ABSTRACT

Economic scarcity and health

Scarcity is a foundational concept in economics and is often referred to as the basic economic problem. Scarcity implies that while resources are essential to human existence, they are only available in limited quantities compared with the unlimited wants they seek to satisfy. This concept, therefore, requires that decisions about how these limited resources are used are made in the most optimal ways. For every resource, there are potential alternative uses, implying that the decision to tie a resource to a particular use denies one the benefits that would have been derived from an alternative use – a concept Economists refer to as *opportunity cost*. This implies that optimal resource use also requires setting priorities in a way that derives the best possible outcome for society (and minimizes the opportunity cost associated with the resource). In resource poor settings like Ghana and most of Africa, optimal use of recourses is particularly relevant given the wide range of competing needs for the limited resources.

Society values health – good health – and often craves to "sacrifice" anything and everything to achieve good health. Indeed, as demonstrated by the COVID-19 pandemic, health is a public good that requires public resource allocation for sufficient benefits. The World Health Organization (WHO) recognizes health as a human right and this places obligations on states to ensure "access to timely, accessible and affordable health care". The Sustainable (and Millennium) Development Goals emphasize the need for improved population health. However, the health sector also competes with other sectors for the available limited resources.

The in-between: The economics-health romance

The discussion so far points to a special relationship between health and economics. The popular saying that "Health is Wealth" underscores this relationship. Several theoretical propositions in the history of economics have pointed to a healthy population (labour force) as important determinant of economic growth. From Adam Smith's (1776) *"Wealth of Nations"* to Gary Becker's (1975) *Human Capital theory* and their extensions, economic theory proves that investing in health creates human capital and other resources necessary to grow economies. Specifically, Grossman (1972) argues that investment in good health allows for healthy time to participate in market and non-market activities, thereby boosting growth and wealth. These theoretical

propositions together suggest a strong bi-directional relationship between health and economics, something that several empirical findings have confirmed over the years – the strongest to date being the COVID-19 pandemic. However, while investing in health is crucial, the concept of scarcity suggests that we cannot pursue health *at all costs* because resources have competing needs. Indeed, many countries in Africa seem to prioritize other things but health investments. For instance, despite the many commitments to ramp up funding for health (in the Abuja Declaration in 2001 African countries committed to allocate a minimum of 15% of their annual budgets to health) many countries continue to spend less than 10% of their annual budgets on health. In fact, each year, only between one and three countries have reached the Abuja target since 2001 (Ghana has never attained that target).[1]

In essence, society must decide on what amount of health we can pursue at the expense of other equally important objectives. That decision is not an easy one to make given the obvious implication of prioritizing one over the other, and often requires a comparative analysis of costs (inputs) and consequences (outcomes) of alternative interventions or courses of action – a health economics technique known as economic evaluation, which analyzes the efficiency of alternative courses of action.

What this lecture offers

In this lecture, I will argue that the future of health and the economy could not be said to be complete without the crucial role that health economics has to offer. I will further argue that, given the importance of health for the economy, decisionmakers, particularly in resource-constrained settings such as Africa, will need to prioritize health investments (*more money for health*) based on the potential to boost economic outputs, rather than for purely social reasons.. That said, I will also contend that health resources will need to be expended efficiently to achieve *more health for the money.* A combination of both will optimize population health with the limited resources.

Re-prioritizing health investments in national economic policies – more money for health

[1] Computations from the WHO World Expenditure Database

Historically, health spending in many low and middle-income countries (LMICs), particularly in Africa, have been heavily donor dependent. Despite efforts at weaning such countries off donor dependence, through improved domestic resource mobilization, national budgets often rely heavily on development assistance for health (DAH), with basic services and commodities that could have been funded through domestic sources offloaded onto donors. Some argue that these countries, especially low-income countries, cannot afford to allocate more of their scarce resources for health. In this lecture, I will argue otherwise, that policymakers in Africa can – and should – re-prioritize their spending to allocate more for health, with DAH serving as a catalyst for domestic spending. I will also highlight how health economics tools can support the case for investing in health amidst scarcity.

Priority setting for evidence-informed policymaking in Africa: more health for the money.

While investing more in the health system is important, efficient allocation of the available resources is equally important. This part of the lecture will focus on how health decision makers can allocate and use the scarce resources to optimize outcomes. Health economics tools such as health technology assessment (HTA – a comparative assessment of costs and benefits, alongside ethics, equity and other frameworks, of health technologies, medicines and other interventions to inform decision-making and improve overall health service delivery and outcomes) provides the needed platform for evidence-informed priority setting (EIPS – a systematic approach to decision-making that uses health, economic and other evidence for decision-making). Many African countries are making efforts to institutionalize EIPS albeit with challenges. I will argue that the sustainability of Africa's approach to institutionalizing EIPS lies in her ability to drive conceptualization and implementation, developing country capacity in a context-relevant manner and closing the evidence-policy gap through regular interactions between academic/research and policy communities.

These arguments will be supported with specific examples from my research and evidence-policy initiatives, which have been the focus of my work over the past five years, helping countries in Africa implement a framework for systematically incorporating EIPS into health decision making.