Nigerian Health Sector

Market Study Report

March 2015

PharmAccess FOUNDATION

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Study commissioned by the Embassy of the Kingdom of the Netherlands in Nigeria

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ACRONYMS

ACPN	Association of Community Pharmacists of Nigeria
CAC	Corporate Affairs Commission of Nigeria
CAGR	Compound Annual Growth Rate
CBHIS	Community Based Health Insurance Scheme
CME	Continuing Medical Education
CT	Computed Tomography
CVD	Cardiovascular Diseases
DFI	Development Finance Institution
ECG	Electrocardiogram
FDI	Foreign Direct Investment
FMOH	Federal Ministry of Health
GDP	Gross Domestic Product
HEFAMAA	State Health Facility Monitoring and Accreditation Agency
HIV	Human Immunodeficiency Virus
ICRC	Infrastructure Concession Regulatory Commission
IFC	International Finance Corporation
JV	Joint Venture
LGAs	Local Government Areas
MDGs	Millennium Development Goals
MGI	McKinsey Global Institute
MoU	Memorandum of Understanding
MRI	Magnetic Resonance Imaging
NAFDAC	National Agency for Food and Drug Administration and Control
NHIS	National Health Insurance Scheme
NMA	Nigerian Medical Association
NNRA	Nigerian Nuclear Regulatory Authority
OEM	Original Equipment Manufacturer
OOP	Out of Pocket
PMV	Patent Medicine Vendors
PPP	Public Private Partnership
SMOH	State Ministry of Health
THE	Total Health Expenditure
UHC	Universal Health Coverage

TABLE OF CONTENTS


PHARMACY
LABORATORY
A AND E
INJECTION ROOM

1. INTRODUCTION

"To make it big in Africa, a business must succeed in Nigeria, the continent's largest market... no one said it would be easy"

- The Economist, 2014

Nigeria has been recognised as an important market by organizations from the Dutch Life Sciences and Health sector, united in the Task Force Healthcare (http://www.tfhc.nl). Some of these Dutch organisations are interested in entering the Nigerian health market but they do not have a clear view of its composition, opportunities and challenges.

The Dutch High Commission commissioned this study to provide insights into the opportunities and challenges in the Nigerian health market, for Dutch companies. The study looks at the health sector overview and current priorities and trends, key public and private health players and their specific needs, with a focus on the private health sector. Opportunity areas of interest include health infrastructure investments; medical equipment, devices and technologies; financing; consulting services and other areas where Dutch companies can add the most value.

The aim of this study is to understand the needs of the health providers and other stakeholders within the Nigerian health sector and provide insights into possible investment opportunities for Dutch healthcare companies. Specifically, the study provides the following:

- An overview of the organization of the Nigerian health system and the direction in which it is heading;
- An analysis of the public health sector (federal and state) priorities and related investment plans;
- An analysis of the private health sector and related players' priorities, investment plans, challenges and requirements from international partners;
- A shortlist and analysis of identified current opportunities for Dutch firms;
- A review of the regulatory landscape and market entry implications for Dutch firms.


FMC
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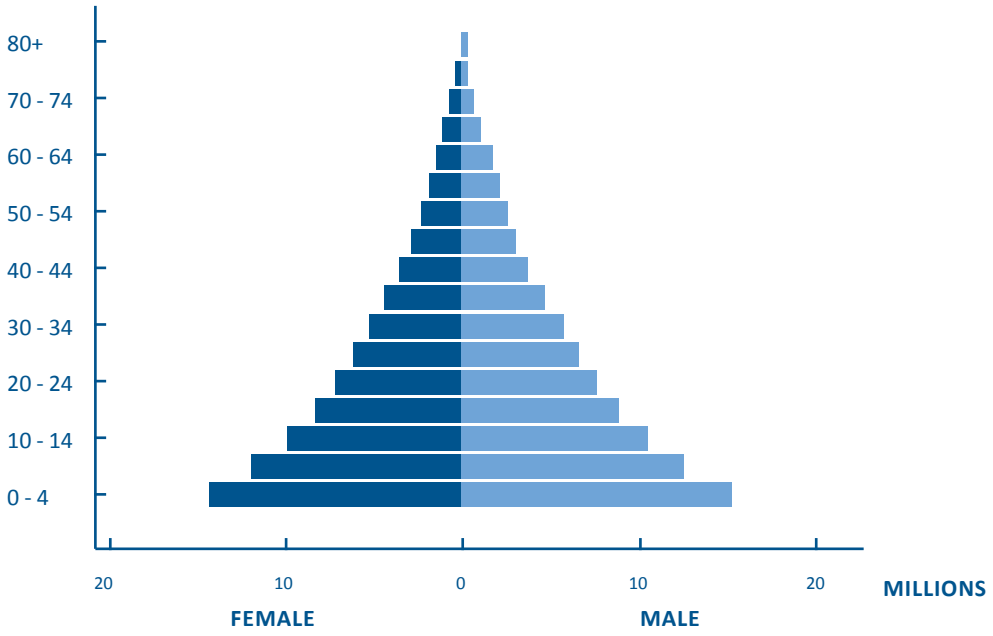
2. OVERVIEW

2.1 Socio-economic overview

Nigeria is the most populated country in Africa with a 2013 population estimate of over 167 million people, a population growth rate of 2.5% and average life expectancy of 54 years[1]. Following the rebasing of Nigeria's Gross Domestic Product (GDP) in 2014, Nigeria's economy is now the largest in Africa, ahead of South Africa, with an estimated GDP of USUSD509.9 billion in 2013[2].

Figure 1 Nigeria's Population Pyramid



The economy recorded a growth of 7.36% in 2011 and 6.68% in 2012, surpassing Sub-Saharan Africa's average growth rate of 4.9% in 2012 and ranking as one of the fastest growing economies in the world[3].

1 Nigerian Population Commission
2 Nigerian Bureau of Statistics and Central Bank of Nigeria
3 Nigerian Bureau of Statistics and Central Bank of Nigeria

Nigeria's population and growing economy has helped it retain its top spot for foreign direct investment in Africa.

Experts opine that this will likely continue despite the fall in oil prices and its negative impact on Nigeria's revenue.

Nigeria is traditionally agrarian, with the agricultural sector accounting for almost 20% of the total GDP in 2013. Nigeria is also Africa's largest oil–producing nation and the tenth largest in the world, estimated to account for 8.62% of African regional oil demand by 2014. Oil provides 90% of the country's exports and about 75% of the government's revenues. Activities in the Nigerian health and social work sector contributed only 0.65% of Nigerian GDP in 2013, up from 0.61% in 2010 based on the rebased GDP basis. The sector has recorded a tremendous compound annual growth rate (CAGR) of 16% over a period of 4 years spanning 2010 - 2013 and accounts for 7.38% of the Nigerian labour force, contributing 1.44% of new jobs created in quarter four of 2013 ranked 147th out of 189 economies.

The regulatory environment for business is quite complex. Nigeria was ranked 147th out 189th economies in World Bank's 2014 Ease of Doing Business Report[4]. Despite the challenges of doing business, Nigeria remains an important destination for foreign direct investment (FDI) because of its population, growing consumer base and strong economic growth. FDI inflows averaged USD7 billion per year from 2007 to 2012, making Nigeria Africa's top FDI destination. 51% of the FDI inflow went to the services sector. McKinsey Global Institute (MGI) estimated that eight million households had incomes of more than USD7,500 per year – MGI's threshold for "emerging consumers", whose income are enough to meet their basic needs and have money left to start buying more and better food, education and health services. An estimated 35 million could be living above this threshold by 2030. Based on current trends, it is estimated that consumption of healthcare goods in Nigeria will grow by a CAGR of 16.2% from USD9 billion in 2013 to USD111 in 2030[5].

The decentralized structure often makes business engagement complex as policies and ease of doing business vary across states.

Reliable data for planning and decision making is a big challenge for businesses in Nigeria. Investors need to invest in proper market research for their specific goods and services, to guide development of realistic financial forecasts and business plans.

2.2 Health sector overview

2.2.1 Structure

The Nigerian healthcare system is organised into primary, secondary and tertiary healthcare levels. The Local Government Areas (LGAs) are responsible for primary healthcare, the State Governments are responsible for providing secondary care while the Federal Government is responsible for policy development, regulation, overall stewardship and providing tertiary care. The LGA level is the least funded and organised level of government and therefore has not been able to properly finance and organise primary healthcare, creating a very weak base for the healthcare system.

4 Doing Business 2014: Economic Profile Nigeria. World Bank Group
5 Nigeria's renewal: Delivering inclusive growth in Africa's largest economy. McKinsey Global Institute, July 2014.

