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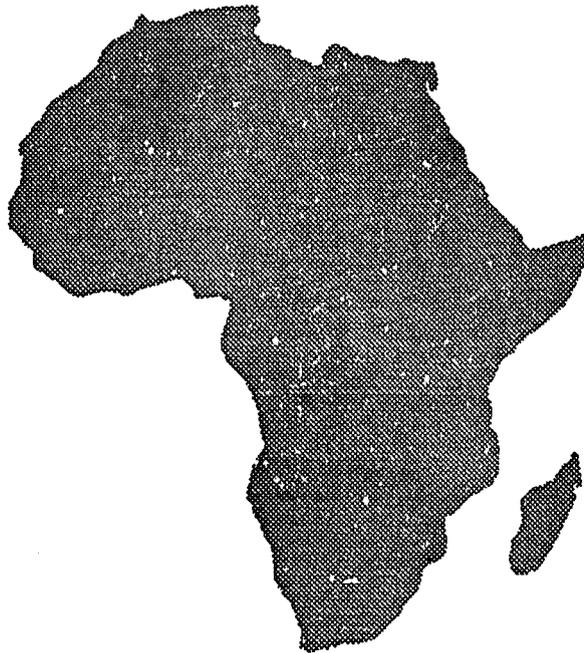
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PRIVATE SECTOR INITIATIVE FOR AFRICA

HEALTH,
FAMILY PLANNING,
EDUCATION, AND AGRICULTURE

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HEALTH, FAMILY PLANNING, EDUCATION, and agriculture encompass people's most vital concerns. As individuals, family members, and citizens, their survival and well-being depend on success in all four areas—areas where A.I.D. has concentrated attention and resources. People require reliable access to services from providers that are capable of responding to their ever-present and evolving needs. Where governments have attempted to guarantee these services to all of their citizens—in Africa and elsewhere—they have fallen short, sometimes with disastrous results. Where donor agencies have concentrated their assistance on programs of governments whose administrative capabilities are severely strained, they have failed, with those governments, to reach the broadest possible range of beneficiaries.

The obvious question arises: If the public sector can't do the job, what about the private sector? In many of these countries, at least part of the answer exists today: formally and informally, the private sector has already been active and successful in health, family planning, education, and agriculture.

SERVICES IN AFRICA

For more than three decades, independent African governments have tried to be their citizens' principal providers of "public" services in health, family planning, education, and ag-

riculture. While the governments have been trying—and, for the most part, failing—many of their citizens have found private sources for these services. Despite enormous regulatory, legal, and tax barriers, private sector firms and individuals have responded to unmet demand by stepping in to fill the needs that governments have been unable to satisfy.

Today, African governments are conceding that without miraculous increases in funds and institutional capacity, they cannot hope to be the primary providers of health care, family-planning, education, and agricultural marketing and extension services for everyone. Failures to meet these ambitious goals and the great and increasing demand for private products and services have prompted a rethinking of the role of government in providing these services.

Appendix A shows how A.I.D. has promoted a greater role for the private sector in the provision of services, using such techniques as the following:

- Provision of foreign exchange and credit to private firms
- Provision of funds, technical assistance, and training to agricultural cooperatives and private agricultural services
- Development of training programs and provision of financial assistance for private educational institutions
- Promotion of communication among the private sector, donors, and host govern-

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ments to reduce barriers to private sector participation in the provision of services

These techniques and others that A.I.D. can use to promote sustainable, broad-based, and market-oriented economic growth in Africa are described below.

BACKGROUND

After independence, most new African governments undertook to provide certain fundamental services—including health care and family-planning services, universal education at least at the primary level, and agricultural marketing and extension services—for their citizens. Their commitments to provide these services often greatly exceeded their financial and institutional capacities, however, with the following present-day consequences:

- Frequently, government services are inefficient, fail to recover costs, are of poor quality, and fail to provide adequate coverage for all, or even most, of the population
- Many citizens already get these services from private firms (in some countries, up to 50 percent of the population get at least part of their health care services from the private sector and up to 88 percent of all money spent on health care is spent in the private sector¹)

Recent experience in providing services has reemphasized that people in Africa and throughout the world share two important characteristics:

- A tendency to place a higher value on services (including health care, pharma-

ceuticals, contraceptives, education, and agricultural and veterinary advice and inputs) that they receive from private providers

- A willingness to pay for private services that they perceive as being of higher quality

In spite of these tendencies, many African governments remain committed to acting as primary service providers. Because so many Africans are already turning to the private sector for health, family-planning, education, and agricultural services, a large number of private firms have emerged to provide them. Nevertheless, private providers of these services continue to emerge. They generally fall into three major categories:

- Small and microenterprises, including
 - Practitioners of traditional medicine
 - Midwives, medical assistants, and other pramedical practitioners
 - Small retailers of pharmaceuticals and contraceptive devices (who often offer medical and family-planning advice)
 - Schools organized and funded outside formal education systems
- Employers offering vocational training and health, family-planning, and other services to employees
- Large multinational enterprises, including
 - Agribusiness firms that conduct research and provide inputs, training, and advice to local farmers, frequently through contract farming arrangements
 - Seed companies that perform research on new varieties and those that provide extension services and advice to increase demand for seed

¹D. de Ferranti, *Paying for Health Services in Developing Countries—an Overview*, World Bank Staff Working Paper no. 721 (Washington, D.C.: World Bank, 1985).



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- Pharmaceutical companies that perform social marketing functions as part of their overall marketing strategies
- Manufacturers of veterinary medicine that provide advice on disease control to the livestock sector to increase demand for their products

CONCEPT AND SCOPE

This report confirms that one key to increasing the provision of low-cost services in health, family planning, education, and agriculture will be reduction of the tremendous obstacles that prevent both existing and potential private service providers from serving the market. This process will require commitment from the donor community and from African governments, which must reform their tax, legal, and regulatory structures to facilitate the creation of new firms and service providers and to create incentives for private actors to enter the market. Donors can work with private providers of services, along with community organizations, business organizations, and other nongovernmental organizations (NGOs) to strengthen their capacities to deliver higher-quality services to more people at lower prices.

The following steps are keys to maximizing private participation in the provision of services:

- Admission by African governments that they lack the resources to successfully provide all the services that their populations need, along with acceptance of a vastly increased role for the private sector in providing those services
- Removal of legal, tax, and regulatory barriers that inhibit the growth of existing

firms and restrict the entry of new firms into the market, complemented by creation of tax and legal incentives for individuals or firms to enter the market

- Enhancement—through technical training and assistance, foreign exchange, or access to inputs or technology—of existing firms' capacity to provide a broader range of services more efficiently

Community-based groups and business associations, such as farmers' cooperatives, craft guilds, industry associations, chambers of commerce, and parent-teacher associations, can participate in the private sector's growing role in the following ways:

- By providing services for their members. For example, farmers' cooperatives can supply extension advice and agricultural inputs to members, chambers of commerce can organize vocational training courses, and local community groups can construct their own schools and raise money to hire teachers. These organizations are often able to recover costs for services provided by charging membership fees.
- By serving as intermediaries between communities and donors in defining what services are needed and what people are willing to pay for them. This can help ensure that donor assistance to private providers is demand driven, helping to maintain efficiency and cost-effectiveness.

NGOs and private voluntary organizations already play an important role in providing services in African countries. Donors and governments could work to remove the barriers that these organizations face in expanding and improving their activities, as well as to strengthen their capacity to do so.



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A.I.D. missions and other donors can take a variety of approaches, alone or in combination, to stimulating the private sector to provide more services previously performed by the public sector:

- Government financing or contracting of private sector services, such as meal preparation in hospitals
- Partially or completely private management of a still-public function, such as a national blood bank
- Promotion of private sector provision of services in conjunction with public sector institutions, for example, in education
- Total divestiture of a public sector service, such as seed development and distribution

Although issues of gender are not directly addressed in this report, A.I.D. missions should factor such considerations into their planning for promoting the private sector's role in providing services.

This report is intended to provide A.I.D. missions with a comprehensive view of privatization opportunities in health, family-planning, education, and agricultural services; it does not attempt to encompass the following:

- Other sectors, such as energy, housing, and urban development
- General strengthening of NGOs in their selected development activities, unless a new role is to be promoted—one that would replace or expand a service that is traditionally in the public sector
- General promotion of private enterprise—through establishment of export processing zones, assistance to business associations and credit unions, credit windows, or training in business skills—unless an enterprise would be helped to provide

services new to its portfolio and usually provided by the public sector

- Allocation of foreign exchange for commodity imports, or local-currency generations from those imports, to private firms or NGOs
- General participant training programs that would benefit private sector individuals but that would not be part of a program to promote private assumption of public services

LESSONS LEARNED

Because they do not face competitive pressures that would force them to minimize costs, public providers of services tend to be inefficient. Their failure to recover costs constitutes a constant drain on the public purse.

Expansion of the private sector's role in providing services should increase the efficiency with which services are provided and reduce the financial burden borne by government. To achieve these goals, however, private providers of services must face genuine competition, and they must not become addicted to subsidies from well-intentioned donors.

