



The Vital Role of the Private Sector in Reproductive Health

Governments in developing countries are challenged to meet the health needs of their populations because of financial constraints, limited human resources, and weak health infrastructure. And while universal access to reproductive health care—including family planning, maternal health care, and prevention of HIV/AIDS and other sexually transmitted infections—is critical to achieve the United Nation’s Millennium Development Goals,¹ it is far from becoming a reality. Governments are often major providers of reproductive health services, but inadequate funding greatly limits the availability and quality of the services.

The private sector can help expand access to and quality of reproductive health services through its resources, expertise, and infrastructure. This brief provides an overview of the private sector, highlights the critical role it plays in delivering health services and products in developing countries, and explains how governments and donor agencies can engage this sector to achieve reproductive health goals.

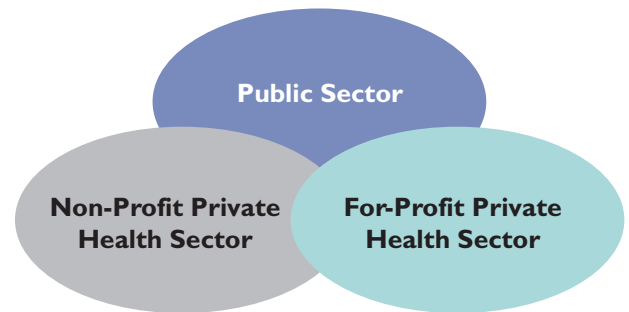
WHAT IS THE PRIVATE SECTOR?

Ownership distinguishes the public sector and the private sector. The public sector is controlled by national, provincial, state, or local governments.

¹ Adopted by world leaders following a UN summit in 2000, the goals aim to reduce poverty and improve quality of life. <http://www.un.org>

The private sector operates outside of government and can be broken into two subsets (see Figure 1):

Figure 1: Sectors in the Health Arena



- The non-profit sector is privately owned, but defines its mission in terms of social goals rather than profitability. Entities that work in this sector are commonly known as non-profit or nongovernmental organizations (NGOs).
- The for-profit sector comprises organizations owned by individuals or shareholders whose principal objective is to earn a profit. This sector is also referred to as the commercial sector.

The private sector, whether non-profit or for-profit, consists of diverse organizations and individuals that usually work independently and may or may not have common interests. Harnessing the private sector to improve health therefore requires engagement by the public



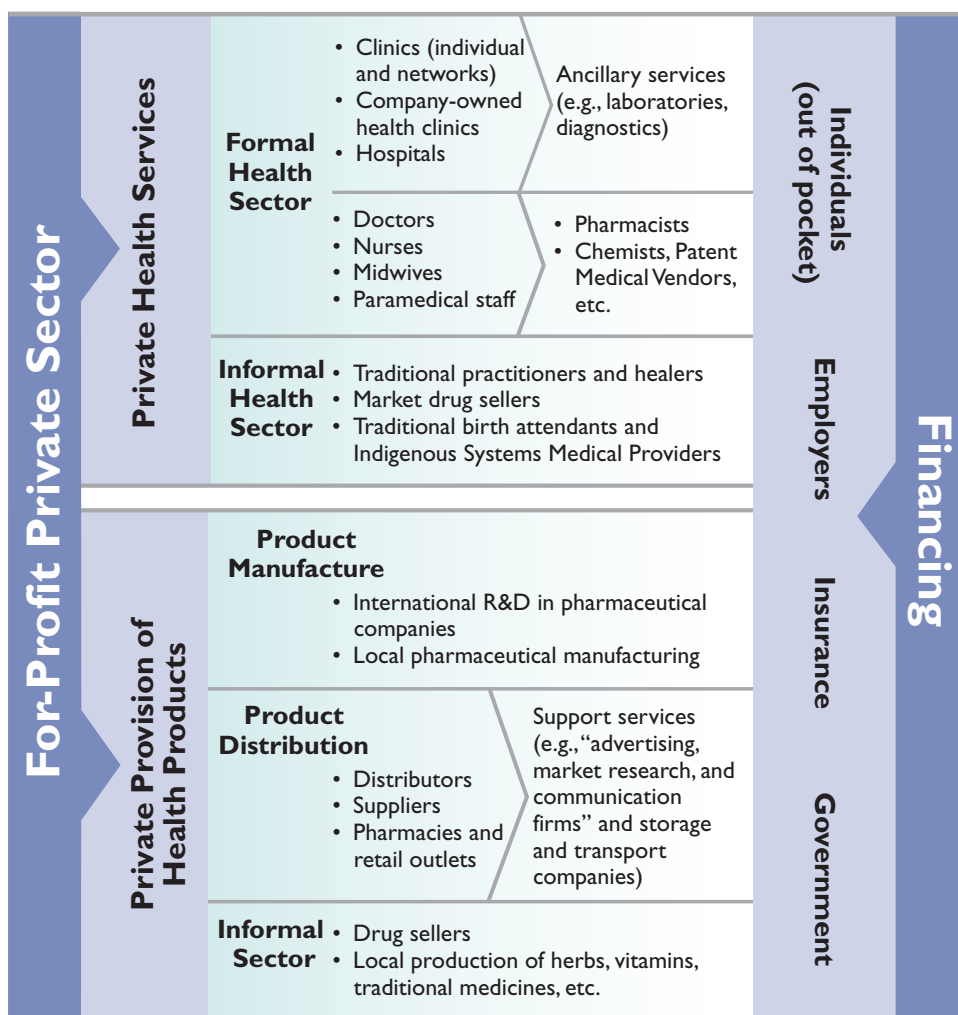
sector to find common ground. Often the best ideas arise only when different perspectives are combined.