2.2.2 Burden of disease

Nigeria is one of the developing countries faced with the "double burden" of persisting high prevalence of communicable diseases and rising prevalence of non-communicable diseases. Key health indicators such as maternal and infant mortality are worse than the Sub-Saharan African average and Nigeria is not on track to achieving most of the health-related MDGs by 2015.

Figure 2 Health indicators

Under 5 mortality rate	**117**
Maternal mortality rate	**560**
Prevalence of HIV	**3.1%**
Estimated proportional mortality attributable to cardiovascular diseases (CVD)	**12%**
Estimated Diabetes prevalence 4.04%	**4.04%**
Risk of getting cancer before 75 years of age 10.4%	**10.4%**

Malaria is Nigeria's most important public health challenge and is responsible for 60% of outpatient visits to health facilities in Nigeria, 30% of childhood deaths and 11% of maternal deaths. Over 90% of Nigerians are at risk of malaria with over 100 million cases per year and about 300,000 deaths[6]. The Federal Ministry of Health estimates a financial loss of approximately USD8.4 million per year.

2.2.3 Service provision

Nigeria has five hospital beds per 10,000 population[7]. The federal ministry of health's (FMOH) health facilities (HFs) census of 2005 showed that Nigeria had a total of 23,640 public and private hospitals. A census of private health facilities conducted by USAID in six states (Abia, Benue, Edo, Kaduna, Lagos, and Nasarawa) in April 2014 revealed that approximately 32% of the private health facilities found by surveyors were not included in official government lists, while approximately 53% of the private health facilities included on official government lists could not be found by surveyors. This suggests that lists from government agencies are incomplete and largely inaccurate.

Figure 3 Health facility Census 2005 - FMOH

Public hospitals	**87.8 per million**
Private hospitals	**53.8 per million**
Primary healthcare clinics	**85.6% of all HFs**
Secondary hospitals	**14% of all HFs**
Tertiary hospitals	**0.2% of all HFs**

6 National Malaria Control Programme (2012), Federal Ministry of Health

7 World Bank database.

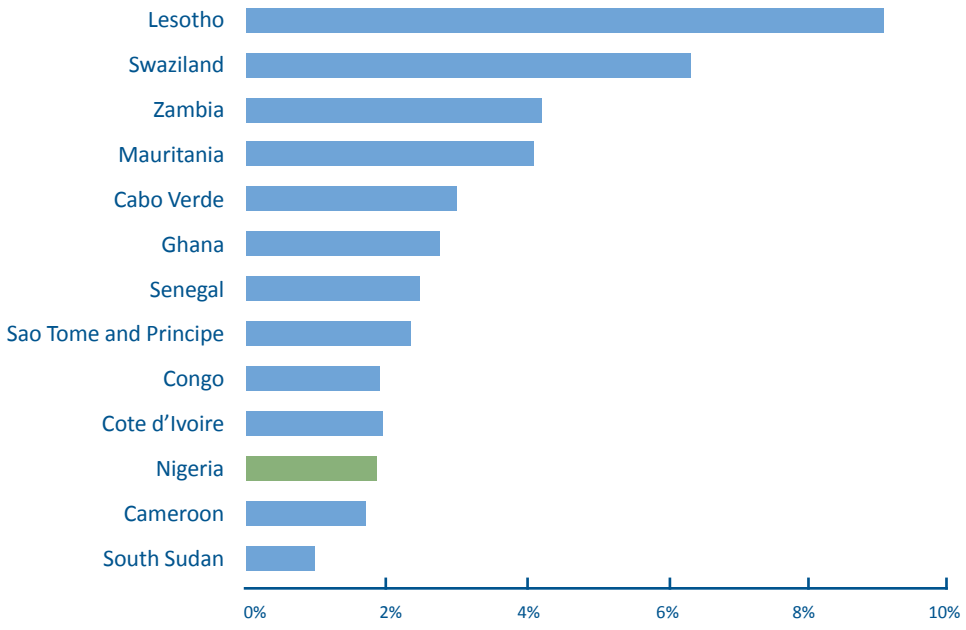
With mostly out-of-pocket expenditure, individual hospitals and their owners and not insurers, are the biggest decision makers in choice of equipment, drugs and other procurement.

Although recent data on the number and growth rate of hospitals, diagnostic centers and laboratories is not available, there has been a visible growth in the number of private health facilities in Lagos, Abuja, Port Harcourt, Kano, Enugu and all the other major cities. The 2008 Demographic and health survey showed that the private sector provides over 65% of healthcare services. This is even more for the poorest quintile at 72%. Among the private sector providers, pharmacies and patent medicine vendors (PMVs) play a critical role. Pharmacies and PMVs provided 39% of the services to children with fever in 2008, compared to public clinics 37%, private clinics 13%, and shops 7%.

Health expenditure

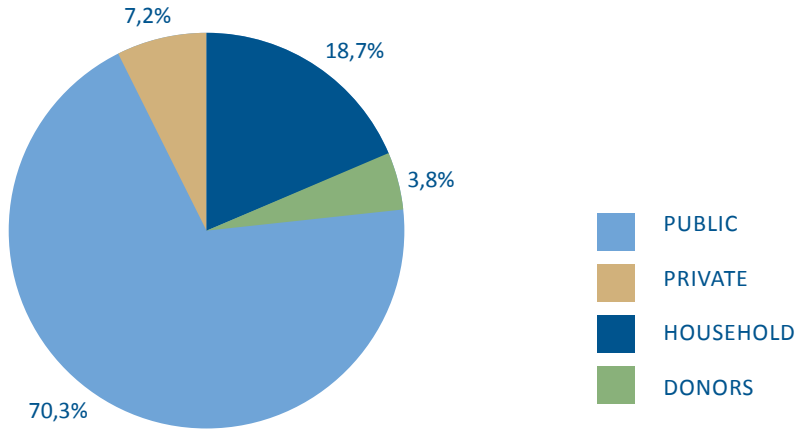
Total healthcare expenditure continues to rise in Nigeria and BMI estimated total healthcare expenditure (THE) at USD18.3 billion in 2014. Household out-of-pocket expenditure (OOP) has remained the major source, constituting about 70.3% of THE in 2009[8]. Government expenditure on health as a percentage of GDP is below the average for Sub-Saharan Africa. Less than 5% of Nigerians were covered by any form of health insurance at the end of 2013.

Figure 4a Government spending on health as % of GDP



8 Nigerian National Health Accounts 2006 – 2009. Federal Ministry of Health, Abuja.

Figure 4b Financing sources for health in Nigeria, 2009



3. INTERESTING DEVELOPMENTS FOR DUTCH COMPANIES

The Nigerian healthcare system is in transition and going through significant changes in terms of priorities, policies and challenges. Some of these changes present opportunities and lessons for potential investors and services providers. Key developments of interest to Dutch Life Sciences and Health firms are discussed in this chapter.

3.1 Increasing burden of non-communicable diseases and medical tourism

Years of under investment in health systems has resulted in poor infrastructure, inadequate modern equipment and technology and an inadequate number and mix of healthcare workers. These have resulted in absence of key specialist services, poor quality of care and loss of confidence in general health services especially the management of non-communicable diseases. The Nigerian Medical Association (NMA) estimates there are about 25 consultant oncologists to about 160 million Nigerians, and cancer patients can access specialist care only in seven states – Lagos, Oyo, Kaduna, Edo, Ondo, Sokoto, and Abuja. There are 50 neurologists and 40 neurosurgeons in the country with most of the specialists based in Lagos, Abuja, Ibadan and Sokoto. Further analysis by the NMA indicates that there are 600 consultant pediatricians to manage and care for the nation's 70 million children while there are only four forensic pathologists in the country.

Nigerians who can afford it have resorted to medical tourism especially for surgeries (mostly orthopaedic and cancer), cardiology, neurology and management of cancers. Nigerians spent an estimated USD260 million on medical bills in India alone in 2012 and 40% of all visas to India were for medical reasons[9]. The Nigerian Medical Association (NMA) estimates that Nigerians spend USD500 million to USD1 billion on medical tourism per year. Besides India, other major medical tourism destinations for Nigerians are Turkey, South Africa, Saudi Arabia, USA, UK and Germany. Key services sought are oncology, orthopaedic surgeries and cardiology.

9 The Indian High Commission in Nigeria

With an estimated annual spend of USD500m - USD1bn on medical tourism by Nigerians, there is a big market for hospitals that can provide international level of specialist care within the country, directly or through partnerships.

It is clear that are enough Nigerians who can afford expensive but quality care.

