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# Table of Contents:

1. I.J. Good’s Claim, That Keynes’s Evidential Weight of the Argument, V, a Logical Relation, is a Number, is False  
   Michael Emmett BRADY  
   5
2. An Economic Theory of Disinformation  
   Taiji HARASHIMA  
   16
3. Divine Development: The Impact of Religion on Madagascar’s Growth  
   R. Josué ANDRIANADY  
   28
4. A Basic Two-Sector New Keynesian DSGE Model of the Indian Economy  
   Anshul KUMAR  
   36
5. Health Financing and Household Financial Protection in D.R. Congo: A Vector Autoregressive Model (VaR) Analysis  
   Emmanuel BINENE SABWE, Logas LOWENGA KOYAMODJA, Yannick LUBONGO MBILU, Floribert NTUNGILA NKAMA  
   51
6. Enjoying a Quiet Life Even During a Great Recession? Evidence From the Greek Olive Oil Industry  
   Ioanna KERAMIDOU, Angelos MIMIS  
   60
   P. K. MISHRA, Himanshu B. ROUT, Debasis SAHOI, Pradip KUMAR, S. R. CHAINI  
   74
8. The Impact of Increasing Performance and Productivity in the Management of Human Resources in Albanian Enterprises  
   Fioralba VELA, Zamira SINAJ  
   85
9. The Study on Socio-Economic Impacts of Tourism in the Golden Triangle of Odisha  
   Rojalin MOHANTY, Ansuman SAMAL  
   94
    Hrabrin BACHEV  
    105
11. Characterizing the Anchoring Effects of Official Forecasts on Private Expectations  
    Carlos R. BARRERA-CHAUPIS  
    126
12. The Impact of the Pandemic on the Economic Development about Small and Medium Sized Businesses  
    Altynbek ZHAKUPOV, Assylkhan YESSILOV, Alibek YELEMESOV, Nargiz ISMAILOVA  
    146
13. Rethinking Epistemology: Narratives in Economics as a Social Science  
    Emerson Abraham JACKSON  
    164
14. A Conceptual Analysis of the Technology, Organisation, Environment, Readiness and Industry 4.0 Adoption in Malaysia Small and Medium Enterprises  
    Siti Nurul Aziah ISMAIL, Wan Norhayati MOHAMED, Khatijah OMAR, Nik Hazimah Nik MAT, Jumadil SAPUTRA  
    175
15. Net Asset Value of Mutual Fund and Economic Determinants in India  
    Sathish PACHIYAPPAN, Ankita SHRIVASTAVA, V John Paul RAJ, Saravanan VELLAVIDAN  
    186
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Health Financing and Household Financial Protection in D.R. Congo: A Vector Autoregressive Model (VaR) Analysis

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Abstract: This paper examines the health-related expenditures of economic agents in the Democratic Republic of Congo (households, government and its external technical and financial partners). Given health care high costs of health care in the DRC, access to appropriate health care is hindered due to low income. As a result, government and its external technical and financial partners indispensably step in to ensure that vulnerable households are protected from ruinous expenses.

At the same time, the paper provides an overview of public finances in the DRC health sector using a theoretical approach and analyzes government intervention effects and their external technical and financial partners intervention effects using a vector autoregressive model (VaR) through random shock simulations and variance decomposition. This analysis is carried out assuming that socioeconomic environment is constant "all things being equal".

The result is that household health-related expenditure per capita forecasts can be significantly improved at 0.05 threshold by public health-related expenditure per capita and by health-related expenditure per capita forecasts engaged by external technical and financial partners.

Keywords: funding; government; external technical and financial partners; households; health; protection; income; causality; VaR.

JEL Classification: C32; C52; C87; D18; E21; H51; I15; R11.

Introduction

Health financing remains complex. It is a cross-cutting issue in several Sub-Saharan African countries with multidisciplinary constraints (socioeconomic, political, environmental, health, etc.). In many cases, there is a gap between scarce available resources and multiple health care needs (International Labor Office, 2008) and this requires governments to make rational choices about health financing.

