There has never been a more exciting time to be an investor in health in emerging markets.

Meanwhile, the growing prevalence of non-communicable diseases like cancer, heart disease, and diabetes is upending perceptions of the needs for health in developing countries. Developed and developing countries alike are struggling to cope with the high cost of these diseases, in terms of lost lives, lost productivity, infrastructure financing, and the human capital required to treat them.

Around the world, health policymakers understand that a mixed system of public and private health providers is the most practical way to deliver health services to a large number of people for the greatest value of spending. The challenge is to ensure that public and private investments, laws, and regulation are made taking into consideration the context of a country’s overall health system.

IFC’s goal is to achieve access to quality healthcare for all—delivered together. Our approach to health is also evolving in response to these daunting challenges. Only a little over 15 years ago, IFC was a relatively small health investor. Today, we are one of the leading investors in the private healthcare sector in emerging markets.

Elena Sterlin, IFC Head for Health and Education, provides her insights into current market realities and future investment trends.
years ago, IFC established a dedicated Health and Education investment department to mobilize private investment for health projects in developing countries. Today, we are no longer looking opportunistically for attractive projects, but are looking for long-term, like-minded partners who can work with us to improve entire health systems in emerging markets.

Currently, IFC holds an active portfolio of investments in health services and life sciences totaling US$ 1.6 billion (US$3 billion in total for closed and open investments). We believe there is almost an unlimited potential to grow this portfolio successfully, given the scale of needs in developing countries and the breathtaking pace of innovation in the industry.

IFC is just one financier. But working together with existing partners and with new ones, we are confident this goal is entirely achievable.

---

Supporting private healthcare and life sciences companies in 62 countries

Reaching over 27 million patients

---

IFC WORKS ACROSS HEALTHCARE SUB-SECTORS

Financing solutions to a wide range of parties across health industry

<table>
<thead>
<tr>
<th>SERVICE PROVIDERS</th>
<th>LIFE SCIENCES</th>
<th>MED-TECH &amp; INNOVATORS</th>
<th>DISTRIBUTION CHANNELS</th>
<th>FINANCIAL INTERMEDIARIES &amp; OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hospitals/Clinics</td>
<td>• Intermediaries</td>
<td>• Devices</td>
<td>• Distributors</td>
<td>• HMOs</td>
</tr>
<tr>
<td>• Laboratories</td>
<td>• Active Pharmaceutical Ingredients (APIs)</td>
<td>• Diagnostics</td>
<td>• Wholesalers</td>
<td>• Insurance</td>
</tr>
<tr>
<td>• Ambulatory CareCenters</td>
<td>• Oral &amp; Topical Formulations</td>
<td>• Supplies</td>
<td>• Pharmacies</td>
<td>• Health Sector Investment Funds</td>
</tr>
<tr>
<td>• Diagnostic Centers</td>
<td>• Finished Injectibles &amp; Infusions</td>
<td>• E-health &amp; Telemedicine Providers</td>
<td>• Healthcare Providers</td>
<td>• Private Medical &amp; Nursing Schools &amp; Training Institutions</td>
</tr>
<tr>
<td>• Technology Services</td>
<td>• Vaccines</td>
<td>• Health IT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXAMPLES OF IFC INVESTMENTS IN 2015

ADANA HEALTH AND KAYSERI HEALTH
Turkey
Part of a large-scale public private partnership program launched by the Turkish Ministry of Health to renovate and upgrade the public hospitals network. IFC will help finance the project which entails construction, operation and maintenance of an integrated health campus in Adana and Kayseri. The company finances, builds, and provides services to hospital facilities, while the Turkish Ministry of Health rents the hospital buildings and delivers core health services.

CENTRO HOSPITALARIO SERENA DEL MAR
Latin America and the Caribbean
Situated on the outskirts of Cartagena, is a greenfield tertiary hospital project. IFC is helping to finance the construction and operation of the hospital. The hospital will have 300 beds and in addition have imaging, an emergency room, obstetrics, orthopedics, trauma, and laboratory services. The hospital will supply medical care in a region where hospital infrastructure is insufficient.

EYE-Q VISION PRIVATE LIMITED
India
End-to-end eye-care services provider, which currently operates a chain of 28 super specialty eye care centers. It plans to grow its eye care network from 28 centers in 2014 to 45 centers by 2020. IFC, together with two existing venture partners, are participating in the fundraising.

GOODLIFE PHARMACY
Kenya
Retail pharmacy company established and wholly owned by Africa Chemist and Beauty Care. IFC is supporting the company’s plan to create and establish a leading pharmacy chain in Kenya with 80 stores by establishing and acquiring new stores.

