

# CHAMPIONS OF SOCIAL AND ECONOMIC IN SUB-SAHARAN AFRICA

< By Angela Stene >

Sub-Saharan African (SSA) countries struggle to keep pace with the mounting health challenges caused by epidemics and population pressures. Government health budgets, even where augmented by decades of foreign assistance, have not produced optimal spending on patients.<sup>1</sup> With the escalating demands for health services, the private health sector is increasingly recognized as an essential partner in service provision.

This private health sector - which encompasses modern for-profit hospitals, non-governmental organizations and faith-based charities, retailers, pharmacists, and the informal sector (e.g. traditional healers and birth attendants) - is as diverse as the consumers it serves. It is also surprisingly large. In 2005 the region's private sector accounted for \$16.7 billion in health expenditures.<sup>2</sup>

The growth of the private health sector

is not just an indigenous and haphazard response to the unmet need for public health services; it is also a possible long-term business model for addressing remote, at-risk and targeted markets for health services and products. While some advocates worry about quality of care and a potential for unethical business practices by private healthcare providers, there is also a positive angle to the private sector that can be harnessed to compliment the public sector.

Among those catching on are investors and governments. In response to increased demand for the private sector in health, ministries of health are redefining their roles as traditional providers, by adopting a strategic role in enhancing public private partnerships. Through policy and financial reforms, governments are encouraging private sector approaches to achieving public health goals. In this increasingly open environment, triple bottom investors can

stay ahead of the curve by understanding the business and philanthropic potential of the private health sector.

## THE PRIVATE HEALTH SECTOR OFTEN REACHES BEYOND THE PUBLIC SECTOR TO SERVE REMOTE AND UNDERSERVED AREAS

In areas without public healthcare facilities, companies and non-profit organizations often operate private clinics. In even more isolated communities, private sector pharmacists and drug vendors are often the only healthcare alternative.

These local private sector providers and retailers are indispensable to the supply of healthcare coverage. Their local knowledge enables them to navigate complex supply chains in low resource settings. Local private providers

<sup>1</sup> The World Health Organization estimates that a per capita expenditure of \$35-\$50 is required to meet the essential healthcare needs of a population. Source: WHO. "Spending on health: A global overview." <http://www.who.int/mediacentre/factsheets/fs319/en/index.html>. March 2007.

<sup>2</sup> International Finance Corporation (IFC), World Bank Group. "Business of Health in Africa: Partnering with the Private Sector to Improve People's Lives." Washington and Johannesburg. December 2007. [http://www.ifc.org/ifcext/healthin africa.nsf/AttachmentsByTitle/IFC\\_HealthinAfrica\\_Final/\\$FILE/IFC\\_HealthinAfrica\\_Final.pdf](http://www.ifc.org/ifcext/healthin africa.nsf/AttachmentsByTitle/IFC_HealthinAfrica_Final/$FILE/IFC_HealthinAfrica_Final.pdf).



# DIVIDENDS: PRIVATE SECTOR HEALTH

understand local customs and needs, making health services and products appealing, affordable, and accessible to local populations. Local shop and chemical vendors for example have often proved to have the exceptional street savvy required to deliver hygiene and medicine to even the most isolated areas. Traditional healers have mastered informal communication channels to make their services known to the population. Private midwives offer affordable services to those who cannot afford hospital and clinic fees, and for-profit hospitals offer the convenience, confidentiality, and quality that patients demand.

## HARNESSING HUMAN, INFRASTRUCTURE AND FINANCIAL RESOURCES THROUGH PRIVATE SECTOR ENGAGEMENT

The private sector is also helping to address the human resources for health crisis in SSA, where health systems have

been weakened by massive shortages of well-trained health professionals, and high levels of de-motivation and outward migration. Thirteen SSA countries have only one physician per 10,000 people. Malawi offers one stark example. The country's 12 million people share 139 physicians.<sup>3</sup>

Public-private partnerships can develop incentives to address the human resource crisis in regards to training and education, as well as service provision. For example, the private sector may offer qualified health professionals a greater range of opportunities that bolster retention, with better working conditions, training, and advancement opportunities. The public sector can leverage the human and infrastructural resources of the private sector by sharing training opportunities and discounting lab service fees, donating medical supplies and equipment, and offering financial reimbursement to private providers who deliver public health services.

## THE POOR CONSTITUTE A BROAD MARKET FOR HEALTHCARE SERVICES

Contrary to popular belief, it is often the poor who first seek care in the private sector. A recent analysis of spending by the poorest quintile in SSA shows that on average 44% of consumers from this quintile turn first to the private sector to care for their sick children.<sup>4</sup> These numbers are highest in Mali (69%), Uganda (68%), and Ghana (65%), and Kenya, Nigeria and Cameroon (44% to 47%). Other high private sector utilization rates among the poorest quintiles occur in Cote d'Ivoire, Gabon, and Uganda.<sup>5</sup>

As has been noted, an astounding \$16.7 billion is spent on healthcare products and services delivered by the private sector in SSA countries; a significant portion of this funding comes from private sources (private and out-of-pocket combined). In 12 of the 19 SSA countries, over 75% of private funds come directly, out-of-pocket from consumers.<sup>6</sup> Capturing this market is, therefore, key to scaling up business models in private sector health.

