

In Senegal Institut Santé Service trains nurses, laboratory technicians and assistant doctors ...; Vidagas, a commercial heating fuel supplier, distributes vaccines free to rural clinics in Mozambique ...; a TB patient receives treatment administered and paid for by Hygeia, a Nigerian HMO ...; and in Tanzania a mother and child sleep under a long-lasting insecticide treated bed net manufactured locally by A-Z Textile Mills.



That Sub-Saharan Africa confronts a health crisis of overwhelming proportions is widely understood. The spread of HIV/AIDS, the insidious scourge of malaria, and the persistence of debilitating parasitic diseases are all well documented. Increasingly, so-called lifestyle ailments—cancer, diabetes, and heart disease—are also afflicting Africans.⁹ Compounding the continent's health crisis is the poor state of its health systems, which are ill-equipped to cope with these challenges. As a result, these ailments sap the energy, creativity and productivity of the region's 670 million¹⁰ inhabitants. Every year, malaria alone costs an estimated \$12 billion in lost wages across Sub-Saharan Africa¹¹ and, as an example, life expectancy in Swaziland is just 30 years, compared to 81 in Switzerland.¹²

For years, many of the world's best minds and a great deal of money have been applied to trying to heal this global travesty. And, so far, despite positive steps forward, Sub-Saharan Africa is not on track to meet its Millennium Development Goals as they relate to health. The hard but inescapable truth is that foreign assistance can only go so far in improving the overall health of Africa's populations.

It is easy to see why. The vast majority of health care financing comes from the pockets of Africans (either through taxes or out-of-pocket payments). The vast majority of health-related goods and services are also provided by African enterprises. In essence, Africa's health care systems are run *by* Africans and *for* Africans. Given these factors, as well as the tremendous strain on public finances in most African nations, many of these systems are dominated by the private sector. Indeed, health care in Sub-Saharan Africa is primarily associated with private initiatives. Almost two-thirds of total health expenditure, and at least half of health care

provision in the region are accounted for by the private sector.¹³ In many countries these numbers are higher, and would be higher still if more accurate assessments of the informal sector were available.

This report demonstrates that the private sector is currently playing, and will continue to play, a vital role in the financing and provision of health care in Sub-Saharan Africa, and that engaging the entrepreneurial talents of the private sector is essential in improving access to health care in the region. The report recognizes that harnessing the talents of the private sector will require new approaches to collaboration between public and private players, new approaches from donors and other stakeholders, and strategies that are tailored to local realities.

The Continuing Health Care Gap

Sub-Saharan Africa has far more than its share of the world's health problems. The region accounts for 11 percent of the world's population and 24 percent of the global disease burden, yet commands less than one percent of global health expenditure.¹⁴ These disparities have been a stimulus for the launch of several important global financial support initiatives. In 2002 the Global Fund to fight AIDS, TB, and Malaria was created to harness the world's resources against three diseases that plague Sub-Saharan Africa. Commitments to Africa account for almost half of the fund's \$7 billion budget for its first five years. The overall level of aid to the region has also increased. Over the last decade bilateral and multilateral donors combined have provided about \$8 billion¹⁵ in aid to Sub-Saharan Africa. And during the 2005 G8 summit in Gleneagles, members committed to double foreign aid by 2010, with an additional



\$25 billion for Africa.¹⁶ Overall, approximately ten percent of Africa's health care expenditure is financed directly by donor aid.¹⁷

However, in spite of the influx of outside financial assistance, most countries in the region still spend far less on health care than the recommended WHO standard of \$34–\$40 per capita needed to provide essential health services.¹⁸ Sub-Saharan Africa depends on out-of-pocket payments by its largely impoverished population to finance around half of its total health expenditure.¹⁹ Further, the region generally lacks the infrastructure and facilities to provide and deliver minimal levels of health goods and services. Even with an anticipated growth in public spending and external aid, Sub-Saharan Africa will not be able to fund basic health care for years to come.

The region's health care gap is not only a question of inadequate financial resources, but also a question of a severe shortage of trained medical personnel. Sub-Saharan Africa is home to just three percent of the world's health workers yet it supplies health professionals to the developed world.²⁰ In 2002 up to 30 percent of nurses from Senegal and Ghana²¹ were working outside Sub-Saharan Africa.

The Need for Complementary Solutions

The sheer size of the health care challenge facing Sub-Saharan Africa has forced a reassessment of traditional approaches to addressing its needs. Governments, multilateral agencies, and development finance institutions throughout the region have begun to accept that engaging and develop-

ing the private sector should be an important part of any overall strategy to improve health care.

This not particularly radical. Other countries have already embraced the private sector as a means of improving health care provision. In Bolivia,²² for example, the government has successfully utilized a non-profit primary care clinic network (ProSalud) to deliver public health goals. ProSalud, founded in 1985, serves over 500,000 patients in and around urban areas. New facilities are established in consultation with the government. In 1994 ProSalud was able to expand significantly with the passage of the “Popular Participation Law,” which eased restrictions on non-governmental organizations receiving public sector contracts to deliver health services. In India, the private health sector has developed in a more haphazard and under-regulated environment and in response to an often inadequate public sector. The private sector now provides more than 80 percent of outpatient services and 60 percent of inpatient services in that country.²³ Even in China, the Vice-Minister of Finance has said that China will encourage investment from all sectors of society, including the private sector, in order to accomplish the goals laid out in the Five Year Health Plan. That plan²⁴ seeks to provide access to a basic medical network for the entire population by 2010.

Sub-Saharan Africa already has a private sector that plays a major role in delivering positive health outcomes. Contrary to conventional wisdom, it does not serve only the urban upper- and middle-classes, but also can be found in remote rural regions and in the poorest sections of many cities. Though its importance varies from country to country, in many areas it is an indispensable part of the health care system, complementing and, in some cases, directly supporting the public sector.

Market solutions alone, however, are no panacea for Sub-Saharan Africa’s health challenges. The private sector is diverse and fragmented, and

therefore, quality can be variable and oversight difficult. In the short term, rapid growth in the private sector may also exacerbate the shortage of qualified medical personnel working in the public sector by drawing them toward higher-paying, for-profit activities. Ultimately, however, higher paying jobs will help stem the more insidious “brain drain” where medical professionals leave their countries. Still, an appropriately managed and regulated private sector can increase quality standards and efficiencies and take some of the financial burden off the public sector.

Harnessing market forces to address the region’s health challenges will require increased engagement and stewardship from the public sector and other stakeholders. Investments in the private health sector can lead to long-term, sustainable increases in funding and health infrastructure. However, new thinking is required regarding how best to leverage the capacity and resources of the private sector through investment, partnerships, and public sector oversight.

This report seeks to begin the process of developing those new approaches and has two primary objectives:

- To highlight the importance of the private health sector in Sub-Saharan Africa, suggesting ways in which key policy makers, donors, and other stakeholders can engage and develop it as a complement to over-stretched public sector health care systems; and
- To identify opportunities for investors to participate in the expected growth in health care spending in Sub-Saharan Africa over the next decade.

While not seeking to detract from the role of national governments in delivering health care, this report aims to demonstrate that the health of the region’s inhabitants would be improved through a more formalized, integrated, regulated, and better capitalized private sector.