



## Innovations for Health Financing in Sub-Saharan Africa: A Roundtable Discussion

### INTRODUCTION

Senior experts from development agencies and think tanks located in the Washington area met on November 5, 2008 for a roundtable discussion on "Innovations for Health Financing in Sub-Saharan Africa." The event, hosted by USAID's Health Systems 20/20 project and the Results for Development Institute, aimed to develop recommendations for how United States Government (USG) development agencies could help sub-Saharan African countries attain more equitable, efficient, and sustainable health financing.

Discussants included eight experts from the Brookings Institution, Georgetown University, International Monetary Fund, Results for Development Institute (R4D), UNICEF, and World Bank. Also participating were representatives from USAID's Africa Bureau and Global Health Bureau, the Office of the Global AIDS Coordinator (OGAC), the U.S. Office of the Treasury, and USAID's Africa's Health in 2010 project.

Frank discussion centered on the following questions:

- What are the main challenges for health financing in Africa?
- What are the top promising health financing innovations that would put African health systems on a trajectory towards equitable, efficient, and sustainable financing?
- What is the state of the evidence on the effectiveness/performance of each of these innovations?
- What is the best use of USG resources to strengthen health financing in Africa, given the advantages and constraints of that funding?

### BACKGROUND: CURRENT STATE OF HEALTH FINANCING IN AFRICA

*"...while there have been unprecedented levels of external resources for health in recent years, these resources are focused on short-term results, rather than sustainable long-term financing of health services."*

Marty Makinen, R4D

Since 2000, Africa has witnessed unprecedented levels of economic growth, with record levels of external resources for health flowing into the region. These resources frequently have tended to focus on short-term results rather than on sustainable long-term financing of health services, however, and large financing gaps persist.

# Brief



A few key statistics summarize Africa's health financing situation as of 2006. These highlights are explained more fully in the attached slide presentation, which was shared during the roundtable.

- Total per capita spending on health in sub-Saharan Africa – excluding South Africa – is the lowest in the world, at US\$27.
- Private spending as a share of total health spending (54%) is higher than any other WHO region in the world, except Southeast Asia. This is predominantly out-of-pocket spending (at 44% of total) – the most regressive form of health financing and the most likely to impede access to needed health care among vulnerable groups.
- At 17% of total health expenditures, Sub-Saharan Africa's dependence on external resources for health is greater than anywhere else in the world.
- The WHO Commission on Macroeconomics and Health (CMH) estimated in 2001 that a basic package of essential health services would cost \$34 per capita. In the same year, African leaders meeting in Abuja pledged to devote 15% of government budgets to health (the so-called "Abuja target"). However, even if all governments were able to meet the Abuja target, this would allow only five countries to also meet the CMH target. Analysts have since questioned whether the \$34 figure is adequate in the African context.
- A projection analysis based upon optimistic assumptions indicates that financing gaps are unlikely to be closed by 2020, particularly among countries with GDPs of less than \$500 per capita.

The great diversity across the region in the sources and levels of resources for health mean that a "one-size-fits-all" approach to Africa's health financing challenges is not appropriate, and a wide menu of options should be considered.

## WHAT ARE THE MAIN CHALLENGES FOR HEALTH FINANCING IN AFRICA?

Discussants noted that there is a paramount need to focus on the **efficiency** of domestic and donor health spending. Because currently available resources are not being used efficiently, financing gaps are exacerbated. Specifically, attention must be paid to how domestic resources are pooled and spent, not just to how much money is raised; and improvements in the efficiency of international aid flows may also generate "fiscal space" for additional health financing.

Also debated was the issue of **sustainability** in health financing and the extent to which it is important to begin working now to reduce Africa's dependence on foreign assistance over the long term. Some felt that reducing this dependence was of key importance, while others felt that significant reductions in donor funding in the near future were unlikely. There was broad consensus that sustainability should not simply be defined as domestic self-reliance in health financing.

*"Broken health services delivery systems will not work better if more resources are dumped in without encouraging more effective use of domestic health resources and promoting equity and financial protection."*

*Benjamin Loevinsohn, World Bank*

Other key health financing challenges in the region that were highlighted included:

- Low levels of coverage provided by risk pooling schemes
- Corruption and poor public financial management
- Disease-specific external assistance that fails to strengthen health systems.

