THE POTENTIAL IMPACT OF THE AFRICAN CONTINENTAL FREE TRADE AREA ON UNIVERSAL HEALTH COVERAGE

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Universal Health Coverage (UHC) means that "all individuals and communities receive the health services they need without suffering financial hardship" (1). UHC also includes the full range of health services such as health promotion and prevention, treatment, rehabilitation, and palliative care (1). Despite UHC being a broad concept, it is not free health coverage for all possible health interventions as such an endeavour would be unsustainable for any country. UHC must also not be interpreted as being about health financing as it includes all components of the healthcare system. These components include health service delivery systems, the health workforce, medical products, national supply chains, facilities and communication networks, information systems, mechanisms for quality assurance, and governance and legislation (1). Further, UHC is not only about providing a minimum health service package. It includes progressively expanding coverage of healthcare services and financial protection as the availability of resources increases (1).

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The Case for Investing in Universal Health Coverage

In recent years, Africa has witnessed strong economic growth which has resulted in poverty reduction. However, the region continues to grapple with considerable challenges such as the creation of a solid foundation for long-term inclusive growth (2). In addition, the African population is estimated to reach 2.5 billion by 2050 and several countries have high child and maternal mortality rates, malnutrition is commonplace, and health systems are not robust enough to effectively deal with epidemics, communicable and non-communicable diseases (2). The other challenges that are faced include the significant increase in health expenditure while domestically funded government spending diminishes. The total health expenditure has increased due to out-of-pocket spending by households and development assistance. There are also shortages of key inputs such as human resources and medical products that demonstrate the limited commitment of domestic resources (2). Although the coverage of critical health services has increased, there are disparities within countries and significant coverage gaps still remain (2). The generally low financial protection in Africa coupled with high out-of-pocket health payments cause millions of Africans to fall into poverty (2). Moreover, through the 2001 Abuja Declaration, many African countries committed to increase public health spending to at least 15% of the budget of the government. However, most countries have not achieved this target (2).

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These challenges, albeit non-exhaustive, call for renewed commitments and the fast-tracking of progress towards UHC (2). Investments in UHC must be made primarily for moral reasons: the status quo of human beings facing death, disability, ill health or impoverishment is unacceptable, especially when it is due to reasons that could be addressed at a minimal cost. UHC is also a good investment as the prevention of malnutrition and ill health has the potential to yield considerable benefits in terms of longer and more productive lives, increased earnings, and reduced healthcare costs (2). Additionally, investing in UHC will potentially result in an accelerated fertility transition through effectively meeting the demand for family planning, which will consequently result in higher economic growth rates and faster poverty reduction (2). Furthermore, UHC will result in stronger disease and health surveillance systems that can prevent, detect and respond effectively to pandemics and other public health emergencies that not only take lives, but disrupt economies (2). Having access to quality, affordable health services also helps to reduce the financial hardship that results from being ill, which then contributes to social cohesion and poverty eradication. This is all important for society as the health sector directly contributes to economic growth and job creation (1,2). UHC consists of more than just health and it should not be perceived as a social equaliser (1,2). It is an investment in human capital, health security, development priorities, social inclusion and cohesion, and sustainable growth (1,2). Moreover, UHC promotes equity, basic human rights and brings about economic gains (2).

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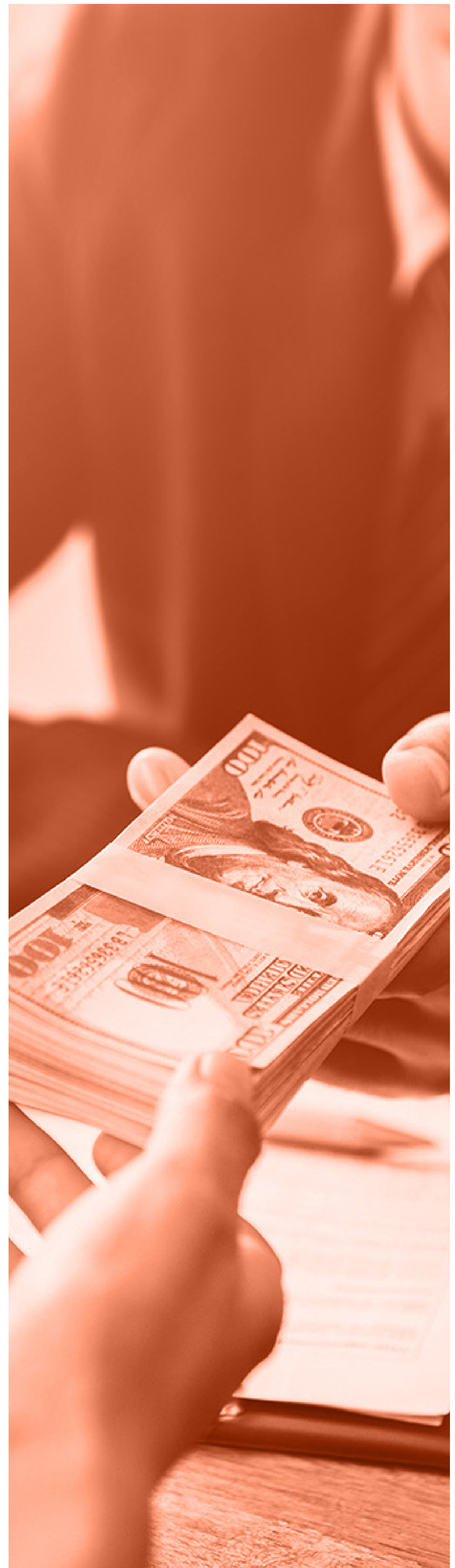
Financing Universal Health Coverage in African Countries

