# Current Climate & Prospects for PPIs in Africa


## Barry Kistnasamy

Nelson Mandela School of Medicine

South Africa

# Talk will cover

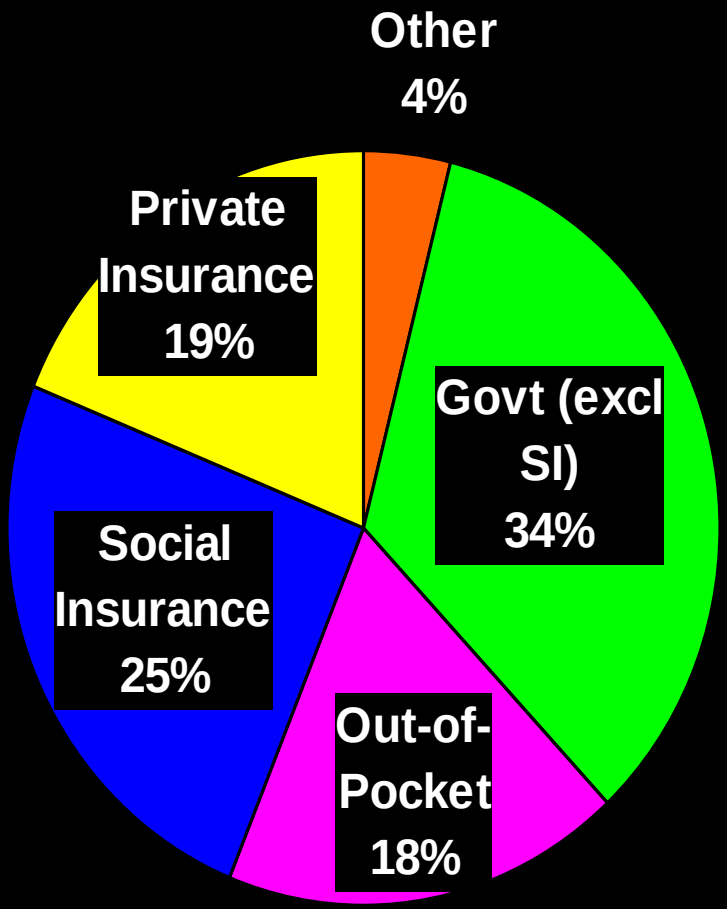
- Context of health in Africa
- Need for PPIs
- Types of PPIs
- External Factors affecting the Health sector
- Lessons from PPIs

# Global Health Spending (2002)

- **Global GDP**
  - **US$ 32 Trillion**
- **Global Health Spending**
  - **US$ 3.2 Trillion** (10% of Global GDP)
- **Spending In Developing Countries**
  - **US$ 380 Billion** (12 % of total spending)

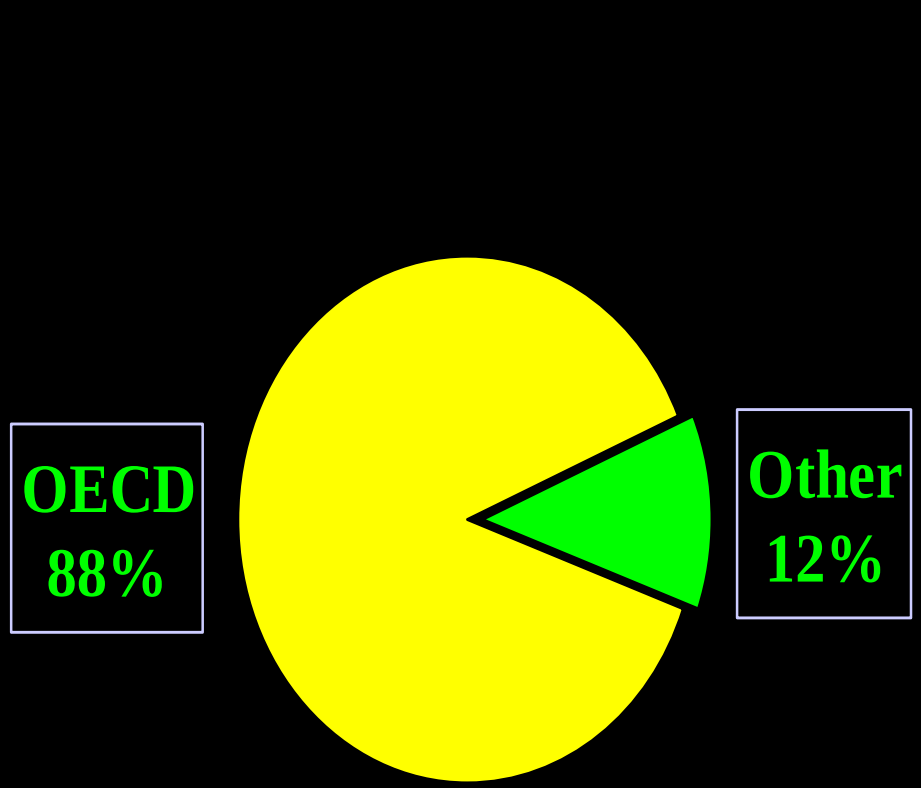
http://www.bmj.com/cgi/content/full/332/7553/1293-b

