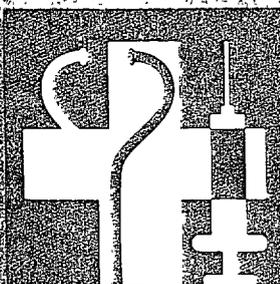
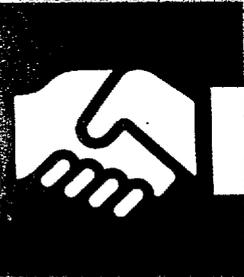


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INITIATIVES

PRIVATE INITIATIVES FOR PRIMARY HEALTHCARE

Initiatives Private Sector Toolkit: A step by step guide for working with the private health sector



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***Initiatives* Private Sector Toolkit:**

A step by step guide for working with the private health sector

The private health sector offers significant opportunities to expand access of low income populations to quality health and reproductive services. However, as you will have discovered in Volume I of the *Initiatives* Final Report, the private sector is not a “magic bullet” for meeting health and development goals, and in any case requires considerable care, resources, and effort. This part of the final report is designed to assist USAID officers to develop and implement successful private sector health and family planning projects. This Toolkit will lead you through the most important basic steps that have been found through the *Initiatives* experience to be critical in forming and implementing a private sector program. Where appropriate and necessary, references are given to other documents. In effect, this is an “expert system” that places on your desk, in a compact form, much of the knowledge and experience acquired through the 5-year *Initiatives* demonstration project.

This Toolkit is designed to assist USAID missions at a practical level — to launch an activity that has a reasonable likelihood of having a positive impact on health care coverage.

The TOOLKIT approach

This Toolkit will lead you through several basic steps, requiring equal parts of conceptual thinking, legwork, organization, and research. Each step is organized by the various stages of work in a typical USAID mission’s program design and implementation.

Appraisal Leading to a Results Package

- Step 1: Understand and Briefly Document the Reasons for Considering Assistance to the Private Health Sector***
- Step 2: Examine the Health Care Market to Determine where the Critical Gaps in Coverage are for the Target Population***
- Step 3: Make an Inventory of the Resources at Your Disposal***

Develop Results Package

- Step 4: Design Assistance Program***

Implementation of Results Package

Step 5: Selecting a Private Sector Partner

Step 6: Working With The Private Sector Partner

Tracking Progress

Step 7: Project Monitoring and Evaluation

Following the main body of the Toolkit, an annex will provide a description of the various tools which have been developed under *Initiatives*. The annex will also provide information on how to access copies of the tools.

Appraisal Leading to Results Package

Step 1: Understand and Briefly Document the Reasons for Considering Assistance to the Private Health Sector

There may be several reasons why you have an interest in developing a private sector project portfolio, and it can be useful to clarify these and document them early on. It can be helpful to review these at later intervals to make sure the project has not deviated from the original purpose, and if it has, to be aware of other constructive roles it may be playing. Among possible reasons for getting involved with the private sector are:

- it may be a mission-mandated type of activity, or a part of an already-existing health sector strategy. If the PHN strategy emphasizes sustained development but there is little hope for increased government health budgets, then there is good reason to look toward the private sector.
- it may be encouraged by a recent statement of the host country's official public policy or by evidence of unofficial policy.
- the appropriate "public-private mix" is part of the global health reform agenda being discussed by many countries and donors (See Box and Ref. 1). Another slant on the issue (Ref. 2) suggests that since it is the better-off classes that use private services, privatization can reduce government spending on health care for the rich and middle classes, permitting redirection of public money toward programs that would benefit the poor. This outlook is thus fully consistent with, and supportive of, improving private services for the poor.
- the private sector may already be providing services to low income populations and there is an obvious need and opportunity to strengthen and replicate these efforts (See Box on the following page and Refs. 3, 4, 5 and 6).
- Many believe that the private sector has some inherent advantages over the public sector. These include an entrepreneurial orientation that can seek out new opportunities, more efficient management and higher productivity, orientation toward client satisfaction including flexibility of hours and types of service offered, flexibil-

In the current literature, two visions of appropriate roles of the private sector are described. One would leave to it the provision of "private goods" such as curative care for non-communicable diseases, which are demanded by the population but are less cost-effective than the rest of an "essential package" of services that would be provided by the public sector. The other vision would have the public sector provide protection from catastrophic health care costs, through provision of hospital services or universal health insurance. The private sector would dominate in primary care. (ref. 1)

- ity of payment methods, and being subject to competitive market forces that can result in improved quality and technical innovation. However, experience shows that these benefits will not necessarily evolve in every case (see Box).

Your expectations should be realistic of what the private sector, especially for-profit organizations, can accomplish toward meeting health goals. They are characterized by a profit motive which can work against including the poor as clients, a focus on individual, curative treatment rather than overall public health goals, an orientation toward responding to the demands of clients as opposed to real needs, and are also subject to cost escalation when new technologies become a mode of competition.

And sustainability (the watchword of development in the 1990's) cannot be taken as a given when working with the private sector, especially when you are encouraging them to expand their services to vulnerable populations. However, there are great differences along these lines between the members of the private healthcare community: private hospitals, mission hospitals, small rural NGOs, health insurance companies — all have different goals, visions, and strategies. Perhaps your most important but difficult job is to select the right partner.

