In June 2009, a new Health in Africa Fund was launched by the International Finance Corporation (IFC), the branch of The World Bank group mandated with supporting and expanding the private for-profit sector. This Fund will be managed by Aureos Capital, a private equity fund manager focusing on emerging markets. Through investment in small- and medium-sized private providers, the Fund will attempt to [help] low-income Africans gain access to affordable, high-quality health services. The Fund, currently supported by the IFC, the African Development Bank, the Bill & Melinda Gates Foundation and the German Development Finance Corporation (IFC), the IFC's high propensity to positive external benefits, which tend to be underprovided by private for-profit markets. Economic theory also predicts that the profit-making incentive, dominant in the private sector, creates challenges to health care by segmenting access along income/quality lines.

Accordingly, there is no empirical basis to argue that private providers outperform the public sector in terms of access to, quality of health care. On the contrary, the private sector can use its flexibility to adapt to changing supply and demand factors. Market forces, however, can determine the most appropriate allocation of resources only under the assumption of perfect market conditions and in the health sector this assumption doesn't hold. Asymmetric information between consumers (patients) and suppliers (health professionals) prevents consumers from equitably determining their own needs and making rational choices; and many key health interventions have a high propensity to positive external benefits, which tend to be underprovided by private for-profit markets. Economic theory also predicts that the profit-making incentive, dominant in the private sector, creates challenges to health care by segmenting access along income/quality lines.

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The Fund's establishment was inspired by the IFC's health strategy, which entails harnessing private capital and private sector providers to improve quality and coverage of health services. The IFC clearly sees a potential for the private sector to improve health outcomes for the poor; less clear are the theoretical and empirical bases on which this enthusiasm is grounded.

The main underlying assumptions behind a greater role of the private sector in provision of health services are: that the market can ensure optimal allocation of resources; that private firms can improve quality of care through their focus on measurable results; and that the private sector can use its flexibility to adapt to changing supply and demand factors. Market forces, however, can determine the most appropriate allocation of resources only under the assumption of perfect market conditions and in the health sector this assumption doesn't hold. Asymmetric information between consumers (patients) and suppliers (health professionals) prevents consumers from equitably determining their own needs and making rational choices; and many key health interventions have a high propensity to positive external benefits, which tend to be underprovided by private for-profit markets. Economic theory also predicts that the profit-making incentive, dominant in the private sector, creates challenges to health care by segmenting access along income/quality lines.

The objectives of the health strategy of The World Bank (of which the IFC is part) include leveraging its comparative advantages in fostering better collaboration between the public and the private sectors. Strengthening stewardship and oversight capacity in the public sector to work more effectively with the private sector is a worthy endeavour. But the IFC's raison d'être is private sector growth. It is not clear whether, in case private sector provision is seen as an objective in itself, a sufficient focus can be kept on the public sector dimension of public–private collaboration.

The new Fund's progress should be monitored closely by a separately funded and independent third party evaluator, to ensure that its benefits truly accrue to the poor and that additional resources flowing to the private sector don't exacerbate the loss of public sector health workers.

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References


