# Private sector engagement in delivery of tertiary health care services in Ethiopia

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## Key messages

**The rapid expansion of private for-profit health care service provision has improved Ethiopian health care services, but private clinics and hospitals are limited at the secondary and tertiary levels. To improve access to tertiary health care (THC) the government should foster creation of an enabling environment for equitable private sector expansion across all regions.**

**Public health facilities deliver 80% of Ethiopia's THC services and the few private facilities service a small segment of the population. This uneven distribution places a heavy burden on public institutions, leading to capacity and resource allocation challenges.**

**Ethiopia faces a growing triple burden of communicable diseases, noncommunicable diseases (NCDs) and injuries, with NCDs accounting for 43% of total mortality in 2022. Addressing this challenge requires expanded access to NCD services, improved health care infrastructure and a stronger health workforce. Engaging the private sector, especially in THC, could significantly enhance the system's capacity to prevent, diagnose and treat NCDs, thereby reducing the national disease burden.**

**Policy and regulatory frameworks to support private sector engagement in health care exist but have not been effectively implemented, which is hindered by the lack of a unified strategy aligned with national health priorities, as well as by weak planning, implementation and evaluation mechanisms.**

**Private sector investment in THC remains limited owing to the low perceived returns; high risks; restricted access to capital, land and foreign currency; and concerns about regulatory complexity. Addressing these barriers is essential to unlock private sector potential in expanding advanced health care services.**

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# Executive summary

## Private sector engagement (PSE) could ease the pressure on overstretched public resources

In Ethiopia, as in other low- and middle-income countries (LMICs), recent epidemiologic and demographic transitions have greatly impacted the disease profile. The rising burden of communicable diseases, noncommunicable (NCDs) and injuries is straining public health care systems, reducing service quality and equity and hindering progress towards universal health coverage. PSE is crucial to alleviate these challenges by supplementing public resources and expertise.

## Private sector health care service has expanded but remains limited at the tertiary level

While the role of the private sector in health care delivery in Ethiopia has expanded recently, the public sector remains the primary source of tertiary health care (THC) services. Public facilities provide 80% of THC, in particular in diagnosis and management of diseases such as diabetes and cardiovascular and chronic respiratory illnesses. In 2022 private health facilities in THC handled a larger share than public facilities of caesarean section deliveries (31%), diabetic treatment (25.5%) and hypertension treatment (12.2%). The share of other THC services provided by private facilities was lower than these levels, indicating the potential for focus on such areas. Public-private partnerships (PPPs) can be a valuable tool for expanding access to services, particularly in areas where public services and resources are limited. However, careful planning and management are crucial to ensure that these partnerships do not exacerbate existing inequalities or create new disparities.

## Regulatory processes and perceived investment risks limit PSE

Private sector involvement in THC delivery in Ethiopia remains limited owing to investment preferences; restricted access to capital, land and foreign currency; and challenging regulatory processes.

## Private sector participation is needed to meet Ethiopia's current disease burden

The limited PSE in THC places growing pressure on public health facilities to manage the increasing burden of NCDs and injuries. To address this, the government should foster creation of an enabling environment that facilitates effective private sector participation particularly in THC to optimize the national response to NCDs and injuries and to build domestic health finance capacity.

## Recent government initiatives are paving the way for further PSE

The Ethiopian government has introduced several initiatives to support PSE in health care. These include a 10-year road map to expand access to quality specialty and subspecialty services; a revised health care financing strategy that has paved the way for endorsement of a PPP framework; and public-private mix guidelines for delivery of services related to priority public health issues such as TB, HIV/AIDS, malaria and reproductive, maternal, neonatal and child health . Additionally, national policy frameworks such as the Health Sector Transformation Plan II and the Health Sector Medium-Term Development and Investment Plan (2023/24–2025/26) explicitly call for private sector involvement. The government is also conducting national-level consultations with stakeholders to finalize a comprehensive PSE strategy in health.