A recent study of the private health sector in Tanzania found that the percentage of low income clients (62.6%) served by the private for-profit sector was greater than the percentage of low income clients served by the public sector (58.4%) and the not-for-profit private sector (26.3%) (ref. 3)

An initiatives study in Ecuador found that the productivity of most private sector providers (measured in patient contacts per year) was far less than that found in the public sector.

When weighing whether you want to develop a private sector program, you also need to consider the population you wish to reach. Private sector providers (including NGOs) must cover the costs of providing their services. Thus, their clients must be people able to pay for services. They can be

low income but not the medically indigent. In any private sector program the host government must still perform the safety net function — providing services to the poorest of their population.

Understanding your reasons and goals for working with the private sector will help you determine the resources you are willing to commit, who you want to target, and what organizations may be the best mechanism for achieving your goals. These are the subjects of the next sections.

Step 2: Examine the Health Care Market to Determine where the Critical Gaps in Coverage are for the Target Population

The most basic and critical information you will need to start work with the private sector is an analysis of the health care market in your host country. This will help guide your choices about the kind of partnership with the private sector that might be needed. In economics language, this entails obtaining information about:

- the demand side, describing the health needs (both perceived and epidemiologically) of the population. This may exist in the mission's files or in Washington, possibly in the form of a health sector assessment. It might include tabular information on morbidity and mortality by geographical area, gender, and age group. Data might also be available on including current expenditures on health care and prospective willingness to pay. This data could be broken down by income group and other differentials such as urban/rural, literacy, age and gender. However, it will usually not help identify and characterize target markets, so supplementary market research will be needed to learn who and how many people would use services of a specific type if offered and what they might pay for these services.
- DEMAND:** Understanding a health care organization's market, in terms of the health-seeking behavior of potential clients and an analysis of the competition, requires special attention from the earliest stages of business planning. *Initiatives Project Policy Finding*
- the supply side, that is, all providers in the country or specific geographic area of interest. This is less likely to exist already, since it must include private providers and NGOs, whereas usually the focus of USAID's interest has traditionally been the Ministry of Health's own system. The activities of other donors should also be considered, since it is possible that another project may be planned for the same geographical area in which you are interested.
- SUPPLY:** A study of providers alone can yield valuable information about the health sector. A survey of private health facilities in Ecuador revealed that most providers were very underutilized. This suggested that a more rational policy than increasing the output of physicians would be to investigate how to improve the productivity of existing ones.

What needs to be covered in these analyses is fairly straightforward, because the basic idea of working with the private sector is to improve the access of vulnerable populations to high quality care in a sustainable manner. The main goal, therefore, is to learn which geographical areas and population segments are underserved by both public and private providers, what the real health needs and demands are of this population, and to identify existing providers that are underutilized or would for other reasons be interested in increasing their level of service to the currently underserved populations.

A key practical issue is that of scale: if these studies have not yet been done, what remains to be done, how elaborate do the new studies need to be, and who will carry them out? There is no formula for these decisions; much depends on the overall budget for private sector activities. The most important thing is to clearly define what is needed from the study.

An example of a very detailed study that used a large sample can be found in Reference 7. A few well-conducted focus group discussions or loosely structured household interviews may be much more useful than a large but badly-conceived sample survey. You should discuss this with the consulting group, and challenge them to produce a useful but succinct report!

At minimum, the market study should indicate, as quantitatively as possible, the size of the market served by each provider (registered patients, total visits per year), approximate geographic catchment area, the services offered, prices charged, and the demographic characteristics of the client population. It is important to supplement this with information obtained directly from the community, from focus groups involving community leaders, for example. *Initiatives* found that this basic market research, supplemented with secondary data, could provide most of the necessary supply and demand information at a reasonable cost. Adaptable market research instruments for exit interviews, patient satisfaction, focus groups, and private facility surveys are available from JSU/*Initiatives*.

It is also important to keep the relationship between the public and private facilities in mind as a factor that will affect your decision on a project. If coverage of a poor urban area can be increased by strengthening a public sector facility, this may be preferable to working with a private sector partner. The Ministry of Health (or other public authority) should be involved in these decisions.

Step 3: Make an Inventory of the Resources at Your Disposal

Working with private sector partners can have worthwhile outcomes, but may be very TA-intensive. Many non-profit organizations are unaccustomed to planning for sustainability and systematic growth, and commercial firms are not usually oriented toward serving a clientele that has difficulty paying the market price for services. Since working relationships are different than with the governmental health sector, projects may take more time because of the relatively small degree of influence USAID has over the private sector partner. On the other hand, a private sector partner may give high priority to the project and bring in private resources that produce results in a very short time. As USAID mission resources for private sector activities are typically limited, coordination with other donors becomes essential—both for support of a given project as well as appropriate segmentation of the health care market as a whole.

In an area of Guayaquil, Ecuador, where *Initiatives* was supporting the development of a private health clinic, a World Bank project was establishing public sector clinics, which targeted the same clientele and did not charge for the services provided.

