

African Healthcare Funders Forum

INVESTOR'S FOCUS GROUP DISCUSSION REPORT

Generously sponsored by Boehringer Ingelheim, as part of the 'Making More Health' and Boehringer Ingelheim Social Engagement initiatives.

APRIL 2022





Table of Contents

Preface	p 03
Introduction	p 04
Methodology	p 05
Focus Group Discussion Participants	p 06
Focus Group Findings	p 07
Conclusion	p 09
About the Partners	p 10

Preface

This report captures findings from two Focus Group Discussions (FGD) held with key social investors on 10th March 2022 and 1st April 2022. The sessions, organized by the African Venture Philanthropy Alliance (AVPA) were part of a collaborative initiative between AVPA, Ashoka and Social Innovation Circle that is sponsored by Boehringer Ingelheim. The four organisations have come together to establish a first-of-its-kind premium African Healthcare Funders Forum dedicated to accelerating access to healthcare in Africa. This forum will offer a leadership program as well as unique networking and investment opportunities to bridge the current funding gap and bring innovative financing solutions to the sector. Investors who join the forum will be exposed to a variety of innovative funding models designed to crowd in de-risking capital at the scale and speed required to catalyze sustainable growth of proven initiatives. In addition, patrons of the Forum will be exposed to cross-learning models, including workshops and have the opportunity to be part of topic specific working groups where they can explore and test various impact investing approaches. The African Healthcare Funders Forum aims to help investors become more effective in mobilizing and deploying capital into the African healthcare sector for maximum social impact.

The African Healthcare Funders Forum is generously sponsored by Boehringer Ingelheim as part of their 'Making More Health' and Boehringer Ingelheim Social Engagement initiatives. The forum is due to launch in September 2022.



Introduction

A robust healthcare system is a precondition for economic development, yet the development aid to Africa that is designated for health is at best unpredictable and cannot sustain the desired long-term investment approach needed to grow this sector. Africa's population represents 16.72% of the total world population and despite recent on-track progress as regards SDG 13 (climate action) and SDG 12 (responsible consumption and production), the goal of achieving good health and wellbeing (SDG 3) seems more and more elusive. Child and maternal mortality remain alarmingly high across many African countries, while 50% of the global deaths from communicable diseases occur in Africa. To compound the problem, one third of all Africans live more than two hours away from any healthcare facility; establishments that more often than not lack hospital beds, medical equipment, and drugs. The economic costs of poor healthcare services on the continent are severe. In fact, the African Development Bank estimates that Africa loses \$2.4 trillion in annual output due directly to poor health.

National governments bear the responsibility for the healthcare of their populations, but their spending is often hampered by competing priorities. In the 2001 Abuja Declaration, African governments admirably pledged 15% of their annual budgets to healthcare by 2015 yet few countries achieved the target. As a result, there is increasing recognition that private sector investment is urgently needed in order to achieve Universal Health Coverage (UHC). Institutional equity capital—and the expertise that typically comes with it—is critical to achieving growth in this sector.

The number of investors in healthcare in Africa is growing but there is still a “missing middle” that represents early and growth-stage companies that need average financing of between \$0.1 - \$5M. When investors do play in this space, they concentrate on the growth and mature phases of the entrepreneurial journey with average financing ticket sizes of >\$1M. Growth and mature phase enterprises are considered “bankable” due to their track records and demonstrated business viability.

Africa's health sector represents a massive investment opportunity, estimated by the United Nations Economic Commission for Africa to be worth \$66 billion annually. Understanding why more investors are not leveraging this opportunity is the first place to start when designing the African Healthcare Funders Forum. To that end, information gathered during AVPA's Focus Group Discussion sessions was used to help build a robust program for healthcare investors joining the Forum.



50%
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\$2.4 Trillion
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\$66 Billion
Annual investment opportunity
in Africa's healthcare sector

1 https://reliefweb.int/sites/reliefweb.int/files/resources/strategy_for_quality_health_infrastructure_in_africa_2021-2030.pdf

2 <https://www.weforum.org/agenda/2019/05/investing-in-africans-health>

Methodology

Nairobi South Consultants Limited (NSCL) was contracted by AVPA to organize and conduct the two focus group discussion sessions. After a briefing meeting with the client, NSCL carried out desk research to identify key social investors currently deploying capital in the African healthcare sector. This was followed by the development of guided discussion points and questions. To help set the stage and legitimize the exercise, invitations were accompanied with an introductory letter from AVPA leadership.

NSCL reached out to a total of twenty-two (22) social investors and eventually received eight (8) confirmations representing a diverse group of participants. To assist with conversation flow and session moderation, it was decided to split participants into two focus groups. Each discussion session lasted one (1) hour.

Before each session participants were again briefed about: the intention/objective behind the exercise; encouraged to answer questions candidly; and encouraged to respond to anecdotes conveyed by other participants.

The selection criteria was based on:

- Participants working for Pan-African investment firms/organisations
- Investment firms that have deployed capital in more than one country in Africa
- Participants with experience in transaction advisory, capital raising, due diligence investigations and other technical assistance required by social entrepreneurs.