Experience and analytical studies have shown that such services as health, family planning, and education, which governments and donors have often considered appropriate only for the public sector, can be provided privately at competitive standards and prices. If the private sector is permitted and encouraged to take a greater role in service delivery, the public sector can be freed to accord greater attention to providing genuine public services, such as armed forces, countrywide disease control programs, education for those who cannot afford



to pay, judicial system, police, radio broadcasting, and water treatment.

Fees for Service

It is important that A.I.D. and other donors promote cost recovery by the public sector. User fees for public services, however, are not always sufficient to ease the strains on public budgets imposed by continuing commitments to provide services to expanding populations.

Governments and donors have usually assumed that fees for such services as health care must be kept low and that costs must be subsidized to ensure that poor people will be willing and able to pay for them. Experience indicates, however, that poor people pay for health services, though they pay more willingly for curative than for preventive care. They pay traditional healers, private health practitioners, and retailers of pharmaceuticals (from whom they also receive advice).

More than half of all moneys expended on health care, by providers and consumers, are accounted for by private practitioners and institutions and by fees paid for health services.² People frequently perceive private care as superior to public care, and they pay higher fees to obtain the private care that is often more accessible than the nearest health post. In Pakistan, for example, where only 18 percent of patients seek medical care in government facilities, 21 percent go to private hospitals, 29 percent go to private physicians, and 32 percent go to traditional practitioners. In Togo, where annual per capita income averages \$390, a recent household expenditure survey has shown that people seeking care for an illness spent an average of almost \$15 on each occasion.

Encouraging the private sector thus can provide greater relief to the public purse than can

instituting complex fee schedules and accounting systems. Moreover, private sector bodies that provide services on a sustainable basis can recover their costs through sales, fees, or regular charitable contributions. A legitimate and useful government role, at least during a transition period, would be to provide administrative or financial incentives to newly established private providers.

Cost-Effectiveness

Private sector service delivery is generally more cost-effective than public delivery. For example, unit costs for private schools are lower than those for public schools, providing up to three times the learning for the same unit cost. The most significant advantage of private schools over public systems is the inherent incentive to efficiency created by greater accountability to parents.³ Nevertheless, devolution of responsibility for education to private schools will not necessarily lead to greater efficiency in a country's education system if government regulation reduces the schools' abilities to strive for greater effectiveness and efficiency.

Subsidies and Marketing

To be sustainable, a private sector operation must be profitable or at least recover its costs. A subsidy can boost a socially beneficial private activity, but the recipient must analyze the potential for profit in its overall operation when the subsidy ends.

Subsidies in materials or pricing are common elements of social marketing of health, family-planning, and educational commodities. A.I.D. and other donors have to face up to the limited role of such subsidies and recognize the more

²D. de Ferranti, *Paying for Health Services in Developing Countries—an Overview*, World Bank Staff Working Paper no. 721 (Washington, D.C.: World Bank, 1985).



essential role of market strategies: by subsidizing the social marketing of products whose values have not yet been recognized by potential consumers, donors can help to create demand for socially beneficial products. For example, A.I.D. can persuade firms in the private sector to produce and sell oral rehydration salts and help them to develop a marketing strategy; in contraceptive social marketing, the Agency can subsidize or donate the commodity, as well as help in marketing.

In any such case, the donor subsidy must terminate in the long run, and the manufacturing or retailing firm then must decide whether it will cross-subsidize the product or raise the price to ensure its profit. Some firms will continue a "social" contribution to attract business or to demonstrate their concern for general public welfare. If demand for the product is not sustained, however, firms will discontinue it.

A.I.D. should work to ensure the eventual financial viability of the social marketing programs of nonprofit organizations. That viability may be achieved through fees to recover variable costs. Those fees may or may not be sufficient to cover some of the more general costs of organizations that are usually covered by charitable contributions from their sponsors.

Nongovernmental Organizations as Intermediaries

Strengthening NGOs' development activities and helping NGOs to promote social services and enterprise development are major elements in A.I.D.'s mandate and general approach. The Agency can also seek to expand the role of NGOs in relation to the public sector.

Because of the outside support that they receive, which permits them to acquire tools for the job (medical supplies or books), and

their ability to attract staff at relatively low salaries, nonprofit private organizations frequently are better equipped to provide services than are governments. Profit-oriented organizations are motivated to gain returns on their investments. Both types of organizations can be more efficient than the public sector in their use of resources to meet their objectives. Thus, in addition to providing funds to NGOs, A.I.D. and A.I.D. missions can contribute technical assistance, analysis, and support for dialogue to persuade governments to permit larger roles for NGOs and to devolve responsibilities to them.

Policy and Regulation

An essential condition for promotion of private sector delivery of services is government acceptance of the effort. For example, excessive government regulation of firms capable of providing health and family-planning services inhibits their entry into the market. In health and family planning, as in education, A.I.D. can encourage governments to formulate certification requirements that facilitate, rather than inhibit, the emergence of new providers while preserving minimum standards to protect the public.

Heavy tax burdens also inhibit individuals and firms from providing services. Governments could restructure tax codes to provide fiscal incentives for service providers to enter the market. Beyond this, changes in overall government policy are also usually necessary.

Competition

Without competition, private motivation or cost-effective delivery of services will lag. When a donor seeks to change the mix of public and private service delivery, it should try to

³Emmanuel Jimenez, Marlaine E. Lockheed, and Vicente Paqueo, "The Relative Efficiency of Private and Public Schools in Developing Countries," *The World Bank Research Observer* 6, no. 2 (July 1991): 205-18.



MARKETING ORAL REHYDRATION SALTS

In Pakistan, the private sector has replaced the government as the public's primary provider of oral rehydration salts, expanding outreach and increasing the availability of a lifesaving product to all Pakistanis.

The Pakistani government had initiated the National Control of Diarrheal Diseases Program to promote oral rehydration therapy (which it defined as a combination of fluid replacement, continued breast-feeding, and feeding, particularly with starches) for infants with diarrhea—a major killer in Pakistan among children under five years old. The government intended to distribute oral rehydration salts packets through its health facilities; the private sector's role was to be confined to production and packaging of the salts.

Within its limitations, the program was successful, but the government found that it could not afford to purchase enough oral rehydration salts to supply everyone at no cost. Distribution via the public sector was also limited by the fact that the majority of Pakistanis relied on the private sector for health care.

The National Control of Diarrheal Diseases Program joined with the U.S. firm Management Sciences for Health and A.I.D. (PRITECH project) to take advantage of Pakistan's well-developed commercial sector, the sizable consumer market potential for oral rehydration salts, and the positive competitive environment to expand the effort through the private sector. The partnership's regulatory reform and social marketing program stimulated the private sector (including firms not usually thought of as being in the public health sector, for example, juice producers) to build upon its strengths and respond to government cooperation and market opportunities, transforming Pakistan's profile of oral rehydration salts distribution. Oral rehydration salts products are now more numerous and much more widely available in the commercial market than ever before.

Source: Lucia Ferraz-Tabor and William H. Jansen II, "Forging New Partnerships: Mobilizing the Commercial Sector for ORS Marketing in Pakistan," Background Paper no. 3 (PRITECH, Arlington, Va.).

ensure the presence of an element of competition. If a school system wants to privatize textbook publication, the obvious way to introduce competition is through a bidding process.

Other instances may not present such clear options, but a donor can work through associations of recipient bodies or through community-based groups. Community-based groups are often the most powerful influences in rural areas, and they often provide avenues to

high-risk populations. An association can design, implement, and handle internal competition according to donor guidelines.

A.I.D. can offer the means to upgrade resource-poor private rural schools through an intermediary, packaging assistance as a menu of benefits. The ultimate private recipient would select from the menu and enter into a contract with the intermediary, specifying its objectives for improvement. The Agency has

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used this method in Haiti, through a newly formed apex association of school sponsors.

Coordination with Other Donors

A.I.D.'s efforts to privatize the provision of services and to promote policies conducive to private sector actions will be more effective if they are carried out in collaboration with other donors. Indeed, without other donors' collaboration, Agency efforts may be undermined. For example, the viability of a private firm's undertaking the production of contraceptives may be jeopardized by the continued provision of subsidized contraceptives by another donor.

HEALTH

Most governments of developing countries have taken on the task of providing health services to all citizens, regardless of ability to pay. As populations have grown and fiscal burdens have increased, however, the levels of service per capita have declined. Health systems are overextended, staffs are strained, and other resources are inadequate.

What happens when a national health system's budget is inadequate is that personnel are kept on the payroll, but they have to operate without transport, supplies, or supervision. Staff performance also suffers from lack of accountability and lack of incentives to cut costs and increase productivity.

In spite of the views of these governments that they must be responsible for all health services needed by their citizens, in most developing countries the private sector is already an active and important source of health care. A large part (usually well over half) of most populations is served mainly or only by private

sector health practitioners, entrepreneurs offering pharmaceuticals or treatments, and traditional healers. In some developing countries, expenditures on private health care account for as much as 88 percent of total health expenditures.⁴

In Africa many people prefer traditional systems and use modern facilities only as a last resort. Availability of free or low-cost modern services does not prevent the poor from spending significant sums from their meager incomes for health care; typically, they choose to go to a public or a private supplier in accordance with their view of the effectiveness of the service. In a rural area where clinic staff are operating without supplies and are not always on the scene, and where a visit to the clinic involves a long trip, the choice frequently is to seek a traditional healer, a hawker, or some other private source.

