Privatisation in the Covid-19 era - Opportunities and Challenges for Health Sector Fiscal Space

By Eleanor Maeresera
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Overview

- Understanding Health care in Africa
- Conceptualisation of Privatisation
- Models of Privatisation
- Privatization policy framework environment (African Government's role)
- Case studies
- Covid19 Impact in Africa
- Impact of Privatisation in Health in the Covid19 Era
- Can Privatisation Deliver Gender Equality?
- Sustainable Financing Options
- Group work
- Conclusion
In April 2001 Heads of African Governments met in Abuja, pledged to devote 15% of their annual allocation to Health Sector. Reinforced in 2003 with Maputo Declaration. Almost 20 years- Rwanda Botswana and Zambia: The rest- allocation varied consistently below 10%. EG Nigeria averaged of 9.8%. 50% of Africans still lack access to health facilities.

WHO stated that Health Financing (HF) is one of the six building blocks of every health system (fiscal space available for health, who pays for health services, and when and how it is paid to subsidies and coverage for the poor and vulnerable. (HF - major barrier)

Technology is transforming how health is delivered in Africa by increasing easy access with people being better informed due to data access.

Growing discontent of health workers. (no equipment MRI, PPE)

Increased demand beyond the treatment of communicable diseases (HIV, Malaria, Tuberculosis) to non-communicable diseases (Hypertensive, obesity, Cancer) due to changes in the medical needs of the population (lifestyle changes among middle classes).
Understanding Health Care in Africa

- Worker shortage: the number, quality, and capability of health workers as a ratio to the population is low.

- Corruption has become more rampant which diverts much needed resources away from healthcare. Theft by medical staff or diversion of drugs for personal/private use. Drug registrations bribes to gain approval, pass drug quality inspection so that they “legitimately” enter market.

- Counterfeit drugs harder to detect being manufactured (Nigeria - track and trace systems).

- Sustaining/maintenance of equipment in public health institutions (everybody's property and no one takes care of the responsibility.)

- The growing health risk due to the Covid-19 pandemic.
Understanding Health Care in Africa

How do we protect ourselves?

- Africa is more vulnerable to disease outbreaks because 56% of Africa’s population is overcrowded communities;
- many households do not have access to basic services like water and soap
- Continent has the highest cases of TB, Malaria, BP
- Close to 40% of children in Africa are undernourished
The role of Government in Healthcare

- Health care is a public good that is the sole responsibility of government.
- CSOs or private sector compliment government space to deliver health services
- Government has an obligation to put in an enabling environment to ensure that local entrepreneurs can compete with foreign funded programs - no incentives to enter the healthcare space.
- provision of healthcare to Africa's growing middle class while creating innovative solutions for public health to the people
Public vs Private Health Expenditure across Selected SADC countries
Privatisation Conceptualisation

- Governments in both developed and developing countries are facing the dual burden of rising health care costs and enhanced expectations for health service delivery.

- Privatization refers to the transfer of an entity either partially or fully from the government to either private for profit or private for no profit sectors.
  - It can happen at the local, county, state and even federal level.
  - The state partially or fully withdraw its role in the provision of health care through finance and management services.

- Full privatization - this is where governments, divest themselves of public enterprises or services and transfers their ownership and responsibility (including related risks) into private hands through trade sale, share flotation, voucher issue or liquidation.

- Partial privatization - for partial or incomplete privatization, the state bequeaths some of its functions or assets to the private sector while retaining some amount of control, ownership or oversight.
Privatisation can help in achieving Universal health coverage:

- by bringing in skills and different ways of working and managing that can benefit the public sector,
- by advancing research and development to develop technologies, tools and products to improve health,
- by expanding access to quality essential and specialized services for communities, and
- by adding value in an increasing number of areas, such as supply chain and logistics, laboratories and diagnostics, and using communication technologies to access hard-to-reach communities.
Models of Privatisation

- Joint Venture - this is where part of government assets or equity in public enterprise is sold to the private sector, resulting in joint ownership;
- Public Private Partnerships - this is where the state relies on private sector resources for assistance in providing public services. Private firms may loan personnel, facilities, or equipment to state agencies.
- Deregulation - This model entails that the state removes its regulations from the service previously monopolized by government in favour of private provision of the service and competition against government agencies.
- Contracting out - The state enters into agreements with private vendors to provide services and the state pays contractors to provide the services.
Other privatisation models currently implemented in health sector

Subsidies and Grant - in this model the state makes monetary contributions to help private vendors deliver a public service.

