



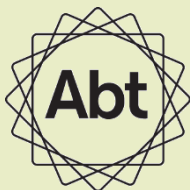
USAID
FROM THE AMERICAN PEOPLE



Promoting Sustainability of Health Markets: Financing Private Health Providers in Africa

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Abt Associates leads the project in collaboration with
Banyan Global
Jhpiego
Marie Stopes International
Monitor Group
O'Hanlon Health Consulting

Why is Access to Finance Important to the Development of the Private Health Sector?

- Lack of access to finance has been identified as a major barrier to the development of the private health sector.
- In most countries in Africa financing is limited.
 - A market research study of private providers in Zambia in 2007 found that almost 90% of respondents had not applied for a business loan in the last three years.
 - A similar study conducted in Nigeria found that only 15% of surveyed physicians and patent medical vendors and 10% of nurses/midwives have applied for business loans in the past three years.
 - A much smaller, rapid assessment in Ethiopia in 2007 identified financing as one of the top two constraints in the development of the private health sector.

Lack of Access to Finance has a Negative Impact on Scale...



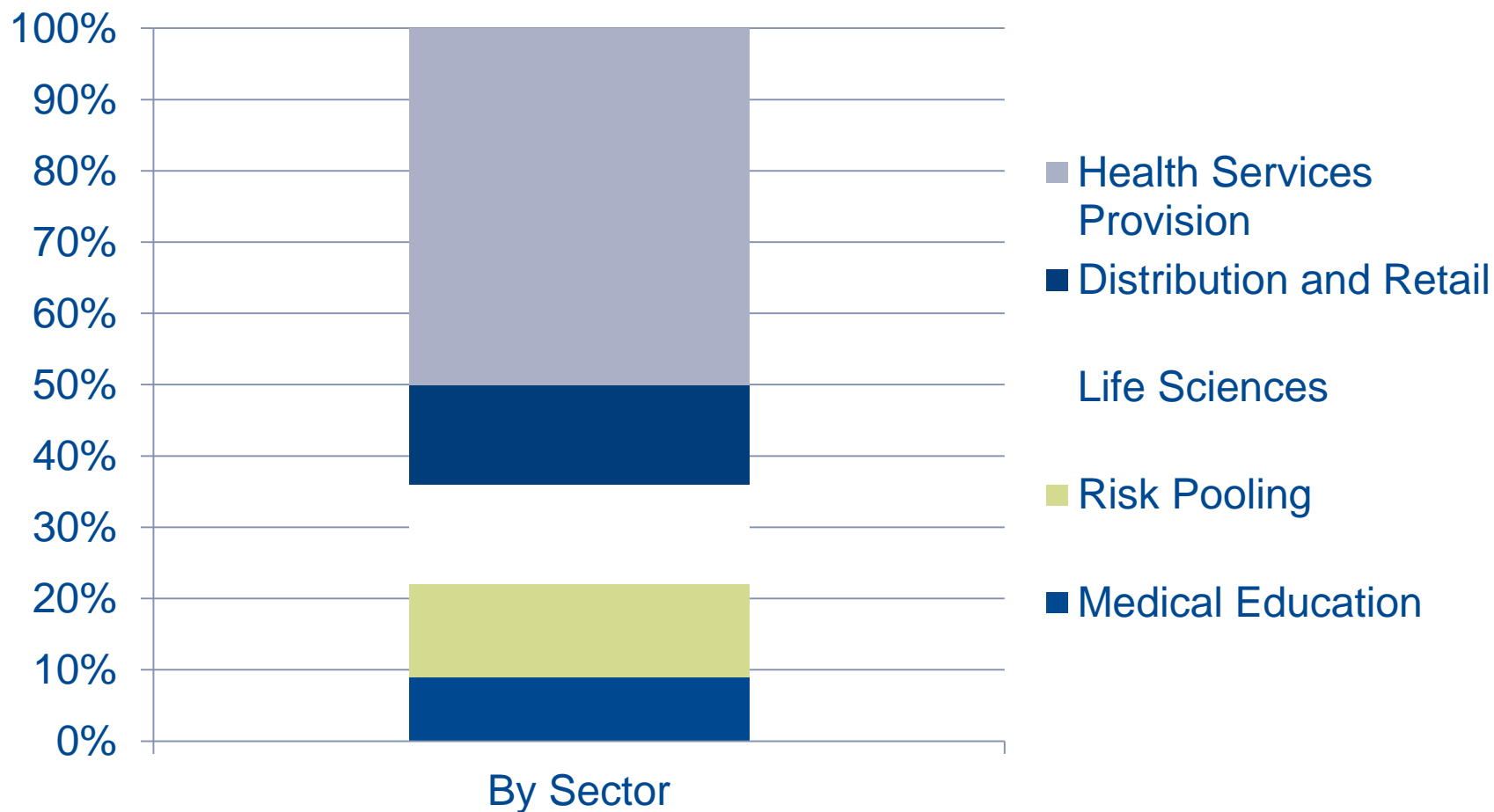
... and Quality



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.
 - In some countries the regulatory environment restricts lending.
- Many private providers lack business and financial management skills and have difficulty preparing a bankable business plan.

