Making Health Businesses Healthier
Amsterdam, 31 March 2021
Commissioned by the PharmAccess Foundation

Making Health Businesses Healthier

Evaluation of the PharmAccess’ ‘Healthy Business Development Programme’ in Kenya

Thierry Belt (SEO)
Nicolas Berthiaume (SEO)
Lisa van Dongen (SEO)
Clement Oduor (APHRC)
Nienke Oomes (SEO)

With cooperation of
Moneera Yassien (SEO)

APHRC
African Population and Health Research Center
“Solid research, Sound advice”

SEO Amsterdam Economics carries out independent applied economic research on behalf of national and international clients – both public institutions and private sector clients. Our research aims to make a major contribution to the decision-making processes of our clients. Originally founded by, and still affiliated with, the University of Amsterdam, SEO Amsterdam Economics is now an independent research group but retains a strong academic component. Operating on a non-profit basis, SEO continually invests in the intellectual capital of its staff by granting them time to pursue continuing education, publish in academic journals, and participate in academic networks and conferences. As a result, our staff is fully up to date on the latest economic theories and econometric techniques.

The African Population and Health Research Center (APHRC) is the continent’s premier research institution and think tank, exploring questions of population health and wellbeing. Headquartered in Nairobi, Kenya, and with a West Africa Regional Office (WARO) in Dakar, Senegal, the Center seeks to drive change with evidence led by a growing cadre of research leaders from across sub-Saharan Africa. According to global and continental development priorities, APHRC’s teams orient their research agendas, driven by the belief that Africa and African-generated evidence must be at the forefront of decisions supporting improved growth and development. Over the last 20 years, APHRC’s reputation has become synonymous with research rigor, leadership, and influence. APHRC believes that robust and replicable evidence generated by African researchers will drive the continent’s policy agenda to resolve some of the most critical development issues of our time.

SEO-report nr. 2021-36

Information & disclaimer
SEO Amsterdam Economics has not performed any research on the obtained information and data that would constitute an audit or due diligence. SEO is not responsible for errors or omissions in the obtained information and data.

Copyright © 2021 SEO Amsterdam. All rights reserved. Data from this report may be used in articles, studies and syllabi, provided that the source is clearly and accurately mentioned. Data in this report may not be used for commercial purposes without prior permission of the author(s). Permission can be obtained by contacting: secretariaat@seo.nl
Executive summary

PharmAccess successfully maintained a holistic three-pronged approach in its ‘Healthy Business Development Programme’ to simultaneously address clinical, business and finance gaps among health SMEs in Kenya. Nevertheless, a stronger connection between PharmAccess’ three types of support can further increase its overall impact.

Background

SEO Amsterdam Economics, in collaboration with APHRC, evaluated the ‘Healthy Business Development Programme’ (HBDP) that was implemented in Kenya by a consortium of partners, led by the PharmAccess Foundation. The programme received a grant of EUR 1.8 million from the Dutch government’s Facility for Sustainable Entrepreneurship and Food Security (FDOV), managed by the Netherlands Enterprise Agency (RVO.nl). As part of its required Monitoring & Evaluation (M&E) reporting to RVO.nl, PharmAccess contracted SEO and APHRC to evaluate the effectiveness of the programme and provide recommendations.

The HBDP was set up to address three important ‘gaps’ that may constrain the development of small and medium-sized enterprises (SMEs) in the Kenyan private health sector:

- **Clinical gaps:** Gaps in quality-of-care standards, procedures or equipment, which undermine the quality of healthcare service and associated health outcomes.
- **Business gaps:** Gaps in business management knowledge or skills that may prevent health professionals from efficiently running their health SME as a commercial business.
- **Finance gaps:** Lack of sufficient financial resources, or limited access to financial products such as business loans, which constrain the ability of health SMEs to invest in expanding their business or address any of their business or clinical gaps.

The programme was ‘holistic’ in that it provided three types of support in order to address these three gaps:

1. **Clinical support**
   Through SafeCare assessments, Quality Improvement Plans (QIP) and other training programmes
2. **Business development support**
   Through Strathmore Business School courses and other Business Development Services
3. **Financial support**
   Through the Medical Credit Fund (MCF) Loan Programme and MCF’s Cash Advances

Theory of Change and evaluation questions

As a starting point for the evaluation, SEO reconstructed a ‘Theory of Change’ (ToC) for the HBDP programme, in close consultation with the PharmAccess team. The ToC is presented in Figure 1, which graphically shows the five ‘impact pathways’ through which the HBDP was expected to address the various gaps faced by private health SMEs in Kenya. The three

---

1 Together with implementing partners WordBank/IFC, Strathmore Business School Kenya, Ministry of Health Kenya, AMPC International Health Consultants and Medical Credit Fund.
pathways in the middle of this diagram indicate the key pathways discussed above, referring to clinical impact, business impact, and financial impact. In addition, the evaluation team identified two related impact pathways, referring to the indirect health impact of the HBDP on the lives of patients, and the indirect economic impact of the programme on other sectors. While estimating these indirect effects is also important, this was not part of this evaluation.