3.2 Upgrade of public tertiary hospitals

Though tertiary care institutions are funded mostly by the federal government, an analysis of the federal annual budget from 2010 to 2014 shows that, on average, over 60%[10] of the federal annual health budget goes to personnel costs, leaving little for infrastructural development, expansion, acquisition of new equipment and scaling up of services. This has resulted in run down tertiary hospitals, a key contributor to the huge medical tourism mentioned earlier.

To overcome the budgetary constraints to capital investments in the tertiary hospitals, the Federal government has over the years, adopted a "special projects" approach to fund major upgrade. Funds are earmarked for these projects outside the standard budget and sometimes funding is also sourced from partners.

Figure 5 Sample special tertiary hospital health projects

PARTNER	END DATE	NUMBER OF HOSPITALS	FOCUS INTERVENTION(S)
VAMED Group Vienna	2012	14 Hospitals	Radiology, surgery (theatres), intensive care, laboratories, dialysis centers and trauma centers
International Atomic Energy Agency	2015	10 Hospitals	Procure cancer-treatment equipment

These special projects are usually determined by each government as part of their broad reform agenda, when they come into power. The next elections will be held in 2015 so there will be new agenda setting from May 2015 as most of the ongoing reforms end in 2015. This will provide opportunities for major health infrastructure and equipment companies, especially those who can attract counterpart/donor financing (to complement government financing), to shape and benefit from the new tertiary hospitals refurbishment or expansion agenda.

High burden of diseases and health system challenges that negatively impact quality of care have left a lot of Nigerians seeking care outside Nigeria.

Post-elections, there will likely be new agenda setting from May 2015 because some of the ongoing reforms end in 2015.

Companies can shape and benefit from the next tertiary hospitals refurbishment or expansion agenda.

10 Consultant's analysis of health budgets from 2010 to 2014

3.3 Public private partnerships

Another strategy that the federal and state governments are adopting to improve healthcare infrastructure and operations are public, private partnerships (PPPs). Some of the different models that are currently being used in Nigeria are:

a. Government solely finances infrastructure and contracts a private operator to operate the facility
b. Government and private partner co-invest and co-own the facility and contract an independent private operator
c. Operator co-invests with government to show commitment and share risks.

Some of the planned PPP projects that are likely to gain traction after the elections include:

The World Class Hospitals Project:

- In 2012, the President set up a Ministerial Committee on Establishing World Class Hospitals
- The Committee recently called for expression of interest from local and international bidders for feasibility studies, design, construction and operation of the hospitals but did not receive the desired response, possibly as a result of the elections. The request for expressions of interest will likely be re-issued after the elections.

The National Sovereign Wealth Fund (NSIA):

- Planned establishment of co-located diagnostic centers in 2 public tertiary hospitals per geo-political region in Nigeria – a total of 12. They have concluded the first set of commercial assessments and intend to establish the first center as a pilot by June 2015.
- The NSIA is searching for local and international firms with expertise in the design and construction of diagnostic centers. They will also be procuring imaging and laboratory equipment for the centers, once they agree on the specific needs of each center.

The Abuja Medical City Project:

- In August 2014, the Federal Government inaugurated the Steering Committee for the development of the USD650 million Abuja Medical City through a PPP. The Government has been in discussions with a consortium of firms (IBT Group, KMD Architects and Sucomex) to construct a medical mall to lease clinics, diagnostic and hospital space and space for supporting services to local and international private operators. The project will be able to cater for 2,040,000 patients at a time, and is expected to be completed between 2 to 3 years.
- It is at the virgin stage and will again require all services from advisory, through to design, construction and equipping.

Although this list is not exhaustive as new PPP projects are conceptualized on an ongoing basis, it is important to highlight that this is a good time to engage with key stakeholders to identify specific offerings and potential. Typically for the PPPs, opportunities exist across the value chain, from transaction advisory, to infrastructure development, equipment, staffing and training. Most of the private partners are consortia of local and international firms with complementary capabilities.

3.4 Increasing investment in multi-specialist private hospitals

The private health sector's response to the increasing demand for quality services, increasing middle class and huge outbound medical tourism, is expansion of existing private hospitals and establishment of new ones. A recent trend is the establishment of hospitals in Nigeria by Nigerian healthcare specialists in Diaspora and also investors from other regions especially the Middle East.

Most of the foreign-owned hospitals raise capital, engage advisory, design and infrastructure development firms as well as engage specialist staff from their home countries, so their needs tend to be focused on equipment partners with the on-the-ground support for quick turn-around maintenance. The ones owned by Nigerians in the Diaspora source specialist staff from their colleagues outside the country. Their needs are typically financing (co-investment and third party guarantees) and medical equipment. Two of the Nigerian owned hospitals are presented in the table below.

Figure 6 Illustrative private multi-specialist hospitals

NAME OF HOSPITAL	PROMOTER	SPECIALTY	INTERNATIONAL PARTNERS	PARTNER CONTRIBUTION	STATUS
American Specialist Hospital, Abuja	Dr. Ifeanyi Obiakor	Obstetrician and Gynaecologist	The Apex Medical Center (USA), GE Healthcare (USA) and Edifice Capital of France	Earmarked $73 Million for the project	Phase 1 commissioned in 2014
Lifeplan Hospital Project, Lagos	Dr. Ayo Sonibare	Urologist	Not known	Nor applicable	Land acquired, fund raising

Examples of foreign-owned hospitals are:

The Turkish Nizamiye Hospital Abuja

This USD20 million, 80 bed multi-specialist hospital was built by the Turkish business group and was opened in February 2014. The group is well invested in the education space in Nigeria and 16 schools in Nigeria consisting of Primary and international Colleges and a University. The hospital currently provides internal medicine, radiology, ear-nose-and-throat, paediatrics, orthopaedics and gynaecology services, with plans to introduce angiography and emergency cardiology and gradually expand to a teaching hospital to serve the group's University. The Turkish Hospital was commissioned by the president and is listed by both the Nigerian and Turkish governments as an example of their increasing trade and investment partnership.

Primus Indian Hospital Karu, Abuja

A 120 bed multi-specialist hospital providing a wide range of specialist services across internal medicine, surgery, paediatrics, obstetrics and gynaecology, but with a clear focus on orthopaedic and spinal surgeries.

Dutch firms can partner with the Nigerian Diaspora groups who are investing in establishing specialist hospitals in Nigeria, by providing financing or third party-guarantees, since most local banks are more comfortable when the promoters have already signed up credible partners. Early partnership will also provide the leverage to provide other services such as advisory services and equipment.

3.5 Universal health coverage (UHC) and scaling-up health insurance coverage

The president has mandated the NHIS to fast-track the scale-up of coverage of health insurance in Nigeria from less than 5% in 2013 to 30% by the end of 2015. The president hosted a presidential summit on universal health coverage in March 2014 to give the highest level political support to the UHC drive. Though the summit addressed the demand and supply sides, the only clear target provided is that of the 30% health insurance coverage. There are ongoing discussions to finalise and document Nigeria's definition of UHC, the initiatives to be included besides health insurance coverage, milestones, total investment needed and sources of additional financing.

The NHIS, besides its role as a regulator of health insurance in Nigeria, also implements the formal sector social health insurance which currently covers all federal government employees. To further scale up coverage, the NHIS has also rolled out community-based health insurance (CBHIS) programmes for those in the informal sector. The NHIS is encouraging states to either join the scheme or establish their own health insurance schemes to cover their citizens. Most states have been reluctant to join because of the anticipated increase in their wage bills from contributing for their employees. Some states like Lagos, Ogun and Kwara are currently implementing CBHIS. Lagos has recently passed a law establishing a Lagos State Health Insurance Scheme. Operationalisation is expected to commence after the general elections in April 2015.

There are huge demand and supply side challenges to achieving UHC in Nigeria. On the demand side, the NHIS act makes health insurance voluntary, so besides organisations that employ more than 5 staff, the act does not compel citizens to buy health insurance. With over 70% of Nigerians in the informal sector, the law needs to be either amended to make health insurance compulsory for all, or schemes that better target the informal sector such as CBHIS and demand side financing should be scaled up.

In March 2014, Nigeria committed to fast tracking actions towards universal coverage.

The operational details are still vague.

The 2015 health insurance coverage of 30% will not likely be achieved given current coverage levels and significant demand and supply side challenges that still need to be addressed.

The NHIS has in addition to its formal sector scheme, introduced CBHIS to target the informal sector.

States like Lagos, Ogun and Kwara are also implementing CBHIS.

The ongoing disruption however presents some opportunities.

On the supply side, Nigeria has a significant deficit in well-equipped and staffed healthcare facilities. With an estimated 5[11] beds per 10,000 population, Nigeria will need an additional 117,000 beds costing approximately USD12 billion to reach the Sub-Saharan African average of 12 beds per 10,000 and an additional 350,000 beds costing approximately USD37 billion[12] to reach the global average of 26 beds per 10,000.

