

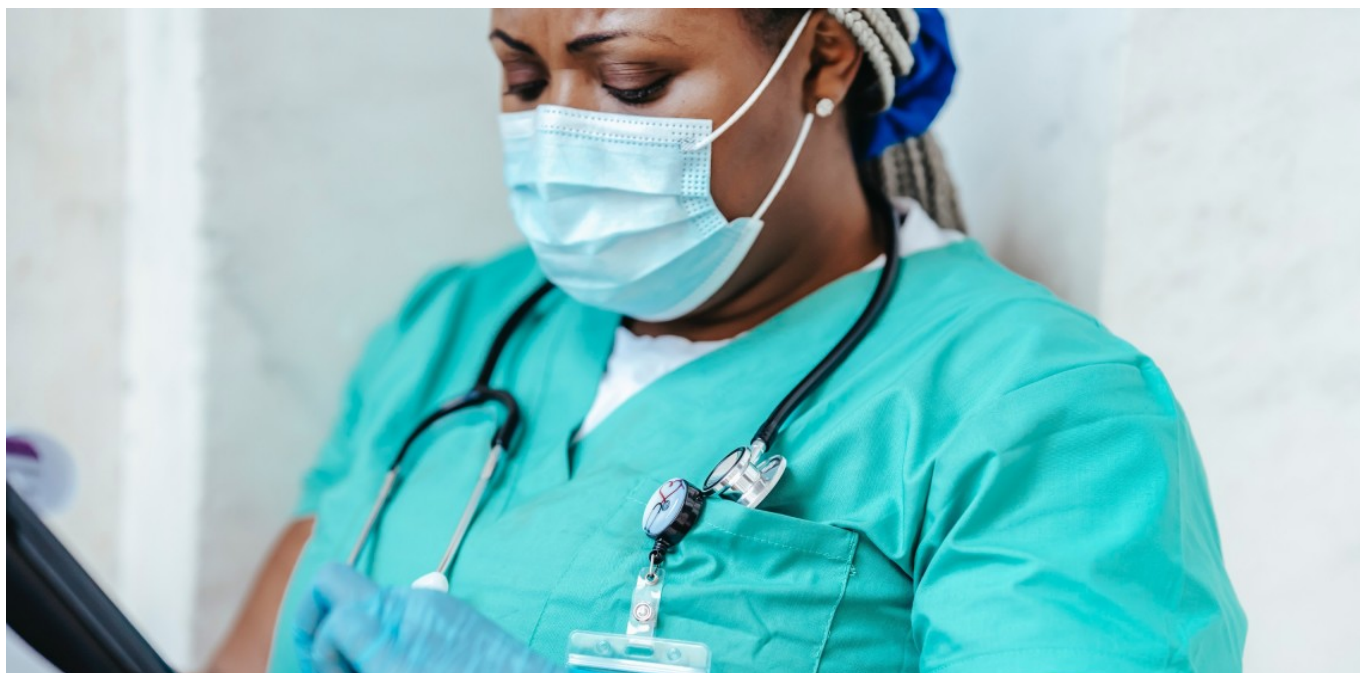
Responding to pandemics: development funders light the way

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Three key figures in development finance institutions working with the healthcare sectors of developing countries provide their insights gleaned at the coalface of pandemic responses. The funding and technical assistance provided by the institutions they represent have fortified providers in serving their populations and is enabling greater access to quality healthcare. Lessons shared about challenges and opportunities also will enable solutions aimed at the betterment of populations. To this end, support of the public and private sectors by these DFIs is facilitating collaboration geared towards addressing challenges and embracing opportunities.

PS&D: What actions, tools and initiatives have been implemented by your DFI in response to the pandemic to support the private health sector in developing countries and emerging markets?

Fadila Hamdane (Proparco): Proparco has carried out its action as part of AFD Group's [Health in Common](#) initiative, which was launched at the outbreak of the pandemic to complement AFD's action. We've worked to support vaccine production in Africa and promote the emergence of new pharmaceutical industries. For example, Proparco has participated in a major syndicated loan to finance the South African group Aspen, one of the leading pharmaceutical groups in Africa. The

financing has served to support the deployment of a Covid vaccine manufacturing plant with a capacity of 300 million doses.