Experience

The potential for broadening the private sector's role in health delivery is good. Physicians and other health providers will expand their services if regulations allow them. Physicians working for governments may become more dedicated to their public responsibilities if they are also permitted to earn money in private practice. In Sudan, for example, when government physicians were permitted to work on a fee basis in the evenings, they opened urban clinics and reinvested income earned to improve and expand equipment and services.

To fulfill their potential, pharmacists, physicians, nurses, midwives, and traditional healers would benefit from training in approved or tested methods of dispensation, management, and marketing; access to cost-effective technology and supplies; and, in many instances, access to financing. Private sector providers in

⁴D. de Ferranti, *Paying for Health Services in Developing Countries—an Overview*, World Bank Staff Working Paper no. 721 (Washington, D.C.: World Bank, 1985).



rural areas, many of whom are outside the formal health sector, need knowledge, equipment, commodities, and training to bring their capabilities closer to those of the formal sector.

Privatization of health care financing usually begins with user fees, but those fees generally do not cover all costs, and in many instances they are not recaptured for investment in expanded health services. Prepayment and flat-fee plans have had some success at the community level, but these services are sustainable mainly when they are curative and sponsored by a dedicated NGO. Recent studies indicate that third-party financing of health services, through insurance or health maintenance schemes, will be necessary for full cost recovery by either public or private providers.⁵

Opportunities for Assistance

Promotion of the Private Sector

For-profit health care firms have invested in their capacity to produce products or services. They are dependent upon consumer demand for adequate financial returns on their investment, but their ability to respond to that demand is often circumscribed by government regulation and legal constraints that affect their supply of inputs, the prices they charge, and their freedom to enter the market. Even with access to supplies, private entrepreneurs may be discouraged by excessive governmental oversight that raises the cost of doing business.

Donors that provide drugs and other supplies to governments at highly concessional rates can also jeopardize private sector viability.

A.I.D. missions can consider the following opportunities for promoting the private sector in health care:

- Persuading governments to reduce legal restrictions on private providers and financiers of health care
- Analyzing for governments the alternative costs of public versus private sector management, marketing, and delivery of donated drugs and other supplies (the Health Financing and Sustainability project of A.I.D.'s R&D Bureau is available for such efforts; see Appendix A)
- Recommending incentives and changes in regulations and laws (import tariffs, licensing, and taxation) to promote expansion of the following private alternatives for financing health care:
 - Employee benefit services
 - Health maintenance organizations
 - Insurance
 - Voucher schemes
- Providing access to capital to finance construction of health care facilities and the establishment of insurance schemes
- Encouraging groups of small firms to cooperate in providing health care for their employees by establishing a clinic or using the services of an NGO

Privatization

Governments have encouraged limited privatization in the health sector by hiring the private sector to undertake discrete tasks or encouraging it to do so. The mechanisms of privatization include the following:

- Contracting out for supply and services (meal services, cleaning, hospital beds)
- Leasing out the management or operation of public hospitals

⁵Charles C. Griffin, *Strengthening Health Services in Developing Countries Through the Private Sector*, International Discussion Paper no. 4 (International Finance Corporation, 1989), and "User Charges for Health Care in Principle and Practice," World Bank (EDI Seminar Paper no. 37, 1988).



- Issuing vouchers that cover reimbursement of private providers for services to clients
- Selling government facilities to private investors

Privatizations of specific hospital services through supplier or management contracts with private sector firms have been generally successful. However, the heretofore rare moves to privatize entire hospital functions (Kenyatta Hospital in Nairobi, Kenya, for example) have proven complex and risky unless they have been carefully analyzed and planned in advance.

An alternative to the transfer of existing public facilities to the private sector is for governments to encourage the private sector to establish new facilities. The Asalam Hospital of Cairo, Egypt, which opened in 1982, services the patients of its staff physicians and provides fixed-rate services to certain ministry employees.⁶ It also provides specified services to patients referred from the public system, and it has contracts with companies to cover employee health services.

Multinational pharmaceutical firms are playing a role in health care, without subsidy, through their social outreach programs. In The Gambia, a group of U.S.-based firms has established a system for distributing pharmaceuticals and improving health care. The group has helped the Gambian government develop efficient procurement policies, stock management systems, and distribution networks. These efforts are parts of the marketing strategies of the firms; they fall short of privatization of health care delivery. The next steps, however, could include privatization of responsibility for testing of pharmaceuticals for safety and effectiveness and devolution of the management and distribution systems to the private sector.

A.I.D. missions can consider the following opportunities for promoting privatization of health care:

- Urging governments to analyze the relative costs and benefits of public and private production of services; identifying the regulations and practices that must be liberalized to encourage private contracting
- Helping private suppliers that are just getting involved in this area by providing advice on management or access to working capital
- Promoting privatization of midwifery by training nurses and midwives in modern practices and in business operations
- Getting private firms into pharmaceutical supply and distribution
- Where the pharmaceutical manufacturing sector is strong, helping it work with government to identify a stronger private sector role in drug testing, setting of standards, and control of the industry

Social Marketing

Social marketing uses market incentives to distribute and market supplies and services through private channels. Public subsidies are involved, at least initially, to cover the cost of market analysis and sometimes also the cost of supplies and administration. Pharmaceuticals and oral rehydration salts, together with contraceptives, are the products most commonly distributed through social marketing. Health education is often an element of the marketing strategy.

There is potential for further assistance to institute effective manufacturing and marketing of oral rehydration salts, as has been done with A.I.D. assistance in Uganda, Ghana, and elsewhere.

⁶Gabriel Roth, *The Private Provision of Public Services in Developing Countries*, EDI Series in Economic Development (Oxford: World Bank, Oxford University Press, 1987).



The A.I.D. project Technologies for Primary Health Care (PRITECH; see Appendix A) is active in Africa and elsewhere, expanding the role of private sector manufacturers and providers in collaboration with governments, the United Nations Children's Fund, and other organizations. To achieve better control of diarrheal diseases, PRITECH has worked with major employers to help them spread the message that hand-washing and breast-feeding can prevent diarrhea, with ministries and commercial firms to produce written materials for physicians and pharmacists, and with pharmaceutical, food, and consumer goods firms to increase production of oral rehydration salts and revise their marketing strategies. The purpose of the project and related efforts of other donors has been to stimulate, but not to finance, the commercial sector, to help gain approval and collaboration from ministries of health, and to provide assistance with technology, communications, and marketing.

A.I.D. missions can consider the following opportunities for supporting social marketing:

- Expanding social marketing in health products and health education beyond the work of SOMARC and PRITECH by including it in bilateral projects
- Designing marketing campaigns for private firms that are ready to start manufacturing pharmaceuticals and other health products

Nongovernmental Organizations

NGOs play an important role in health care in Africa. These private service delivery organizations are committed to improving the health status of the society and ensuring people's access to preventive and curative services. In rural areas, health services of NGOs are often more accessible than public services. NGOs

may charge fees, but many operate from the objective of charity and are not motivated to cover all their costs because their income is supplemented from outside sources.

A.I.D. projects in the health sector have supported and worked through NGOs with some success. Pilot community health programs of NGOs have yielded important lessons, and national child care campaigns have benefited from their participation. As Lewis points out, however, the overall cost-effectiveness of their operations has not been evaluated and measured.⁷

A.I.D. missions can consider the following opportunities for supporting NGOs in health care:

- Continuing to help NGOs develop their service delivery capacities and the management skills that will lead to greater cost-effectiveness
- Stimulate and design realistic cost recovery schemes for NGOs
- Selectively (depending upon efficiency of operations) wean NGOs from dependence on government subsidies, seeking government approval of expanded functions

FAMILY PLANNING

The private sector has been active in providing family-planning services through social marketing of contraceptives; commercial sales by pharmacists, private clinics, and physicians; NGO programs; and community-based distribution programs organized by governments or by NGOs. Nongovernment distribution systems and workplace clinics generally offer contraception through methods that require



resupply of commodities. Clinical methods of contraception (for example, vasectomy, tubal ligation) are more usually offered by government facilities and by private physicians.

Experience

Recognizing that a purely public sector strategy will not be adequate to meet the rapidly expanding need for family planning services, A.I.D. has been in the forefront in the effort to find new avenues for private sector delivery of family-planning information and services. Together with other donors, A.I.D. has supported the work of multinational and national philanthropic associations, providing contraceptives, surgical equipment, teaching aids, and training modules and helping expand the library collections, information campaigns, and counseling capacities of voluntary associations. Although donors traditionally have been willing to maintain their subsidies to NGOs working in family planning, they are now concerned to help establish sustainable programs. Experience has shown that if the top managers of an NGO are firmly committed to family planning and are willing to adopt management practices modeled on those used in business, a donor can help them achieve financial sustainability in family-planning service.

Beyond its work with NGOs, A.I.D. has helped trade unions mount family-planning education campaigns, spurred members of the association of midwives in Ghana to establish for-profit facilities through which to offer their services, and pioneered in the addition of family-planning services to the benefit programs of private firms. Donors and country governments now can transfer much of what has been learned about employer-based delivery to other purposes, such as maternal and child care

and acquired immunodeficiency syndrome (AIDS) education.

