Health Care Spending and Health outcomes in Sub-Saharan Africa: Evidence from Dynamic Panel

This thesis addresses two issues. First, to address the problem of underfunding of health systems in SSA the Abuja Declaration of 2001 set a target to allocate 15% of a country's budget to public health expenditure. However there is no empirical evidence on whether SSA countries are converging or diverging from the target and whether there is significant effect of the Abuja instrument on other health expenditure indicators. The second issue concerns health expenditure and health outcomes. Although increased health expenditure has been widely advocated as a mean to improve health status of the SSA population, empirical evidence to support this is scarce and contains mixed findings. A key omission in this literature is lack of consideration of the institutional environment in which health spending is undertaken. The primary objective of this thesis is to examine the behaviour of health expenditure and its effect on health outcomes in SSA. First, the thesis tested convergence of health expenditure in SSA in the post Abuja declaration period. Second, the effects of health expenditure, level of corruption and their interaction on child health and adult health were estimated. The linear dynamic panel model was estimated by GMM-IV method on a panel of 41 SSA countries for the period 2000 to 2011. The thesis provides two sets of econometric evidence. First, the empirical results show evidence of absolute and conditional convergence of health expenditure in SSA. Differences in real income per capita aided convergence of public health expenditure as a percent of government expenditure and private health expenditure as a percent of total health expenditure but contributed to divergence of real per capita health expenditure, total health expenditure as a percent of GDP and public health expenditure as a percent of total health expenditure. Variations in external funding (donor) for health care caused divergence in real per capita health expenditure, total health expenditure as a percent of GDP but aided the convergence of public health expenditure as a percent of total health expenditure. Non-HIPE debt relief benefitting countries were likely to diverge from equilibrium of total health expenditure as a percent of GDP, public health expenditure as percent of government expenditure, real per capita health expenditure and private health expenditure as a percent of total health expenditure except for public health expenditure as a percent of total health expenditure. The Abuja policy instrument (public health expenditure as a percent of government) reduced the rate of convergence of other health expenditure measures except for private health expenditure as percent of total health expenditure which was increasing in the study. Second, the study results indicate that health expenditure significantly reduces under-five mortality and adult mortality in SSA countries. Public health expenditures have significant negative effect on under-five mortality and positive effect on adult mortality. The converse was found for private health expenditures. The quality of governance proxied by corruption perception index had an impact on effectiveness of health expenditure in reducing under-five and adult mortality. Public health expenditure was more effective in reducing under-five mortality in low corruption environment than in highly corrupt environment. Private health expenditure was more effective in reducing adult mortality in low corruption situation than in high corruption environment. There also exist regional variations in effectiveness of health expenditure and governance on under-five and adult mortality. In addition to health expenditure, real income per capita, measles immunization rates and female labour force participation have significant negative effect on under-five mortality. On the other hand, total fertility rates, female literacy, HIV prevalence rates and ethnic fragmentation increased under-five mortality in SSA. Real income per capita and adult literacy reduced adult mortality while, HIV prevalence rates and ethnic
Health Care Spending and Health outcomes in Sub-Saharan Africa: Evidence from Dynamic Panel

fragmentation increased adult mortality. All the results exhibited significant differences between Eastern Africa, Western Africa, Central Africa and Southern Africa. The implications of the findings are: First, continued reliance on donor funding for health systems directly or through debt relief is likely to delay convergence to Abuja target. SSA governments should formulate sustainable health financing mechanisms that reduce dependency on external source for health system support in the long run. Second, for increased health expenditure to yield greater reduction in mortality it should be accompanied by improvements in governance through reduced levels of corruption. This points to the importance of enhancing anti-corruption efforts to improve effectiveness of health expenditure in improving health outcomes in SSA. Third, the regional differences in effectiveness of health expenditure, provides an impetus to formulate joint coordinated policies to regulate institutional environment for SSA health systems. This is likely to improve implementation of common health agendas such as, Abuja Declaration 2001 and the Ouagadougou Primary Health Care Framework of 2008 within SSA countries. Policies to increase real income per capita, measles immunization, female labour force participation and ethnic cohesion and policies to lower fertility rates and HIV prevalence rates would reduce under-five mortality rates. Adult mortality could be reduced by policies that increase ethnic cohesion, real income per capita and adult literacy.

Key words: SSA, Convergence, Health Expenditure, Corruption, Dynamic Panel Model

Source URL: https://economics.uonbi.ac.ke/node/3987

Links:
[1] https://economics.uonbi.ac.ke/node/1244
[6] http://www.linkedin.com/shareArticle?url=https://economics.uonbi.ac.ke/node/3987&amp;mini=true&amp;title=Health+Care+Spending+and+Health+outcomes+in+Sub-Saharan+Africa%3A+Evidence+from+Dynamic+Panel&amp;ro=false&amp;summary=%0A%09This+thesis+addresses+two+issues.+First%2C+to+a...&amp;source=