One function of this Toolkit is to provide USAID officers with a realistic indication of the kinds and levels of inputs (resources) that are required to make private sector projects work. The major kinds of inputs usually needed are:

- research capability for carrying out marketing, strategy, and financial analyses in preparation for the actual direct assistance,

- direct technical assistance to strengthen the management of the partner organization,
- technical assistance on actual health care delivery issues, and
- financing for the improvements required to bring the organizations to the desired level of functioning and sustainability.

Generally, technical assistance organizations that can perform these main assistance functions tend to be discrete and specialized, but the functions may well overlap in significant ways. Therefore, the selection process may be influenced by the multiple capabilities of some candidates.

In the early years of the *Initiatives* project, the selection of indigenous technical assistance partners ("Local Management Groups") was a rigorous and fairly lengthy process that was considered as critical, and therefore as worthy of time and energy, as the selection of the *Initiatives* partners themselves. The degree of selectivity and rigor in choosing these local TA resources is a matter of discretion and depends on the particular local situation. The following could be considered the minimum steps to take in selecting resources.

- a public invitation to submit qualifications in specified fields should be issued.
- an ad-hoc committee should review the qualifications and prepare a shortlist.
- shortlisted firms should be notified of their selection, and asked to submit detailed proposals when the final assistance tasks are defined.
- the proposals are then reviewed by the committee (which now includes the private sector partner), and interviews held with the most promising firms.

Note that these may include management firms, research groups, and individual consultants that work primarily outside of the health sector. *Initiatives* used local resources that specialized in such diverse sectors as micro-credit/enterprise, small industry, franchising and agri-business.

It is prudent and practical to assess the range of resources available to carry out projects before entering discussions with potential private sector partners. If there is a known budget for a private sector project portfolio, it is useful to calculate the maximum number of consulting days that could be procured in total or per anticipated project, and produce a "what-if?" table showing tradeoffs between consulting days and other expense categories.

Options for technical assistance.

- Local firms may have capabilities in the commonly practiced areas of business consulting such as marketing, strategic planning, and accounting, but are less likely to have applied these in the health sector. *Initiatives* made extensive use of short training workshops using external consultants and project staff to advance the skills of both their private sector partners and consultants in these skills as applied to health. This approach could be replicated at less cost by using local rather than external assistance. For example, rather than bringing in outside expertise, a meeting might be designed to allow local health care providers to explain their technical assistance needs to the local management consultants. Several tools developed by the *Initiatives* project would be useful in such a setting (See References 8, 9, 10, and 11).
- Management consulting capacity of an appropriate nature may exist at local universities or management training institutes. Again, there may not be a lot of experience in the health sector, but considerable expertise may exist that could participate in workshops in which cross-fertilization of knowledge can occur.
- Several relevant technical assistance activities are still being run under USAID contracts which might be available through mission requests. These include BASICS, Partnerships for Health Reform, Quality Assurance Project, SEATS, and SOMARC. In addition, a number of bi-lateral projects have focused on the private sector, and are an additional resource which you can tap. For example, the JSI-assisted NGO strengthening projects in the Philippines and Bangladesh are generating additional tools and lessons learned.

Options for financial assistance.

Most of the private sector organizations which participated in *Initiatives* had little or no reserves to expand or improve their services. *Initiatives* spent a considerable amount of time identifying and trying to access credit for its local partners. Several options include:

- Local banks and other lending institutions should be surveyed briefly to determine their policy and interest in making loans to the private health community, and the terms of the available loans.
- There are a number of social investment funds which provide concessional rates to borrowers whose ventures may contribute to the social good. Some

In Ghana, *Initiatives* identified several sources of capital outside the traditional banking community. These included: the Social Security and National Insurance Trust (SSNIT) which is required to invest a certain percentage of its capital at concessional rates into social ventures; the Ghana Venture Capital Fund, which provides capital to commercially-oriented organizations; and the Valco Trust which provides grants for local community development activities.

funds exist specifically for funding health, such as the one administered by PATH in Seattle, Washington.

- The potential for private grants from local and international philanthropic organizations should be briefly investigated. Discussions with other donors should be initiated to determine the possibilities from other countries and from international funds.

Just as money is usually a large obstacle in every other field of endeavor, so it proved to be under *Initiatives*. Outright grants can lead to dependency, and do not promote initiative on the part of the grantee since there is little or no risk involved. However, some groups are too small to receive loans from commercial or “social” lenders (many of whom have minimum lending requirements), and/or they serve such low income communities that they would have an extremely difficult time paying back loans, with or without interest. If you are considering providing grant funds or contracting directly with your private sector partners, you may want to explore a performance based system which ties payment to achieving mutually agreed upon targets. This means that your private sector partner shares the risk for reaching its targets. Using a performance based system requires thoughtful development of achievable targets and careful monitoring.

Develop Results Package

Step 4: Design Assistance Program

Once you have clarified and explored your reasons for wanting to work with the private sector and have assessed both the health care market and the local resources available to support your program, you are ready to apply this information to design your results package. As neither the private sector nor the health care market is homogeneous, your design may differ significantly from private sector health programs in other countries and may even differ among the various geographic areas within your country. Below are some illustrative examples of assessment and inventory findings and possible approaches to reflect them in your design.