Even though a solid case exists for investing in universal health coverage in Africa, an important question continues to be how will this endeavour be sustainably financed and this section therefore aims to provide some key insights in this regard. The three components of a health financing system are revenue collection, pooling and purchasing, and universal coverage demands that choices be made in each of these. Drawing lessons from countries that have attained universal coverage, prepayment systems that can be used are described as either tax-based or social health insurance-based (SHI) (3). In a tax-based system, the main source of financing is general tax revenue, and the available funds are used by the government to provide/purchase health services and in an SHI system, workers, enterprises,

the self-employed and government make contributions (3). In both operational models, the contributions made by everyone are pooled and services are provided only to those who require them. This has the effect of sharing the risks associated with ill health in the population as a whole, and the pooled funds therefore perform an insurance function. However, the insurance is implicit in tax-based systems (i.e. people are unaware of how much of their taxes are going towards health service funds), whereas in SHI systems insurance is explicit (i.e. people are aware of what they are paying for health) (3). In both systems, the funds are often used to purchase or provide services from a mixture of private and public providers. A mixed financing system is often used by countries, with certain groups being covered by health insurance and the remaining population being covered using general taxes. In almost all systems, individuals and/or households are still required to make payments out of pocket when receiving specific services. However, the contribution to total health expenditure that these payments make is generally small compared to countries that have not achieved universal health coverage (3).



It has been suggested that in the initial phases of implementing UHC, there must be a transition from direct payment for services to forms of prepayment which might combine different measures to protect people from financial risks while ensuring sufficient funds are available for the provision of services (3). The transition to UHC differs from country to country, and the factors that may fast-track it include high economic growth which increases the capacity of people to contribute to health financing schemes, a skilled workforce to administer a country-wide system, the society's level of solidarity, the effectiveness of the government's leadership, and public trust in government (3). There is no 'best' way to raise funds that applies to all contexts or has distinct advantages in terms of impact on health outcomes, responsiveness to patients, and efficiency. As a result, the convergence towards a specific funding mechanism is primarily influenced by a country's history, constraints and social, political or economic opportunities (3). Key amongst these factors is organisational context and the possibility of building on existing institutions e.g. if a country already has an efficient tax-based system, it may be appropriate to continue using this mechanism. Regardless of the particular context, strong political will and government stewardship are essential to ensure health financing reform (3). The state of the economy is another important consideration. If the economy is strong and growing steadily, a tax-based financing system will be perceived to be attractive

and allows government finance to be sustainably tapped into (3). However, the SHI system may be attractive when there are constraints on government finance allowing other stakeholders to contribute. In low-income countries, there is a risk of negative effects on employment if SHI revenues are overly dependent on payroll taxes (3).

In the African region, out-of-pocket payments account for a significant percentage of the current health expenditure, and this is in terms of both user fees at public sector facilities and direct payments made to private healthcare providers (4). Robust financing structures are therefore crucial in all countries as out-of-pocket payments for health services result in the poor being unable to access the services they need and the rich being exposed to financial hardship when they suffer from severe or chronic conditions (4). In Africa, the most appropriate and preferred mechanism for moving towards UHC is some form of mandatory health insurance because it offers financial protection benefits and results in higher levels of public healthcare funding that translates into lower mortality, especially in lower-income countries (4). Pooling funds from mandatory insurance contributions can also spread the financial risk of illness across a population (1). This funding model can be pursued through tax funding and other government revenue sources alone, or in combination with mandatory contributions to health insurance (4). However, there is a need to answer several crucial policy and research questions related to mandatory health insurance and conduct assessments into whether or not such schemes are truly the best option for African countries to achieve their UHC goals (4).

