

# *Investment opportunities for health care in Africa*

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# Presentation Outline

- Why invest in Africa?
- Banks Value proposition
- Why invest in health and nutrition
- Banks private sector health approach
- Qualification criteria for private health projects
- Investment opportunities for partnership

# Changing African Landscape



2001



2013



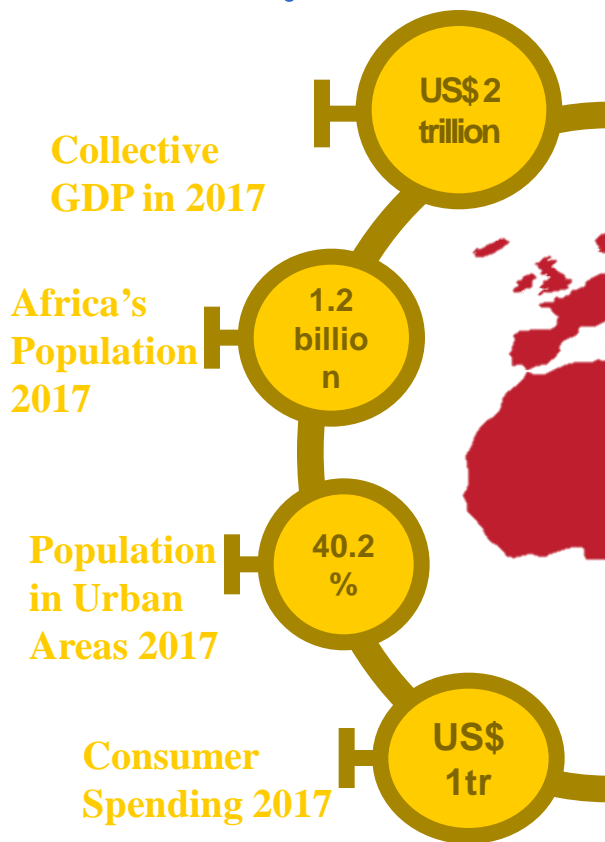
2013 – 2022...