- Your assessment found that the ratio of physicians to patients is much higher than WHO recommendations. Additionally, when you compared the productivity of private sector physicians to those in the public sector you found that the private sector served significantly less patients per full time physician than the public sector. In fact, the public sector was eight times more productive than the private sector. The government is exploring health sector reform and would like the private sector to become a significant provider of health services.
- Your design may focus on increasing the productivity of the private sector. You would want to attract public sector clients to the private sector perhaps by reorganizing private sector services to better meet demand (wider range of services, easily accessible, affordable) and improving the quality of those services. You would want to discourage growth in the number of private providers while improving the efficiency of existing providers or having more efficient new providers replace inefficient existing providers.

- You have identified the rural population as your project's beneficiaries and have found that most are currently receiving services from mission facilities or NGO/PVOs. The public sector has few operational facilities in rural areas and those few which are operational do not see many clients. Clients say they prefer the services of the private sector as they are friendly, speak their language and understand their culture, and they have a good supply of drugs. However, you know that many of the PVO supported facilities will be losing funding from their parent organizations and that many of mission facilities have already lost support from their missionary organizations and are struggling to provide services. The government would like to transfer provision of health services to the private sector.
- Your design may want to test and implement various options for the ministry of health to contract with existing mission and NGO facilities to provide services to the underserved, i.e. NGO manages the existing MOH facilities or set sum is paid to the mission facility to provide services to a specified population. You may also want to work with the private providers to improve their efficiency and explore options of bulk procurement of pharmaceuticals either through a mission/NGO network or by accessing pharmaceuticals and family planning commodities through the ministry of health.

- Your assessment found that the private sector is currently serving both low and upper income clients and that most people prefer private sector services. You are interested in assisting these providers to expand their services to the underserved. However, you also found that available commercial credit is expensive and most banks said they would not lend to a private provider. Other sources of capital are also limited. You found a core group of local consultants that have significant experience in implementing grassroots credit programs and in small business development.
- Your design may want to include funds either to lend to the private sector at concessionary rates or to provide as seed grants. If you decided to develop a loan fund, your design may support the development of a local institution to manage the funds, i.e. an existing community bank. This would ensure that at the end of your program the resources would continue to be available locally. With either grants or loans, you would include a strong technical assistance component to develop sound business plans for expansion (including developing market assessment skills) as well as operational support to improve efficiency and financial viability. Local consultants would take a lead role in providing this assistance.

- Your assessment found that private sector family planning clinics actually see more clients than private providers which do not provide family planning services. The private sector has resisted past efforts to include them in the national family planning program, as they perceive family planning services as a money loser. The government remains committed to including the private sector in its family planning program. As the program emphasizes long-term methods, the participation of the private providers is critical.
- Your design may want to include a component for identifying and disseminating the benefits of providing family planning services for private providers. These may include increasing patient load (family planning clinics see more patients); many of these family planning clients would seek other (more lucrative) services from the provider. The cost of providing family planning consultation in addition to other consultations is minimal. Contraceptives can be provided at slightly above cost. The design should also include mechanisms to provide training and support so the provision of family planning services is easy for the private sector to undertake. They should know how to provide the service and should have a reliable supply of contraceptives.

- The public health system is at near collapse; most facilities have either closed or cannot afford even basic supplies or equipment for the providers working in them. As such, your assessment found that most low income urban residents go to the private sector to receive their care. However, most find the services provided by physicians and midwives to be too expensive. They often go to chemists or traditional healers first, waiting until they are seriously ill before seeking care from a trained provider.
- Your design may include two specific approaches. The first would be to work with the providers to improve their efficiency so they can lower the cost of their services. This could be achieved through linking them in loose networks so they may share key resources such as bulk procurement of pharmaceuticals or sharing diagnostic equipment. You could also strengthen their management skills and systems, including developing their marketing capabilities. The second approach would be to develop some alternative financing mechanisms, i.e. payment systems, pre-paid, health savings, loans for health. This would allow low income groups to access needed services or the funds to pay for the services.

Implementation of Results Package

Step 5: Selecting a Private Sector Partner

Your results package design should have identified where the most serious needs are in the health system, and indicated how the private sector can fill the gaps. One of the earliest steps, therefore, in your implementation stage is selecting your specific private sector partners.

Who Are Your Potential Private Sector Partners?

As discussed in earlier sections, the private health sector is not homogeneous. Therefore, selection of private sector partners includes segregating the private health sector — i.e. commercial or non-profit, large networks or individual facilities — and then identifying which organizations within those segments will best address the needs identified in your market analysis. The potential partners may have to be searched out or might be actively seeking external assistance. Potential private sector partners include:

You should have realistic expectations about finding a private organization, especially for-profit, that is willing to make a commitment to providing basic health services for the urban poor. Unless the poor are only a relatively small part of the clientele (in which case there can be cross-subsidization by wealthier clients), the organization will run at very low profit margins and will probably only be able to pay its employees at a low wage rate.

