IFC Financing Guide for Health Care SMEs in Emerging Markets

International
Finance Corporation
World Bank Group

Contents

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This guide will help health care businesses to understand bankers' perspectives and build a successful case for financing.

Foreword

Financing is an engine of growth for the private health sector. Private health care businesses can use financing to expand and invest in quality improvements. Globally the demand for private health care is increasing, signaling market opportunities for investments in this sector. In many emerging markets, however, private health care businesses, particularly small- and medium-sized ones, have difficulty obtaining access to financing. In many developing countries banks do not lend to this sector in a significant way, often citing lack of market information, concerns about risk, and the poor quality of loan applications that they receive from health care businesses as major constraints. As a result many health care small and medium enterprises (SMEs) avoid banks and instead rely on self-financing through personal savings, income generated through the business, or loans from friends and family. Without external financing these businesses will remain small and struggle to meet the growing demand and market opportunities.

Purpose of the Guide: IFC created *IFC Financing Guide for Health Care SMEs in Emerging Markets* for owners and finance managers of health care businesses to expand access to financing. These businesses can use this guide as a standalone resource or as material for training on access to financing. It reviews the different types of financing and will assist health care businesses to understand bankers' perspectives on risks and opportunities in the sector, how bankers analyze loans, and how to present a case for financing. The guide will examine common mistakes in applying for a loan and strategies for success, illustrating key points with real world cases. There is a glossary of key terms and the annexes include resources and links to additional information that health care businesses can use in business planning and developing loan applications.

It is our hope that this guide will expand access to financing for health care SMEs in emerging markets, supporting the growth of quality health care provision and health improvements in the countries and communities where IFC works.

Guy Ellena

Director
Health and Education Department, IFC

Acknowledgements

IFC Financing Guide for Health Care SMEs in Emerging Markets was developed as part of IFC's Health and Education Advisory Services Project (567768). We thank Banyan Global, a development consulting firm IFC commissioned to produce this guide. The Banyan Global team, consisting of Meaghan Smith, Nancy Natilson, Bonnie Kligerman, Taara Chandani, Lisa Tarantino, and Sarah Yesko, drew on its experience working with health care SMEs to access financing. We also are grateful to the banks and health care business owners that shared their challenges and successes.

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.

Glossary

Asset: Any item of economic value an individual or business owns, which can be converted to cash. Examples include cash, accounts receivable, inventory, office equipment, vehicles, and other property.

Breakeven point: The level of output or sales necessary to cover fixed expenses.

Capital: Money that one has invested. It measures the net worth of a business or the amount by which business assets exceed liabilities.

Cash flow: The movement of cash into and out of a business or project during a specific period. This equals cash receipts minus cash outlays during the period.

Collateral: Something that the business or proprietor owns that is used to guarantee a loan. If a loan is not paid, the lender sells this asset and uses the funds received to pay off the unpaid portion of the loan.

Cost of funds: The interest and other expenses that a financial institution must pay for the use of money.

Debt finance: Borrowing money from an outside source with the promise to return the principal and an agreed-upon level of interest.

Default: The failure to meet legal obligations according to a contract or agreement; also the failure to make timely interest or principal payments on a loan.

Earnings before interest, taxes, depreciation, and amortization (EBITDA): This measures the financial performance of a company without including the effects of financing, tax rates, or non-cash items such as depreciation and amortization.

Equity: The value of an ownership interest in property or a business.

Equity finance: An exchange of money for a share of business ownership.

Expenditure: The amount of money or property paid for a good or service.

Expense: What a business pays for goods and services used in the process of earning revenue (the costs necessary for the business to generate revenue and operate).

Financial statements: A report describing the financial status of an organization or one of its component parts. The three most common financial statements are the balance sheet, the income statement, and the cash flow statement.

For-profit business: A legally recognized organization designed to provide goods or services to consumers in an attempt to earn a profit.

Income: Money received (or to be received) for goods and services sold.

Interest rate: The portion of a loan repayment attributed to the cost of borrowing; the payment to the lender for the use of money borrowed.

Lease: A form of financing in which equipment or property is used for a period of time in exchange for making payments to the leasing company or bank.

Line of credit: A pre-established loan of a specified amount extended to a borrower by a lender that the borrower can draw against as needed.

Net profit: The remaining income of a firm after adding the total revenue and gains and subtracting all expenses and losses for a reporting period.

Operating expenses: The ongoing costs of running a business.

Overhead: The expenses of a business that are not attributable directly to the production or sale of goods.

Policy environment: Decisions, programs, regulations, and laws the government makes that directly relate to issues in the country.