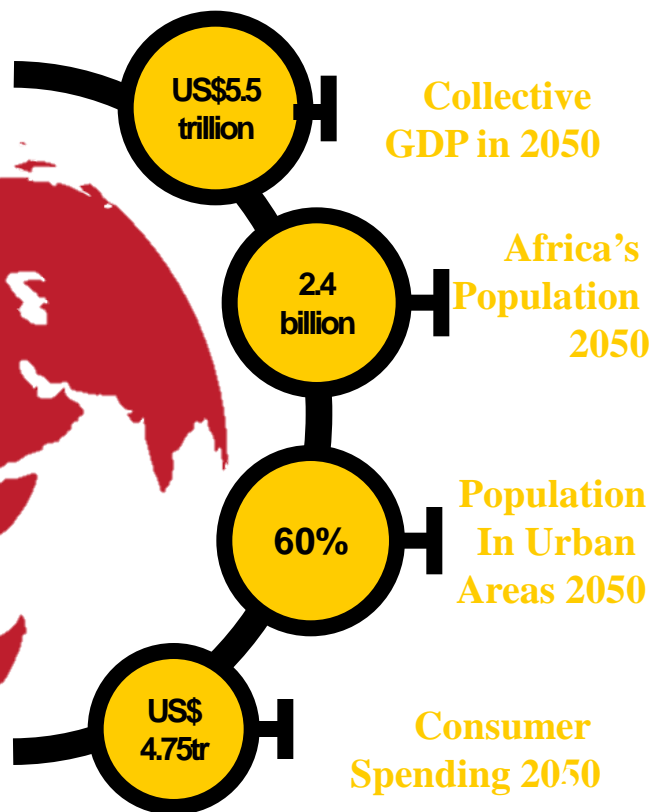
# Africa is on the Move

Emerging as an Economic Success Story

Today



Tomorrow



# Why invest in Africa?

**Africa is not the world's next investment frontier; it is its current investment magnet**

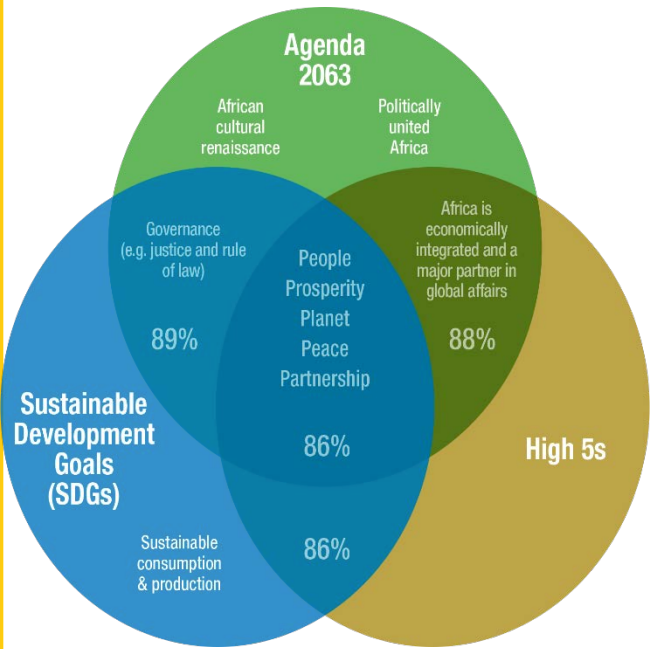
- By 2030, 9 of the world's fastest growing economies are in Africa
- Competitive business environment conducive for foreign direct investment inflows.
- Enabling environment for private sector growth
- The rate of return on investment in Africa is still higher than in the rest of the world
- Young and growing population
- Money to spend and love of brands ( \$4 trillion today- \$ 5.6 trillion in 2025)



**It is estimated that, by 2025, most African countries will have a middle-class majority**

# Without Africa, the world will not achieve the SDGs

Significant financing needs over the next 10 years



	Average annually
Light up and power Africa	\$65–90 billion
Feed Africa	\$32–40 billion
Industrialise Africa	\$40 billion
Integrate Africa	\$10 billion
Improve the quality of life	\$5.5 billion
<b>TOTAL</b>	<b>\$153–186 billion</b>