A further cautionary note: in most *Initiatives* projects, the size of the potential market share was almost always *overestimated*, throwing off financial projections adversely.

identified in your market analysis. The potential partners may have to be searched out or might be actively seeking external assistance. Potential private sector partners include:

Existing private commercial provider groups: These would typically be general practices or small inpatient facilities (including maternity and nursing homes) in urban or periurban areas. These may also have a contractual function that allows them to function as:

Employer-based facilities: These would typically be small clinics attached to industrial or agricultural facilities. Sometimes these have been established because of geographical remoteness from existing facilities.

Pharmacy wholesalers/retailers and diagnostic centers (laboratories, radiology): These are often plentiful in developing countries and are often the low income population's first point of care. They could either operate independently or be part of a larger health services network.

Existing NGOs: These may already be providing health care to the poor and may be seeking assistance to increase coverage or add new types of services.

Potential new provider groups and alliances set up as either for-profit or non-profits: These may be under discussion, perhaps with an existing NGO, medical professional council or syndicate, university, etc.

Existing insurance companies: Since health insurance is not very prevalent in most developing countries, these have typically been recently established (usually as a subsidiary of a general insurance company) and require assistance of some type. An alternative type of insurance would be a group practice set up as an HMO to serve a particular client group. These managed care programs are a new growth area and tend to have a more complex set of dynamics and partner arrangements than traditional insurance. Additionally, many countries have large parastatals that manage national social insurance/social security programs and are important providers of health services.

There is no formula for preferring any one of these types of private sector partners over another in the choice of partners for assistance. Each brings its own strengths and weaknesses. Table 1 highlights some of the potential strengths and limitations of the different private sector segments. Please note that these are broad generalizations which may vary given the specifics of the private sector in your host country.

Projects involving new provider groups can present serious problems: Often the proposers do not want to include existing providers, but prefer to start their own new clinics in order to limit competition. Even when existing providers are included, the management and financial requirements of establishing and maintaining such networks can be prohibitive. Most proposals for these groups under *Initiatives* either collapsed or ended up with just one facility.

The "supply side" of your preliminary market analysis should have indicated if any private provider groups were active in the geographic areas of interest, and perhaps which other groups were interested in entering that particular market. This will require further elaboration and should be done in as thorough a manner as possible.

Most of the useful additional information will come through networking.

Table 1: Pros and Cons of Potential Private Sector Partners

Pros of Commercial Provider Groups	Cons of Commercial Provider Groups
<p>Typically self-sustaining at current level of service provision</p> <p>Often do serve a percentage low income populations</p> <p>Often more efficient than public sector</p> <p>Offer a range of curative and preventive services</p>	<p>Typically small clinics, individually have minor impact</p> <p>Typically known to serve middle to upper income clients</p> <p>Lack the basic management and financial structure necessary for expansion</p> <p>Profit motivation may encourage them to provide services demanded rather than needed</p>
Pros of Existing NGOs	Cons of Existing NGOs
<p>Typically have social missions which are compatible with USAID's program</p> <p>Often target underserved populations</p> <p>Typically provide preventive services</p> <p>May be the only source of services in a given area</p>	<p>Often are grant dependent</p> <p>Often are inefficient, with high donor-supported indirect costs</p> <p>May lack the capacity to carry out large programs. Have poor leadership and management skills.</p> <p>Typically not entrepreneurial.</p>
Pros of Health Insurance Organizations	Cons of Health Insurance Organizations
<p>Provides an alternative financing mechanism for accessing health services</p> <p>Can serve as review body for private health services delivered under its plan; can enforce standards of care</p> <p>Often lowers the cost of managing employee health benefits for employers; in turn employers often increase employee benefits</p>	<p>Does not currently exist in many developing countries</p> <p>Often excludes services that would improve the public health (i.e. maternity services)</p> <p>Often is targeted to middle to upper income populations and covers employees which had already received health benefits from their employers</p>

Using the combination of the market analysis and the additional information on potential partners, you can draw up a matrix of needs and interventions, and tentatively attach the names of possible partners to each. At this point, it can be useful to hold a meeting in each urban area, convening the possible participants, and also prominently including the Ministry of Health. USAID's role and the extent of the resources that can be brought into play to assist the private sector should be discussed openly. Participants that show interest should be asked to submit business plans or proposals for projects.

Project Proposals

Initiatives required its potential partners to prepare a business plan rather than a grant proposal. This approach emphasized a more thorough market analysis and sound financial projections than traditional approaches, but required assistance from *Initiatives* to complete. You may decide to gather all potential partners in a workshop on business plan/proposal preparation, as was done in some of *Initiatives*' country programs, or to expedite matters to accept all plans/proposals as they are submitted and then discuss the more attractive ones in detail with the proposer. It may be entirely acceptable to review proposals informally in this way. They should still be evaluated according to specified criteria, that might include:

- **the market segment that will be addressed:** will the improvements proposed affect the client group you are interested in? Do the plans include some approach that will favor access by this group, such as positive price discrimination (subsidization) in favor of the poor or flexible payment arrangements (see Box, Reference 12), or home promotional visits to reach females?
- **the degree of expected improvement:** this will depend mostly on the present coverage of the provider and the degree of expansion envisioned.
- **the resources that would be required:** this will be highly variable, ranging from rather short technical assistance inputs to entire facility construction. An initial "cut" can be made by comparing these to the resources available.
- **current and future viability:** is the organization currently generating sufficient income to cover its costs and will it be able to continue to do so in the future?