The WHO conceptual framework describes the health system as a whole based on several pillars, including financing, which is one of the core pillars of universal coverage and households’ financial protection.
In the specific case of the DRC, health financing remains a stumbling block to quality of care in health facilities, whether public or private, as the public resources allocated to the health sector and their disbursement are so low. Risk-sharing mechanisms are almost non-existent, ranging from 5% to 7% of coverage.

As the literature indicates, the health problem is identified in economics by issues related to financing, costs, supply and demand, production and consumption of goods and health services, quality and pricing of health services, as well as low households’ income and financial inaccessibility to health care (Ntungila 2023, 6). Therefore, to address them, governments must intervene directly and indirectly.

However, it is important to conduct analyses of the evolution of public finance aggregates in the health sector in order to fully understand the behavior of health care supply and demand in the DRC. In the same vein, it is appropriate to ask questions about the financial protection of households against the costs of health care.

But also, the financing gap for health coverage, which we qualify as the financing needs of the health sector to redress the current precariousness of access to health care in a medium- or long-term perspective.

The objectives of this reflection are:

i. to draw up an inventory of public finances in the health sector in terms of public, private and external expenditure

ii. to analyze the relationship between household financial protection and health financing in DR Congo for the period under study.

The study examines the direct effects of health financing by economic agents on household income protection in the DRC. It hypothesizes that increased public spending on health per capita would positively influence household income protection in the DRC.

1. Literature Review

Current reflections in the debate demonstrate that a key question several Sub-Saharan African countries are facing is: how to achieve the goal of universal health coverage adopted since December 2012 by the United Nations General Assembly? We know that a financing system that relies primarily on out-of-pocket payments does not only prevent the poor from accessing health care but further impoverishes them (Iyeti 2013, 2).

The Enabel Report on access to health care in the DRC reveals that health care commercialization plays a role in amplifying inequalities between rich and poor, the weakly regulated fee-for-service system engages a vicious cycle leading to a progressive deterioration of access to quality health care (Enabel, 2015).

The National Health Accounts provide information that is used in the decision-making process, because it is an assessment of current resource use, and can also be used to compare the DRC’s health financing system with that of other countries (Ministry of Public Health-DRC, 2022).

2. Methodology

Analytical and descriptive methods are adopted to calibrate this reflection, combined with the documentary technique and the econometric analysis, with a Vector autoregressive (VaR) model, to verify the significance of the health expenditure forecasts influence for each economic agent on the household income protection captured by the per capita income. Observations are considered quarterly for the period 2011 - 2020.

3. Presentation and Results Analysis

3.1. Overview of Selected Public Finance Indicators in the Health Sector in the DRC from 2012 - 2017 (in millions of $USD and % of GDP).

Health financing consists of mobilizing the resources necessary to implement preventive measures and medical care that meet the needs of households (World Bank 2015).

According to the law on the organization of the health system in the DRC, health financing in the DRC relies mainly on public financing (central government budget, provincial government and/or decentralized territorial entities budgets), private financing (direct payment by households, community participation or mutual health insurance companies and businesses), and external financing (donations and official development aid, special funding and programs).

---

1 Ministry of Health-DRC, Study on the budgetary space of the health sector in the DRC, it can if it wants to achieve Universal Health Coverage, letter n°1, 2019.

2 Resolution adopted by the United Nations General Assembly at the sixty-seventh session, 67/81, global health (universal health coverage) and foreign policy, in December 2012.

The balanced health stock of the population reflects the need for the actors; this explains the need for their involvement through health expenditures to maintain this balance.

Private and household financing of health care includes the various categories of individuals or legal entities involved in this sector like mutual health insurance companies, religious denominations (churches), private companies and households.

External financing is provided by bilateral and multilateral partners and cooperation agencies that support health financing in the DRC through donations and Official Development Aid (ODA). Among the direct stakeholders: Governments (from USA, Europe, Africa and Asia); regional organizations, Agencies and NGOs.

