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Transforming Health Finance: Five Policy Reforms for African Governments

Recommendations

- **Implement Abuja Targets:** Allocate a minimum of 15% of national budgets to the health sector as soon as possible to fulfil the Abuja Declaration commitment of increasing health domestic budgets.
- **Integrate Services:** Implement policy reforms to integrate health services, ensuring a comprehensive, effective and equitable delivery of products and services to under-reached communities.
- **Strengthen Governance:** Implement governance frameworks and systems that promote transparency, accountability and effective monitoring of existing resources for efficient and effective delivery of health services.
- **Strengthen Health Insurance:** Implement legislation and policies towards national health insurance to reduce financial burdens due to medical expenses and improve access to quality care for under-reached populations.
- **Incentivize Africa's Diaspora:** Implement legislation and policies that encourage Africa's diaspora to invest in national health systems through financing, entrepreneurial skills, innovation and other forms of investment.

Summary

Africa's health security and development are at a critical juncture due to a decline in Official Development Assistance (ODA). In many African countries, ODA has played a pivotal role in supplementing national health budgets- sometimes contributing close to 60 percent. [1] It has contributed towards transforming Africa's health security by reducing under-five mortality, increasing immunization coverage, nearly eliminating diseases such as polio and measles, strengthening HIV/ AIDS prevention and treatment programs that support o18 million people on antiretroviral therapy, and strengthening HIV/ AIDS prevention and treatment programs that support over 18 million people on antiretroviral therapy. [2]

The current shift in ODA presents an opportunity for African countries to reimagine more stable and sustainable health financing models that heavily rely on domestic mechanisms. Reimagining health financing models requires legislation, policy and political will from governments, parliament and partners. It is a shift that requires a multifaceted approach and, at its heart, a policy environment that incentivizes locally-led solutions, partnerships, leadership and, above all, fiscal innovations.

To foster a strategic and transformative approach, a reshaping and reimagining of Africa's health financing model, driven by the continent's unique context, economies, demographics and environment, is urgently needed.

The necessary policy reforms will require a concerted, coordinated and intentional effort from governments, parliaments and partners to increase domestic resources for the health sector. Building on the Africa CDC's Health Financing in a New Era- Concept Paper, the Lusaka Agenda and other crucial health financing frameworks, the following strategic policy reforms could transform Africa's health financing:

A Five-Policy Reform Plan

1. IMMEDIATE IMPLEMENTATION OF THE ABUJA DECLARATION TARGETS

The Abuja Declaration of 2001 encouraged African governments to increase health budgets by allocating a minimum of 15% of their national budgets to the health sector. While the declaration remains a reference point for planning and policy documents, most African governments have struggled to meet the 15% target, with only Botswana, Cabo Verde and Rwanda consistently meeting and exceeding it. The rest of the continent allocates between 5% and 10% of its national budgets. [3]

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[1] World Bank, Policy Brief April 2021, **Spending for Health in Malawi: Current Trends and Strategies to Improve Efficiency and Equity in Health Financing,** https://openknowledge.worldbank.org/bitstreams/b9816ffa-45a0-5af0-8cf4-14d4cc2582a7/download

[2] Africa CDC, Africa's Health Financing in a New Era- Concept Paper, April 2025 https://africacdc.org/news-item/africas-health-financing-in-a-new-era-april-2025/

[3] Africa CDC, Africa's Health Financing in a New Era- Concept Paper, April 2025

Some of the strategic steps required to meet the Abuja target include:

- The urgent need for political will and leadership: The health financing challenge requires strong political will, urgency and leadership from governments to enact legislation and policies that allocate a minimum of 15% of national budgets to the health sector. It further requires reforms that ensure allocated funds are disbursed and distributed equitably, using reliable and up-to-date data. As donor governments continue to withdraw resources, this sends a clear message about governments' commitment to addressing the financing gap.

- High-Quality National Health Financing Strategy: A high-quality health financing strategy should include a costed implementation roadmap. Currently, 22 countries in Africa have national health financing strategies, with only four of them costed and about half of them needing to be updated. [4] These strategies must be evidence-based and use context-appropriate financing approaches to respond to local health and financing needs. Health financing strategies must include elements such as equity and financial protection, revenue generation, risk pooling, governance and national health insurance.

- Introducing innovative taxes and levies: Scaling up resources to fast-track health finance transformation will require introducing special taxes and levies. These special taxes could include levies on large, profitable companies in the mining, oil, and gas sectors, diaspora bonds, taxes on financial transactions and tourism, excise taxes on tobacco and unhealthy food, sales of franchised products, and voluntary solidarity contributions through mobile phones. Any new taxes and levies need to be informed by data and ensure equity.

- Increase the private sector's role in financing: Partnering with the private sector offers a promising avenue to increase health financing and expenditure by creating a policy environment that incentivizes investments in infrastructure, innovation and co-financing of programs for under-reached communities. Partnership models that respond to context and innovate, such as tax incentives for health sector investments, co-financing hospitals and clinics, supply chains, research and development and the health insurance fund. Governments should refrain from privatizing the health sector and blindly replicating models from other countries.