Profit margin: A measure of how well a company controls its costs; the amount of a sale that a company retains in earnings. Net profit after taxes divided by sales for a 12-month period, expressed as a percentage.

Regulatory environment: Describes the laws and policies local, regional, and state governments enact to control and oversee activities.

Revenue: Money received (or to be received) for goods and services sold. Also referred to as income.

Savings account: An account at a bank in which a customer deposits money for any non-immediate use and receives interest on the deposits.

Shareholder: A person or organization that owns a share in a company. The share represents a certain percentage of ownership in the company. A shareholder has the right to receive a portion of the company's profits in the form of dividends.

Working capital: The cash a company needs to operate on a daily basis.

Introduction

As a health care business owner you are pulled in many directions. You are responsible for the day-to-day operations of your business, you may treat patients, and you need to plan for the future. The private health sector in many countries represents a growth opportunity. The right investments now could position your business to take advantage of these opportunities in the future.

Planning for growth, however, is not easy. Not only do you need to be able to understand your market and business, but you also need to access resources for growth. As a health care business owner, you have made a significant personal investment in your enterprise—not just of your time but probably of your money as well. Your savings and reinvesting of your profits, however, only will get you so far. This guide was developed for health care businesses interested in obtaining external financing, particularly loans, to advance to the next level of operations.

While accessing financing is important for growth, doing so can be difficult in many countries. Bankers and health care businesses often misunderstand one another. Many health care businesses do not know what banks require to make a credit decision and how they analyze a loan application. They do not understand the business of banking or how the bank sees opportunities and risks. As a result, health care businesses throughout the world often are not prepared when they meet with banks and do not present their business and financing request in the best possible light.

This guide gives you the information that you will need to access financing. It reviews the different types of financing and helps you to understand a banker's perspective and how to present your case for financing, illustrating points with examples of successful health-sector borrowers. Additionally resources and links to information that will help you to develop a business plan and loan application are in the annexes. And the glossary in the front of this guide defines key terms that will assist you to speak bankers' language.

Financing is an engine for growth that you can use to position your business to take advantage of market opportunities in the health sector. This guide will help you avoid common pitfalls and use proven strategies to make your case for financing. The case study on the next page illustrates how a family doctor in Romania used financing to grow her practice.

Case Study: A Family Doctor in Romania Used Financing to Grow Her Practice

Name of Health Care Business Owner: Dr. Stefania Ciucu

Type of Health Care Business: This family doctor's practice offers primary health care to more than 400 families and participates in Romania's national health insurance plan, which is its biggest source of revenue and clients.

Location: Stolnici commune, a cluster of five villages in Arges County, Romania

Stefania Ciucu is a young doctor and an active member of the county doctors' association. At a local association meeting in 2008 she met representatives of Libra Bank and Raiffeisen Bank who were introducing their financial products for the health sector to the members.

She received a loan of €8,000 ($11,500) from Libra Bank to purchase a new car to visit patients in her area. Home visits are required under her contract with the national health insurance plan and are needed for the elderly and very young children who live far away from her clinic. Dr. Ciucu also received a loan of €10,000 ($14,300) from Raiffeisen Bank to purchase land where she plans to build a new practice in a larger space with offices for specialists and a laboratory for tests. This new space will allow her to increase the range of services she offers so that she can diversify and increase her revenue, while retaining patients who currently have to travel far to be treated by other providers for some conditions.

Learning Points: Financing is allowing Dr. Ciucu to grow her business. She used her professional contacts to identify and meet financial institutions. She borrowed from two banks because each one offered a loan product best suited to her two distinct needs (a car and land). Even though she has big plans for future growth, she is developing her practice in stages. She is realistic about the revenue that her business generates and how much she can afford to repay right now. The relationships that she develops with the two banks will be indispensable later when she is ready to build the new facility and equip it.

Source: Tarantino and Doiciu 2009.

Choosing the Right Type of Financing: A Comparison of Equity, Mezzanine, Debt, and Lease Financing

Before we get started, it is important that you understand the different types of external financing and the advantages and disadvantages of each. The four most common types of financing are equity, mezzanine, debt, and leases. Each is discussed in the table below, along with tips for selecting the most appropriate type of financing for your business. This guide will focus on debt financing.

