

Health, Economic Development and Trade

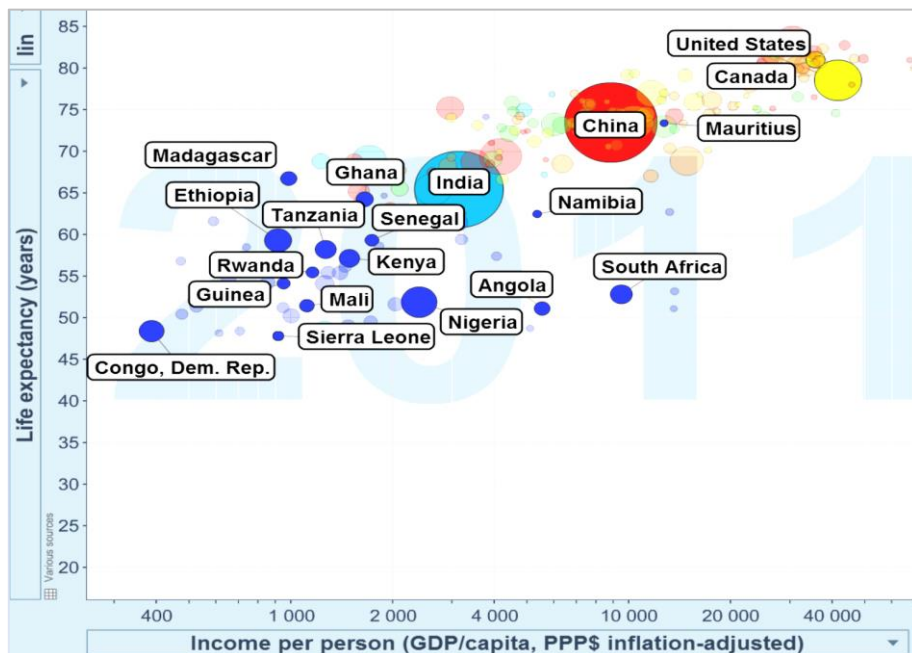
Africa is the fastest growing continent in the world— with a projected average economic growth rate of 6 percent from 2013-2015ⁱ. Health is becoming increasingly important as economies grow. This brief explores the relationship between health, economic development and trade in Sub-Saharan Africa by reviewing available evidence taken from published research and data.

The Relationship between Health and Economic Development

Health is one of four key influences on growth, along with an enabling environment, human capital and technology. The generally positive relationship between health and economic development has been demonstrated in a number of peer-reviewed research studies. Here it is examined in two ways: through cross-country comparison and quantification of impact.

Figure 1 shows income, measured in terms of gross domestic product (GDP) on the horizontal axis, and