WORLD AVERAGE HOSPITAL BEDS PER 10,000	
Sub-Saharan Africa	**12**
East Asia & Pacific	**36**
Europe & Central Asia	**56**
Latin America & Caribbean	**20**
Middle East & North Africa	**8**
South Asia	**7**

Although it is very unlikely that the 30% health insurance coverage will be achieved by the end of 2015, given current coverage levels, the NHIS and states have remained aggressive with exploring options to expand the coverage as much as possible. This presents opportunities for advisory services to the NHIS and the states to develop the operating models that can support their ambitious drive. There is also demand for health insurance information systems that can improve enrollment, claims management and patient management. On the supply side, the increase in health insurance coverage is already showing in the shift in revenue for hospitals as registered hospitals are reporting more revenue from NHIS than out-of-pocket payments.

3.6 Primary healthcare

The LGA which is responsible for primary healthcare is the least funded and organised of the three levels of government. This has over the years resulted in extensive dilapidation of primary healthcare infrastructure, lack of modern equipment, inadequate and poorly trained manpower and consequent absence or poor quality of services and loss of confidence in the system. Nigeria's poor health indices and lack of significant progress towards the millennium development goals (MDGs) has been directly attributed to the failure of the primary healthcare system as the highest burden diseases are mostly those that should have been managed at the primary care level.

INDICATORS	NIGERIA	REGIONAL AVERAGE	GLOBAL AVERAGE
Life expectancy at birth (both sexes)	**54**	**58**	70
Under 5 mortality rates (per 1,000 live births) both sexes	**124**	**95**	48
Maternity mortality rates (per 100,000 live births)	**560**	**500**	201

The federal government established the National Primary Health Care Development Agency (NPHCDA), in 1992 to develop national primary healthcare policies and support States and LGAs to implement these

11 World Bank Database and WHO Database

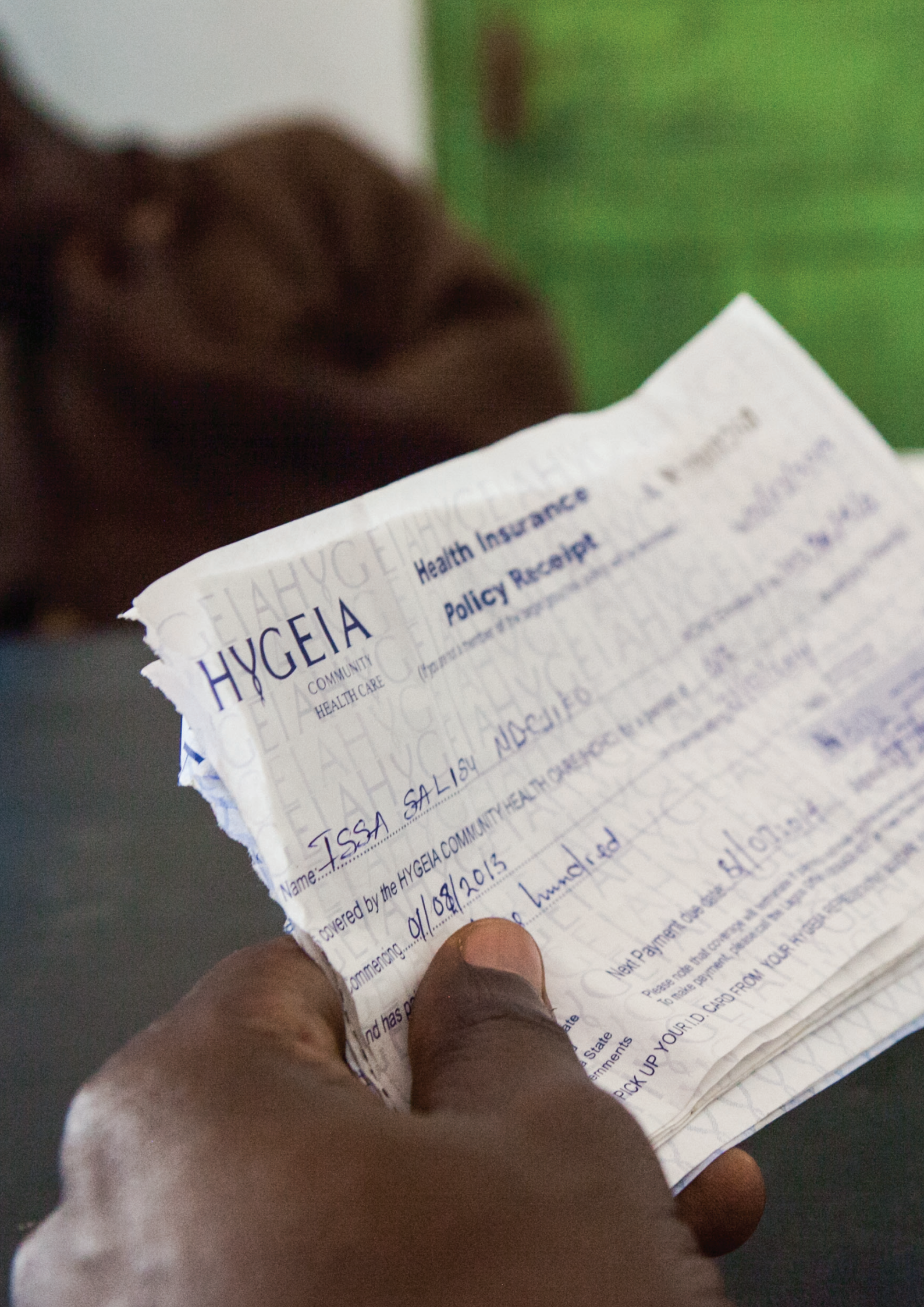
12 Consultant's analysis using the average bed cost for the 150 bed Federal Staff Clinic built by the Chinese in Abuja.

policies. The NPHCDA was merged with the National Programme on Immunization (NPI) in 2007. After the merger, the NPHCDA became the biggest decision maker for primary healthcare in Nigeria and makes key decisions around procurement of goods and services for primary healthcare.

The Federal and State Government's primary focus in the medium term (1 – 3 years) will continue to be on strengthening the primary healthcare system, increasing access to quality services and decreasing the number of deaths from preventable causes. The primary healthcare agenda is strongly supported by international development partners. One of the biggest developments in the health sector is the signing of the National Health Bill by the Nigerian president at the end of 2014. The Bill provides for the creation of a Basic Health Care Provision Fund (BHCPF), to be funded by at least 1% of Nigeria's consolidated revenue fund and contribution by donors, private sector and philanthropists – 1% of CRF in 2014 would have amounted to about $240million. 50% of the BHCPF will be spent on increasing insurance coverage for the poor; 25% on the procurement of drugs and equipment; 15% on the provision and maintenance of facilities, equipment and transportation; and 10% on upgrading workers' skills in the primary healthcare sector.

As a result of the infrastructure and human resources constraints at the primary care level, there is demand for point of care diagnostic equipment (especially for maternal and child health services) that are not electricity dependent, can be used by semi-skilled staff and are more cost effective than existing technology. As an example, General Electric (GE) Health recently entered into a $20 million five-year partnership with the Federal Ministry of Health and United States Agency for International Development (USAID), to reduce preventable child and maternal deaths in Nigeria. The partnership entails the formation of a new "Healthymagination Mother and Child Initiative" which will bring together mobile and alternative powered health technology to improve maternal and child health. The Healthymagination Mother and Child Initiative will give healthcare providers in Nigeria first-time access to GE portable ultrasound technology such as Vscan. The market for point of care obstetrics equipment will continue to grow as government has prioritized reduction of maternal and child mortality. Donors such as DFID, the European Union, Bill and Melinda Gates Foundation and Children's Investment Fund Foundation (CIFF), are also providing funding to increase access to quality maternal and child health services.

Besides general primary healthcare, the HIV, Tuberculosis and Malaria programmes are well funded and also invest significantly in diagnostic and patient monitoring technology. With the current drive of the programmes to decentralize HIV and TB services to the primary care level, there is a need for point of care TB/HIV diagnostic equipment. This includes equipment for CD4, chemistry, haematology and TB microscopy. Nigeria is currently reviewing its algorithm for HIV counseling and testing and this presents an opportunity for manufacturers of HIV test kits to get their products into the algorithm. Malaria rapid diagnostic test kits (RTKs) also have a huge market given the population and high malaria prevalence. Several malaria RDTs exit in the country, but there are still significant access gaps. There is a guaranteed market for HIV, TB and Malaria consumables due to government and donor funding and the high burden of these diseases.