Asset Sale: In this model, the state sells or cashes out its assets to private providers to enlarge the tax base.

Franchise - The state gives monopoly privileges to a private vendor to provide a service in a specific geographical area.

Private donations - The state relies on private sector resources for assistance in providing public services. Private firms may loan personnel, facilities, or equipment to state agencies.

Vouchers - The state allows eligible clients to purchase services available in the open market from private providers. As with contracting, the government pays for the services.

Service Shedding - The state drastically reduces the level of a service or stops providing a service so that the private sector can assume the function with private sources.

Volunteerism - The state uses volunteers to provide public services.
Case Study Zimbabwe

The Chitungwiza Central Hospital is a publicly owned health institution whose pharmacy, laboratory, mortuary and radiology departments were privatised first under a PPP which the respective authorities and Doves Morgan and then changed to Joint Venture Partnership (JVP) after pressure from some stakeholders including the citizens.

The mortuary is now run by Doves Funeral Services, while the radiology department is now under the Baines Group.

To the poor residents of Chitungwiza, this has negative implications as it translate to difficulty in accessing primary health care. For instance children below five years and the elderly above 65, who, in terms of the Health Policy, should be exempted from paying for medical provisions, are now required to pay $5 for such primary health care without the guarantee that medication will be available.

As for the mortuary, the fees for storage of a deceased person is pegged at $15 per calendar day, which means even if the body is kept at the morgue from 11pm and collected the following morning that will be counted as two calendar days (NewsDay, 2015, ZIMCODD 2016,).
Case study South Africa

- The Government has developed a partnership called The BioVac Institute, geared towards ensuring communities have access to locally made affordable medicines and vaccines.
- Through technology transfer from pharmaceutical companies in the North, patented medicines are produced locally.
- The Institute is now exploring new vaccines to tackle conditions specific to the African context which would otherwise not be commercially attractive.
- This is going a long way towards ensuring equitable and affordable access to medicines.
- Through that South Africa is working towards the development of a Covid 19 vaccine and other conditions specific to Africa which leads to equitable and affordable access to medicine.
Case Study: Togo

- In Togo the efficiency and quality of services delivered by some government hospitals has greatly improved, after the Government contracted companies to provide management services.

- This has led to increased revenues, increased availability of medicines, more satisfied patients and simply, more patients.

- At the same time, equity is being strengthened in the provision of services through monitoring compliance with procedure pricing.

- Financial risk protection mechanisms are now being developed to strengthen equity in access to services.
## Privatisation Legal Health Framework and Impact in the SADC

<table>
<thead>
<tr>
<th>Country</th>
<th>Health Legal Framework</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Botswana</td>
<td>2002 Public Health Act Chapter 63:01; Medical, Dental and Pharmacy Act; Nurses and Midwives; Vision 2030</td>
<td>Private health care in Botswana is well resourced but expensive and can only be accessed with those with financial capacity. Whilst Public facilities are in place, they lack adequate human resources thus having a negative implication on quality of services provided</td>
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<tr>
<td>DRC</td>
<td>Health System Strengthening Strategy ; National Health Development Plan (PNDS) 2016-2020</td>
<td>Unregulated fee-for-service payment for health services is widespread in DRC leading to the sale of counterfeit drugs, unaffordable health care and disenfranchised citizenry in the conflict-ridden country. Private sector plays a more dominate role as compare to public sector</td>
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<td>Lesotho</td>
<td>The Health Professions Act; Public Health Order of 1970 ;Lesotho's National Health Plan</td>
<td>The second major source of financing health in Lesotho is private sources from international organisations such as the WB, IFC. The introduction of user fees has hiked the cost of service delivery resulting in the poor having limited access to health care services</td>
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<td>Malawi</td>
<td>Public Health Act; To the year 2020 National Health Policy;</td>
<td>The government subsidized health services through CHAM, however the services are mainly located in rural areas and inaccessibility as a result of distance is a major concern. The government heavily relies on CHAM as its facilities are better but now overwhelmed as government is faltering in the provision of adequate human resources.</td>
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<td>Mozambique</td>
<td>National Health Policy (2007); Law 24-2009 of 28 September; Approves the Law of the Exercise of Private Medicine; Mozambique Health Sector Strategic Plan 2014-2019</td>
<td>Health services are subsidised by private sector are plugging the gap that government has been failing to meet. But this only applies for the less than 30% who can afford private health care. The majority of citizens still need to travel for less than 30 minutes to a facility that is ill-equipped, understaffed and weak in operationalizing monitoring instruments.</td>
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<tr>
<td>Namibia</td>
<td>Public and Environmental Health Act, 2015</td>
<td>Private hospitals providing more services and public facilities are not adequately equipped. The concern of user fees is imminent as only those with medical insurance and the employed can afford services thus infringing on the rights of the</td>
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## Privatisation Legal Health Framework and Impact in the SADC

