



PROSPECTS FOR PUBLIC SPENDING ON HEALTH IN AFRICA: CIVIL SOCIETY BRIEFING IN ADVANCE OF AU ALM AFRICAN MINISTERS OF FINANCE AND HEALTH MEETINGS

05 OCTOBER 2020

FOUR VIRTUAL REGIONAL MEETINGS OF MINISTERS OF HEALTH AND FINANCE ARE BEING CONVENED UNDER THE AUSPICES OF THE ALM

East African Meeting
8TH OCTOBER 2020



South African Meeting
9th OCTOBER 2020



North and West African Meeting
TBD



Central African Meeting
TBD



THE AU ALM LAID THE FOUNDATIONS FOR THE AU DOMESTIC FINANCING AGENDA

Then AU Chairperson H.E. President Kagame and the AUC convened the *ALM* event on the side-lines of the *AU Assembly* in February 2019

More than 500 participants:

- African and Global Heads of State
- Leaders of the UN, WHO, Global Fund, Gavi, UNAIDS, among others
- CEOs from across Africa's private sector



African leaders:

- **Recognised** that relying on partners to finance our human capital development is unsustainable
- **Emphasised** the need to invest in health to drive human capital development as the basis upon which Africa's sustainable economic growth is to be built

THE AU ALM DECLARATION LAID OUT THE AU DOMESTIC FINANCING AGENDA

Through the ALM Declaration Heads of State of Africa's 55 countries committed to:

Convene African Ministers of Finance and Health every 2 years to discuss health financing and to review progress

Strengthen Public Financial Management capacity, improve tax collection and/or increase the proportion of tax revenue collected as a percentage of GDP

Establish regional health financing Hubs in each of the five regions of the AU (North, South, East, West and Central)

Develop a domestic health financing 'Tracker' to track progress and guide reforms

Increase domestic (government) investment in health and measure progress against the benchmarks set out in the '*Africa Scorecard on Domestic Financing for Health*'

Better engage the private sector to strengthen public health systems and expand access to health services

Increase coherence of investments in health by working to align all multilateral, bilateral and private sector efforts to the priorities of the continent

Appointed H.E. President Paul Kagame as *AU Leader on Health Financing*

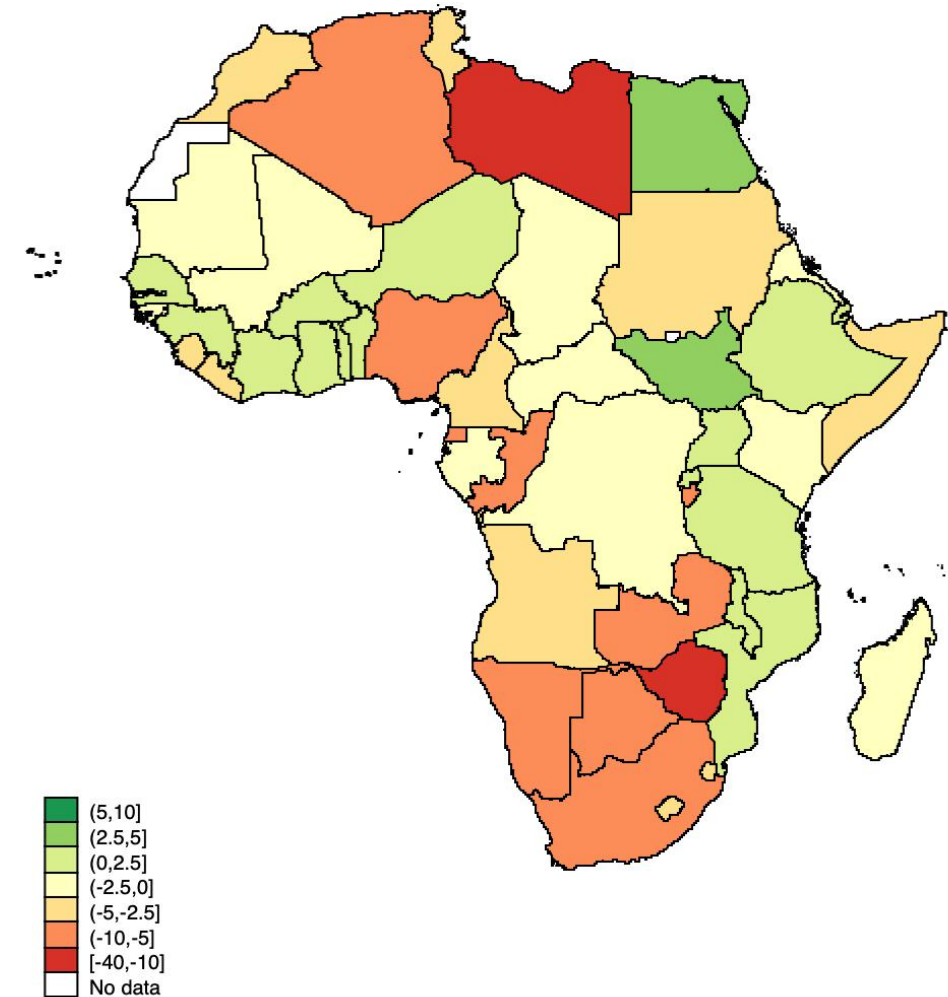
COVID-19 HAS LED TO AN ECONOMIC CONTRACTION IN 2020

