



Report

Prospects for public spending on health in Africa

A background paper for African Ministers of Finance and Health

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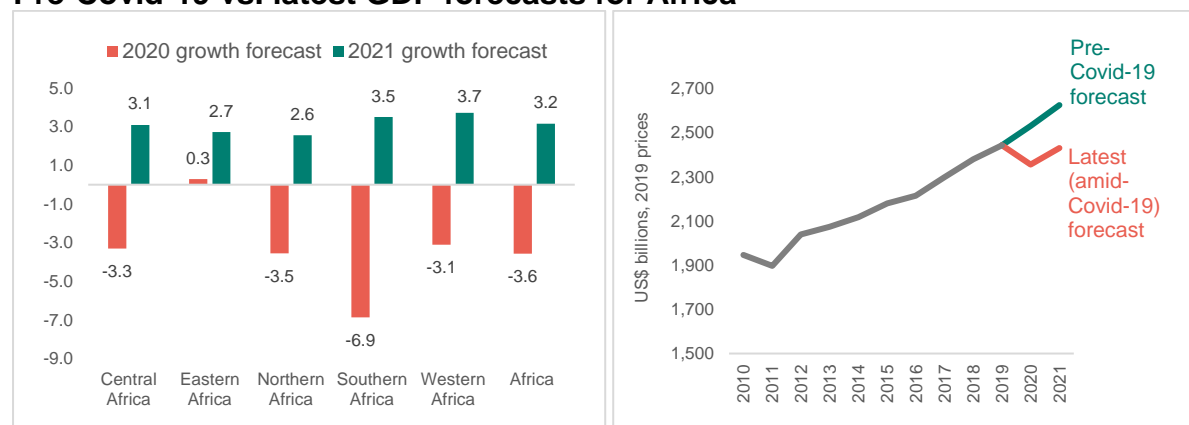
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Executive summary

African countries, in common with the rest of the world, are facing the dual challenge of responding to and mitigating a pandemic at the same time as experiencing a sudden and unprecedentedly large economic shock. The International Monetary Fund (IMF) and the World Bank estimate that total African gross domestic product (GDP) will contract by 3.6% in 2020. All countries are affected, with the greatest impact in Southern Africa (-6.9%) and the least in East Africa (0.3%).

While economic growth is expected to return in 2021, growth rates are projected to be lower than those forecast before the onset of Covid-19, and will not fully offset the fall in 2020. After years of growth, African GDP in both 2020 and 2021 will be less than in 2019. This means that Africa's economy could be \$175 billion smaller in 2020 and \$195 billion smaller in 2021 – a cumulative output loss of \$370 billion compared with the pre-Covid-19 forecast. Beyond 2021, the recession in most African countries is expected to damage the continent's long-term labour productivity and potential output trajectory.

Pre-Covid-19 vs. latest GDP forecasts for Africa



Many African governments are responding to the Covid-19 crisis by rapidly increasing spending. As a result, we project that, despite the fall in GDP, total government expenditure will be 3% higher in 2020 compared to 2019. The range of responses across Africa is wide, with South Africa announcing a fiscal stimulus of around 10% of GDP and several others putting in place packages of between 4% and 8% of GDP. The aim is to address both the direct health impacts of Covid-19, by spending additional funds on prevention, preparedness and treatment, and the indirect impact imposed by the economic contraction, through spending additional funds on support to households and businesses.

The Covid-19 crisis and the global slowdown are also hitting revenues, particularly in resource and tourism dependent countries, which means that many countries are financing this increase in expenditures through increased borrowing. On average, this will cause the debt-to-GDP ratio to rise by 9 percentage points of GDP in 2020, exacerbating debt vulnerabilities in Africa. With revenues sharply depressed amid rising spending pressures, almost all countries have relied increasingly on external sources (and, for some, domestic borrowing) in 2020 to counter the unfolding health and economic crises. Such large deficits are not sustainable, and IMF fiscal projections assume that further large-scale borrowing will not continue in 2021 as fiscal adjustment plans are implemented. We estimate that government spending will thus be scaled back falling by 1.3% in 2021. This masks significant regional differences. In Central, East and North Africa, spending is expected to continue growing in 2021, although by less than 2% in all regions. In Southern Africa it is expected to fall by 6%, and by 1% in West Africa. In both these regions spending in 2021 will be lower than it was in 2019.

The result of this is that total government expenditure is projected to increase across Africa by \$16 billion in 2020 (equivalent to 1% of GDP), but then decline by \$7 billion in 2021. Whilst it is reasonable to assume that in many countries, some of the overall increase will have been allocated to the health sector and funding for the response to the pandemic, we do not yet know how countries will allocate spending reductions. Thus, the medium to long-term prospects for public funding of health care are more fragile than the short-term outlook. As the immediate crisis recedes, governments will come under pressure to consolidate their public finances.

The picture is worse when considering expenditure in per capita terms. Public spending per capita is likely to be lower in 2021 than in 2019 in all regions except for East Africa, on current projections. Per capita spending is expected to fall in 21 countries, 40% of those for which we have data. Health spending is likely to especially come under pressure in countries that depend upon commodity exports and/or are already highly indebted, where pressure for spending cuts will be most acute. Less than a quarter of countries in Central and North Africa are likely to see falling per capita spending. By contrast, over a third of countries in West Africa, nearly half of countries in East Africa and over two-thirds in Southern Africa will see declining per capita spending. South Sudan and Zambia are projected to be especially hard hit, with health expenditure falling by around a third between 2019 and 2021. Cameroon, Djibouti, Nigeria, Tunisia and Zimbabwe all face falls of greater than 10%, and Angola, Botswana, Burundi, Eswatini, Liberia and Mauritius all face falls of 5–10% in per capita expenditure between 2019 and 2021.

To maintain pre-Covid-19 trends in per capita public health spending, governments will need to, on average, reallocate around 1% of their budget towards the health sector in 2021. In Southern Africa, the reallocation would need to be twice this size. However, this is unlikely to be sufficient because, as well as pressures on health spending coming from falls in per capita government spending, there will be pressures from increased costs as a

result of the pandemic. Governments will need to maintain delivery of essential basic services such as for reproductive, maternal and child health, malaria control and vaccinations to avoid negative indirect consequences from Covid-19 prevention and response efforts. Resources to combat Covid-19 should not be diverted from such essential activities.

It seems unlikely that development assistance is going to play a major role in alleviating these spending pressures in the medium term. A lack of publicly available, granular information makes it difficult to assess trends in overseas development assistance for Africa's health sector. A review of donor announcements does help in painting a rough picture. In the short-term, it seems that ODA flows are likely to have held up reasonably well. However, in the medium-term, ODA flows to the health sector start to look more vulnerable. The economies of traditional donor countries have taken a significant hit and hopes of a swift recovery are fading. During the last global financial crisis, the immediate financial response was relatively generous, but aid flows then adjusted down as a result of lower economic output. The 'front-loading' of IDA resources 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 outlook for health spending in 2020 is more benign than might be expected in the midst of a global economic downturn, as most countries have adopted countercyclical fiscal policies to maintain spending in the face of a downturn. However, the picture for 2021 onwards is far more troubling. The economic effects of the pandemic will leave many countries with larger deficits and higher debt. With hope of a rapid global economic recovery receding, many countries are likely to come under pressure to raise taxes and cut back spending. Where countries are experiencing falls in total per capita spending, to avoid health spending per capita also falling, reallocations to the health sector will be required. Difficult fiscal choices lie ahead.

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. Financing this will require both building more effective tax systems, and by taking hard expenditure prioritisation decisions to focus spending on the most efficient and effective programmes. To maintain progress in improving population health, Ministries of Finance will need to take measures to maintain higher levels of government spending and reallocate funds towards the health sector. In return, Ministries of Health will need to improve the value-for-money of spending at a time when the overall fiscal position is strained.

1 Introduction

This paper aims to set out what we currently know about the economic downturn produced by the coronavirus pandemic, how this is affecting government finances in Africa and what the knock-on effects on health spending may be.

It does this by combining the most recent economic growth estimates and fiscal projections from the International Monetary Fund (IMF) and World Bank with projections for government spending from the World Bank for 2019, 2020 and 2021. This allows us to estimate the path of spending over 2019–2021. We also estimate the potential effects of changing expenditure on health rates by utilising estimates of the marginal productivity of health spending.