Figure 1: Life Expectancy and GDP per capita, 2011



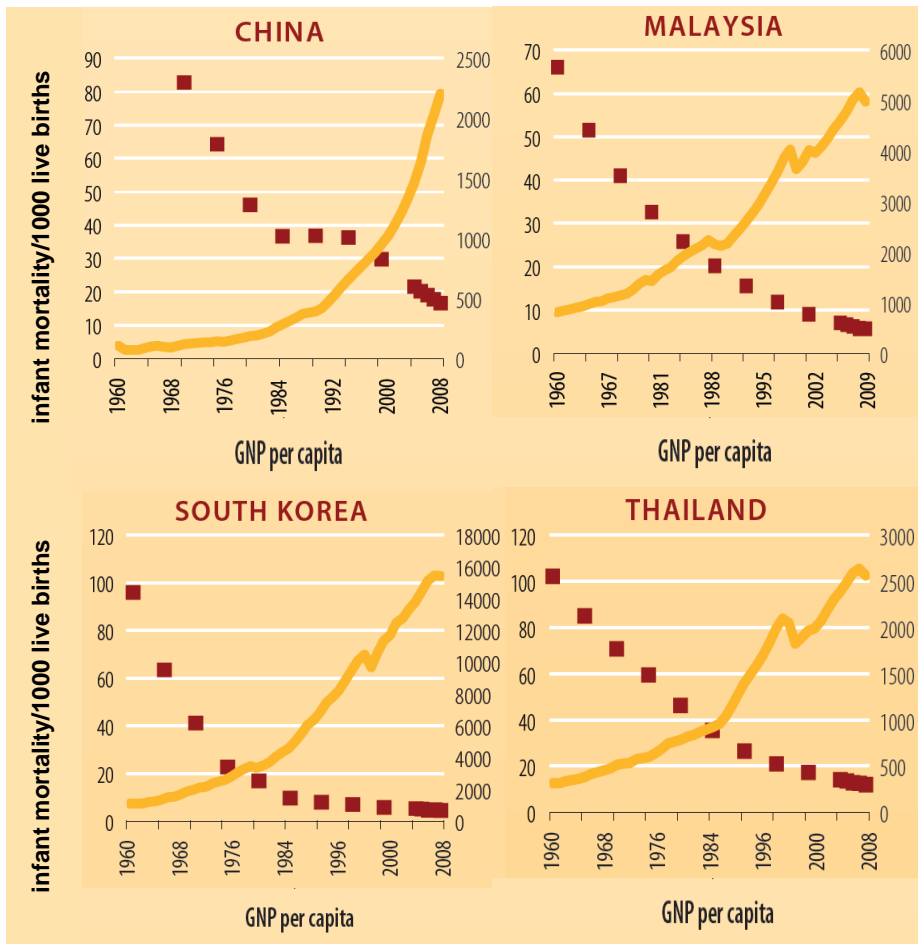
Source: GapMinder 2013

health, in terms of life expectancy on the vertical axis, for a selection of countries. It provides a graphical demonstration that **countries with lower life expectancies tend to have lower rates of GDP per capita**. The cluster of blue circles represents a selection of African countries with low life expectancy and low levels of income. The countries at the top of the curve have the highest GDP per capita and longest life expectancy. Mauritius appears as the only Sub-Saharan African country towards the top of the curve, while countries such as DR Congo, Guinea, Sierra Leone, Rwanda and others, are featured at the low end of the curve.

The evidence demonstrates a generally positive relationship between health and income but begs the question of which comes first— improvements in health or economic development. Data from East Asia clearly shows that improvements in health preceded rapid economic growth in China, Malaysia, South Korea and Thailand.ⁱⁱ In Figure 2, the decline in child mortality (shown as red boxes) came before the strong uptake in the economy (shown as the yellow line) in each of these countries. A detailed analysis of the China data confirms these findings, showing that reductions in child mortality were steepest between 1960 and 1980, prior to economic liberalization and rapid economic growth.ⁱⁱⁱ China also showed the greatest reductions in childhood stunting rates long before the economic take-off.

The African continent appears to be on a similar path. An overall rise in life expectancy between 1960 and 1990 was followed by considerable economic growth during the same period. A decline in life expectancy occurred from the 1990s to mid-

Figure 2: Trends in East Asia



Source: World Bank 2013

2000s which is generally attributed to the impact of HIV/AIDS. This has been followed by an increase in life expectancy and a relatively rapid rate of growth that is comparatively stronger than the norm for low and middle income countries.

A number of studies have sought to quantify the impact of improved health on economic development.

Available research findings include the following:

- In 2011, David Bloom and others concluded that “good health has a positive, sizable, and statistically significant effect on aggregate output”^{iv}.
- Earlier studies show that an increase in life expectancy by five years increases GDP by 2.7% to 7.3 percent^{vi}.
- UN findings estimate that between 30 and 50 percent of Asia’s economic growth from 1965 to 1990 is attributed to improvements in reproductive health and reductions in child mortality rates^{vii}.

- The elimination of under-nutrition in sub-Saharan African countries would raise the economic growth rate between 0.34 and 4.6 percent^{viii}.
- A five percent improvement in child survival rates raises economic growth by one percent per year over the subsequent decade^{ix}.
- The economic value of lost life years due to AIDS in 1999 was estimated to be 12 percent of the gross national product (GNP) of Sub-Saharan Africa^x.

The Impact of Economic Development on Health

Research exploring the converse relationship—the impact of economic development on health—reveals both positive and negative correlations.

- A one percent increase in income per capita raises life expectancy by 0.043 percent^{xi}.
- At low income levels, there is a sharp improvement in health as incomes increase^{xii}.
- Increased wealth “does not necessarily (or automatically) lead to improved health,” particularly for the poorest segments of society^{xiii}.