Isabel Thywissen (DEG): DEG is engaged in financing health delivery and pharma; in recent times, we have focused on Covid-19 vaccine production. We support our portfolio companies in adapting their pandemic responses - for example, to purchase PPE (Personal Protective Equipment), for infection control, digitalization and training personnel.

Audrey Obara (Swedfund): Very quickly after the first cases were announced in our focus market, we deployed technical assistance funding to support clinics and hospitals so that they could continue to provide care for people in need. This included initiatives concerning protecting staff, protective gear, ensuring safe patient flows, and quick renovations of infrastructure to ensure that patients and staff remained safe. Secondly, together with other shareholders, we assessed the potential to provide additional investment in the portfolio to bridge the consequences of the pandemic and increase the resilience of the portfolio companies.

The crisis has brought increased awareness of the importance of a well-functioning system, ready to respond to pandemics and other threats to health systems. - Isabel Thywissen (DEG)

What has been the impact of the crises on the private health sectors in these countries?

Isabel Thywissen (DEG): Covid-19 is a public health issue. Nevertheless, due to a lack of means and infrastructure, it has become a private and public-private partnership matter. A lack of availability of financial means, additional costs for Covid-19 treatment, overworked staff, and income reduction due to the postponement of hospital procedures all have a strong impact on the sustainability of private institutions.

Fadila Hamdane (Proparco): The health crisis has firstly had a negative impact on the private health sector. Indeed, private hospitals have been forced to cancel non-urgent operations. For the pharmaceutical industry, it has caused problems with supplies and the transport of raw materials or finished products. But the industry got organized very quickly and returned to a strong level of activity: hospitals supplied their staff with protective equipment and adapted their working arrangements. Some of our hospital clients have benefited from Proparco's technical assistance to help them reorganize themselves and protect their staff.

Audrey Obara (Swedfund): Many providers have experienced a drop in patient flows because patients stayed away for fear of contracting Covid-19. Operating costs have also increased on consumables such as masks, protective equipment, and medical equipment, due to supply chain hiccups, lockdowns and the overnight spike in demand for these products.

The pandemic has increased the level of poverty and has made access to care more difficult in these countries. What measures has your DFI taken to improve access to healthcare?

Isabel Thywissen (DEG): We finance the production of generic medicines, increasing the availability of medicine and reducing treatment costs. The alignment of practices to international standards leads to improved quality and efficiency, allowing better access to treatment. Joining

forces with other engaged institutions leads to quicker implementation of the needed measures. Digitalization of the sector also helps to improve access to care.

Audrey Obara (Swedfund): In 2021, we closed a loan facility to Medical Credit Fund II, which provides financing and capacity building to health SMEs, enabling them to provide affordable, quality healthcare in several Sub-Saharan African countries. We also increased funding to HealthQuad II, a fund that supports innovative solutions in India, which are transforming healthcare delivery and ensuring greater access for more people. We continue to build relationships with like-minded institutional investors focused on healthcare in Sub-Saharan Africa and Asia to support access to affordable, quality care.

Fadila Hamdane (Proparco): The crisis has had major economic and social consequences, which limit access to healthcare for a growing proportion of the population. This crisis situation makes the issue of accessibility even more crucial. To address it, in late 2021, we allocated a grant to the [Aga Khan Health Services](#) hospital network in Kenya and Tanzania. This grant aims to finance a mechanism devised by the network: the Patient Welfare Program. This mechanism blends external grants with the financial efforts of AKHS to provide access to quality healthcare for disadvantaged people.

Technology transfers, such as those promoted for the production of the Covid vaccine, must be supported to ensure there is a good quality local production. - Fadila Hamdane (Proparco)

Looking to the future, how can we make the private health sector more resilient?