Section 2 sets out the impact of the coronavirus pandemic on economic growth in Africa. Section 3 sets out the fiscal consequences, discussing the impact on revenues, expenditures and deficits and debt. Section 4 looks at pressures on health spending as a result of these fiscal challenges, and discusses prospects for development assistance for health, and how Covid-19 may be increasing the cost of providing health services. Section 5 concludes, emphasising the challenges faced, but also suggesting the opportunities for reform that a crisis can bring.

The primary source for economic growth forecasts is the IMF's Sub-Saharan Africa Regional Economic Outlook update from June 2020 (IMF, 2020c), supplemented by either the World Bank's Global Economic Prospects (World Bank, 2020a) or the African Development Bank (AfDB) Africa Economic Outlook (AfDB, 2020a).

For health expenditure as a percentage of total government expenditure, we use unpublished World Bank staff estimates; from these estimates GDP (together with World Bank staff estimates for GDP per capita, and health spending per capita), we also impute total government spending as a percentage of GDP. For countries where data are missing, for fiscal projections we use either IMF projections from the April 2020 Fiscal Monitor (IMF, 2020a), or IMF country reports; for health spending as a percentage of total government spending, we use data from the World Health Organization (WHO) Global Health Expenditure Database. The growth and expenditure estimates are available for 53 countries (all but Libya and Sahrawi Republic).

It is worth stressing at the outset that this paper relies on estimates of the future that are inherently uncertain. Rather than providing complete accuracy, they should help forecast more likely outcomes, key trends and

patterns within and across Africa, and thus help policy-makers prepare for the future. As a former chief economist of the IMF recently stated with regard to economic growth forecasts, ‘You are getting something that is useful...but in general, you are not getting high accuracy’ (The Economist, 2020).

2 A challenging macroeconomic context

The policy and behavioural response to the Covid-19 pandemic has generated a large negative economic shock. It has repressed mobility, disrupted economic production, tempered consumption and investment, and created massive unemployment. African economies are now facing an adverse economic spill over from the global economic downturn at the same time as suffering a domestic shock from the stringent measures implemented to contain the spread of the virus.

Latest data on the global economic impact of Covid-19 show that the world is facing its sharpest contraction since the Great Depression. Forecasts by major organisations such as the IMF, World Bank and the Organisation for Economic Co-operation and Development (OECD) all predict that global output will contract by more than 5% in 2020, growing up to 8 percentage points less in 2020 than was forecast prior to the pandemic. World trade fell dramatically, by 27%, in the second quarter of 2020, and is expected to decline by 20% overall in the year (UNCTAD, 2020a). International tourism is projected to contract by 45% and up to 70% if normal activity does not begin in September (OECD, 2020a). Global foreign direct investment (FDI) is also forecasted to plunge by 40% this year, bringing FDI below \$1 trillion for the first time since 2005 (UNCTAD, 2020b). Remittances are projected to decline by 20%, following the fall in wages and employment of migrant workers (World Bank, 2020b).

Financial markets also experienced heightened risk aversion at the onset of the pandemic, and many emerging and developing countries have witnessed substantial capital outflows, equity price volatility, tightening financial conditions, rising government bond spreads, eroding banking system profitability and depreciation pressure on local currencies (OECD, 2020b; World Bank, 2020a). However, since the height of falling risk asset prices early in the year, global financial conditions have eased significantly on the back of swift and bold actions of monetary authorities to alleviate market stress (IMF, 2020e). Subsequently, since late March, there has been a recovery in equity markets in systemically important economies, a narrowing of spreads in the credit market and stabilisation of portfolio flows to emerging markets (*ibid.*). This deep downturn in the global economy is also affecting African economies through their exposure to global trade (especially commodity exports), tourism, financial and investment flows (Raga and te Velde, 2020).

After more than two decades of positive growth, Africa is expected to contract by around 3.6% in 2020, which is 7 percentage points weaker than predicted in pre-Covid-19 growth forecasts (Table 1). Based on the latest projects of the IMF/World Bank, this means that Africa's economy could be \$175 billion smaller in 2020 and \$195 billion smaller in 2021 – a cumulative loss of \$370 billion (in 2019 US dollar prices) on the pre-Covid-19 forecast. The impact of the pandemic is worse in per capita terms. On average, every African is expected to see their income falling by 5.9% in 2020, or by \$111 from the 2019 per capita income level.

Table 1. Pre-Covid-19 vs. latest growth forecasts for Africa

| Real GDP growth (%) | Pre-Covid-19 forecast 1/ | | | Latest real GDP growth forecasts 2/ | | | Difference from pre-Covid-19 forecast (percentage points) | | |
|--|--------------------------|-------------|-------------|-------------------------------------|--------------|-------------|---|-------------|------|
| | Country coverage | 2020 | 2021 | Country coverage | 2020 | 2021 | 2020 | 2021 | |
| IMF: Sub-Saharan Africa (SSA) | 45 | 3.6% | 3.7% | 45 | -3.2% | 3.4% | -6.8 | -0.3 | |
| World Bank: SSA | 43 | 2.9% | 3.1% | 47 | -2.8% | 3.1% | -5.7 | 0.0 | |
| IMF/World Bank: African Union (AU) 3/ | 54 | 3.6% | 3.7% | 54 | -3.6% | 3.2% | -7.2 | -0.5 | |
| AfDB: AU 4/ | Baseline | 54 | 3.9% | 4.1% | 54 | -1.7% | 3.0% | -5.6 | -1.1 |
| | Worst case | N/A | N/A | N/A | | -3.4% | 2.4% | -7.3 | -1.7 |
| AfDB: SSA | Baseline | 45 | 3.7% | 3.9% | 45 | -2.4% | 3.1% | -6.1 | -0.8 |
| 5/ | Worst case | N/A | N/A | N/A | | -4.2% | 2.2% | -7.9 | -1.7 |

Notes:

1/ Pre-Covid-19 forecast based on Economic Outlook reports released in January 2020 by AfDB, IMF and World Bank

2/ Latest forecast for AfDB released in July 2020; for IMF in June 2020; for World Bank in June 2020

3/ Authors' aggregation based on IMF forecast growth rates for AU countries except Sahrawi Republic, weighted by 2019 nominal GDP (\$) from World Development Indicators (WDI). World Bank or AfDB forecasts are adopted for countries without IMF forecasts

4/ Figures based on AfDB Economic Outlook reports

5/ Authors' aggregation based on AfDB forecast growth rates for African countries, weighted by 2019 nominal GDP (\$) from WDI; SSA countries are based on World Bank regional groupings

International trade data as of April 2020 indicate sharp export declines, by 36%, in Africa (UNCTAD, 2020a). Amid uncertainty and extremely low oil prices, FDI flows to Africa are expected to fall by 25–40% (\$11–18 billion) this year, further declining from a 10% fall in 2019 (UNCTAD, 2020b).

The latest data from South Africa shows a 17.1% year-on-year output contraction during the second quarter of 2020 (when the lockdown was implemented), driven by sharp contractions in mining, construction and manufacturing activities, all of which fell by around third (SSA, 2020). This makes South Africa's January-June 2020 GDP 8.7% smaller compared to similar period in 2019, and whether South Africa's output contraction will

ease to -8% forecasted by the IMF will be dependent on the speed of recovery for the rest of the year. In Nigeria, data shows that the value of announced investment projects had fallen by 67% to \$5.1 billion in the first half of 2020 from \$15.2 billion during the same period last year (NIPC, 2020). Announced investments in mining and quarrying had declined sharply, by 92% to \$1 billion from \$12.3 billion (*ibid.*). Driven by the sharp declines in oil prices, Nigeria's export earnings declined by 12% (or by \$2 billion) during the first quarter of 2020 compared to similar period a year ago (Olurounbi, 2020). In Kenya, re-exports had fallen by 83%, partly reflecting the disruption in intra-regional commerce in East Africa, marked by the sharp decline in Kenyan exports to Rwanda, Tanzania and Uganda (Mold and Mveyange, 2020). Between January and April, tourist arrivals in Africa had fallen by an estimated 35% (UNWTO, 2020). As a result of the pandemic, the African aviation industry has lost an estimated \$4.2 billion; Ethiopian Airlines has reported a \$550 million loss, forcing it to cut international flights from 110 to 19 destinations (Getachew, 2020). In the financial sector, capital outflows from Sub-Saharan Africa amounted to almost \$5 billion in February to May (IMF, 2020c).

However, some sectors are recovering fast and are thriving despite the pandemic. For instance, Kenya's tea exports reached a record high in April, fruit exports have surpassed levels of past years (Mold and Mveyange, 2020), and demand for flowers had recovered to 85% of pre-pandemic demand as of July (Mohammed, 2020). In Uganda, coffee exports had increased to a record high in June, with value and volume increasing by 21% and 18%, respectively (MFPED, 2020).

