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# Strengthening pro-poor markets for health and enhancing the role of local businesses

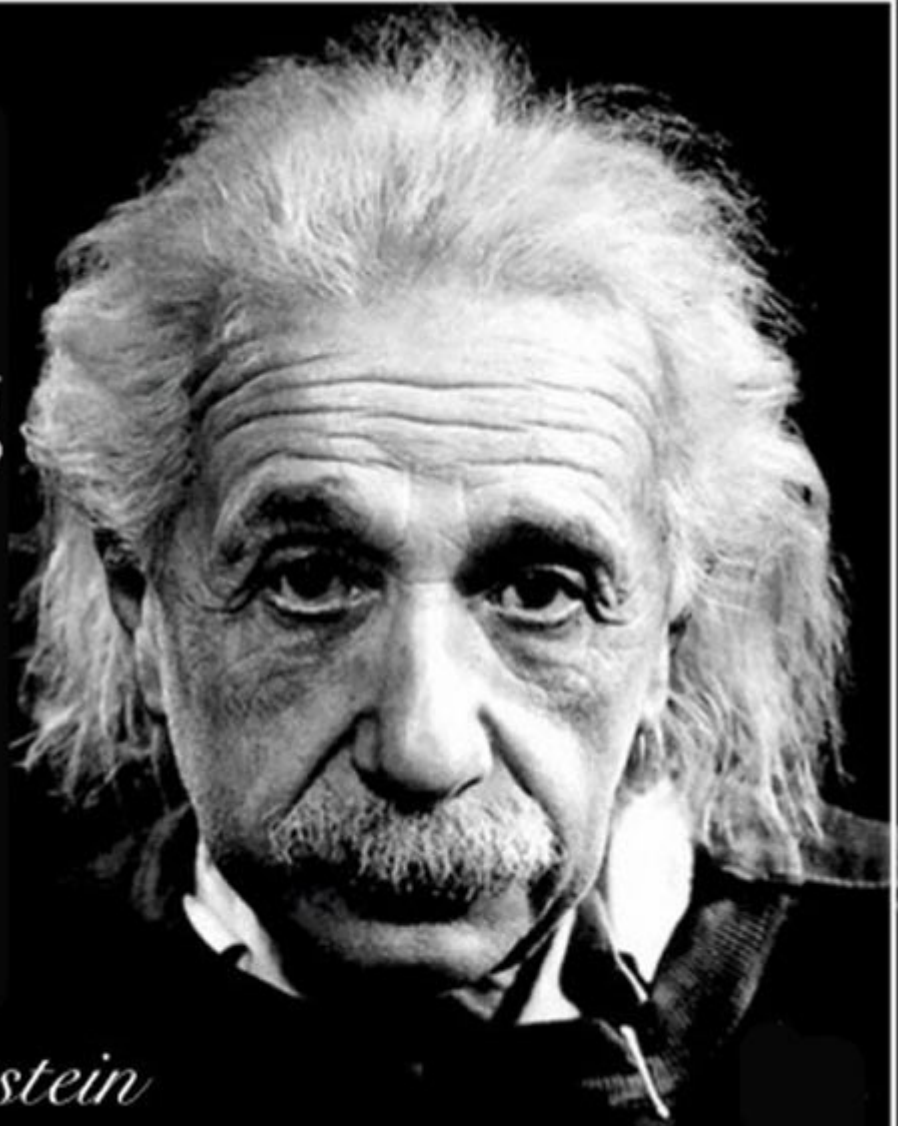
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Insanity:  
doing the same thing  
over and over again  
and expecting  
different results.

*- Albert Einstein*





# “Private Sector Partner” Can Mean Different Things...

**No sustainability, you will pay again next year**

- E
- Direct
- intervention
- Donor
- bill

**Government contractors, briefcase NGOs**



**Private Sector Partners**

...depending on programme objectives

**Sustainability, private investment, scaling up**

**Commercial players**



## Why Use Market Systems Development (MSD) in Healthcare?

- MSD is a proven, SDC-backed methodology that is pro-poor, facilitative, systemic, scalable, and sustainable
- MSD answers some important development questions:
  - What happens after the donors exit and the donor money dries up?
  - How do we maximize involvement of the private sector in inclusive development, beyond government contracting and CSR?
- A basic MSD premise is that poor people are active market participants – not passive beneficiaries
- Benefits of using MSD in healthcare:
  - Sustainability by design (exit considered upon entry)
  - Leverage of development investment through private sector engagement
  - Value for Money (VfM) for the funding agency



## MSD in Health Supports Three SDGs

- **#3** (ensure healthy lives and promote well-being for all)
- **#8** (promote sustained, inclusive and sustainable economic growth)
- **#12** (ensure sustainable consumption and production patterns)
- Most classical, direct-intervention healthcare development programmes focus entirely on **SDG#3**, and may act to the detriment of **SDGs #8** and **#12**



