

# Guide for Investors in Private Health Care in Emerging Markets



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# Guide for Investors in Private Health Care in Emerging Markets



**This guide uncovers market opportunities in the health sector and addresses investors' knowledge gaps to stimulate greater interest and investment in this important high-growth sector.**

# Foreword

Always present in every health care system, the contribution of the private health sector has grown rapidly in emerging markets, in particular over the last two decades. Although it remains fragmented, rapid consolidation has occurred in recent years, resulting in the emergence of a more corporate health care sector in many countries. Investors and financial institutions—which should constitute the major financing sources for the health sector—often have limited knowledge of the opportunities and risks pertinent to the sector. As a result, health care organizations, particularly small and medium enterprises, have limited access to financing to expand and improve their operations.

The *Guide for Investors in Private Health Care in Emerging Markets* shares our understanding of this market opportunity. It also consolidates the lessons IFC and its partners have learned about providing financing to the health sector, and discusses success factors in entering the market and growing sustainable and impactful activities. This guide can be used by investors and financial institutions that are considering entering this growth market for the first time or by those that want to formalize and expand their health sector investment strategy. I hope that it will stimulate higher levels of interest and investment in this important sector.

IFC is the largest multilateral investor in private health care in emerging and developing economies. Since 2002, we have provided more than US\$1 billion of mainly debt and equity financing to over 80 projects in more than 30 countries. This support has enabled over \$3 billion of investment in the private health sector. We are proud of our leadership role in financing socially responsible private health care in emerging economies.



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## About IFC

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing capital for private enterprise, and providing advisory and risk mitigation services to businesses and governments. For more information, visit [www.ifc.org](http://www.ifc.org).





# Acronyms

ATM	Automated teller machine
BANPRO	Banco de la Produccion
CT	Computed tomography
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EIU	Economist Intelligence Unit
GDP	Gross domestic product
GNI	Gross national income
HMO	Health maintenance organization
IPO	Initial public offering
MFI	Microfinance institution
MRI	Magnetic resonance imaging
OECD	Organization for Economic Cooperation and Development
PAR	Portfolio-at-risk
SME	Small and medium-sized enterprise
USAID	United States Agency for International Development
WHO	World Health Organization



# Introduction

The private health sector is growing rapidly in emerging market countries. Across the developing world, people increasingly rely on private health care organizations to address their health needs. This trend will continue due to the fundamentals that drive demand – population growth, increasing life expectancy, growing disease burdens, and patients’ demand for treatment.

As a result the private health sector in emerging markets can offer attractive returns to investors – from both commercial and social perspectives.

The sector is not without its challenges. Consequently, financial institutions, that often are unfamiliar with its characteristics and dynamics, perceive it as risky. As a result, many private health care organizations in developing countries, particularly small and medium-sized enterprises (SMEs), remain underfinanced and constrained from achieving their full potential.

The *Guide for Investors in Private Health Care in Emerging Markets* is intended primarily for potential investors and financiers, such as commercial banks, investment funds, microfinance institutions (MFIs), leasing companies, and other types of financial institutions. Reflecting the typical profile of the sector, the guide focuses mainly on health care SMEs. It aims to reveal potential market opportunities, to promote understanding of the most common business models, and to assist investors in how to identify opportunities and evaluate potential projects. It also discusses the most common risks and barriers that face investors in the sector as well as ways to manage these risks and overcome barriers.

In order to achieve these aims, the guide makes extensive use of practical case studies which draw from real-life experiences. Other sources of relevant information, including sector data and website resources, are included in the annexes.

IFC hopes, by sharing this relevant market intelligence and key insights and experience, to encourage greater investment in this important sector.