private expenditure is complemented to a greater extent by external financing and by domestic public expenditure with the latter playing a bigger role in LMICs and vice versa.

Total Public Domestic Health Spending compared to country wealth

The share of public domestic spending on health as a proportion of total health expenditure signals the extent to which the government is driving investment in health. An analysis of domestic investment in health spending (2015) compared to GDP per capita (Figure below) shows very little correlation between government expenditure as a proportion of GDP and the wealth of the nation. PEH %THE is used as a proxy for domestic ownership of the health spending in this analysis.

The analysis shows that there is very little correlation between the economic performance of the country and domestic investment in health. The red circle shows countries with similar income with varying levels of public spending on health as a share of total health expenditure. There is huge variation in government ownership of health expenditure for countries at the lower end of the income scale (< 5000 GDP per capita ppp) ranging from 10% to 60% of THE for countries with largely similar ability to pay. Conversely, the orange circle shows countries with varying income levels between 5000 to 15 000 per capita ppp having similar levels of government spending as a share of total spending.

Figure 6. Domestic ownership of health spending (2015) compared to GDP per capita

Figure 7. Domestic public expenditure on health as a share of total domestic public spending, 2000-2015
The share of government expenditure on health as a proportion of total government expenditure

The share of PEH as a share of the total government spending has been used to signal the prioritization of health compared to other spending priorities. Even though countries in Africa committed to spending 15% of their budget on health, an analysis of government prioritization of health in the region shows that on the whole PEH as a share of total domestic public spending (GGE) fell from an average of 7.36% in 2000 to 6.9% in 2015. LMICs and the only HIC country (Seychelles) increasingly prioritized expenditure on health as a share of total government spending while expenditure in Upper middle income countries remained fairly constant (See Figure 7). Initial increases in government spending on health as a share of total domestic public spending in LICs from 2000 to 2004 were not sustained with the subsequent share declining to a nadir of 5.14% in 2014 before increasing again in 2015.

Even though countries committed to spending 15% of their budget on health, Figure 8 shows that in 2015, only 1 country, Madagascar, lived up to that promise. The figure further shows that countries varied greatly in the share of health in the government budget.

The red oval shows that countries with similar ability to pay varied in the proportion of government budget that was spent on health. This implies that other factors than economic performance of the country influenced the prioritization of health in the government spending.

Figure 9 shows change in government prioritization of health as a proportion of total government spending by country. It shows that over the last 16 years, decreased government spending on health as a proportion of public spending decreased in 21 (45%) countries.

Health Expenditure as a proportion of GDP

The World Health Organization and others have recommended that for countries to achieve a good level of universal coverage of essential services, countries should allocate at least 5–6% of their GDP to health (8, 9). This recommendation is based on studies that show that countries that spent approximately 5–6% of GDP achieved universal access to health services than those that spent less (ibid).

Figure 10 below shows the changes in average THE and PEH as a proportion of GDP in the region. The graph shows that total health expenditure as a proportion of GDP (THE% GDP) exceeded the spending target proposed by WHO and consistently grew from an average of 5.43% in 2000 to 6.36% in 2015%. Public domestic spending as a proportion of GDP (PEH % GDP) also grew over the last 16 years from an average of 1.87% in 2000 to 2.01% in 2015 but was consistently less than the target.

At a country level, public spending as a proportion of GDP varied greatly from 0.41% in Nigeria to 5.62% in Namibia in 2015. Namibia is the only country that consistently spent more than 5% of its GDP on health during the period under review.

The recent estimates for achieving UHC estimate that on average countries will have to spend on average 7.5% of GDP in 2030 to achieve UHC. If this is the case, investment in health as a proportion of GDP will have to increase substantially to meet this target.

Per capita expenditure on health

There have been many attempts to define per capita health spending targets for countries in order to achieve health outcomes and goals. In 2003, the Commission on Macroeconomics and Health estimated that countries would have to spend a minimum of US$ 34 per capita in order to guarantee essential health services for people in their countries and foster progress towards achieving the health-related MDGs [10]. In 2010, the High Level Taskforce on Innovative International Financing for Health Systems further estimated that for countries to accelerate progress towards attaining the MDGs, they would have to spend a minimum of US$ 60 per capita on average with some requiring only US$ 40 per capita and other needing far more at US$ 80 per capita (11).
Figure 9. Change in prioritization of health in general government spending, 2000 and 2015
In 2012, the figure was revised upward to US$ 86 per capita from government sources by 2015. Recent estimates of resource needs for achieving UHC estimate that on average countries will have to spend US$ 271 per capita (2014 US$) by 2030 (3). Figure 11 shows that only eight countries were able to meet the spending target of US$ 86 per capita in 2015. Countries will need to increase spending on health if they are to close the gap between needed resources and the status quo.

