

Briefing No. 3

Financing health education

Increasing access through a public/private student loan facility

Poor health outcomes in sub-Saharan Africa are inextricably linked to the shortage of trained health workers. The finance to expand the training of such workers is severely limited at national government and local training facility levels. Of the many potential funding solutions, a student loan scheme – operated by a commercial bank, but with risks appropriately shared by international development partners – offers the most sustainable way of rapidly increasing finance for health education. In this way the economy of a country like Tanzania can support the training of the extra health workers, of all specialties, that it needs.

THE CRISIS

In Tanzania, eighty-five per cent of the population will never see a doctor. Little wonder then that health outcomes are so poor. Yet lack of funds will prevent the kind of increase in health worker numbers that are needed to meet even basic health care standards in Tanzania.

Today the Tanzanian government provides around thirty per cent of health care training costs, with training institutions raising some fifty-five per cent from donors and fund raising initiatives. The inability of many students to fund their fifteen per cent contribution has the secondary effect of reducing the available pool of appropriately qualified students.

Against this backdrop, a comprehensive student loan scheme offers advantages to training institutions. If students have access to a source of funding at appropriate interest rates, paid back only as they enter the workforce, training institutions might then transfer a greater proportion of training costs to students. Existing funds could be used to increase the number of training places and improve and expand facilities.

The wider impact of such a scheme on the healthcare system could be much greater than the expansion of training. Ensuring sufficient numbers of health workers in rural districts is a constant challenge but it is not hard to envisage a government using such a scheme to incentivize workers to take hard to fill rural posts, in exchange for partial repayment of their loans or other incentives.

THE CHALLENGE

The prerequisites for such a loan scheme obviously start with a commercial bank willing to operate it. Clearly high interest rates, the norm in Africa, would be prohibitive. An efficient collection scheme, legal framework and appropriate institutional and financial management will each need to be in place. The bank will need to be confident of the likely financial risks, such as default rates, and the extent to which these risks are manageable. A fund created by an international donor might well help amortize this, however. Donors have already shown some interest in providing the potentially large upfront collateral that would enable appropriate mitigation of risk for the commercial partner.

As to the applicability of the scheme in Tanzania, some policy adaptations may be required but potential objections at the government, training institution and student level are overstated – there is clear interest in and need for such a facility.

The clear budgetary advantages to the government and the training institutions are likely to garner considerable support. Students are already used to paying a contribution for their studies and they currently do so without recourse to competitively priced loans. That institutions will transfer a greater proportion of training costs to the students is likely to be accepted assuming confidence in the provision of future salaries.

Irrespective of a loan scheme, late or inadequate payment of health workers is an important retention issue and it will remain so.

THE ROLE OF THE TOUCH FOUNDATION

The Touch Foundation has a long standing partnership with Weill Bugando's university and has collaborated effectively with the Tanzanian government over a number of years. We are also able to bring on the ground analysis and management experience to the creation of a business model for a student loan scheme in sub-Saharan Africa. Identification of a commercial bank with experience of working in the region and willing to explore the possibilities of such a scheme is the critical next step.

TAKING ACTION

We work closely with governments, companies, foundations and many individual supporters to create practical and effective solutions to the healthcare crisis in sub-Saharan Africa. To find out what part you can play in this work please contact Lee Wells, Director of External Affairs, on +44 (0) 207 961 5629 or by email to lee_wells@mckinsey.com.

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