The Technical Information for Private Provision of Services (TIPPS) project of the (now) Research and Development Bureau was influential in demonstrating to the management of an enterprise that they could save costs by adding family-planning services to other health services they offered directly through an in-house clinic, or financed as an employee benefit. Similarly, TIPPS personnel were able to persuade insurance companies to include family planning among health benefits.

The Enterprise project was instrumental in testing the potential of the private sector to provide and pay for family-planning services and in evaluating various settings and strategies for establishing new service delivery programs. The project proved the feasibility of sustainable cost-effective private sector family-planning services, increased the volume of services actually provided by the private sector, and leveraged private sector investment in family planning. The project's dual approach encompassed expansion of services by employers and NGOs as well as establishment of new market-based enterprises (contraceptive manufacturers, physicians, traditional health providers).

The employers most likely to undertake new initiatives in family planning are commercial firms that already provide relatively generous nonwage benefits to employees and dependents, have large employee populations (more than 5,000), and enjoy good financial health. Other positive factors include isolation (in terms of distance from public health facilities) and the existence of an umbrella organization that can actually provide the services. Firms have found that in addition to the financial savings stemming from a healthier mater-

⁷Maureen A. Lewis, "Financing Health Care in Jamaica" (draft Project Report no. 3714-04, The Urban Institute, Washington, D.C., November 1988).



FAMILY PLANNING FOR PLANTATION EMPLOYEES

A project on Sri Lankan tea plantations has demonstrated that provision of high-quality family-planning services benefits the plantations and their employees, reducing costs and improving workers' welfare.

In recent years, increasing populations on Sri Lankan tea estates have had detrimental effects on land use, employment creation, and the quality of life of plantation families. In November 1987, the U.S. firm John Snow, Inc.'s Enterprise Program and the Janatha Estates Development Board, with the Sri Lankan NGO Population Services Lanka, launched the three-year first phase of the Family Planning Plantation Project on sixty Sri Lankan tea estates. The project focused on temporary family-planning methods and included the training of plantation staff in family-planning methods and counseling.

A Janatha Estates Development Board task force, with Enterprise Program assis-

tance, is now extending the project's initial success on 60 estates to 255 more. The second phase is projected to cover a population of about 405,000 and reach a potential 40,000 acceptors by 1996. Most funding has come from the board.

In June 1991, the Janatha Estates Development Board and the Enterprise Program cosponsored a seminar for government leaders, the plantation sector, private industry, and the donor community to disseminate lessons from the first phase of the project as well as the board's plans for phase 2. The Ministry of Plantations and Industry has expressed an interest in replicating the project throughout the nation's entire parastatal plantation sector.

Source: Enterprise Program, "Enterprise in Sri Lanka: Plantation Program Expands into Second Phase," *Family Planning Enterprise*, n.d., pp. 1-2.

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nal and child community, the project had other benefits, such as improvement in employee relations, easier recruitment of scarce labor, and an improved corporate image in the community. A strong commitment by top management is an important factor for success.

The experiences of the Enterprise project and of SOMARC (Social Marketing for Change) in promoting commercially marketed family-planning services also provide some lessons. Sustainability is a direct function of the overall profitability of the market-based operator. The most successful are those that can integrate their lower-profit family-planning

services with other, more highly demanded health services. Increasing accessibility to clients by expanding the number of service points is often the key to attracting large numbers of acceptors. Economies of scale can be achieved by working through an umbrella organization representing a large number of market-based operators, or through prepaid service institutions with large numbers of beneficiaries. Nonprofit market-based operators tend to have easier access to free or cheap capital and also, often, to have been granted some tax relief.



Opportunities for Assistance

The Promoting Financial Investments and Transfers (PROFIT) project (see Appendix A) of the R&D Bureau, authorized in 1991, is intended to expand family-planning services in six to eight countries with large populations. Through concessional assistance financed by appropriated funds and through grants of blocked local currencies, PROFIT will promote commercial trade, production, and marketing and endow NGOs and other groups for advocacy and service delivery roles. The project will accommodate unlimited buy-ins.

A.I.D. missions can consider the following opportunities for supporting private family-planning services:

- Persuading governments to remove taxation and other disincentives to private family-planning providers
- Helping governments face the fact that they may not be able to depend forever on donor-supplied contraceptives in the future, and helping manufacturers start producing contraceptives
- Providing start-up assistance by supplying otherwise unavailable resources, such as technical training, equipment, and commodities
- Analyzing costs and the market for products
- For large private sector employers, demonstrating how the cost-benefit ratio will offer major returns on investment in services, and promoting the likelihood of that positive return with technical assistance and training and linkages with professional service providers
- For smaller employers, demonstrating the feasibility of adding the benefit at small cost through umbrella programs or other service approaches

- For NGOs, offering to investigate markets; helping NGOs to add or upgrade diagnostic services, establish or strengthen clinics, add upscale clinics to subsidize other operations, or establish themselves in market niches as service providers to employers
- On occasion, acting as a venture capitalist for initial funding

EDUCATION

In most developing countries, the public sector has a near-monopoly on education, or at least is the predominant supplier and regulator. Facing the realization that these countries' public education systems cannot fulfill their mandate to provide universal education (a responsibility usually enacted or decreed for the primary level at least) or meet the aspirations and demands of expanding populations, educators and donor agencies have proposed steps toward privatization. Public education systems' problems range from inadequate numbers of school places and teaching staff to inefficiencies in the systems to failures in results. Many African governments are staggering under the weight of the costs of education, which can range from 25 to 40 percent of recurrent budget.

In Africa, most of the early formal educational institutions teaching secular subjects were introduced under the auspices of Christian missionaries. In Muslim areas, Islamic schools, teaching only or mainly the Koran, were widespread. Gradually the colonial powers offered some public subsidy to existing schools, and when independent governments expanded their responsibility for education,



they designated many institutions “government aided” schools within the national school systems. In most of these countries today, elite schools still serve minor portions of the populations.

Although the prevailing view that has guided these countries’ educational policies has equated private education with elite schools that benefit only the socially and economically well-off, private education often exists because public schools cannot accommodate students. Today, further privatization to ease the burden on the public system looks attractive.

To address the problem of the strain on the public purse, some reformers advocate user fees in the public school system. Such a move may further privatize the financial burden that is already borne by parents of public school students, though it does not privatize the provision of service.

Other reformers advocate changes in regulations to permit the expansion of private education or the selective transfer of public schools to private hands. Privatization advocates who fall into this group tend to believe that such steps would simultaneously increase the options available to consumers, improve the cost-effectiveness of delivery, and render the supply and distribution of education more equitable.

Experience

Research and experience have shown that the people of developing country societies place a high value on education, as a means to socioeconomic mobility and as an indicator of prestige. Even poor families are willing to pay in order to give their children a chance for paid employment and upward mobility. Even in nominally free education systems, a significant percentage of a poor family’s cash income is often spent on such educational items as school

uniforms, books, and school maintenance campaigns.

In Kenya, it is customary for a community to identify a site, build a school, and hire a teacher or two on a *harambee* (self-help) basis. After a few years, when the community has proved its commitment of interest and resources, it can petition the government for incorporation of the school in the public system and provision of a principal and additional teachers.

In Haiti, where education is highly valued and the public system has failed to meet its goals, a vast private education sector has arisen. Religious organizations, communities, and individuals establish schools, usually on an extremely low budget. A few private schools serve the elite, but the majority serve mainly the rural and urban poor—and serve them minimally, with meager budgets, little or no supplies, and underqualified teachers. By offering a menu of assistance modules (such as teacher training, curriculum guidelines, and student record keeping) through an association of private schools (the Fondation Haïtienne de l’Education Privée [FONHEP; see Appendix A]), A.I.D. has helped Haiti’s private parallel education system to upgrade itself. The Agency has initiated a similar effort in the Dominican Republic.

In rural areas in Africa, steps toward privatization of primary and secondary education may actually entail reversion to historic private education providers. The policy and regulatory issues will vary, but they should be amenable to analysis and remedy with donor assistance.

Opportunities for Assistance

Policy Actions

Government policy influences the supply of private education by regulation and by provi-



ADVANTAGES OF PRIVATE EDUCATION

Comparative studies of public and private secondary school achievements in Colombia, the Dominican Republic, the Philippines, Tanzania, and Thailand support the argument that private education not only is more responsive to the needs of students and their parents, but is also more efficient than public education. The researchers found that students in private schools generally surpassed those in public schools in achievements in mathematics and language. The data also indicated that the advantage provided by attendance at private schools persisted at all socioeconomic levels, though performance of some students of lower so-

cioeconomic status was not as high as that of students of higher status. Because ability to pay is an important factor in choice of school, the average private school student in developing countries comes from a more advantaged background than the average public school student, but the difference in family income between the two is not as great as in developed countries.

Source: Emmanuel Jimenez, Marlaine E. Lockheed, and Vicente Paqueo, "The Relative Efficiency of Private and Public Schools in Developing Countries," *The World Bank Research Observer* 6, no. 2 (July 1991): 205-18.

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sion of subsidies.⁸ The R&D Bureau project Improving the Efficiency of Educational Systems is available for analysis of the conditions in a system that promote effectiveness and identification of needed policy corrections. Donors supporting education sector development may find it possible to promote private education as a component of a government action plan to expand education, as has been done in the Philippines.