Out of pocket spending on health

Out of pocket (OOP) payments (Figure 12) have been shown to be a highly regressive form of health expenditure given that poorer households pay more as a share of their income than richer ones. These forms of payment have also been shown to be related to financial hardship and impoverishment.

Countries where OOP spending is less than 15-20% of THE tend to have low incidence of catastrophic health expenditure (8). In the region, only 12 countries had OOP expenditure less than 20% in 2015. For the majority of the countries, OOP payments account for a huge proportion of private spending. In countries like South Africa, Botswana, Namibia and Swaziland even though private health expenditure is high, Out of pocket spending is comparatively low due to the high expenditure through private health insurance.

Donor financing and sustainability: Case study of Global Alliance for Vaccine Initiative (GAVI) in Africa

The above trends in total current health spending show a substitutive effect in LICs and LMICs with external financing gradually replacing domestic financing for health. This has been largely due to financial support from global health initiatives such as GAVI, Global Fund for AIDS, TB and Malaria, bilateral partners like the United States of America, the United Kingdom of Great Britain and Northern Ireland, multilaterals partners and more. In most cases, support from these partners has taken the form of needed commodities (drugs and diagnostics) for vaccine preventable diseases and other infectious diseases like AIDS, TB and malaria, and for reproductive, maternal and child health.

Recent reports show that this support is declining in many countries due to various reasons, including macro-economic challenges in donor countries and more (12). The implication of this is that with time, external financing has become an unpredictable and unsustainable source of health financing. Country experiences in transitioning from external support for vaccine preventable diseases by GAVI provide insight into some of the issues that are important to consider as countries transition from donor aid to more domestic sources of financing. See Box 1 on page 11.
Figure 11. Per capita expenditure on health by countries in 2015
Figure 12. Out of pocket spending on health

- Comoros
- Nigeria
- Equatorial Guinea
- Cameroon
- South Sudan
- Chad
- Guinea
- Eritrea
- Niger
- Togo
- Mauritius
- Mauritania
- Mali
- Senegal
- Congo
- Uganda
- Benin
- Central African Republic
- Sierra Leone
- Ethiopia
- Democratic Republic of the Congo
- Guinea-Bissau
- Burkina Faso
- Ghana
- Côte d’Ivoire
- Angola
- Kenya
- Algeria
- Zambia
- Rwanda
- United Republic of Tanzania
- Gabon
- Zimbabwe
- Cabo Verde Republic of
- Madagascar
- Gambia
- Liberia
- Burundi
- Lesotho
- Sao Tome and Principe
- Swaziland
- Malawi
- Namibia
- South Africa
- Mozambique
- Botswana
- Seychelles

- 2015 – Average of PVT_D_pct_CHE_SHA2011
- 2015 – Average of OOPS_pct_CHE_SHA2011
In 2011, GAVI announced new thresholds for eligibility for GAVI support. Based on the new threshold, countries with a GNI per capita below US$ 1580 are eligible for receiving support from GAVI for introducing new vaccines, support for health system strengthening for immunization service delivery (13, 14). In addition, GAVI stipulated that eligible countries whose GNI per capita exceeds the World Bank Low income Country threshold, would begin a preparatory transitioning process from GAVI support that included a 15% per annum increase in their co-financing requirement until they reach the eligibility threshold. In the year the eligibility threshold is attained, the country enters an accelerated phase of transition which occurs over a period of 5 years irrespective of the baseline level of co-financing that the country is paying. Following the 5 years of accelerated transition, the country should be 100% fully self-financing but can still benefit from vaccine prices available to GAVI eligible countries for another 5 years.

The table below shows some characteristics of the countries in the region that have begun to transition from GAVI support that highlight some of the issues that are critical for consideration for transitioning from GAVI support.

