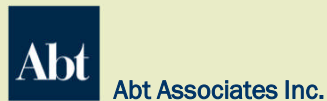




Access to Finance and the Health Sector: An Overview

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Presentation Outline

- Access to finance: a definition
- Why and how limited access to finance constrains private health sector development
- The SHOPS approach to expanding access to finance
- Country examples

Access to Finance: a Definition

- **Access to finance** refers to access to finance for business operations and expansion, and includes
 - Loans
 - Equity (including self-financing)
 - Leasing
 - Supplier credit
- Key providers of finance include commercial banks, microfinance institutions, leasing companies, equity investment funds and suppliers.
- The focus of this conference and presentation is on **access to finance for health care businesses** rather than demand-side financing, such as health insurance, which is often called “**health financing**”.

The Credit Crisis



IS THAT JUST FOR THE NIGHT,
OR FOR EVER?

The Private Health Sector Has Limited Access to Credit

- Acts as a major barrier to the development of the private health sector.
- In Zambia, almost 90% of private health providers surveyed had not applied for a business loan in the last three years. (USAID/BOH Market Research, 2007)
- In Nigeria, only 15% of physicians and patent medical vendors and 10% of nurses/midwives had applied for business loans in the last three years. (USAID/BOH Market Research, 2008)



The Impact on the Private Health Sector

- Lack of financing can have a negative impact on both **scale** and **quality**.
- Results in a private sector dominated by small clinics with limited capacity and ability to expand.
- Can lead to quality concerns due to limited ability to make needed investments in facilities, equipment, medical supplies, drugs and training.



Finance Spurs Private Health Sector Development

- Finance helps health care businesses **sustain** operations and **grow** and **improve** services.
 - Finance can help a business sustain operations by managing cashflow and costs and enabling facility and equipment maintenance and replacement.
 - Finance can also accelerate growth and quality improvements, enabling a health care business to:
 - Add new products/services
 - Purchase new equipment
 - Expand facilities
 - Add new outlets
 - Recruit new staff
 - Pay for training

Why is Access to Finance a Barrier?

- In many countries, financial institutions don't lend to the health sector in a significant way.
 - Risk, public good, lack of market information, collateral, poor quality applications.
- Many private providers lack business and financial management capacity and have difficulty preparing a bankable business plan.



The SHOPS Approach

- Work with local financial institutions to promote health sector lending.
- Strengthen business support services for the private health sector.
- Improve market linkages
- Foster conducive policy environment.



Work with Local Financial Institutions

- Work with financial institutions includes:
 - Commercial banks
 - Microfinance institutions
 - Equity funds
- SHOPS uses a number of strategies to promote health sector lending, such as:
 - Market research
 - Training
 - Technical assistance in loan product development and marketing
 - USAID's Development Credit Authority (DCA) guarantee

Strengthen Business Support Services

- SHOPS strategy: demand driven, localized supply, sustainable
- Developed following assessment of private health sector constraints, opportunities and interests.
- Builds local capacity to offer business support services to the private health sector sustainably.
 - Works through local associations, firms, universities and consultants
- Provides training and advisory services in business and financial management and access to financing.
 - Short modular courses appropriate for private businesses
 - One-on-one advisory services
- Provides sector-specific assistance in quality assurance, registration of clinics, etc.

Market Linkages and Policy

- Strengthens market linkages.
 - Sponsors private sector trade fairs.
 - Builds professional association capacity.
 - Fosters linkages between health care businesses, financial institutions, governments and other key actors.
- Fosters conducive policy environment.
 - Uses market research to inform policy for private sector.
 - Offers advice on public-private partnerships.
 - Identifies areas for policy and regulatory reform.



SHOPS Country Programming

- To date SHOPS has worked to expand access to financing and strengthen private health care businesses in Nigeria, Zambia, Malawi and Uganda.
- Work in additional countries and other regions will be developed over the life of the project.



Country examples: Nigeria and Uganda

- Nigeria

- SHOPS assisted USAID to structure a DCA guarantee with two financial institutions.
- Providing training and advisory services to financial institutions to expand health sector lending.
- Rolling-out training in business and financial management to private health providers (nurses, doctors and patent medical vendors).
- Building capacity of associations and BDS consultants to offer training and advisory services.
- Strengthening market linkages through trade fairs and building relationships between financial institutions, provider associations and others.

- Uganda

- Working with a financial institution to develop a nursing student loan product to help reduce the financial barriers to accessing a medical education.



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Thank you!

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