MEDICAL DEVELOPERS RADIATION
Global
IFC will help to finance the company’s expansion of modern medical oncology services in the Dominican Republic and Mexico. The equity and lease financing will help establish a new hospital-linked radiation therapy treatment center in the Dominican Republic and two free-standing radiation therapy centers in Mexico.
The private sector plays many roles in health systems. Earlier this year, the World Bank Group (WBG) completed a review of its vision and strategy for private sector health services. IFC plays a leading role in delivering against the strategy, and most importantly there is a shared group view on needs and requirements for the private sector to contribute to strong national health systems, as summarized below.

To reach these goals, there is a need for expanded integrated systems of health services developed from the best country specific solutions and stakeholders, regardless of whether it is public or private.

A new WBG roadmap has been developed to better harness the role of the private sector and is built around the following assumptions:

- Achieving Universal Health Coverage will require working with the private sector;
- The WBG is uniquely positioned to help our clients harness the private sector in achieving UHC and the WBG overall twin goals (see above chart);
- The WBG will realize these synergies through a more coherent approach.

Three areas of immediate synergies have been identified:
- Across the WBG, incorporate private sector service delivery into public health financing.
- Address failures in pharmaceutical supply chains.
- Improve use of appropriate medical equipment and technology.

For IFC, we will continue to focus on increasing access to affordable quality healthcare in emerging markets and to do this we will:
- Work increasingly with scalable groups to help reach underserved markets;
- Support “centers of excellence” with strong demonstration effect or potential to bring new technology or services that did not previously exist;
- Finance businesses that are able to manufacture affordable pharmaceuticals or medical devices;
- Target new emerging markets;
- Leverage partnerships.

THE WORLD BANK GROUP RECOGNIZING THE ROLE OF PRIVATE HEALTH SECTOR

TWIN GOALS
of the World Bank Group:

1. End extreme poverty by 2030

2. Promote shared prosperity among the poorest 40%

GOAL
of the World Bank Group’s HEALTH NUTRITION & POPULATION PRACTICE:

End preventable deaths and disability through Universal Health Coverage (UHC)

- By 2030, no one will be tipped into or kept in poverty due to expenditure on health;
- By 2030, there will be 80% coverage of essential HNP services for the poorest 40% of the population;
- By 2030, all countries will score 80% or more in Health in all Policies Index.
BACKGROUND

The Adana Health Complex entails the construction, operation, and maintenance of an integrated health campus in Adana, a key health sector hub in Anatolian Turkey. The health campus will have a 1,550-bed capacity and will be composed of six hospitals—a 584-bed general hospital, a 349-bed women’s and children’s hospital, a 185-bed cardio-vascular hospital, a 182-bed oncology hospital, a 150-bed physical medicine and rehabilitation hospital, and a 100-bed forensic psychiatric hospital. Under the project, the winning consortium is responsible for financing, building, maintaining, managing the facilities, and providing or coordinating medical support services, while the Ministry of Health (MoH) will deliver core medical services.

The project is expected to improve patient access to high-quality public health services and support the government of Turkey’s efforts to transform its health sector to match the current and future health needs of the population. The program will help achieve this by realigning hospital bed capacities to match national health needs (for example, pediatric, cardiovascular, oncological, and rehabilitation), improving efficiencies and quality in service delivery, and making public health facilities more energy and resource efficient through the use of energy efficient technologies. It will also provide significant value for the government by transferring risks to the private sector—under the PPP scheme, the private partner assumes substantial financial, technical and operational risks, allowing the public sector to focus on the delivery of health services.

A large majority of health infrastructure in Turkey is old, outdated, and is no longer appropriate for meeting the country’s healthcare needs. For example, high energy costs, earthquake risks, and hospital layouts that do not support modern technologies, are all chronic problems facing Turkey’s health sector. With only 2.6 beds per 1,000 people (2011), compared with an OECD-wide figure of 3.6/1,000, and an expected need for more than 90,000 new hospital beds by 2023, the government of Turkey launched its Health PPP Program in 2010. The aim of the program is to improve service delivery and outcomes by uplifting and improving hospital services that will serve nearly 90 percent of the population that is covered by social health insurance. These facility improvements will be achieved through initiatives such as the public private partnership.

The Health PPP Program also seeks to complement the government’s other efforts to increase, or where appropriate, replace the existing bed capacity by focusing private sector support mainly in specialized areas such as woman and child health, oncology, cardiology, and rehabilitation. In total, the full extent of the Health PPP Program will consist of 50 projects with an estimated EUR 20 billion investment value. About 15 projects under this program are at various stages of tender, financing and construction. One of the first projects to achieve financial closing under the Health PPP Program is the 1,550-bed integrated health campus in Adana, Turkey.