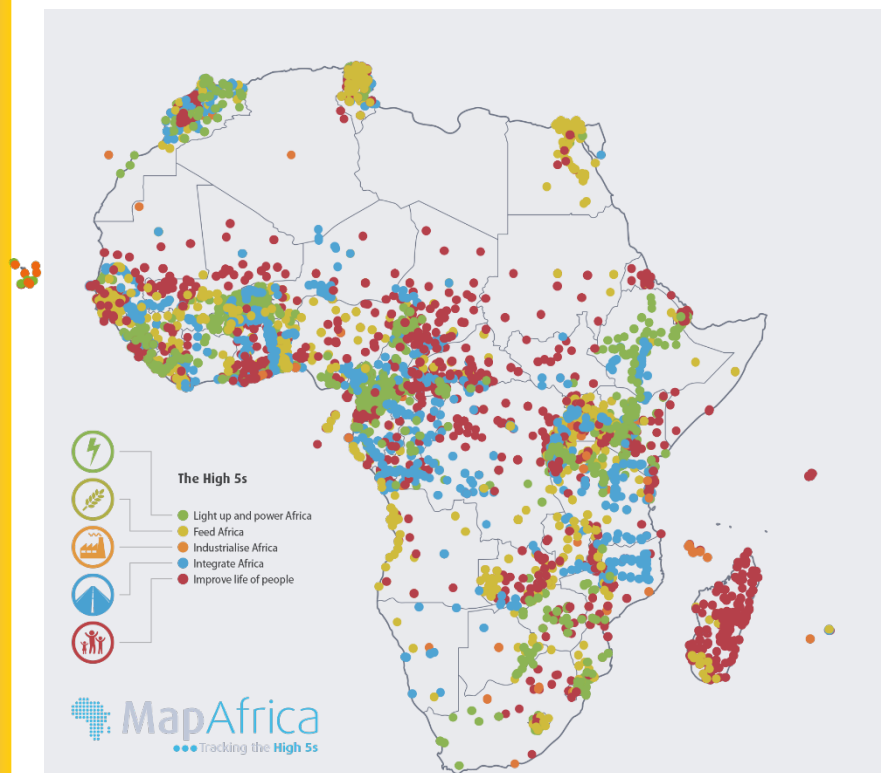
Approx. \$170 billion per annum



# The Bank has a strong value proposition

Our operations are transforming the lives of people

## OPERATIONS (2010-2017)



## IMPACT (2010-2017)



18 million Africans benefitted from new electricity connections



57 million Africans benefitted from improvements in agriculture



420 000 small businesses provided with financial services



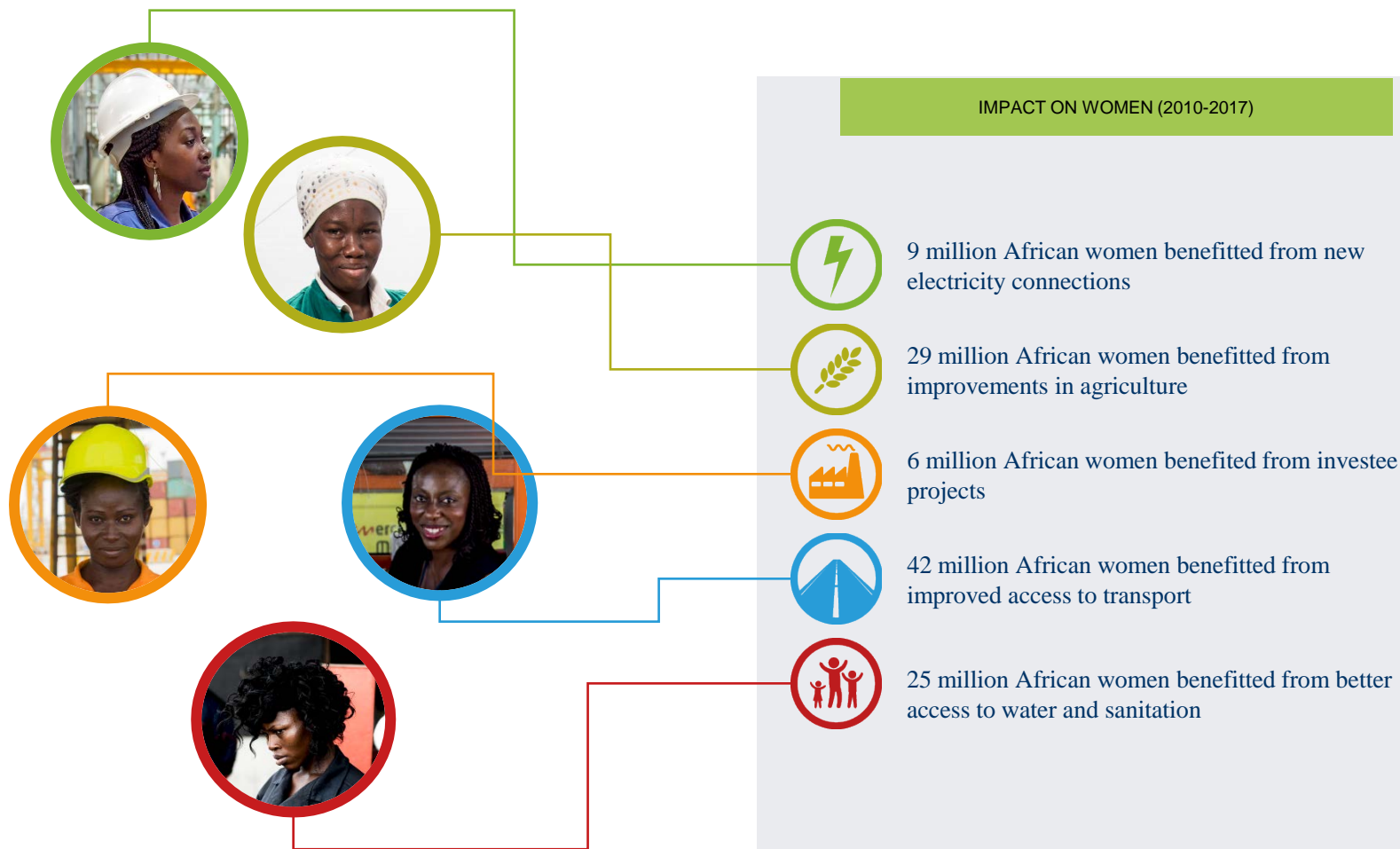
83 million Africans benefitted from improved access to transport



49 million Africans benefitted from better access to water and sanitation

# The Bank has a strong value proposition

We create opportunities for women





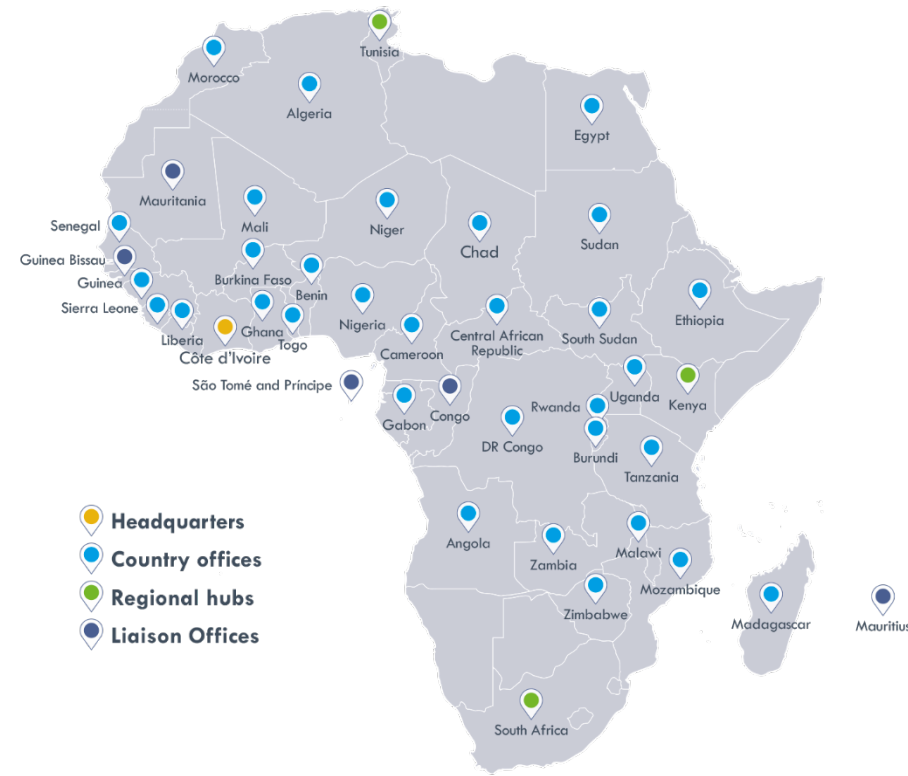
# The Bank has a strong value proposition