Remittances to Africa are expected to decrease by 23.1%, equivalent to a fall of \$20 billion, in 2020 (World Bank, 2020a). Cabo Verde, Comoros, The Gambia, Lesotho, Liberia and Senegal, which receive large flows of remittances (up to 10% of GDP), will be particularly affected (AfDB, 2020a). Meanwhile, remittances in Zimbabwe as of July had increased by 33% to \$466 million last year (Vinga, 2020), highlighting the countercyclical role of remittances amid the pandemic.

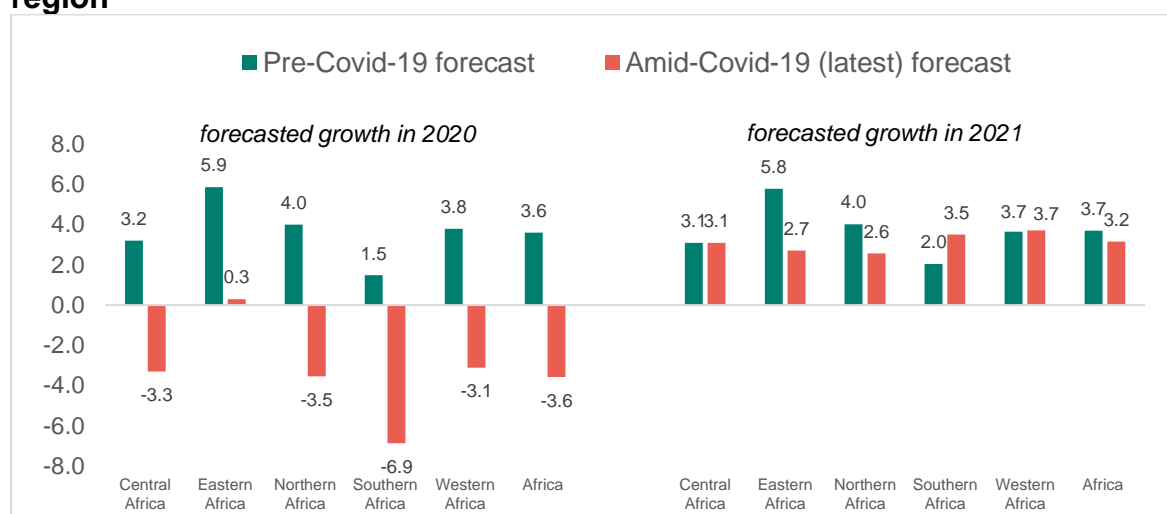
Higher government Covid-19-related expenditures and the impact of the economic crisis on revenues increase the likelihood of debt crisis, since many countries in Africa already had high debt-to-GDP ratios prior to the pandemic (detailed discussion in Section 3). Flight to safety sentiments in the financial markets have triggered capital outflows equivalent to 0.5% of GDP from the continent, forcing authorities to rely largely on official and expensive domestic financing (IMF, 2020c).

With dampened economic demand from external trade partners, compounded by the stringent measures (e.g. lockdowns, travel restrictions, social distancing) imposed by African governments to contain the spread of the virus, Africa's economic contraction is expected to result in 25–30 million job losses, which will be felt most by the working poor (AfDB, 2020a). Meanwhile, disruptions to the imports of food and energy products have triggered an increase in inflation on the continent. This could push an

additional 28–49 million Africans into extreme poverty, with three out of five new extreme poor to be concentrated in Central and West Africa (ibid.).

The impact of Covid-19 varies by country and region (Figure 1), depending on economic structure and existing pre-pandemic vulnerabilities. The sharpest downward growth revisions are projected in tourism-dependent economies such as Comoros, Mauritius, São Tomé and Príncipe and Seychelles, followed by oil-exporting countries such as Angola and Nigeria (AfDB, 2020a; IMF, 2020c; World Bank, 2020a). Meanwhile, relatively more resilient growth is expected from non-resource-intensive economies such as Côte d’Ivoire, Ethiopia, Kenya and Senegal (ibid.).

Figure 1. Pre-Covid-19 vs. latest growth forecasts for Africa by region



Notes: Authors’ aggregation based on IMF forecast growth rates for African countries, weighted by 2019 nominal GDP (\$) from WDI. World Bank or AfDB forecasts are adopted for countries without IMF forecasts. Countries per region are based on AU grouping.

The only region projected to avoid a decline in economic activity in 2020 is East Africa, where growth is forecast to be just in positive territory, benefiting from prior years of strong growth. This is despite this region suffering from a recent locust invasion that is devastating the agriculture sector as well as Covid-19. Growth in Southern Africa (-6.9% in 2020) and West Africa (-3.1%) is expected to be hit severely, driven by the projected sharp contraction in these regions’ respective major economies, particularly South Africa and Nigeria. Negative growth in Central Africa (-3.3%) is also expected, mainly because of a contraction in oil- and commodity-exporting countries (e.g. Democratic Republic of Congo (DRC), Equatorial Guinea and Gabon), which are being affected by the collapse in commodity demand and prices, particularly for oil (AfDB, 2020a). All North African countries are also expected to contract through exposure to global oil prices (Algeria and Libya) and tourism (Morocco and Tunisia), except for Egypt, which benefited from economic reforms and foreign exchange buffers prior to the pandemic (ibid), with the region as a whole shrinking by 3.5% in 2020.

While the output contraction in Africa will have a negative impact on per capita growth in all regions this year, the incomes of East Africans will relatively fall less sharply (by -2.3%, or \$22 less per person) than those of

their counterparts, particularly Southern Africans, whose income is expected to fall by 8.9% (or \$273 less per person).

While all regions are forecast to rebound in 2021, there are high uncertainties in these projections and major downside risks, as they assume there will be no second wave of Covid-19 in 2021 and no continuation of stringent social distancing measures. Further uncertainty and risk come from weak health care systems, constrained fiscal policy space, limited capacity to implement social distancing measures, debt distress risks and potential food security crisis (World Bank, 2020a). These economies may have less available policy space than many other countries (e.g. fiscal resources, monetary policy tools and instruments) to address the immediate economic and health impact of the pandemic (Raga and te Velde, 2020).

Beyond 2021, the Covid-19 pandemic also poses risks of long-term scarring of labour productivity and potential output of African countries. Evidence suggests that the SARS, MERS, Ebola and Zika outbreaks led to a 6 percent cumulative loss in labour productivity five years after the onset of the epidemic (World Bank, 2020a). Lower potential output is also evident four to five years after recessions (ibid), and this can become more visible in the continent in the coming years since Covid-19 is pushing many African countries into deep recessions. The World Bank (2020a) estimates that emerging markets and developing countries (EMDEs, including low-income countries) could experience potential output that is 6 percent lower after five years from the onset of a recession—with worse impact if the recession is coupled with a financial crisis or an oil price collapse.

Thus, once the urgency of addressing the health crisis subsides, African governments need to focus interventions on mitigating the lasting economic damages of the Covid-19. To preserve labour productivity, there is a need to continue human capital accumulation (e.g., health, nutrition, education) and to invest on productivity-enhancing technology and skills which can re-tool the unemployed, accommodate work-from-home employment and nurture thriving sectors amid the pandemic (e.g., e-commerce, digitalised services).

Since a financial crisis is estimated to exacerbate the severity of long-term output losses from recessions (World Bank, 2020a), African countries need to implement appropriate macroprudential regulations and counter-cyclical monetary and fiscal policy to avoid the realisation of a widespread financial distress. Governments may also opt to take on bad debt by acquiring banking assets at minimum prices, capitalising banks, taking equity stakes in companies and provide government-backed guarantees (Papadavid and te Velde, 2020). Development finance institutions can also play an active role by extending loan repayment moratorium and providing ‘bounce back better’ facilities that can channel finance to transformative firms (Griffith-Jones and te Velde, 2020). This can sustain production and enable firms not to default on loans from banks, effectively protecting the financial system’s resiliency and firms’ productive capacity at the same time moving forward.

Energy exporters—a key feature of many African countries—are projected to suffer more from lasting output damages from a recession with an oil price collapse (World Bank, 2020a). Hence, the Covid-19 highlights the need to accelerate efforts in diversifying growth drivers in Africa. Interventions may include promotion of diverse exports, engaging with wider trading partners, enhancing business environment to foster private sector competition, radically transforming innovation in productive sectors and improving acquisition of labour skills required by transformative firms (see Banga and te Velde, 2020; World Bank, 2020a). These interventions can create quality jobs at scale, broaden the tax revenue sources, and make growth less vulnerable to volatility in global prices, helping African economies become more resilient to address future shocks.

