We are the development agency of the African Union, coordinating and executing priority regional and continental development projects to promote regional integration towards the accelerated realisation of Agenda 2063 – Africa’s vision and action plan. We are mandated to strengthen capacity of Member States and regional bodies.

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.
Well before the COVID-19 pandemic highlighted Africa’s dependency on the rest of the world for many of its healthcare needs, this was a clear shortcoming for the continent. Some eye-opening statistics: Africa produces fewer than 1% of the vaccines it consumes, 6% of its total pharmaceutical needs and only 17% of the disinfectants used on the continent. And while 94% of malaria infections and 68% of HIV/AIDS infections are contracted in Africa, the continent makes fewer than 10% of the test kits for both diseases, receives a mere fraction of global healthcare research and development expenditures and delivers care with just a quarter of the nursing staff that the World Health Organization recommends to meet the United Nations’ Sustainable Development Goals by 2030.

While gains in governmental management of healthcare systems and development projects are necessary to improve these numbers somewhat, that alone would not be sufficient. And looking at the private sector, multinational corporations (MNCs) are also not a solution, chiefly because they barely adapt their healthcare product offerings or business models to suit African realities. MNCs may play a role in providing better healthcare for the most affluent segment of the population, but not the vast majority. Given these shortcoming, African micro, small – and medium-sized enterprises (MSMEs), with the right type of backing and policy environment that allows them to scale, could be the real engines of change.

Indeed, there are promising hints that such home grown healthcare entrepreneurship is already beginning to find a footing on the continent. Multiple new healthcare ventures have been launched in and beyond the main innovation hubs of Kenya, Nigeria, South Africa, Egypt among others, with some now making their way across the continent. In adapting to local needs and conditions, these solutions sometimes take a more traditional brick-and-mortar delivery approach, while others sometimes leapfrog the development seen in developed economies altogether (Exhibit 1).

Exhibit 1 - Africa’s healthcare businesses span the sector and are emerging in and beyond the traditional innovation hubs

Barriers to Success

To support Africa’s healthcare entrepreneurs in addressing the unique nature of African healthcare systems and requirements for better health outcomes, the African Union Development Agency (AUDA-NEPAD), in partnership with Japan International Cooperation Agency (JICA) and Boston Consulting Group (BCG), have piloted the Home Grown Solutions (HGS) Accelerator for Pandemic Resilience.

Based on our research and the Accelerator’s pilot activities in supporting an initial cohort of five healthcare companies, we identified four fundamental challenges that home grown healthcare companies face on the continent. These range from forging partnerships and access to expertise and capital to navigating difficult regulatory and trade environments. Whereas obstacles exist for any type of entrepreneurship, these constraints are exacerbated in the case of healthcare, where business risks and needs as well as policy and procurement landscapes are understandably different considering the impact of healthcare services and infrastructure on the everyday life of Africa’s population.

Barrier 1: Funding struggles

Although there has clearly been an uptick in overall venture funding in Africa, startups do not have access to the same amount or diversity in funding opportunities as their Western peers. For example, across most of Africa, early-stage or angel funding activity is nascent and opportunities to access affordable working capital or debt from local institutions are extremely scarce.

In addition, venture capital (VC) money is limited and what there is of it is generally earmarked for industries other than healthcare. For instance, among new technology companies in Africa, Fintech predominates with about one-fourth of all venture funding, while healthcare tech firms receive less than 10 percent (see Exhibit 2).

Many of these investors, as well as more traditional sources of funding, such as banks, shy away from healthcare in Africa because the sector as a whole is handicapped by long product and service adoption cycles, which often require navigating red tape to gain regulatory approval, and fractured revenue streams, including public and private sector payor programs and out of pocket patient spending. In addition, some healthcare companies — for instance, clinics or manufacturers — are capital intensive and, hence, a large investment. Seed money tends to gravitate to fast-growth, asset-light models that are deemed to be less risky in the short- and long-term.

