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## INCREASE IN DOMESTIC HEALTH FINANCING IN AFRICA WILL BE HARD AMID COVID-19

The world is facing its sharpest economic contraction since the Great Depression as a result of COVID-19. African governments are facing the dual challenge of responding to and mitigating a pandemic at the same time as experiencing a sudden and unprecedentedly huge economic shock. After more than two decades of positive growth, [Africa's economy is expected to contract](#) by around 4 percent in 2020, a 7 percentage point decrease in comparison to pre-COVID-19 growth forecasts. In terms of income per capita, there will be an average decline of 6 percent.

Most African governments are responding to this economic shock by increasing government spending in 2020. However, with revenues hit by the slow-down, the pandemic will leave many countries with larger deficits and higher debt. African countries' debt-to-GDP ratio will rise by 8 percentage point of GDP on average in 2020. Reduced revenues and limited borrowing capacity mean that most countries in Africa will face pressures to scale back spending from 2021 onwards. Based on International Monetary Fund (IMF) projections of June 2020, we estimate that 40 out of the 52 countries, for which we have data, will see falling expenditures in 2021, and that the fall would be 3 percent on average. However, with the continuation of the pandemic, and hopes of rapid global economic recovery receding, this estimate is likely to be over optimistic.

The result is that 40 percent of countries will have lower per capita spending in 2021 than in 2019. Southern Africa will be worst hit and countries that depend on commodity exports and those that are already highly indebted will face deeper cuts. However, these cuts in spending will occur when we are likely to still be in the midst of a global pandemic. Governments will need to continue maintaining higher health spending, even if only on a precautionary basis against a potential new wave of COVID-19. A slower than expected recovery will also mean that the expanded social protection programs many

countries have introduced in response to COVID-19 will need to be maintained.

### Hard fiscal choices lie ahead

This will leave many governments with the difficult choice of whether to cut spending in other sectors to reallocate funds to healthcare. Even if this can be done, the costs of responding to COVID-19 and the need to protect the most essential health expenditure mean that countries will have to make difficult decisions regarding expenditure priorities to focus spending on the most efficient and effective programs.

Further international support will be essential to help maintain spending on health. Official development assistance still accounts for more than 20 percent of total health spending in 20 of 55 African countries. Global health programs will play a crucial role in supporting countries to both maintain spending on health, and ensuring that all countries have fast, fair and equitable access to COVID-19 diagnostics, therapeutics and vaccines through initiatives such as the Access to COVID-19 Tools (ACT) Accelerator and the COVAX Facility.

However, currently there seems to be little prospect that increased development assistance is going to play a major role in alleviating spending pressures, although it is difficult to assess trends given a shortage of publicly available data. In the short-term, it seems that the flow of aid has held up reasonably well. However, in the medium-term, the flow of aid looks more vulnerable. The economies of traditional donor countries have taken a significant hit and hopes of a swift recovery are fading. The 'front-loading' of the International Development Association's (IDA) resources by the World Bank also means that if an additional replenishment is not forthcoming, then IDA flows in 2022 could be much lower than anticipated prior to the crisis.

The pandemic has demonstrated the costs of weak health systems and safety nets. The crisis offers an opportunity to boost recovery by constructing a new social contract, moving towards universal health coverage, and expanding the reach of the social safety net through programs such as [universal child benefits](#) and social pension schemes. Financing this will require building more [effective tax systems](#), taking hard expenditure prioritization decisions to protect spending on essential services, and [focusing spending](#) on the most efficient and effective programs. To maintain progress in improving the health of populations, ministries of finance will need to take measures to maintain higher levels of government spending and the reallocation of funds to the health sector. In return, ministries of health will need to ensure value-for-money when spending at a time when the overall fiscal position is strained.

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