

# The Case for a Health Development Bank of Nigeria



## 1. Executive Summary

**T**his advocacy memorandum makes a case for the establishment of a Health Development Bank of Nigeria. This is premised on the poor funding of the health sector across the tiers of government; the low absorptive capacity of the Federal Ministry of Health; the equipment, infrastructure and technology needs of the sector and the need to tie investments to results. Others are responding to health tourism; repositioning the pharmaceutical, medical devices and equipment industry; facilitating private sector service delivery; the need to develop critical human resources for health competencies; enhancing sustainability and credibility of health financing; and improving health sector contribution to job creation, taxes and GDP.

The Health Bank will provide equity capital and funds by way of single digit interest loans to Nigerian public and private health institutions, establishments and organizations for short, medium and long-term investments in the health sector at such rates and upon such terms as may be determined by the Board of Directors in accordance with best practices in development banking policy.

### 2. 1 Poor Funding of the Sector

**A**llocations to the health sector averaged 4.982% of the federal budget in the last five years (2018-2022). The allocations are for capital, recurrent, statutory transfers in the Basic Health Care Provision Fund, service wide votes for the sector including counterpart funding for health programs, hazard allowance for health workers and health insurance for military retirees. The capital component from which health infrastructure and upgrades can be funded attracted 20%, 12.3%, 8.75%, 19.49% and 24.9% for the years 2018, 2019, 2020, 2021 and 2022 respectively, being an average of 17.088% of the five-year vote. If the votes for the 5-year period were fully released, it will amount to N540.37billion, a paltry sum compared to the investment needs and demands of the sector. Increases in the health budget are virtually dedicated to recurrent expenditure. The above scenario is replicated across the states of the Federation. In aggregate, across all the States of the Federation N1.919.7trillion, N1.759.8trillion and N1.871.4trillion was budgeted for the years 2020, 2021 and 2022.

## 2.2 Low Absorptive Capacity of the Public Health Sector

Despite the paltry allocations to the sector's capital budget, releases are lower than approved budget figures while cash backed sums sometimes are lower than released. Utilization by the Federal Ministry of Health has always been lower than cash back and this is the basis for the statement on low absorptive capacity. In 2021, due to constant breaches of the Public Procurement Act, the procurement function of the ministry was transferred to the Ministry of Agriculture. Table 1 tells the story of low absorptive capacity.

**Table 1: FGN Health Budget 2010-2021, Approved, Released, Cash Backed and Utilized**

Health Capital Budget Allocation, Releases, Cash Backed, and Utilization							
Year	Approved Health Capital Budget (N'mn)	Released Health Capital Budget (N'mn)	Cash Backed Health Capital Budget (N'mn)	Utilization			
				Utilization (N'mn)	As a % of Approved Budget	As a % of Cash Backed Sum	As a % of the Released Budget
2010	53,066	33,570	33,562	17,745	33.44	52.87	52.86
2011	38,785	38,785	38,716	32,165	82.93	83.08	82.93
2012	60,920	45,001	37,171	33,682	55.29	90.61	74.85
2013	60,047	28,838	28,838	19,109	31.82	66.26	66.26
2014	49,517	20,472	20,472	18,688	37.74	91.29	91.29
2015	22,676	16,445	16,445	12,214	53.86	74.27	74.27
2016	28,650	18,470	18,470	12,430	43.39	67.30	67.30
2017	55,610	52,656	52,656	48,849	87.84	92.77	92.77
2018	86,486	63,481	63,481	52,988	61.27	83.47	83.47
2019	57,090	32,310	32,310	30,890	54.11	95.61	95.61
2020	51,403	96,801	96,801	66,807	129.97	69.01	69.01
2021	134,591	90,000	90,000	56,760	42.17	63.07	63.07
2022	207,389	32,792*	32,792*	4,653*	2.24	14.19	14.19
<b>Total</b>	<b>906,230</b>	<b>569,621</b>	<b>528,922</b>	<b>406,980</b>	<b>#44.91</b>	<b>#71.45</b>	<b>#76.95</b>

*Source: Budget Office of the Federation: # Average \*As at the end of the second quarter*

Therefore, routing investment funds through the Ministry of Health provides no guarantee that they will be utilized for the purpose.

## 2.3 Equipment and Technology Needs of the Sector

The World Health Organization (WHO) reports that only a quarter of PHCs have more than 25% of the minimum required equipment package. It is estimated that only 20% of the PHCs are functional. Secondary and tertiary health care facilities owned by federal and state governments lack essential equipment. Diagnosis is the foundation of care and

modern technical equipment has improved the quality of care. The challenges include inadequate equipment purchases and inventory records, poor maintenance culture, insufficient user training and inefficient procurement, installation and commissioning management, obsolete medical equipment, unavailability of spare parts and technical capabilities rendering the available equipment inoperable.