The Impact of Health on Trade and Commerce

The expansion of trade and commerce are associated with economic development. **Health, however, has a direct impact on trade, as well, through its effects on worker productivity and competitiveness.** A healthy workforce (both public and private) and a healthy population are critical for competitiveness, trade expansion and economic development.

Lowered **productivity** is due mainly to the loss of workers (death or severe disability), absenteeism and

presenteeism (decreased effectiveness of active workers due to poor health). These factors can have a strong impact on a country’s productivity:

- According to an analysis of more than 100 countries, a one percent increase in adult survival rates increases labor productivity by 2.8 percent.
- Comparative studies of East African businesses have shown that absenteeism can account for as much as 25 to 54 percent of company costs.
- In 2010, the cost of Cardio-Vascular Diseases (CVD) in East and Southern Africa was approximately US\$ 5.7 billion; 33 percent of these costs are attributed to lost productivity.

The 2013 Global Competitiveness Report confirms the negative impact of the prevalence of communicable diseases on **competitiveness** and highlights the need for increased productivity to strengthen the ongoing economic recovery^{xiv}. It identifies twelve components that are integral to competitiveness; health and primary education are two of them. This reflects the fact that investments in health services and basic education are "critical" to attaining a healthy and trained workforce and gaining competitiveness. The report contends that competitiveness in Africa is improving, partly due to improvements in health and education, as evidenced by the blue line in Figure 3.

But the report also contains worrying data on the impact of diseases on business. The indicators used to determine the competitive index are the prevalence of the communicable diseases of malaria, TB, and

Figure 4: Perceived Level of Business Impact of Diseases

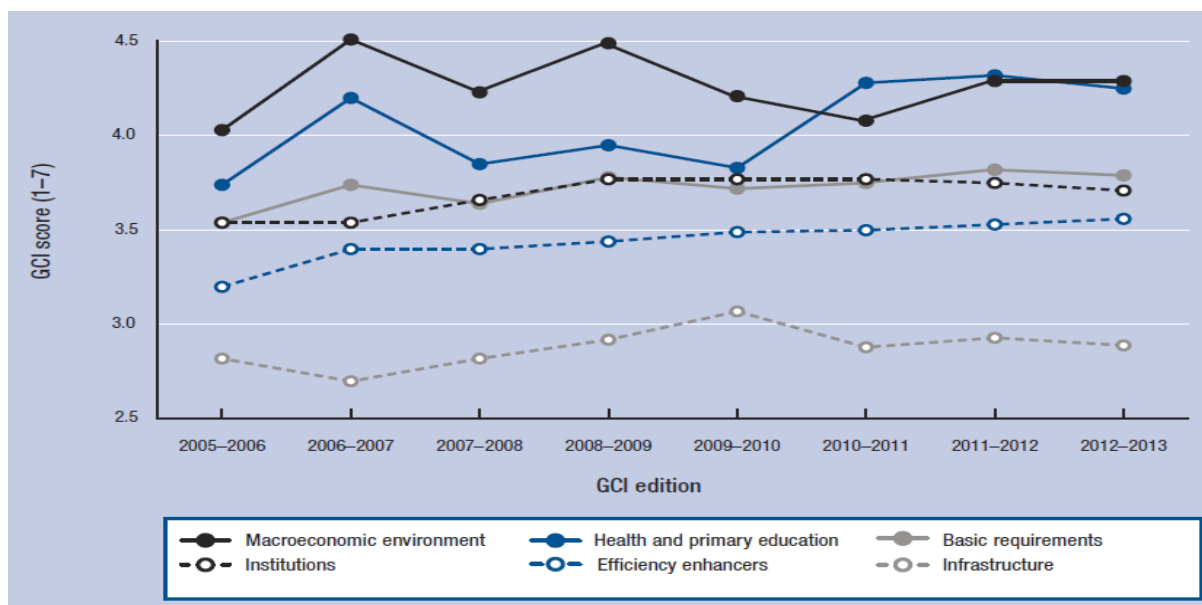
Country	Impact of Diseases on Business: Loss of Productivity, Expenses, Training, Recruitment and Revenue (Scale: 1= serious impact; 7= no impact)		
	Malaria	TB	HIV/AIDS
Global mean*	4.5	5.2	5.1
Ethiopia	4.2	3.7	3.7
Senegal	4.1	4.5	4.8
Nigeria	3.4	4.3	4.3
Kenya	3.4	3.7	3.3
Ghana	2.9	4.1	4
Uganda	2.8	4	3.1
Malawi	2.5	3.4	2.6
Tanzania	2.5	3.5	3.2
Mali	2.1	4.4	4
Sierra Leone	2	2.3	2.1