Graph 1. Public Health Expenditures 2012 - 2017 (in millions of USD and as % of GDP)


The above graph shows that the health sector has several constraints, including: low budget allocation; low spending of between USD 100,000 and 400,000. Between 3% and 6% of overall spending, averaging 4% of public health spending over the sub-observation period.

Graph 2. Budget execution rate for the health sector (administration and function)

Source: DRC, Ministry of Budget (2020)

They did not reach 5% of GDP and represent nearly 3.7% of GDP for the same observed period. Households spending is very high, close to 6% of SDRs and in thousands of USD amounts to between 600,000 and 1,600,000 associated with those of the private. Also, a dependence on external financing for this sector.
The health budget execution rate varies from year to year, both up and down. It ranges from 52% to 90% and did not reach 100% implementation during the period under observation. The execution rates of the health budget for the administration and the function remain low, between 2% and 10%, to meet the health needs of households and even to protect their income.

3.1.2. Health Sector Financing Deficit

The health financing gap reflects, to some extent, the sector's need for financing to achieve financial protection and universal coverage.

Graph 3. Health sector financing gap in 2030 perspective (in millions of USD and as a % of GDP)


According to the Ministry of Public Health, the priorities have been defined in the National Health Development Plan (PNDS)/2019-2022. This PNDS gives an average financing gap of US$1.8 billion per year from 2019 to 2030. The financing gap is equivalent to 20% of the budget and 2.4% of GDP over this period, combined with the health sector growing needs which may reach 40% in order to achieve universal health coverage by 2030.

3.2. Descriptive Statistics

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>8.111828</td>
<td>3.099152</td>
<td>8.199610</td>
<td>395.8998</td>
</tr>
<tr>
<td>Median</td>
<td>8.370000</td>
<td>3.150000</td>
<td>8.760000</td>
<td>408.1072</td>
</tr>
<tr>
<td>Maximum</td>
<td>9.700000</td>
<td>4.300000</td>
<td>10.20610</td>
<td>423.6403</td>
</tr>
<tr>
<td>Minimum</td>
<td>5.950000</td>
<td>1.500000</td>
<td>5.300000</td>
<td>345.2661</td>
</tr>
</tbody>
</table>

Source: Authors using EVIEW softwae

On average, each economic agent in this study spends USD 8.2, USD 8.11 and USD 3.1, respectively the households, the external financial and technical partners system and all governmental sources.

Table 2. Comparisons of the level of health expenditures in some Central African countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Public health expenditure per capita</th>
<th>Household expenditure on health per capita</th>
<th>External health expenditure per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Congo</td>
<td>18%</td>
<td>82%</td>
<td>4.02%</td>
</tr>
<tr>
<td>Angola</td>
<td>24%</td>
<td>64%</td>
<td>2.63%</td>
</tr>
<tr>
<td>Gabon</td>
<td>22%</td>
<td>88%</td>
<td>0.02%</td>
</tr>
<tr>
<td>D.R Congo</td>
<td>36%</td>
<td>37%</td>
<td>38.7%</td>
</tr>
</tbody>
</table>

Source: Authors based on Global Fund statistical report
Theoretical and Practical Research in Economic Fields

Considering other Sub-Saharan African countries, the DRC public spending on health is lower than comparable countries. Households bear the brunt of health expenditures and depend on the external financial and technical partners system for health care.

3.3. Econometric Results

The econometric analysis establishes causal relationships between per capita income and health expenditures for each economic agent (government, households and external partners).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model</th>
<th>optimal Lag</th>
<th>T-Student</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita income</td>
<td>2</td>
<td>1</td>
<td>-2.3138</td>
<td>I(2)</td>
</tr>
<tr>
<td>Public expenditure per capita</td>
<td>1</td>
<td>1</td>
<td>0.0749</td>
<td>I(1)</td>
</tr>
<tr>
<td>Household expenditure per capita</td>
<td>2</td>
<td>2</td>
<td>-0.8260</td>
<td>I(2)</td>
</tr>
<tr>
<td>External expenditure per capita</td>
<td>1</td>
<td>9</td>
<td>0.1904</td>
<td>I(2)</td>
</tr>
</tbody>
</table>

Source: From authors using EViews software

The table above informs us that no variable is stationary, and the different variables are integrated of order 2 except for public expenditure per capita which is integrated of order 1.