<table>
<thead>
<tr>
<th>GAVI Eligibility Phase (2017)</th>
<th>Country</th>
<th>Number of antigens introduced</th>
<th>Birth cohort</th>
<th>DTP3 Coverage</th>
<th>System challenges identified in the joint appraisals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated</td>
<td>Angola (15, 16)</td>
<td>IPV, MR, Penta, Pneumo, Rota (5)</td>
<td>1,177,093</td>
<td>65%</td>
<td>• Economic slowdown, • challenges meeting, stock outs in BCG, Measles and Yellow Fever due to delays in meeting co-financing obligations • Human resource challenges</td>
</tr>
<tr>
<td>Congolese Republic (17, 18)</td>
<td>IPV MR, Penta, Pneumo, Rota, Tetra DTP-Hep B, Yellow Fever (7)</td>
<td>170,683</td>
<td>72%</td>
<td>• Challenges securing increased investment for vaccines from Government • Challenges in meeting co-financing obligations • Economic crisis</td>
<td></td>
</tr>
<tr>
<td>Ghana (19-21)</td>
<td>IPV, Measles, Men A, MR, Penta, Pneumo, Rota, Yellow Fever (8)</td>
<td>890,884</td>
<td>92%</td>
<td>• Challenges meeting co-financing obligations (2014-2015) • Crowding out of immunization financing due to wage bill • Inadequate financing for immunization</td>
<td></td>
</tr>
<tr>
<td>Nigeria (22, 23)</td>
<td>IPV, Men A, Penta, Pneumo, Penta, Yellow Fever</td>
<td>7,322,279</td>
<td>50%</td>
<td>• Currently paying 9 million US$ for vaccine support, needs to pay 364 million US$ in 2022 to fully finance services • Public finance management capacity challenges • Inadequate data , • Inadequate Cold chain Capacity</td>
<td></td>
</tr>
<tr>
<td>Preparatory Transition</td>
<td>Sao Tome and Principe (24, 25)</td>
<td>Hep B Mono, HPV, IPV, Measles, MR, Penta, Pneumo, Rota Virus, Yellow Fever</td>
<td>6,448</td>
<td>98%</td>
<td>• In 2015 government contributed 7% of total spending on vaccines Lack of human resources at the central level • Heavy dependence on vaccine financing by partners (traditional vaccines still paid by UNICEF) • Challenges in vaccine management.</td>
</tr>
<tr>
<td>Zambia (26, 27)</td>
<td>IPV, Measles, MR, Penta, Pneumo, Rota, Tetra DTP-HIB</td>
<td>673,622</td>
<td>91%</td>
<td>• Human Resource challenges • Weaknesses in Vaccine management</td>
<td></td>
</tr>
<tr>
<td>Cameroon (29, 30)</td>
<td>IPV, MR, Men A, MR 2nd dose, Penta, Pneumo, Rota, Tetra DTP-Hep B, Yellow Fever</td>
<td>864,666</td>
<td>87%</td>
<td>• Challenges meeting co-financing obligations • Weak public finance management systems • Ineffective vaccine management systems • Poor service delivery</td>
<td></td>
</tr>
<tr>
<td>GAVI Eligibility Phase (2017)</td>
<td>Country</td>
<td>Number of antigens introduced</td>
<td>Birth cohort</td>
<td>DTP3 Coverage</td>
<td>System challenges identified in the joint appraisals</td>
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</tr>
</tbody>
</table>
|                               | Côte d'Ivoire (31, 32) | IPV, Men A, MR 1st Dose, Penta, Pneumo, Rota, Tetra DTP-Hep B | 867,243 | 85% | • Data quality challenges  
• Weak Cold chain management capacity |
|                               | Kenya (33, 34) | IPV, MR, Penta, Pneumo, Rota, Yellow Fever | 890,884 | 90% | • Challenges in procurement of vaccines due to inadequate and delayed disbursement of funds for immunization  
• Challenges meeting co-financing obligations  
• Decline in government financing for immunization from 20% in 2012 to 9% in 2014.  
• Stock-outs of vaccines  
• Weak supply chain capacity |
| Lesotho (35, 36) | IPV, MR, Penta, Pneumo, Rota | 60,799 | 92% | N/A |
| Mauritania, (37,38) | Hep B Mono, IPV, Men A, MR 1st dose, Penta, pneumo, Rota | 137,663 | 72% | • Challenges in meeting co-financing obligations |

The table shows that as of 2017, four countries are in accelerated transition from GAVI support. Of these, Ghana has been halted from transitioning given that its income status has been re-classified. Six countries are in the preparatory phase of transitioning.

The experience of the countries in the accelerated transition phase in this and other regions shows that in many cases, transition plans and early dialogue with the government is critical for smoother transition. However, the evidence also suggests that countries face context-specific challenges. For instance, countries with similar GNI per capita are but differing sizes of the birth cohorts are have require different co-financing bills as they transition because the total vaccine cost will vary with the size of the cohort. This affects the ease with which countries with large birth cohorts like Nigeria mobilize greater expenditure for immunization. Many countries in the table are struggling to meet their co-financing obligations to GAVI. For some like Sao Tome and Principe, financing for traditional vaccines is still partner supported. Increasing government expenditure for immunization and health will be difficult.

In addition for countries which introduced a large number of vaccines during the time that GAVI was providing support, a large amount of revenue will be required to maintain the immunization vaccine coverage rates attained for each antigen. Thus countries like Sao Tome & Principe, Lesotho and Kenya are likely to require less funding compared to countries of comparable population size and economy that introduced more vaccines.

