



IMF Working Paper

Education and Health in G7 Countries: Achieving Better Outcomes with Less Spending

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Abstract

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Enhancing the efficiency of education and health spending is a key policy challenge in G7 countries. The paper assesses this efficiency and seeks to establish a link between differences in efficiency across countries and policy and institutional factors. The findings suggest that reforms aimed at increasing efficiency need to take into account the nature and causes of inefficiencies. Inefficiencies in G7 countries mostly reflect lack of cost effectiveness in acquiring real resources, such as teachers and pharmaceuticals. We also find that high wage spending is associated with lower efficiency. In addition, lowering student-teacher ratios is associated with reduced efficiency in the education sector, while immunizations and doctors' consultations coincide with higher efficiency in the health sector. Greater autonomy for schools seems to raise efficiency in secondary education.

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