# The Health $$$ - where does it comes from?




Source: http://www.who.int/nha/Pie-2007-Large.pdf

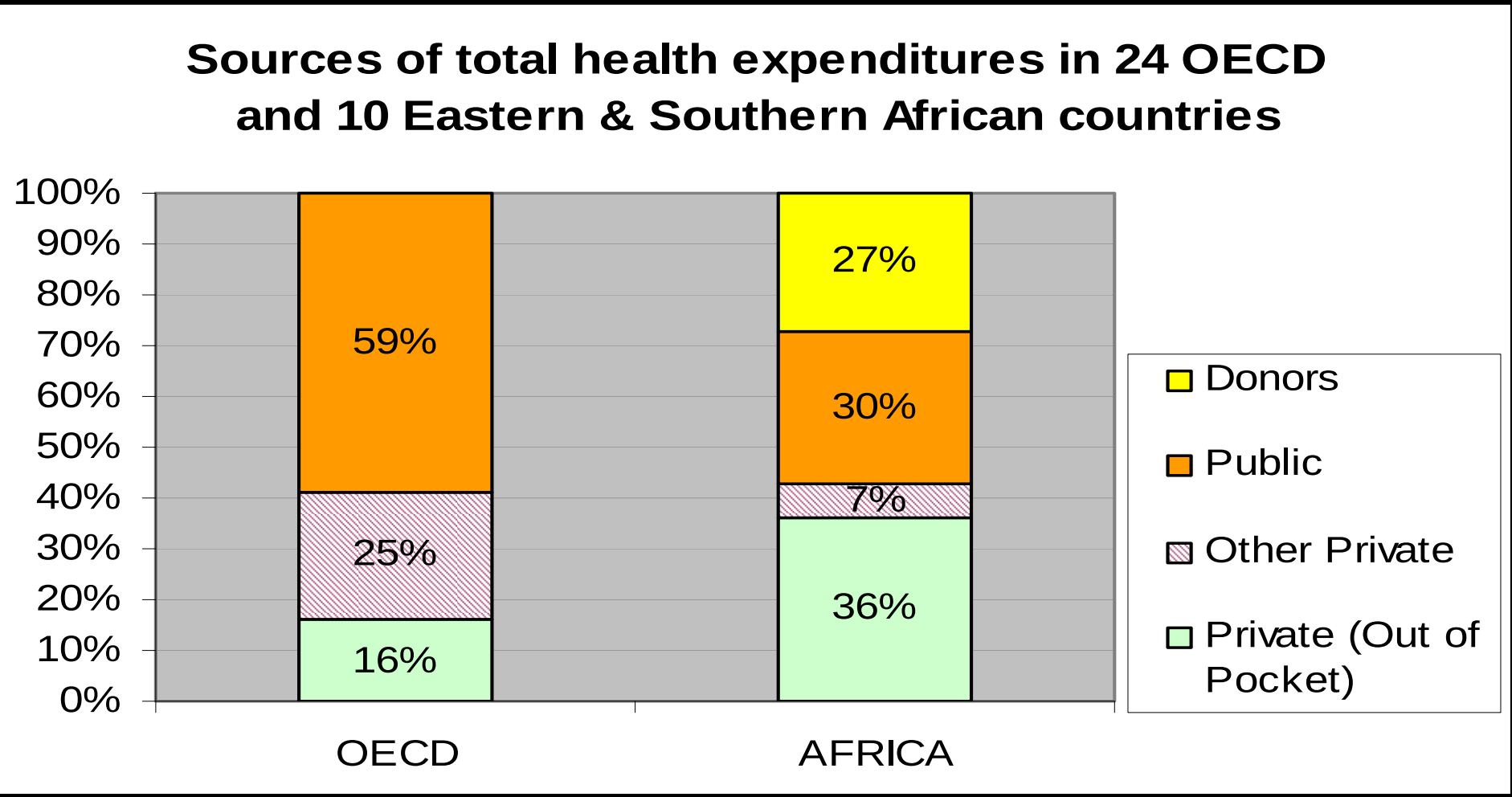
# Distribution of Health Spending
## ($3.2 trillion)





http://siteresources.worldbank.org/INTHSD/Resources/topics/Health-Financing/HFRChap7.pdf

# Health Financing in Africa

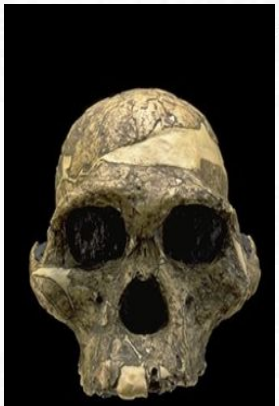



Marek T, et al. Trends And Opportunities in Public-Private Partnerships to Improve Health Service Delivery in Africa. World Bank. May 2005

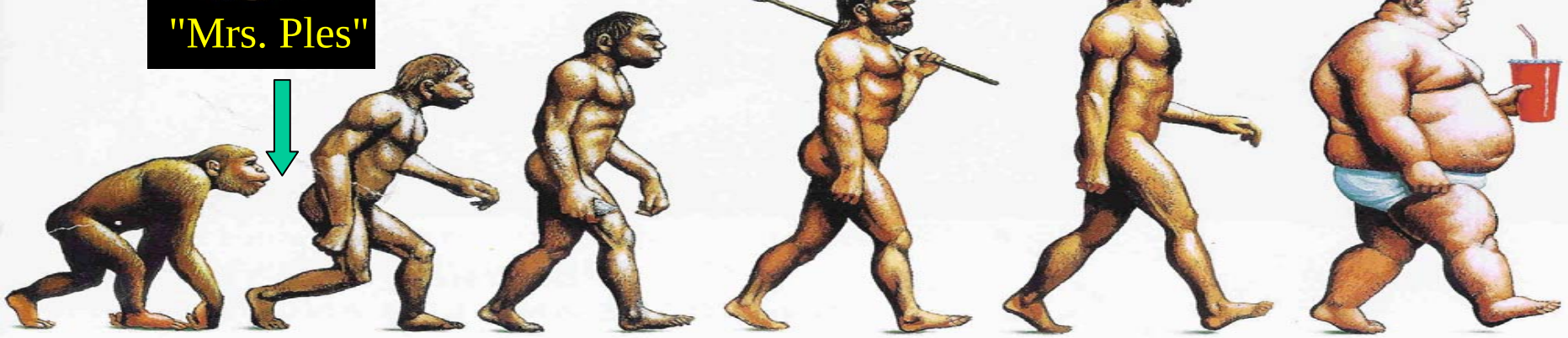
# In the Background…

- **Natural & Non-natural disasters**
  - **War, Civil Strife, Floods, Bioterrorism, Violence against women**
- **Residual of Infectious Diseases**
  - Cholera, TB
- **Emerging New Epidemics**
  - Drug resistance (TB, Malaria, etc.)
  - New Infections (Avian ‘flu, Marburg, Ebola)
  - Tobacco use
- **Epidemiological Transition**
  - Rise in Chronic Diseases
  - Trauma / Injuries (Motor vehicles, Interpersonal)
  - Occupational & Environmental ill-health
  - Mental health

# The shape of things to come



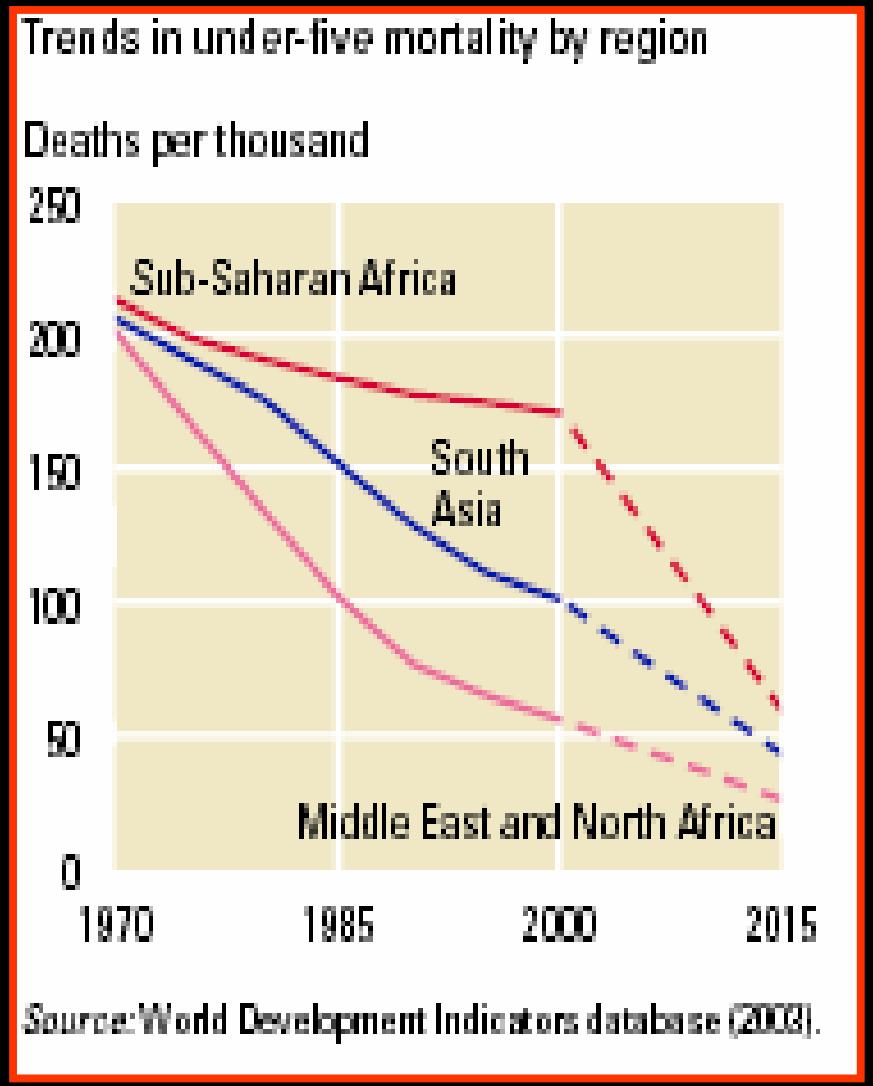
"Mrs. Ples"