In countries experiencing rapid economic growth, as was the case with Ghana, the accelerated transition phase may be quite steep depending on the level of domestic co-financing the country had reached in the preparatory phase (a function of the time spent in this phase) and the total vaccine bill that the country will take at the end of the accelerated phase. In the case of Ghana, due to the economic crisis, the country has been reclassified and the transition has been halted. Nevertheless, the country has been struggling to meet its co-financing requirements, defaulting in 2014 and 2015. In addition, the current economic crisis and the health system reforms such as unification of the wage scale across government workers has resulted in declines in financing for immunization through the government budget and the implicit cover of immunization activities under the National Health Insurance Scheme which in turn has further strained the already struggling NHIS.

Lastly, for some countries like Nigeria, Côte d’Ivoire, Cameroon and Mauritania, immunization coverage is still low. This is likely to decrease as is the case in Angola and Congo due to stock-outs resulting from inadequate financing. Thus sustaining gains in immunization coverage will be a challenge. This is further constrained by other challenges in the health system including weak supply chain management, poor capacity for public finance management and lastly, human resource capacities.

Although the stance in the past has been for many countries to adopt immunization specific legal and financing instruments such as immunization laws and trust funds, the current policy by GAVI alliance partners is to promote dialogue and action for sustainable financing mechanisms that guarantee increased financing for health as a whole.
Too many financing pools fragment the financing landscape and therefore, limit the degree of cross-subsidization, introduces inefficiencies due to high administrative costs and duplications in funding. This section explores the financing arrangements for managing domestic resources for health.

**How are domestic resources for health managed?**

Using NHA data, Figure 13 below shows that for the greater part, the share of total health spending managed through public government financing arrangements was relatively high at approximately 40% per annum. This proportion did not change much over time. On the other hand, the share of compulsory prepaid spending was small increasing marginally by 5.7% from 2.47% in 2000 to 3.87% in 2015. The share of prepaid health expenditure provides a great opportunity for improving financial protection, cross-subsidization of risk and equity in access for those covered.

The predominant financing mechanism for health insurance varies by country. A few countries like Algeria, Cabo Verde, Gabon, Ghana and Rwanda had social health insurance expenditure greater than 5% as a proportion of total current expenditure.

**Figure 13. Financing arrangements for public domestic spending on health in Africa, 2000–2015**

![Figure 13. Financing arrangements for public domestic spending on health in Africa, 2000–2015](image)

In response to the challenge of transitioning from external financing, there has been a push in LICs and LMICs for governments to develop disease-specific investment cases, legal and financing instruments such as immunization trust funds that ensure sustainable financing for disease programmes so as to ensure that the gains in health outcomes achieved through external financing are maintained. (39, 40). The reality is that these mechanisms have not yielded the financing needed and create the potential for further fragmentation of health financing mechanisms leading to reduction in cross-subsidization, inefficiency due to high administrative costs and fragmented service delivery mechanisms.

**2.2. How are domestic resources for health in Africa managed**

The way funds are pooled and managed has important implications for financial protection and equity. In general, the bigger the pool, the greater the capacity for cross-subsidization from the rich, healthier, younger to the poorer, sicker and the older who need services and may not afford care.

**Figure 14. Financing arrangements for private domestic spending on health in Africa, 2000–2015**

![Figure 14. Financing arrangements for private domestic spending on health in Africa, 2000–2015](image)
Managing private domestic expenditure

National Health accounts data was used to explore the financing arrangements for private health expenditure. As Figure 14 shows, the share of voluntary financing arrangements as a proportion of total health spending declined over the years by 8%. Even though this decline was driven more by the decline in financing managed by the households (about 10% reduction) the share of private expenditure managed by households is still high (35%).

On the other hand, the average share of health spending managed by voluntary health insurance (VHI) schemes rose from 3.28% in 2000 to 5.14% in 2015. VHI schemes are able to provide financial protection for those covered by the scheme but are limited by the fact that eligibility is tagged to ability to pay and therefore is not a useful instrument for extending care to the poor.

Countries like Botswana, Namibia, South Africa, Senegal and Zimbabwe had expenditure through voluntary health insurance greater than 10% of total current health spending with South Africa 46% of Total health spending managed through VHI.

Overall, voluntary health insurance is the more predominant form of health insurance (37 countries) compared to compulsory health insurance (22 countries) with 18 countries have both types of financing mechanisms.

Coverage by a prepayment scheme

Domestic health expenditure in the form of health insurance is growing in the Region. The figure below provides a snapshot of health insurance coverage from the available data. Data from recent Demographic Health Surveys (DHS) in the years 2005–2016 was used to determine the coverage by health insurance schemes. Out of 47 countries, data was available for 35 countries only (41-70). Data was unavailable for some countries like Cabo Verde and Botswana that have significant prepaid expenditure as a proportion of total current health expenditure as shown above.

The DHS reports provide disaggregated data on coverage of health insurance by age, sex, place of residence, socio-economic quintile and education status. Disaggregated data by sex was collected and the arithmetic mean of health insurance coverage for both sexes was calculated to determine the total coverage by health insurance.