<table>
<thead>
<tr>
<th>Lag</th>
<th>LogL</th>
<th>LR</th>
<th>FPE</th>
<th>AIC</th>
<th>SC</th>
<th>HQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-59.3350</td>
<td>NA</td>
<td>0.000776</td>
<td>4.190600</td>
<td>4.368354</td>
<td>4.251961</td>
</tr>
<tr>
<td>1</td>
<td>-32.34322</td>
<td>63.41533*</td>
<td>0.000236*</td>
<td>2.991041*</td>
<td>3.879812*</td>
<td>3.978465*</td>
</tr>
<tr>
<td>2</td>
<td>-31.03584</td>
<td>1.942396</td>
<td>0.000568</td>
<td>3.830620</td>
<td>5.430405</td>
<td>4.362866</td>
</tr>
<tr>
<td>3</td>
<td>-22.09683</td>
<td>10.10618</td>
<td>0.000991</td>
<td>4.286533</td>
<td>6.596336</td>
<td>5.083222</td>
</tr>
</tbody>
</table>

* indicates lag order selected by the criterion

Source: From authors from EViews, NHA data, 2021

Looking at the table above we notice that the optimal number of lags for our VaR model is 1. Causality analysis allows us to know whether the prediction of the health expenditures of an economic agent can be significantly improved by considering the expenditures of another economic agent.

Table 5. Causality Analysis

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>Obs</th>
<th>F-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(DEP_PUB,1) does not Granger Cause D(REVENU_HAB,2)</td>
<td>37</td>
<td>2.04666</td>
<td>0.1617</td>
</tr>
<tr>
<td>D(REVENU_HAB,2) does not Granger Cause D(DEP_PUB,1)</td>
<td>37</td>
<td>0.02766</td>
<td>0.8689</td>
</tr>
<tr>
<td>D(DEP_MEN,2) does not Granger Cause D(REVENU_HAB,2)</td>
<td>37</td>
<td>0.00924</td>
<td>0.9240</td>
</tr>
<tr>
<td>D(REVENU_HAB,2) does not Granger Cause D(DEP_MEN,2)</td>
<td>37</td>
<td>0.01076</td>
<td>0.9180</td>
</tr>
<tr>
<td>D(DEP_EXT,2) does not Granger Cause D(REVENU_HAB,2)</td>
<td>37</td>
<td>0.08751</td>
<td>0.7892</td>
</tr>
<tr>
<td>D(REVENU_HAB,2) does not Granger Cause D(DEP_EXT,2)</td>
<td>37</td>
<td>0.01956</td>
<td>0.9188</td>
</tr>
<tr>
<td>D(DEP_MEN,2) does not Granger Cause D(DEP_PUB,1)</td>
<td>37</td>
<td>0.24682</td>
<td>0.6225</td>
</tr>
<tr>
<td>D(DEP_PUB,1) does not Granger Cause D(DEP_MEN,2)</td>
<td>37</td>
<td>0.60928</td>
<td>0.0188</td>
</tr>
<tr>
<td>D(DEP_EXT,2) does not Granger Cause D(DEP_PUB,1)</td>
<td>37</td>
<td>0.36014</td>
<td>0.5624</td>
</tr>
<tr>
<td>D(DEP_PUB,1) does not Granger Cause D(DEP_EXT,2)</td>
<td>37</td>
<td>5.81928</td>
<td>0.0214</td>
</tr>
<tr>
<td>D(DEP_MEN,2) does not Granger Cause D(DEP_EXT,2)</td>
<td>37</td>
<td>0.00106</td>
<td>0.9742</td>
</tr>
<tr>
<td>D(DEP_MEN,2) does not Granger Cause D(DEP_PUB,1)</td>
<td>37</td>
<td>0.00997</td>
<td>0.9211</td>
</tr>
</tbody>
</table>

Source: From authors using EViews software

Considering the variables under study, according to the causality analysis resulting from the above table, public health expenditure per capita does not significantly improve, at the 5% threshold, the prediction of income per capita. We also find that household health expenditure per capita and external health expenditure per capita do not significantly improve per capita income at the 5% threshold. However, public spending on health per capita

3 There are three models to check the stationarity, more details see Bosonga 2021
significantly improves, at the 5% threshold, not only the forecast of household spending on health per capita but also external spending on health per capita.