A first step in finding common ground is identifying private-sector partners. As Figure 2 illustrates, the for-profit private sector working in health consists of a range of actors—including some whose core business is not health. Private entities may provide health services and/or health products.

doctors, nurses, midwives, and paramedical staff such as clinical officers and physician assistants. Private pharmacists and drug sellers are also vital, as they are often the first-line providers in the formal health sector that serves people in poor and remote communities.

In addition, an active informal health sector consists of traditional healers, traditional birth attendants (TBAs), indigenous systems medical providers (ISMPs), and market drug sellers. The

Figure 2: For-Profit Providers of Health Services and Products



informal sector is a significant, albeit not well documented, source of health care, particularly among rural and poor populations. For example, according to the International Finance Corporation (IFC), 10–20 percent of private health spending goes to the informal health sector in Africa (IFC 2008).

Finally, a substantial number of public-sector health practitioners in developing countries also work for private clients during evenings and weekends. These providers constitute

Delivering Health Services through the Private Sector

Private health care providers in developing countries deliver a range of services, including those that are a priority to government and donors, such as family planning, reproductive health, and treatment for HIV/AIDS, tuberculosis, and malaria. A variety of formally trained and licensed private providers exist, including private

an important component of both the formal and informal private health sector.

Private-sector providers, whether formal or informal, deliver services in a variety of venues. An individual private practice could operate in a single room in a provider’s home or in a state-of-the-art clinic. Other health services are delivered in private clinics and hospitals owned by provider

groups or businesses. Many larger companies, particularly in the mining, textiles, and agriculture industries, offer health care through workplace clinics. Finally, networks of services such as private laboratories and other diagnostic services support private health care.

Delivering Health Products through Private Channels

International pharmaceutical companies manufacture and distribute health products worldwide. There is also a growing number of local pharmaceutical manufacturers in developing countries (e.g., Brazil, China and India) that produce generic versions of brand-name and priority medicines (such as oral contraceptives and drugs used for the treatment of HIV/AIDS).

Wholesalers and distributors ensure that products reach retailers. While pharmaceutical wholesalers tend to distribute in and around urban areas, wholesalers of non-pharmaceutical products often reach retailers in rural areas. Retailers sell medicine and other health-related products, and often serve as *de facto* health advisors in hard-to-reach communities. Retail outlets—an important segment of the private health sector—include pharmacies, over-the-counter drug shops, medicine and chemist shops, supermarkets, corner groceries, market stalls, and kiosks. Many other private organizations, such as advertising, market research, and communication firms, support the distribution and sale of health products through private channels.

There is also an informal sector for health products, particularly for drugs. This unregulated sector, however, presents additional health challenges. In Africa, for example, substandard and counterfeit drugs are widespread (IFC 2008). The poor quality of some drugs and inappropriate prescribing practices in the private sector also creates other health problems, such as drug resistance in the treatment of malaria and HIV/AIDS.

Who Pays for Private Health Services?

In most developing countries, private spending accounts for the majority of health care

expenditures (Rosen 2000). In Africa, nearly two-thirds of health care services are paid for by private parties—predominantly individuals paying out of pocket—and at least half of health care provision is in the private sector (IFC 2008).