## WHAT ARE THE MOST PROMISING HEALTH FINANCING INNOVATIONS FOR AFRICA?

The bulk of the discussion centered on potential innovations for health financing in the African context. Approaches for consideration included the following:

- *Increase sustainability through on-budget health financing and accountability mechanisms:* Donor health financing that is "on-budget" is an important way to foster sustainability, accountability, and transparency. This would clarify how money is actually being spent and improve coordination among donors and governments.
- *Strengthen civil society oversight to improve the effectiveness of health spending:* Civil society actors should be encouraged to play a greater role in demanding equity in government spending, monitoring budgets, and advocating domestically for transparency and accountability.
- *Increase efficiency of spending through improved public financial management:* Without monitoring how money has been spent, it is impossible to evaluate program effectiveness and to hold leaders accountable. Improved public financial management would reduce corruption and have spillover effects to other sectors.
- *Link levels of international assistance to domestic health financing performance:* Donor support to countries could be linked to the countries' ability to generate resources and use the resources effectively.
- *Realign incentives to encourage efficient use of resources:* Demand-side financing, where payments go directly to consumers (through vouchers or conditional cash transfers) rather than to service providers, can encourage more efficient and equitable use of resources. Results-based or performance-based payments, where resources are linked with the achievement of specific outcomes, have also proven to be feasible and effective in Africa.
- *Strengthen risk pooling and insurance mechanisms:* The importance of better risk pooling systems was emphasized, and a possible "Health Insurance Challenge Fund" (creating a mechanism for donors to support the expansion of insurance systems in developing countries) was described. Donor support for equity funds or social funds could increase sustainability by building up domestic institutions for risk pooling and purchasing. Donors could also support reinsurance for catastrophic expenditures.
- *Apply known strategies to roll out new health technology products rapidly and efficiently:* New health technologies with the potential to transform health outcomes in Africa are in the product pipeline. However, they are likely to be costly and will need support from innovative financing mechanisms (such as Advance Market Commitments for vaccines).
- *Improve the evidence base for health financing:* Donors should enhance the quality and availability of empirical data on health financing through household and facility surveys, and strengthen country-owned routine health information systems as well.
- *Link resources for HIV/AIDS, malaria, etc. to health systems strengthening:* Several discussants noted that structures and institutions developed for disease-specific initiatives should be leveraged for wider health systems strengthening.

## WHAT IS THE BEST USE OF USG RESOURCES TO STRENGTHEN HEALTH FINANCING IN AFRICA?

A framework for prioritizing the innovations was suggested, based on whether the approach directly or indirectly addressed health financing challenges in the region. Discussants identified their top priorities, taking into consideration which interventions would be most appropriate for USG support.

In order of priority, the discussants' leading options to **directly** address health financing challenges were:

- Improve the efficiency of donor spending (better donor coordination, on-budget spending, longer-term commitments)
- Implement results-based/performance-based payment systems
- Develop and strengthen health insurance systems
- Leverage successful disease-based programs to strengthen the wider health system.

The leading options **complementary** to the direct financing approaches above were:

- Strengthen civil society oversight of health financing – develop accountability mechanisms which engage civil society, media, and think tanks around the analysis of budget allocations and results
- Build the health financing evidence base, including household and facility-based data
- Strengthen public financial management
- Facilitate the uptake of new health technologies.

*There was broad consensus that USAID should pursue interventions that strengthen civil society, build the health financing evidence base, and improve public financial management.*

## CONCLUSIONS AND NEXT STEPS

The conclusions and recommendations from the roundtable discussion will inform the USAID Africa Bureau's and other USG agencies' strategies in the new administration. It is hoped that that this initial discussion will be followed by an event in early 2009 with broader participation from African health financing experts and others.