As the ToC diagram indicates, the design of the programme explicitly incorporated various linkages between the three key pathways. These linkages, indicated as arrows between pathways, illustrate that the programme activities were expected to have the following synergies:

- **Improvements in clinical practices help improve the business performance of health SMEs, which in turn improves their access to finance.** By improving the (perceived) clinical quality of care, the programme expected to increase demand and thereby utilisation of healthcare services (e.g. increased patient visits), thereby improving revenues and reducing the risks of financing health SMEs.

- **Improvements in business practices help reduce the risks of financing health SMEs.** By improving practices such as financial reporting and business planning, business development services can reduce credit risk and thereby help improve access to finance from banks or MFIs. **Improvements in business performance in turn helps improve loan repayment,** thereby contributing to building a good credit history.
Figure S.1  Theory of Change

Inclusive growth of the Kenyan private health sector fostered

Impact pathway 1: Health impact
- Clinical quality of the private health sector sustainably improved
  - Sustainable growth of health SMEs
    - Demonstrator effects
    - Loans repaid
    - Employment increased
  - Access to finance for health SMEs improved
    - Operations efficiency increased
    - Business performance of private health SMEs improved
    - Business performance of other sectors improved
- Access to quality private health care services increased
  - Investments by health SMEs fostered
  - Quality and quantity of service delivery improved
  - Patient numbers increased
    - Utilisation of private health care services increased
      (Substitute vs. complementary)
  - Health outcomes improved
  - Productivity labour force improved
- SafeCare assessment conducted

Impact pathway 2: Clinical impact
- Clinical quality of the private health sector sustainably improved
- Sustainable growth of health SMEs
  - Demonstrative effects
  - Loans repaid
  - Employment increased
- Access to finance for health SMEs improved
  - Operations efficiency increased
  - Business performance of private health SMEs improved
  - Business performance of other sectors improved
- Access to quality private health care services increased
  - Investments by health SMEs fostered
  - Quality and quantity of service delivery improved
  - Patient numbers increased
    - Utilisation of private health care services increased
      (Substitute vs. complementary)
  - Health outcomes improved
  - Productivity labour force improved
- SafeCare assessment conducted

Impact pathway 3: Financial impact
- Clinical quality of the private health sector sustainably improved
  - Sustainable growth of health SMEs
    - Demonstrator effects
    - Loans repaid
    - Employment increased
  - Access to finance for health SMEs improved
    - Operations efficiency increased
    - Business performance of private health SMEs improved
    - Business performance of other sectors improved
- Access to quality private health care services increased
  - Investments by health SMEs fostered
  - Quality and quantity of service delivery improved
  - Patient numbers increased
    - Utilisation of private health care services increased
      (Substitute vs. complementary)
  - Health outcomes improved
  - Productivity labour force improved
- SafeCare assessment conducted

Impact pathway 4: Business impact
- Clinical quality of the private health sector sustainably improved
  - Sustainable growth of health SMEs
    - Demonstrator effects
    - Loans repaid
    - Employment increased
  - Access to finance for health SMEs improved
    - Operations efficiency increased
    - Business performance of private health SMEs improved
    - Business performance of other sectors improved
- Access to quality private health care services increased
  - Investments by health SMEs fostered
  - Quality and quantity of service delivery improved
  - Patient numbers increased
    - Utilisation of private health care services increased
      (Substitute vs. complementary)
  - Health outcomes improved
  - Productivity labour force improved
- SafeCare assessment conducted

Impact pathway 5: Indirect economic impact
- Clinical quality of the private health sector sustainably improved
  - Sustainable growth of health SMEs
    - Demonstrator effects
    - Loans repaid
    - Employment increased
  - Access to finance for health SMEs improved
    - Operations efficiency increased
    - Business performance of private health SMEs improved
    - Business performance of other sectors improved
- Access to quality private health care services increased
  - Investments by health SMEs fostered
  - Quality and quantity of service delivery improved
  - Patient numbers increased
    - Utilisation of private health care services increased
      (Substitute vs. complementary)
  - Health outcomes improved
  - Productivity labour force improved
- SafeCare assessment conducted