HYGEIA
COMMUNITY
HEALTH CARE
Health Insurance
Policy Receipt
Name: ISSA SALIU NDC/11/0
covered by the HYGEIA COMMUNITY HEALTH CARE PLC
commencing 01/08/2013
Next Payment due date 8/
Please note that coverage will terminate
To make payment, please call the Lagos
PICK UP YOUR I.D. CARD FROM YOUR HYGEIA

4. INSIGHTS FROM OPERATORS

Selected operators were interviewed in Lagos and Abuja to gain direct insights into the market and opportunities for Dutch companies to add value. Lagos, Ogun and Abuja were selected in consideration of their population size and the concentration of private health facilities within these states (a detailed list of interviewed operators is provided as an annex to this report).

Table 1 Operators interviewed

TYPE	NUMBER INTERVIEWED
Hospitals	15
Pharmaceutical Firms	1
Diagnostic Centers	5
Financing Firms	5
Medical Technology Companies	1

4.1 Hospitals

Of the 15 hospitals visited, 7 are large hospitals, 6 are medium sized and 2 are small hospitals[13]. All hospitals offer out-patient, in-patient, emergency services and specialist services, but the breadth of specialist services varied across them. None of the hospitals has resident specialists for all the specialist services demanded by clients. A common practice is to have visiting consultants from other practices, designate specific days to them and schedule patients in need of their services to visit on those days.

13 Based on the Hospital Classification outlined by the International Finance Corporation (IFC): Large Hospitals have either more than 21 functional beds and/or revenues of over N30million Medium Hospitals have between 6 and 20 functional beds and/or revenues between N6million and N30million Small Hospitals have less than 10 functional Beds and revenue below N6 million.

Most hospitals in Nigeria are owner managed with the owner/ founder as key decision maker.

The IFC considers the current governance structures as a key contributor to the high risk perception by investors.

Self-financing is the most common means of financing hospital capital and operating expenditure.

Operators consider requirements of financial institutions too stringent, interest rates too high and loan tenor too short.

About 72% of the surveyed hospitals also offer radiological and laboratory services while 28% offer only laboratory services or no diagnostic services at all. The most commonly available radiological equipment are X-Ray machines and Ultrasound scanners. Only one of the surveyed hospitals owned a CT scan and none had an MRI.

The hospitals are generally owner managed with the owner/founder exerting complete control over all decisions. For the few that are managed by independent Medical Directors, their authority in decision making is still likely to be subject to the owner/founder's perspectives. Only one of the hospitals (Eko Hospital) is a public liability company. The IFC, in its report on Private Health Market Studies conducted in Nigeria highlights this as a major risk for investors. The report further recommends developing governance structures that are more transparent, with a goal to reducing the perception of risk by potential investors and Financial Institutions, establishing organisations that effectively push for solid systems and procedures and promote succession planning.

Table 2 Revenue source for surveyed hospitals

REVENUE SOURCE	PERCENTAGE OF HOSPITALS
Corporate retainer ships	**55%**
Out of pocket expenditure	**36%**
Health insurance	**9%**

About 30% of the hospitals surveyed self-reported over USD600,000 in annual revenue. 43% of the hospitals surveyed have annual revenues in excess of USD120,000, while 14% record revenues lower than USD120,000 annually.

Capital and operational expenditure is often self –financed and 57% of the surveyed hospitals have never accessed external sources of funding to finance the purchase of equipment or expansion of facilities and infrastructure. 43% have utilised various combinations of self-funding, equipment vendor financing and bank equipment financing to fund investments in equipment, while 14% have utilised only vendor equipment financing to fund equipment purchase. It is pertinent to note that vendor equipment financing in this context refers to agreements between the vendor and the hospital to settle amounts due for purchased equipment in install-mental payments, within a time period not usually longer than 12 months.

Large hospitals are focused on their needs and interested in both expansion of current facilities and procurement of equipment.

Smaller hospitals are more interested in accessing diagnostic equipment.

This is likely because diagnosis is seen as a key revenue driver.

Hospitals are generally of the opinion that the requirements to secure financing from financial institutions are stringent and interest rates are too high to guarantee return on investments. Strategies employed to manage cash flows where external funding is deemed to be inaccessible include delayed trade payables, postponement of capital expansion plans and borrowing from personal funds, friends and family.

Financing for expansion and procurement of needed diagnostic and treatment equipment is the single biggest expressed need of the hospitals.

Preference for loan financing (to avoid dilution of owner influence) and lack of collateral are key challenges.

4.1.1 Needs analysis of hospitals

Financing

Of the 14 hospitals surveyed, 8 indicated interest in obtaining third party financing to fund several expansion and upgrade projects. Of the 8, only 2 (in the small - medium hospital range) indicated interest in a mix of debt and equity financing and none of the large scale hospitals expressed interest in obtaining equity financing. The hospitals expressed the wish to utilise secured financing for upgrade of facilities (including renovation and expansion of old hospital buildings and development of new ones), purchase of new laboratory equipment, upgrade/replacement of existing equipment, training, purchase of technical & strategic advisory services and development of staff and set up of efficient hospital administrative and management structures.

As outlined above, only about 43% of the sampled respondents have obtained external financing and key reasons proffered for poor access to finance include:

- The unavailability of adequate collateral to back up debt finance from traditional lending sources such as banks and finance companies;
- Unavailability of long-term, low (single digit) interest rates. Interest rates in Nigeria average about 21% - 23% per annum;
- Inadequate scale to access long-term, low interest facilities available from DFIs;
- Unwillingness to take on the additional risks presented by debt facilities and
- Unwillingness to lose or share “control” of privately held, owner managed hospitals.

“Nigerian banks do not consider medical equipment to be reasonable collateral for loans to finance their purchase as they (medical equipment) are viewed as having no resale value”

International Finance Corporation

As emphasized in a Het Financieele Dagblad article dated 09 January 2015 and as described in the report, financing remains a major hurdle for Nigerian health entrepreneurs. Offering financing services such as leasing or pay-per-view modalities or partnering with financing institutions that can provide loans to operators (such as the Medical Credit Fund or the soon-to-be launched Africa Health Infrastructure Fund) can therefore be highly beneficiary for equipment suppliers.

Figure 9 Case Study A

The Africa Health Fund is a private equity fund launched in 2009 which is aimed at providing about 30 long-term equity and quasi-equity investments, ranging from USD250,000 to USD5 million, in socially responsible and financially sustainable private health companies. The Fund is part of the IFC-World Bank Health in Africa Initiative under which IFC intends to mobilize up to USD1 billion in investment and advisory services over five years.

Despite the availability of these long term funds, only the Hygeia Group, Bridge Clinic and Lily Hospital in Nigeria have been able to access these funds as hospitals are unable to provide reasonable and dependable financial plans and amounts required by other hospitals are too small to justify the transaction costs.

Infrastructure and equipment

This generally refers to financing required for the upgrade of facilities and purchase of diagnostic and curative equipment.

Most operators indicated interest in hospital management services.

There is interest in advisory services but little willingness to pay for the services resulting from a lack of understanding of the value of advisory services.

Only about 26% of the hospitals (all large hospitals) are interested in upgrading their infrastructure in terms of expansion and renovation, while all indicate interest in purchasing new equipment to enable them provide additional services and improve the quality of care.

Hospitals also generally indicate a desire to upgrade their laboratories and improve their ability to undertake biological and clinical investigations.

Figure 10 Case Study B

Hospital A is a 26 bed hospital in Lagos, Nigeria with annual revenue of around USD1.1million. Hospital A provides general hospital services such as inpatient, outpatient and emergency services and specialist services such as Obstetrics/Gynaecology, Paediatrics, Orthopaedics, Dermatology, Ophthalmology, Surgery, Urology, Psychiatry, Neurology, Physiotherapy, Gastroenterology and Nephrology.

The hospital is in the process of building its Head Office. Estimated financing needs for the development of the head office including acquisition of specialized medical equipment (such as IVF, Endoscopy, MRI & CT), is USD5m. The hospital expects to finance 70% of these costs with debt.

Advisory, Capacity Building and Hospital Management Services

Advisory services required by the private hospitals include business planning services, financial management, quality improvement and fund raising. Hospitals also indicated interest in capacity building services including but not limited to sourcing and recruitment of skilled staff, contract administration of skilled, temporary staff and training of existing staff. Hospital management services required by the respondents cover the development and implementation of standard operating procedures, implementation of hospital management software and process improvements/efficiency.

A key limitation to the uptake of advisory services is the reluctance by operators to pay for services, except when their potentials financiers insist on it. Operators complain about the high costs of advisory services doubt their value, given that most of those who provide the services do not have medical backgrounds. They will therefore prefer for the financiers to pay for the services or for advisory firms to provide initial free preparatory services such as feasibility studies and business planning services and then recover their costs when helping to raise capital.