### LIST OF DISCUSSANTS

Amie Batson, *The World Bank*  
Charles Griffin, *The Brookings Institution*  
Benjamin Loevinsohn, *The World Bank*  
Marty Makinen, *Results for Development*  
William McGreevey, *Georgetown University*  
Agnes Soucat, *The World Bank*  
Shamsuddin Tareq, *International Monetary Fund*  
Netsanet Walegn, *UNICEF*

### LIST OF PARTICIPANTS

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*Health Systems 20/20*: Catherine Connor, Lisa Fleisher, Laurel Hatt, Ann Lion  
*Office of the Global AIDS Coordinator*: John Blandford  
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| Training Resources Group | Tulane University School of Public Health

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**DISCLAIMER:** *The author's views expressed here do not necessarily reflect the views of the United States Agency for International Development or the United States Government.*

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# Health Financing in Africa: Setting the Context

## Innovations for Health Financing in Africa Roundtable Discussion

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- | Training Resources Group
- | Tulane University's School of Public Health



# Where is sub-Saharan Africa\* now?

- Average per capita spending on health (\$27) is the lowest in the world. Wide variation across countries.
- Health financing sources in sub-Saharan Africa:
  - **Private spending** (54%) accounts for higher percentage of total health financing than any other WHO region, except SE Asia
    - Mainly out-of-pocket household spending (44% of total)
    - Other private spending (employers, insurance, NGOs) – 10% of total
  - **Government spending:** 46% of total
- On average across the region, **donors** are contributing 17% of total health expenditures (overlaps public and private)
  - Greater dependence on external resources than any other region

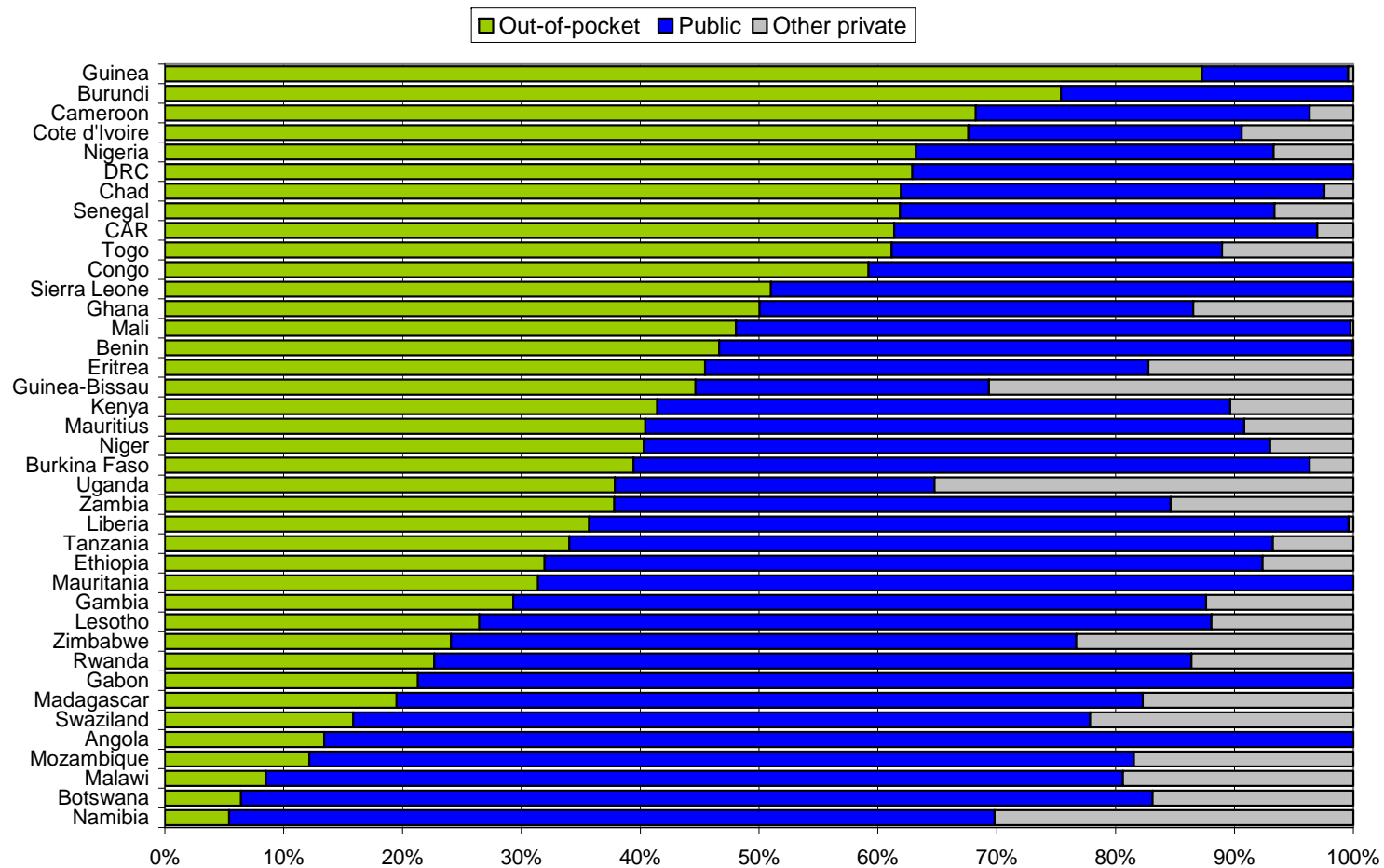
\*Excluding South Africa and countries with populations less than 1 million. 2006 data from WHOSIS and the World Bank.