The world is in the sharpest contraction since the great depression. Africa's economy is forecast to contract by 4% in 2020.

The greatest impact is in Southern Africa (-7% contraction in 2020) and the least in Eastern Africa (0.3% growth).

Growth is forecast to rebound in 2021 but there are high uncertainties and major downside risks.

Compared to pre-Covid-19 forecasts, the IMF/WB estimate that total African GDP will be 7.4% smaller in 2021 than forecast before Covid-19.



GDP growth rate, 2019-20

MOST COUNTRIES ARE INCREASING SPENDING IN RESPONSE TO THE ECONOMIC & HEALTH SHOCK

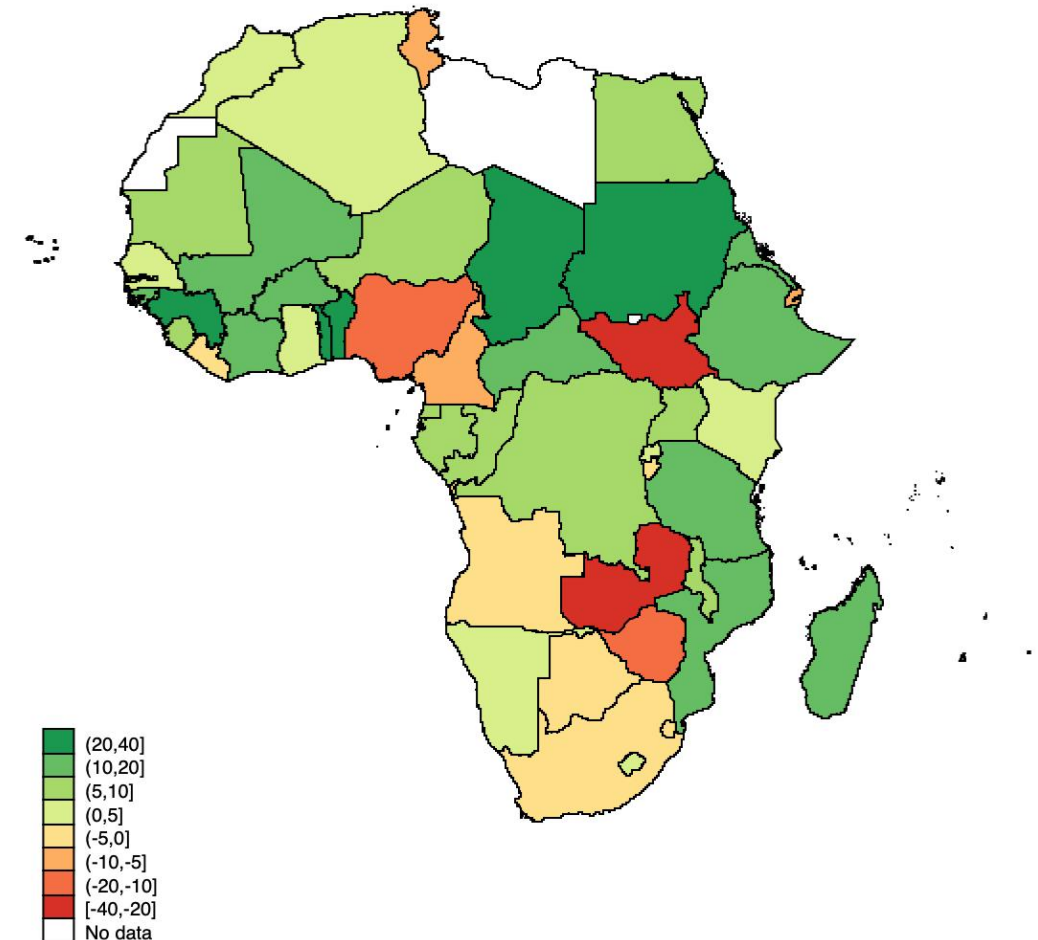
Most governments are responding to the Covid-19 crisis by increasing spending.