Although needs for technical assistance and capacity building support both in clinical and non-clinical terms are significant, the concept of investing for technical assistance and capacity building to improve business outcomes is still relatively new and, as such, the market for such services is at this stage considered immature.

The diagnostic centres are more business oriented than the hospitals and most have accessed and still access external financing for their operations.

They are more open with business information and also seem to drive higher revenues.

4.2 Diagnostic centers

The diagnostic centers profiled under this survey all offer basic laboratory services whilst only about 67% offer stand-alone imaging services or in addition to laboratory services. A significant proportion (67%) of the surveyed diagnostic centers are multi-branch centers with a few having as many as 9 to 15 branches spread across the country. One of the respondents (Echoscan) has a branch of its facilities embedded in a private health institution in Lagos while Pathcare Laboratories is in a public private partnership with the Lagos University Teaching Hospital to provide pathology services. The stand-alone diagnostic centers often depend on referrals from surrounding hospitals and some have formed informal partnerships/referral agreements with a number of private health facilities based on trust.

The diagnostic centers surveyed are all privately owned, however, in about 50% of the respondents' sample, executive management is separated from ownership and operations are led by a Medical Director who is employed for that purpose.

In terms of financing, most of the diagnostic centers in the sample appear to be more aware of financing solutions than their counterparts in the hospital group as 67% of them have accessed or plan to access debt to fund expansion and purchase of new equipment. 33% of them have suggested private equity as a potential funding source, about 50% utilise a mix of debt, bank equipment financing and vendor financing to purchase diagnostic equipment and none of the respondents are wholly self-financed.

Diagnostic centers report a wide range of revenues - startup centers with less than three (3) years in operation can earn less than USD120,000 annually while the more established, multi-branch players may earn upwards of USD180,000 in annual revenue.

Table 3 Key findings from survey of diagnostic centers

KEY PARAMETERS	LABORATORIES	LABORATORY AND IMAGING CENTERS
Referrals	Samples are sent to the parent laboratories in South Africa for analysis when relevant equipment/skills are unavailable	One of the respondents refers to India for complex surgical procedures. Other respondents have informal arrangements with hospitals in their environs.
Services requested by patients but unavailable in center	• PCR • Flow cytometry • TB Culture • Some histological tests • AMH estimation (fertility) • CD4 Count • HIV Viral load • HBV Viral load • DNA Paternity testing • Genetic Testing	• EEG • Angiography

Just like hospitals, the biggest need for the diagnostic centres is lower interest and longer tenor financing.

They also seek equipment lease, or install-mental payments from vendors.

Partnerships that build local capacity to introduce more complex diagnostic services are also of interest.

Operators complain of poor turnaround time for equipment maintenance by vendors.

4.2.1 Needs analysis of diagnostic centers

Financing

Due to the significant capital expenditure involved in purchasing diagnostic medical equipment and devices, and inadequate demand by clients who can afford the services, returns on investment take a protracted time to materialize and diagnostic center operators are often unable to tie down large volumes of cash to finance these long-term projects.

Additionally, financing in Nigeria is often offered on a short-term basis with an inability to match the long-term investments required for expansion.

Thus, the players in this sector are still desirous of obtaining long-term, lower interest (by about 10 per-

centage points below the current 20% – 23%) loans and also accessing flexible vendor equipment financing which is matched with their expected cash flows arising from the business or from other sources.

Figure 11 Case Study C

One of the diagnostic centres surveyed recently commenced operations in 2013. The centre is outfitted with a 1.5 Tesla MRI Scanner, Lilyium mammography, Ultrasound scanner, Digital X-ray, 64 slice CT-Scan, ECG and a 6 unit Dialysis suite. The centre was equipped by Toshiba which also provided design and installation services. Although the centre had a large proportion of the required capital at hand, it was unable to access vendor equipment financing and could only benefit from structuring of the payment into four installments paid over 6 - 9 months.

Equipment and Infrastructure

The laboratories and diagnostic centers also indicated the need to expand the scope and scale of their services, for example, Medicaid Diagnostics in Abuja offers diagnostic imaging services and has indicated the need to obtain a higher grade CT scan which can be utilised for angiography and also has short term plans to build a state of the art Cathlab. Pathcare, a medical laboratory, is targeting 400% growth in capacity and the availability of genetic and paternity testing in Nigeria – this is currently sent to its South African office for testing.

Constraints around achieving the planned expansion include difficulties in obtaining finance which have been discussed above.

"The power requirements for high end equipment such as MRI and low throughput requires longer term recovery plans than the current tenors offered by Nigerian banks and other financiers or equipment lease by vendors"

Echoscan Diagnostic Centre

Capacity building services

The laboratories/diagnostic centers also noted that skilled resources for operating and maintaining complex, diagnostic/radiological equipment were largely unavailable and require foreign, technical partners to operate the equipment for a defined period while building the capacity of the existing staff.

4.3 Pharmaceuticals and medical devices/equipment companies

The companies evaluated under this segment were Swiss Pharma Limited and Philips Original Equipment Manufacturers. This section focuses on estimating each of the respondent's size of the markets in which they operate, the perceived risks and challenges of operating within the sector and opportunities for growth in the sector. The table below provides an analysis of the responses obtained from both companies:

Table 4 Key insights from providers of pharmaceuticals and medical devices/equipment

PARAMETER	SWISS PHARMA - PHARMACEUTICAL MANUFACTURING	PHILIPS - ORIGINAL EQUIPMENT MANUFACTURER
Services Offered & Market Sizing	• The company manufactures and distributes a wide variety of prescription drugs across Nigeria • Its highest selling products in terms of volume include benzodiazepines (biggest manufacturer in Nigeria), anti-malarial, antibiotics and analgesics • Revenue earned from sale and distribution of drugs in 2013 was N2.5 billion	• The company provides the following products/ services to the Nigerian Health Sector: - Medical diagnostics and imaging equipment including CT Scans, MRIs, healthcare informatics and home monitoring solutions, mammograms etc. - Professional services for the setup of diagnostic centers including facility design, workflow design, project management etc. - Funding, Investment and transaction advisory services for clients in the health sector • The size of the Nigerian market for key radiological equipment is valued at a total of about 47 million Euros at 2013. This is broken down as follows: - Radiation oncology market - 40 million Euros - MRI/CT scan market - 13 million Euros - Ultrasound scan market - 4 million Euros • Revenue earned from the Nigerian Health sector over the past five (5) years is estimated at USD10 million • Highest selling medical device/ equipment by volume is the Ultrasound while highest selling equipment in terms of value is the CT Scan • Currently, no equity/debt investments have been made in the sector
Analysis of Needs for Business Expansion	• Stable government policies and regulations which create an enabling environment for local manufacturing of drug • Focus on scale –up of local players to encourage manufacturing of drugs in Nigeria • Elimination of the influx of counterfeit drugs from foreign sources through the sea ports	• Skilled resources for operating and maintaining diagnostic/radiological equipment • Set up of catheterization laboratories • Set up molecular diagnostic equipment, PET CT Scanners and Linear Accelerators for oncology • Implants and prosthetics for orthopaedics • Emergency information systems including ambulances, ventilators, patient monitors • Implementation of hospital management information systems • Availability of lease financing for equipment • Contract structuring services for large healthcare projects always have external offshore solicitors
Challenges/Risks	• Availability of and access to adequate cash flow to fund working capital requirements remains one of the key challenges faced by the pharmaceutical sub-segment of the health market	• Unavailability of a formal credit system for assessing credit risk • Poor financial and business management skills within the sector • Insufficient demand and scale to earn suitable returns on investment • Cost of obtaining long-term funds is prohibitive

There are a lot more financing options and products available than most of the operators are aware.

There seems to be a disconnect between the banking institutions and health care operators as the need for partnerships is expressed by both sides, yet it seems they do not understand each other's business.

This creates an opportunity for advisory services on both ends, especially if inclusion of costs can be made by financing institutions in their recovery plans.

4.4 Financial institutions

Five financial institutions were interviewed to determine the extent of engagement with the Nigerian Health Sector and the perceived risks/challenges faced in funding/investing in growth in this sector.

Table 5 Financial institutions interviewed

KEY PARAMETERS	LABORATORY AND IMAGING CENTERS
Development Finance Institution	**International Finance Corporation**
Private Equity Firm	**Abraaj and UBA Capital**
Deposit Banks	**Diamond Bank and Fidelity Bank**

Of the five financial institutions surveyed, the two deposit banks offer retail loans for financing expansion and purchase of equipment within the sector while the private equity firms provide debt capital and/or equity financing to fund growth, scale-up and expansion of health facilities. One of the private equity firms operates a fund sponsored by a number of global and regional Development Finance Institutions and also provides long-term capital to healthcare providers on a commercial basis whilst the other primarily provides capital raising services and serves as a link between providers of equity/debt finance and the health sector.