The Economist – Dec 13th -19th 2003

# In the foreground…

- 25% of global disease burden
- 60% of the world's HIV burden
- 10% of the world's population
- 4% of Global Health workforce
- Unlikely to reach MDG Health targets




http://siteresources.worldbank.org/INTHSD/Resources/topics/Health-Financing/HFRChap7.pdf

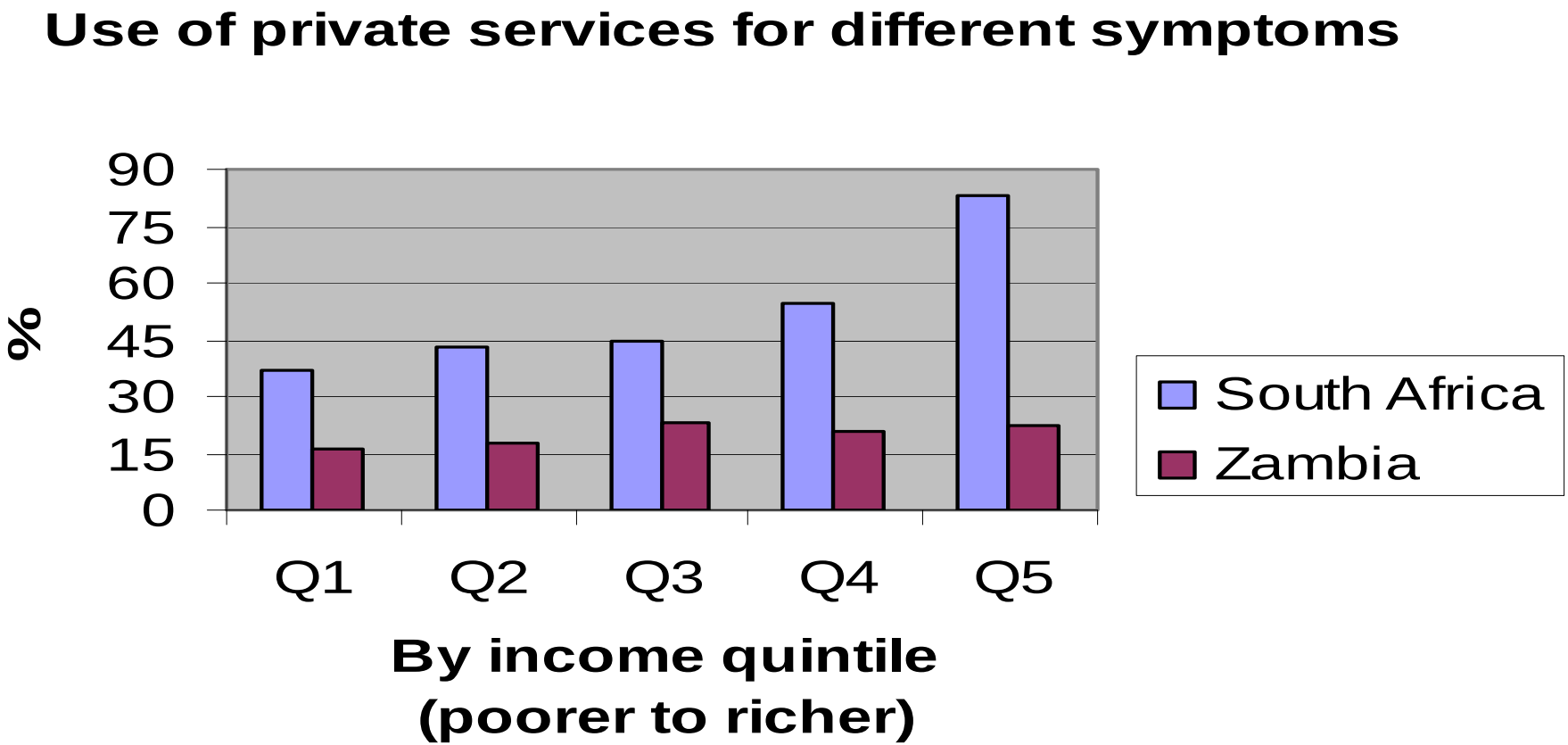
# The Private Health Sector in Africa

# There is a large private health sector

## Eg. Tanzania (2000)

| | Public | Private |
|---|---|---|
| District hospitals | 81% | 19% |
| Specialized clinics | 74% | 26% |
| Dispensaries | 68% | 32% |
| X ray units | 30% | 70% |
| Laboratories | 10% | 90% |
| Other hospitals | 7% | 93% |

# The poor do use private services




Marek T. et al.

# Private Health Sector in Africa

- The private sector has similar problems of quality as the public sector
- There are examples of successfull PPIs and pitfalls to avoid

# Key Issues faced by all countries

- Not Enough Resources in the Public Sector
- Inadequate Pooling in the Private Sector
- Ineffective Spending Patterns

# The Development Dilemma…

- New Knowledge (Prevention, Treatment and Care)
- More Resources than Ever
- Globalization in Health, but
- 1 billion excluded (substantial proportion in Africa)

# The Need…

- Expand Infrastructure
- Improve Investment
- Harness Innovation
- Build Institutional Capacity


"Machines cannot get powered and products cannot get to market"

http://www.africanexecutive.com/modules/magazine/articles.php?article=1045&magazine=96

