HEALTHCARE AND ECONOMIC GROWTH IN AFRICA

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Economic Commission for Africa

GBCHealth

Aliko Dangote Foundation

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FOREWORD

The moderately positive economic performance since 2000 has provided opportunities for improvements in health outcomes. Africa recorded average real annual GDP growth of 5–6 per cent between 2000 and 2010 before slowing down to about 3 per cent per annum over the period 2010–2015. Economic growth rate is projected to decline slightly from 3.4 per cent in 2017 to 3.2 per cent in 2018. Accelerating economic growth and achieving the goal of a prosperous Africa requires countries improve health outcomes, for better productivity and job creation.

The trend in Africa's overall heath landscapeis one of progress. Life expectancy has increased since 2000 and Africa is now adding nearly 5 years per decade on average; this has been accompanied by equally encouraging improvements in mortality indicators. The Under-5 Mortality Rate (U5MR) in Africa declined from 148 to 62.8 deaths per 1,000 live births over the period 1990 to 2017, averaging 2.1 per cent per annum. The Infant Mortality Rate declined at an average rate of 1.9 per cent per annum from 91 to 44.1 deaths per 1,000 live births in the same period. The Maternal Mortality Ratio also declined at an average 0.9 per cent per annum from 542 to 421 per 100,000 live births between 1990 and 2015. But there is need to do more.

Healthcare is a public good that confers benefits directly to individuals and is also a human right to which all are entitled. Consequently, African member states have placed healthcare financing as one of the central tenets to improve the well-being of their populations. However, while a small number of African governments have increased the proportion of total public expenditure allocated to health, overall healthcare financing remains a major constraint to effective health service delivery undermining outcomes.

Overall, health spending in Africa remains largely inadequate to meet the growing healthcare financing needs and the rising healthcare demands, creating a huge financing gap of $66 billion per annum The slowdown in economic growth and high public indebtedness across the continent have restricted the fiscal space for the public financing of health. with the average debt-to-GDP ratio increasing by 15 percentage points between 2010 and 2017. Total spending on healthcare in Africa remained within a narrow band of 5–6 per cent of GDP over the period 2000–2015, while at the same time in per capita terms it almost doubled from $150 to $292. Scarce public resources and unpredictable donor aid have resulted in the private out-of-pocket expenditure becoming the single largest component of total health expenditure, pushing many people into abject poverty.

The achievement of the health goals of the 2030 Agenda for Sustainable Development and the Africa Agenda 2063 demands countries take a fresh look at healthcare financing. The crowding in of the private sector in healthcare financing is an important channel for improving health outcomes, enhancing labour productivity, creating employment, and accelerating progress towards the continental and global health goals, while leaving no one behind.

Africa imports about 70 per cent of the pharmaceuticals from outside the continent totalling

$14.5 billion, and imports substantial health services. There is scope to leverage the capital and capacity of the private sector to complement government financing and to increase investments. This can be done through enhancing the ease of doing business, developing health insurance systems, the issuance of health bonds, and public–private partnerships (PPPs) in order to bridge the financing gap and ultimately increase access to quality healthcare in Africa. National Health Insurance Schemes provide an opportunity for governments to partner with private health facilities to deliver affordable, efficient and accessible healthcare.

The continental dimension of the recently signed African Continental Free Trade Area (AfCFTA) provides a critical and promising market for the engagement of the private sector. The involvement of the private healthcare sector can boost intra-African trade on pharmaceuticals, health services, achieve economies of scale in health infrastructure, expand employment opportunities and deepen regional integration.

Africa's health market is large and growing. Estimated to be $259 billion, it will be the second largest after the US in 2030. This provides an opportunity for large-scale investments in healthcare to contribute to improved health outcomes.

This report serves as a background document to the African Business: Health Forum, providing a strategic direction that enables African countries to better engage with the private health sector and thereby accelerate the health status of African people.