# Out-of-pocket spending accounts for 44% of health spending on average

- The next slide demonstrates the large variation across countries in their relative dependence on out-of-pocket (OOP), other private, and public spending
- There are clear regional differences in reliance on OOP spending:
  - West Africa – more heavily dependent on OOP spending
  - Southern Africa – more public/pooled spending

# Out-of-pocket spending accounts for 44% of health spending on average (cont'd)

TOTAL HEALTH SPENDING BY SOURCE, 2006



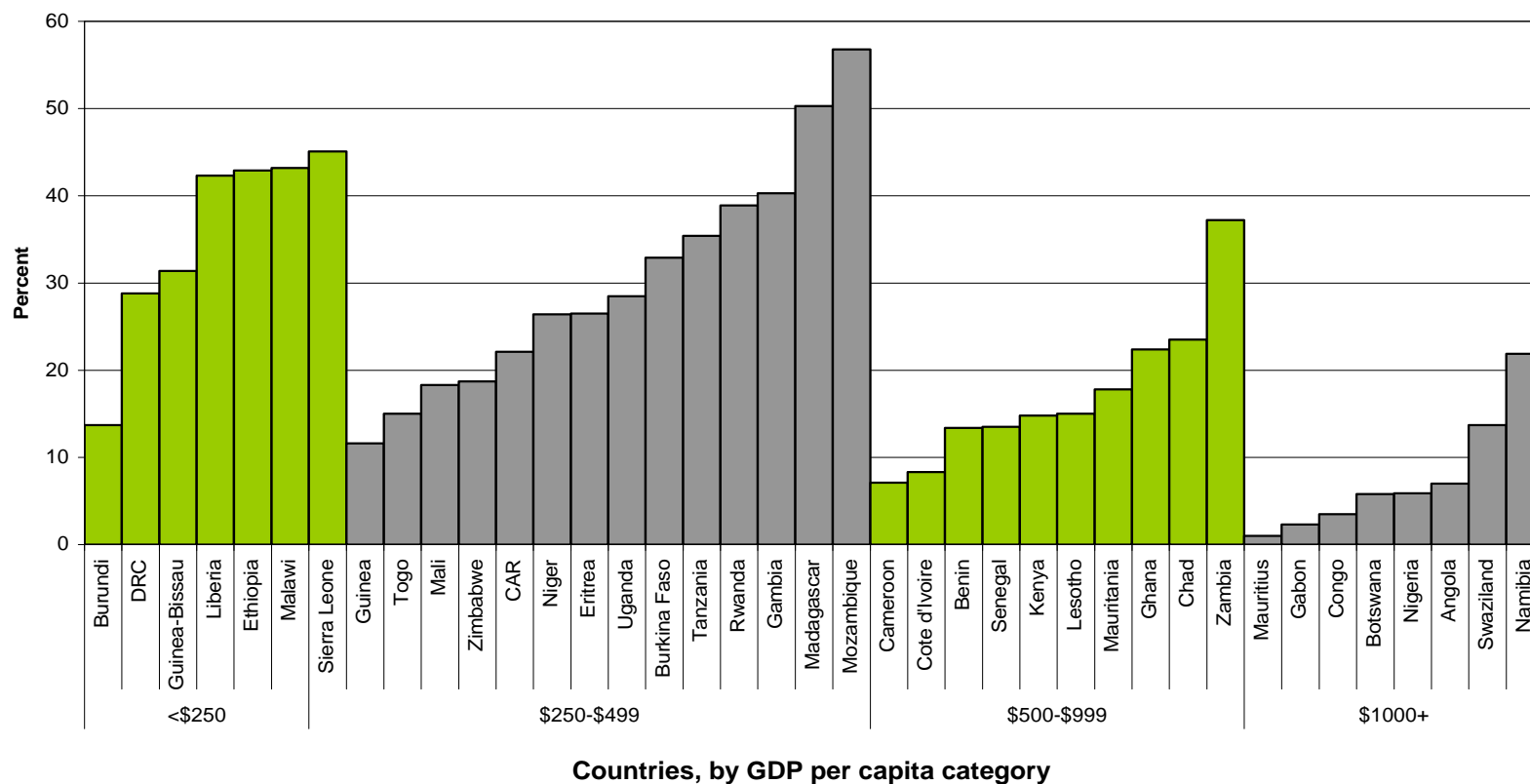
Note: 'Other private spending' includes firms' expenditure on health, pooled spending, and non-profit institutions serving mainly households.