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<tr>
<td>Swaziland</td>
<td>National Health Policy 2006; National Pharmaceutical Policy, 2011; Policy For Human Resources For Health 2012</td>
<td>Private health facilities are mostly offering services to those financially capable. For the poor, remedies including subsidies are still required for them to access health care</td>
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<tr>
<td>South Africa</td>
<td>Constitution of the Republic of South Africa, Act 108 of 1996</td>
<td>Privatisation of health services is high, the government gets support from the donor community so that it provides health care to the poor and marginalised. Public facilities are ill-equipped in the remote Southern regions of the country to the extremes that South Africa’s Competition Commission inquiry is investigating private sector health actors due to perceived profiteering of the sector.</td>
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<tr>
<td>Zambia</td>
<td>National Health Insurance Bill, 2017; Medical Services Act of 1985; National Health Service Act 1995</td>
<td>Out of pocket expenditure and private health expenditure is high in Zambia as the government only expends an estimated average 11% on health. This financially burdens the citizens as they fund themselves yet government is lacking on its</td>
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Pros and Cons of Privatisation

Pros
- Improved efficiency
- Lack of political interference
- Short term view
- Pressure from shareholders to perform efficiently
- Increased competition end monopolies and may reduce the price (cost) of services
- Government will raise revenue from the sale
- Selling state-owned assets to private sector may raises significant sums for governments

Cons
- Private monopoly may exploit the consumer.
- Privatizing health care can give greater priority for profit rather than patient care. (public interest)
- Outside government framework (parliament oversight) for monitoring and evaluation
- Not regulated by professional boards
The global healthcare landscape

**Worldwide:**

- **400 million** people do not have access to one or more essential health services.

- By 2020, chronic diseases will account for roughly **73%** of all deaths.

- Between 2015 and 2050, the population > 60 years will nearly double to **22%**.

- **7.2 million** healthcare professionals are needed.
Framework for privatisation

- Administrative responsibility: Ministry of finance, economy, privatisation agency.
  Privatisation policy

- **Legal considerations** and approval: number of countries have framework laws authorising the executive to privatise SOEs subject to specific pre-defined conditions and observing agreed procedures in country constitutions. In some countries laws are in place to prohibit state ownership beneath 50% and does not allow for full privatisation, e.g. indigenisation in Zimbabwe.

- **Case-by-case laws.** Apart from the special cases already mentioned, relatively few countries require the passage of specific legislative initiatives in support of each privatisation project.

- **Parliamentary approval**- the privatisation of public authorities requires a government decree to be approved by parliament.

- Regulations and competitions- To ensure a level playing field in markets where privatised companies compete.
Privatisation policy framework environment
(African Government's role)

- It is the responsibility of government to put in place the institutional frameworks that facilitates privatisation that does not undermine its human rights obligation.

- The state through many international conventions pledged to provide free and affordable health services. This is in line with the Sustainable Development Goals (SDGs) which are clear in their ambitions that everyone should be included in global progress over the next 15 years. Of significance is SDG is Goal 3 which aims to ensure healthy lives and promote well-being for all at all ages.

- Health care is a public good and government should ensure that everyone has access to health care.