Focus Group Discussion Participants

Ken Osei

Ken Osei is a Principal Investment Officer with the International Finance Corporation (IFC), the Private Sector arm of the World Bank Group (WBG), and a leading Development Finance Institution, operating across emerging markets globally. He has been involved in IFC equity, debt, and quasi-equity investments in East, West, and Southern Africa in healthcare among other sectors. IFC has an active portfolio of more than \$165 million in sub-Saharan Africa.

Audrey Obara

Audrey is Head of the Health team at Swedfund. She has experience in transaction advisory, capital raising, due diligence investigations, financial and market analysis among others. In 2020, Swedfund invested over \$125 Million in equity financing in the African health sector.

Hiroki Isida

Hiroki is the Director in charge of the Asia Africa Investment & Consulting (AAIC) firm that manages the "Africa Healthcare Fund". The company is also providing consultation services to Japanese companies interested in establishing businesses in East Africa. Since 2019, AAIC has deployed over \$550M in the African healthcare sector.

Dr. Robert Karanja

Dr. Karanja is a biomedical scientist and currently the chair of the Association of Startups and SMEs Enablers of Kenya (ASSEK). He is also a co-founder of Villgro Africa – an early-stage business incubation and investment platform that invests in startups in the health and life sciences sector. In the last 5 years, Villgro Africa has incubated and backed over 30 African startups with seed funding of more than \$3 million.

Linda Obara

Linda is an experienced Investment Specialist at Leapfrog Investments with a demonstrated history of working in the African private equity arena. LeapFrog invests in companies dealing in pharmaceutical products; orthopedic pain management and mobility products; diagnostic and laboratory supplies/products; as well as medical services including tele-consultations. Typical capital investments range between \$10m and \$50m in companies that have the potential to scale.

Sewu-Steve Tawia

Steve is an Angel Investor and founding member at Asime Ventures, an African based Venture Capital firm investing in Ghana, Kenya, Côte d'Ivoire, Madagascar, Togo, Nigeria and South Africa. He is also the managing partner of Jazarift Ventures that has deployed over \$30 million in the African health sector.

David Kleiterp

David is the Investment Manager at Zoscales Partners, a private equity firm that invests in SMEs with superior return potential. Zoscales Partners manage a \$75m impact fund launched in 2017 and backed by a mix of commercial investors and development financial institutions. The fund targets East African social entrepreneurs who focus on healthcare and the consumer goods sectors.

Sarah Fischer

Sarah is the Global Health Financing Lead at Johnson & Johnson and Head of the healthcare arm of the international venture club. She has experience in new ventures and investments across MedTech, and HealthTech. Johnson & Johnson is one of the world's largest healthcare companies and has invested billions in Africa's health sector.

Focus Group Findings

MAJOR CHALLENGES

Participants in the two focus group discussions identified the following as challenges investors face when deploying capital in Africa's healthcare sector:

Scalable Initiatives:

Healthcare businesses, enterprises and start-ups in the health sector are fragmented. There are very few large players. Investors looking to deploy above five million dollars have very few options. This is because the most common healthcare establishments in Africa are small clinics/hospitals (often owned by a group of doctors or a family)

Inadequate Capacity:

Many founders of healthcare facilities have good ideas but lack experience, talent and/or the managerial capacity needed to professionally oversee such initiatives. Those with experience tend to work in silos.

Poor Due Diligence:

The lack of local bodies to support timely due diligence hinders the process of effective deal closures.

Investor Readiness:

There is a lack of good quality, investor ready businesses that have good systems, workflows, procedures, business models, and can easily/convincingly justify why funds are required.

Out-of-Pocket Expenses:

Many healthcare initiatives have very high out-of-pocket (OOP) expenses that make it difficult for investors to determine the demand for healthcare services or accurately project cashflows.

Regulatory Environment:

The unpredictability of government regulations and policies makes it difficult for investors to confidently deploy capital in the healthcare sector. There needs to be more coordination and dialogue between government healthcare ministries (agencies/bodies), the private sector, NGOs and social investors.

Lack of Coordination:

There needs to be better coordination between donors, national and local government bodies and the private sector so as to ensure changes in donor targeted programmes do not crowd out private investments.

Participants of the two focus group discussions (FGD) sessions agreed that the following key drivers could lead to transformation of the health industry in Africa:

1. The ongoing push for Universal Health Coverage (UHC) and various national dialogues on reducing the cost of healthcare via disease prevention and detection; cost-effective quality treatment; and more efficient care in ambulatory and retail settings.
2. Extraordinary advances in technologies which may include artificial intelligence (AI)-driven diagnosis and treatment, virtual care, electronic medical record (EMR) systems, medical devices, gene therapy, and precision medicine.
3. A younger demographic and improved life expectancy will change the health needs of Africa's population. Concomitantly, the expected demographic dividend beyond the year 2030 will see a higher proportion of adults/working-age people have fewer dependents to support, more purchasing power and demand for better healthcare.