There are few strategic equipment procurement and management schemes involving original equipment manufacturers and credible maintenance, spares and repairs in public health facilities. This state of affairs has led to some minimal interventions by the Nigerian Sovereign Investment Authority (NSIA) through the NSIA Healthcare Development and Investment Company Ltd as well as proposals for a Viability Gap Fund for investments in the sector. There is the need to increase access to digital technology for telemedicine, e-health, virtual outpatient platforms, etc.

#### **2.4 Tying Investments to Results**

Extant public expenditure and budgeting practices in the health sector is not tied to results and milestones in the Sustainable Development Goals, National Health Policy, National Strategic Health Development Plan, National Health Act, etc. However, funding from the Health Bank will be tied to specific projects and deliverables and the private or public institution that borrows for a project will have no option than to implement considering the need to generate value to pay back the loan and its interest. The investments from the Health Bank will optimize efficiency in expenditure and increase value for money while improving quality of services and standards.

#### **2.5 The Infrastructure Needs of the Sector**

Many healthcare facilities especially at the primary and secondary levels lack sustainable access to electricity, water and sanitation. Health services provided in facilities without these basic infrastructures will not meet quality standards. The Health Bank will support infrastructure provision and upgrades in health facilities. Experts project that Nigeria requires 386,000 additional beds and \$82 billion of investments in healthcare real estate assets to reach the global average of 2.7 beds per thousand people.

#### **2.6 Responding to Health Tourism**

Nigeria loses about \$1.35bn to health tourism annually. On the average, governments in Nigeria are responsible for 15% of the payments. Health tourism is growing at 20% annually. Wealthy and middle-class Nigerians and high-level public officers utilizing tax payers resources have resorted to overseas treatment for surgeries, cancer, cardiology, neurology and management of other diseases. The destination countries include India, United States, United Kingdom, Germany, Saudi Arabia, etc. Considering that Nigeria is exporting qualified medical personnel, it is clear that medical tourism is facilitated by a

lack of enabling environment and critical equipment for the management of these illnesses. Health facilities, goods and services must be scientifically and medically appropriate and of good quality to attract patronage. Beyond saving the funds used in medical tourism, a thriving Nigerian healthcare industry, with world class facilities run by competent human resources for health will generate jobs, foreign exchange and tax revenue for the Government of Nigeria. It will also improve in ranking from the 2021 assessment of 163 out of 191 in the WHO health system ranking.

## **2.7 Repositioning the Pharmaceutical, Medical Devices and Equipment Industry**

Nigeria's pharmaceutical industry is not competitive; it is weak and import dependent. The industry does not produce active pharmaceutical ingredients and excipients and relies on foreign producers. It lacks the modern equipment and machinery to manufacture critical vaccines needed for national health security. Improvements in the sector will require inter alia the acquisition of infrastructure and equipment, resolution of intellectual property challenges, technological capacity and human resource development. All these need to be supported by financial resources which will not be available from the federal, state and local government sources.

About 99% of the country's medical devices and equipment are imported. The devices include consumables, diagnostic imaging, dental products, orthopedics and prosthetics, patient aids, etc. there is an overwhelming need for local production of these devices. The case for support to the sector was made by the Central Bank of Nigeria when it introduced the NGN100 billion credit support fund for the healthcare industry. It targeted indigenous pharmaceutical companies, and healthcare providers to support expansion. However, this is a one-off intervention that needs sustainability.

## **2.8 Facilitating Private Sector Service Delivery**

Public health institutions receive funding from government and in many instances still charge user fees from patients. It is reported that the private sector provides about 60% of health service delivery despite owning 30% of overall health facilities. Private healthcare facilities are generally more expensive due to their source of funding but are deemed to provide better quality care, reduce waiting time and facilitate specialization. Considering the social and human rights nature of health and its link to productivity and the right to life, it is imperative for private health facilities to access funds at concessionary, below the market rates to ensure that their services are not priced above the affordability of the average citizen. The Bank can also consider support for digital start-ups.