In addition to individual spending, some employers pay for their employees' health care either by offering a company clinic or by purchasing health insurance for employees. In developing countries, private health insurance is relatively small but growing. The World Health Organization (WHO) reports that 25 developing countries financed more than five percent of their health care with private insurance in 2001. (Savedoff and Sekhri 2004). As this industry develops, insurance companies will play an increasing role in financing health services and in ensuring quality through accreditation and monitoring of health care providers and facilities.

The sheer size of individual payments for health care raises legitimate concerns about equity between the rich and the poor. In many countries, public health services disproportionately serve middle- and upper-income groups, while the poor rely on private providers, paying out of pocket for their health care needs (Marek et al. 2005). Reliance on out-of-pocket payments for health care can create financial hardship for poorer households, making them vulnerable to catastrophic events.

Risk pooling, through government-funded programs, commercial insurance, or community-based *mutuelles* (health financing schemes found throughout Africa), is regarded as a more equitable way to finance health care because the cost of health care is shared by the population. Moreover, risk pooling can help increase access to health care among the poor by reducing the financial barriers to seeking health care.

WHY ENGAGE THE PRIVATE SECTOR IN REPRODUCTIVE HEALTH?

Governments and donors commonly focus on strengthening the public sector as a way to bring affordable services to everyone, particularly the poorest citizens. However, a public-sector-only

approach fails to harness all of the resources available in the health sector. Engaging the private sector is necessary for several reasons:

- Governments are falling short of meeting the Millennium Development Goals, including those related to improving maternal and child health and combating HIV/AIDS. More resources, skilled health providers, and infrastructure will be needed to provide wider access to reproductive health care.
- A significant percentage of people already receive family planning and reproductive health services from the private sector. As shown in Figure 3, two-thirds or more of married women receive family planning from the private sector in countries such as Indonesia and Colombia. Even in the poorest countries, a sizeable percentage of women rely on a private source, such as a clinic, hospital, pharmacy, or drug shop.
- Many consumers value private services because they perceive the quality of services to be higher. For example, a WHO survey of 18 sub-Saharan African countries found that patients consistently rank skills, equipment, and drug availability in for-profit hospitals higher than similar services in public-sector facilities (IFC 2008).
- Many NGOs, such as charities and faith-based groups, serve vulnerable people in remote areas that might not otherwise be reached by the public health system. The public sector can

extend its reach to underserved populations, often at lower cost, by contracting out to these organizations.

UNDERSTANDING MOTIVATIONS IS KEY TO FORMING PARTNERSHIPS

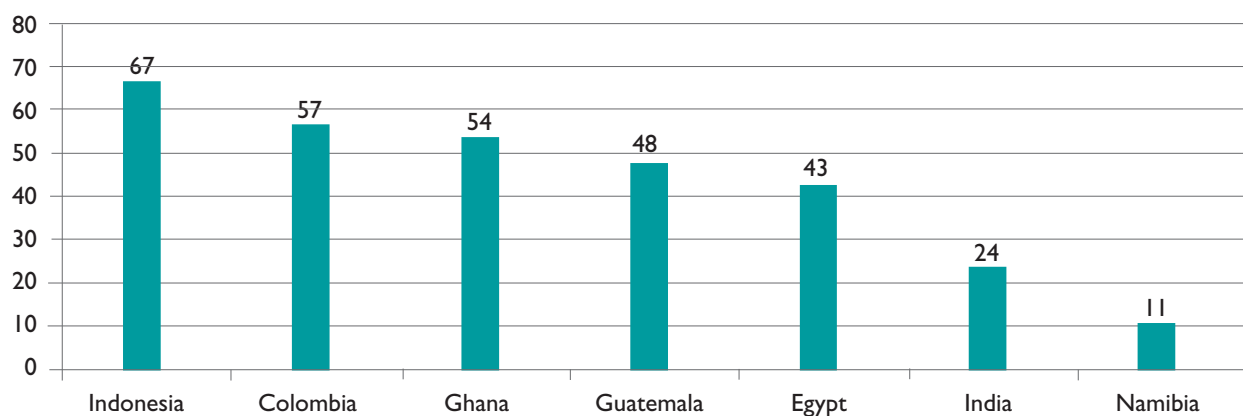
All too often, relationships between ministries of health and private health care providers are characterized by a lack of communication and mistrust (Bennett et al. 2005). Understanding the interests, motivations, and perspectives of private-sector entities is critical to building the trust and confidence needed to form partnerships.