Investment Opportunity in Private Health in Africa: \$11 to \$20 million Over Ten Years



Source: IFC, 2008

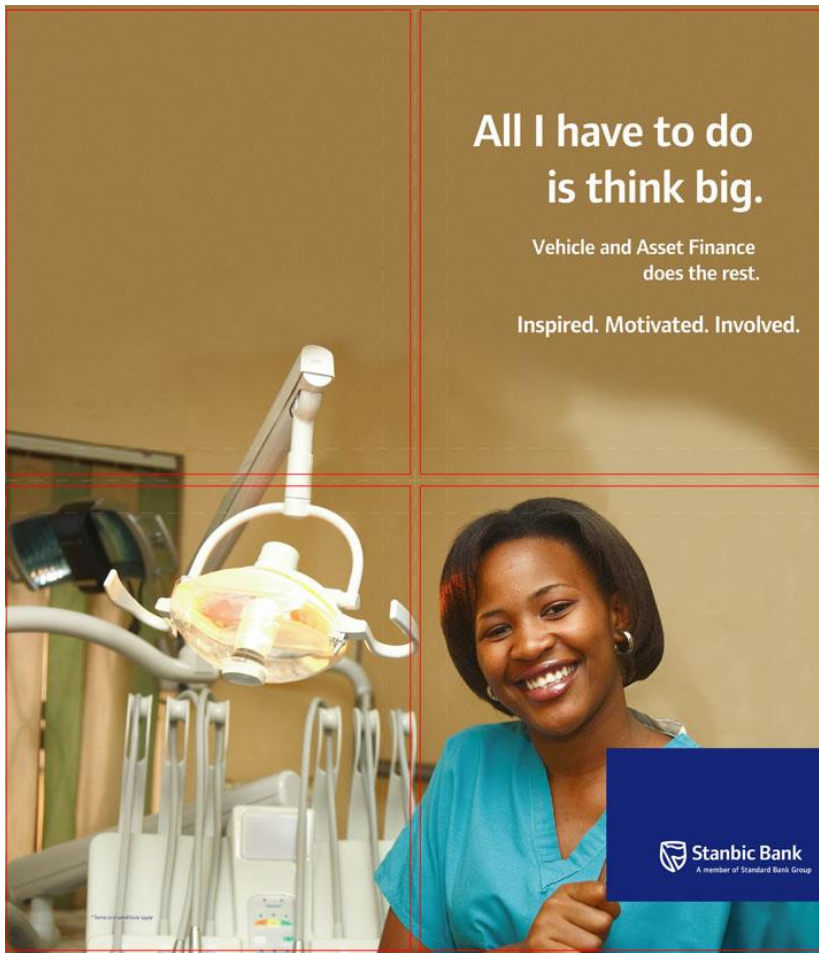
Sources of Financing for the Private Health Sector in Africa

- **Equity:** International investment funds, social impact funds, local funds, individuals
 - Health in Africa Fund (\$57 m)
 - Acumen Fund (\$12.8 m)
- **Leasing and supplier credit**
 - Local and international equipment manufacturers
 - GE Medical
- **Loans**
 - Local financial institutions
 - International loan funds (Medical Credit Fund)
- **Remittances**

Support for Financing

- Equity: Donors/governments make investment in funds, patient capital
- Loans: Donors/governments provide credit guarantees or credit lines.
- Technical assistance in developing leasing products or in how to lend to the health sector
- In Ethiopia sources of financing include: Individual savings and investment, remittances, supplier credit, loans.

Examples of Financing Initiatives in Africa



All I have to do
is think big.

Vehicle and Asset Finance
does the rest.

Inspired. Motivated. Involved.

Stanbic Bank
A member of Standard Bank Group

The advertisement features a smiling woman in teal scrubs in a dental clinic. The background is a light brown wall with a dental light fixture. The text is arranged in a grid-like layout with a dark blue logo box in the bottom right corner.