# Countries at all income levels are highly dependent on external assistance

- The following chart shows percent of total health expenditures from donors, grouped by countries' GDP per capita
- Key points:
  - Sub-Saharan African countries at all income levels receive large amounts of external assistance for health.
  - The relationship between income level and donor assistance is not linear – overall dependence seems to generally go down, but within each income group there is an enormous range of donor support.

# Countries at all income levels are highly dependent on external assistance (cont'd)

**EXTERNAL ASSISTANCE FOR HEALTH AS PERCENTAGE OF TOTAL HEALTH EXPENDITURES, BY INCOME CATEGORY, 2006**

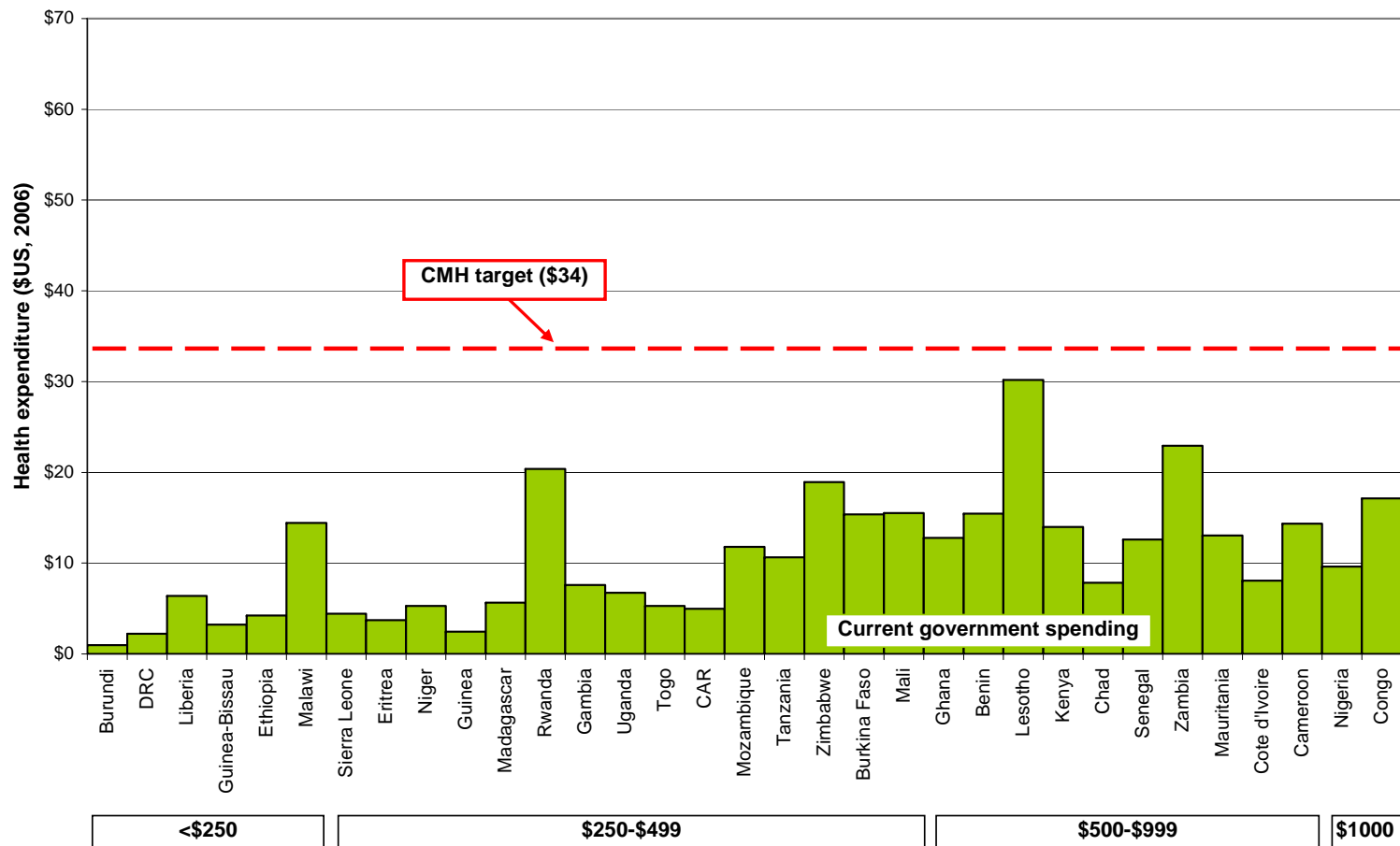


Sources: WHOSIS database and IMF World Economic Outlook database  
 Note: Countries with populations <1 million excluded.