3 The fiscal impact of the Covid-19 crisis

This section assesses the fiscal impact of the Covid-19 crisis on African countries using the most recent fiscal projections for 2020 and 2021 for before and amid the pandemic from the IMF and World Bank.¹ It first discusses trends in total government revenue and then trends in total government expenditure. It concludes by assessing the impact of these trends on the sustainability of public finances.

Our key message is that fiscal projections assume that Covid-19 is a temporary shock that will lead to a significant increase in total government expenditure and a fall in revenue in 2020 driven by the freeze in tourism, lower commodity prices and temporary tax cuts and deferrals (summarized in Table 2). In real terms, total government revenue in 2020 is \$60 billion below the pre-Covid-19 projection for 2020, whereas government spending is projected to be \$1.1 billion higher. This will ultimately translate into larger fiscal deficits and higher levels of borrowing across all regions in 2020.

However, in 2021, in most African countries total government spending will be scaled back as a share of GDP, though the level of spending (in real terms) will be slightly above the pre-Covid-19 forecast level for Central Africa and East Africa, and significantly above for North Africa. In contrast, total government spending in Southern Africa and West Africa will fall below the pre-Covid-19 projected level. And while revenue is expected to recover in 2021, in almost all countries, total government revenue is not projected to return to the pre-Covid-19 level.

Table 2. Summary of projected fiscal impact of Covid-19 pandemic by region, 2020-2021

| Region | Total government expenditure | Total revenue |
|-----------------------|---|---|
| Central Africa | Increase in most countries in 2020 with the exception of Cameroon (oil exporter). Scaling back in 2021 in most countries though | Large revenue decline in 2020 in oil exporters, Cameroon, Congo and Gabon, and tourism-dependent São Tomé and Príncipe. Although there is some recovery expected in |

¹ The figures used in this section are based on best available data for each indicator, and as a result the country coverage varies between 38 and 52 countries depending on the indicator. Expenditure-to-GDP ratios for the Covid-19 projections were imputed based on data shared by the IMF and World Bank in July 2020, whereas revenue-to-GDP ratios are from the IMF April 2020 Fiscal Monitor. These ratios are used to project expenditure and revenue amid Covid-19. Revenue ratios may therefore be out of date compared with expenditure ratios. The pre-Covid-19 projections for both revenue and expenditure were obtained from the IMF Fiscal Monitor October 2019 for most countries.

| Region | Total government expenditure | Total revenue |
|------------------------|---|---|
| | expenditure accounts for a large share of GDP compared to pre-covid-19 projection. | 2021, revenue levels will generally fall below the pre-covid-19 projected level for most countries. |
| East Africa | Increase in most countries in 2020, with the largest projected increase in Seychelles and Sudan while South Sudan (oil exporter) is main exception. Response in 2021 is mixed across region. | Revenue losses in several countries in 2021, especially tourism-dependent Seychelles and Madagascar. Significant losses in Djibouti due to falling revenues from port activities (AfDB, 2020a). Although there is some recovery expected in 2021, revenue levels will generally fall below the pre-covid-19 projected level for most countries. |
| North Africa | Significant increase in region driven by Algeria and Morocco in 2020 and Algeria and Egypt in 2021. Tunisia is main exception. | Large revenue losses in Mauritania, Tunisia, and Algeria (oil exporter) in 2021. Although there is some recovery expected in 2021, revenue levels will fall below the pre-covid-19 projected level for all countries with data. |
| Southern Africa | Significant increase in most countries in 2020, particularly South Africa. Exceptions are Angola, Zambia and Zimbabwe. Scaling back in almost all countries in 2021, especially South Africa. | Significant revenue losses in all countries in 2020, especially Angola (oil exporter), and other resource-intensive countries, South Africa, Zambia, and Zimbabwe. Although there is some recovery expected in 2021, revenue levels will generally fall below the pre-covid-19 projected level for most countries. |
| West Africa | Increase in almost all countries in 2020 with the exception of Nigeria (oil exporter). Scaling back in almost all countries in 2021 with their total spending falling below pre-covid-19 level in 2021. | Revenue shortfalls in most countries, especially Niger, Nigeria (oil exporter) and other resource intensive economies, Liberia and Ghana. Although there is some recovery expected in 2021, revenue levels will generally fall below the pre-covid-19 projected level for most countries. |

3.1 The impact on government revenues

The pandemic is leading to significant revenue shortfalls across all regions as a result of reduced economic activity (as Table 3 shows). Oil exporters and tourism-dependent countries are being hit particularly hard. Among the former, Nigeria's revenue-to-GDP ratio is projected to decline by 2.8 percentage points (or 39% decline in absolute terms); among the latter, Seychelles' revenue will fall by 1.5 percentage points (or 17.4% decline in absolute terms) between 2019 and 2020. Djibouti is expected to experience falling revenues from port activities (13.2% decline in total government revenue; AfDB, 2020a).

Several countries have also introduced tax policy measures (including tax cuts and deferrals) to counter the economic effects of Covid-19 (AfDB,

2020a).² The government of Rwanda suspended tax audits, and extended deadlines for filing and paying corporate income tax for 2019. Benin postponed the payment of taxes, duties, and social security contributions for companies in the most affected sectors. Cabo Verde deferred tax payments until December 2020. Kenya reduced corporate and turnover tax as well as introduced cuts in the income tax and VAT rates.

Table 3. Change in total revenue by region, 2019–2021 (year-on-year)³

| Region | Change in revenue as share of GDP (percentage points) | | Change in revenue, US\$ constant prices (%) | |
|------------------------|---|------------|---|------------|
| | 2019–2020 | 2020–2021 | 2019–2020 | 2020–2021 |
| Central Africa | -1.0 | 1.0 | -8.8 | 10.1 |
| East Africa | -0.1 | 0.1 | -0.2 | 2.9 |
| North Africa | -1.4 | 0.7 | -7.1 | 5.4 |
| Southern Africa | -2.3 | 0.3 | -14.8 | 4.7 |
| West Africa | -1.8 | 0.5 | -18.2 | 9.5 |
| Africa | -1.5 | 0.4 | -10.7 | 5.7 |

Source: Authors' calculations based on data from IMF Fiscal Monitor April 2020 and country requests for IMF assistance for any missing countries.

Reduced economic activity and measures to cushion the impacts of the crisis will lead to a loss in total revenue between 2019 and 2020 amounting to \$46 billion for the African countries, equivalent to 2% of their total GDP in 2020. Although the revenue-to-GDP ratio is projected to increase slightly across all regions in 2021, by 0.4 percentage points or 5.7% in absolute terms (Table 3), the projected revenue level (US\$ constant prices) in 2021 will be below the pre-Covid-19 projection in almost all countries. Overall, total revenue for African countries will be \$53 billion lower in 2021 than the IMF's pre-Covid-19 projection.

The economic crisis triggered by the Covid-19 pandemic may also adversely affect aid flows from donors who are facing their own budgetary pressures. Grants are an important source of government revenue in countries where the tax base has shrunk and borrowing from international capital markets is prohibitively expensive. However, among the 10 largest bilateral DAC donors, only the UK has announced cuts to its aid budget to date. Four donors (Canada, Germany, the Netherlands and the United States) have provided new funding specifically for Covid-19 initiatives, while most donors have re-allocated within existing budget (Carson et al., forthcoming). Although most of these donors do not have a specific geographic focus, three emphasize funding to Africa: France, Netherlands Norway.

² Botswana, Cabo Verde, Côte d'Ivoire, Egypt, Ethiopia, Eswatini, Ghana, Kenya, Madagascar, Mauritius, Senegal and South Africa.

³ Sample of 42 African countries: Central Africa (7), East Africa (11), North Africa (5), Southern Africa (6) and West Africa (13).

3.2 Expenditure responses to the crisis

According to IMF estimates, most African countries are planning to increase spending in 2020. This is to mitigate the impact of the crisis through greater spending on health care and virus containment measures and support to vulnerable households and businesses.

On average, the expenditure ratio is projected to increase by 1.6 percentage points (or 2.9% in absolute terms) in 2020 with a significant increase in Southern Africa (3.4 percentage points and North Africa (1.7 percentage points), as Table 4 shows. On average, the increase is more modest in West, East and Central Africa, at 1 percentage point or less, although in absolute terms, the rise in government expenditure is quite significant for East Africa (4.9%). For Africa as a whole, the median increase in expenditure as a share of GDP is 2.6 percentage points between 2019 and 2020 and the total increase in government expenditure is \$16.3 billion, equivalent to 0.7% of projected GDP in 2020.