Image: UNICEF



## Sustainability Definition

- Definition of sustainability in the context of MSD:

*“Behavior change among market participants that survives the intervention without further subsidy or dependence on external support, incorporating a customer-driven business model that replenishes capital and attracts new investment.”*

Ashkin, Ronald (2014), What Does “Sustainability” Mean in the Context of M4P in Health?  
PSP4H Policy Brief No. 6. The Private Sector Innovation Programme for Health, Nairobi, Kenya



## Considering Who Does and Who Pays is Important

- Donor programming conventionally looks at issues from the impact perspective ('who does?')
- Sustainability ('who pays?') is often an afterthought
- As a result, donors frequently intervene directly and become market players – which distorts markets and disincentivizes private sector investment (not to mention government accountability)
  - Free money drives out capital that has a market cost
- Not considering who pays is a root cause of *pilot-itis* and absence of sustainability
- In MSD, who pays in the future is a primary consideration



## Considering Who Does and Who Pays is Important

“Health interventions tend to be judged by how well they achieve their intended [health] goals. Yet even projects that fulfil their stated goals may also cause unanticipated and potentially harmful effects during or after their completion. For example, they may create dependency in the recipient population, with the expectation that services would continue to be provided to them as a public good after the project ends...Even with the best of intentions, many interventions that are intended to develop a market for disadvantaged populations often end up distorting it in ways that make it more difficult to deliver or pay for the services once the intervention is over.”

Peters, David H, Ligia Paina and Sara Bennett, “Expecting the Unexpected: Applying the Develop-Distort Dilemma to Maximize Positive Market Impacts in Health” in *Health Policy and Planning* 27:iv44–iv53. Oxford: Oxford University Press, 2012.





## Observations on Private Sector Incentives to Participate in Pro-Poor Health Markets (1)

- The penultimate objective of the commercial private sector is to make a profit, in healthcare as in any other business
  - There is nothing wrong with this. Money behaves the same way in healthcare as in any other sector
  - “No amount of excellent social and environmental performance will prolong the life of a company that is economically unsustainable.”
- The private sector has the imperative to “grow or die”. Hence the incentive to participate in pro-poor healthcare markets is a business imperative. Products and services targeting underserved lower-income consumers are a natural expansion path for well-informed businesses
- Most poor people in emerging economies actively participate in the economy and hustle for a living. They seek better value for money for their limited resources. They are the ‘mass market.’



## Observations on Private Sector Incentives to Participate in Pro-Poor Health Markets (2)

- The commercial private sector can be successful serving this mass market if they follow business models that (i) match consumer behavior, and (ii) are affordable to lower income groups
  - This means both (i) understanding low-income consumer needs, and (ii) understanding how to deliver quality healthcare at low costs.
- Misperceptions and mistrust abound in mass market healthcare service provision
  - Commercial healthcare providers believe that poor people cannot pay
  - Poor people believe that private sector healthcare is beyond their means
  - The public sector perceives the commercial private sector as a pack of opportunistic sharks
  - The commercial private sector perceives the public sector as lazy and corrupt
- Conflict of interest in incentives between public and private sectors indicates the wrong private sector partners



## Observations on Private Sector Incentives to Participate in Pro-Poor Health Markets (3)

- A portion of the commercial private sector will make it their business to pursue government contracts
  - They will execute a donor or public sector agenda and get paid by the donor or public sector. These are government contractors
- To fully cover healthcare needs in emerging markets where public coffers cannot pay for UHC, the commercial private sector must be fully engaged
  - They will invest their own money, but only where there is opportunity for commercial viability; typically, these are areas where subsidies do not distort the market
- The missing element that MSD provides is knowledge, not money. Private sector partners will participate in MSD programmes when it is “too risky to guess and too expensive to experiment”



## Some Lessons Learned from Previous MSD in Health Programming

1. The Market Systems approach is a valid approach for technical assistance to the private healthcare sector
2. Before designing interventions, the health sector needs to be well mapped to identify donor-crowded and underserved areas
3. Partner engagement is fundamental to programmatic success. Choosing the most appropriate partners proves at least as important, or possibly more important, than completing a comprehensive analysis
4. A bottom-up approach brings the programme closer to the beneficiaries, so programming can better match the behaviours of the target group
5. Using an adaptive portfolio approach allows a flexible mix of interventions and helps minimize risks when facilitating change in health markets; scale up successes and learn from failure
6. Employ innovative intervention approaches like 'starting at scale' and the 'quick intervention' model



Questions?



Image: Mogadishu Job Fair