- UN independent expert on global equitable order states that the function of the state is to legislate in the public interest to advance the welfare of the people living under its jurisdiction. Every state under rule of law should for-fill this responsibility and should not divest from its human rights obligations. People have lost jobs.
Privatisation policy framework environment (African Government's role)

Health Legal frameworks

- Public Health Act,
- National Public Health Policy,
- Privatisation policy,
- Health sector strategic plans
- National Pharmaceutical Policy,
- Medical Services Act;
- Constitutions
- Health Professional Authority
- Public Finance Management Act
- International obligations (SIDO, Beijing, SDGs, Abuja)
# Covid-19 impact in Africa

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<thead>
<tr>
<th>First Order Effects</th>
<th>Second Order Effects</th>
<th>Third Order Effects</th>
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<tbody>
<tr>
<td><strong>Economic</strong></td>
<td></td>
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<tr>
<td>GDP drops</td>
<td>Domestic supply chains collapse</td>
<td>Recession</td>
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<tr>
<td>Trade Balance worsens</td>
<td>Economic activity stalls</td>
<td>Debt crisis</td>
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<tr>
<td>Job and livelihood losses</td>
<td>Increased non-formal activity</td>
<td>Financial distress</td>
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<tr>
<td>Wealth depletion</td>
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<tr>
<td>Increased health and related spending</td>
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<tr>
<td><strong>Social</strong></td>
<td></td>
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<tr>
<td>Loss of lives</td>
<td>Widespread deprivation</td>
<td>Increased inequalities</td>
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<tr>
<td>Social spending reduced</td>
<td>Social disaffection</td>
<td>Human development</td>
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<tr>
<td>Disproportionate impact on vulnerable groups</td>
<td>Breakdown in social services</td>
<td>Losses</td>
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<tr>
<td>Social services disrupted</td>
<td></td>
<td>Vulnerable groups victimized</td>
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<td></td>
<td></td>
<td>Societal unrest</td>
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<tr>
<td><strong>Political</strong></td>
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<tr>
<td>Politicized responses</td>
<td>Erosion of trust</td>
<td>Political unrest</td>
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<td></td>
<td>Politicization of law enforcement</td>
<td>Political violence</td>
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Impact of Private sector activity in Health in Covid19 Era

- The pandemic have evolved from a health emergence to a global economic crises

- According to Africa Centre For Disease Control as of September 2020 Africa recorded 1,412,699 cases, 34,077 death and case fatality rate of 2.4%. By region North Africa 46%, Southern Africa with 30%, Eastern Africa 15%, Western Africa 7% and Central Africa 1% (Africa represent 5% to total world cases)

- Government where overwhelmed by the pandemic but they was a meaningful response to the crisis by individuals, NGOs and Private sector. Several universities in African countries revamped their innovation hubs while private sector across the continent repurposed their activities to make masks, sanitisers and affordable ventilators as a response to ameliorate shortages of PPE (Jack Ma and Alibaba foundations) donated equipment to the 54 countries in Africa.

- Private sectors user charges and fees reduced utilisation of services. (extremely sick patients only allowed in hospitals)
Impact of Private sector activity in Health in Covid19 Era

- Individual private citizens have contributed significantly by moving more swiftly than governments in identifying the needy people affected by lockdowns. Entrepreneurships

- Governments also came up with stimulus packages and financial aid to citizens and private sector.
Impact of Private sector activity in Health in Covid19 Era

- Before pandemic Africa economic growth was 3.2% and many countries made notable strides in reducing poverty and improving indicators of the healthcare system and good governance,

- African continental free-trade-area was supported to start July 2020 which was going to accelerate growth across the continent with combined GDP of over US$3.4trillion

- Private Sector has played an important role in ensuring testing laboratories of Covid 19, provision of PPE, equipment and bridged the gap of manufacturing diagnostic tools and in finding a vaccine for covid19

- The falling prices of minerals, commodities and oil due to the destabilising effects of COVID-19 have disproportionately affected SSA’s economy. First quarter of 2020 oil prices fall by 50%. Following COVID-19, the UNECA estimates a minimum loss of US$65 billion in fuel revenues for Africa

- Within the first three months of the outbreak, African countries lost US$55 billion in travel and tourism revenues.