Decentralization has brought us closer to our clients

2002



2017



# The Bank is scaling up its performance

MOPAN 2016 rates the Bank among the top three multilaterals

## MOPAN 2016: A COMPARATIVE ASSESSMENT

		AfDB	WB	IDB	GAVI	UNEP	Global Fund	UNICEF	UNDP	UNAIDS	UNOCHA
STRATEGIC MANAGEMENT	KPI 1	●	●	●	●	●	●	●	●	●	●
	KPI 2	●	●	●	●	●	●	●	●	●	●
OPERATIONAL MANAGEMENT	KPI 3	●	●	●	●	●	●	●	●	●	●
	KPI 4	●	●	●	●	●	●	●	●	●	●
RELATIONSHIP MANAGEMENT	KPI 5	●	●	●	●	●	●	●	●	●	●
	KPI 6	●	●	●	●	●	●	●	●	●	●
PERFORMANCE MANAGEMENT	KPI 7	●	●	●	●	●	●	●	●	●	●
	KPI 8	●	●	●	●	●	●	●	●	●	●
RESULTS	KPI 9	●	●	●	●	●	●	●	●	●	●
	KPI 10	●	●	●	●	●	●	●	●	●	●
	KPI 11	●	●	●	●	●	●	●	●	●	●
	KPI 12	●	●	●	●	●	●	●	●	●	●
	<b>Ranking</b>	1	1	1	4	5	6	6	8	8	10
	<b>Points</b>	42	42	42	41	40	39	39	37	37	29

● Highly satisfactory   ● Satisfactory   ● Unsatisfactory   ● Highly Unsatisfactory



# AFDB, not just a financier

AFDB takes the lead role in:



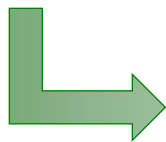
**Project structuring**



**Project coordination**



**Project financing**



...for a wide range of responsibilities...

- Early involvement to contribute to project preparation
- As needed, bring in new partners
- Ensure quality and fairness of project contracts
  
- Assist Project Sponsors in coordinating all parties
- Work “behind the scene” to resolve problems
- Leverage on strategic partnership with Governments
  
- Play a lead role in the due diligence processes
- Mobilise and coordinate debt (and equity) financing
- Coordinate preparation of financing documentation

...to ensure that the transaction is:



**Bankable and sustainable...**



**...Continuously moving forward...**



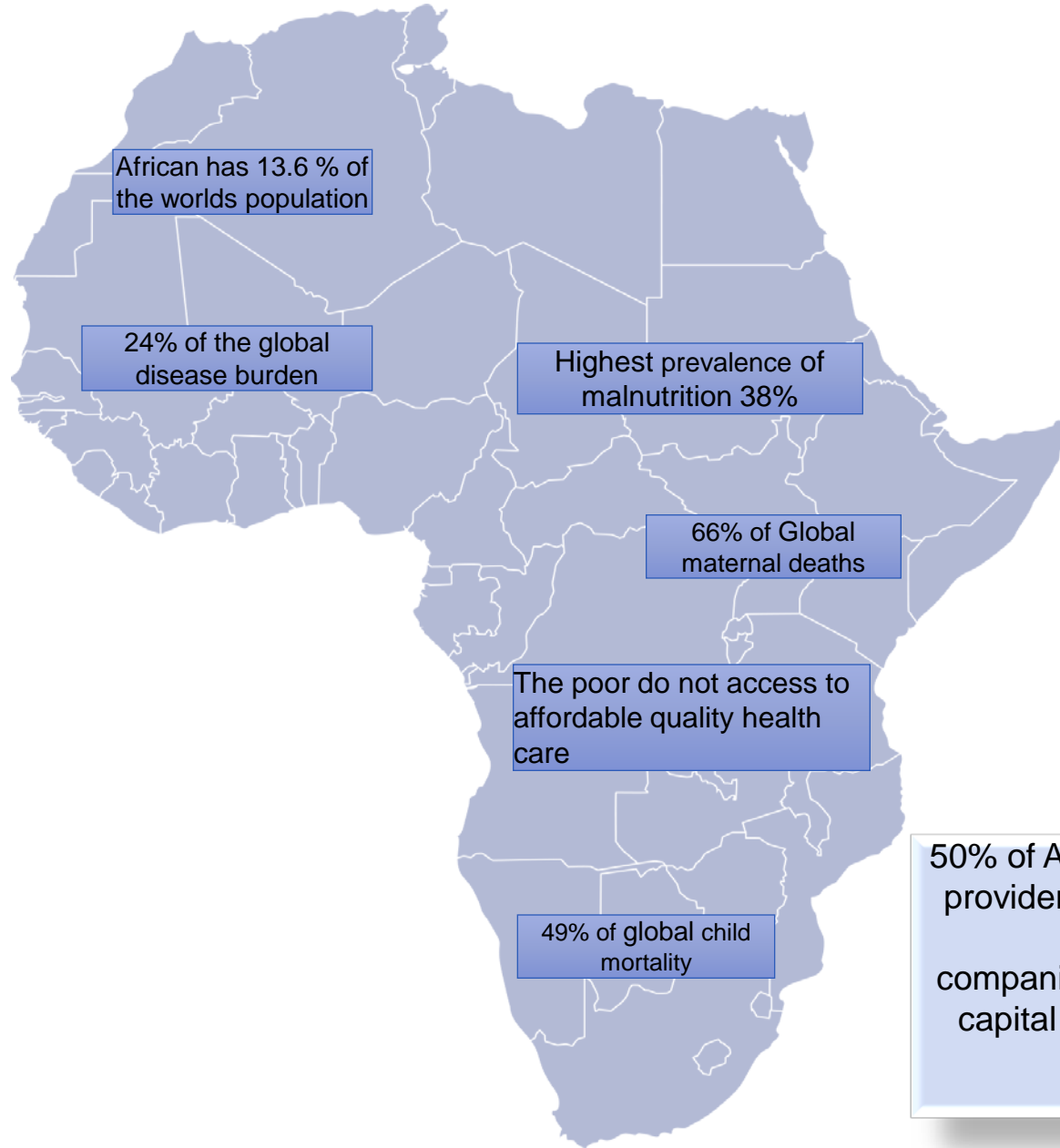
**...Fully financed**



**Driving the transaction to  
Financial Close**



# Why invest in health?



African has 13.6 % of the worlds population

24% of the global disease burden

Highest prevalence of malnutrition 38%

66% of Global maternal deaths

The poor do not access to affordable quality health care

49% of global child mortality

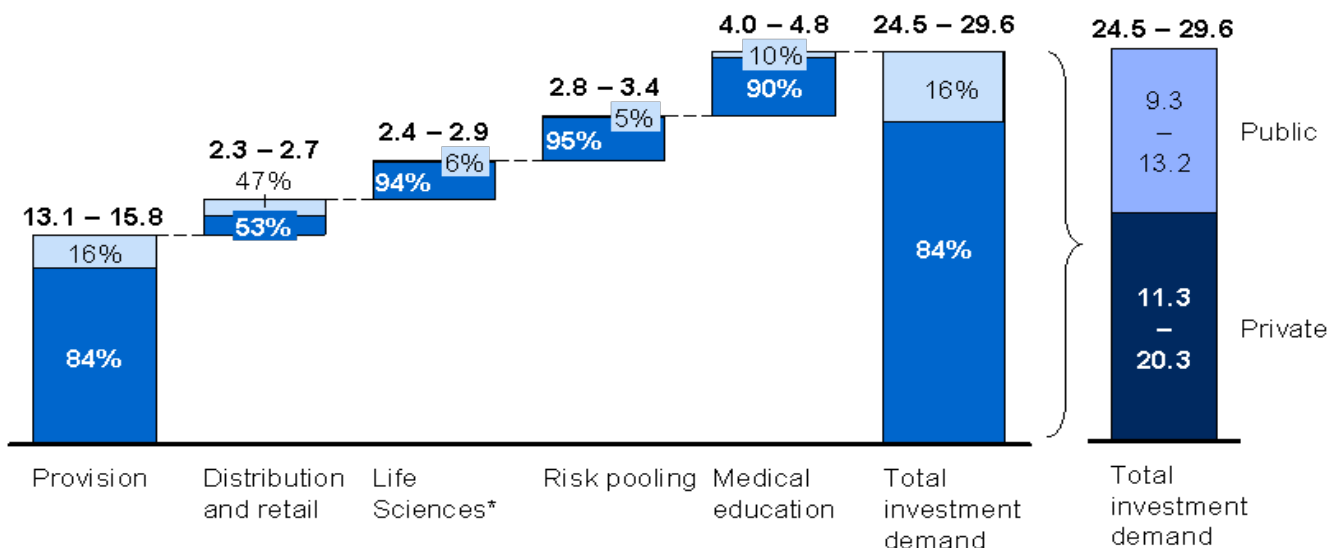
50% of Africans depend on private providers for health services, yet health care companies do not have access to capital to better provide quality health care