Vera Songwe
Executive Secretary
Economic Commission for Africa

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ABBREVIATIONS

AfCFTA	African Continental Free Trade Agreement
AUC	African Union Commission
BIAT	Boosting Intra-African Trade Initiative
BOOT	Build, own, operate, transfer
CD	Communicable Disease
CSR	Corporate Social Responsibilities
DAC	Development Assistance Committee
DAH	Development Assistance for Health
DALYs	Disability Adjusted Life Years
DBFO	Design, build, finance, operate
FBO	Faith-based organizations
GDP	Gross Domestic Product
GFF	Global Financing Facility
GHC	Global Health Consortium
GHSP	Global Health Service Partnership
GMP	Good Manufacturing Practice
GNI	Gross National Income
GPPPH	Global Public private partnerships for Health
HIC	High Income Countries
HLTF	High Level Task Force on Innovative International Financing for Health Systems
HRH	Human Resource in Health
IBM	International Business Machines
IMR	Infant Mortality Rate
LAC	Latin America and the Caribbean
LIC	Low Income Countries
LMIC	Low Middle Income Countries
MENA	Middle East and North Africa
MMR	Maternal Mortality Ratio
NCD	Non-Communicable Disease
NGO	Non-governmental organization

NHA	National Health Account
ODA	Official development assistance
OECD	Organization for Economic Co-operation and Development
OOPE	Out of Pocket Expenditure
PEPFAR	President's Emergency Program for AIDS Relief
PPP	Public private partnerships
PPP$	Purchasing Power Parity
SAP	Structural adjustment programme
SDG	Sustainable Development Goals
UHC	Universal Health Coverage
UMIC	Upper Middle Income Countries
UN HABITAT	United Nations Human Settlements Programme
UNDESA	United Nations Department of Economic and Social Affairs
UNECA	United Nation Economic Commission for Africa
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WASH	Water, Sanitation, and Hygiene
WDI	World Development Indicators
WHO	World Health Organization

FACTSHEET

Indicators	Unit	2000	2015	2050 (p)
Total population	'000	816,360	1,192,736	2,525,062
Population of children (0-14 years)	% of total population	43	41	32
Population of youth (15-24 years)	% of total population	20	19	18
Working age population (25-64 years)	% of total population	34	37	44
Old age population (65+ years)	% of total population	3	3	6
GDP	current '000 US$	12,093,768	43,117,549	
GDP per capita	constant 2010 US$	1917	2648	
Debt-to-GDP ratio	%	113.5	52.8	
Life expectancy at birth	years	54.4	62.8	
Total fertility rate**	births per woman	5.2	4.4	
Infant Mortality Rate	per 1,000 live births	78.4	44.1 (2017)	
Under-5 Mortality Rate	per 1,000 live births	126.7	62.8 (2017)	
Maternal Mortality Ratio	per 100,000 live births	561	421	
Prevalence of stunting, height for age*	% of children under 5	38.3	31.2	
Disease-Adjusted Life Years (DALYs)	per 1,000 population	927	556	
Share of CDs in Total DALYs	%	65.4	52.9	
Share of NCDs in Total DALYs	%	26.2	36.7	
Share of Injuries in Total DALYs	%	8.4	10.4	
Current Health Expenditure (CHE)	As % of GDP	5	6.2	
Domestic government health expenditure	as % of CHE	36.7	34.7	
Out-of-pocket expenditure	as % of CHE	45.4	36.1	
External health expenditure	% of current health expenditure	10.3	22.3	
External health expenditure per capita	Current US$	2.5	13.5	
External health expenditure per capita	Current international US$, PPP	7.8	32.6	
Prepaid private expenditure	per total health spending (%)	6.2	6.9	
Domestic private health expenditure	% of current health expenditure	53.5	42.6	
Urban population	% of total population	26.7 (1980)	40.4	55.9
Urban population living in slums	% of urban population	62.3	56.3 (2014)	

(p) is projections.
Source: Extracted from the data mentioned in the report.