The scale of the response to the crisis is fairly modest relative to other regions. As of August 2020, the fiscal stimulus response for a subset of 23 Sub-Saharan African countries where data are readily available⁴ is 1.6% of GDP, compared with 16.3% of GDP for G20 member countries.⁵ There are various reasons for these differences. G20 member countries typically have larger revenue to GDP ratios than African countries. Several G20 economies also have internationally convertible currencies that are freely traded, which means that the government can borrow in the knowledge that the investors will be happy to hold their debt. By contrast, most African economies are heavily reliant upon dollar-denominated debt. Some African economies also came into this crisis with higher levels of debt compared with a decade ago and as a result can afford only much smaller policy packages than in other emerging markets or advanced economies.

These factors are also reflected in the large variations in the extent of fiscal expansion across different countries. Some countries, notably South Africa, have announced fiscal stimulus packages as large as 10% of GDP. Other countries with large stimulus packages – between 4% and 8% of GDP – are Namibia, Niger and Senegal (AfDB, 2020a). By contrast, expenditure is expected to decline in several resource-intensive economies (oil exporters and other resource-intensive countries) owing to lower commodity prices. South Sudan⁶ and Zambia⁷ (both resource-intensive and highly indebted economies) are the main two exceptions to the expansionary fiscal stance described above, with expenditure as a share of GDP projected to fall by roughly 10 and 8 percentage points, respectively, in 2020. The lack of an

⁴ This sample of African countries excludes South Africa and includes Angola, Benin, Botswana, Cabo Verde, Djibouti, Ethiopia, Ghana, Guinea-Bissau, Kenya, Madagascar, Mali, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Uganda, Zambia and Zimbabwe.

⁵ GDP weighted for both aggregates.

⁶ In South Sudan, oil revenues account for more than 80% of GDP and about 90% of government revenues, which makes it highly vulnerable to fluctuations in international oil prices (AfDB, 2020a).

⁷ Copper generates 70% of Zambia's export earnings, and prices have fallen by about 20% since January 2020 (AfDB, 2020a).

anticipated fiscal expansion in Zambia as well as Zimbabwe may also be attributed to difficulties with accessing external financing, particularly from the IMF. This is due to arrears with other financial institutions and/or debt sustainability concerns (IMF, 2020f; 2020g). The IMF, however, is in active discussions with both Governments.

A look at changes in spending across different regions (see Table 4) also masks variation across countries. In Southern Africa, the substantial increase in spending for South Africa is partially offset by a large decline in Zambia and Zimbabwe (both resource-intensive economies). In North Africa, the large increase in Morocco is partially offset by the decline in Tunisia. The low estimate for West Africa compared with the other regions is a consequence of a significant decline in total government expenditure in Nigeria (a major oil exporter) and to a lesser extent Liberia (other resource-intensive) in 2020. The modest increase of 1 percentage point in Central Africa owes to a substantial decrease in total government expenditure in Cameroon (oil exporter). Similarly, the modest increase in East Africa owes to a substantial decline in government expenditure in South Sudan (oil exporter).

Table 4. Change in total government expenditure, 2019–2021 (year-on-year)⁸

| Region | Change in ratio (percentage points) | | Change in expenditure levels, US\$ constant prices (%) | |
|------------------------|-------------------------------------|-------------|--|-------------|
| | 2019–2020 | 2020–2021 | 2019–2020 | 2020–2021 |
| Central Africa | 1.0 | -0.3 | 2.5 | 1.4 |
| East Africa | 1.0 | -0.2 | 4.9 | 1.8 |
| North Africa | 1.7 | -0.5 | 2.6 | 1.1 |
| Southern Africa | 3.4 | -3.0 | 3.6 | -5.6 |
| West Africa | 0.6 | -0.7 | 0.5 | -0.9 |
| Africa | 1.6 | -1.1 | 2.9 | -1.3 |

Source: Imputed based on estimates shared by World Bank and IMF Country reports for any missing countries⁹

Looking out to 2021, the position is more uncertain. The IMF anticipates that most governments (40 out of 52) will scale back spending as global economic activity begins to recover and governments start to consolidate their fiscal position. Southern Africa is expected to experience the largest decline, largely as a result of the expected scaling back of South Africa's large fiscal response. The main exception to these projections is in resource-intensive countries, where forecasters may be anticipating a rebound in commodity prices.

However, despite expected consolidation of finance in 2021, the IMF is expecting that government expenditure will continue to account for a larger share of GDP in 36 countries in 2021 relative to 2019. Moreover, in absolute

⁸ Refers to a sample of 52 countries: Central Africa (9), East Africa (14), North Africa (5), Southern Africa (10) and West Africa (14). Data are missing for Cabo Verde, Libya and Sahrawi Republic.

⁹ Central African Republic, Comoros, Djibouti, Gabon, The Gambia, Liberia, Malawi, Mauritania, São Tomé and Príncipe, Seychelles, Sierra Leone, Somalia, Togo and Tunisia.

terms, total government expenditure is expected to increase in 3 regions in 2021, Central Africa, East Africa and North Africa (as shown in Table 4). This seems a reasonable assumption given the likely persistence of Covid-19 and the countercyclical fiscal measures being taken in response. Seychelles, Sudan and Togo are projected to have the largest increase, of 5–6 percentage points. South Sudan (-11.5), Zambia (-8.6) and Djibouti (-3.5), which are highly indebted countries, are the most notable exceptions to this trend. For the other exceptions, the differences in ratios between 2019 and 2021 are more modest.

3.3 Financing the fiscal expansion and fiscal sustainability

As a result of higher government spending and lower revenues, the pandemic will widen fiscal deficits across all five regions in 2020. As Table 5 shows, the (weighted) average deficit as a share of GDP will increase by 3 percentage points between 2019 and 2020, and decline by 1.5 percentage points between 2020 and 2021. The key underlying assumption for 2021 is that growth recovers and anti-crisis measures are scaled down as projected. This increase in the size of the fiscal deficit in 2020 is particularly pronounced for Southern Africa (-5.8), North Africa (-2.7) and West Africa (-2.3), given the large increase in government expenditure and/or fall in revenue described above for South Africa, Algeria and Nigeria.

Table 5. Change in the fiscal balance, 2019-2021¹⁰

| Region | As share of GDP (percentage points) | |
|-----------------|-------------------------------------|------------|
| | 2019–2020 | 2020–2021 |
| Central Africa | -1.6 | 1.0 |
| East Africa | -1.3 | 0.1 |
| North Africa | -2.7 | 1.1 |
| Southern Africa | -5.8 | 3.4 |
| West Africa | -2.3 | 1.2 |
| Africa | -3.0 | 1.5 |

Source: Authors' calculation based on forecasts imputed from World Bank estimates, and data from country requests for IMF assistance for any missing countries

Almost all countries in the region are making use of external sources to help in financing these deficits. As of the start of September, the IMF had provided emergency loan financing to 37 countries in Africa, totalling \$24.3 billion, to address urgent financing needs arising from the Covid-19 pandemic. The World Bank and AfDB are also scaling up their financial support, mostly in the form of concessional loans and grants, as discussed in Section 4.4; frontloading already planned \$50 billion lending from World Bank and \$8.6 billion¹¹ from the AfDB. As of August 25, the World Bank has approved 17 Covid-19-specific Development Policy Operations (budget support) in Sub-Saharan Africa for nearly \$2.9 billion (World Bank, 2020c). The AfDB has also approved Covid-19 related projects worth about

¹⁰ Sample includes 42 African countries. The other 13 African countries are excluded owing to missing revenue or expenditure data.

¹¹ This includes \$5.5 billion for sovereign operations and \$3.1 billion for sovereign and regional operations under the African Development Fund.

\$3.4 billion (AfDB, 2020c). Existing project resources are also being redeployed to finance the Covid-19 response.