Fig. 15 Coverage by prepayment scheme in Africa
Figure 15 shows that only 4 countries in the region have attained population coverage by health insurance that is greater than 20%. These include Gabon (40%, 2012), Ghana (55%, 2014), Kenya (20%, 2014) and Rwanda (74%, 2014/15). It is important to note that countries with high voluntary health insurance expenditure such as South Africa, Zimbabwe and Namibia had low overall population coverage. For instance, in Namibia, despite the fact that voluntary health insurance is 24% of current health expenditure in 2013, only 17.6% (DHS 2013) of the population benefits from this expenditure. Similarly in Zimbabwe only 7.0% (DHS 2010/11) of the population benefits from spending through voluntary health insurance which was 16% of current health spending in 2011.

2.3. What is domestic financing paying for?

This section describes the status of outputs and outcomes of domestic expenditure on UHC goals. Issues explored include efficiency in health spending, equity in spending with a special spotlight on decentralized contexts, equity in distribution of health benefits as well as the status of financial protection in the Region.

Except for financial protection, most of the evidence presented in this section pertains solely to domestic public spending.

Effectiveness in resource allocation

Allocation across the input mix

The figure below compares average government health spending for health system inputs as a proportion of total government health spending to planned costs for each input for the period 2010 to 2015 in a sample of countries. Expenditure estimates were obtained from Ministry of Health Survey data. The planned costs are based on the cost of delivering essential health services as estimated in the country health sector strategic plans that were implemented in the period under review (71, 72). This is under the assumption that costs were estimated for the optimal input mix needed to guarantee delivery and uptake of the package of services.

For the 3 countries with available data, government health expenditure by health system input differs from planned costs per input. All 3 countries spent more on Human Resources (HR) as a proportion of total spending than was planned. HR expenditure as a proportion of total government spending was four times planned costs in Uganda, two-fold in Kenya and lastly 1.5 times in Côte d’Ivoire. Conversely, actual expenditure on health products was consistently lower than planned costs in all the countries.

The difference between planned costs and actual expenditure could be explained by two things. The discrepancies between allocation and spending could stem from misalignment between the budgeting and the planning processes resulting in some items receiving more funding than others. It is also likely due to fungibility of government spending resulting from the fact that other sources are paying for some inputs such as commodities. Donors like GAVI, GFATM, and PEPFAR provide financial support for health commodities like drugs and diagnostics and therefore the government redirects its limited spending to other inputs such as the wage bill and infrastructure. However, this is both inefficient as it does not guarantee a priori, the right mix of inputs needed to supply the services. It is also unsustainable as the case study on transition from donor support in section 2.1 shows.

Allocation across health services

Figure 16 below shows public expenditure on health by service delivery level based on evidence from National Health Accounts reports for each country. In all countries, there are huge differences in the proportion of government financing spent by level of service delivery. In Namibia (73), Mali
Democratic Republic of the Congo, Malawi and Uganda, health expenditure at the primary level is crowded out by health spending on tertiary care level facilities and other costs (including administration, information systems etc.). On the other hand, in the Democratic Republic of the Congo, Burkina Faso, Guinea and Ethiopia, spending at the tertiary level is less than at the primary care level.

However, comparing expenditure to what is need for optimal service delivery and uptake (as evidenced by planned costs) in countries where the data is available shows that at the point of expenditure, countries allocated and spent more on tertiary level care than on primary care despite having prioritized the latter (71, 81).

2.4. What is the distributional impact of domestic spending

Geographical equity

Active steps towards ensuring no one is left behind are critical to achieving universal health coverage. This implies targeting health spending in a way that ensures equitable access to all irrespective of who they are; ability to pay or where they reside. Thus, ensuring geographic equity in resource allocation is critical for the attainment of UHC goals.

Now where is the issue of geographical equity and effectiveness pertinent than in decentralized settings. Evidence from Kenya sheds more light on issues pertinent to differences in domestic resource mobilization and expenditure for health at the sub-national level. Kenya recently undertook massive reform to devolve its government implying devolution of fiscal, management and service delivery functions to the county level of government.

A review of government expenditure reports shows that in 2016/17 government health expenditure per capita (both central and county government) varied markedly by county with Machakos spending almost 470 Ksh per capita and Migori spending almost 5350 kshs per capita (see Figure 17) (82).
The recent mid term review of the Kenya health sector strategic plan shows variations in health outputs. The review found that in 2015, there was a 50% difference between institutional delivery rates between the top 1 performing counties and the lowest 10 performing counties. In addition, outpatient utilization rates varied from 1.1 visits per capita in the lowest performing county to 4.5 visits per capita in the highest performing county with a national average of 2.2 visits per capita. This signals that there are inequalities in public spending at the county level which may also be resulting in differences in outputs by county.