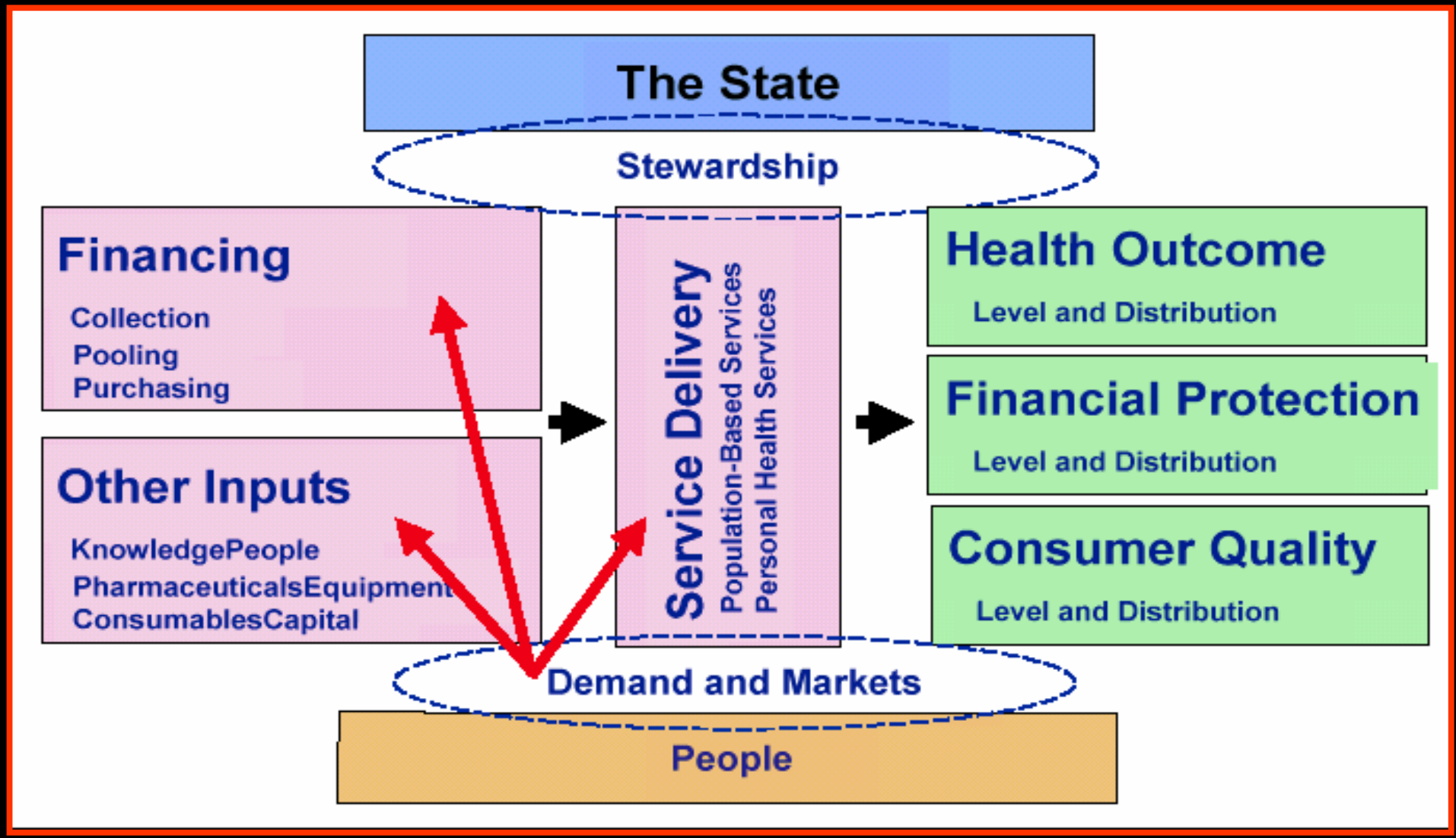
## What is the rationale for PPIs?

**“policy options that seek to re-introduce a greater reliance upon private inputs into the health sector, share risk and achieve better health outcomes”**

# Where to Next

- Changing Views on the Role of the State
- Much Greater Use of Private Sector

# Changing Views on the Role of the State



# Who is the private sector in Africa ?

- Formal private sector
  - Private for profit clinics, pharmacies, doctors
  - NGOs, not-for-profit
  - Pharma & technology manufacturers & distributors
- Informal private sector
  - Informal drug vendors
  - Traditional healers
  - Moon lighting workers

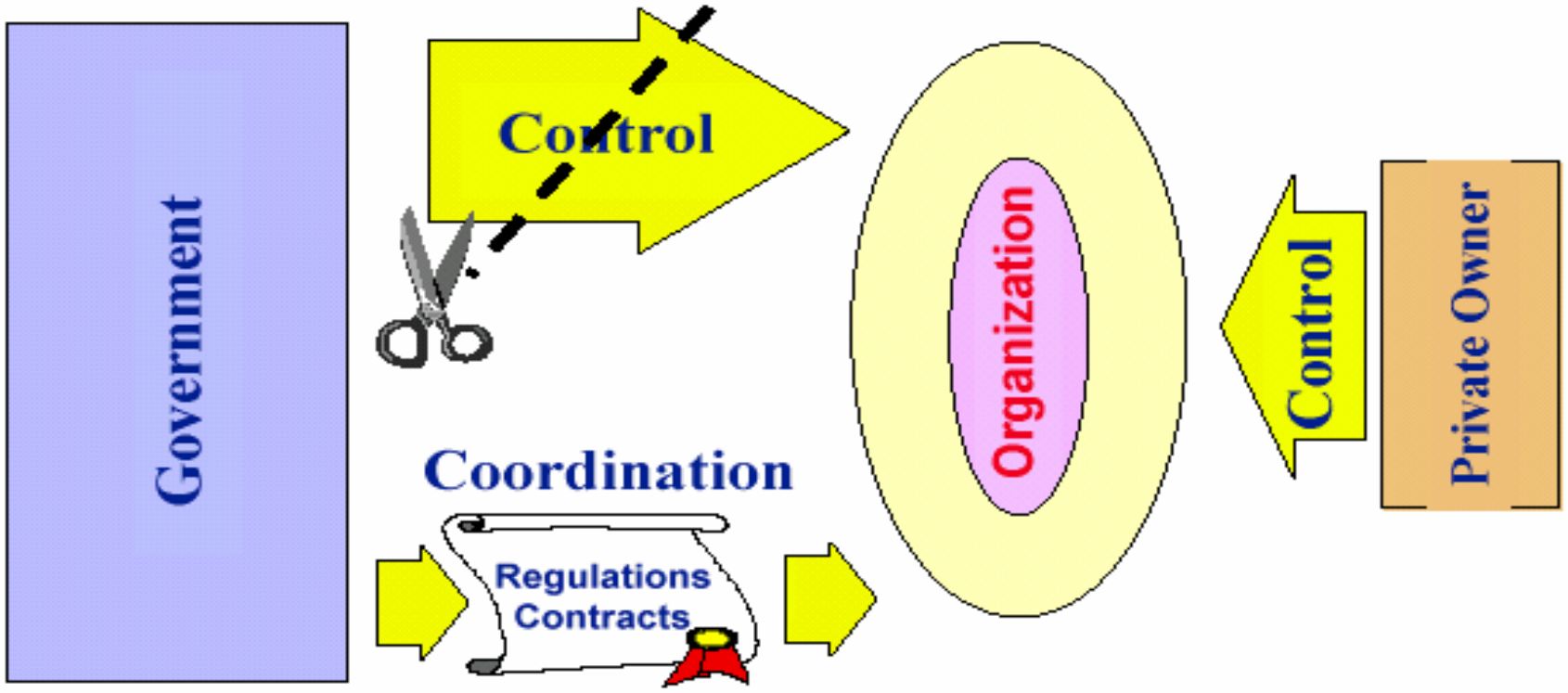
# Stories from the Market!