Advisory work was supported by the Norwegian Trust Fund for Private Sector Development and Infrastructure, the Canada Climate Change program, and the South Asia Infrastructure Facility.

IFC’S ROLE

The Adana Health Complex and two others—Etlik and Kayseri—required US$163 million of IFC financing and are IFC’s first investments in PPP projects in the health sector. For Adana, IFC also mobilized a further US$200 million of additional financing (35 percent of total senior debt) in addition to a US$157 million MIGA guarantee.

Given that the Adana project was one of the first projects to be signed as part of Turkey’s Health PPP Program, IFC has
played an important role in the project’s success and will contribute to the success of the wider Health PPP Program. For example:

- Through its continued engagement with the MoH and the sponsors, IFC helped improve the project’s structure and documents, which are now in line with international standards and best practices.
- IFC is providing and catalyzing long-term funds amounting to 45 percent of total debt.
- IFC is leveraging the World Bank Group’s global healthcare knowledge, including IFC Advisory Services’ expertise in PPPs, to ensure best practices are implemented.
- As a senior lender in the Project, IFC is complementing IBRD’s continued support of the Turkish healthcare sector. This includes the potential for providing capacity building within MoH’s relevant departments to effectively manage and implement the PPP Program.
- IFC is providing critical guidance and input in the implementation of best practices in the areas of environmental and social issues, including application of energy efficient technologies in the buildings.

**TRANSACTION STRUCTURE**

Under the project agreement, the Ministry of Health will pay the private partner to use the facilities (Availability Payments) and for services provided (Service Payments). The construction period is expected to last 36 months, followed by a 25-year concession period.

**BIDDING**

Following a transparent bidding process, ADN PPP Saglik Yatirim A.S was awarded the PPP. ADN PPP Saglik Yatirim A.S is a joint venture between the following companies:

1. Ronesans Holding A.S., Ronesans Saglik Yatirim A.S.
2. Meridiam Eastern Europe S.a.r.l
3. Sila Danismanlik Bilisim Insaat Ticaret A.S., TTT Saglik Hizmetleri Egitim Insaat Sanayi Ticaret A.S., and
4. Sam Yapi Sanayi ve Ticaret Ltd. Sti.

Ronesans and Meridiam each have a 40 percent ownership stake, while Sila and Sam each have a 10 percent ownership in the joint venture. The consortium combines strong construction and development experience, local and international know-how, as well as specific healthcare, concession, and PPP expertise.

**EXPECTED POST-TENDER RESULTS**

- Improved patient access to relevant, high-quality, public health services.
- Realignment of hospital bed capacity to match national health needs.
- Help to improve health system process efficiency.
- Improved energy and resource efficiency.
- Long term value through the transfer of risk from the public to the private sector.
PREVENTING BLINDNESS IN CHINA

Aier Eye Hospital: Efficient Management Leads to Clear Vision for Millions of Chinese

IFC Case Study

A ten-year-old girl named Yan Yan was from an impoverished family living in a small, poor village in Guizhou province, China. Her parents had serious mental health and substance abuse problems, so she lived with her eighty-two-year-old grandmother. Yan Yan was cooking dinner at home when her right eye was struck directly by an arrow shot by her brother, who was playing with his home-made bow and arrow. Her right eye was lacerated, and she lost sight in it completely. Yan Yan was taken to a few hospitals in Guizhou Province, and each hospital said she would not be able to recover her sight.

Two weeks after the injury, her case came to the attention of management at Aier Eye Hospital. They quickly arranged for Yan Yan to be seen at the local Aier Guizhou Hospital. All of the expert ophthalmologists in the Aier network were consulted through a video conference, and they discussed Yan Yan’s treatment plans. They determined that Yan Yan needed to go to Aier Chengdu Hospital, the only hospital in Western China possessing the endoscopic equipment required for her treatment. Aier Guizhou Hospital arranged the logistics and accommodations, and even purchased new clothes for Yan Yan.

Immediately after she arrived at Aier Chengdu hospital, the most experienced specialist there examined Yan Yan. Her eye injury was very serious—delayed treatment and severe bleeding made it difficult to check the retinal and optic nerve. In addition, bacteria in the eye could cause endophthalmitis, an inflammatory condition that damages vision. A treatment plan was developed, and the first stage operation on Yan Yan lasted two hours. The surgery went very well, and a few hours after the surgery, Yan Yan could begin to vaguely see through her right eye. After a second surgery, Yan Yan later fully recovered her sight.