# Significant Investment will be Required to Meet this Increased Demand

Projected cumulative 2007-2016 investment demand in Sub-Saharan African health sector (public and private)

\$ billion

Capacity refreshment  
New capacity



Expected proportion of investment demand to be funded by the private sector

(50%) (100%) (85%) (70%) (40%) (58%)

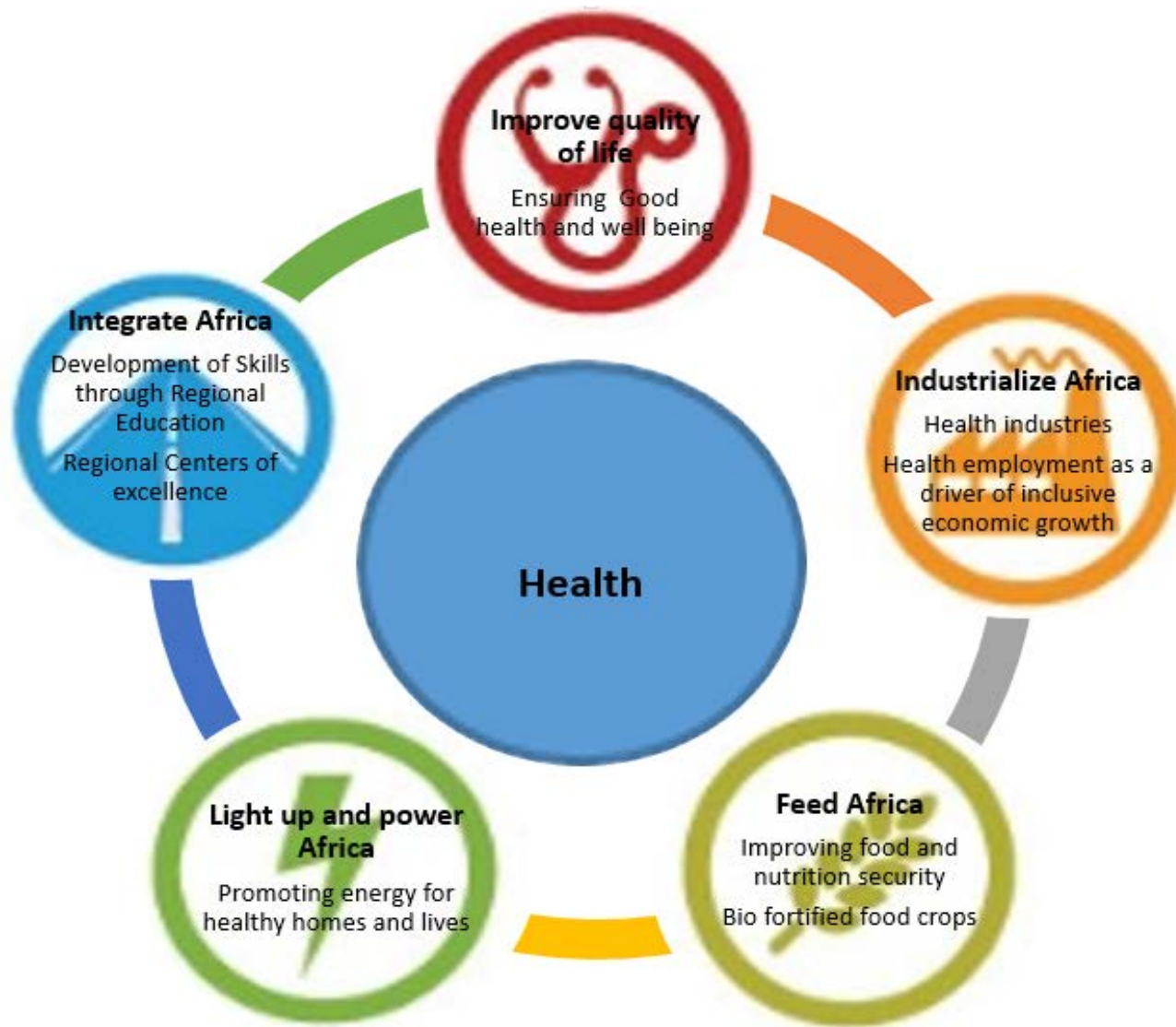
\* Pharmaceuticals and medical products includes South Africa. All other areas exclude South Africa  
Source: McKinsey analysis