Output
- Impact
- Long-term outcomes
- Medium-term outcomes
- Short-term outcomes
- Impact pathway 1: Health impact
- Impact pathway 2: Clinical impact
- Impact pathway 3: Financial impact
- Impact pathway 4: Business impact
- Impact pathway 5: Indirect economic impact

Input
- SafeCare
- BDS resources (including SBS)
- BDS provided to health SMEs
- Loan application support provided to health SMEs
- Training, guarantees and co-financing provided to banks
- Direct loans to health SMEs provided
- QIP developed
- Measurability of the health sector improved
- Business and clinical practices improved
- Investments increased
- Measurability of the health sector improved
- Knowledge of health SMEs increased
- Loan applications improved
- Networking effects

Business and clinical practices improved

Increased induced demand for other goods and services
(substitute effects)

Increased induced demand for other goods and services
(Supply chain & community effects)
Key findings and recommendations

The evaluation team found evidence from various sources indicating that the programme’s clinical support, business development support, and financial support were largely effective in addressing the identified gaps. First, the SafeCare assessments and Quality Improvement Plans were generally well received and concretely helped health SMEs to reduce clinical gaps, by improving the quality of care and increasing investments in medical equipment. Second, the business development support provided was valued highly by recipients (notably the participants in the Managing Healthcare Businesses programme; a joint product of PharmAccess and the Strathmore Business School in Nairobi), who indicated to have improved their business knowledge and practices as a result (including e.g. their record-keeping, reporting, planning and budgeting skills). Third, there was strong evidence that the various types of financial support provided (term loans, cash advances, guarantees) contributed to improving health SME’s access to finance without ‘crowding out’ financing from the financial sector.

In addition, the evaluation found plausible evidence of useful synergies between the three pathways. One strong aspect of HBDP was that all interventions started from an in-depth assessment of gaps (the SafeCare assessment), which helped to identify clinical and business gaps. Based on this gap analysis, a QIP was constructed which provided concrete recommendations on how to address these gaps (with implementation progress monitored over time). Subsequently, both the clinical support and the business development support clearly helped health SMEs to improve their quality of care and business performance, which in turn helped improve their access to finance by reducing (actual and perceived) risks for banks.

The evaluation team would recommend both PharmAccess and other donor organisations to sustain this holistic approach and further strengthen linkages between the three types of support, so as to maximise the effectiveness of health sector support. Some ways in which PharmAccess could still strengthen its programme is by more closely linking its business development support to the SafeCare assessment and QIP, and prioritise certain SMEs rather than offering such support equally to all health SMEs. This could also include more active monitoring and encouragement to apply, particularly for those SMEs with the highest identified business gaps. Another recommendation is to better integrate the SafeCare assessment, the QIP and the loan application process, so that addressing quality and business gaps becomes an integral part of the health SME’s investment plan and the SafeCare assessment becomes more embedded in the loan application process. Finally, more work could be done to make the already realised improvements in clinical and business practices (including ability to repay) more visible to potential financiers, to further reduce the perceived risks of financing this promising sector.
PharmAccess conducted over 800 SafeCare assessments (SCA) for approximately 450 health SMEs. These SCAs helped health SMEs to pinpoint their “gaps” (both clinical and business gaps).

The Quality Improvement Plan (QIP) turned the SCA into actionable recommendations:
- Health SMEs often adopted the “quick wins” right away
- Health SMEs sought financing (internal or external) for buying equipment

Average progress (%) on implemented QIP activities after latest available SafeCare assessment:
- Segment A (n = 75): 34%
- Segment B (n = 132): 30%
- Segment C (n = 299): 20%

Improved clinical practices as shown by follow-up SCAs:
- Segment A (n = 75): +24%
- Segment B (n = 132): +24%
- Segment C (n = 299): +20%

The SCA increased the transparency of the health sector.

The improved practices improved the “fundamentals” of the health SMEs.

PharmAccess reduced the risks of financing health SMEs for banks by engaging in co-financing.

The SCA increased the transparency of the health sector.

Financial options increased (but remained problematic):
- 22% had accessed a loan through a Financial Institution
- 13% had accessed a loan through MCF
- 12% had received a CA from MCF

Average success rate of financial products obtained:
- Segment A (n = 75): 55%
- Segment B (n = 132): 56%
- Segment C (n = 299): 56%

(MCF) term loans allowed health SMEs to further invest in their facilities.

MCF’s Cash Advances help health SMEs overcome short-term liquidity issues.

PharmAccess provided various business development services (BDS) to complement health professionals’ medical experience with business knowledge.

Especially, the SBS courses impacted the health professional positively.

Through its three-pronged approach, PharmAccess contributed to:
- An increase in patient visits
- An increase in revenues
- An expansion of the staff base