2. SUSTAINABLE AND INTEGRATED HEALTH SYSTEM

Segmentation and fragmentation are common features of health care systems in many African countries, resulting in poor service performance and access to services, poor technical quality in areas such as supply chain management and community health, inefficient use of resources, and wastage in delivery and production costs. Integrating health systems has been shown to reduce fragmentation of care, improve

[4] Africa CDC, Africa's Health Financing in a New Era- Concept Paper, April 2025

overall system efficiency, and reduce delivery and production costs by preventing duplication of infrastructure and services.

Some of the strategic reforms required to strengthen integration include:

- **High-Quality National Health Plan:** In line with the Lusaka agenda, countries need to have high-quality, up-to-date and costed national health plans that are anchored on the integration of the entire health system. It should provide a framework for aligning sectoral policies, programs and public financial management towards integration, and should include the intersection of primary care with hospital and other types of institutionalized care, support services and community health.

- **Integrated information system:** An integrated information system that links service providers, operating units and the entire health system is a vital driver of integration. The information system should be consistent with the NHP and provide information on the health status of the population served (including information on determinants of health), the demand for and utilization of services, operational information about the patient's trajectory regardless of the setting of care (admission, discharge, referral), clinical information, information on user satisfaction, and financial information.

3. STRENGTHEN GOVERNANCE AND ACCOUNTABILITY

The World Health Organization (WHO) Service Delivery Program emphasizes governance and accountability as critical to strengthening health systems. Strengthening governance systems ensures that available resources [5] are utilized in accordance with legal, ethical and professional standards, thereby building public trust in the health system and minimizing wastage and corruption. An effective governance and accountability regime should clearly define goals and objectives, measure and monitor success, have consequences for private and public providers and increase transparency in resource management.

1. **Financial accountability and ethical use of resources:** Promoting financial accountability fosters the culture of efficient use of available resources. This includes effective accountability and oversight in planning, contracts, budget tracking and reporting on funds allocation and disbursement. Financial accountability demonstrably leads to resource savings by enhancing performance, reducing waste and promoting the efficient use of available resources.

4. STRENGTHEN NATIONAL HEALTH INSURANCE

A characteristic of health systems in many African countries is the fragmentation of funding within and between the public and private sectors, increasing out-of-pocket expenses for under-reached communities. National health insurance provides quality health care for all citizens by pooling funds and strategically purchasing services to achieve income and risk cross-subsidization while improving the efficiency of

[5] WHO, https://www.afro.who.int/health-topics/health-policies-and-service-delivery

purchasing comprehensive personal health services. National health insurance improves financial risk protection through prepayment funding and by reducing out-of-pocket payments.

- A mixed approach to raising revenue: : Mobilizing financial resources for national health insurance requires a context-specific mixed model that encompasses principles of equity, efficiency, tax buoyancy, transparency and fosters social cohesion. Governments need to find a financing model that overcomes socio-economic stumbling blocks, such as high levels of unemployment, poor tax collection regimes, a lack of trust in public institutions and shrinking fiscal space. It is crucial to implement reforms that enhance pooling arrangements to spread risk and improve cross-subsidization more effectively.

5. INCENTIVIZE AFRICA'S DIASPORA TO INVEST IN HEALTH SYSTEMS

In 2023, Africa received approximately US$100 billion in remittances, equivalent to 6% of its GDP. [6] An untapped opportunity exists through outreach policies directed at Africa's diaspora as part of governments' economic policy framework. Governments can provide direct and indirect incentives that can encourage individual diasporas and/or their associations to channel remittances towards health sector investments. These are likely to increase remittance flows if incentive schemes are sound, attractive and if prior reliable data is gathered on remittance flows and emigration. Some areas for collaborating with the diaspora include:

- Diaspora-driven health sector projects: Governments must create a conducive and inclusive policy environment for diaspora investments in the health sector, along with the necessary infrastructure, through incentives such as tax breaks, joint ventures and diaspora bonds to finance projects. The key to unlocking diaspora finance lies in creating collaborative health sector initiatives that incorporate credit unions and microfinance institutions (MFIs). The collaborative partnership can also extend to developing the national health insurance fund.

- Collaborate with the diaspora on innovation: In an environment of limited resources, health care delivery can be optimized by embracing digital health solutions and technological advancements. Efficiency and effectiveness can increase when local innovators and diaspora technologists collaborate to create culturally appropriate solutions.

Conclusion

There is a long way to go for Africa's structural transformation of the health sector finance to be achieved. To move quickly, policy reforms should be implemented to fulfil the commitments and targets outlined in the 2001 Abuja Declaration. The declaration emphasizes the need for African countries to strengthen domestic financial mechanisms for the health sector. This requires a multifaceted approach that includes

[6] https://www.un.org/osaa/news/digital-remittances-africa#:~:text=In%202023%2C%20Africa%20received%20%24100,(FDI)%20of%20%2448%20billion

raising new resources and maximizing the efficient use of existing resources through new taxes and levies, integrating health and information systems, promoting transparency and accountability, strengthening national health insurance, and creating a favorable environment for the private sector and diaspora to invest in the health sector.

The way health care is financed impacts health outcomes. These policy reforms will require a multi-stakeholder approach with close interaction between the Ministries of Health and Finance, as well as the relevant Parliamentary committees.

While the challenge ahead is enormous, Africa has the solutions!

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