Exhibit 2 - Healthcare funding accounts for a small fraction of start-up funding

*Source: Partech’s annual “Africa Tech Venture Capital Report”*
Barrier 2: Networking difficulties

For any founder, early exposure to peers and other industry players is essential to learn what has worked or failed elsewhere or to forge business partnerships early, all of which speeds up growth. Unlike other sectors, however, the intra-industry startup network is not well developed, and relevant events are rare due to the relatively small scale of and low investor interest in the sector. As a result, there are few opportunities for healthcare entrepreneurs to come across other companies that are doing parallel or potentially collaborative activities.

For example, FinTech companies have peer meets and greets, such as the Africa FinTech Festival, Africa FinTech Summit or Africa Tech Summit, and websites that list related events and seminars across the continent. Similar events are rare in the healthcare sector.

Barrier 3: Limited access to advice

Few African healthcare company founders are both medical professionals and businesspeople. Depending on their backgrounds, they almost always lack some element of technical (including healthcare), business or legal skills and know-how – and they need that kind of assistance to advance their companies. Unfortunately, given the fragmented patterns of expertise across the continent, relatively uncommon compared to the extensive capabilities available to tap in US and European innovation hubs, founders in Africa are unlikely to find the support they need within their personal networks, their city or even their host country.

Barrier 4: Fragmented and inefficient government processes

The U.S.’s FDA and the EU’s EMA together regulate healthcare products and services that account for roughly 65% of global health expenditures. In the small and fragmented African market, 52 agencies regulate less than 2% of global health spend\(^\text{14}\), making market access a slow and costly effort. Moreover, healthcare regulations among African nations are often conflicting and unclear.

And while the maze of regulations certainly impedes healthcare startups, the costs of doing business in Africa are also an obstacle. For instance, the public sector accounts for nearly 50 percent of African healthcare spending\(^\text{15}\), but government procurement rules sometimes put local manufacturers at a disadvantage. One example: finished goods to fulfill public purchasing contracts are often not subject to import tariffs yet imported raw materials to manufacture these goods locally are taxed.
T
o overcome the limits on African healthcare entre-
preneurship, a more mature business ecosystem is
necessary and the formidable barriers to the growth
must be eliminated. To do that, a variety of stakeholders –
from governments to investors and NGOs – must proac-
tively take steps to support local entrepreneurs and unlock
better African health outcomes. Successfully implementing
four imperatives though not a panacea could have a signifi-
cant impact (see Exhibit 3).

Exhibit 3 - Imperatives to unlock African healthcare entrepreneurship

Blended finance mechanisms
Debt and working capital
Increased Angel activity

Access to tailored financing
Open ecosystems & networks
Public-private networking
Peer-learning opportunities
Marketing opportunities

Mature eco-system

Increased support mechanisms
Streamlined regulatory, trade & procurement
Tariff-free trade
Harmonized regulatory
Friendly procurement

Imperative 1: Increase access to early-stage and
blended financing

The most pressing need is for more – and more
differentiated – capital sources for Africa’s healthcare
entrepreneurs. It is here that risk-tolerant philanthropic
or aid spending can play a major and catalytic role. Indeed,
in 2020, $141 million in equity capital was raised by
health tech start-ups, a mere fraction of the $10 billion in
development assistance for health (DAH) in Sub-Saharan
Africa, demonstrating that there is certainly a lot of room
to design or grow funding schemes for inherently scalable
and long-term sustainable private sector initiatives.

The few organizations that play this role and deploy
risk-tolerant capital, from sources as wide ranging as
well-meaning individuals to foundations or development
dbanks, showcase the potential here. Most noteworthy is
Medical Credit Fund, which has loaned over $100 million
to healthcare facilities in Sub-Saharan Africa since its
inception in 2009 at repayment rates of well over 90%.

Another example, Kiva links individual lenders worldwide
to borrowers through a network of microfinance
institutions, already enabling over $1.6 billion in affordable
loans to millions of borrowers in over 70 countries
including many in Africa.

Imperative 2: Create public-private community
around healthcare entrepreneurship

Continent-wide organizations like AU-NEPAD,
governments and Regional Economic Communities
(RECs) can organize events for local healthcare start-ups
to share their ideas and expand cross-border entrepreneur
and medical network ecosystems. These sessions can
be frequent and far-reaching by using virtual conference
technology to bridge fragmented landscapes.