- **Other sectors**
  - Food
  - Clothing
  - Other Consumer Goods
- **Evidence from the Health Sector**
  - Financing
    - Insurance & capital
  - Manufacturing, Distribution and Retail of Inputs
    - Pharmaceuticals, Equipment and Supplies
  - Human Resources
    - Medical Schools, Nursing Schools, Allied Health Workers
  - Private Delivery Systems
    - Hospitals, Clinics and Laboratories

# History of Marketising Reforms

- Led by State Enterprises (“First Wave”)
- Then Infrastructure & Utilities (“Second Wave”)
- Finally Social Services (“Third Wave”)

# Prerequisite for "Third Wave" Privatization

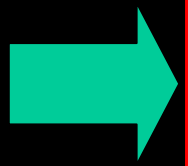


# Health sector is unusual

- Health care as a public good vs profit maximization, thus it is highly politicised
- Unique legislative and regulatory framework
- Lack of reliable market information
- Perceived high risk / low return
- Barrier to entry may be high
- Complexity of management
- Critical role of the medical profession

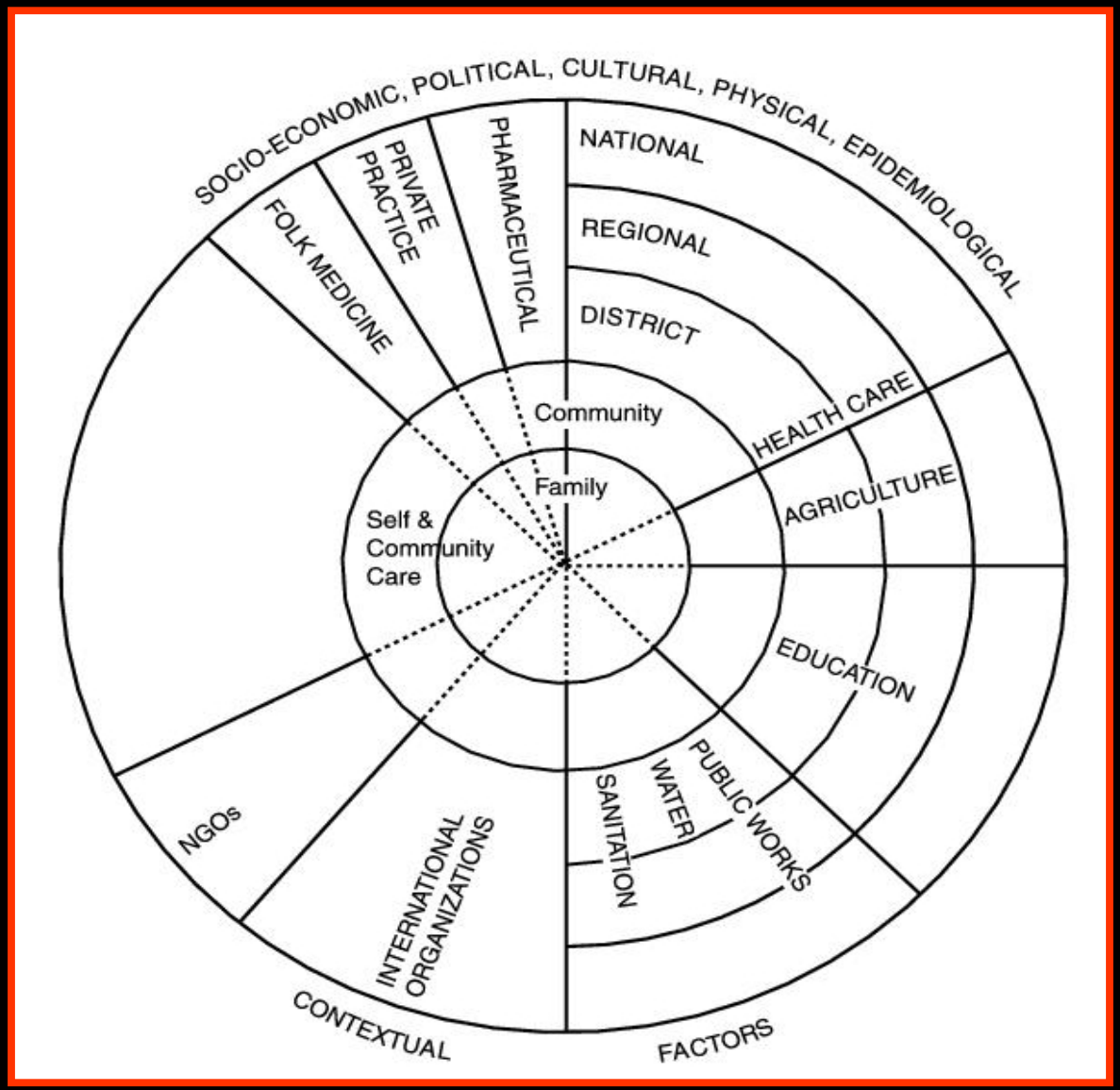
# Context

- Focus on medical care
- Centralised management
- Duplication, fragmentation, inefficiency
- Inequitable distribution and access



- Increased focus on Health System
- Decentralised management
- Integrated, efficient, sustainable services
- Equity in distribution, access and utilisation