## **2.9 Develop Critical Human Resources for Health Competencies**

Nigeria's health professionals (doctors, pharmacists, nurses and other allied professionals) to patient ratio is low and has contributed significantly to the low-quality health services delivered in the country. For instance, Nigeria requires additional 149,700 doctors to achieve the 1 doctor to 1000 patients' ratio. The total approved training capacity for 42 medical schools is 3,650. The human resources challenge is compounded by high emigration levels as high numbers of health workers migrate abroad seeking better conditions of work and remuneration. Furthermore, the National Health Policy identifies inter alia the shortage of biomedical engineers (there is an estimated 1.4 Biomedical Engineers per million people in Nigeria), radiologists (1.5 per million Nigerians) medical technicians, electronics engineers and medical physicists and poor institutional capacity for maintenance of equipment and medical devices.

The Health Development Bank will be required to develop a human resource loan scheme with appropriate prudential guidelines for sponsored development of critical human resources for health.

## **2.10 Contributing to Health Research Funding**

S.31 of the National Health Act establishes a National Health Research Committee with a mandate to promote public and private health research; ensure that research agenda and resources focus of priority health challenges; develop and advise the minister on the application and implementation of an integrated national strategy on health research; and collate and document information on the research activities of public and private research establishments. However, the NHA did not provide for the funding of the Committee's work. It is proposed that the Health Bank will dedicate a part of its profits to strengthen the funding of public and private health research initiatives that lead to the reduction of the disease burden and the development of critical pharmaceuticals and vaccines including active pharmaceutical ingredients and excipients.

## **2.11 Sustainability and Credibility of Health Financing**

Public health financing at the federal and state levels is beset with credibility challenges. The Federal Government in 2022 utilized all its retained revenue to service debts. The resources budgeted for health usually do not meet the 15% of the budget target as required in the Abuja Declaration. Furthermore, the appropriated votes are not fully released and the released sums sometimes do not get fully utilized. Thus, the budget figures do not provide credible evidence of expenditure. Oftentimes, this is based on poor revenue forecasting. Funding from a Health Bank is predictable and promises of services will not be bogged down by lack of resources. Policy implementation can proceed as planned and sustainability will be built into the system.

Through a single, one off financial commitment which will be prudently managed, the funds will continue to revolve, be available and some earnings/profits will accrue to the initial investment, thereby facilitating the sustainability of the investment. A functional Health Development Bank will limit the amount of foreign borrowing for the health sector.

### **2.12 Improve Health Sector Contribution to Jobs, Taxes and GDP**

The Nigerian health sector currently contributes less than 1% of the GDP. It is reported that GDP for the healthcare sector was N475.5 billion in 2021, up 0.2% from N474.8 billion in 2020. A thriving health sector will increase and improve local service delivery while attracting health tourists; a pharmaceutical manufacturing sector that not only satisfies local demand but takes advantage of the African Continental Free Trade Area; the health sector is bound to create more jobs, deliver more tax revenue to government and accelerate its contribution to the GDP.

## **3. CRITICAL AREAS OF INTERVENTION BY THE HEALTH DEVELOPMENT BANK**

**T**he critical areas of intervention from the Health Development Bank will include support for:

- state of the art reference hospitals and highly efficient mono-specialty hospitals;
- facilities upgrade, health supporting infrastructure such as power, clean water and sanitation;
- laboratories, diagnostics equipment, maintenance and infrastructure;
- information and communications technology connectivity that supports improved health information systems, mobile services and digital health solutions;
- emerging technologies, and innovative approaches to healthcare delivery including use of drones to supply blood and other health inputs, virtual outpatient platforms, etc;
- equitable provider payment mechanisms and systems to promote access to health care by creating incentives to improve health service delivery, quality and efficiency;
- manufacture and production of vaccines and other pharmaceuticals, especially to improve upstream research and production, production of intermediaries and active pharmaceutical ingredients and excipients;
- local manufacturing and production of health devices, supplies and technologies;

- health research funding in critical areas to be determined by the National Health Research Committee;
- outsourcing of specialized services and public private partnerships including service level agreements guaranteeing drugs and commodities in a universal health coverage environment;
- promoting low carbon health service delivery infrastructure and climate resilient health facilities leveraging technology and innovation;
- training and development of critical but unavailable human resource competencies in health including biomedical sciences and engineering;
- developing health financing advisory services to enhance equity, value for money and fitness of purpose in the health sector.

The critical areas of intervention listed above shall include green field and brown field investments provided they are financially viable.

#### **4. MODE OF INTERVENTION**

**T**o provide equity capital and funds by way of single digit interest loans to Nigerian public and private health institutions, establishments and organizations for short, medium and long-term investments in the health sector at such rates and upon such terms as may be determined by the Board of Directors in accordance with best practices in development banking policy.

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