Also, high-level government officials involved in health
policy and decision making should participate in these
events to not only determine the contacts that healthcare
entrepreneurs need to launch and grow their businesses
but to provide them more ready access to otherwise
‘hard-to-get-in-touch-with’ government organizations and regulators. This nexus and free interaction between policymakers and health entrepreneurs are mutually beneficial.

**Imperative 3: Find innovative ways to deliver business or technical support**

Professional services firms, such as consultants, law firms, M&A boutiques, investors, transaction advisors, technology advisors and others, can play a central role in supporting healthcare entrepreneurs with expertise, equipment and resources. Since these startups will likely be unable to pay for these services, other arrangements can be made. Among them, pro-bono temporary assignments of specialists, mentorship programs and creative payment models that are part pro-bono, part development-aid funded and part value- or milestones-based are possible.

**Imperative 4: Clarify and streamline regulatory, procurement and trade processes**

African governments should continue to review public healthcare procurement processes for competitiveness and incentivize local manufacturing, harmonize regulatory practices, and support trade. Some steps are already being taken in this regard. For instance, the Africa Continental Free Trade Area (AfCFTA), whose first phase was launched in January 2021, initially will cut some tariffs among African nations but in future phases could accelerate geographical scaling of healthcare startups.

Even more directly relevant to healthcare entrepreneurs is the African Medicine Regulatory Harmonization (AMRH) initiative, which is a little more than a decade old and is attempting to significantly shorten approval periods for drugs or medical devices to be sold across African nations by allowing medical regulators in multiple individual countries to jointly inspect, assess dossiers and review applications. Building on the foundations of the AMRH is the African Medicines Agency (AMA), a proposed central body that would further boost the capacity of the national regulatory authorities of all 55 countries to effectively and efficiently regulate a broad range of medical products and health technologies. The treaty for the establishment of AMA has already been signed and ratified by 18 countries.

**Conclusion**

Although local healthcare startups in Africa still have obstacles to overcome – steps to climb before a real chance of success – there are signs everywhere of significant changes afoot that could alter the business environment for entrepreneurs on the continent in ways that would have been difficult to imagine just a decade or so ago. Everything from real gains in expertise, new markets opening up, and additional and creative funding and investment schemes, to credible attempts to tear down regulatory barriers are moving in the direction of healthcare entrepreneurs. Ideally, these trends will accelerate further so more and more entrepreneurs can take advantage of the opportunity.
Revitalizing African Healthcare

Among the companies we worked with Kenyan-based Revital Healthcare illustrates well how a healthcare company can find success in Africa if the obstacles to growth are removed. The company, which manufactures a range of medical disposable equipment including syringes, masks and blood collection tubes, has been in business for fifteen years. However, until recently Revital has struggled to realize significant growth, in large part because it has had limited external technical and business advice and minimal access to growth capital, from either venture firms or local banks.

Those shortcomings are rapidly being eliminated. In 2021, Revital began to receive advisory and networking support from the AUDA-NEPAD Accelerator for Home Grown Solutions and, in parallel, Kenya’s Medical Research Institute has begun to provide technical advice to Revital to kick-start local production of COVID tests, which are meant to be sold across Africa. To facilitate this effort, the Kenyan government has designed accelerated regulatory pathways to allow products in short supply, like COVID tests, to be fast-tracked on to the market, even before full-fledged regulatory approval. And spurred by the increased need for medical consumables worldwide and mindful of the role that African manufacturing capacity can play in providing global supplies, multiple overseas investors and foundations have shown interest in the firm, which has already raised $3M in equity and $4M in grants and is likely to raise more soon.

With this renewed access to expertise and capital and with more government cooperation, Revital is quickly growing into a global player that highlights the opportunities to reduce African dependence on the rest of world and the possibility of local innovation. In the past year, Revital manufactured 1 billion medical consumables, a twofold increase over the prior year. In fact, the company exported 50 million syringes to India on a UNICEF contract, a sharp departure from the recent past when Africa had to purchase its syringes from India. And Revital’s COVID-19 rapid tests went from idea to market in a scant few months’ time; the company is already manufacturing 20,000 units monthly in early-stage production.
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