Despite the fall in GDP, total government expenditures will be 3% higher in 2020 in 2019, prior to the onset of the pandemic.

This will not be sustained and spending will fall in 2021. There are significant variations across Africa.

In Central, East and North Africa, spending will continue growing, but by less than 2%.

In Southern Africa spending will fall by 6% and in West Africa by 1%. In both regions spending will be lower in 2021 than in 2019.



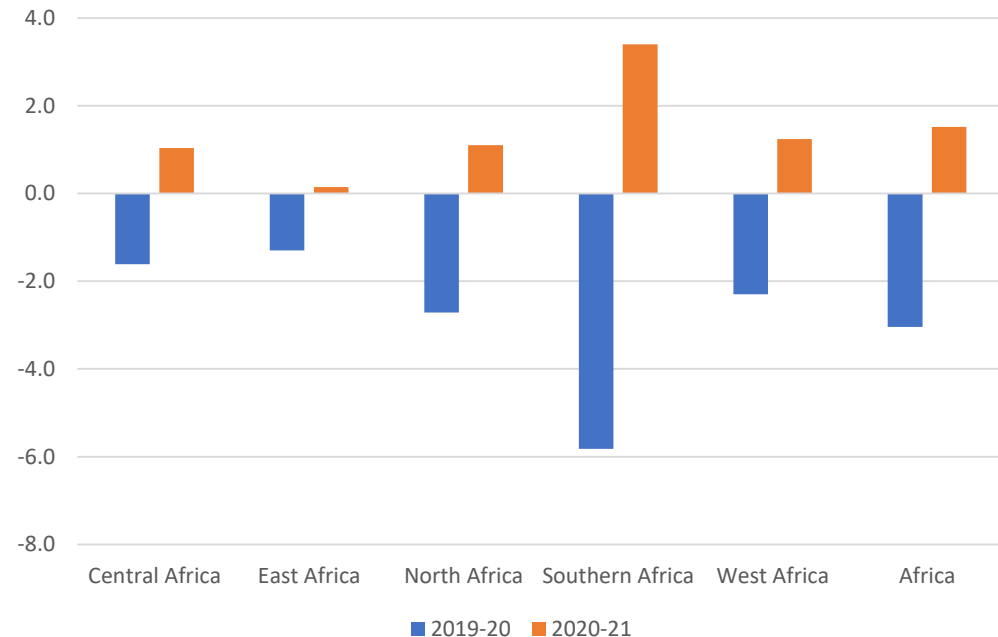
Change in government expenditure, 2019-21

THE FISCAL RESPONSE IS LEADING TO RISING DEBT AND MAY NOT BE SUSTAINABLE

Significant revenue shortfalls means increase in expenditures is being financed by **increased borrowing** in many countries.

On average, the **debt-to-GDP ratio** will rise by 9 percentage points in 2020

This is **not sustainable**, and in 2021 Government spending will be scaled back as a share of GDP and is expected to fall by 1.4 percentage points in 2021