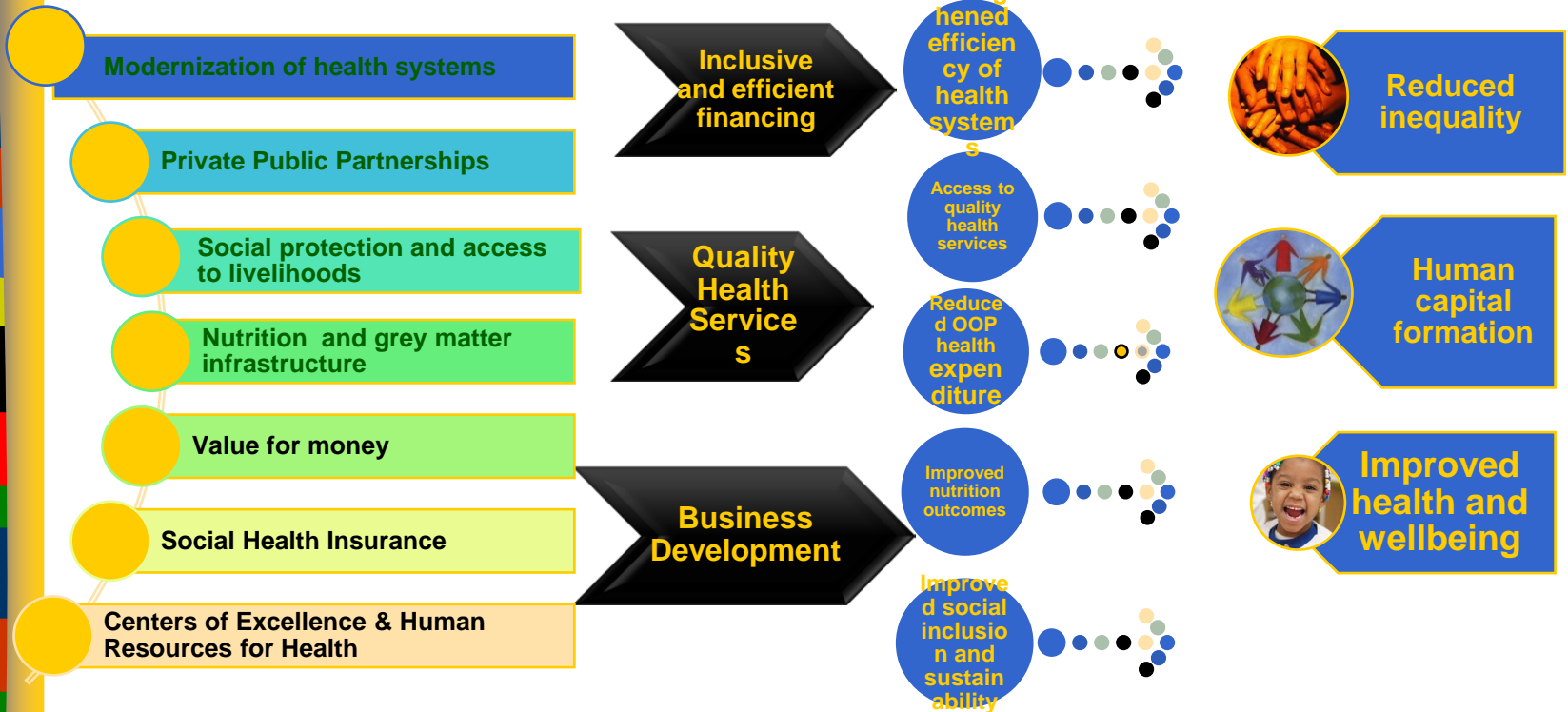
# Africa's biggest opportunities in the private health sector

- 71% of operations in food and agriculture and 60% of health opportunities are in developing countries (***Business and sustainable development commission report 2017***)
- Private sector currently delivers **50% of health services** and absorbs 60% of Total Health Expenditure in Africa.
- Africa healthcare markets are estimated to reach **US\$ 200 billion** (including South Africa and North African countries) by 2020.
- 46% (147M) of the new jobs created could be in the health sector with an estimated 28 million in Africa
- The biggest health opportunities
  - Risk pooling (USD\$ 350-500 billion)
  - Remote Patient monitoring (USD\$300-440 billion)
  - Telehealth (USD\$ 130-320 billion)
- **Pharmaceuticals** sales (USD25bn out of global 960 bn), expected to grow steadily in Africa (demographic trends; rising medical needs).