- the AU set up the African Union COVID-19 Response Fund. The African Development Bank (ADB) launched a COVID-19 Response Facility to provide up to US$10 billion to African governments and the private sector
Africa’s Import sources of medicinal and pharmaceutical products (2016-2018)
Can Privatisation Deliver Gender Equality?

- Support for Privatisation runs contrary to governments commitments to promote gender equality and fulfilment of women’s rights under Agenda 2030;
- Proponents of Privatisation - enhances value in raising resources and introducing efficiency to achieve social goals (EVIDENCE IS WEAK);
- CSOs argue that IFIs should stop ideologically driven promotion of Privatization- need for more evidence based approach in the way in which social services are financed;(Oxfam Reports, Eurodad /Femnet etc)
- Financing mechanism should ensure that PScontribute to development and not undermine gender equality and other social services
- User fees hurt women most.
Can privatisation deliver gender equality?

- Privatisation has a discriminatory effect because quality public services are essential in overcoming exclusion, systemic discrimination.
- Women’s reduced economic and political power means that they are often less likely to access privatised services.
- Women are forced to fill in the gaps caused by privatised services of delivering health and social care, acquire food, water.
- Privatisation increases the gendered burden of unpaid work.
- The state has to ensure that women enjoy their human rights: outsourcing that obligation to private players leads to violation of human rights.
Can privatisation deliver gender equality?

- The Beijing declaration and platform for action BP4A acknowledged that “a decrease in public health spending contribute to deterioration of public health systems”

- Therefore health care systems without appropriate guarantees of universal access to affordable health care further reduces health care availability which has direct impact on girls and woman

- Privatisation of water and sanitation further impact negatively on women. Thereby causing a major health risk when they access unsafe water points
Can Privatisation deliver gender equality cont.

- Recommendations

- 1) States are responsible for meeting international/ national Commitments on gender equality- provision of public services must not be transferred to private Corporation

- 2) Evidence based approach- Financing mechanisms chosen to deliver social sectors to be assessed by their ability to ensure cost effectiveness, accessibility and quality gender transformative services- impact assessments

- DRM - most appropriate mechanism - Is PS paying their taxes?

- Transparency, Accountability; Compliance with HR standard- ILO, Women ‘s issues to be built in.
Sustainable Financing Options

- $5.7 trillion is owed to the poorest people of the South (OXFAM Report: 50 Years of Broken Promises 2020)

- Aid is one of the only ways to channel additional financing to budgets of low income countries - crucial in fight against killer diseases, Global Fund-AIDs, Tb malaria, saved over 27 million lives bet. 2000-2017; HOIV/AIDS declined by 43%; malaria treatment for over 6 million pregnant women; nearly eradication of polio
Sustainable Financing Options

- Donors to prioritize Africa’s emerging debt crisis by providing debt relief;
- DRM- Donors to prioritize progressive taxation at national and international level (curb tax dodging and provide long term concessional financing through soft loans;
- Allow the private sector to serve as a back-up to national healthcare services (e.g. private hospitals being incentivized to seamlessly align with national systems institutionalize coalitions and to involve individuals/traditional/religious leaders
- Expand national health insurance coverage-Covid19 patients ‘treatment-universal health coverage is crucial in terms of cost of care. (most coverage-low esp for informal sector- need capture informal through various health schemes-funding through taxation
Thank you

Obrigado

Merci

Asante
Group Work

1. Divide your self into 4 groups

- Group 1- Explain why governments resort to privatisation of Health and how has this affected governments response to the Covid-19 pandemic. Give concrete examples
- Do market based solutions work for social service delivery
Conclusion

- Healthcare is constantly changing environment: shifting demographics, evolving treatments, technologies, emerging diseases (covid19 etc)
- Health care should by and large remain a government responsibility and should this function should not be completely left for private health providers alone to deliver
- Privatisation is not ‘One size fits all’ If designed within local context, aligned with national context aligned with local /national health policies and delivery strategy: with the right regulation framework in place can make important contribution to SD, eradication of poverty & reduction in inequalities (gender inequality) - promoting descent jobs + livelihoods + by paying taxes that enable states to deliver essential public services- development/growth Oxfam Research
- Decision making on Privatisation strategy to be transparent/inclusive to engage all stakeholders across political spectrum