Box 1. The Pill of the Moon Program: Schering's Reasons for Working with the Public Sector

According to its chief executive officer in Morocco, Schering is committed to continuing its participation in the Khanat al Hilaal ("Pill of the Moon") partnership with the Ministry of Health under which it sells oral contraceptive pills at a lower price than the nearest comparable brand. In addition to earning a modest profit, Schering expanded the market for birth control pills in Morocco, which became self-sustaining after support from the U.S. Agency for International Development ended. Other benefits of the partnership for Schering include improving its image, providing a platform for serving a growing middle class, and working toward its corporate social responsibility goals.

Source: Gardiner et al. 2006

Figure 3: Percent of Married Women Obtaining FP from Private Sources



Source: Clifton et al. 2008

Private Health Care Providers

For the for-profit health sector, motivation is relatively straightforward: private providers base their decisions mainly on the potential to earn a profit. They earn money through selling health products and services. Although some people disagree with the concept of profiting by delivering health care, profit enables private health providers and facilities to offer their goods and services continuously with little or no donor or government support. In reality, many private providers earn a modest living and are motivated by factors beyond making a profit.

A number of factors other than profit motivate for-profit providers to become involved in less lucrative areas of health such as family planning and reproductive health. Some providers will consider adding reproductive health care because it enables them to offer a full range of services, thereby attracting more patients. Other private health care professionals are motivated by the same desire as NGOs and public-sector providers to improve people's health and well-being. As one Nigerian private physician said, "We are health professionals and also want to do what is best for our people (personal communication)." Finally, some private health care providers and managers are motivated by personal reasons, such as respect or good standing in their communities. Building alliances between the public and private sectors can appeal to these motivations while advancing public health goals.

Business and Industry

In private industry, the potential to earn a profit is a prerequisite for business investment. Nevertheless, there is a growing desire in industry to be socially responsible (see Boxes 1 and 2). For example, a company may produce a product such as oral rehydration salts that represents only a small percentage of its total sales. Even if the products earn the company only a small profit, selling them may be justified if they improve the company's reputation and strengthen its brand, thereby boosting sales of its other products.

Private companies outside of the health field also may support the delivery of health care.

Box 2. Public Health Impact of a Business Partnership to Stop Tuberculosis in India

In 2002, the Global Health Initiative of the World Economic Forum established the India Business Alliance to Stop Tuberculosis (IBA) to encourage businesses to engage in tuberculosis (TB) control. With the aim of scaling up alliance members' response to TB, an evaluation was conducted to determine the extent to which individual programs contributed to reducing cases and improving treatment outcomes for TB.

The evaluation results showed that, in two years, IBA reached more than 4 million people, including more than 150,000 employees, providing them with life-saving information, TB testing, and treatment services. Through its 32 business members working with the Indian Ministry of Health, the Confederation of Indian Industry, the World Health Organization, and the Global Stop TB Partnership, the IBA demonstrated the impact that a collective business response can have to solve public health problems.

Source: India Business Alliance (2006)

Most often, private companies provide health care because it makes business sense to do so. Improved productivity through decreased illness and greater job satisfaction are the most common reasons that businesses cite for getting involved in health care. For example, some companies that operate in areas with high rates of HIV infection will invest in local health services or provide information on HIV prevention and related services to their employees.

Companies may offer health care to communities as a way to gain social acceptance, such as securing permission to establish and operate a facility where the community is located. Other businesses may become involved in health because they want to be good corporate citizens or improve their reputation, locally and/or worldwide. For example, the drug company Merck makes *Ivermectin*, a drug that fights river blindness, available free of charge in developing countries. Often, several rationales work together to influence business investment.

TYPES OF PUBLIC-PRIVATE INTERACTIONS

Understanding motivations and building relationships are fundamental for collaboration between the public and private sectors. The two sectors can educate each other about national public health objectives and private-sector realities and, with this understanding, explore

a variety of forms of engagement. The table below summarizes the range of public-private interventions that can increase the availability of health products and services in developing countries. These interventions have proven successful in advancing health priorities, including family planning, HIV/AIDS prevention and care, child health, and other areas of health.