3.3.1. Impulse Analysis

Graph 4. Response of per capita income to the shock on per capita public health expenditure

The above graph shows that if the government decides to increase public spending on health per capita, this will have a negative impact on per capita income from the first quarter until it returns to its equilibrium level between the seventh and eighth quarters. He thus translates that public intervention is important since, at first sight, it negatively influences per capita income, before returning to equilibrium.

Graph 5. Response of per capita income to the shock on per capita household spending on health

Graph 6. Response of per capita income to the shock on external health expenditure per capita

Source: From authors using EVIEWS software

Source: From authors with EVIEWS, NHA data, 2021
Households' decision to increase their per capita spending on health causes a negative impact on per capita income from the first quarter onwards, followed by slightly positive effects from the third quarter onwards before returning to equilibrium. We note here that household spending on health is significant and could further keep households in a critical cycle.

If the external sector decides to increase its health spending, there will be positive effects on per capita income for a very short period, then upward fluctuations will occur before returning to equilibrium. External health spending per capita is only a stopgap measure and cannot be a real answer to the health sector in the DRC.

3.3.2. Variance Decomposition

In the context of this study, the analysis of the variance decomposition allowed us to identify the proportion of shocks on studied variables.

Table 4. Analysis of variance decomposition

<table>
<thead>
<tr>
<th>Period</th>
<th>S.E.</th>
<th>(D(\text{REVEN...}))</th>
<th>(D(\text{DEP}_P...)</th>
<th>(D(\text{DEP}_M...)</th>
<th>(D(\text{DEP}_E...)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.560924</td>
<td>100.0000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>2</td>
<td>1.612794</td>
<td>95.95267</td>
<td>2.462264</td>
<td>0.334330</td>
<td>0.250713</td>
</tr>
<tr>
<td>3</td>
<td>1.623812</td>
<td>95.68673</td>
<td>3.625599</td>
<td>0.352836</td>
<td>0.358834</td>
</tr>
<tr>
<td>4</td>
<td>1.626964</td>
<td>95.34929</td>
<td>3.937077</td>
<td>0.368801</td>
<td>0.356033</td>
</tr>
<tr>
<td>5</td>
<td>1.628332</td>
<td>95.20249</td>
<td>4.052296</td>
<td>0.358000</td>
<td>0.357215</td>
</tr>
<tr>
<td>6</td>
<td>1.628925</td>
<td>95.15204</td>
<td>4.132793</td>
<td>0.357996</td>
<td>0.357171</td>
</tr>
<tr>
<td>7</td>
<td>1.629018</td>
<td>95.13187</td>
<td>4.152928</td>
<td>0.357834</td>
<td>0.357260</td>
</tr>
<tr>
<td>8</td>
<td>1.629091</td>
<td>95.12433</td>
<td>4.160470</td>
<td>0.357919</td>
<td>0.357284</td>
</tr>
<tr>
<td>9</td>
<td>1.629118</td>
<td>95.12142</td>
<td>4.163377</td>
<td>0.357912</td>
<td>0.357294</td>
</tr>
<tr>
<td>10</td>
<td>1.629129</td>
<td>95.12031</td>
<td>4.164463</td>
<td>0.357909</td>
<td>0.357297</td>
</tr>
<tr>
<td>11</td>
<td>1.629133</td>
<td>95.11989</td>
<td>4.164907</td>
<td>0.357808</td>
<td>0.357298</td>
</tr>
<tr>
<td>12</td>
<td>1.629135</td>
<td>95.11973</td>
<td>4.165068</td>
<td>0.357908</td>
<td>0.357298</td>
</tr>
</tbody>
</table>

Based on the above results table, for quarterly taken three years, we note that on average per capita income contributed 95.76% to its own forecast, per capita public health expenditure contributed only 3.60% and per capita household health expenditure 0.33% as well as per capita external health expenditure 0.32%.