The company promotes improved vision through four main business lines: (1) LASIK surgery to correct shortsightedness, (2) cataract surgery to eliminate blindness, (3) specialized eye surgeries or treatments of rare and complex conditions, including corneal transplants, glaucoma, and retina diseases, and (4) optometry diagnostic services, and corrective lens provision.

Since the company opened its first hospital 12 years ago, Aier has grown to a network of 100 hospitals in more than 26 provinces. Today, Aier is the largest domestic ophthalmology institution in China and it is growing very quickly. IFC played a catalytic role in Aier’s growth. In 2006, IFC provided a RMB 64 million (US$ 8 million) loan to Aier to support the expansion of the hospital network, to increase access to high quality eye care, and to demonstrate best practice to the medical community. IFC’s
investment positioned Aier for an IPO in 2009. The growth of the network has enabled it to pursue a high-volume business model that has yielded strong financial results. In 2014, it had revenues of US$ 378 million and net profits of US$ 49 million.

The key to Aier’s success as a private healthcare provider in China is found in a strategic business model that emphasizes efficient management, high-quality care, and strong core values. Aier’s success has been magnified because it effectively leverages partnerships.

EFFICIENT MANAGEMENT LEADS TO HIGH QUALITY

To gain market share, Aier modernized the way ophthalmology care was undertaken in China. Aier maximizes service utilization of talent, equipment and infrastructure through its multi-tier network by allocating doctors and equipment to locations where they are needed most. It efficiently controls infrastructure costs by leasing buildings and retrofitting interior spaces to create a hospital environment. Further, it manages costs by purchasing in volume and negotiating discounts directly from suppliers, thereby enabling it to reach economies of scale.

The network manages staff time efficiently, which helps contain costs. The sequence, flow, and division of responsibilities are clearly established so that doctors get support from nurses and customer service staff, which allows doctors to spend more quality time with patients. Clinical pathways clearly define standards and responsibilities for each staff member which leads to a low infection rate. The result is better quality for patients and greater access to eye care for the Chinese people.

STRONG CORE VALUES HELP GROW THE BUSINESS

Aier embeds core values into its business model and this has helped gain the trust of patients. Aier eliminated several corrupt practices that are common in many other Chinese hospitals. It strictly prohibits the “red envelope,” or cash payments by patients to doctors. It eliminated unnecessary prescriptions of drugs and prohibited procurement malfeasance, practices that increase costs to patients. It makes prices for medical services transparent by publishing them in the lobby.

PARTNERSHIPS

Aier has a deep commitment to community outreach. Through its Corporate Social Responsibility Program (CSR), which it implements through partnerships, Aier brings free or low cost diagnostic services to youth and elderly living in marginalized communities. Its CSR efforts enable it to diagnose more serious cases that need to be referred to its hospitals. Aier has pioneered innovative partnerships that have contributed to growth. Through its employee-shareholder program, Aier incentivizes key medical staff to invest in the company, thereby enabling additional expansion of new Aier hospitals. The program also serves as a retention strategy for its key doctors. To address the skills shortage, Aier established the first public-private partnership with two different public universities to offer formal degree programs. Today, Aier trains 70 percent of its new ophthalmologists, thereby ensuring a steady stream of qualified doctors for its growing network. The internal management procedures, standards, and policies that Aier has established provide a blueprint that has enabled it to scale up quickly. This gives Aier an ability to replicate the model quickly and efficiently, while safeguarding quality and cost-efficiency. As a result, the company serves as a benchmark for many local authorities who send officials to Aier to learn from its model and replicate its practices in the public sector.

Read the full case study at www.ifc.org/health
In 2013, with the support of PWC, IFC developed a global Medical Technology (MedTech) investment strategy. The strategy initiative was in response to IFC’s overall objective to leverage its experience investing in healthcare providers and life sciences companies to increase its exposure in response to the fast-growing global MedTech sector, and to diversify its health investment portfolio.

IFC evaluates potential MedTech investments based on three key criteria: technology, company and geography. In terms of technology, IFC is seeking market appropriate technologies with a strong potential to have an impact on both morbidity and mortality on key diseases and achieve high commercial returns. Ease of adoption is also a key consideration, given the presence of constraints related to infrastructure and human resources in many developing markets. IFC’s market analysis indicates a potential to achieve these objectives in the diagnostics (imaging and non-imaging), non-therapeutic medical equipment and ophthalmology segments; however, given the shifting dynamics of the sector, IFC is considering investments across all segments.