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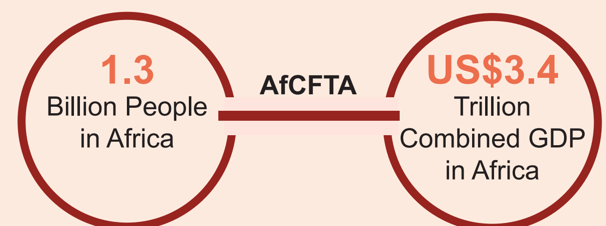
Given the need to gradually decrease reliance on external financing, countries in Sub-Saharan Africa should also be considering how to increase domestic government revenue to fund quality health for all (4). Research has shown that this is feasible and requires tax collection mechanisms to be improved. This might however mean increasing the existing tax rates and/or introducing new taxes (4). In countries with low tax bases, increasing domestic tax revenues is integral to the attainment of UHC. Pro-poor taxes on profits and capital gains appear to support the expansion of health coverage without the adverse associations seen for higher consumption taxes (5). Progress towards achieving major international health objectives might be accelerated by progressive tax policies within a pro-poor framework. Research has found that in low and middle-income countries, tax revenue is positively associated with progress towards UHC and consumption taxes, which are often regressive, are adversely associated with child

survival. The tax revenue base must also be developed to become more stable to allow donor dependent countries to transition from external aid financing to independence (5).

To ensure the timely achievement of UHC and the Sustainable Development Goals, there is a need for ambitious investments, innovation and new partnerships. Although the public sector plays a critical role in leading actions for these goals, other stakeholders also need to mobilise the necessary capital, harness innovations, and support service delivery. One of these stakeholders is the private sector and they need enhanced engagement including through systematisation, the creation of an enabling legal and policy environment and regulatory mechanisms (6). African governments should also consider introducing a continental health insurance scheme similar to the one used in the European Union. This may alleviate the anticipated strain that foreign patients put on a host country's public health budget. This system will ensure that host countries are compensated for the health services that the government provides foreigners (7).

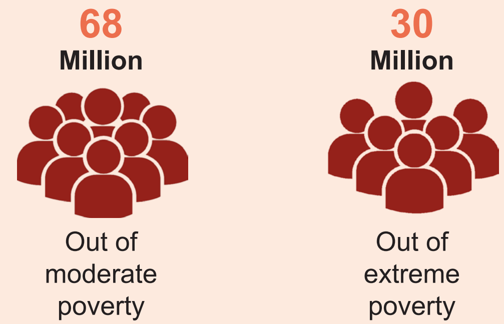
The African Continental Free Trade Area

The attainment of UHC targets is high on the global health community's priority list and in Africa, momentum towards UHC continues to accelerate (8). Even in protracted emergency settings, African countries have made significant progress towards UHC as reported by the World Health Organization (WHO) African Regional Office (8). The ongoing COVID-19 pandemic also reminds us of the importance of access to quality and affordable healthcare for everyone, everywhere (8). Moving forward, there is a need to leverage existing opportunities to improve UHC and access to essential medical products. One such opportunity is the African Continental Free Trade Area (AfCFTA) which was launched on 1 January 2021 with the bold ambition of making continental economic integration a reality (9). African countries, through the AfCFTA, intend to establish one continental market for goods and services, enabled by the movement of capital and persons, therefore laying the foundation for the anticipated establishment of a continental Customs Union (9). The AfCFTA intends to link 1.3 billion people across all African countries with a combined gross domestic product (GDP) of US$3.4 trillion (9,10). The free trade area also aims to reduce tariff and non-tariff barriers encountered when trading healthcare commodities (11). It is believed that by 2035, the implementation of the AfCFTA



could lift 68 million people out of moderate poverty and 30 million out of extreme poverty (9,10). However, for the agreement to reach its full potential, significant policy reforms and trade facilitation measures must be put in place (10). In addition, the AfCFTA is envisaged to boost intra-African trade and provide countries on the continent with an opportunity to competitively integrate into the global economy, promote inclusion and reduce poverty (9). By stimulating African countries' economic development, the AfCFTA will bring about positive knock-on effects on the health sector and result in healthcare market expansions that incentivise African health sector investments (11). Further, the AfCFTA has the goal of promoting sustainable and inclusive development, gender equality, structural transformation, industrial development and diversification, regional value development, agricultural development and improved food security in Africa (9). If all 55 African countries participate, the AfCFTA will become the largest free trade area by membership established under World Trade Organization (WTO) rules (9,10).