# A broadly defined health system

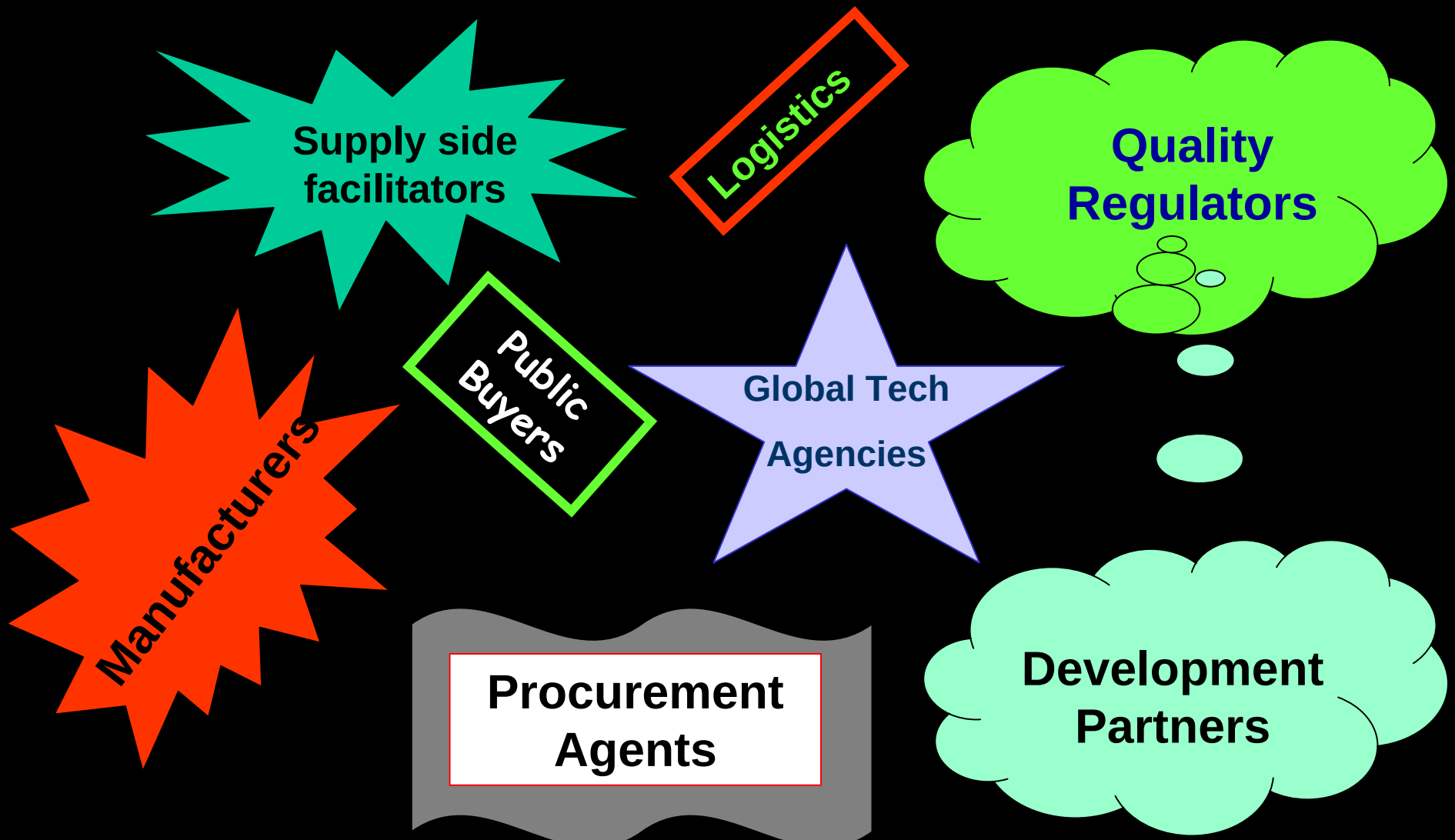



Source:
http://www.idrc.ca/openebooks/069-1/

# Complex World

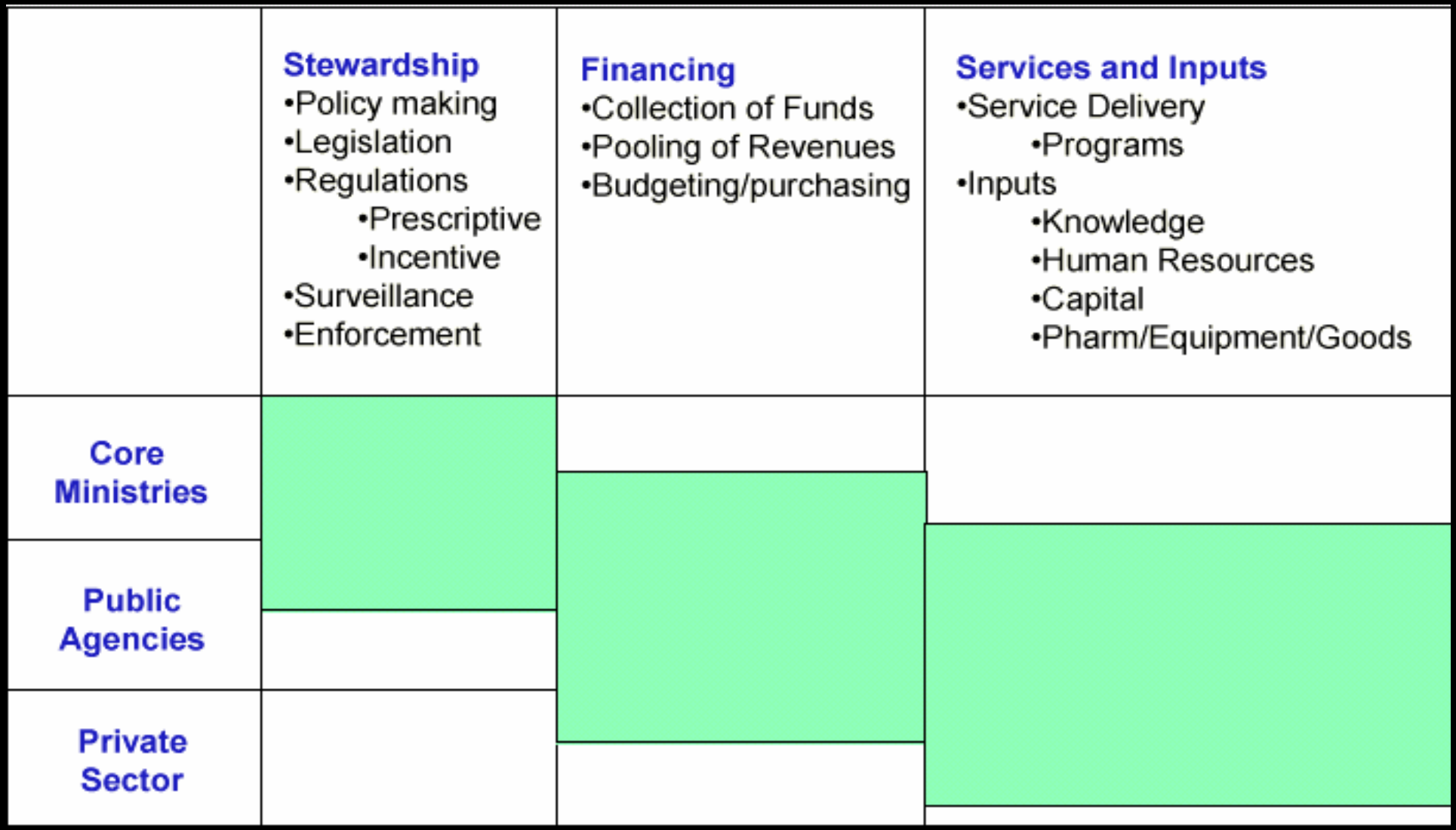
- New amounts & sources of money
- New & future products
- New buyers, new sellers
- New intermediaries
- New business models
- Complex organisations & institutions

# Complex Health Market



# What are the Policy Frameworks and Instruments that Governments can use?

# Roles of the sectors



# Financing

- Health Insurance
- Demand driven community financing schemes
- Vouchers
- Tax exemptions

# Regulating the private (& public) sectors

- Licensing
- Accreditation
- Certificate of need

# Contracting

- Knowledge & type of services
- Capacity to manage & enforce contracts
- Sufficient funding