IFC is targeting companies that recognize the benefit of IFC financing and IFC’s global networks and deep experience in healthcare, and that can support, scale up and expand their product portfolio, or geographic reach. IFC’s primary focus is small, established providers with US$10–US$250 million in annual sales and a few commercialized devices, as well as mid-size players with US$250 million–US$1 billion in annual sales, established brands, and focused MedTech portfolios. IFC is now reviewing investment opportunities in maturing start-ups through to multinational enterprises. Based on IFC’s market analysis, an initial focus has been placed on the key markets in Brazil, China, India, Mexico, Thailand and Turkey. However, all geographies that are able to reach the middle and lower income segments, either locally or through export, and that offer favorable business environments in which IFC can invest, are being considered.

Since adoption of its Medtech strategy in late 2013, IFC has completed two MedTech investments and now has an expanding pipeline of opportunities. Earlier this year, IFC committed an RMB600 million (ca. US$98 million) senior loan to Chinese medical device manufacturer, Shandong Weigao Group Medical Polymer Co., to expand its manufacturing capacity of medical consumables and scale up its network of standalone dialysis centers. In 2014, IFC committed up to US$20 million in debt to leading French ophthalmic company, Essilor International SA, to build a greenfield polycarbonate lens plant in Laos.

Given the broad focus of its financial services and advisory work, IFC is also exploring ways in which it can help manufacturers and suppliers establish innovative financing mechanisms for the acquisition of medical equipment in the markets where IFC works. Leasing models is one example.

For more information on IFC’s MedTech investment business, please contact Biju Mohandas, Principal Investment Officer, Health and Education: bmohandas@ifc.org

IFC’s investment helped Essilor, European lenses producer, to set up a manufacturing facility in Laos to produce eyeglass lenses at a cost affordable to the low-income population in emerging market.
IFC’s Work in Life Sciences

IFC has invested in Life Sciences since 2005. In total, IFC has made 55 commitments in Life Sciences covering 24 countries and totaling US$872 million, with a current portfolio of US$600 million. Equity investment has been one of the top performing sectors for IFC during the last 10 years.

Looking to the future, IFC’s focus and revised strategy under the oversight of Srividya Jagannathan, new investment lead for Life Sciences, is to work with companies that efficiently manufacture or distribute affordable generics and medical consumer products.

Our focus is on:

**Quality**
Manufacturers that are continually improving the quality of their products.

**Affordability**
Manufacturers who are able to enhance cost competitiveness and increase access to more affordable products while ensuring quality in emerging markets.

**Access**
Facilitate the availability of essential and modern medicines.

Areas of IFC investment targets and partners are built around five pillars:

1. GMP or technology-focused generics manufacturers
2. Domestic leaders or companies with export potential—competitive cost structures
3. North-South—technology transfers
4. Distribution networks
5. Niche areas—bio-similar/nutraceuticals

To date, IFC’s strategic geographies for Life Sciences have been India, China, Indonesia, Mexico, South Africa, and Middle East and North Africa.

A recent example of IFC’s engagement in Life Sciences is investment in Recordati İlaç Sanayii ve Ticaret A.S., a Turkish subsidiary of an international pharmaceutical group, Recordati Industria Chimica e Farmaceutica S.p.A., based in Italy. The senior loan of TRY 71.6 million partially financed construction of a new pharmaceutical production facility in Turkey. The new plant is expected to be fully operational by the end of 2016 and will have the capacity to produce 80 million packs of finished pharmaceutical products per year. The increased production is estimated to serve more than 125,000 additional patients annually.

For more information relating to Life Sciences, please contact Srividya Jagannathan, Life Sciences Lead: sjagannathan1@ifc.org

IFC works with pharmaceutical companies to bring the latest standard of care to emerging markets affordably.
IFC’S GLOBAL HEALTH TEAM

Elena Sterlin
Global Manager
Health and Education
esterlin@ifc.org

Chris McCahan
Chief Investment Officer
cmccahan@ifc.org

Ioan Cleaton-Jones
Principal Health Specialist
icleatonjones@ifc.org

Charles William Dalton
Senior Health Specialist
cdalton@ifc.org

Biju Mohandas
Principal Investment Officer &
Medical Technology Lead
bmohandas@ifc.org

Srividya Jagannathan
Senior Investment Officer &
Life Sciences Lead
sjagannathan1@ifc.org

STAY CONNECTED

Web: www.ifc.org/health
LinkedIn: www.linkedin.com/company/ifc-health
Twitter: #ifchealth

JOIN DISCUSSION

LinkedIn Group on Private Health in Emerging Markets
hosted by IFC
www.linkedin.com/groups/8429146

QUESTIONS?

Please contact newsletter editors:
Leticia Crentsil at lcrentsil@ifc.org
Irina Sarchenko at isarchenko@ifc.org