In 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development which intends to achieve equitable and sustainable development globally (1,6). Based on the "leave no one behind" concept, this agenda has 17 interlinked Sustainable Development Goals (SDGs) and 169 targets (6). Sustainable Development Goal 3.8 specifically aims to "achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all" (6). In terms of access to medical products, the AfCFTA could improve access to low cost generic medicines from efficient African pharmaceutical manufacturers due to competition and wider markets that provide a health incentive for cost reductions (12). As the continent's pharmaceutical industry is one of the fastest growing globally, the AfCFTA presents an opportunity for African countries to boost intra-regional trade in the short to medium term and increase investments in pharmaceutical production in the long term (13). The AfCFTA could also facilitate the creation of a conducive environment for the establishment of regional pharmaceutical value chains. However, there is a need for harmonisation of standards and collective bargaining with foreign pharmaceutical suppliers to enable this (13). Furthermore, the AfCFTA may enable a move towards strategic purchasing which aims to align funding and incentives with promised health services (14). Purchasing is the process by which funds are paid to healthcare providers to deliver services (15), and it



Implementation of the AfCFTA

Sustainable Development Goal 3.8 specifically aims to

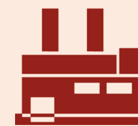
"achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all"

has historically taken a passive approach characterised by providers automatically receiving payments or budget allocations independent of performance (14). Currently, there is a shift towards more active or strategic purchasing which involves the linking of funds transferred to providers to information on aspects of their performance or the health needs of the population being served. The objectives of strategic purchasing is to enhance equity in resource distribution, increase efficiency, manage expenditure growth and promote quality in health service delivery (14,15). Essentially, strategic purchasing facilitates progress towards UHC by meeting these objectives (15).

Africa currently manufactures less than 2% of the medicines it consumes and imports about 70% at approximately US$14.5 billion per annum (13). The AfCFTA, which is anticipated to make regional value chains more robust, may enable the scaling up of local production of essential medical products and make such production of currently scarce products more competitive (16). Through the adoption of a regional approach to the development of value chains, countries can use their comparative advantages, attract investment in the necessary infrastructure, and create economies of scale (16). These regional value chains can be accelerated by the AfCFTA through coordination and prioritisation, as well as through liberalising key inputs and service sectors that are critical to the production of much needed medical products (16). These regional value chains also mean that countries without production capacity would benefit from access to the products they need from within the African region (16). In addition, the economies of scale that may be created by the AfCFTA could result in market sizes no longer being a barrier for pharmaceutical manufacturers to engage in the local production of generic medical products for export purposes or pooled procurement of medical products (13). When successfully implemented, pooled procurement mechanisms enable access to a sustainable supply of quality-assured medical products, greater demand predictability, lower transaction costs, and a reduction in the total price paid for products (17). Pooled procurement of essential medicines can also give manufacturers more predictable demand to cover the costs of maintaining their facilities and ensure access to essential medicines that are small in volume or difficult to purchase (17). African countries are therefore called to take advantage of the opportunity presented by the AfCFTA and expedite the implementation of the 2012 Pharmaceutical Manufacturing Plan for Africa (PMPA) and the establishment of the African Medicines Agency (AMA) (13). The PMPA intends to promote local pharmaceutical production of