# Health financing targets and gaps

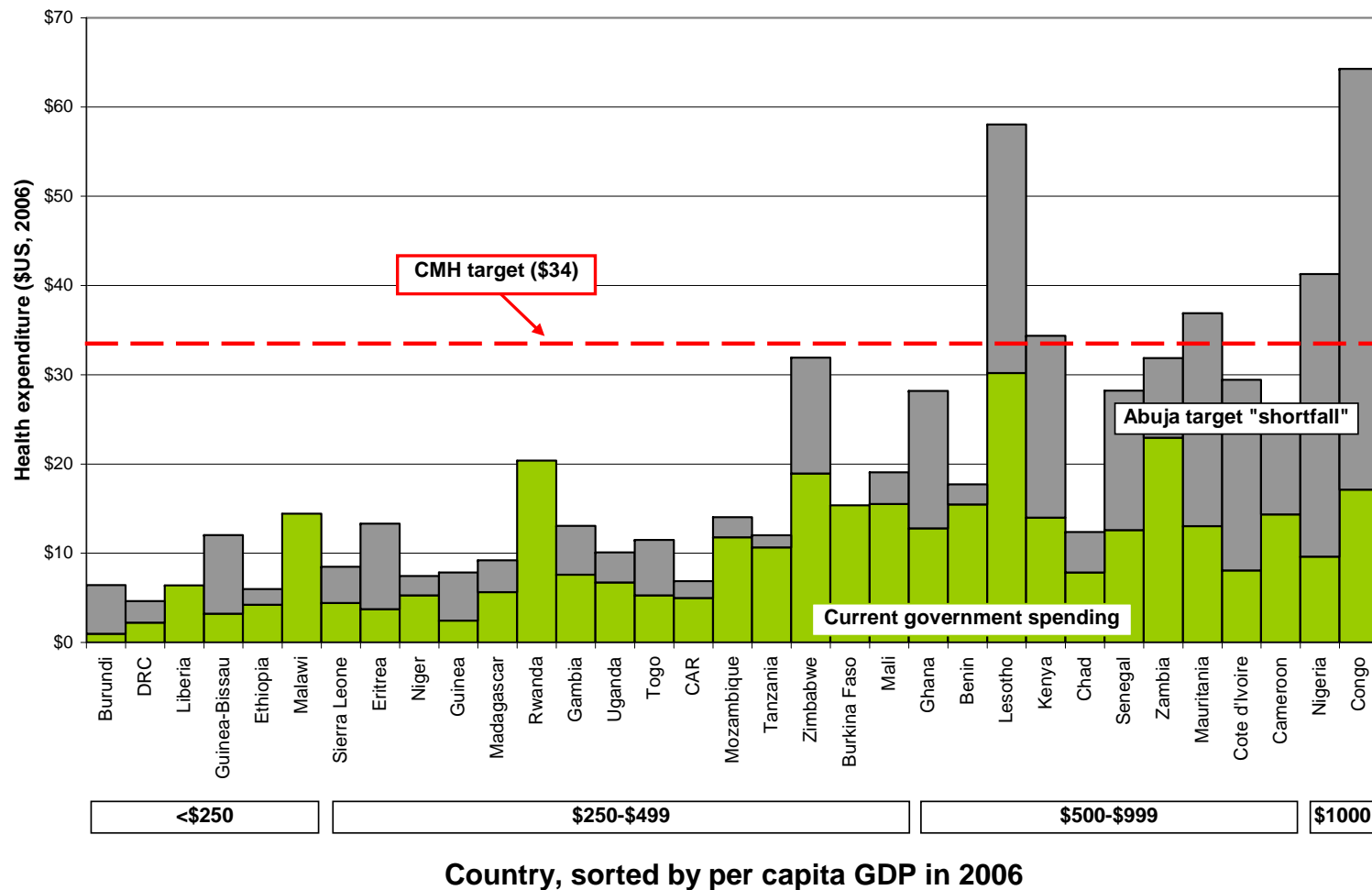
- The WHO Commission on Macroeconomics and Health (CMH) estimated in 2001 that it would cost \$34 to provide a basic package of essential services.
- **Abuja target:** In 2001, African countries agreed to devote 15% of their government budgets to health.
- The next slide gives a snapshot of current gaps between government health spending and the CMH \$34 target.

# Current levels of government health spending



Source: WHO SIS; authors' calculations.

# Hypothetical levels of government spending to meet the Abuja target today



Source: WHO SIS; authors' calculations.