One of the respondents in the deposit bank segment estimates a healthcare portfolio size of about USD3 million with over 80 health facilities benefitting from the retail loans offered. The bank estimates the size of its portfolio will double in the next year. While deposit banks declined to disclose specific investments/transactions in the health sector over the last three years, one of the private equity firms disclosed it had invested about USD10 million to two health facilities over the past three years to fund equipment purchase and expansion of facilities and estimates a portfolio size of between USD50 -USD100 million in the next five years.

The table below provides an outline of funds and products/schemes set up and/or operated by the surveyed financial institutions:

Financial institutions consider investments in the sector high risk.

De-risking the sector will require restructuring the governance and management systems of the health businesses and helping them build strong financial records.

Table 6 Health finance products and funds

PRODUCT	TERMS
Fidelity Private Medical Support Scheme	Offers Private Health Facilities retail facilities for procuring drugs and a list of approved equipment primarily collateralized by property. Loans are offered at prevailing commercial rates.
Fidelity Pharmacists Support Facility (FPSF)	Provides retail loans to finance working capital for wholesale and retail Pharmacists. Pharmacists must be registered with the Association of Community Pharmacists of Nigeria (ACPN). Loans are offered at prevailing commercial rates.
Diamond Bank Medi-Loans	Operated in partnership with the Medical Credit Fund to provide medical loans between the value of N200, 000 and N56, 000,000. Interest rate is 17% as a result of the guarantees put in place by the international partners. Loans cover equipment procurement, renovation and extension of buildings.
USAID Medical Loans	Operated in partnership with USAID. 50% equity participation is required from clients to access this loan and interest rates average 16%.
Africa Health Fund	Operated by the Abraaj Group and sponsored by the IFC, the African Development Bank, the Bill & Melinda Gates Foundation, and the German development finance institution DEG. The fund target commitments between USD100 to 120 million over two closings and invests in health SMEs, such as health clinics and diagnostic centers, with the goal of helping low-income Africans gain access to affordable, high-quality health services. The Abraaj group estimates investments of about USD10 million in the Nigerian health sector in the next twelve months.

All the financial institutions surveyed were of the opinion that demand for funding within the sector is high, however, somewhat latent and will be expected to grow further when attractive sources of supply open up. The financial institutions enumerated a number of challenges associated with investments in the sector. These include:

- High risk of loan defaults,
- Informal corporate governance arrangements due to the fact that most private health institutions are structured as sole proprietorships,
- Track record, especially for debt financing,
- Sub-optimal business planning and management skills, thus private healthcare providers are unable to clearly articulate their business plans and forecasts,

- Poor financial management skills leading to poor awareness of financing options, inability to adequately leverage assets and inefficient financial structuring of the business,
- Poor understanding and mistrust of the concepts of debt capital and private equity,
- Inadequate scale to earn sufficient return on investments in equipment and expansion.

"A lot of healthcare companies need these services but they are not aware of them. Private Equity is relatively new in Nigeria and there is a wrong impression that PE firms steal people's businesses. There is therefore a need for a lot of education"

Abraaj/Africa Health Fund


Plendil
A World Class calcium antagonist

5. SHORTLIST OF OPPORTUNITIES

These are provided based on findings from the study. The recommendations are based on an analysis of the current situation and perspectives of operators interviewed. Investors are advised to do more in-depth reviews of each opportunity as the market is dynamic, and operators' reaction to a real investor/investment opportunity might differ. The colour code for the chances of success in the next 1-3 years reflects:

HIGH MEDIUM LOW

OPPORTUNITY	SERVICE OFFERINGS	CHANCES OF SUCCESS IN THE NEXT 1 - 3 YEARS
Special Upgrade Projects for Federal Tertiary Hospitals FMOH	• Source co-funding from donors • Transaction advisory • Design and infrastructure development • Medical equipment and devices • Staff capacity building and knowledge transfer	There will likely be new agenda setting and reforms after the elections
NSIA healthcare investments in selected tertiary hospital	• Transaction advisory • Design and infrastructure development • Medical equipment and devices	NSIA has signed an MoU with FMOH and has the resources to invest
NHIS and work on UHC	• Advisory services on UHC and CBHIS • Use of ICT to improve health insurance coverage • Implementation of health insurance information systems • Organisational strategy redesign and change management	NHIS has the resources and is already implementing widespread reforms
The World Class Hospitals Abuja FMOH and the Presidency	• Co-investment with recovery options • Transaction advisory • Design and infrastructure development • Medical equipment and devices • Staff capacity building and knowledge transfer	This is very ambitious without clear identification of funding sources
Abuja Medical City	• Co-investment with recovery options • Transaction advisory • Design and infrastructure development • Medical equipment and devices • Staff capacity building and knowledge transfer	Though some international partners have been identified, the level of commitment is currently unclear

Private Sector Multi-Specialist Hospitals (especially Nigerian specialists from diaspora)	• Co-investment with recovery options • Transaction advisory • Design and infrastructure development • Medical equipment and devices	Most of these players are already accessing financing given their track record from outside the country and current government support
Establish "Dutch Specialist Hospitals" in Nigeria	• Co-investment with recovery options • Transaction advisory • Design and infrastructure development • Medical equipment and devices • Staffing	The market is there, but opportunities for good recovery will depend on the outcomes of more extensive market studies and investment analyses
Advisory services for private hospitals	• Feasibility studies, business planning and transaction advisory • Staff placement and capacity building	The demand is high but a lot of sensitisation is required to command the necessary fees.
Advisory services for financial institutions	• Feasibility studies, business planning • Risk assessment and due diligence • Transaction advisory	Ability to pay for the services and the challenges that these services target is affecting their revenue targets from the sector – easier to demonstrate value
Health facility management/operations services	• Management/operations services	There is also high demand for these services. Operators are likely to pay as the adverse effect of poor management is glaring and directly affecting their bottom line. It is also becoming common practice.
Financing for private health businesses (hospitals and diagnostic centers)	• Capital raising from international sources with lower interests and or longer tenors • Co-investment • 3rd party guarantees • Special purpose vehicles	The opportunities are significant given the local high interest rates. IFC is consistently increasing its investments in this space. The limitation to private equity seems to be based on inadequate understanding.
Equipment and medical technology devices for private health business	• Outright sales • Equipment leasing • Equipment financing	There are opportunities for lease arrangements or longer tenor repayments across all facilities. OEMs and vendors will need to help operators with sincere profitability analyses to ensure that equipment is selected based on the real and not perceived market.

It is clear that there are several opportunities in Nigeria in the short and medium term for Dutch health care companies.

Most of the opportunities will require tailoring services and products to the needs of the operators and the realities of the local market while still maintaining strict risk management.

This will require creativity and leveraging on Dutch expertise from firms who already have local knowledge, strong conceptual thinking, experiences and networks, such as Philips and PharmAccess.

Financing firms and equipment and medical device manufacturers have the most identified opportunities and it is obvious that there is inadequate market penetration by current players.

This presents opportunities for aspiring market shapers and leaders.

The dwindling oil and national revenue might eventually affect consumption, if it persists. This might affect some of the analysis on affordability and profitability of service offerings.

6. MARKET ENTRY CONSIDERATIONS

6.1 Regulatory overview

Nigeria has a Public, Private Partnership (PPP) for Health Policy, which provides a broad generic framework for PPPs, but the detailed implementation strategy that should drive it has not been developed. There is a PPP and Diaspora unit in the FMOH that leads the development of relevant frameworks for PPPs at the federal level. The Infrastructure Concession Regulatory Commission (ICRC) is responsible for regulating and approving PPPs across all sectors, at the federal level. States have their own PPP governance arrangements.

6.2 Regulation of health facilities and health services provision

Registration and regulation of public and private hospitals is the responsibility of the states. Typically, the state ministries of health (SMOH) are responsible for the registration and monitoring of health facilities in the state. Although the SMOHs are meant to ensure quality of services, there are rarely documented service quality standards to check against. The key requirements for registration of facilities is the availability of licensed healthcare workers depending on the type of facility/services provided. The Nigerian Nuclear Regulatory Authority (NNRA), a Federal level agency, is responsible for authorizing all diagnostic radiography premises in Nigeria. They have a detailed minimum requirements guide for premises for the different radiography services.[14]

Lagos State has the most advanced health facility registration and regulation structures. The State Health Facility Monitoring and Accreditation Agency (HEFAMAA) which was established in 2006, is responsible for registration, monitoring and regulation of all public and private health facilities in Lagos State, including hospitals, laboratories and diagnostic centers. HEFAMAA also oversees the state's drug quality assurance laboratory.

