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**Governance and the effectiveness of public health
subsidies: Evidence from Ghana, Kenya and Uganda***

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Abstract

Distributing subsidized health products through existing health infrastructure could substantially and cost-effectively improve health in sub-Saharan Africa. There is, however, widespread concern that poor governance – in particular, limited health worker accountability – seriously undermines the effectiveness of subsidy programs. We audit targeted bednet distribution programs to quantify the extent of agency problems. We find that around 80% of the eligible receive the subsidy as intended, and up to 15% of subsidies are leaked to ineligible people. Supplementing the program with simple financial or monitoring incentives for health workers does not improve performance further and is thus not cost-effective in this context.

JEL codes: D73, H11, I15, I28

Keywords: leakage, extortion, shirking, motivation

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Governance and the Effectiveness of Public Health Subsidies

Distributing subsidized health products through existing health infrastructure could substantially and cost-effectively improve health in sub-Saharan Africa. There is, however, widespread concern that poor governance – in particular, limited health worker accountability – seriously undermines the effectiveness of subsidy programs. We audit targeted bednet distribution programs to quantify the extent of agency problems. We find that around 80% of the eligible receive the subsidy as intended, and up to 15% of subsidies are leaked to ineligible people. Supplementing the program with simple financial or monitoring incentives

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