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<sup>3</sup> Kombe, Gilbert. "Human Resources for Health: Challenges in Dealing with HIV/AIDS in Sub-Saharan Africa." Bethesda, Maryland: Health Systems 20/20 Project, Abt Associates Inc. April 2006. <http://www.paho.org/English/DD/PIN/Kombe.ppt#534,5,Why Focus on Sub Saharan Africa>

<sup>4</sup> Marek T. et al. "Trends and Opportunities in Public-Private Partnerships to Improve Health Service Delivery in Africa" Africa Region Human Development Working Series. Washington, DC: World Bank. 2005.

<sup>5</sup> Op. cit., IFC



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### THE PRIVATE SECTOR RESPONDS TO THE GROWING DEMAND FOR HEALTH SERVICES

Increased burdens of both chronic and infectious diseases as well as population pressure and economic growth are increasing demand and willingness to pay

for health services throughout SSA. The International Finance Corporation estimates that in the next ten years, 550,000 to 650,000 additional hospital beds plus 90,000 physicians, and half a million nurses will be needed to keep pace with the demand.<sup>7</sup> These needed inputs will require up to \$30 billion in new investments, half of them for healthcare

delivery and half for retail, medical equipment manufacturing, and insurance.

In 12 SSA countries, United States Agency for International Development's (USAID) PSP-*One* project has helped to forge public/private alliances that have expanded healthcare coverage, quality, and access through new financial mechanisms (contracting, health insurance, and social marketing), policy dialogue, and legal reform. Meanwhile, trade fairs, quality improvement tools and improved access to finance have proven to be vehicles that can successfully strengthen the private sector's potential as a partner.

The true potential of private sector engagement for health in SSA is just beginning to surface, and the terrain is inviting creative, social entrepreneurialism. Investment opportunities are deemed to have high return, as well as clear development dividends. With added openness and recognition for the private health sector, social venture capitalists interested in the triple bottom line can change the face of health in Africa while realizing social and economic dividends. ●

### MOVING BEYOND CONVENTION: MOBILE PRIVATE SECTOR COUNSELING AND TESTING IN ETHIOPIA

The complexity of the HIV/AIDS epidemic in Ethiopia, where there is great variability in the concentration of the virus, demands a counseling and testing approach that goes beyond the traditional public health system to reach most-at-risk populations. Many of these groups (e.g. truckers, taxi drivers, migrant workers, and commercial sex workers) often have disposable income. They also live and work in small towns with few allocated public health resources. Interestingly, some of the higher-prevalence sub-groups enjoy greater wealth and education than sub-groups with low prevalence. These at-risk populations also demand convenience, quality, rapid results, and a high degree of confidentiality, when seeking tests for HIV/AIDS.<sup>8</sup>

The USAID-funded Private Sector Program-Ethiopia, led by Abt Associates Inc., has facilitated a partnership between the Ministry of Health and private sector to provide mobile HIV counseling and testing (MCT). The private sector has helped marshal the needed resources - staffing, funding and infrastructure - to focus on high-risk groups by geographically targeting towns along major transportation corridors linking Addis Ababa with international borders. This unique private sector contribution has had a dramatic impact on outreach to at-risk populations. Within a 13-month period, 58,317 clients - 33% of them women - received MCT services in 40 towns in Oromiya, Amhara and Afar regions.

### JUMP STARTING NIGERIA'S PRIVATE HEALTH SECTOR THROUGH ACCESS TO FINANCING AND TRAINING

Creating access to capital is crucial to expanding and improving quality of the private health sector. A recent trade fair in Nigeria did just that by bringing together 492 professional health practitioners with exhibitors representing managed care affiliates, banks and financial institutions, as well as retailers, suppliers and distributors of medical equipment, supplies, and medicine. The trade fair allowed participants to learn how financial services and products could benefit and grow their practices. To help private health professionals navigate rising tides of patient enrollment in Nigerian HMO services, PSP-*One* provides training on facility management and technical updates on family planning and preventive care.

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*Angela Stene has ten years of domestic and international health policy experience and holds a Masters in Health Policy and International Development from the Woodrow Wilson School at Princeton University. The Abt Associates led Private Sector Partnerships One project (PSP-One) is USAID's flagship project to increase the private sector's provision of high-quality reproductive health and family planning and other health products and services in the developing world. Abt Associates applies scientific research, consulting and technical assistance expertise to a wide range of issues in social, economic and health policy; international development; business research and consulting; and clinical trials and registries. For more information about Abt or PSP-One, please email [info@psp-one.com](mailto:info@psp-one.com).*

<sup>6</sup> Op. cit., IFC

<sup>7</sup> Op. cit., IFC