EXECUTIVE SUMMARY

Key messages

- ***Robust economic growth creates more fiscal space for public investment in healthcare.*** Most countries in Africa witnessed strong economic growth of 5–6 per cent per annum over the period 2000–2010. Growth recovered in 2016 and is projected to remain strong in the coming years. Economic growth is necessary but not sufficient to improve health outcomes. Health matters for economic growth, though the link between health and economic growth is complex.

- ***Ensuring access to quality healthcare for all at affordable rates is constrained by a scarcity of public resources***. Africa has made significant progress in health outcomes, particularly since 2000, though out-of-pocket expenditure, the single largest component (36 per cent) of total healthcare expenditure on average, creates financial barriers to access health services and puts people at risk of impoverishment, slows down poverty reduction and exacerbates inequalities.

- ***Africa has a current health financing gap of at least US$ 66 billion per annum.*** Government expenditure on health in all but two countries (Algeria and Namibia) is less than the minimum of 5 per cent of gross domestic product, which is considered necessary for ensuring adequate health coverage for at least 90 per cent of the population. On average, countries need to increase public spending on health by 2.5 times. On current trends, and with numerous competing demands for public resources, governments are unlikely to be able to meet the health financing requirements.

- ***The private sector needs to leverage the African Continental Free Trade Area to invest in many under-invested sectors at a continental level.*** For instance, Africa manufactures less than 2 per cent of the medicines it consumes. Imports cater for over 70 per cent of the pharmaceutical market in Africa worth about $14.5 billion.

Key findings

Challenges in improving healthcare in Africa

- Africa is undergoing rapid demographic, urban and epidemiological transitions that will have profound effects on the type, quantity and cost of health-care services for the future.
  - With fertility rates that are still high, in spite of declining mortality rates, most countries are experiencing rapid population growths of between 2.5 per cent and 3 per cent per annum. Africa's population is expected to double from 2015 to 2050 with concomitant changes in the age structure. By 2050, the ageing population group in Africa will increase by more than 100 million. It is a population group with very specific health needs. The competition for resources is likely to become sharper as countries struggle

to increase access to healthcare for the younger population groups.

- Africa is urbanizing rapidly and by 2035, the majority of its population will live in urban areas. Rapid urban growth provides opportunities but unplanned growth gives rise to densely packed slums, which exposes residents to the spread of infectious diseases. At the same time, urban lifestyle changes lead to a rise in non-communicable diseases. National health-care systems need to adapt quickly to the challenge of coping with a heavy and growing caseload of communicable and non-communicable diseases simultaneously.
- Africa's average disease burden has declined from 927 to 538 disability-adjusted life years (DALYs) per 1,000 population in the period 2000–2016, but there has been a change in disease profile. The average share of communicable diseases in the total disease burden on the continent is still in excess of 50 per cent, and the average share of non-communicable diseases has increased from 26 per cent to 37 per cent in this period, signifying a rising double burden of disease.

➢ ***Africa has among the lowest densities of skilled health professionals in the world***. Against the global threshold of 23 health professionals per 10,000 population, 13 of the 47 countries for which data are available have less than five health professionals per 10,000 population. Scarce resources are misallocated as many countries produce more physicians when more nurses are required to deal with communicable diseases. There is an 'urban bias' in the location of physicians: in 23 of the 25 countries with comparable data, the percentage of total physicians in urban areas far exceeds the proportion of the urban population.

The burden of financing healthcare

➢ ***Total spending on healthcare in Africa remained within a narrow band of between 5 per cent and 6 per cent of GDP in the period 2000–2015 on average***, although in per capita terms, it almost doubled from $150 to $292 (in constant PPP dollars) with wide variation across countries.

➢ ***On average, healthcare in Africa is predominantly financed through out-of-pocket expenses (36 per cent) and domestic resources (35 per cent),*** with external aid accounting for 22 per cent of total health expenditure. National health systems in most countries struggle with insufficient and inequitably distributed resources and the poorest countries bear a disproportionately high share of the burden of disease and injury, yet have fewer resources for financing healthcare.