# Meeting the Abuja target will not fill Africa's financing gaps

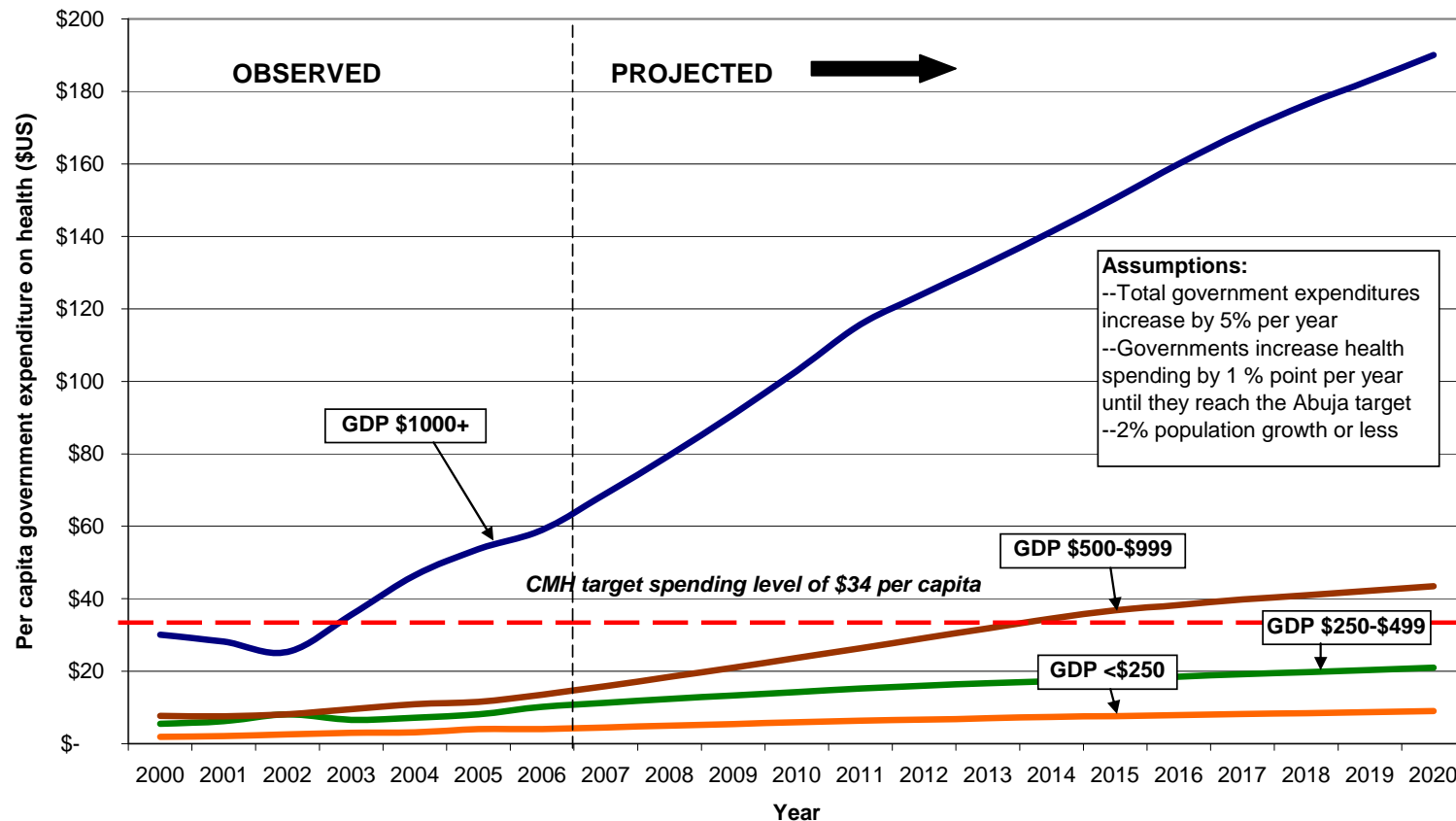
- Even if all governments met the Abuja target, only 5 would also meet the CMH target: Lesotho, Kenya, Mauritania, Nigeria and Congo.
- Of the remaining countries, 20 governments would not achieve even half of what the CMH estimates as the level of per capita spending necessary to ensure an essential package of health services for the population.
- Countries with GDPs less than \$500 face the most severe challenges.

# Government health spending projection analysis

- To look at these issues with a little more depth, we conducted a projection analysis.
- Starting with actual government health spending in 2006, we then applied some very optimistic assumptions:
  - that governments' budget envelopes increased by 5% per year
  - that population growth was slow to moderate (2% or less)
  - and that governments steadily worked to reach the Abuja target, increasing their budget allocation to health by 1 percentage point per year

# Most poor SSA governments will not meet the \$34 target by 2020, even with optimistic assumptions

Projected average per capita government spending on health (US\$), grouped by GDP per capita in 2006



Sources: WHOSIS, IMF World Economic Outlook database, and authors' calculations

# Most poor SSA governments will not meet the \$34 target by 2020, even with optimistic assumptions (cont'd)

- Almost all governments from countries with GDP per capita of \$1000+ are already spending more than \$34 on health, and their spending will grow dramatically
- Most countries with GDPs over \$500 will cross the \$34 threshold by 2020
- But 21 governments from countries with GDPs under \$500 would not reach \$34 spending level – even by 2020
- Moreover, 2% population growth is optimistic for most countries – 28 out of 40 countries had growth rates greater than 2%

# Conclusions & questions posed

- Compared to other regions, SSA has the lowest health spending, highest reliance on donor spending, and heavy dependence on out-of-pocket financing
- Even with optimistic assumptions, financing gaps are unlikely to be closed in the medium term
- What are the “best bets” for increasing resources for health, leveraging existing health spending, and increasing the sustainability of health spending in SSA?
  - What is the best use of USG resources to strengthen health financing in SSA?