‘Blind Optimism’

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The new report by the development charity Oxfam “Blind Optimism : Challenging the myths about private health care in poor countries,” provides considerable evidence of the poor performance of private sector-led health care initiatives globally, which the World Bank and donor countries have advocated for years.

“Donors’ romantic views of private sector health providers are completely divorced from the facts,” said Anna Marriott, author of the 52-page report. “The Bank and other donors need to put their blind optimism about the market behind them. Universal health care is only achievable with government intervention to provide services.”

Decrying the failure of public-health services in poor countries–failure in which the World Bank-administered loans conditioned on public-sector spending cuts and wide-scale restructuring have played a significant role - the argument was that the private sector could do a better job. For over two decades, the Bank advocated a solution based on investment and growth of the private health care sector.

Through conditions on their loans to poor countries, the World Bank, backed by Western donors, insisted on extensive changes in their health systems. The approach they advocated is known as “New Public Management” (NPM).

NPM attempts to introduce market mechanisms into public services, recasting the role of government from provider to one of regulator and purchaser of services.

The Bank’s 2004 World Development Report, “Making Services Work for Poor People,” laid out the basic approach: governments should encourage private health-care providers to serve those who can afford to purchase their services, and contract with for-profit and not-for-profit private providers to deliver on the governments’ behalf for those who can’t.

The Oxfam report states that there is an urgent need to reassess the arguments used in favour of scaling up private-sector provision in poor countries. The evidence shows that prioritising this approach is extremely unlikely to deliver health for poor people.

Competition between providers for government contracts and the financial rewards of attracting paying customers were thought by the Bank to drive up efficiency, quality, and overall access. However, according to Oxfam, the pursuit of profits means that private providers have no incentive to serve those unable to pay.

Oxfam refutes the claim that the private sector can provide additional investment to cash-starved public health systems. It argues that attracting private providers to risky, low-income health markets requires significant public subsidy. In South Africa, for example, the majority of private medical scheme members receive a higher subsidy from the government through tax exemption than is spent per person dependent on publicly provided health services.

A growing body of international research reaffirms that despite their serious problems in many countries, publicly financed and delivered services continue

to dominate in higher performing, more equitable health systems, according to the report.

"Thanks to increased state spending on health in Sri Lanka, for instance, women can now expect to live almost as long as those in Germany, despite an income 10 times smaller," Marriott said.

The World Bank and donor countries believe that since the private sector is already a significant provider of services in the poorest countries, it must be central to any scaling-up strategy.

A recent report by the International Finance Corporation (IFC), the private-sector investment arm of the World Bank, claims that over half the health care provision in Africa comes from the private sector.

However, Oxfam argues that the IFC's claim is flawed. In its own analysis of the same data, Oxfam found that nearly 40% of the "private provision" the IFC identifies is just small shops selling drugs of unknown quality.

Proponents of private-sector health-care argue that the private sector can achieve better results at lower costs. But the report cites examples to show that private participation in health-care actually costs more.

Lebanon, for example, has one of the most privatised health systems in the developing world and spends more than twice as much as Sri Lanka on health care. Its infant and maternal mortality rates, however, are two and a half and three times higher, respectively.

Moreover, costs increase as private providers pursue profitable treatments rather than those based solely on medical need. According to the report, Chile's health care system has wide-scale private-sector participation and as a result, has one of the world's highest rates of births by Caesarean sections, which are more costly than natural births and often unnecessary.

The report also disputes that private health-care offers superior quality. The World Bank itself reports that the private sector generally performs worse on technical quality than the public sector, according to its 2004 World Development report. In Lesotho, for example, only 37% of sexually transmissible infections were treated correctly by contracted private providers compared with 57% and 96% of cases treated in "large" and "small" public health"facilities," respectively.

Because private-sector services are often too expensive for the majority of people, subsidising them with tax or aid dollars comes at a direct cost to public health systems and undermines their capacity to help those most in need.

"If the past few months have taught us anything, it is that the market has its limitations and that governments need to take a lead," said Oxfam's Marriott.

"World Bank President Zoellick has rightly called for a fiscal stimulus to assist poor countries. This should be spent in part on a rapid scaling up of government-provided health care—it will save lives and get economies going again."

Oxfam urged developing countries to resist donor pressure to implement unproven and unworkable market reforms to public-health systems and an expansion of private-sector health-service delivery.

It also said that health care should be excluded from bilateral, regional or international trade and investment agreements, including the General Agreement on Trade in Services negotiations in the World Trade Organisation (WTO).

Phil Hay, World Bank spokesman, said Oxfam's report "is more idealism and ideology than science".

"We are glad they started the conversation, but we don't accept their view that it's either public or private, and you have to make a choice," he told IPS.

"Countries all around the world have made the choice and it's both."

Dr Peter Berman, a World Bank Lead Economist, said, "The key thing is that Oxfam has a strong point of view that primarily-government provision of health services is the way to advance health in poor countries."

He added that the World Bank supports government provisions, but does not want to "impose a monolithic approach".

The Bank supports a "pragmatic approach," he added. "We want to work with our clients (governments) to strengthen their capacity to deliver services.'' □□□

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