## Conclusion

The epidemiological shift in the disease burden towards NCDs and injuries has heightened the need to scale up THC services. This calls for, among other measures, expansion of private health sector engagement in THC delivery. PSE in health care delivery has been improving in Ethiopia but its contribution is still low compared to that of the public health service. Only 20% of the total health care services are delivered in private facilities in Ethiopia, while other LMICs have much higher PSE involvement. Furthermore, PSE facilities are only available in the capital and a few major cities and are unavailable in many regional cities and urban and rural areas. THC demand is growing, particularly for treatment of NCDs, as Ethiopia is undergoing demographic and epidemiologic translations.

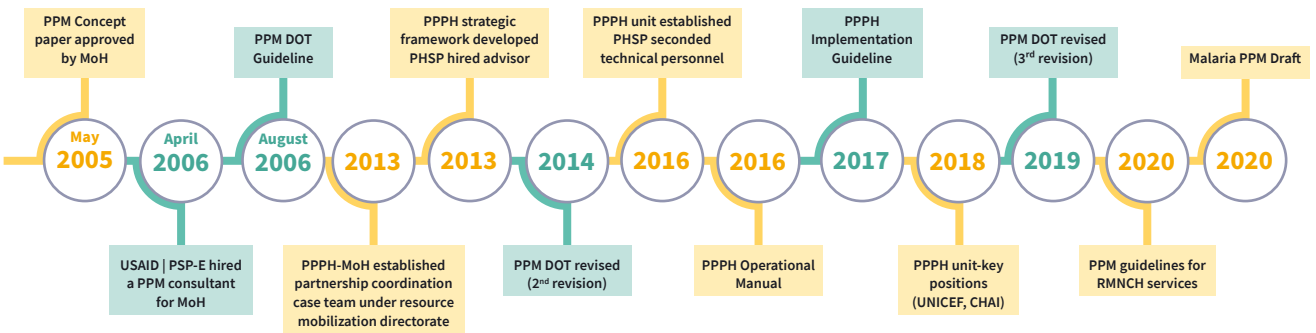
One of the main challenges in private health care is that the services are often unaffordable for many Ethiopians. The underdevelopment of the insurance market means that private health care is predominantly funded through out-of-pocket spending, but the proportion of the population that can afford the high fees for the services is low. The concentration of most health issues in urban areas indirectly restricts private sector expansion in rural areas where the majority of population is living. This can lead to several adverse outcomes, including reduced investment in private sector growth and a potential decrease in the supply of essential services by private sector for the broader population.. Without a better enabling environment for private health insurance, it will be very difficult for private THC to achieve scale, as the market will be limited to the small portion of patients who can afford out-of-pocket payments for its costly specialists.

Tertiary health services in Ethiopia are restricted also by the low number of trained specialists relative to the need. There is a need to train more specialists and ensure they are attracted to remain in Ethiopia. Private sector expansion could contribute to this through offering specialists attractive incentives.

Other barriers to private sector provision of tertiary services include problems in the regulatory environment such as the restrictions in private sector formation relating to the requirement for a large land parcel for construction of premises and the high rental costs. The policy and regulatory frameworks developed to encourage engagement of the private sector in health care are not properly implemented.