These larger fiscal deficits, combined with exchange rate depreciations, will add to already high sovereign debt burdens in Africa, particularly in East and Southern Africa. Many countries in Africa entered the crisis period with high debt-to-GDP ratios, with a 2019 average of 73% in Southern Africa, 66% in East Africa, 65% in North Africa, 57% in Central Africa and 51% in West Africa. Among the region's 35 mainly low-income countries with IMF rating classifications, 16 were classified as at high risk¹² or in debt distress.¹³

International actors have agreed to offer some temporary relief through a reduction in debt financing obligations in 2020. Debt relief from official bilateral creditors and the IMF amounts to 0.3% of GDP and 1.2% of total government expenditure in 2020. The suspension of debt service payments from official bilateral creditors through the Debt Service Suspension Initiative (DSSI) between May and December 2020 has allowed beneficiaries to reallocate spending to health and other Covid-19-related areas. Of the 38 African countries eligible, 29 have agreed to participate as of September 2020. The *potential* fiscal space this initiative has created for the 38 countries is \$6.6 billion. However, this is unevenly distributed with Angola accounting for roughly 40% of these savings. Moreover, the DSSI savings is less than 0.7% of their respective 2019 GDP in 26 countries.

The overall public debt picture will significantly worsen despite the temporary relief being provided. Prior to the pandemic, the IMF had been forecasting (on average) a gradual decline in public debt levels in the region (IMF, 2020c, p.3). However, reduced economic activity and increased borrowing to counter the impacts of the pandemic will most likely result in a significant upward jump in debt levels across the board. Public debt-to-GDP is projected to rise by on average 8.7 percentage points in 2020 to 69.4% of GDP (simple average) for 41 African countries. The ratio is expected to increase for 35 countries; Table 6 shows those expected to experience the largest increase in debt as a share of GDP in 2020 by region.

Table 6. Significant build-up of public debt as a share of GDP in 2020 (percentage point)

| Region | Countries |
|-----------------|--|
| Central Africa | Republic of Congo (24), São Tomé and Príncipe (10) |
| East Africa | Sudan (95), Seychelles (27), Rwanda (17) |
| North Africa | Tunisia (16), Algeria (15), Mauritania (9) |
| Southern Africa | Zambia (24), Angola (22), Mozambique (16), South Africa (15) |
| West Africa | Guinea (9), Liberia (8) |

Source: IMF Fiscal Monitor April 2020 and October 2019, and country requests for IMF assistance for any missing countries.

Looking outwards, the IMF is currently projecting debt ratios to stabilise in 2022 as countries recover from the crisis (IMF, 2020b, p.4). However, these

¹² Cabo Verde, Cameroon, Central African Republic, Chad, Djibouti, Ethiopia, The Gambia, Ghana, Kenya, Mauritania, Sierra Leone and Zambia.

¹³ Republic of Congo, Mozambique, São Tomé and Príncipe, Somalia and South Sudan.

projections are subject to considerable uncertainty regarding the economic outlook and countries' ability to bring tax revenues to their previous levels. A longer lasting and more severe pandemic would trigger an even deeper global recession and push debt levels beyond what can be sustained. Moreover, higher debt service will potentially crowd out expenditure on health and other social services. Senegal, for example, spends about a third of its revenues on servicing public debt (AfDB, 2020b, p.13). The lack of publicly available¹⁴ data on updated debt service projections prevents us from assessing the budgetary implications of this recent build-up of public debt.

¹⁴ Debt service projections for 2020 and 2021 from the World Bank's International Debt Statistics are based on the debt stock at end-2018, and therefore do not take account of any change in debt service that may arise from changes in debt stock after 31 December 2018 in response to the pandemic.

4 The pressures on health spending

The sections above set out what we know about the probable impact of the Covid-19 pandemic on the economies of Africa, and the likely knock-on effect on the overall government finances. Assessing the impact of on health spending is more difficult, as it depends not just on economic growth and taxing and spending decisions but also on the amount of resources a government decides to allocate to the health sector. This section thus focuses on the patterns of health financing in Africa prior to the onset of the Covid-19 pandemic, and the pressures on spending that are likely to be faced over the coming years as a result of the likely fiscal impact described in the previous section. This section first discusses public spending on health as compared to other financing sources, then sets out the variation in pre-crisis spending on health and looks at the pressures health spending is likely to be under over the next two years through discussing forecast trends in total per capita spending. Where this is forecast to be squeezed, then governments will need to reallocate funds to the health sector from other sectors in order to avoid falling per capita health expenditures. It then looks at what we know about prospects for increased development assistance for health and finishes by reflecting on the increased costs for health that the pandemic has created.

4.1 Health financing in Africa and role of public spending

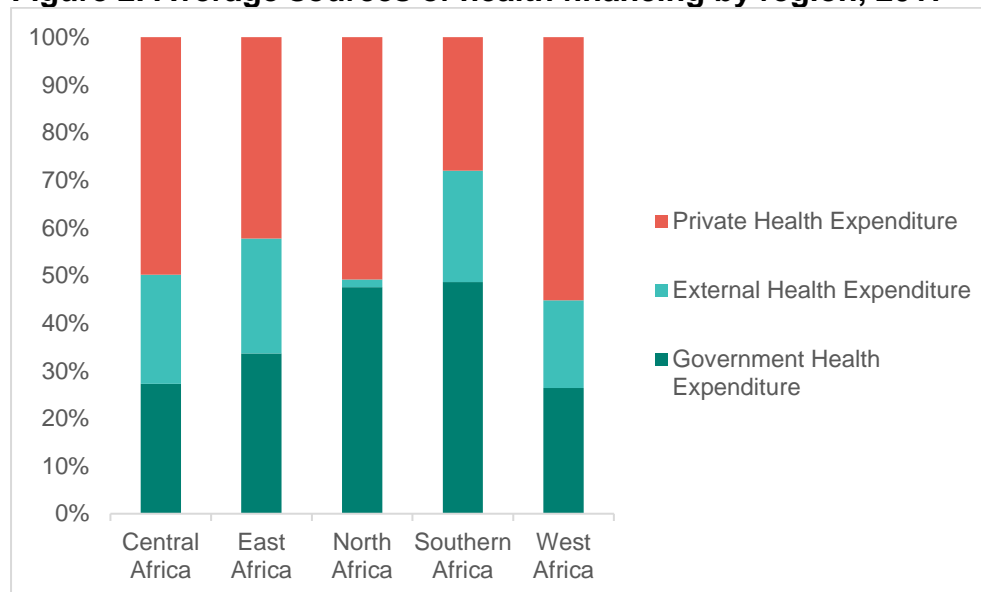
Health spending can be financed by public, private and external sources. The relative importance of these varies across regions. In North and Southern Africa, public spending accounts for just under half of total health spending. In East Africa, it averages just over a third, and just over a quarter in Central and West Africa, as shown in figure 2 below.

However, there is significant variation within regions. These typically vary by income level, with middle-income countries having higher percentages of public spending in total health spending. In low-income African countries, public spending on health is an average of 25% of health spending. In upper-middle income African countries, it is more than double this, 56%.

Lower public spending on health as a proportion of overall expenditure means that health financing relies on greater private expenditure. This is lowest in Southern Africa, at 28%, and highest, at 55% in West Africa. Private spending is dominated by out-of-pocket expenditures, except in

Southern Africa, where private health insurance makes up a large part of private health expenditure.

Figure 2. Average sources of health financing by region, 2017



Source: WHO Global Health Expenditure Database

External assistance for health averages just under a quarter of health financing in Central, East and Southern Africa, and is 18% in West Africa. It averages only 2% in North Africa. However, on a per capita basis it is twice as high in Southern Africa than in Central, East and West Africa.

The following sections focus first on pre-crisis patterns in public health spending, and then look at prospects for public and external health spending. We do not focus on private spending. However, to the extent that this is driven by private incomes, the falling per capita incomes discussed above can also be expected to lead to falls in private health expenditure.

4.2 Variations in pre-crisis spending on health

Prior to the pandemic, there was a high degree of variation across Africa and within regions, in per capita levels of public spending on health. This reflects i) differences in per capita incomes, ii) variations in the relative size of overall public spending and iii) different proportions of spending allocated to the health sector.

Predominantly middle-income Southern Africa and middle-income North Africa have the highest levels of per capita spending, at \$80 and \$119, respectively, as shown in Table 7 below. Central and East Africa, comprising mainly low-income countries, have much lower per capita spending, at \$10 and \$20, respectively. West Africa has similarly low levels of per capita spending despite being predominantly lower-middle-income. However, most of the middle-income population in this region is in Nigeria, which has a low level of health spending, at \$12 per capita.