# Health is central to the Banks Hi5s



# The Bank's framework for Universal Health Coverage



AHHD2 CONTRIBUTION TO IMPROVED QUALITY OF LIFE



# The Bank's health private sector strategies focus on:

- **Quality Service Delivery.** We will finance technical and financial assistance to support the strengthening of health systems through support to quality infrastructure development, capacity building programmes and other institutional support including health information systems, financial management.
- **Building the pharmaceutical industry.** The Bank will work with the private sector and governments to build the pharmaceutical industry and associated services such as supply chain management to ensure affordable medicines and make the pharmaceutical sector an engine for economic growth, system building, and job creation.
- **Sustainable, inclusive and efficient financing.** We will support Bank operations to help African Countries develop equitable and sustainable health financing systems to meet the huge resource needs of UHC by developing innovative partnerships to mobilize and leverage resources.
- **Human resources for health:** Scale up investment in medical education and training, infrastructure, technology, and systems.

# The Bank's health private sector strategies focus on cont':

- **Digital Health:** The Bank will promote the use of information and communication technology in the health sector to improve service delivery and health outcomes.
- **Public Private Partnerships.** The Bank is encouraging African countries to create the necessary legal and regulatory framework for PPPs; as well as facilitating networking and sharing of experience among regulatory agencies and other similar organizations.
- **Nutrition.** The Bank will support large scale food fortification and production of highly nutritious food ( therapeutic and complementary food). Invest in the agriculture value chain to increase access to safe and nutritious food including bio fortification. Support reforms and incentives to enable the food industry improve nutrition outcome.

# The Bank's Strategy to address the key private health sector barriers

Regulatory environment often impedes growth of private health sector

Improve Regulatory Environment



Technical Assistance to Governments  
Knowledge Sharing

Limited access to capital constrains growth and creates sector fragmentation

Increase Access to Capital



Risk Participation with Local Banks

Human Resource Shortage

Alleviate Human Resource Shortage



Facilitate PPPs for training programs  
Investments in training institutions



# Qualification criteria for health projects

## Objective

- Private Sector Partnership for Inclusive and Equitable Growth

## Focus

- Hospital/school construction, management and service delivery
- Revitalize the pharmaceutical industry, promoting domestic manufacturing and retail distribution
- Promoting Digital operations in Health

## Criteria

- Commercially viable
- Potential for catalytic and demonstration impact
- Transfer of skills and local training; foster inclusive growth with local businesses and communities
- An enterprise/project located in Africa
- An enterprise/project whose majority owned by private sector investors or publicly owned with strong financing standing & proven managerial autonomy
- Proven experience and/or reputation of project sponsors

# Investment instrument terms

## Debt Financing

- Debt financing: project finance, corporate finance, lines of credit, guarantee
- The minimum budget size per project: appx. US\$30mil. (Bank financing up to 1/3)
- Terms: maximum maturity 15 years, with a grace period covering the construction period (depending on the cash flow of the project)

## PE Funds

- Participation of equity through PE funds: With the goal of helping low-income Africans gain access to affordable, high-quality health services
- The average stake size: appx. US\$ 10-25mil. (Bank up to 25%)
- Evaluation: not only by fiscal performance but also by its ability to cultivate businesses serving the poor



# Investment channels in health

The Bank recently embarked on building health care practice through its private lending window .



Public  
Sector

- Sovereign Loans: Since 1970 over 220 health operations with a total commitment of more than US\$ 7.2 billion.



Private  
Sector

- 
- Debt Financing: USD 8.2 million for the establishment of 60-bed hospital private hospital in Gambia.
  - Equity Fund: Approved the investment of four healthcare equity funds - Investment Fund for Health in Africa (IFHA, 2007), Africa Health Fund (AHF, 2009), Abraaj Growth Markets Health Fund (2016), and Rx healthcare fund (2016) amounting to a total USD 70 million



# In summary- Investment opportunities for Japan

- **Modernising health services** delivery (infrastructure, Equipment)
- **Pharmaceutical industry:** scale up production in Africa
- **Digital health and technology**
- **Health care training**
  - Over the last decade the number of medical schools in Africa doubled largely through private investments;
  - The prospect is great. 11 countries in Africa have no Med. Schools and 15 countries have only one each.;
  - The Bank is investing in this and private sector is a strategic partner especially through PPPs.
- **Production and marketing of nutritious foods** in Africa (fortified complementary foods, fortified staple foods, bio-fortified foods)
- Develop the **agribusiness** sector for nutritious foods (horticulture, livestock and fishery)

# More on [www.afdb.org](http://www.afdb.org)

- Private sector web page:

<http://www.afdb.org/en/topics-and-sectors/sectors/private-sector>

- Application checklist:

<http://www.afdb.org/en/topics-and-sectors/sectors/private-sector/how-to-work-with-us/>

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**Arigatougozaimashita !**