- Stanbic Bank/Uganda launched a health sector leasing product
- \$2.66m Aureos Capital investment in Nairobi Women's Hospital.
- Acumen Fund investment in A to Z Textiles reduced production cost of bed nets from \$7 to \$5

Overview of SHOPS Project

- Strengthening Health Outcomes through the Private Sector
- USAID's flagship initiative in private sector health
- Led by Abt Associates with five partners: Banyan Global, Jhpiego, Marie Stopes International, Monitor Group, O'Hanlon Health Consulting
- **Purpose:** increasing **availability**, improving **quality**, and expanding **coverage** of essential health products and services in family planning and reproductive health, maternal and child health, HIV and AIDS, and other health areas through the private sector.

Increasing Availability and Quality of Healthcare through Access to Finance and Business Strengthening

Work with financial institutions to expand lending

- Technical assistance
- Support Development Credit Authority (DCA) guarantee

Work with health providers and private medical training institutes

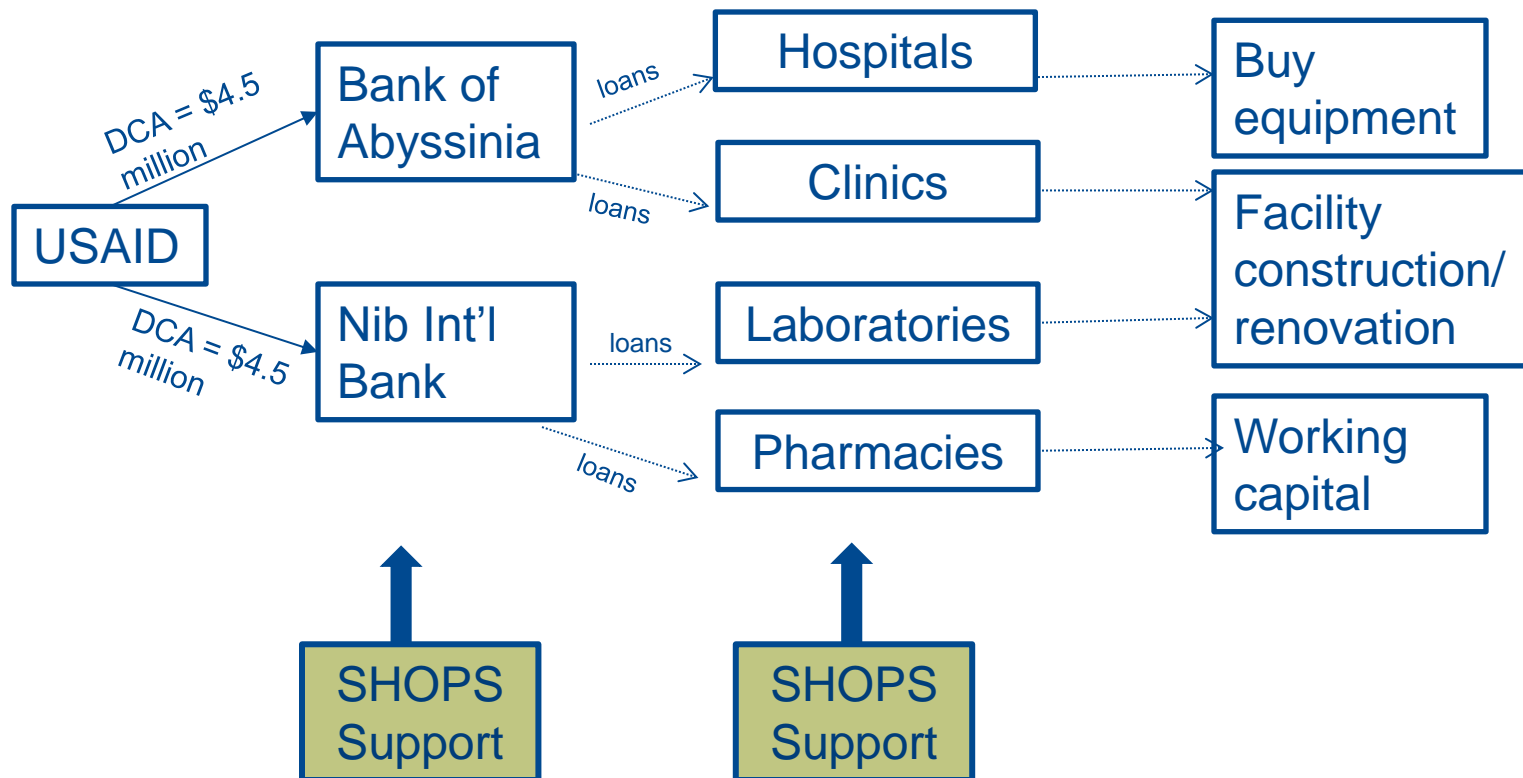
- Business training
- Counseling/coaching
- Bank referrals