Table 7. Regional health spending averages, 2019

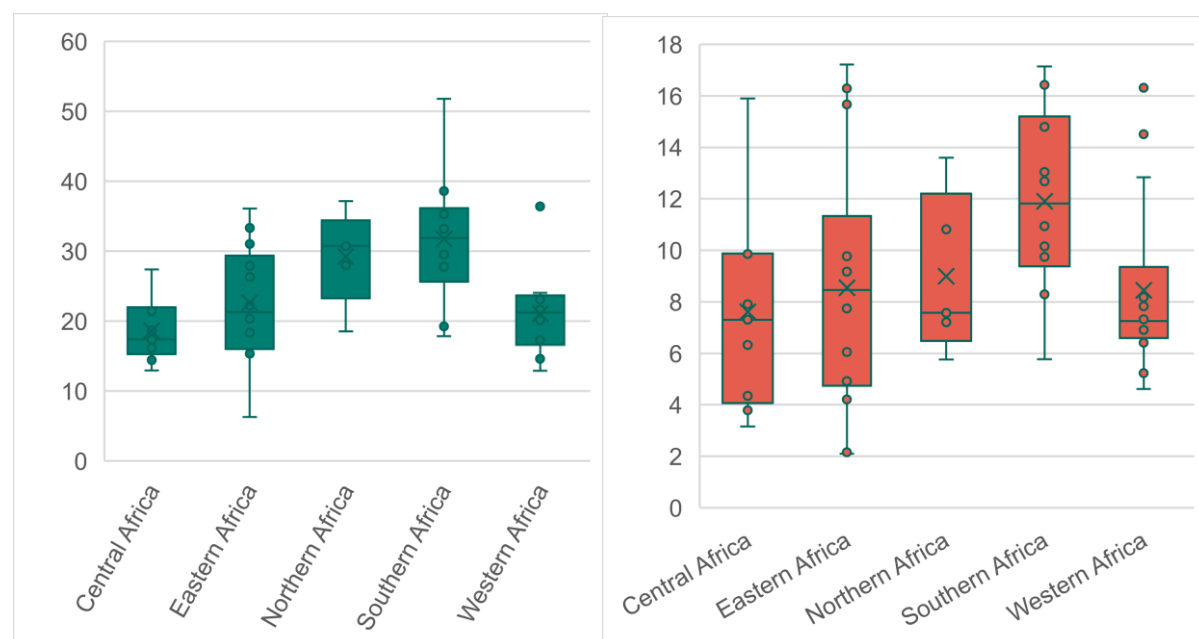
| Region | Health spending (% of total government spending) | Health spending (% of GDP) | Health spending per capita (US\$) |
|-----------------|--|----------------------------|-----------------------------------|
| Central Africa | 7.6 | 1.5 | 9.8 |
| East Africa | 8.5 | 1.9 | 20.1 |
| North Africa | 9.0 | 1.9 | 79.8 |
| Southern Africa | 11.9 | 3.8 | 119.2 |
| West Africa | 8.6 | 1.9 | 16.3 |
| Average | 9.1 | 2.2 | 40.5 |

Notes: Data are missing for Libya and Saharawi Republic. For Cabo Verde, Sao Tome & Principe, Seychelles and Somalia, the 2015–2017 average from the WHO Global Health Expenditure Database is used

Source: World Bank estimates, WHO Global Health Expenditure Database

Total government expenditure as a proportion of the economy is higher in North Africa and Southern Africa than in other regions. In both of these regions, median government expenditure is above 30% of GDP, whereas it is 21% or less in the other regions. However, there is also considerable variation within regions, as shown in Figure 3 below.

Figure 3. Distribution of total government expenditure (% of GDP) and health expenditure (% of government expenditure) by region, 2019



Note: Left-hand panel shows government expenditure as a percentage of GDP. Right-hand panel shows health expenditure as a percentage of government expenditure

Source: Imputed based on data shared by World Bank and IMF Country reports for any missing countries

There is also variation across regions and countries in the proportion of spending allocated to health. Table 7 shows that all regions see an average of between 7% and 9% of total government spending, apart from Southern Africa, where the average is 12%. East and North Africa have a similar level of prioritisation of health in the budget but per capita spending levels in North Africa are nearly four times higher. There is again considerable variation within regions, as the right-hand panel of figure 3 shows.

4.3 Prospects for health spending 2019–2021

Total government expenditure is projected to increase across all African regions in 2020 by \$16 billion (equivalent to 1% of GDP in 2020), but then decline by \$7 billion in 2021.

Tracking how budget adjustments have specifically affected health spending across all 54 countries is beyond the scope of this paper (and in many cases the data is not readily available).¹⁵ However, it is reasonable to assume that in many countries, some of the overall increase will have been allocated to the health sector and funding for the response to the pandemic. The IMF has reported that although the fiscal response to Covid-19 has been much smaller in low-income developing countries, the proportion devoted to health has been higher (Gurara, et al., 2020).

Several countries have reported reallocations to the health sector. Benin has reallocated around \$90 million from low-priority capital projects and recurrent spending to health (CABRI, 2020). Ghana has also cut its capital expenditure and reallocated funding to the health sector to respond to Covid-19 (IMF, 2020b). In South Africa, R21.5 billion (around \$1.2 billion) was made available to the health sector, through a combination of virements and supplementary allocations (Republic of South Africa, 2020). In contrast, as part of broader spending cuts, in Nigeria the primary health care budget is expected to be cut by over 43% from its original 2020 budget (Egba, 2020).

However, the medium to long-term prospects for public funding of health care are more fragile than the short-term outlook. As the immediate crisis recedes, governments will come under pressure to consolidate their public finances. This tightening of spending is reflected in IMF forecasts, which show expenditures starting to adjust downwards in 2021. With the exception of East Africa, calculations from IMF growth projections suggest that public spending per capita will be lower in 2021 than in 2019.

Health spending is likely to especially come under pressure in countries that depend upon commodity exports and/or are already highly indebted, where pressure for spending cuts will be most acute. Total public spending per capita is expected to fall in 17 countries in 2020 and in 37 countries in 2021. 21 countries will have lower per capita expenditures in 2021 than in 2019.

¹⁵ It is also hampered by data availability. Research by the International Budget Partnership has found that health sector budget transparency tends to be slightly worse than overall budget transparency and that governments should provide more detailed, disaggregated information in budget documents and data to allow for better tracking of spending on specific programmes and activities (Torbet, 2020).

Less than a quarter of countries in Central and North Africa are likely to see falling per capita spending. By contrast, nearly half of countries in East Africa and over two-thirds in Southern Africa will see declining per capita spending.

Table 8. Projected regional spending per capita, 2019–2021 (2017 US\$)

| Region | 2019 | 2020 | 2021 | Change 2019–2021 |
|-----------------|--------------|--------------|--------------|------------------|
| Central Africa | 140.4 | 139.7 | 137.7 | -2% |
| East Africa | 207.3 | 212.0 | 210.3 | 1% |
| North Africa | 952.5 | 960.3 | 954.8 | 0% |
| Southern Africa | 996.2 | 1,009.7 | 932.8 | -6% |
| West Africa | 254.4 | 249.1 | 240.6 | -5% |
| Total | 435.1 | 436.8 | 420.9 | -3% |

Source: Authors' calculations from World Bank estimates, April 2020 Fiscal Monitor, UN 2019 Revision of World Population Prospects.

Total government per capita expenditure in Zambia is forecast to fall by 37% in 2020, and not recover in 2021, falling by over a third in two years. Per capita expenditure in South Sudan is forecast to fall by 30% in 2020 and by a further 10% in 2021, leading to a 37% fall in two years. In Zimbabwe, per capita expenditure is forecast to fall by 19% in 2020 and to partially recover in 2021, leaving a 16% fall across the two years. In Nigeria, per capita expenditure is forecast to fall by 14% in 2020, and that in Cameroon by 12%, with no offsetting growth in 2021. Djibouti and Tunisia also face falls in per capita spending of more than 10% between 2019 and 2021, and Angola, Botswana, Burundi, Eswatini, Liberia and Mauritius all face falls of 5–10% in per capita expenditure between 2019 and 2021.

Table 9. Countries with projected falls in government spending per capita, 2019–2021

| Region | Countries |
|------------------------|---|
| Central Africa | Cameroon (-12%), Burundi (-6%) |
| East Africa | South Sudan (-37%), Djibouti (-11%), Mauritius (-6%), Kenya (-3%), Rwanda (-1%), Uganda (-1%) |
| North Africa | Tunisia (-11%) |
| Southern Africa | Zambia (-38%), Zimbabwe (-16%), Botswana (-9%), Angola (-9%), Eswatini (-7%), Namibia (-3%), South Africa (-3%) |
| West Africa | Nigeria (-15%), Liberia (-7%), Ghana (-2%), Senegal (-1%) |

Source: Source: Authors' calculations imputed from World Bank estimates, April 2020 Fiscal Monitor, UN 2019 Revision of World Population Prospects.