In researching the acceptability of a prepaid healthcare plan for low-income workers in Nigeria, two financing options were considered: a savings plan in which a monthly fee collected from each member would be deposited in a bank account, and a loan scheme where low interest loans could be acquired for catastrophic care.

In a general health care market survey in Ghana, it was learned that 60% of providers use a sliding fee scale and still manage to remain profitable.

In addition, the proposer/organization must be evaluated along with the business plan/proposal. Since sustainability is always a major goal, you should be looking for evidence that the organization tends to be run in such a way, such as already-existing entrepreneurial and leadership qualities, regardless of whether it is a commercial or a not-for-profit institution. These are not always readily defined, but a visit to the premises and discussions with the management can be revealing. Some things to look for:

- Have management systems (accounting, service reporting, personnel records, etc.) been established, and if so, are they being used regularly?
- Are recent financial statements available, and do they show a profitable trend?

- Are written policies in use?
- Is there a business plan or strategic plan, and has it been recently updated?
- Are all key management positions filled? Is there a low personnel turnover in general?
- Is the clientele satisfied with the services offered, prices charged, and the way they are treated? Are the hours convenient? What quality improvements would the clients like to see? Which ones would they be willing to pay for? Is transportation to the facility available? (See Box and Reference for an example of an interpretation of data).

In a study in Central Ibadan, Nigeria, residents were fairly satisfied with existing providers, so increased utilization of new and improved services could not be assumed.

As technical assistance in all these areas is possible, a very high standard of management performance should not be the main criteria of selection. Still, it is possible (and probably desirable) to weed out organizations that have so many intractable problems that the chances of success are slight. Entrepreneurial leadership, on the other hand, is more difficult to cultivate and should be one of the key selection criteria. Research in the field of business development has shown that there is a core set of characteristics/behaviors demonstrated by entrepreneurs. These are provide in Table 2 on the following page.

The final selection of partner(s) should be based on the weighting of factors that you have decided is most relevant to the objectives you have stated earlier. If the PHN priority is to strengthen basic health services in specific urban areas, for example, then projects can be selected on the basis of their geographic focus. If it is imperative to increase coverage of the underserved quickly, then a large project would have preference over a small one. Replicability is a factor that should not be overlooked: a simple

In judging the proposals submitted by local groups, selection of the local partners for *Initiatives* work in Ecuador was based mainly on a criterion defined as "Probability of success". These included the following (weighted) factors: institutional strength (10%), commitment to the program (10%), group leadership (20%), degree of sustainability (25%), and impact on access and health (35%). Other criteria originally considered such as "Congruence with *Initiatives* objectives", Agreement with USAID Mission's agenda", "Technical and other required assistance", and "Diversity of Programs", were not used because they were either pre-conditions, unable to be measured, or otherwise not applicable to the value of the proposal.

service delivery situation that is similar to many others would be a worthwhile environment for a project because it could then be reproduced elsewhere. Not to belabor the point, if the priority is to increase the availability of a specific service, such as STD detection and treatment, then projects including this as a component would have priority.

TABLE 2: Personal Entrepreneurial Competencies (PECS) and Behavioral Indicators

<p>Opportunity Seeking and Initiative</p> <p>Does things before being asked or forced to by events Acts to extend the business into new areas, products or services Seizes unusual opportunities to start a new business, obtain financing, equipment, land, work space or assistance</p>
<p>Risk Taking</p> <p>Deliberately calculates risks and evaluates alternatives Takes action to reduce risks or control outcomes Places self in situations involving a challenge or moderate risk</p>
<p>Demand for Efficiency and Quality</p> <p>Finds ways to do things better, faster, or cheaper Acts to do things that meet or exceed standards of excellence Develops or uses procedures to ensure work is completed on time or that work meets agreed upon standards of quality</p>
<p>Persistence</p> <p>Takes action in the face of a significant obstacle Takes repeated actions or switches to an alternative strategy to meet a challenge or overcome an obstacle Takes personal responsibility for the performance necessary to achieve goals and objectives</p>
<p>Commitment to the Work Contract</p> <p>Makes a personal sacrifice or expends extraordinary effort to complete a job Pitches in with workers or in their place to get a job done Strives to keep customers satisfied and places long term good will over short term gain</p>
<p>Information Sharing</p> <p>Personally seeks information from clients, suppliers and competitors Does personal research on how to provide a product or service Consults experts for business or technical advice</p>
<p>Goal Setting</p> <p>Sets goals and objectives that are personally meaningful and challenging Articulates clear and specific long range goals Sets measurable short term objectives</p>
<p>Systematic Planning and Monitoring</p> <p>Plans by breaking large tasks down into time-constrained sub-tasks Revises plans in light of feedback on performance or changing circumstances Keeps financial records and uses them to make business decisions</p>
<p>Persuasion and Networking</p> <p>Uses deliberate strategies to influence or persuade others Uses key people as agents to accomplish own objectives Acts to develop and maintain business contacts</p>
<p>Independence and Self-Confidence</p> <p>Seeks autonomy from the rules or control of others Sticks with own judgement in the face of opposition or early lack of success Expresses confidence in own ability to complete a difficult task or meet a challenge</p>

Source: Management Systems International, Inc.