Conclusion and Therapy

Concluding this study, which was devoted to the analysis of health financing dedicated to households' financial protection in the Democratic Republic of Congo using the VaR model, it emerged from theoretical analyses that public health financing faces several constraints, in particular low levels of expenditure allocation and execution, increased dependence on external resources and a relative financing deficit.

Health spending ranges from 3% to 6% of overall spending; on average 4% of overall public spending: it should be noted that it did not reach 5% of GDP during the period under review. It was also noted that the average financing gap is USD 1.8 billion a year for the period from 2019 to 2030. This represents almost 20% of the budget and 2.4% of GDP during the period (DRC Ministry of Public, 2019).

Considering the variables under study, according to the causality analyses, public health spending per capita does not significantly improve, at the 5% threshold, the per capita income forecast. We also find that household health expenditure per capita and external health expenditure per capita do not significantly improve per capita income at the 5% threshold. This effectively reflects the lack of income protection for households faced with high health care costs.

However, public spending on health per capita significantly improves, at the 5% threshold, not only the forecast of household spending on health per capita but also external spending on health per capita. All other things being equal, when governments increase their public health expenditure per capita, this effectively reduces the health expenditure borne by households as well as that borne by external technical and financial partners.

These results show that it is imperative for the government to increase its per capita health expenditure in order to significantly improve the health situation in the DRC. Our conclusions are supported by the WHO (2022), which noted that the proportion of the population in financial difficulty tends to be lower in countries that rely more on a public health expenditure policy. Indeed, these countries demonstrate that the health coverage of the population must imperatively pass through a political consensus aiming at limiting the participation of households in health expenditure and through efficient health financing measures (targeting of beneficiaries, exhaustiveness...
of benefits, free mother-child care, etc.). These are all essential elements to advocate for an increase in public spending on health in the DRC.

As with other developing regions, further reflection on reducing the gap in outpatient drug coverage would be crucial in the case of the DRC to reduce the financial hardship of financially vulnerable households. Recent evidence confirms the importance of medicines as a factor in direct health spending and is consistent with existing evidence from around the world.

References

List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>BCC</td>
<td>Central Bank of Congo</td>
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<tr>
<td>ILO</td>
<td>International Labor Office</td>
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<tr>
<td>NHA</td>
<td>National Health Accounts</td>
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<tr>
<td>UHC</td>
<td>Universal Health Coverage</td>
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<tr>
<td>Ext. health exp./ capita</td>
<td>External health expenditure per capita</td>
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<td>Households' health exp. / capita</td>
<td>Household health expenditure per capita</td>
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<td>Pub. health exp. per capita</td>
<td>Public health expenditure per capita</td>
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<tr>
<td>GHE</td>
<td>Global Health Expenditure</td>
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<tr>
<td>PHE</td>
<td>Public Health Expenditure</td>
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<tr>
<td>THE</td>
<td>Total Health Expenditure</td>
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<tr>
<td>FASEG</td>
<td>Faculty of Economics and Management</td>
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<tr>
<td>Min. PH</td>
<td>Ministry of Public Health</td>
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<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<tr>
<td>AIMP</td>
<td>Aid and Investment Management Platform</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GDP/capita or Rev/capita</td>
<td>Income per capita</td>
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<td>NHDP</td>
<td>National Health Development Plan</td>
</tr>
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<td>TFP</td>
<td>Technical and Financial Partners</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<tr>
<td>SCP</td>
<td>WHO Country Cooperation Strategies</td>
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<tr>
<td>UNIKIN</td>
<td>University of Kinshasa</td>
</tr>
<tr>
<td>USD</td>
<td>US Dollar</td>
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