Fadila Hamdane (Proparco): Many challenges must be addressed to develop the private health sector and make it more resilient to crises: there is an urgent need to increase the training capacity for health workers and strengthen and coordinate the regulation of the sector at regional level (particularly for pharmaceuticals). It's also essential to improve the general infrastructure so that production can meet the highest standards. Close cooperation with the public sector is necessary to identify solutions to the needs for seed and R&D funding and to secure the marketing aspects. Furthermore, technology transfers, such as those promoted for the production of the Covid vaccine, must be supported to ensure there is a good quality local production.

Isabel Thywissen (DEG): Private healthcare provision is part of a complex system. External factors such as regulation, infrastructure - clean water, supply of ingredients and qualified staff, among others - are required as the basis for private engagement. Private companies need to concentrate on good performance, less bureaucracy, better pandemic preparedness and quicker adaptation to changes in the health environment. In the case of Asia Royal Hospital in Myanmar, we assisted with reorganizing their workflows, in parallel to financing an expansion.

Audrey Obara (Swedfund): Affordability remains a key constraint for many people in developing countries accessing healthcare. Solutions need to be cost efficient without compromising on quality, and coordinated efforts are required from various actors such as governments and the private sector, cooperating on traditional aid and investment. Collaboration will also be required between the public and private sectors to utilize excess capacity (for example, equipment and human resources) and to enhance technical capacity.

Has the pandemic influenced your strategy in supporting the private health sector?

Isabel Thywissen (DEG): Different stakeholders, such as the public and private sectors, have started trustful collaborations. One such case was [Aspen](#) in South Africa producing vaccine, financed by a consortium of IFC, Proparco, DFC and DEG. Later on, we increased the volume of our financing in the pharma sector, including of Grupo Ave in Colombia. We have also backed private hospitals affected by the drastic reduction of revenues during the pandemic.

Fadila Hamdane (Proparco): There has never been such a need for massive investment in health infrastructure and human resources training. It's also necessary to strengthen social protection systems in our countries of operation. In this context, we need to adapt our strategy, with the aim of further stepping up our support for the health sector. This must also include working closely with AFD's teams to improve the supervision of the private sector, as well as the consideration of its specific characteristics. It must enable us to initiate an ambitious dialogue with the public authorities to establish the conditions for the development of quality healthcare accessible to all.

Audrey Obara (Swedfund): Covid-19 has highlighted the importance of building resilient health systems in developing countries and the critical role that the private sector plays and can play in complementing the public sector in this pursuit. Payment mechanisms such as taxes and insurance need to be expanded, including government interventions for the vulnerable and underserved. The pandemic has reinforced our commitment to the health sector to financially support companies and funds that seek to improve services and access to quality healthcare for underserved populations in a sustainable manner.

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What challenges and opportunities has the crisis revealed for the health sectors in developing countries?

Isabel Thywissen (DEG): The crisis has brought increased awareness of the importance of a well-functioning system, ready to respond to pandemics and other threats to health systems. Also, it has exposed the need for medical training and supply chain challenges to be resolved.

Audrey Obara (Swedfund): Most of the pre-existing challenges were exposed during the crisis: shortage of healthcare workers, beds, and specialized equipment (e.g. ventilators); poor supply chains; and limited local production of key medical consumables and drugs. There is a strong case for enhancing the local production of medicines and consumables and for reducing reliance on imports. This need not be in each country but within regional blocks, with certain countries manufacturing specific drugs/consumables. According to an article by McKinsey in 2019¹, Africa had only 375 drug manufacturers, mostly in North Africa, serving a population of around 1.3 billion people, compared with 10,500 in India serving 1.4 billion people. The role of digital technology in solving many healthcare challenges is growing and received a big boost from the pandemic.

Fadila Hamdane (Proparco): The crisis has highlighted the vulnerability of healthcare systems. It has also demonstrated the capacity of States to take action and join hands to allocate larger budgets to the health sector. Indeed, it has created a political momentum that helps bring about new projects

and promotes greater investment by various types of players (private sector, DFIs, NGOs).

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