Step 6: Working With The Private Sector Partner

What actually happens at this stage depends largely on the nature of the project that has been proposed and selected, and the range is wide. As examples,

- In response to perceived weaknesses in the management of the partner organization, a full management assessment might be carried out. The consultant would make recommendations, and implementation would be monitored.
- If low utilization was a major problem, a more in-depth market analysis could be carried out to learn if any new services should be offered to match local demand, changes in working hours, or to re-examine the present pricing strategy. This would then be presented to management and followed up by the consultant or mission.
- A private insurance company might need to develop a coverage package and a marketing program for coverage of a new target clientele. The direct assistance might take the form of hiring someone from the local medical school or perhaps a planner from the MOH to obtain and interpret morbidity data for the coverage package. A marketing specialist from one of the local prequalified firms would be contracted to assist in developing a marketing program. The company's actuary would work with both of these consultants to develop a premium and reimbursement schedule.

In the *Initiatives* experience, pharmacy sales usually have the greatest potential for helping the project achieve financial sustainability. This is an area that shouldn't be overlooked in a general analysis of the partner's operations.

- Overall profitability might have been found to depend highly on pharmacy sales within the facility. Some additional marketing studies might be required to focus on competition in this area, and assistance in pharmacy pricing might also be needed to maximize profits while keeping prices affordable for the clientele.

In a management assessment of the Nigerian Private Nurses Association, it was learned that it takes a long time for management to actually put the results into use. More so than sophisticated *content*, staff needs an effective *process* for regular training.

Tracking Progress

Step 7: Project Monitoring and Evaluation

Since *Initiatives* was a demonstration project, the results of the many private sector relationships that were established were monitored and evaluated very carefully. However, the main mechanism used was the detailed case study which, while a powerful tool for understanding the many dimensions of organizations and enterprises and why projects succeed or fail, is generally not a practical tool for ongoing monitoring of projects. Other approaches used in multi-project monitoring include the establishing of a database so that the many inputs and outputs associated with different projects could be compared.

The best suggestion for individual project monitoring is that any information gathered should be immediately useful to the implementing agency. In particular it should be of the type and timeliness that will contribute to the sustainability and the effective management of the organization. This would typically mean assuring that internal systems are in place for reporting essential management data and supplementing this with selective quantitative surveys and such community-based research as market surveillance and consumer assessments. The latter can also help build the community support necessary for the sustainability of the project. *Initiatives* developed a sustainability self-assessment tool, which provides some basic indicators that can be used for developing an initial sustainability profile and could be adapted for ongoing monitoring (ref. 14).

One exception to this would be your own unit cost monitoring. You should periodically review the donor cost per unit output in your private sector program to ensure that it is fully competitive with alternative investment options, i.e. public sector programs, PVO grants.

Conclusion

The private health sector offers significant opportunities to expand access of low income populations to quality health and reproductive services. However, as with other development programs, including the private sector in your health and family planning programs requires careful consideration, planning, selection and support to achieve USAID's strategic objectives. By working through the seven steps described in this toolkit, you will have benefited from the knowledge and experience acquired through the *Initiatives* project and will increase the likelihood that your private sector activities will have a positive impact on health care coverage.

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Toolkit Annex

This annex provides a list of the tools and instruments developed during the *Initiatives* project. *Initiatives* designed each to respond to the specific needs of private health sector organizations or to fill the information gaps encountered while working with the private sector.

The tools described below are available through several mechanisms:

- Copies can be downloaded through our interactive web site, www.jsi.com/intl/init.
- Copies can be requested from the JSI Librarian, JSI Research and Training Institute, 1616 No. Fort Myer Dr., 11th Floor, Arlington, VA 22209.
- Copies can be ordered from USAID/CDIE.

Tool Descriptions

Workbooks and Workshop Sessions

Business Planning for Healthcare Organizations: To launch country level activities, *Initiatives* designed a series of workbooks to introduce business planning. Each workbook provides the tools required to apply the concepts within an organization. The workbooks can be used either in a workshop setting or as a self-help tool. The set includes four volumes.

- ***Primary Care Business Development:*** This workbook leads an organization through the business planning process. It is comprised of 12 chapters, each describing the objectives of the chapter and providing worksheets to apply some of the chapter's concepts. Topics covered include: concepts of primary healthcare; business plans with a vision of the future; primary care needs assessment; the market and its segments; competition, market share and target market; mission, vision and values; SWOT analysis; objectives; strategies; the production of primary healthcare services; financial planning; planning and organization for implementation of services; and monitoring, evaluation and reporting.
- ***Strengthening your Organizational Structure:*** This workbook assists organizations to develop their organizational structure. It leads organizations through an assessment of their capacity and provides tools to address any identified deficiencies. The workbook is comprised of nine chapters covering topics on: standards of

excellence for healthcare organizations; organizational mission, culture, indicators of success; key tasks; creating a vision of your entrepreneurial organization; responsibility charting; writing job descriptions; stimulating community participation; strengthening the governance team; building a consumer-driven organization; and developing a workplan.