Registration procedures vary across states but can be quite bureaucratic and may take up to two months or more.

Nigeria is currently encouraging foreign investors to invest in establishing hospitals and diagnostic centers in Nigeria. There is no regulation against the ownership of these facilities by foreigners, but businesses are expected to respect the expatriate quota regulations on the number of foreigners that can be employed by any business. These numbers are not fixed for health businesses and determined by Nigerian immigration based on the case for the required skills which may be subjective, but can be easily navigated by an experienced lawyer or firm that offers such services. Businesses that are part of trade missions and bilateral agreements between countries can apply for a waiver for the expatriate quota from the National Planning Commission.

Regulating the production and licensing of healthcare workers is the responsibility of federal level councils and boards. Some of the councils also have mandates to inspect and accredit facilities. The key regulators involved in regulating healthcare workers are listed below.

14 http://www.nnra.gov.ng/pdf/requirement/X-Ray_Premises.pdf.pdf

Nigeria remains a difficult place to do business despite significant opportunities.

The country ranked 147 out of 189 economies in the 2014 Ease of Doing Business Report (Sub-Saharan Average is 142).

Regulatory and bureaucratic bottlenecks are numerous, especially for international companies.

Corruption perception index ranking of 136 out of 175 countries.

Table 7 Health workforce regulatory agencies and mandate

COUNCIL/BOARD	MANDATE
Medical and Dental Council of Nigeria (MDCN)	• Regulate training including continuing medical education (CME) • License doctors and enforce professional conduct
Pharmaceutical Council of Nigeria (PCN)	• Regulate training including continuing professional development • License pharmacists to practice and enforce professional conduct • Inspect and license pharmacy premises
Nursing and Midwifery Council of Nigeria (NMCN)	• Regulate training including continuing professional development • License nurses and midwives to practice and enforce professional conduct
Medical Laboratory Science Council of Nigeria (MLSCN)	• Regulate training including continuing professional development • License Laboratory Scientists, Technicians and Assistants to practice and enforce professional conduct • Regulate the production, importation, sales and stocking of diagnostic laboratory reagents and chemicals. • Inspect regulate and accredit Medical Laboratories(Public and Private)
Radiographers Registration Board of Nigeria	• Regulate training including continuing professional development • License Radiographers to practice and enforce professional conduct

It is required for expatriate healthcare workers to also register with the relevant boards. The registration process with the boards is easier to navigate since they are centralized and do not differ across states.

6.3 Regulation of pharmaceuticals and medical devices sector

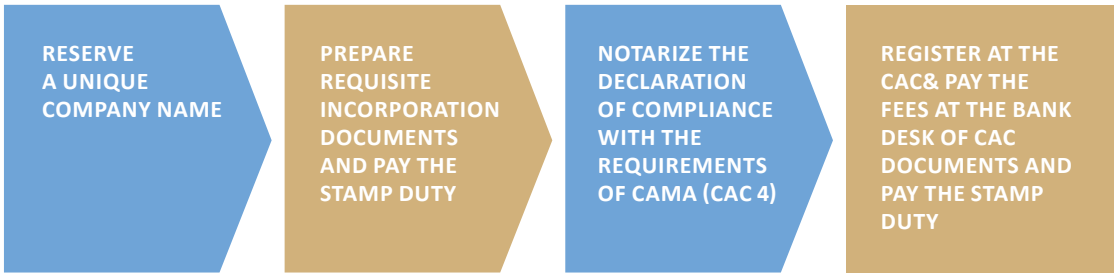
The National Agency for Food and Drug Administration and Control (NAFDAC) is responsible for the registration of drugs and medical devices, for use in Nigeria. According to NAFDAC, the application for registration of a medical device or drug can only be made by a manufacturer. In the case of a manufacturer outside the country, application for registration can be made by a duly authorized representative

who must either be a registered company or individual in Nigeria with the ability to recall the product for medical devices, and a pharmaceutical company for drugs.

6.4 Registration with Corporate Affairs Commission of Nigeria (CAC)

Healthcare businesses must be registered with the Corporate Affairs Commission of Nigeria (CAC), to be able to conduct business directly in Nigeria. Where foreign companies have local partners, they can conduct their businesses through their local partners as long as the local partners are registered with CAC. The CAC registration precedes the registration with the regulatory agencies discussed above. The CAC registration is best done using a lawyer who is familiar with the process. It is a straight forward process and takes between 2 to 6 weeks.

Figure 14 Steps for registering a company with the Nigerian Corporate Affairs Commission (CAC)

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7. CONCLUSION

The Nigerian health sector presents several interesting opportunities with good profit potentials for Dutch Life Sciences and Health Companies in the Task Force Healthcare. The combination of a large population, an increasing middle class with the ability to pay for services, an increasing demand for specialist services and high quality care – as shown by the market for medical tourism – and improving government policies on partnerships, will continue to grow the market in the short and longer terms.

Reliable and timely data on the Nigerian health sector is not readily available for decision making, so it is pertinent for companies intending to invest in Nigeria to conduct a detailed market assessment for the specific products and services they intend to bring in. The market assessment should include quantification of demand, pricing survey, competition analysis, underlying market dynamics, growth drivers and trends, market entry options (such as direct local registration, JV Partnership, distribution partner, contract manufacturing, local representative, etc.), potential local partners if necessary, regulatory environment and risks. This is very important as the specific information required for informed decision making will vary on a case by case basis depending on the products/services and time of entry.

Market entry assessments for specific firms/products are best conducted by firms with good local knowledge, a strong track record and a good network within the target market to ensure accurate market analysis and business modelling for entry. It is also advisable to engage local firms with demonstrable credentials and a good reputation to assist with market entry processes, especially registration with relevant authorities, tax application and calculation and other matters. This reduces the costs, bureaucratic delays and risks to new businesses. Interpretation of some of the policies also requires the right context knowledge and experience.

This report has provided a high level overview of sector development and trends, opportunities and market entry considerations that should help individual firms decide on where and how best to engage with the market. The focus of firms should be on how to optimize risks, maximise returns on investment and build partnerships that will allow them become market leaders.

Detailed market entry assessments should be conducted by companies interested in doing business in Nigeria and if in doubt, the Dutch High Commission should be contacted.

Interested firms should seek how to best optimise risks to maximise returns on investments and enduring partnerships.

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HOSPITALS			
S/N	Name	Location	Bed size
1	Cardio-Renal Center, Gbagada General Hospital	Lagos	56
2	Eko Hospital	Lagos	150
3	Femtob Hospital	Ogun State	20
4	Finnih Medical Center	Lagos	14
5	Isalu Hospitals Limited	Lagos	26
6	O & S Hospitals	Lagos	8
7	R-Jolad Hospitals Limited	Lagos	126
8	Topaz Hospital	Lagos	17
9	Abuja Clinics	Abuja	26
10	Amana Clinics	Abuja	15
11	Chivar Clinic and Urology Center	Abuja	9
12	Limi Hospital	Abuja	20
13	Nisa Premier Hospital	Abuja	50
14	Kelina Hospital	Abuja	11
15	Garki Hospital	Abuja	

9. ANNEX 2 - LIST OF INSTITUTIONS INTERVIEWED

DIAGNOSTIC CENTRES			
S/N	Name	Location	Services
1	Clina-Lancet Laboratories	Lagos	Laboratory services
2	Pathcare Laboratories	Lagos	Laboratory services
3	Mecure Diagnostic Services	Lagos	Laboratory and imaging services
4	Echo-Scan Services Limited	Abuja	Laboratory and imaging services
5	Medicaid Radiology Limited	Abuja	Laboratory and imaging services
6	Life Bridge Medical Diagnostic Centre	Abuja	Laboratory and imaging services

PHARMACEUTICAL CENTRES		
S/N	Name	Location
1	Swiss Pharma (formerly Roche Nigeria)	Lagos

MEDICAL EQUIPMENT/DEVICES COMPANY		
S/N	Name	Location
1	Philips Healthcare	Lagos

FINANCIAL INSTITUTIONS		
S/N	Name	Location
1	International Finance Corporation (IFC)	Abuja
2	Abraaj Capital	Lagos
3	UBA Capital	Lagos
4	Diamond Bank	Lagos
5	Fidelity Bank	Lagos

PharmAccess FOUNDATION | Health Insurance Fund | Medical Credit Fund Africa | SafeCare Basic Healthcare Standards

PHARMACCESSGROUP

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