Where we work:

- Ethiopia, Ghana, Malawi, Nigeria, Tanzania, Zambia

SHOPS in Ethiopia: Promoting Public-Private Partnership

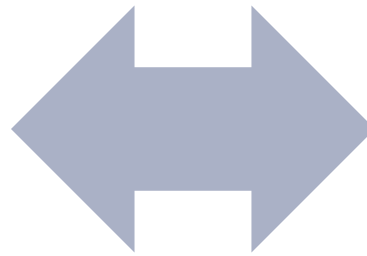
Objective: increase the use and range of HIV services and sustainability of private health providers through enhanced business capacity and access to finance.



Working on Demand and Supply

Relationship brokering

- Information sharing
- Process streamlining
- Loan packaging

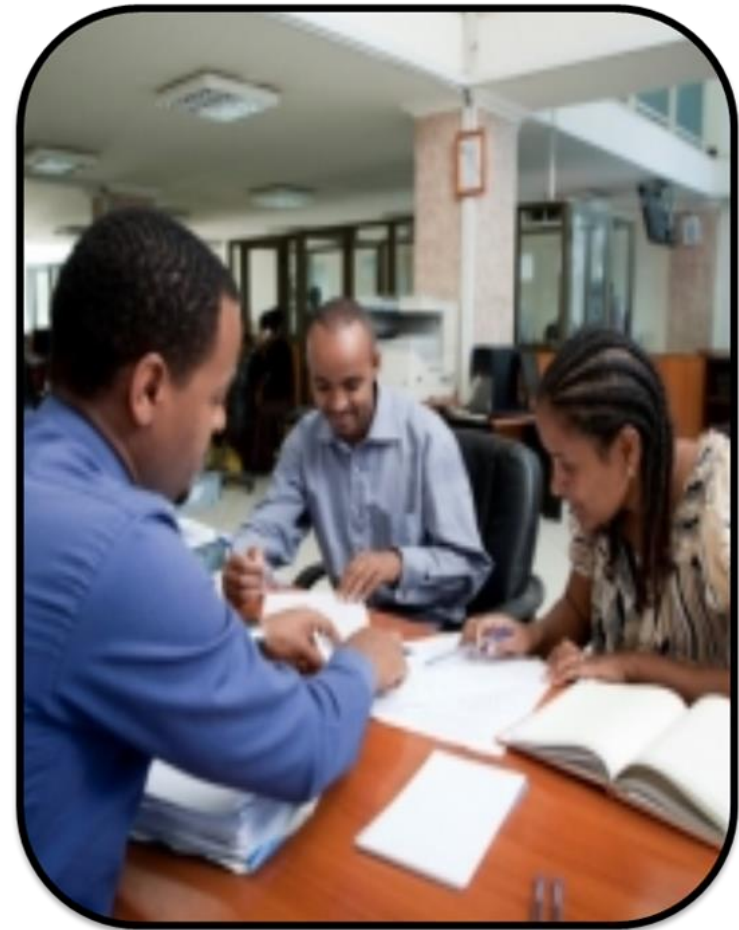


Business counseling

- Setting expectations
- Mapping and prioritizing needs
- Making the “pitch”

Results to Date

- 11 loans totaling US\$ 1.2 million approved
- Loan use: equipment purchase, facility renovation, working capital
- 22 loans currently under review by banks
- 111 health providers trained
- 35 providers received 1-on-1 business counseling



Challenges

- Policy environment
 - Central Bank reserves requirements
 - Government priority sector lending programs
- Financial sector development
 - Lack of liquidity
 - Low competition
 - Limited products
 - Few alternative financing options

Challenges (2)

- Marketing the health sector to banks
 - Health sector as a niche market
 - Balancing health goals and commercial viability
- Credit guarantee as an incentive



IS THAT JUST FOR THE NIGHT,
OR FOR EVER?

Recommendations for Expanding Financing for the Private Health Sector

- Changes in the regulatory environment (reducing reserve requirements, making health a priority sector) would incentivize lending to the health sector.
- Support investment.
- Structure and support guarantees and credit lines for health sector lending.
- Improve regulatory environment for leasing.
- Promote diaspora investment and reduce the transaction costs for remittances.