Source: Schwab 2013

*For malaria this is a mean of countries in affected areas.

HIV/AIDS, as well as infant mortality, life expectancy and primary school enrollment rates. Figure 4 provides a snapshot of the business impact of these three diseases across selected African countries. The figure warrants a high level of concern about the level of business impact of diseases for selected African countries, particularly in relation to the global mean and the competitive advantage of those countries that are less affected by these diseases.

Figure 3: Trends in Sub-Saharan African Global Competitiveness Indexes



Source: Schwab 2013

Trade Liberalization and Health

Researchers argue that trade generally has a positive effect on economic growth and poverty reduction as growth translates into increased income for the majority^{xv, xvi}. This in turn is associated with better access to healthcare and improved well-being^{xvii}. Additional income also offers the potential for increased taxation to fund investments in human capital (such as health and education)—creating a healthier, better educated and more productive workforce which will attract further investment and trade. However, the relationship between trade, economic growth and health is not automatic or applicable in all instances.

There is also evidence that trade does not always lead to increased wealth either at household or national level. The World Bank estimates that globalization resulted in 200 million people becoming poor between 1993 and 2003^{xviii}. Figure 5 outlines some of the positive and negative effects of trade on health^{xix}. These effects range from a direct impact on an individual who may have access to more and better quality food to harmful products, to potentially global-level impact, such as climate change and pollution. This, in turn, may impact on an individual’s health.

Future Outlook

The future trends are clear: According to IMF estimates, the current rate of economic growth in Africa is likely to continue at least until 2017 or later^{xx}. Twenty-seven African countries have already attained “middle income” status; at current growth rates, as many as 40 (i.e., 75% of countries on the continent) could reach that status by 2025^{xxi}. Sub-Saharan African countries are also committed to universal health coverage and increased fiscal space with economic growth should allow the attainment of that goal. It is predicted that the healthcare and pharmaceuticals markets, as well as public-private partnerships in the health sector, will grow substantially. The pharmaceutical market alone will potentially represent a US\$45 billion opportunity in Africa by

Figure 5: An Overview of Direct and Indirect Effects of Trade on Health

Direct Effects		Indirect Effects	
Positive	Negative	Positive	Negative
<ul style="list-style-type: none"> Increased access to goods that are beneficial to health. For example drugs and food. 	<ul style="list-style-type: none"> Increased access to goods that are hazardous to health. For example, alcohol, tobacco and weapons. Potential increased spread of disease. Migration of health professionals 	<ul style="list-style-type: none"> Increased income at household and national level, contributing to poverty reduction Improved standard of living (including sanitation) Improved opportunities for sharing knowledge and expertise. Improved accountability as a result of wider scrutiny. 	<ul style="list-style-type: none"> Increased transportation Greater use of fossil fuels Pollution Climate change, potentially including droughts, floods and rising sea levels.

Source: Adapted from Steinbach 2009

2020. Similarly, the expansion of internet and mobile phone use present vast potential for increased trade in e-health services. Currently 63 percent of Africans are using mobile phones and internet usage is expanding rapidly at an average rate of 23 percent annually.

Africa will be an increasingly important player in the global market. Intra-regional trade and commerce will also be growing as policies of regional integration among African countries take root. Health will be critical to the expansion of global and regional trade and commerce. Without substantial investment in health and close coordination among relevant ministries, there is a danger of reversing gains made thus far. Smart investments in cost-effective, high impact public health interventions can drive economic growth and the expansion of trade through improved health. Africa’s future is bright; investments in health will be critical to accelerating and sustaining progress.

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DISCLAIMER

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