➢ ***Expenditure targets as a percentage of government budgets compromise the flexibility of finance ministries to make allocative decisions across various competing requirements.*** Health needs and the availability of funds for healthcare differ significantly across countries, and there is no consensus on how much countries should spend on the health sector. In 2001, member States of the African Union committed to allocate at least 15 per cent of their annual budgets to healthcare, commonly referred to as the Abuja target, but few countries have achieved this target.

➢ ***There is an estimated health financing gap of $66 billion per annum for the continent*** based on the threshold of 5 per cent of GDP for government expenditure. Against

the required $114 billion in current dollars, governments in Africa spend approximately $46 billion. This is a conservative estimate that is likely to increase over the years. More than half of this amount is required by Egypt (19 per cent or $12 billion) and Nigeria (32 per cent or $21 billion).

Resource mobilization for health financing

- ***Africa's tax-to-GDP ratios are among the lowest in the world.*** Tax revenues are the most important component of domestic resources, and raising them has been at the centre of many domestic reforms and regional and international initiatives. These efforts helped increase on average the total taxes to up to 19.3 per cent of GDP in 2015 in Africa. In general, low-income countries and non-resource-rich countries place a greater reliance on indirect (as opposed to direct) taxes than do high-income countries and resource-rich countries. This could be a result of the low levels of formal sector employment in lower-income countries and non-resource rich countries.

- ***"Sin taxes" serve the dual purpose of increasing government revenues and discouraging the consumption of products detrimental to health such as alcohol, tobacco and sugary drinks.*** South Africa, with the highest obesity rates in Africa, other than North Africa, introduced the Sugary Beverages Levy in 2018 to raise prices for soda and other sugary drinks, with the aim of reducing obesity rates by 10 per cent by 2020. Morocco's revenues increase in 2017 with a surtax on alcoholic drinks, tobacco, and gambling that also aims at protecting Moroccans. On the other hand, Kenya with the highest rate of diabetes in Africa, other than North Africa, faced stiff resistance and had to withdraw a tax aimed to reduce consumption of sugar.

- ***Debt servicing constrains governments' availability of discretionary resources and limits the fiscal space.*** There are concerns about the rising level of government debt and debt sustainability in several countries. In Africa, total debt service has increased from 1.6 per cent of gross national income (GNI) in 2011 to 2.6 per cent in 2017. The average interest-to-revenues ratio increased from 5 per cent in 2012 to an estimated 10 per cent in 2017. The interest cost exceeds 20 per cent of revenues in Burundi, the Gambia, Ghana, Nigeria and Zambia.

- ***In 22 countries, the average annual value of illicit financial flows far exceeds the health financing gap***. This suggests that by reducing these illicit flows, governments can fund healthcare and other social sectors in these countries.

- ***In six countries, military spending as a percentage of GDP exceeds public spending on health***. Countries have their own security requirements, but given the importance of improved health outcomes for the future well-being of their populations, governments could consider prioritizing health in their budgetary allocations.

- ***Results-oriented innovative financing mechanisms such as Development Impact Bonds and Social Impact Bonds have been launched in some countries.*** For example, important lessons can be learned by other countries from the Cataract Bond in Cameroon.

- ***There is an urgent need to improve health outcomes in health-stressed countries***. To target the countries with maximum health

needs, the report uses a combination of thresholds covering seven indicators, such as domestic government health expenditure, out-of-pocket expenditure, density of skilled health workers, average disease burden, government debt and the annual GDP growth rate. Eight countries are severely health-stressed: **Angola, Chad, Mauritania, Nigeria, Sierra Leone, South Sudan, Togo and Zimbabwe.** They are below the thresholds on six of the seven indicators. Another 12 countries are very health-stressed: **Benin, Cameroon, Central African Republic, the Democratic Republic of the Congo, Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mozambique, Niger and Zambia**. They are below the acceptable thresholds on five of the seven indicators. These 20 countries need to be prioritised for immediate attention.

Role of the private sector in financing healthcare in Africa

- *Developing effective health financing mechanisms and harnessing the strengths of the private health sector are key strategies to address the increasingly complex health challenges in the region,* particularly to help bridge the health financing gap of $66 billion per annum. Fiscal space for increased government spending is constrained in many countries. Governments can only do so much, and the private sector is an important contributor to providing healthcare in Africa.