Further still, the figures show differences in budget execution rates showing that differences in health expenditure by county are not only a function of differences in budget outlays but also due to a difference in absorption capacity at the county level. It is not enough to mobilize the funds to ensure equitable access. The efficiency with which the budget is executed impacts on actual service delivery. Unspent funds at sub-national level compromise geographic equity in service access.

**Socio-economic equity in public spending**

Public spending is crucial for addressing inequities in access and utilization stemming largely from financial and; to a degree, physical barriers in access. For public spending to be equitable, it must target those most in need of the subsidy, in other words the poor.

A recent review of the distributional impact of public spending for health in LICs shows that health care in many Sub-Saharan African countries is largely pro-rich (83). The review of studies conducted in Côte d’Ivoire, Ghana, Madagascar, Malawi, Nigeria, South Africa and the United Republic of Tanzania shows that in many cases, while primary care services are largely pro-poor, hospital care (in-patient and out-patient) is largely pro-rich meaning that the poor are unlikely to access secondary or tertiary care should they need it compared to wealthier socio-economic groups. Other studies in the region support the finding (84-86).

**Box 2. Ghana health insurance BIA improvements.**

Ghana reformed health financing in 2003 following legislation for a National Health Insurance scheme (NHIS) that legislat-ed mandatory insurance for formal sector workers using Social Security and National Insurance Trust (SSNIT contributions (2.5%) and 2.5% (Value Added Tax) VAT contribution for indigents as well as contributions from informal sector together with indigents (87). This was aimed at reducing impoverishing user fees associated with the cash & carry system. Since then 40% of the population has enrolled in the NHIS.

A recent study was conducted to determine whether subsidies by the government including the NHIS resulted in equitable access and utilization of services (88). The study found that despite the reforms, the richest quintile accounted for 23% utilization of health services despite having 16% of the share of need whilst the poorest quintile received 15% of the subsidy and yet it needed 23% of the subsidy.

This shows that while reforms like health insurance have the potential to improve access to and utilization of services there is need for attention to better targeting these services to ensure that those who need them most actually benefit from the reform. This could be through complementary measures that address physical barriers to access ensuring equitable distribution of health service inputs such as health workers and facilities.

**Progressivity of domestic spending**

Health financing mechanisms must be equitable in the sense that payments or contributions for health must be according to ability to pay with the rich spending more as a proportion of their income and vice versa for the poor. To achieve UHC, countries need to adopt more progressive forms of health financing.

A recent review showed that at a systemic level, most sources of public financing are progressive in nature (83). Studies conducted in countries like Ghana, Tanzania, Uganda, South Africa show that general tax revenue including indirect taxes like VAT are progressive mechanisms for financing health services. In contrast, out of pocket payments were shown to be regressive meaning that those with lower ability to pay, spend more on health as a share of their income than those with higher ability to pay.

At a scheme level, in countries like Ghana, premium payments for the informal sector to the NHIS were shown to be regressive (ibid). These payments are flat payments that are paid irrespective of ability to pay or income level. Thus, even for pre-payment schemes, attention to the mode of financing or contribution is critical to ensure fair financing and financial protection.

There is therefore a need for countries to pay attention to the nature of financing sources that are being used to finance efforts to achieving UHC so as to ensure that they are equitable and sustainable.
2.5. Financial protection in Africa

Reducing catastrophic spending on health and impoverishment due to utilization of health services is one of the goals of UHC. There have been attempts to generate evidence on the status of financial protection for countries in the region. The World Bank, has to-date conducted the most comprehensive assessment of financial protection for countries in the region using evidence based on the World Health Survey 2003 (89).

The analysis shows that for most countries in the region, catastrophic expenditure was high at both 10% and 25% thresholds irrespective of the approach used (ibid). Out of the 19 countries with available data, only one country had levels of catastrophic spending less than 5% at all thresholds. In some cases, like the Republic of the Congo and Comoros, the levels of catastrophic spending were as high as 41.4% and 42.3% using the budget share approach. Considering this most of the estimates predate a lot of health financing reforms that countries like Burkina Faso, Gabon, Ghana, Kenya, Rwanda, Sierra Leone, etc. have taken to improve financial protection through health insurance or abolition of user fees and therefore does not capture the impact of these reforms. It nevertheless provides a useful baseline that can be used by countries to monitor the impact of reforms implemented. More recent studies exist for countries that show much lower but nevertheless unacceptable estimates of catastrophic spending and impoverishment due to utilization of health services. The table below is a summary of studies assessing financial protection in some countries in the region. This is by no means exhaustive.

In brief, levels of catastrophic spending and impoverishment have reduced; however, they are still unacceptably high. However, the paucity of up-to-date, country-specific disaggregated evidence on the status of financial protection highlights a gap that needs to be addressed for effective monitoring of progress on reform for improving financial protection and UHC.