A.I.D. missions can consider the following opportunities for supporting policy reform:

- Promoting removal of overly restrictive regulations on private schools that inhibit the efficient provision of education
- Promoting measures to relieve private schools from duties and other taxes on educational materials
- Helping private institutions become eligible for public grants to support school improvements

- Helping establish systems for regular assessment and accreditation of high-quality private schools

Private Provision of Educational Services

The privatization of educational services can relieve some of the pressure on a government's limited fiscal and management capacities. For example, if a public school system runs relatively large institutions, a degree of privatization is possible by contracting for such services as catering for meals, hostel management, grounds keeping, and building maintenance. Such a change would certainly relieve the administrative burden on the public system and permit a reduction in government personnel. It might also reduce the total costs of the services involved.

A more fruitful area for privatization is the publication and distribution of textbooks and other teaching materials. Private publication

⁸Estelle James, "Private Finance and Management of Education in Developing Countries: Major Policy and Research Issues" (paper prepared for the International Institute of Educational Planning, June 1991).



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results in improved products that are developed to meet the demands of a market. Private sector publishing is frequently cheaper than government publishing, although the latter may appear cheaper because of hidden costs.⁹ Commercial publishers can be flexible and responsive to changing needs, are able to handle small pressruns for specialized markets, and are motivated to maintain low overhead and increase production efficiency. Private distribution, not surprisingly, is usually more timely and efficient.

A strong state presence in publishing inhibits the growth of private sector publishing. Before the government could use A.I.D.'s assistance to carry out the pilot project for the projected Privatization of Education and Support Service Project in Indonesia, the government had to change the law to eliminate its monopoly of educational materials production; the pilot project was then able to demonstrate that educational materials designed and produced by a private firm could succeed in the market. The firm reproduced the materials in three versions, at three cost levels; each level found a market.

Mexico is an example of a large country that has brought the private sector into textbook production. The government recognizes that extensive use of textbooks raises academic standards and increases the efficiency of school systems. In its education budget, it gives the same priority to books as to teacher salaries and buildings. With government backing and support, the most dynamic private publishing industry in Latin America has developed in Mexico. Although production of primary school textbooks now has been centralized in a parastatal organization, the government contin-

ues to support private publishers through joint projects, licenses to import paper and equipment, and export subsidies to the book trade. In addition, the existence of a public library system that purchases books in large quantities, together with rapid growth in secondary and university enrollment, has provided expanding markets for Mexico's book industry.

The private sector has shown how it can surpass most public sector systems in its ability to manage a testing system, preparing test materials on time, using commercial transport for distribution, and maintaining confidentiality.¹⁰

In Tanzania, the Canadian International Development Agency has promoted publication of children's literature. By underwriting about 40 percent of a pressrun, the agency has offset the risk of publication. It has also helped to develop a marketing strategy.

A.I.D. missions can consider the following opportunities for supporting privatization of educational services:

- Promoting publication of textbooks and teaching materials for schools
- Improving general education levels by promoting publication of children's literature
- Persuading governments to eliminate public monopolies in the production of educational materials
- Helping the private sector gain contracts to provide teacher training modules, video presentations, teachers' manuals, work books, and supplementary readers
- Gaining permission for private sector preparation and distribution of testing instruments

⁹Joseph P. Farrell and Stephen P. Heyneman, *Textbooks in the Developing World: Economic and Educational Choices*, World Bank Economic Development Institute Seminar Series (Washington, D.C.: World Bank, 1989).

¹⁰Joseph P. Farrell and Stephen P. Heyneman, *Textbooks in the Developing World: Economic and Educational Choices*, World Bank Economic Development Institute Seminar Series (Washington, D.C.: World Bank, 1989).



Community Support for Public and Private Schools

A.I.D. can promote community support for local educational institutions, particularly at the primary level. In Mali, a new project will promote a process through which the community can express its needs and influence what is happening in the classroom. In Namibia, where the education system is large enough to educate most children but produces few successful graduates each year, the education sector program supported by A.I.D. will attempt to involve local community residents in preparing children for schooling and clarifying objectives for local schools. A pending case study of the Bangladesh Rural Advancement Committee, which has founded an alternative primary school, may yield useful lessons.

A.I.D. missions can consider the following opportunities for encouraging community support for public and private schools:

- Promoting community support for local educational institutions, particularly at the primary level, where schools are geographically and socially closest to local residents
- Finding ways to involve the local community in preparing children for schooling and clarifying schools' objectives

Vocational and In-Service Training

Recent World Bank investments in public vocational education and training for industrial employment in low-income countries, especially in sub-Saharan Africa, have been less successful than those in middle-income countries, and bank-supported institutions have

been less viable.¹¹ The bank has been especially successful in creating national training systems in middle-income countries when it has emphasized nonformal modes and linkages with employers. The bank has found that its potential for linkages to the labor market, efficiency in delivery of training, and flexibility of response to the needs of employers is greatest when responsibility for training is separated from the government ministry.

The World Bank's experience demonstrates that training for employment should be driven by the demands of employers and employees. Willingness to pay for the training is the best affirmation of demand. In African countries, private training of employees is not well developed. Nevertheless, there are a surprising number of training businesses whose skills and productivity that A.I.D. and other donors could help to update and increase.

In Zimbabwe, where homegrown industrial skills are well developed, A.I.D. has found that there is sufficient demand for training at established private institutions, and for training and equipping of in-house trainers at corporate facilities to justify fee-paying programs. In these circumstances, A.I.D. assistance can provide a de facto subsidy to the private sector by helping to cover foreign exchange costs of training to local firms in an environment where currency regulations would otherwise have a limiting effect on training options.

Private enterprises need to devise realistic corporate training policies as bases for developing annual personnel training programs. Small firms—particularly, growing ones—may need to develop tailor-made in-house training rather than use externally developed or packaged solutions.¹² Larger firms that need to train

¹¹John Middleton and Terry Demsky, *Vocational Education and Training: A Review of World Bank Investment*, World Bank Discussion Paper 51 (Washington, D.C.: World Bank, 1989).

¹²Frederick W. Greig, *Enterprise Training in Developed and Developing Countries*, PHREE Background Paper Series, 89/21 (Washington, D.C.: Population and Human Resources Department, World Bank, September 1989).



their employees in simple and routine skills can make good use of general external training, but larger firms will find in-house training more effective when the skills involved are highly job or industry specific. In any case, professional trainers are needed, and A.I.D. can help.

A.I.D. missions can consider the following opportunities for supporting vocational and in-service training:

- Developing marketable training programs totally in the private sector (if a training entrepreneur rents space in a public vocational or other school, the program would also be contributing to the financing of the public education budget)
- Insisting on full cost recovery by training institutions
- Discouraging national public vocational training systems based on levies on industry (which generally get lost among general revenues)

seed supply, and natural resource management, but it may require training, access to technology, help in organization and management, and some training.

In Africa, A.I.D. is deeply committed to reforming agricultural policy to promote private sector functions in place of governmental or parastatal functions. For the past decade, the Agency has been promoting such reforms as the following (see Appendix A for specific examples):

- Elimination of government monopolies and expanded roles for the private sector in grain marketing (in domestic trade, imports, exports, storage, and processing)
- Rationalization or elimination of price controls on agricultural inputs and products
- Privatization of import and distribution of inputs, such as fertilizer and seed (continuing work to identify and seek changes in policies that are disincentives to private investment will be necessary)

AGRICULTURE AND NATURAL RESOURCES

Experience

Public sector extension services, input supply agencies, commodity boards, and credit organizations often perform poorly, have too many employees, absorb large government subsidies, and take up available supplies of credit. Some are also plagued by corruption and nepotism.

The same problems may occur in the private sector, but a competitive market usually provides a remedy. The private sector is generally motivated to move into production of chemicals and machinery, extension and research,

Opportunities for Assistance

Research and Extension

African governments have been slow to involve the private sector in national research programs. The vast potential for private participation in agricultural research—either in the research itself or in its transfer—thus remains largely untapped.

In commercial agriculture, large producers (often multinationals) and producer associations undertake their own research on adapting varieties and experimenting with various cultural practices. In outgrower (contract farming) schemes, the primary producer or processing firm extends the results of research to



farmers under contract, often providing inputs as well as advice and monitoring the farmers' compliance with instructions.

When agricultural producers' activities become technically more complex, they need such resources as fertilizers, seeds, insecticides, and storage. By providing information on the use of those resources, the sellers thus play an important role in information exchange, or extension, as part of their marketing strategy. NGOs involved in community or smallholder development, producer and marketing cooperatives, and farmers' associations also provide extension. In more advanced agricultural systems, private consultants provide such services on a fee basis. In some countries, for example, Zimbabwe, commercial farmers have joined together to support an agricultural research trust that disseminates results of research and field trials to the trust's supporting members.

Most farmers pay for advice when purchasing inputs or participating in membership organizations. Advanced commercial farmers are likely to be willing to pay for the goods and the information that comes with them, or even to hire a consultant. Noncommercial small-scale farmers may value information, but they have fewer resources to pay for it. All types of farmers tend to consider the extension personnel of private firms to be more credible and more accessible than government staff.