Currently in Africa

< 2%

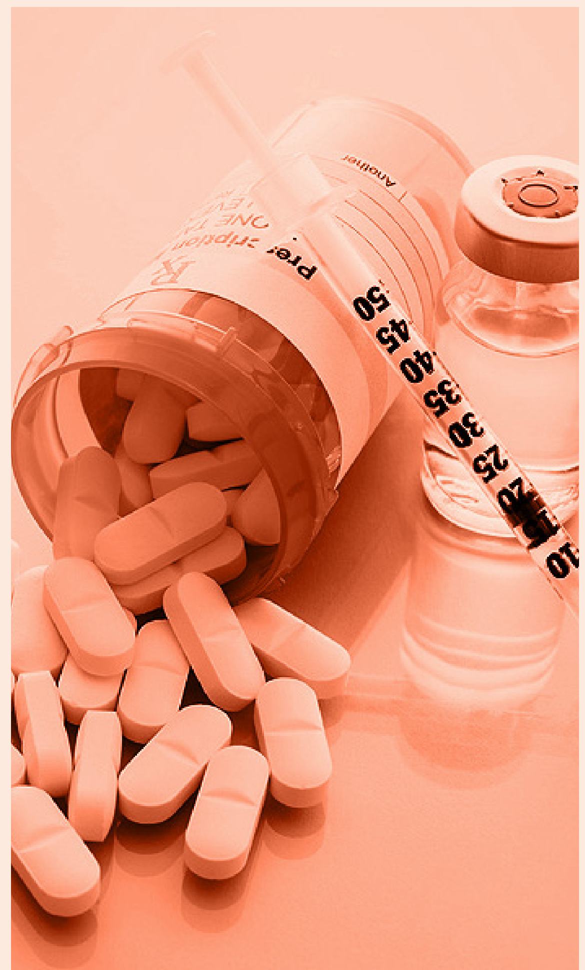


manufactures medicines

70%

imports medicines

At approximately US$14.5 billion per annum

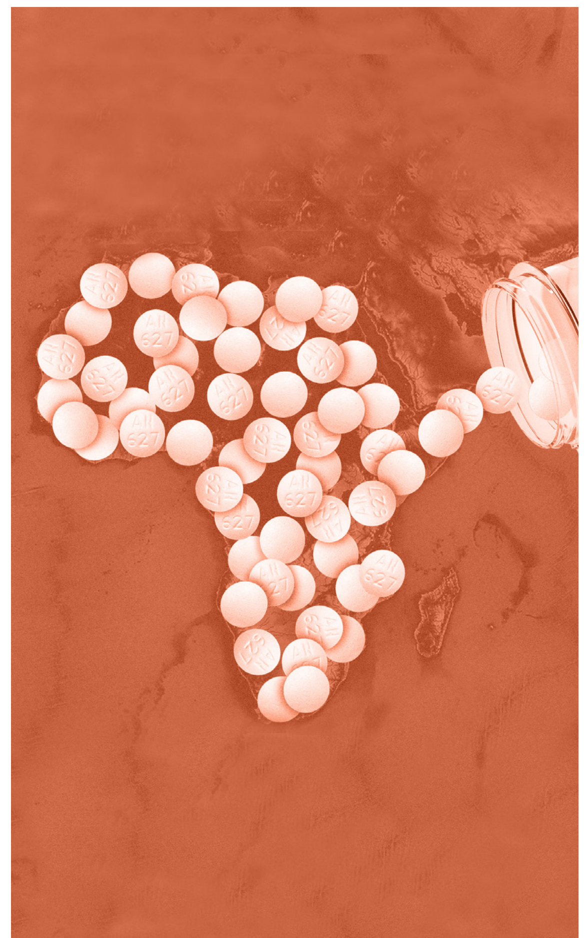


essential medical products as well as to improve access to and availability of these products for Africans (9). All African countries should participate in these collective efforts by prioritising investment for regulatory capacity development, pursuing convergence and harmonisation of medicine regulations in RECs, and allocating the AMA with adequate resources (13).

The AfCFTA agreement, through investment plans, trade facilitation measures and trade-related infrastructure measures, provides for the free and easy exchange of technical expertise (13). In countries that experience acute staff shortages, this will promote the free movement of personnel and potentially improve the availability and accessibility of competent healthcare workers who can contribute to UHC implementation (12). Lastly, the implementation of the AfCFTA provides a real opportunity to create affordable services and products for Africans as emerging and established multinational companies and technology start-ups are showing interest in seizing opportunities that seek to improve the accessibility of quality healthcare on the continent. Some of these innovations are expected to positively impact UHC efforts (18).

Concluding Remarks

Although African countries have made commendable progress towards achieving universal health coverage and SDG 3.8 targets, there is still room for improvement. Fortunately, there are initiatives to be exploited such as the AfCFTA, which holds promise to positively impact the economy and health systems. Essentially, the AfCFTA could catalyse the attainment of UHC and SDG 3.8 targets if properly implemented. As next steps, research is needed to investigate the impact of the AfCFTA agreement on the fiscal space for health. There is also a need to determine AfCFTA facilitators and challenges for the expansion of the health market, universal coverage and health security. Now more than ever, the AfCFTA needs to be fully utilised as it presents a unique opportunity to mitigate the COVID-19 pandemic by allowing the free movement of pharmaceuticals, PPE and technical expertise.



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