- Infrastructure (including technology)
- Co-location
- Soft services (hotel services)
- Clinical support services (laboratory, radiology, pharmaceuticals)
- Clinical services

# Some questions to be considered…

- What services should the government purchase?
- How should it purchase those services?
- From whom should it purchase services?
- For whom should it purchase services?

http://siteresources.worldbank.org/INTHSD/Resources/topics/Health-Financing/HFRChap7.pdf

# Contracting

- Shaped by nature of services
- Amount of risk
- Capacity of entity
- Competitive bidding
- For-profit or not-for-profit
- Partnership model

# Leasing

- Facility
- Equipment
- Quality standards
- Maintenance

# Concessions

- Common legal instrument
- Defines services, standards, pricing framework & length of time
- Successful ones are Output driven
- Management of public assets
  - BOT (build, operate, transfer)
  - BOO (build, own, operate)
  - BOOT

# Franchising

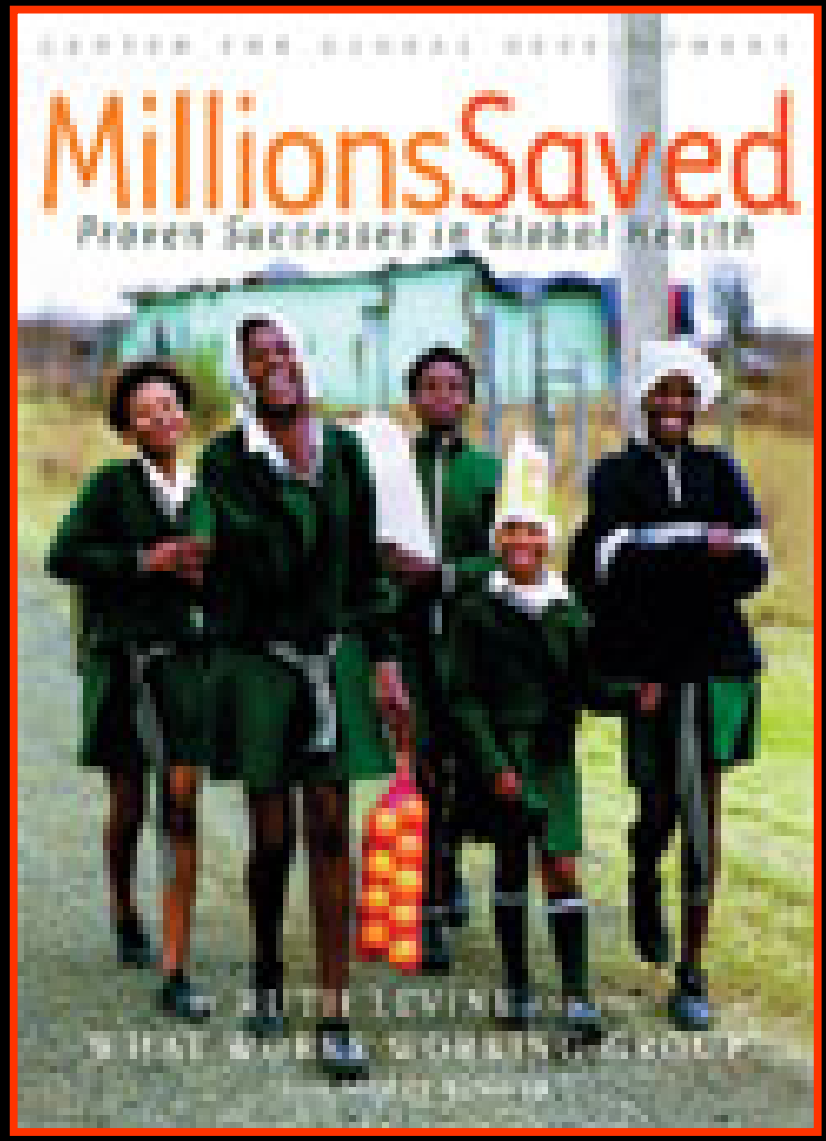
- Type of business model
- Licenses other businesses to operate under brand name
- Day-to-day management responsibilities shifted
- Marketing, bulk purchase / credit
- Rapid expansion

# Divestitures

- Selling assets to private sector
- Often creation of a parastatal
- Examples
  - Laboratory
  - Central medical stores

# Challenges

- Private sector
  - Get organised
  - Gain a place at the policy table
  - Peer review to ensure quality of care
  - Pooling of purchasing power
- Government
  - Policy and legislative reform
  - Capacity to manage
  - One size does not fit all
  - Avoid ‘cherry picking’



# PPI pitfalls to avoid

- Avoid sole source & no competition
- Must specify services the private sector must provide
- Include penalties
- Define costs and who bears what risk
- Establish who will monitor the contract
- Establish the duration of contract

# External Factors affecting the Health sector

# TRIPS

- Patents, copyrights, trademarks, industrial designs
- Patented drugs
- Knowledge
- Traditional medicines

# GATT

- In effect since 1995
- Liberalization of trade
- Movement of goods & services
- Exempts government health providers & government SHI schemes

# GATT: Modes of Supply

- Mode 1 - Cross border
- Mode 2 – Consumption abroad
- Mode 3 – Commercial presence
- Mode 4 – Temporary movement of persons

# Contemporary Globalisation

- Human capital
  - Brain tank
  - Remittances

# Governance

- Corruption
- Human rights abuses
- Insecurity & return on investment
- Civil strife

# Enabling Mechanisms for PPIs

- Strong leadership & political commitment
- Good governance
- Appropriate regulatory framework
- Efficient tax systems
- Genuine risk transfers
- Level playing field
- Access to finance

http://www.afrol.com/articles/18933

# South Africa's Regulatory Framework for PPI's

- **THE CONSTITUTION** (Act 108 of 1996) Section 217 (1):"When an organ of state…contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective."
- **PUBLIC FINANCE ACT (Act 1 of 1999):** Accounting Officer or Accounting Authority is responsible for effective and efficient use of fiscal resources in the public interest. Procurement is the responsibility of the Accounting Officer/Authority.
- **TREASURY REGULATION 16 (2004):** Issued in terms of the PFMA (1999) Powers rest with NT. Delegation to Provincial Treasuries is possible.
- **NT PPP MANUAL & STANDARDIZED PPP PROVISIONS**: Founded on PFMA and TR16 and issued by NT as a practice note.