A.I.D. missions can consider the following opportunities for research and extension support:

- Identifying policies that discourage private sector organizations—such as input supply companies, processing firms, and marketing organizations—from providing information
- Locating the elements of the private sector that require technical research before they can attempt to compete in international markets in sales of tradi-

tional or nontraditional agricultural products, and finding ways to bring the private sector into collaboration with the public sector to conduct the research

- Promoting the use of the Decision Support System for Agrotechnology Transfer (developed by the University of Hawaii under a cooperative agreement with the A.I.D.'s R&D Bureau) by U.S. and developing-country investors to evaluate crop management strategies and prospective sites for expanded cropping
- Stimulating commodity-oriented farmers' associations, perhaps in collaboration with NGOs, to work with subsistence and smallholder farmers to improve production of a crop; stimulating successful producers to help farmers organize profitable association or cooperative ventures
- Collaborating with governments to identify areas of redundancy with private sector extension, so that the public extension services can be concentrated where they are most needed
- Strengthening training programs, emphasizing the following:
 - Encouragement of graduating students to move directly to private sector, rather than to government, employment
 - Development of curricula focused on areas of current interest to farmers and agribusiness
 - General training in diagnostic and farm management skills (to balance the specialized sources of advice that will be available from the private sector)

Outgrower Schemes

In outgrower schemes (also referred to as contract farming or satellite farming), growers un-



SELF-SUSTAINING COOPERATIVES

In Zimbabwe, by approving allocation of local currency generations to cover the in-country costs of a volunteer from Volunteers in Cooperative Assistance (VOCA) and the travel costs of participating farmer-mentors, A.I.D. was able to improve the financial viability of the input supply cooperatives of small farmers. The volunteer helped organize a program through which members of the Farmers Cooperative (an organization of large-scale commercial farmers) offered their

time to help the newer cooperatives organize their financial records, manage inventory, and establish controls to ensure that members were current in their payments.

In several instances, the adviser helped cooperatives establish retail outlets as adjuncts to their supply warehouses. The cooperative members thus had access to consumer goods at retail prices lower than those of commercial outlets, and the cooperatives had profit-making operations.

der contract to private or public corporations benefit from transfer of technology and access to markets at assured prices.¹³ Typically, the contracting corporation, often an affiliate of a multinational or a parastatal, is in food processing and has an assured market connection; to offset its relatively high fixed costs, the firm seeks to ensure a steady flow of produce to the plant by contracting with smallholders. The firm supplies the growers with inputs, machinery, credit, and technical instructions. Producer credit may come from the firm or from an outside source, but many firms prefer to leave the financing to intermediary associations, which can often obtain development bank credit at subsidized rates.

Factors detrimental to farmers in outgrowing schemes have included the manipulation of quality standards to reduce prices paid and progressively deeper indebtedness of smallholders. The distribution of benefits is more likely to be positive for outgrowers if they

can organize as an association, cooperative, contractor, or some other bargaining unit. The outgrowers' association can serve as a credit intermediary for the contracting firm and monitor management and quality controls.

A.I.D. missions can consider the following opportunities for supporting outgrower schemes:

- Helping local firms launch outgrower schemes by offering training in quality control, subsidizing initial costs of equipment and extension agents, or providing working capital for first-year credit and purchases (see the example from Kenya in Appendix A); local firms will also have a critical need for access to research and market information
- Identifying barriers to market entry by local firms and seeking corrective measures

¹³ George M. Flores, *Private Sector Satellite Farming Support Program: A Feasibility Study—Research Report* (Asian Institute of Management, 1986); David J. Glover, "Contract Farming and Smallholder Outgrower Schemes in Less-developed Countries," *World Development* 12, no. 11/12 (1984): 1143–57; Dorte von Bulow and Anne Sorensen, *Gender Dynamics in Contract Farming: Women's Role in Smallholder Tea Production in Kericho District, Kenya*, CDR Project Paper 88.1 (Copenhagen: Center for Development Research, September 1988).



A PARASTATAL EXAMPLE

The Commonwealth Development Corporation has helped finance parastatal schemes concentrating on traditional tropical cash crops in many English-speaking African countries. The technologies for these crops are relatively known and standardized; they generally require some form of processing shortly after harvest, and they are grown for export. The Kenya Tea Development Authority, a parastatal supported by the Com-

monwealth Development Corporation, is a widely studied and reported success. It has received preferential treatment in the assignment of government extension agents and has organized local tea growers' committees and brought growers' representatives onto its board of directors. Elements of this experience with a parastatal should be transferrable to totally private operations.

Livestock Services

The provision of services to livestock producers is dominated by the public sector in most developing countries, whose governments see the public good as being best served by state-sponsored programs of vaccination, vector control, and treatment of diseased livestock.

The private sector is significant in these countries mainly in the production and distribution of veterinary supplies (such as vaccines and semen). However, production of veterinary drugs tends to be dominated by a few multinational firms. Yet private veterinary practice and clinical care are potentially profitable and sustainable, especially if directed to the improved breeds that are more susceptible to disease, if the livestock population is relatively dense, and if the veterinarian can supplement income through the sale of drugs. Outreach to smaller farmers is possible through veterinary auxiliaries supervised by a veterinarian.

In much of Africa, where the government veterinarians who serve the majority of farmers are prohibited from private practice, the minority of large-scale commercial cattle and dairy farmers and vertically integrated poultry raisers are virtually the only users of private

veterinarians. As government services deteriorate, however, and fail to keep up with demand, government veterinarians do in fact render services to farmers who offer transport and payment in kind and in money. The inadequate government system thus suffers even more from their lack of dedication, and perhaps also from their diversion of government supplies.

A.I.D. missions can consider the following opportunities for livestock services support:

- Encouraging governments to do the following:
 - Remove barriers to private veterinary practice
 - Eliminate restrictions on private importation of drugs and supplies
 - Abolish subsidized and controlled prices for veterinary products
 - Ban monopoly dealing in inputs
- Analyzing the demand for veterinary auxiliaries that could take responsibilities now carried by the public sector and, if the use of auxiliaries would be viable, establishing the required authorization for their training and employment



Private Marketing Associations

Historically, in Africa, where commercial crops were grown almost exclusively for export and for the benefit of the colonial rulers, the private sector was excluded from agricultural marketing. Marketing boards created within the government or established by statute were accorded monopolies for the buying and selling of the major commercial agricultural crops. After independence, as governments continued the monopoly rights of the marketing boards, restriction of private sector marketing persisted. Thus, as governments begin structural adjustment programs and take steps to liberalize crop commodity marketing, the private sector must organize to purchase and market the commodities.

A.I.D. missions can consider the following opportunities for supporting private marketing associations:

- Analyzing marketing institutions, diagnosing marketing problems, and persuading governments to remove disincentives to private marketing (the A.I.D. R&D Bureau project Decentralization: Finance and Management is available for such work)
- Providing technical and financial assistance to restructure provincial cooperative associations and farmers' unions so that they can perform new marketing functions and improve the quality of commodities

Seed Supply Systems

Multiplication and marketing of seeds can be a beneficial and successful agricultural industry in private hands, though many governments have considered a national seed program a public responsibility. Even granting government a legitimate public role in plant breed-

ing for research purposes, initial testing and certification, the private sector can play a significant role in multiplication and distribution.

The multiplication industry requires managerial competence, trained technicians, relatively small parcels of land, some working capital, and access to a pool of available temporary labor. Through extension, the industry can encourage farmers to adopt well-planned crop production campaigns that will stimulate demand for seed.

Foreign seed enterprises have been active in developing countries, supplying germ plasm, establishing subsidiary distribution networks, offering franchises and consultants, and sometimes making direct investments, in order to exploit local conditions for their overseas markets. The maize seed companies of Kenya and Zimbabwe are well known for their roles in ensuring supplies of hybrid seed and for their management capacities. They are also active in varietal development and testing.

A.I.D. missions can consider the following opportunities for supporting seed supply systems:

- Persuading governments to privatize seed production and marketing
- Helping local seed companies gain access to technology to expand their operations
- Encouraging U.S. seed firms to expand their efforts to promote private production systems for local seeds

Natural Resource Management

A.I.D. is actively promoting private sector management of natural resources. In Madagascar, the private and public sectors have gotten together to establish a national association for the management of protected areas and adjoining peripheral zones on a sustainable basis. In Niger, A.I.D. is seeking changes in policy to



permit local associations and NGOs to operate under management plans. In Peru, local residents are in charge of an experiment in sustained commercial production of forest products under A.I.D.'s Tropical Forest Management project. In Southern Africa, where a program to devolve authority from central governments to local communities enables the communities to manage and make profits from wildlife, A.I.D. is providing resources to expand and evaluate the differing approaches of four countries. In the South Pacific, a new A.I.D. project will demonstrate working models of profitable commercial and community enterprises to enable the long-term conservation of biologically and economically vital ecosystems.

A.I.D. missions can consider the following opportunities for supporting private natural resource management:

- Identifying opportunities for decentralization of authority to rural administrations

and community control of rural areas (the decentralized authority should include control of the local natural resources and retention of revenues gained from responsible exploitation of those resources)

- Promoting private sector ventures to manage natural resources and the environment, such as environmental services in waste management and reuse of industrial chemicals, environmental assessment consultants, and scientific and technical experts
- Encouraging policy support for environmentally responsible ventures, such as ecotourism, marketing of natural products, composting, and other uses of agricultural and forestry by-products
- Helping enterprises to adopt environmentally responsible approaches by providing environmental information, market analysis, and technical adaptations

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Appendix A

ILLUSTRATIVE EXAMPLES SUGGESTING
OPPORTUNITIES FOR A.I.D.