- *Business opportunities in the health-care and wellness sector in Africa are estimated to be worth $259 billion by the year 2030, with the potential to create 16 million jobs.* There are numerous opportunities for the private sector to invest in laboratory and diagnostics, pharmaceuticals, skills development, research and capacity-building, and digital health innovations. Investing in health in Africa is increasingly attractive to the for-profit private sector. It is estimated that 14 per cent of all business opportunities in the health and well-being sector globally will be in Africa, second only to North America with 21 per cent.

- *There is considerable scope to leverage the capital and capacity of the private sector to complement government financing and increase investments.* Increasingly, governments are turning to the private sector to improve quality and deliver value for money, build infrastructure, provide staff and training, improve productivity, undertake social marketing, and enhance procurement.

- *The interest in public-private partnerships is driven by a number of factors: the rising costs of delivering healthcare as populations age; the shift in disease profile in Africa towards non-communicable or chronic diseases; changing lifestyles with increased urbanization; and costly and rapidly advancing medical technologies.* For example, UNAIDS has proposed a fast-track strategy to end the AIDS epidemic as a public health threat by 2030. The estimated price tag to achieve this on a global scale is approximately $26 billion per year until 2030. The cost of treating diabetes is estimated at $2,300 per patient per year in Africa.

- *A review of the current public-private partnership cases in health in Africa revealed that two-thirds are located in Eastern and West Africa.* Central Africa, with the poorest health outcomes, has less than 10 per cent of the public-private partnerships. Moreover, over half of the 178 cases reviewed were located in just 10 African countries. This indicates unequal distribution of such partnerships.

- ***Despite the potential benefits of public-private partnerships, private sector involvement and contributions to financing in Africa have not been optimized.*** Ten countries benefit from 51 per cent of the PPPs on the continent and are engaged in only a small number of areas. Challenges in enhancing the role of the private sector include the lack of effective dialogue among stakeholders; weak regulation and policies specifically related to health financing schemes and strategies; and a poor environment in terms of ease of doing business.

- ***Opportunities for the private sector to engage need to be properly aligned to a country's public health goals, including better access and affordability for the poor to access high-quality healthcare and medicines.*** Public-private partnerships in health need to be institutionalized with public and private risk-sharing, well-structured and aligned to achieve the 2030 Agenda for Sustainable Development. Evidence suggests that public-private partnerships are effective models for development in part because of their ability to expand, reach and multiply impact.

Recommendations for both governments and the private sector are summarized as follows:

What should governments do?

1. Focus on achieving broad-based economic growth and prudent macroeconomic management that includes strengthening of debt management frameworks and strategies; improved tax administration to increase tax revenues; strengthening of financial administration to reduce illicit financial flows; and prioritizing public funding for health by reducing fossil-fuel subsidies and other wasteful expenditures.
2. Identify innovative sources for financing healthcare such as Development Impact Bonds and debt-to-health swaps;
3. Allocate sufficient resources in health-associated sectors such as water and sanitation to reduce the extent of communicable diseases, and undertake mass awareness campaigns to reduce non-communicable diseases; and
4. Enhance regulatory systems for improved governance of public-private partnerships, create suitable conditions to attract private investments, provide other incentives such as strengthening infrastructure, and improved internet connectivity, and promote intra-African trade in health products and services.

What should the private sector do?

1. Promote private sector investments in health sectors such as the pharmaceuticals, medical education and digital technologies that are presently under-invested;
2. Build upon the recently-signed African Continental Free Trade Area (AfCFTA) to identify market opportunities and invest in countries or create manufacturing hubs in the sub-regions;
3. Comply with the regulatory mechanisms and oversight measures aimed to curtail trade mispricing and tax evasion;
4. Work with governments through various modalities, including public-private partnerships, to crowd in more private sector investment aligned to achieve the health-related Sustainable Development Goals and the aspirations of the African Agenda 2063.