- ***Strategic Financial Planning:*** This workbook leads organizations through the process of integrating their overall strategic plan with a long-term financial plan. The purpose is to assure that the strategic plan, based on community needs and the organization's mission, is financially viable. The workbook is comprised of four chapters covering: principles of strategic financial planning; linking the financial plan to the strategic plan; acquiring initial capital; and from financial planning to financial operations. The workbook uses a case study approach to work through many of the concepts presented in the chapters and includes a lotus spreadsheet.
- ***Marketing Audit Workbook:*** This workbook presents a series of worksheets to assist organizations to analyze their health care market. It begins with stating the marketing challenge; assesses the marketing environment including clients, competitors, social, technological, professional and legal constraints; and reviews the marketing mix including services, access and delivery, price, and promotion.

Sustainability Workshop Materials: Building on the experience gained in working to strengthen private sector organizations, *Initiatives* designed a number of workshop sessions relating to non-governmental organization (NGO) sustainability. These include:

- ***The Entrepreneurial Imperative:*** This session provides an introduction to the concept of entrepreneurial thinking within not-for-profit organizations. The concept is introduced with the observation that "adaptation to a constantly changing environment is a modern organizational imperative." Adaptation, in turn, requires "entrepreneurial management," which is defined as the process of motivating an institution to grow as it encounters such change. Participants are challenged to think of the many and varied changes affecting their organizations, and of the qualities characterizing entrepreneurial organizations.
- ***Defining Sustainability:*** This session provides participants with an understanding of the concept of sustainability and its importance to their organizations and the services they provide to their existing and potential clients. The concept of sustainability is separated from its typical connection to donor agendas by defining it as "the capacity of an organization to continue its production of benefits for its intended client population in the face of continuous change in its social, economic, and political environments." Participants are challenged to identify elements of organizational functioning that are characteristics of a sustainable organization.
- ***Sustainability Profile:*** This session challenges participants to develop a sustainability profile of their own organizations using worksheets developed by *Initiatives*. The session is designed to serve as a bridge between the earlier sessions on

sustainability and other sessions on strategic planning, which would involve environmental and organizational analyses, (e.g. Strength-Weakness-Opportunities-Threat (SWOT)).

- ***Forming a Financial Strategy:*** This session provides participants with an overview of the different types of possible sources of revenue, including fee-for-service, membership dues, income generating activities, investments, loans, credit programs, grant development, and fundraising. It also presents approaches to manage costs and rationalize services. Participants are challenged to identify and discuss both the positive and negative aspects of the various financial strategies reviewed. Participants also identify a revenue generating activity they believe appropriate for their respective organizations and develop an initial feasibility assessment of it that emphasizes the additional information they require for a more comprehensive assessment. Considerable time is devoted to the particular challenges not-for-profits face in undertaking commercial enterprises for the purpose of generating revenues to subsidize the delivery of the social services that constitute their core mission.

Market Assessment Tools and Instruments

National Facility Questionnaire: In order to better understand the composition of the formal private health sector, the range of services it provides, and how such services are sustained in economically challenging times, *Initiatives* supported a number of national surveys. The questionnaire collects data on provider profiles and characteristics, facility operations and management, services provided and fees charged. Questionnaires are available in English and Spanish.

Market Surveys: *Initiatives* developed a number of instruments to collect information on health seeking behavior, demand for health and family planning services, and client satisfaction. These include:

- ***Patient survey:*** a self-administered survey on service satisfaction.
- ***Patient interview:*** an exit interview questionnaire which explores service satisfaction, health-seeking behavior and payment for services received.
- ***Focus group guide:*** a simple guide to conducting a focus group discussion. The guide covers health seeking behavior, demand for health services and willingness to pay for health care.
- ***Intercept survey:*** a questionnaire for community members. The questionnaire collects data on health seeking behavior, demand for health services and willingness to pay for health care.

Sustainability Assessment Tool: A self assessment tool to guide internal discussions about the steps an organization might take to enhance its sustainability. Neither the questions, nor their related statements constitute an exhaustive list of organizational systems and dynamics that can contribute to sustainable services. However, the process of completing the assessment yields a profile of organizational sustainability. The tool may also be used as an ongoing monitoring instrument to assess progress in enhancing sustainability.

Guide for Business Proposal Preparation: *Initiatives* developed the guide to assist organizations to prepare a business proposal outlining their plans to expand health and family planning services to low income populations. The questions included in the guide cover the key elements of a business plan: concept and background; environmental assessment; need and market for the services; mission and objectives; organizational structure and standards; operations; financial analysis and projections; and implementation plan.

Case Study Research Protocol: *Initiatives* developed a detailed research protocol to guide case study data collection. The protocol can easily be adapted to reflect the nature of the organization being studied. It poses questions related to the characteristics and genesis of the organization, its effectiveness in terms of the services provided, clients served, and its sustainability.