<i>Sector—Need or Objective</i>	<i>Donor Objective</i>	<i>Intervention</i>	<i>Recipient or Beneficiary</i>	<i>Subsidy Involved</i>	<i>Comment</i>
HEALTH					
GLOBAL— Sustainable health financing	Broader basis for sustainable financing of health services	Dialogue with ministries of health and finance Analysis Assistance for ex- pansion of private sector actions	National health delivery systems Users	Analysis of prob- lems facing pri- vate practitioners Suggestions for reform of regula- tions Facilitation of market entry	Cultural and eco- nomic patterns vary; each approach must be country specific. The service deliv- erer must have in- centives to do a good job. A government role to ensure equity may remain neces- sary.
BOLIVIA— Creation of an NGO for health delivery (PROSALUD): 511-0569	Development of a private entity to extend primary health care for low- and middle- income people on a self-financing basis	Network of com- munity-sponsored health centers (rural health posts, rural health centers, urban health centers)	Staff of clinics, who earn bonuses for expanded de- livery Users, who have gained access to services, and at less cost than from private practition- ers	Personnel costs by ministry for rural clinics General subsidy for mayor's clinics Free use of build- ings constructed or paid for by other entities	PROSALUD has an impressive record of constantly increasing levels of service pro- vision and self-fi- nancing—91% by the sixth year. There has been cross-subsidi- zation of preven- tive care by curative care, rural services by urban services, and newer clinics by older ones. PROSALUD has shown steady expan- sion in urban clinics. It offers consultation in health care man- agement. Prices are below those of the for-profit sector.

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HEALTH (continued)					
PERU— Business analysis of employer-pro- vided child health care—and ZIMBABWE— Analysis of insur- ance costs (Technical Information on Population for the Private Sector): 936-3035	Expansion of child care at com- pany health facili- ties Addition of fam- ily planning to in- surance coverage.	Assessment of child health in the community, and health utilization and costs of a pre- ventive pediatric health program Comparison of costs and profits, with and without coverage of family planning	Company man- agement, which can now make in- formed decision whether to change health care ben- efits Potentially, the family beneficia- ries Subscribers to the insurance scheme	Cost of the analy- sis, nothing more	If preventive care for children is added, it will be entirely by private sector effort, with no subsidy. For the insurance com- pany, analysis showed it would have to subsidize the family-planning ser- vices; it decided to do so.
GLOBAL— Blood transfusion services	Improvement in quality of services and consolidation to a single high- quality national service	Technology, training, analysis of costs, and equipment	A nonprofit pri- vate entity	Startup only (fees and sales must cover capital and recurrent costs)	There are advantages in having a single- agency blood donor program. In 20 coun- tries, the national programs are en- trusted to the Red Cross; only in Zimba- bwe and Brazil are they entrusted to an- other NGO.
THE GAMBIA, THE PHILIP- PINES, SENEGAL, THAILAND— Revolving drug funds (Technolo- gies for Primary Health Care [PRITECH]): 936-5969	Government rev- enue Access for rural population Emulation of pri- vate sector mar- keting	Provision of ap- propriate essential drugs and infor- mation on their use at low cost	Users, who can purchase at more decentralized lo- cations at less cost	Initial capital in the form of drug stocks (Philip- pines excepted), and subsidized replenishment-no operating subsidy Users usually pay flat fee	Capital is treated as seed money and rarely is paid back. If the market is not large enough to sus- tain private sellers, they can be orga- nized on a commu- nity basis. Distributors must be adequately paid.
BENIN— Cost recovery for health services (PRICOR): 936- 936-5920	Cost recovery Service to rural villages	Project manage- ment	Villagers other- wise not served by a health center People outside the project area (at higher fees)	Government pays salaries and elec- tricity for the health center and the original sup- ply of drugs Villages cover re- stocking, remu- neration of community health workers, and maintenance of the center	The system is fi- nanced through drug sales; when revenue are insufficient, prices have been raised. Prices are kept below those of private vendors. Rev- enues permit focus on preventive care and health education.

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HEALTH (continued)					
THE PHILIPPINES— Health care financing: 492-0446	Improve the capacity of the Philippine government and private sector to operate health insurance	Expertise on health care financing policy Private participation in medicare Seed capital for private financing	Insurance beneficiaries Participants in public health programs	Technical expertise Training Seed capital	The private sector will establish a fiscal intermediary for the insurance system. Expanded corporate enrollment will be promoted. Certification of health maintenance organizations will be established.
SUDAN— Evening clinics run by government employees	Expansion of services to low-income urban areas	Policy change to permit earning of extra income, and retention of that income to finance the clinics	Government physicians Users	Government facilities made available to practitioners without contribution to fixed costs Evening revenues may be used to upgrade buildings and equipment	Care is free at the same clinics in daytime, but physicians are not present. Extra income to physicians and other evening staff depends on the attraction of users. Users will pay to be seen by physicians. <i>Issue:</i> Are government resources diverted to private users?
PAKISTAN— Wider distribution and use of oral rehydration salts (PRITECH): 936-5969	Increase in private sector manufacture and distribution	Promotion of common public-private goals, market analysis, stimulus to private firms, and changes in regulation and pricing (all without diminishing competition)	General population (especially in rural areas) Sales and public image of manufacturers	Technical information, sales training, and market research, as well as rebates on taxes on imports for packaging	The competitive environment was positive, involving a number of firms with varying marketing strategies. A spinoff was a soap firm's decision to publicize the importance of personal hygiene. New firms are entering the market.

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FAMILY PLANNING					
GHANA— Expansion of family-planning services by nurse midwives (Enterprise Program, ended 9/91)	Nonsubsidized profitable role for nurse midwives in family planning	American College of Nurse-Midwives: skills training in family planning and primary health care to members of local midwives' association Enterprise program: instruction in business skills and management principles for private practice	Private nurses and midwives going into business 170,000 women patients, many in areas without clinics	Initial provision of contraceptives, followed by provision at wholesale prices	Local association has developed into an internationally respected professional organization. The program motivated midwives to upgrade their skills in other health services. For long-term sustainable functioning, support from the Ghanaian government in the form of subsidized contraceptives would have to be phased out.
KENYA, ZIMBABWE, OTHERS— Expansion of private sector family-planning services: 615-0223/0254, 613-0230	Addition of family planning to benefits provided by for-profit employers	Training and equipment for clinics (no construction)	Workers (convenient access, better health)	Provision of equipment and training to private entities	Depending on the degree of involvement or supervision desired by the government, its capacity to fulfill its responsibility can be an issue.
		Help for ministry training and supervisory functions	For-profit firms or farms (healthier work force, less expenditure on health care)	Contraceptives	
		Contraceptive supply (initial or continuing)	Unemployed and poorest of the population (as public service capacity is freed up)		

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FAMILY PLANNING (continued)					
MEXICO— Expansion of private sector family-planning services (Enterprise Program)	High quality private sector family-planning services: replication of company-based programs, creation of community clinics, and promotion of contraceptive retailers	Financial and technical support to employers and NGOs in family planning Creation of PROTA, a self-sustaining business to procure and distribute intrauterine devices (IUDs) to physicians and clinics	Employees of for-profit enterprises Economically marginal populations (the incomes of more than 90% of clinic users are below the legal minimum salary)	Provision of the initial supply of IUDs Technical assistance Establishment and equipment of new clinics and recruitment of staff (with minimum income guaranteed for 2 years)	Employers are convinced to participate partly because of potential savings from cost-effective family-planning programs, but also in response to social pressures. NGOs are strengthened to provide services to workplace programs, and to market their programs. Government subsidies for contraceptives limit the profitability of private sector family planning, but service can be sustained when it is offered as part of an integrated health care package.
SWAZILAND— Increase in prevalence of modern contraception (Enterprise Program)	Strengthening the capacity of the NGO delivering services and expanding its role	Technical assistance, training, funds, and contraceptives	Capacity and outreach of NGO Private clinics Public clinic information program Users Employer-based clinics	Technical assistance to upgrade services Some recurrent costs Contraceptives from government or A.I.D. (in the event of a short-fall)	Close collaboration between the NGO and the Swazi government (public sector nurses trained at NGO urban clinics and NGO-pioneered school and radio programs and CBD programs) led to a government proposal to include the NGO in the budget. Leadership awareness activity led to parliamentary action.