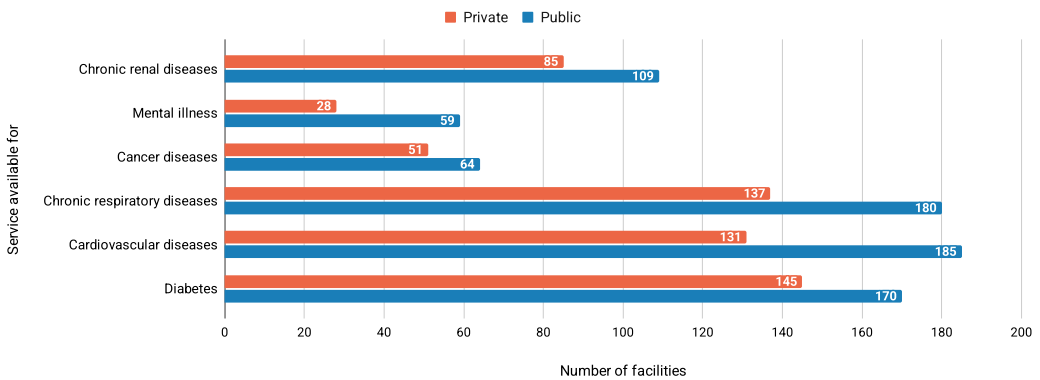
The motivation in the private sector to invest and scale up operations particularly in THC to the wider parts of the country is low owing to reasons such as investment choices for private investors, who tend to give priority to businesses with better market trends, higher investment returns, minimum potential risks. The regulatory function of the health sector has failed to ensure proper implementation of available policies and frameworks to engage the private sector to play its maximal role.

**Figure 2:** Milestones in the public-private partnership in health and the public-private mix process




**Source:** USAID (2021)

**Figure 8:** Availability of NCD services in public and private facilities, excluding health posts




**Source:** EPHI, USAID & MoH (2023)

## Policy implications

For the private sector to play a more active role in the provision of THC services in Ethiopia, the government should revisit existing PPP strategies, plans and programmes and create an enabling business environment through:

- **Implementing the PSE policy and regulatory frameworks** through their translation into strategies and implementation manuals. This should also include fostering dialogue between the public and private health sectors, integrating private health sector representatives in policy and planning processes and setting clear and quantifiable execution targets that will promote meaningful engagement of the private sector.
- **Providing various incentive schemes in priority specialty service areas**, fostering better functioning of input markets especially for land and capital through undertaking reforms in the financial sector, and enhancing coordination within and between different layers of the government;
- **Incentivizing private sector expansion**, for example, through tax breaks or subsidies for establishing of facilities offering priority specialty services where gaps exist. In return, the service providers should guarantee the quality, timeliness and rates acceptability of their services;
- **Reviewing regulations** to create an enabling environment for the establishment of private THC facilities;
- **Developing a clear PSE strategy** for guiding the private sector towards investing more in priority service areas;
- **Improving human resource development initiatives** focusing on producing specialty and subspecialty service professionals;
- **Improving the institutional capacity of the health system** by adequately staffing the PPP unit at MoH and building capacity at subnational levels through establishing coordination platforms to facilitate the operation of a one-stop shop addressing the needs of private sector clients;
- **Establishing and enforcing quality standards** to ensure that both public and private THC providers meet the same high standards of quality of care. This will foster healthy competition, motivate private providers to improve service quality and create trust in the private health care sector;
- **Strengthening data collection, analysis and reporting systems** in the private sector;
- **Expanding health insurance coverage** and considering the private sector in the insurance package;
- **Providing quality physical infrastructure** and supplying inputs through strengthening inclusive PPPs;
- **Exploring contracting arrangements** to allow the private sector to deliver THC under public health insurance schemes;
- **Improving the institutional capacity of the health system in fostering PSE at all levels**, for example by establishing a PPP coordinating unit within MoH and regional health bureaus;
- **Creating a platform for organizing regular consultations and policy dialogues** embracing a wide range of stakeholders including government and private health care providers, and implementing effective and agreed-upon mechanisms to strengthen PSE in health.

## About AHOP

The African Health Observatory - Platform on Health Systems and Policies (AHOP) is a regional partnership that promotes evidence-informed policy-making. AHOP is hosted by the WHO Regional Office for Africa through the integrated African Health Observatory. National Centres include Addis Ababa University, Ethiopia; KEMRI Wellcome Trust, Kenya; the Health Policy Research Group, University of Nigeria; the University of Rwanda; and Institut Pasteur de Dakar, Senegal. AHOP draws on support from the European Observatory on Health Systems and Policies (EURO-OBS), the London School of Economics and Political Science (LSE), and the Bill & Melinda Gates Foundation (BMGF).

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