Change in fiscal balance as percentage points of GDP, 2019-21

NEARLY HALF OF COUNTRIES WILL SEE FALLING PER CAPITA SPENDING BETWEEN 2019-2021

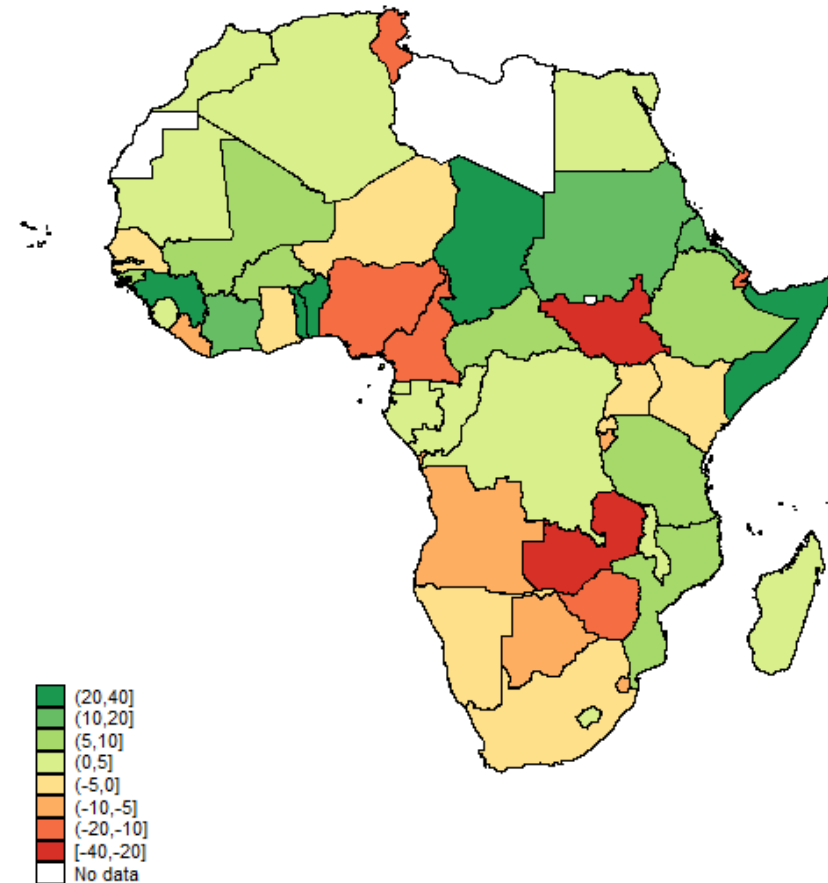
Many countries have boosted health spending in response to Covid-19, but falling per capita spending will put pressure on health spending from 2021.

Per capita spending is forecast to fall in 21 countries across 2019-21.

The average fall Southern Africa is -7%, as compared to an average rise of 6% in West Africa.

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.

To prevent per capita spending on health falling in these countries, funds will need to be reallocated from other sectors to health.



Change in government spending per capita, 2019-21

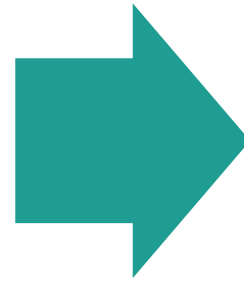
THE COMPOSITION AND MANAGEMENT OF HEALTH SPENDING WILL MATTER AS MUCH AS OVERALL LEVELS

- Diversion of resources from primary care to hospitals
- Additional recurrent cost implications of investment in new hospital facilities



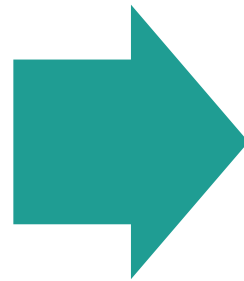
Changes in the composition of health spending away from essential services

- Additional health workers or bonus payments needed to cope with higher workload
- Additional community health workers /outreach needed to mitigate changes in care-seeking behaviour
- Supply chain disruptions may increase cost of essential medicines and health supplies



Increased costs of service provision

- Do facilities reliably receive the funds and inputs they need?
- Do health workers receive the infection, prevention and control (IPC) commodities and personal protective equipment (PPE) that they need to operate safely?



Weaknesses in PFM and health systems undermine spending

PROSPECTS FOR AID FLOWS: BILATERAL DONORS AND MDBS

Following the Global Financial Crisis (2008-2012) aid flows rose, contrary to expectations.

In 2020 only 1 major donor (UK) has announced **cuts** to aid budget

4 donors have announced **new funding** specifically for COVID-19 (**Canada, Germany, the Netherlands & US**)

MDBs have provided funding to address Covid-19:
\$50billion from WB and \$8.6 from AfDB

However, the outlook beyond 2021 is uncertain due to the potential for a prolonged economic downturn and the 'front-loading' of resources in 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

Increased commitments to GAVI replenishment, 2020

BUILDING BACK BETTER: TAXING AND BORROWING

Opportunities to mitigate revenue losses and build more effective tax systems

Tax pockets of wealth and levy solidarity payments – step up efforts to tax the rich and companies receiving windfalls from the crisis

Environmental taxation: use the low oil price to introduce or increase fuel taxes to generate revenue and lock in revenue increases for the future.