### Table 3. Summary of evidence on financial protection from some countries in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Catastrophic expenditure</th>
<th>Impoverishment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Senegal</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Uganda (90)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Ghana (91)</td>
<td>2.6%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Kenya (92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rwanda (93)</td>
<td>32.2%</td>
<td>17.3%</td>
</tr>
<tr>
<td>South Africa</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>United Republic of Tanzania (94)</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

2.6 Progress on action for increased domestic financing for UHC

Countries have made laudable efforts in ensuring that there are appropriate legal and policy frameworks and plans to ensure sustainable financing for health. As of 2017, 18 countries had developed a health financing strategy or policy while a further 12 were in the process of developing one. In countries where a health financing policy or strategy exists, there are a few that have made significant headway in implementing health financing reforms. For many implementation challenges exist including inadequate institutional capacity, lack of shared understanding of UHC and health financing and what it means for the country amongst relevant stakeholders; poor engagement of other sectors critical for implementation of reform inter alia. There is a need to address the gaps in implementation capacity identified above.
2.7. Summary of findings

Box 4 below provides a summary of the salient issues arising from the review of the status of domestic spending in the Region.

Box 4. Summary of findings from the review

- Recent trends in the region show a slow-down in economic growth driven by a few countries in the region does not augur well for increasing fiscal space for health in the region. Given the projected resource needs for achieving UHC and the SDGs, countries will have to develop creative solutions to ensure sustainable health financing and the other investment priorities required for achieving the SDGs.

- Out of pocket spending in the WHO region of Africa is still unacceptably high despite improvements in the economy. There is need for corrective action to reduce the share of OOP expenditure as a proportion of total health expenditure.

- Public domestic spending on health as a proportion of total health expenditure has declined overtime and falls short of political commitments such as the Abuja Declaration and normative guidance despite growth in the economy in the region. While HIC and UMIC are more dependent on domestic spending, the LICs and to a lesser extent the LMICs are highly dependent on external financing. Interestingly, countries in the LIC and LMIC category have varied in the degree of public investment in health and as a proportion of their total public spending despite having similar income implying that it is possible to improve public investment and prioritization of health in spite of economic constraints.

- External financing drove the increase in health spending in the region and for the most part replaced domestic spending in particular out of pocket spending. Evidence from countries that are graduating from external support indicates that the road to transition is not easy fraught with challenges in maintaining service coverage resulting from inability to raise the needed revenue, meet co-financing requirements and broader health system challenges such as weak supply chain management. There is urgent need for building sustainability at a systemic rather than programmatic level centred on increasing domestic mobilization of resources.

- There is scope for improving allocation of mobilized resources across inputs and services in some countries in alignment with planned priorities and to ensure improved equity in utilization of health services so that no one is left behind. Despite improvements in financial protection, levels of catastrophic expenditure and impoverishment remain unacceptably high. In addition, the paucity of up-to-date evidence undermines regional and country efforts to monitor progress to UHC.
Chapter 3. Key Policy messages for countries in the Region

The review in the previous chapter highlighted a number of key issues that should be addressed in order to ensure sustainable financing for UHC in the region. This chapter provides a few considerations for addressing the issues highlighted.

Reducing out of pocket spending in Africa

With 13 years left on the countdown to 2030, there is urgent need for countries in Africa to address the unacceptably high levels of out-of-pocket (OOP) spending. Countries will need to take active steps to increase public expenditure on health whilst reducing reliance on external financing and OOP. The evidence has shown that countries that extended service coverage and reduced OOP did so by increasing public expenditure on health. Such countries used compulsory financing mechanisms like increased government tax revenue, payroll taxes to extend care to all is what has worked in countries that have made significant progress towards achieving UHC. These include France, Japan and Thailand. Closer to home, countries like Gabon (95, 96), Ghana (87) and Rwanda (93, 97-99) have taken bold steps in extending care for the formal and informal sector as well as the very poor. Such steps involved complementing general budget expenditure on health with the establishment of health insurance schemes using tax revenue such as Value Added Tax (VAT), in the case of Ghana, and transactional taxes and mobile phone taxes, in the case of Gabon, to ensure extended coverage through health insurance. This additional revenue from the new taxes was used to provide a subsidy by the government to provide cover for the poor and the informal sector. Thus for most countries depending on the starting point, health financing reform will require both compulsory mechanisms and subsidies (7,8).

Lastly, given the inter-linkages between health and other priorities and the constrained public purse, there is scope for consideration of a multi-sectoral approach to health financing that puts development at the centre rather than one that isolates health from other priorities.

