Investment Boom for Health Care in the Middle East and North Africa, Says IFC

Washington, D.C. October 24, 2007—Once known for sending its residents to the United States or Europe for expensive medical treatment, the Middle East and Arabian Gulf countries are now seeing a boom in health care investment as governments in the region become more open to private sector participation by embarking on reform programs to boost investor confidence. A wave of new spending on hospitals and clinics is expected to relieve the burden on public health systems and dramatically reshape the sector, especially in under-developed countries in the Middle East and North Africa, says IFC.

Much of this health care investment is “South-South”—coming from the richer Gulf Cooperation Council countries and going to the less affluent countries in MENA—and recognizes the need to develop modern and efficient health care networks, establish the highest quality of medical services, provide world-class clinical and patient care, and expand access to larger segments of the population down the income pyramid.

The investment boom is primarily presenting opportunities for local and regional providers but development finance institutions are also getting involved. Since January 2007, IFC has decided to invest $81.2 million in health care companies in the region.

**Why Work with IFC in the Health Sector?**

- Long-term financing on terms suited to the project
- Global experience in the health care sector
- Financial, technical, and strategic value-added
- Understanding of local markets and measure of political risk cover
- IFC has a team of specialists dedicated to investment in private health care
- IFC is uniquely positioned to mobilize donor financing for advisory services
- IFC’s presence reassures foreign investors, local partners, and governments
- IFC is committed to the future growth of private health care in developing countries

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IFC’s Role

On October 23, IFC committed $25 million (including a loan of $15 million and equity of $10 million) to Saudi Arabia’s Andalusia Group, to increase access to private health care in Egypt. The $48 million project involves the expansion of Al-Salama hospital in Alexandria from 80 to 120 beds and the construction of a new 100-bed Andalusia-Heliopolis hospital in Cairo.

Later, the project will establish a new nursing school in Cairo, with the capacity to train 350 nurses a year. This will help address the severe shortage of trained nurses in the country. The new hospitals are expected to treat an additional 200,000 patients a year and create 1,000 new jobs for medical professionals.

Guy Ellena, IFC’s Health and Education Director, noted, “By expanding overall hospital capacity in Egypt, the project makes it possible for public hospitals to reduce overcrowding and waiting lists by referring patients to private facilities, thereby relieving the burden on the public health system.”

The project will also help to attract and retain health care professionals in the country who might otherwise choose to work overseas, thus preventing or reducing “brain drain” and severe shortages of doctors and nurses.

Dr. Darweesh Zagzoug, Founder and Chairman of the Andalusia Group, said, “This project marks a key step in our strategy to expand beyond Saudi Arabia to other countries in the region that have the greatest need for high-quality health care and to implement global best practices. Our partnership with IFC came after a thorough due diligence process that reflects our strengths and sound values.”

The project will contribute to improving the Andalusia Group’s environmental, social, insurance, and corporate governance standards and operating practices.

Established in 1984 with one hospital, the Andalusia Group today operates a network of three hospitals and two specialized clinics in Saudi Arabia and Egypt, providing services to 430,000 patients a year. It is the fastest-growing medical group in the Middle East. With a strong customer base and experienced management, it hopes to become the top health care provider in the region. Its planned projects include Andalusia-Hai Al-Jamea Hospital, Andalusia-Women and Child Hospitals, and Andalusia-Heliopolis Hospital. The group has established a prominent position in both the Saudi and Egyptian markets. It aims to consolidate this position and obtain a larger market share.

Michael Essex, IFC Director for the Middle East and North Africa, noted, “The project will help expand access to health care in Egypt, relieve the growing burden on the public health system, and increase employment opportunities for local professionals.”

The project is expected to have a strong demonstration effect among Egyptian financial institutions by encouraging them to provide longer term financing, currently not available, to private hospitals.
IFC’s Fourth Investment in Health Care in MENA
This is IFC’s fourth investment in the health care sector in the Middle East and North Africa region. Between January and May 2007, IFC’s Health and Education Department committed $56.2 million in financing to three other health care projects in MENA—the Shefa Fund, Dar Al Fouad Hospital, and Saudi German Hospitals. The common element in Shefa Fund and Saudi German Hospitals was the channeling of resources to the health care sectors of lower-income countries in MENA from more developed markets in the region.

“IFC is very happy to work with strong local and regional sponsors to bring high-quality medical services to underserved countries in MENA,” added Mr. Ellena.

Earlier this year, IFC’s $15 million investment in Shefa Limited CEIC, a private equity fund, helped to create MENA’s first regional health care network, strengthen private health institutions, and increase access to high-quality health care. Over the next four years, the Shefa Fund will invest in well-established and reputable hospital and general health care companies, support and improve their financial sustainability by promoting good corporate governance, and introduce modern financial controls and technical best practices. The fund is managed by the Dubai-based Injazat Capital Limited, a venture capital and private equity fund management and advisory services company with support from lead investor, Saudi Healthcare Investment Company—a specialized regional health investment firm that invests in existing and new health care businesses in Gulf Cooperation Council countries.

In addition, IFC’s equity investment of EGP 24 million ($4.2 million equivalent) is helping Egypt’s Dar Al Fouad Hospital (DAFH) to expand and refurbish the Arab International Hospital in central Cairo and raise the quality of service in a highly populated and underserved area where there is an acute need for health care. DAFH will also set up integrated health care centers in Saudi Arabia and other Arabian Gulf countries. Headquartered in Cairo, DAFH is a model for best practices in Egypt’s medical community and an established private tertiary health care provider with an extensive track record. Through its strategic alliance with the Cleveland Clinic Foundation, one of the best cardiac care centers in the United States, DAFH strengthens its professional development, quality management, and treatment protocols to further ensure best clinical and administrative practices. It is one of the few institutions in MENA to have achieved ISO 9000-2001 certification and Joint Commission International accreditation. The company has developed an effective community program, including the Charity Society, which focuses on congenital cardiac problems in children and has performed more than 40 operations in the past five years.

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IFC also committed $37 million in financing to **Saudi German Hospitals (SGH)** to support a new 300-bed multi-specialty hospital in Sana’a, Yemen, which opened in June 2006, and a hospital of similar size under construction in Cairo. SGH is the only tertiary facility in Yemen that meets international standards of patient care, customer service, governance, transparency, and IT systems. The company’s visiting professor programs bring practitioners and researchers to MENA from European universities to disseminate advanced medical knowledge. A major participant in Saudi Arabia’s health sector since 1988, SGH owns and operates five hospitals in that country. The group is regarded as a premier health services provider with a strong brand, employing more than 5,000 staff and operating 1,600 hospital beds. Owned by Bait al Batterjee Medical Company, SGH has extensive public health and education programs offered free of charge to the community, including, maternal and child health, a regional blood bank, HIV/AIDS prevention and treatment, and drug abuse rehabilitation.

“**IFC is very happy to work with strong local and regional sponsors to bring high-quality medical services, modern and efficient health care networks, and world-class clinical and patient care to underserved countries in MENA.**”

—Guy Ellena, IFC Director for Health and Education