Expanding voluntary compliance through better data: as taxpayers come forward for help, capture more information to fill data gaps that will help manage compliance in future

Cut wasteful spending through the tax system – tax expenditures often lack transparency, are poorly targeted and inequitable. Use current sentiments of solidarity to provide the momentum to start rationalising tax expenditures.

Ensuring businesses that get support now contribute more in future – countries in a position to offer assistance to struggling businesses may consider a quid pro quo approach to aid recovery.

Borrowing responsibly

Need to **avoid the risk of debt service crowding out social spending.**

State contingent debt contracts—for terms of trade shocks, disasters, or others—may help countries better manage impact future shocks on their repayment capacity.

Debt-to-Covid/SDG swaps could channel planned debt service payments into SDG investments. Existing debt-to-health and debt-to-climate swaps that can serve as models.

BUILDING BACK BETTER: SPENDING

Health spending

Improve efficiency through systematic priority setting and reprogram funds away from low-priority services

Protect resources for essential services (e.g. vaccinations, malaria control, reproductive, maternal, and child health) from being diverted to the Covid-19 response

Provide additional funding for responding to the additional demand on the health system.

Grant greater flexibility and spending authority for frontline service providers

Social transfers

Child and family benefits only cover 16% of the population in Africa despite children being over-represented in poverty compared to older age groups

Universal child benefits (UCBs) can both play a critical role in reducing child poverty and act as an effective tool to scale up social protection in times of crisis.

Age is a factor for Covid risk. Expand **social pension schemes** to allow the elderly to shield during the crisis.

RUN OF SHOW FOR EASTERN AND SOUTHERN AFRICA

African Union Southern Africa Regional Ministers of Health and Finance meeting
September 30th 2020
Time: TBD

PROGRAMME OF WORK

Time	Item Description	Presenter
Introduction and Welcome		
TBD	Virtual Registration and Technical Checks	
10 Minutes	Introduction and Welcome	AU Commissioner for Social Affairs Secretary General SADC (TBC)
5 Minutes	Opening Remarks	Donald Kaberuka
Session 1: Health Financing Landscape in Africa Facilitator: Her Excellency AU Commissioner for Social Affairs		
10 Minutes	Setting the Scene: Health financing trends in Africa	Donald Kaberuka
10 Minutes	Impact of COVID-19 on health financing in sub-Saharan Africa	TBC (World Bank)
7 Minutes	Experiences and Challenges from a Ministry of Finance perspective	Zambia
7 Minutes	Experiences and Challenges from a Ministry of Health perspective	Mozambique
20 Minutes	Open Discussion for Member States	All
Session 2: Sustaining the gains in the context of the COVID-19 pandemic Facilitator: Donald Kaberuka		
10 Minutes	A framework for achieving "more money for health" and "more health for the money"	Rodrigo Salvador (BMGF)
5 Minutes	Country experience	South Africa
5 Minutes	Country experience	Angola
5 Minutes	Country experience	Malawi
20 Minutes	Open Discussion	All
Session 3: Building Back Better: Transforming health through effective partnerships Facilitator: Donald Kaberuka / Ngozi Okonjo-Iweala (TBC)		
20 Minutes	Open Discussion for Member States	All
Session 4: ALM Updates and Partner Remarks Facilitator: Her Excellency AU Commissioner for Social Affairs		
10 Minutes	Progress update on ALM	Minister of Health Rwanda / AUC (TBC)
5 Minutes	Remarks on behalf of development partners	Global Fund / Gavi / WHO (TBC)
Closing Remarks		
20 Minutes	Next Steps and Closing Remarks ¹	Her Excellency AU Commissioner for Social Affairs and Dr. Donald Kaberuka

¹Communique to be tabled during this session

Country Perspectives:

East Africa

Ethiopia
Tanzania

Southern Africa

Mozambique
Zambia

Session 1: Health Financing Landscape in Africa

Session 2: Sustaining the gains in the context of the COVID-19 Pandemic

Session 3: Building Back Better

Session 4: ALM Update

Rwanda
Kenya
Mauritius

Malawi
South Africa
Angola