Focus Group Findings

Based on these key drivers, the potential areas for investment, growth, and consolidation as identified in the AVPA Focus Group Discussions are:



Healthcare IT:

Advances in information technologies that help enhance access to healthcare as well as aid in early detection/treatment and in the delivery of quality, lower-cost care including:

1. Advanced interoperable Electronic Medical Record (EMR) systems;
2. Artificial intelligence (AI) and data analytic technologies that improve diagnostics and early detection, enhance the speed of research, development and clinical trials, and guide more effective treatments;
3. Virtual care (telemedicine) platforms that enhance access to care and treatment in the ever-increasing personal devices, and consumer-driven healthcare economy;
4. Mobile apps and IT “connected” medical devices that enhance prevention and detection of illnesses, and can guide care for individuals managing chronic diseases; and
5. Cybersecurity to protect health information and technology-dependent healthcare delivery system.



Pharmaceutical goods & devices:

New scientific discoveries geared to effectively treat health conditions with a focus on lower costs such as:

1. Gene therapies, based on research of the human genome;
2. Precision (personalized) medical treatments; and
3. New biological drugs based on advanced, AI-driven clinical research and trials



Physician Services:

Physicians and other frontline health workers are key actors in creating efficiency in the health sector. They require the support of advanced IT technologies, data analytics, and a vast infrastructure that requires substantial capital investments.



Hospitals & Health Systems:

Hospitals and hospital systems in Africa are poised to expand and scale to ensure that the population accesses care within a reasonable radius. To generate economies of scale and impact, consolidation (and mergers) of existing hospitals and geographical expansion will attract new capital demand.



Long-Term Care Services:

With improved life expectancy across Africa there will be increased demand for all healthcare components along the continuum of long-term care services with particular focus on home care or at the least costly care setting (e.g., adult day care vs. assisted living vs. skilled nursing facilities).



Behavioural Health Services:

There is an increased awareness of, and funding for, the treatment of the entire range of behavioural health services; this includes patients within the autism spectrum, patients experiencing depression, anxiety, etc. as well as substance use disorders (opioids, alcohol, etc.) and other addiction disorders.

Conclusion

There was consensus among FGD participants for the establishment of a collaborative/forum focused on growing Africa's healthcare sector; a platform where investors can connect with peers, think through pragmatic solutions and discuss challenges with social enterprises.

The Focus Group Discussion established that such a forum would interest social capital investors for three reasons:

- The need to co-operate or compare with other investors to help them maintain best practices within their own organization.
- The desire to collaborate with peers on a bilateral or multilateral level, such as through staff exchanges, research clubs and roundtables.
- The potential of developing a network to form efficient co-investment vehicles with trusted partners within the forum.

It can therefore be inferred from information gathered during the two focus group sessions that AVPA, Ashoka and the Social Innovation Circle – sponsored by Boehringer Ingelheim – may wish to consider implementing the following recommendations as part of the African Healthcare Funders Forum:

- Organizing thought leadership summits or roundtables from a mix of organizations including asset owners, asset managers, other development financial institutions and possibly government policy makers.
- Developing content from the roundtables/summits and actively engaging member organizations in institutional knowledge exchange and co-creation of tools that would enhance efficient deployment of capital in the African healthcare sector.
- Creating an enabling environment where trust and deeper relationships amongst participants can be inculcated to enhance formal arrangements such as joint ventures or co-investment vehicles.



Collaboration



About the Partners:



African Venture Philanthropy Alliance (AVPA)

The African Venture Philanthropy Alliance (AVPA), established in late-2018, is a Pan-African network of social investors interested in collaborating to increase the flow of capital mobilized and deployed for maximum social impact. AVPA's mission is to disrupt the space between pure philanthropy and pure profit and bring together different types of investors along the continuum of capital for improved collaboration and increased mobilisation of innovative financing. AVPA envisions an African continent where collaborative and effective social investment results in exponential social impact and achievement of the SDGs.



Ashoka identifies and supports the world's leading social entrepreneurs, learns from the patterns in their innovations, and mobilizes a global community that embraces these new frameworks to build an "everyone a changemaker world." Ashoka mobilizes a network of organizations in shifting mindsets and reshaping how they learn, work, and live together to catalyze changemaking for the good of society. Ashoka partners with schools, universities, corporations, citizen sector organizations, media, and other influencers to co-lead this movement.



Social Innovation Circle

Social Innovation Circle envisions a world where social innovators are empowered with the tools and support, they need, to scale their solution. This includes facilitating the bridging of knowledge and funding gap by offering coaching services, drawn from decades of working at the forefront of social innovation. Social Innovation Circle combines experiences and networks, and are building the leading coaching platform for social innovators raising finance.

ABOUT THE SPONSOR:



Boehringer Ingelheim

Boehringer Ingelheim is a research-driven group of companies dedicated to the discovery, development, manufacture, and marketing of innovative healthcare products. Part of these efforts have been channeled through the Making More Health (MMH) global initiative.

The MMH global initiative that aims to create a healthier world for individuals, animals, and their communities. By supporting social entrepreneurs and social entrepreneurial thinking MMH will lead to innovative solutions and create social impact as well as help to find innovative business models.