



Independent observer
of the Global Fund

INCREASED DOMESTIC FINANCING AND EFFICIENCY OF HEALTH EXPENDITURE NECESSARY AMID COVID-19 IN AFRICA

In a virtual meeting convened by the African Union on 8 and 9 October 2020, health and finance ministers from east and southern Africa discussed how to sustain Africa's earlier health gains in the face of COVID-19. They agreed on the dual importance of raising domestic resources for health and improving the management of available resources. The stance is summarized as “more money for health and more health for money.” Strong leadership and social protection for the most vulnerable are the two other additional levers to “build back” after the COVID-19 crisis. Peter Sands, the Executive Director of the Global Fund and Donald Kaberuka, the Chairman of the Global Fund Board, as well as representatives of multilateral organizations like the World Health Organization (WHO), GAVI (the Vaccine Alliance), and the World Bank addressed the participants and emphasized different aspects of those four levers.

In 2018, African leaders acknowledged that their governments needed to take greater responsibility for their citizens' health and committed to increase funding for the health sector, establish a scorecard and tracking mechanism to monitor countries' progress towards that goal, and convene a meeting of their ministers of health and finance biannually (hence this virtual meeting). Currently, donors fund a substantial proportion of vital programs to fight AIDS, malaria, and support immunization.

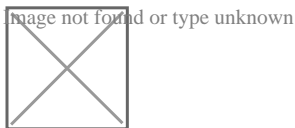
Better health outcomes associated with increased funding

In the last two decades, health outcomes improved in Africa, even though their levels remain lower than in the other parts of the world. According to the WHO, in Africa, [life expectancy at birth](#) increased from 52.1 in 2000 to 61.2 in 2016 when the global figure was 72.0 years. This was partly due to reduced child mortality, and better care and treatment for persons living with HIV. The mortality rate of children under five years decreased from 93 per 1 000 live births in 1990 to 39 per 1 000 live births in 2017. Despite that

drop, the mortality of African children under five is still the highest in the world.

These relatively better outcomes are due in part to higher average health expenditure per capita in Africa, which, according to the [WHO database](#), increased from \$46 in 2000 to \$124 in 2017. Despite an increase of 166% over the last two decades, this remains the lowest average health expenditure globally. In comparison, the second-lowest average health expenditure was \$192 in South-East Asia in 2017.

Figure 1: Current health expenditures for select years by WHO region



Source: WHO database

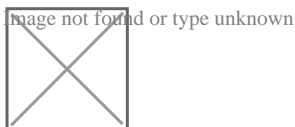
Out-of-pocket expenditures are high

This increase in health expenditure is attributed to donor funding and general economic growth.

According to Donald Kaberuka, as African economies grew, most countries increased their health expenditure accordingly. However, they did not prioritize health: their governments did not spend a bigger share of resources on health. Few African countries complied with the 2001 Abuja Declaration in which they committed to spending 15% of the government budget on health.

Consequently, almost 40% is out-of-pocket health expenditure: persons who need care pay at the point of service. This heavy reliance on out-of-pocket expenditure (OOPE) has catastrophic consequences since households could fall into poverty because of a health crisis. This type of financing also poses equity issues as the poor and vulnerable are less likely to afford expensive care.

Figure 2: Out of Pocket expenditures (OOPE) in health as a share of total health spending



Source: Presentation by Donald Kaberuka at the meeting of African Ministers of Health and Finance

Note: LMIC: lower middle-income country; SSA: sub-Saharan Africa; LIC: low-income country; UMIC: upper-middle-income country

Donor funding and co-financing requirements

Organizations that fund health in Africa are the multilateral Global Fund to fight AIDS, Tuberculosis, and Malaria, GAVI, The Vaccine Alliance, World Bank, Africa Development bank, and the bilateral government donors, like PEPFAR (the US President Emergency Plan for AIDS Relief) and the French Agence Française de Développement (AFD), amongst others. The multilateral organizations for sustainability and transition require that their grants add to the governments' spending, but do not replace it. This is known as the "additionality principle."

For example, for its 2020–2022 investment cases, the Global Fund expects recipient governments to invest \$42 billion in health systems and fighting the three diseases. In addition to that, it requires that low-

income countries invest in health system interventions that reinforce the programs' efficiency, like better routine data systems or laboratories. In practice, many low-income countries also purchase health commodities like antiretroviral therapy (ARV) for HIV or mosquito nets for malaria. GAVI requires that low-income countries [pay \\$0.20 per dose](#) of any GAVI-supported vaccine used in routine immunization programs. These co-financing requirements increase over time and as countries grow wealthier.

Donors' interventions are not always coordinated with each other and aligned with government priorities and systems. In most African countries, the main health donors for HIV programs like the Global Fund or PEPFAR establish their own system to procure and store health commodities, collect data on utilization, and audit the grants. They also enforce their co-financing policies with ministries of health and finances that receive competing requests for co-financing commitments from other donors.

These parallel systems fragment health systems and lack synergy and efficiency: some activities may be duplicated, while there may be gaps in some programs.

COVID-19 increases the urgency for more efficiency

It was acknowledged that the waste caused by the lack of coordination among partners and country alignment was damaging and regrettable. The 2005 [Paris Declaration on Aid Effectiveness](#) identified the alignment of donors on countries' objectives and the harmonization of activities and procedures as two of five principles that were necessary to increase aid impact.

In its recent [thematic review of partnership](#), the Technical Evaluation Review Group (TERG) of the Global Fund recommended that there be "more transparency and better coordination [at a] global level and in countries" to avoid duplication and increase impact.

Such waste becomes increasingly unaffordable, especially since the World Bank has projected a worldwide [recession of 5.2% in 2020](#) following COVID-19. Sub-Saharan Africa as a region will experience its first recession in 25 years with a [growth of -3.3](#), according to the World Bank. Recession in developed European or American countries may reduce the assistance given to multilateral and bilateral organizations that fund health in Africa, as these countries are their biggest donors. Overall, there might be a funding gap in health programs that may result in higher OOPE. However, many households that suffered job losses or reduced income because of COVID-19 could not afford these OOPE. These households are likely to forgo care or face catastrophic expenditures.

Participants in the meeting highlighted a silver lining of the COVID-19 pandemic: it advocates for increased health funding and greater efficiency to protect the gains of the last few decades and to achieve the Sustainable Development Goals. Some civil society organizations that participated in the meeting published a [communiqué](#) that highlighted the need to invest in research and development for disease surveillance, readiness, and efficient responses to an epidemic emergency.

[Read More](#)