The major concern for health spending, then, is less what is happening in 2020 and more what may occur in 2021 and future years as government spending falls. In the context of falling per capita government spending, if governments want to avoid falls in health spending per capita during a pandemic, reallocations to the health sector will be required.

To maintain pre-Covid-19 paths of increases in per capita health spending, the largest reallocation to health spending as a percentage of total government expenditure would be in Southern Africa, where in 2021, on

average, an additional 2.1% of government spending would need to be allocated to health. In all other regions, the average is less than 1%.

Table 10. Reprioritisation of health needed to maintain pre-Covid-19 increases in health spending per capita, 2020 and 2021 (% of government spending)

| Region | 2020 | 2021 |
|-----------------|------------|------------|
| Central Africa | -0.1 | 0.5 |
| East Africa | 0.1 | 0.6 |
| North Africa | 0.3 | 0.7 |
| Southern Africa | 1.3 | 2.1 |
| West Africa | -0.3 | 0.5 |
| Average | 0.2 | 0.8 |

Source: Calculated from World Bank estimates

4.4 Prospects for overseas development assistance for health

A lack of publicly available, granular information makes it difficult to assess trends in overseas development assistance for Africa’s health sector.

However, a review of donor announcements does help in painting a rough picture. In the short-term, it seems that ODA flows are likely to have held up reasonably well. Forthcoming work from Carson et al. suggests that among the top-10 largest bilateral DAC members, Germany, the United States, the Netherlands and Canada have all committed new (non-reallocated) ODA funding for the COVID-19 response; France has confirmed it will maintain its current budget, and seemingly so will Sweden and Norway. The UK is the only donor to date that announced budget cuts, while the impact on Italian and Japanese aid budgets is yet unknown.

Some DAC donors have also made announcements that specifically promise support to the health sector. France almost exclusively focused its early interventions on health through its “COVID-19 Health in Common” initiative and commitment to the “Access to COVID-19 Tools” ([ACT Accelerator](#)). About 65% of Norway’s funding has been directed to health efforts, with the remainder going to humanitarian assistance and debt relief. The UK has allocated about 50% of its Covid-19 funding to vaccines, tests and treatments and the remainder to humanitarian efforts. Several large OECD-DAC donors also significantly increased their commitments during the recent GAVI replenishment round of which Africa is a major beneficiary (see Table 11).

The World Bank and African Development Bank have also announced large packages of financial support to combat the crisis, mostly in the form of concessional loans and grants. The World Bank is front-loading \$50 billion of International Development Association resources (from which 40 African countries may benefit¹⁶) to combat the crisis. The World Bank’s programme

¹⁶ The 40 IDA-eligible African countries are: Benin, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi,

includes support to implement emergency health operations. The African Development Bank has also provided \$10 billion to the crisis response, 86% of which is dedicated for sovereign operations. In the face of the Covid-19 crisis, shareholders at all the major MDBs have also temporarily accelerated approval procedures for budget support loans, in the interests of getting liquidity to recipient countries as fast as possible (Humphrey and Mustapha, 2020).

Table 11. Commitments to GAVI replenishment, 2020

| Donor | GAVI pledge (USD billion) | Per cent increase from 2015 pledge |
|---------------------------------|---------------------------|------------------------------------|
| US | 1,200 | 16 |
| Germany | 763 | 0 |
| UK | 2,000 | 44 |
| Japan | 306 | 223 |
| France | 395 | 223 |
| Sweden | 0 | N/A |
| The Netherlands | 366 | 30 |
| Italy | 314 | 20 |
| Canada | 429 | 20 |
| Norway | 1,000 | 30 |

Source: see hyperlinks

In the medium-term, ODA flows to the health sector start to potentially look more vulnerable. The economies of traditional donor countries have taken a significant hit and hopes of a swift recovery are fading. During the last global financial crisis, the immediate financial response was relatively generous, but aid flows then adjusted down as a result of lower economic output (Carson et al, forthcoming). The ‘front-loading’ of IDA resources 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.

4.5 Increased costs of combatting the pandemic

A review of how macroeconomic and fiscal dynamics are likely to place pressures on aggregate health spending only provides a partial picture of the health financing challenges. In addition, increased demands on the health system as a result of combatting the pandemic will also have implications for how resources within the sector are being allocated and used.

For a start, even if aggregate health spending has increased, there is likely to have been a reallocation of resources within the health system away from their previous uses towards combatting Covid-19. This could have potentially negative effects on population health. As WHO and others (Hogan et al., 2020; Roberton et al., 2020; WHO, 2020) have set out, maintaining levels of essential basic services is necessary to avoid negative indirect consequences from Covid-19 prevention and response efforts. If governments redirect funding from such basic services towards, for example, construction of additional hospitals and scaling up intensive care capacity to deal with the anticipated burden of severe Covid-19 cases then,

Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

even with constant levels of health spending, mortality and the overall burden of disease could rise. Even where investments in additional hospital capacity are made from new and additional funding to the health sector, if new resources are not made available for the ongoing operations of these facilities, the overall effectiveness of health spending may be reduced. Spending on such facilities, and on other supplies needed to respond to Covid-19 will need to be maintained for some time to ensure that the health system is prepared for any increase in cases.

Second, increased costs of health service delivery inputs and providing health care services during the pandemic may require additional spending just to maintain existing levels of service delivery. Additional health workers may be needed to ensure existing staff are not redeployed to the treatment of Covid-19 patients and additional overtime payments and risk allowances may be needed to reward staff whose duties have increased. Additional community health workers may be needed both to try to step up community surveillance to identify Covid-19 cases and to mitigate reductions in care-seeking behaviour. Delivery of essential services may need to be reconfigured, such as increasing outreach activities to conduct antenatal and postnatal visits or conduct immunisations, which may result in greater costs. Supply chain disruptions may lead to increased costs of essential medicines and other health supplies. This highlights the importance of initiatives such as the Africa Medical Supplies Platform (Fabricius, 2020) and regional pooled procurement mechanisms such as that in the Southern African Development Community region, which are trying to control these costs.

5 The difficult choices ahead

Covid-19 has produced one of the largest global economic shocks in a century. While all countries are feeling its impact, some are much more vulnerable. Commodity exporters and economies reliant on tourism are seeing major pressures on public finances, and countries that have come into the crisis with high levels of debt have much less scope to respond to the downturn.

Hopes of a rapid global economic recovery are receding, and it is likely to take some time for economies, and for government revenues to recover. The pandemic will thus leave countries with higher deficits and more debt. Absent measures to relieve or restructure debt, governments will face higher costs of servicing debt.

The changing composition of debt means that, while the international position is uncertain, governments cannot assume that debt relief or restructuring that can significantly bring down debt servicing costs is likely to be quickly forthcoming. Increased aid flows do not look likely to fill this financing gap, and if anything, are more likely to fall than rise. Given the challenges of mounting a comprehensive debt relief initiative in a timely manner, African governments should work together to identify how existing lending practices as well as the process for renegotiation with creditors can be improved. Increased collaboration and peer to peer learning will be critical in facing the challenges that lie ahead.

This means that many countries are likely to come under pressure to raise taxes and cut back spending as part of fiscal adjustment plans. Difficult fiscal choices are ahead. How those decisions are taken will have an impact. Crises can offer a brief window to undertake difficult reforms.

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, for example, universal child benefits (ODI/UNICEF, 2020).

Doing this at a time of increased fiscal pressure will need three sets of actions to be taken. First, raising additional revenues will require building more effective tax systems. Those with the broadest shoulders will need to bear more of the burden, whether through administrative reforms to improve collection, or through changes in tax policy. The efficiency of the tax system

can also be improved through the expansion of environmental taxation and cutting wasteful subsidies and tax expenditures (Granger, et al., 2020).

Second, Finance Ministers will need to make hard choices in prioritising allocations across sectors. In countries where per capita expenditures are falling overall, funds will need to be reallocated to the health sector if health spending is not to fall in the midst of a global pandemic. Whilst all sectors tend to consider themselves under-funded, Ministers of Finance will have to assess the needs of the health sector, and whether it is potentially under-funded relative to others.

Thirdly, Health Ministers will need to better allocate and make better use of funding within the sector. Better priority-setting can help focus spending on the most efficient and effective programmes (Glassman et al., 2017). Reforms to expenditure management can ensure that frontline service providers have sufficient flexibility to respond to the new conditions and improve performance (Barroy et al., 2019).

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