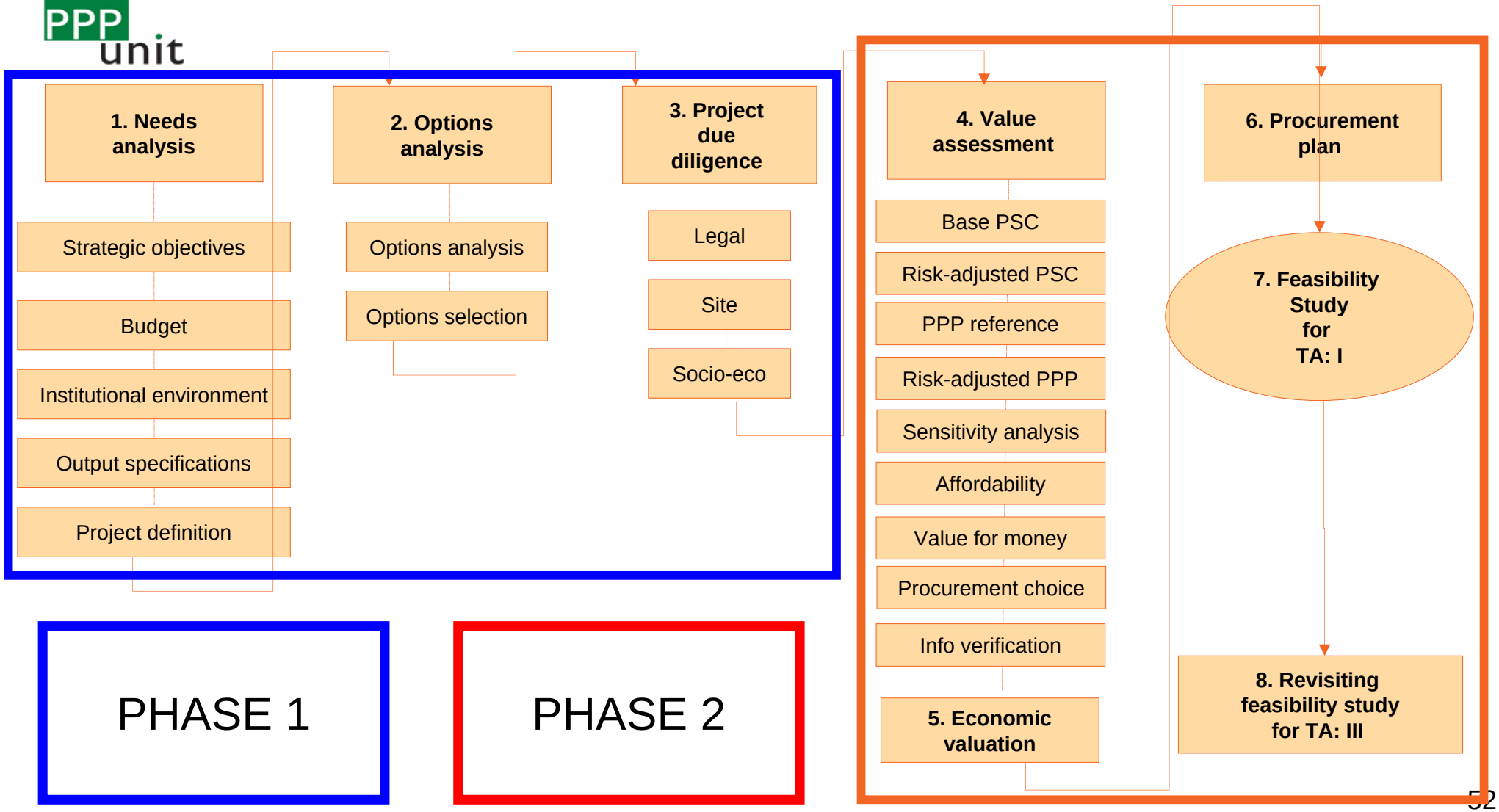
NATIONAL TREASURY

PPP unit

# The Feasibility Study Framework

- **Stage 1: Needs analysis**
- **Stage 2: Solution options analysis**
- **Stage 3: Project due diligence**
- **Stage 4: Value assessment**
  - Developing PSC, risk-adjusted PSC and PPP reference
  - Demonstrating affordability
  - Demonstrating value for money
- **Stage 5: Economic valuation**
- **Stage 6: Procurement plan**
- **Stage 7: Contents of the feasibility study report**
- **Stage 8: Revisiting the feasibility study**

# Feasibility study framework



# Lessons

1. **Consider the whole health system,** not just the public sector (quality of care, financing, provision)
2. **Ensure that the organization adapts**
   - public sector to have PPI policy, structures, focal persons & procedures
   - private sector to get organized

# Lessons

3. **Expand Contracting**: Given the results so far, contracting may make a real difference in achieving MDGs
4. **Evaluate**: Evidence is good but not great; Debate on contracting should be decided by evidence
5. **Apply Lessons Learnt**

# Conclusion

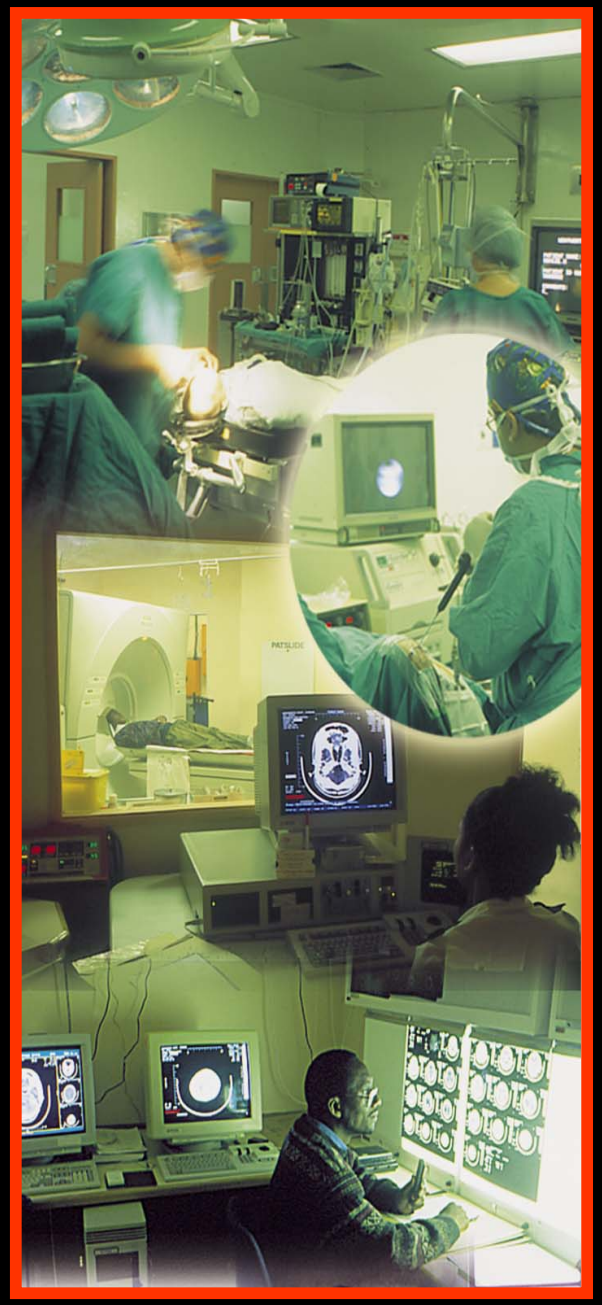
- Shift from doing & rowing to thinking & steering
- Move towards regulatory, monitoring & information functions

# Act Local

Sawubona, November 2002, 87

Think Global !

# I thank you!



barryk@ebucksmail.com

# Acknowledgements


- World Bank (Tonia Marek; Alexander Preker)
- James A Rice (International Health Summit)