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FAMILY PLANNING (continued)					
TURKEY— Family planning in social security agency (Service Expansion and Technical Sup- port [SEATS]): 935-3048	Expansion of fam- ily planning ser- vices to the third of the population covered by the na- tional-insurance- scheme health facilities	Staff training, equipment and supplies Additional menu of services for par- ticipating facilities Contraceptives from A.I.D. via the Ministry of Health	Potentially, some 17 million people	Graduated sub- sidy in accordance with client vol- ume and level of services provided	The insurance scheme is public, but supported by indi- vidual and employer contributions. Par- ticipation by indi- vidual facilities is based on incentives, and is not compul- sory.
GLOBAL— Social Marketing for Change (SOMARC): 936-3051	Expansion in use of contraceptives made available through commer- cial outlets	Assistance in commercial market research, management, and communication	Families and women of childbearing age (30–47% are new users), especially those of low in- come (some 65– 95%)	Systematic market analysis, dialogue with government, training, business organization, and design of market- ing campaign	The most successful national programs are at the point where the commercial sec- tor is financing the contraceptives, and retailers can reduce the price to poor con- sumers without jeop- ardizing profits.
GLOBAL— Promoting Finan- cial Investments and Transfers (PROFIT): 936- 3056	Expanded family- planning services through financial leveraging tech- niques	Debt swaps, nego- tiation for blocked currencies, etc., for manufacturing and distribution, employer-pro- vided benefits programs, credit facilities for pri- vate service pro- viders	Family-planning users in countries of large popula- tion where finan- cial leveraging appears possible and the business climate favors pri- vate sector initia- tives	Innovative finan- cial schemes, training, and startup costs	Sustainability, in terms of commercial viability, will be a key factor in the se- lection of subprojects
GLOBAL— Private Sector Family Health Clinics (pending 1992 R&D project)	Access to essential health services for unserved or underserved resi- dents in peri- urban areas	Technical and fi- nancial assistance and policy dia- logue in countries Operations re- search on ap- proaches used Collection of in- formation on pri- vate sector health services	Peri-urban resi- dents in rapidly growing urban centers served by financially sus- tainable primary health care ser- vices	Start-up assis- tance: training, equipment, and marketing	A private sector man- agement group to di- rect the activities of private sector provid- ers. Data on objec- tives and operations of private practition- ers, costs, and im- pacts will be gathered. Productive dialogue on public and private responsi- bilities in health ser- vice delivery will have begun.

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FAMILY PLANNING (continued)

GLOBAL— Family Planning Management and Development	Upgrading of business skills of NGOs offering family planning	Training, organization, and analysis of costs and fee structure	Delivery organizations, users, and families	One-time assistance, with follow-up	Continuing and expanding the role of NGOs may depend upon good business management.
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EDUCATION

INDONESIA— Diversification of sources of teacher training and instructional materials (Privatization of Educational Support Services [PRESS]): 497-0370 (FY 1992)	Expanded in-service training supported by salary incentive More reading material in the hands of people	Institution of incentives to seek training in the private sector Assistance to local entrepreneurs: licensing, training, financing (building on a successful pilot in one province); pricing of books at 3 levels; dialogue to persuade the Indonesian government to eliminate its monopoly in production and distribution	Participating teachers and schoolchildren Schoolchildren receiving better instructional materials Libraries better served by commercial sector Firms expanding their markets	Feasibility study and dialogue Technical assistance and materials to producing firm	PRESS is an R&D Bureau project under development.
BRAZIL— Job Training: International Bank for Reconstruction and Development Vocational Training Project	Training in industry commerce and farm sectors	Building and upgrading of training centers and mobile training units	Private sector employers requiring skills Jobholders, rural residents, and farmers	Construction and equipment Payroll tax deduction forgiven if training is offered at the factory Instructor training	Performance of the decentralized private national service for industry (SENAI) was very good (some training at factory) and the more centralized service for commerce was good, but the government-run service for rural training was poor.

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EDUCATION (continued)					
ZIMBABWE— Foreign ex- change for pri- vate training institutions (ZIMMAN II): 613-0229	Expansion of pri- vate post- secondary training	Teaching equip- ment, curriculum development, and overseas scholar- ships	Private training institutions Training programs of private employ- ers Participants	Provision of for- eign exchange (which is not oth- erwise available) upon payment of local currency	Demand is evi- denced by willing- ness of the private entity to pay all costs, though in local currency.
HAITI— Upgrade private education (69% of all students, 80% of primary students): Incentives to Im- prove Primary Education: 521- 0190 Improving the Efficiency of Educational Sys- tems: 936-5823	Improved basic education	Grants to member schools through their association	Individual schools, but only under perfor- mance contract Primary students	Continuing grant support	The new association includes both Catho- lic and Protestant schools. A menu ap- proach is used; each school selects pur- pose of its subgrant. (A similar program in the Dominican Re- public goes through an umbrella NGO with experience in education credit and distance education.)
INDONESIA— Improve primary teacher training	New role for pri- vate universities in in-service train- ing for teachers	Help prepare a curriculum in dis- tance education to be offered by the open university (schools of educa- tion were not in- terested)	Subsidy to the open university of Indonesia Teachers are given the opportu- nity to attend, but must pay fees	Development and administration of the curriculum	The opportunity cost for a teacher is high, and it must eventu- ally be covered by better pay. The ulti- mate benefit is to primary students.
AGRICULTURE AND NATURAL RESOURCES					
VARIOUS COUNTRIES— Privatization of input supply, marketing, stor- age, etc.	Diminished gov- ernment involve- ment in and restrictions on ac- tivities that are more efficient in the market-driven private sector	Policy dialogue Nonproject fund- ing for the sector Analytical studies Technical exper- tise	Budgetary relief for government Improved avail- ability and market prices for consum- ers	Financial transfer to government Possibly, organiza- tional develop- ment and initial financing for en- trepreneurs	Thoughtful reports on experience with agriculture sector as- sistance in Africa are available. One im- portant lesson con- cerns the length of time and continuity of attention required for success.



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AGRICULTURE AND NATURAL RESOURCES (continued)					
VARIOUS— Contract farming schemes.	For the purchas- ing firm, a reliable source of quality product For the donor, benefit to smallholders through technol- ogy transfer and income	From the firm, or- ganization and su- pervision, inputs, purchase contract From the donor, credit to growers (if not provided by the firm)	For the firm (of- ten a multina- tional) profit For the growers, income, guaran- teed market for product	Credit from spe- cial window, possi- bly at a preferential rate	Most common crops involved are tradi- tional tropical export commodities. Trans- fer of technology is not assured (growers may do not more than follow instruc- tions). The donor role has been more common when the firm is public or quasi-public.
GLOBAL— Analytical ser- vices: International Benchmark Sites Network for Agrotechnology Transfer: 936- 4054 International Fertilizer Devel- opment Center (IFDC): 936- 0054 Agricultural Policy Analysis: 936-4084	Computerized Decision Support System for Agrotechnology Transfer for crop models and expert systems to evalu- ate options IFDC for input and market analy- sis and training Policy Analysis Matrix for inves- tors and agribusiness	Development and expansion of the models Training in the use of tools for predicting out- comes of alterna- tive strategies and investments in agriculture	Private or public decision makers, farmers, and agribusiness	Development of models, validation under local condi- tions, training and backstopping	Especially appropri- ate for public deci- sion makers and extension systems, input manufacturers, and larger commer- cial producers in the United States and overseas.
KENYA— Initial capital for a new contract farming scheme	Private sector competition to parastatal process- ing and marketing of vegetable oils	Local-currency support to an en- trepreneur offer- ing contracts to grow sunflower seed	Farm families un- der contract to the enterprise, who gain unprec- edented cash in- come	Equipment for quality control and grading of the product and for record keeping and differential payments, de- pending upon quality	Quality of extension is superior to public efforts. Success is demonstrated in rais- ing incomes and ob- taining high-quality produce. However, entrepreneur's profit would be impossible if the Kenyan gov- ernment prohibited sale of the processed product.

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AGRICULTURE AND NATURAL RESOURCES (continued)					
MOROCCO— Private Agriculture Ex- tension: 608-0210	Dissemination and adoption of technology	Demonstration of profitability of new technologies and packaging Public-private on- farm demonstra- tions	Small and me- dium-sized farms in rain-fed dem- onstration area Service-oriented agribusiness firms	Technical assis- tance, training, credit through contracts with pri- vate sector dem- onstrators	Technologies are available for exten- sion to rain-fed agriculture. Changes in policy on pricing of inputs will be nec- essary to provide ad- equiate incentives for agribusiness partici- pation.
SRI LANKA— Privatization—Irri- gation: 383-0113 (FY 1992)	Control of for- merly public irri- gation subsystems by farmers' asso- ciations	Assistance in for- mation of water User Associations Financial transfers to the Sri Lankan government as the roles and struc- tures of agencies change	Farmers who use irrigation systems and other water users	Disbursement to the Sri Lankan government fol- lowing policy change Some direct sup- port to users' asso- ciations	Success will depend on legalization of us- ers' associations and devolution of sys- tems to them.
ZIMBABWE— Commodity-fo- cused training center	Expansion of smallholder cotton production	Local currency to top up support from a commercial growers' associa- tion and the parastatal market- ing board to fi- nance targeted farmers' atten- dance at a training site	Farmers gaining income from high- quality cotton	Local-currency al- location to enable poor smallholders to obtain training	The program en- abled expansion of acreage devoted to the cash crop and en- sured high-quality product and an in- crease in smallholders' share of national produc- tion. Large farmers' association motivated by political and pro- duction objectives.
SOUTHERN AFRICA REGIONAL— Natural Resource Management: 690-0251	Improved income and reduction in poaching through devolution of con- trol of and income from local re- sources to local communities	Technical leader- ship, equipment, and help in com- munity organiza- tion and objectives	Local residents who improve in- comes and can af- ford community projects The national wild- life estate	Expertise and equipment Organization of community inter- est and commit- ment Information gath- ering and dissemi- nation	Understanding and commitment at the local level and reso- lution of conflicts in objectives is essen- tial. Revenues must remain at the local level.

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