Engendering more health for the money

The fiscal realities in the region, the wide scope of the SDGs and the competing priorities needed to achieve and the fact that resources are finite means that countries it is not enough for countries to raise more money, concomitant attention to efficiency and value for money are necessary to ensure that maximum results are achieved. Thus, every intervention that fosters efficiency is critical. The WHO report 2010 (8) identifies some critical interventions for reducing waste and inefficiency including rational prescribing, reduction in counterfeit drugs and more. In settings like Africa where vertical funding and delivery of services is rife, there is need to reduce inefficiencies in service delivery. Thus it is critical for countries to identify areas of inefficiency in service delivery and address them. This is critical for achieving integrated service delivery. Diagnostic tools that identify these inefficiencies and potential solutions are available.

In addition as the example from Kenya shows challenges in utilization of mobilized funds undermine the potential for improving health service delivery, equity and health outcomes. It is critical therefore, that the health sector engages effectively in the Public Finance Management Cycle to ensure that all public revenue for health is fully utilized, allocated in a manner that ensures that those cost-effective and effective services are implemented and that the people that need the services the most are able to access them.

Managing transition from external financing

The case study from countries transitioning from GAVI support shows that on the whole, there is need for pro-active measures for governments to own spending on health. Key to this is to implementing sustainable domestic resource mobilization reforms as outlined above. However there is also need for evidence-based decision-making and dialogue to inform adoption of new technologies. Such evidence would include rigorous health technology assessment taking into account the cost-effectiveness and need of the intervention, affordability and budget impact of the intervention as well as proposals for government sources of financing for the technologies once support ends. This will necessarily entail building adequate capacity for these assessments in the region.

In addition, there is need for countries to consider early on integrated serviced delivery models that allow for health system strengthening e.g. strengthening the supply chain management system, strengthen the public finance management system etc. and fosters cross program efficiencies. Identifying these areas of inefficiency or duplication are critical for engendering action early on for integration.
**Fostering action for increased domestic resource spending**

As section 2.6 showed, there is no dearth of evidence-based policies and strategies on sustainable financing. The bottleneck is in capacity to implement the reform. There is need to build shared understanding and capacity at country level to ensure implementation of evidence-based health financing reform. This should include all eligible stakeholders at all levels of government focusing on the systemic perspective rather than that of a financing instrument. It should also embed understanding on health financing reform in broader health system and socio-economic context so as to enable countries implement feasible solutions for addressing the high OOP payments.

**Targeting domestic spending on health to what matters**

In order to harness the potential that domestic resources, particularly compulsory forms (general tax and compulsory insurance) for health have to offer, there is need to ensure that domestic spending for health is targeted in a manner that benefits those that need it the most and purchases the identified evidence-based options for maximum impact. Strategic purchasing instruments like evidence-based resource allocation formulae that take into account differences in need measured by population and health status; that adjust for differences in the ease with which services are provided e.g. connection to the electricity grid, hard-to-reach areas and more provide opportunities for addressing sub-national geographic imbalances.

In addition, the way health providers are paid provides some scope for ensuring cost containment, increasing efficiency and improving equity. In many countries in the region, the traditional approach to paying providers has been through input based mechanisms e.g. paying salaries, paying for equipment etc (7, 100). These mechanisms do not foster improved performance in terms of quality of care and desired outputs. Most countries in the region have moved away from this form of purchasing to more output based mechanisms where the emphasis is on performance or results. These results based financing reforms have been implemented in many countries including Rwanda, Burundi, Democratic Republic of Congo and more with promising results in terms of increasing service coverage, of needed services and quality.

**Institutionalization of monitoring**

Data and evidence are crucial in the quest to “leave no one behind”. As the review above shows there is a dearth of reliable evidence on where countries lie with regards to progress towards UHC. In order to ensure that available data and evidence for monitoring the impact of health financing reform, there is need for countries to invest in strong information systems, routinization of collection of good quality disaggregated data such as health expenditure data, household or living standards surveys that can be used to generate evidence for monitoring progress towards UHC.

**Conclusions**

Countries have committed to achieving UHC and the SDGs by 2030. Inherent in these is the need to address all forms of injustice with an explicit focus on “leaving no one behind”. This will require political will to do so and more focus on government-led planning and financing for health.

Government led financing for health will require greater outlays for health from public revenue as well spear heading reforms like health insurance and strategic purchasing mechanisms that put those that are usually left behind are put firmly in the centre of health reform.
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African Regional Health Expenditure Dashboard

Population (2015, thousands): 993,163

Average Current Health Expenditure (CHE) as % of GDP: 6.18%

Average Current Health Expenditure (CHE) per capita USD (2015): $114

Average GDP per capita USD (2015): $2,200

Current health expenditures per capita and as share of GDP

Structure of current health expenditures by financing source

Public expenditures on health from domestic sources as % of total public expenditure and as % GDP

Current Health Expenditure as % of GDP [CHE%GDP] in 2015

Public expenditures on health from domestic sources as % of total public expenditure [GGHE-D%GGE] in 2015

Note: regional averages are unweighted

Source: WHO Global Health Expenditure Database, 2017