Table 1: Public-Private Interventions in Health Care Delivery

Intervention	Description	Expected Results
Contracting out	Governments contract with private providers (non-profit and for-profit) to deliver health services.	Expands the private sector's coverage of particular services via government finance and may improve (through contract specification) the quality of care. Contracting out should improve efficiency and quality through competition.
Licensing and accreditation	Governments can extend licensing and accreditation systems to include provisions for private-sector providers.	Strengthens the quality of private health services and helps governments monitor the care that private providers offer.
Regulation	By updating and harmonizing laws, policies, regulations, and procedures, governments can authorize private provision of services and products by certain health professionals in specific settings.	Increases private-sector participation by removing obstacles and creating incentives that motivate the private sector to provide public health services and products.
Provider networks and franchises	Networks and franchises group health care providers under an umbrella structure or parent organization.	Ensures a standard of quality and prices and encourages individual private providers to scale up their services.
Public-private partnerships	Private providers and businesses join with governments, international organizations, or non-profits to address a social need(s).	Leverages private-sector resources and expertise to deliver health products and services.
Social marketing programs	These programs use commercial marketing techniques to make subsidized products available more widely. The programs can distribute and promote products such as contraceptives, oral rehydration salts, and insecticide-treated bed nets.	Increases access to and use of essential health products.
Training and continuous education for private providers	A variety of training techniques—including direct training, long-distance learning, continuous medical education, and detailing—can improve the knowledge and skills of private health care providers and pharmacists.	Improves private providers' knowledge, skills, and the quality of the care they provide in areas that address public health objectives.
Vouchers	Government can give vouchers to target populations to subsidize the price of health services and products, which makes them more affordable and more likely to be used.	Increases consumers' choices and make private-sector care more affordable through subsidies. Vouchers also create financial incentives to private providers to offer services and products they might not otherwise deliver.
Insurance	Government-funded insurance, commercial insurance and community-based <i>mutuelles</i> pool financial risk across large population groups.	Provides financial protection and eases the burden on households paying out-of-pocket for health services. Insurance also reduces financial barriers to seeking health care, especially for preventive health services.

PRIORITY ACTIONS FOR ENGAGING THE PRIVATE SECTOR

The health challenges confronting low-income countries are too great for one organization or sector to address on its own. Increasingly, governments and donor agencies recognize the need to engage the private sector to increase the coverage of health services. In many cases, national and local governments will need to redefine their roles and broaden the scope of health planning.

A “whole market approach” to health-sector planning refers to supporting a range of partners that have different comparative advantages in reaching different segments of the population. Ideally, more-affluent income groups should shift from free or subsidized services to seek care in the private sector. Non-profit health care providers can offer more affordable services to lower-middle-income groups and the working poor (with some public subsidies), while the government redirects its scarce public resources to serve the neediest populations.

For governments to engage the private sector as partners rather than competitors in health care, they need to play an enabling role while maintaining stewardship. Some key steps include:

- **Strengthen key government functions**, such as regulation, information collection, and oversight. Many countries need financial and technical support to build the capacity of regulatory bodies to develop and enforce quality standards and to manage health information systems.
- **Modify policies and regulations** that prevent private sector entities from providing reproductive health services and products. The reforms may include reducing tariffs and other import barriers on contraceptives and other reproductive health products; streamlining bureaucratic processes that prevent private providers from entering the market; and allowing a range of trained health care workers to provide reproductive health services.

- **Build public-sector capacity to work with the private sector**, including the development of skills such as how to negotiate and oversee contracts with private providers.
- **Include private-sector providers in public-sector training programs** on reproductive health to increase interest in and the capacity to provide these services. Private-sector groups should also participate in policy forums and planning processes related to reproductive health so that government decision making is transparent and considers diverse perspectives.

Donor and technical assistance agencies can support both governments and private-sector entities in developing public-private interventions. They can also support NGO advocacy efforts, as NGOs have a critical role to play in holding public and private providers and decision makers accountable for improving health (Bennett et al. 2005).

CONCLUSION

The private sector is already a major source of health care in the developing world, with a strong likelihood of continued growth in the next decade (IFC 2008). Given its size and importance, the private sector should be viewed as an indispensable partner in meeting reproductive health needs in developing countries.

Collaboration with the private sector requires an understanding of the many actors involved and what motivates them. The diversity of private-sector groups can make collaboration a challenge; however, many interventions—summarized in Table I—have been successful in engaging private-sector partners to achieve public health goals. Government ministries and donors need to reassess the role of the private sector and engage it as a necessary partner in an overall strategy to improve the availability and quality of family planning and reproductive health services.

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About PSP-One

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Banyan Global

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Family Health International

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