Type of Financing	Advantages	Disadvantages
Equity investment: The amount of money and property the owner(s) invests in the business. There are three main sources of equity: personal savings, reinvestment of earnings from the business, and new investors. New investors buy a share of the business from the owner. This form of financing allows a business to obtain funds without incurring debt, but dividends must be shared proportionally among equity investors.	• Allows a business to obtain funds without incurring debt. • Can be an important source of funding for start-ups that are considered too risky for bank loans. • Strengthens a business's balance sheet, which will enable it to borrow in the future. • Can bring in investors that have strategic technical or management expertise that will improve the company.	• Can dilute ownership interest, and control, which is an important consideration for many health business owners who started their business with a vision for providing a certain type of care for their community. • May reduce dividend amount to original owner.
Mezzanine financing: A hybrid of debt and equity financing that is typically used to finance the expansion of existing companies with an established reputation and history of profitability. Mezzanine financing is debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is usually subordinated to debt provided by senior lenders such as banks and venture capital companies.	• May be provided with little or no collateral. • Is treated like equity on a company's balance sheet, making it easier to get debt financing from a bank.	• May carry a higher interest rate than debt financing from a commercial bank to cover the lender's increased risk.

Debt (loans): Money that is lent and repaid over a period of time, usually with interest. Debt financing can be short term (full repayment due in less than a year) or long term (repayment due over more than one year). Loans generally require collateral or some other type of security that can be used to repay a loan if there is a problem and the loan goes into default. Common types of security include personal and business assets, shares in the business, a personal guarantee of the owner, or a guarantee from another person or business. Different types of loans can be structured to meet different financing needs such as a short-term working capital loan to smooth cash flow or a term loan, which provides financing over a longer period with a specified interest rate and repayment schedule.	• Lender does not gain ownership interest in the business and does not play a management role. • Borrowers' obligation is limited to debt repayment.	• A new or start-up business may have difficulty getting a loan if it does not have a track record or assets to secure a loan. • If a health care business has a lot of debt, some financial institutions may be reluctant to lend more without an increase in equity. • Most lenders require regular payments of principal or interest. It may be difficult for the business to generate cash to repay regularly during start-up or slow periods. • May lose collateral if the loan defaults.
Lease: An arrangement in which the owner of an asset (lessor) agrees to receive payments or rentals from the user (lessee) – usually at a fixed rental level, which includes a mark-up that is equivalent to interest. The primary security is usually the asset. Health care businesses worldwide use leases to acquire equipment.	• In many countries, leasing has favorable tax treatment. • Leasing usually requires no initial lump-sum payments. • Additional collateral is often not required.	• Leasing is only an option for equipment or vehicle financing and may not meet all financing needs. • May not be available for the equipment you want. • May not be available in your country.

Tips for Selecting the Right Type of Financing for Your Business

Depending on your business and project, you may need one or all of these different types of financing. Here are some tips for selecting the most appropriate one for your business:

Equity financing: Can be an important source of capital for start-ups, businesses that do not have a sufficient track record or collateral for debt financing, businesses that need to improve their balance sheet before obtaining more debt financing, or businesses that are seeking to acquire external technical or management expertise.

Mezzanine financing: Can be appropriate for existing health care businesses that want to expand, need to strengthen their balance sheet, or do not have adequate collateral for additional debt financing from a bank.

Debt financing: This type of financing is most appropriate for existing businesses that can make regular loan payments and have adequate collateral.

Lease financing: Leases are an important way for health care businesses to acquire equipment without additional collateral.

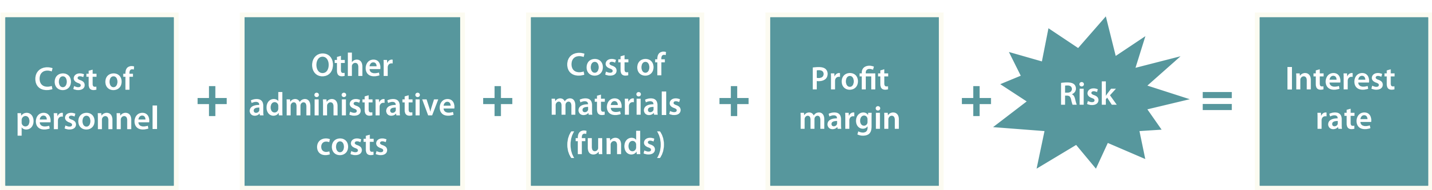
Understanding a Banker's Perspective

Now that you understand the different types of financing, it is important for you to understand what motivates a banker and how he or she views your business and industry. This section discusses the business of banking, the opportunities and reasons banks lend to the health sector, and the perceived risks of lending to it as well. This information will be invaluable to you as you prepare your case for financing, which is discussed in the next section of this guide.

Understanding the Business of Banking

Commercial banks are private for-profit businesses that are accountable to shareholders and need to demonstrate a profit. They generate income in a number of ways, including earning interest and fees from capturing deposits and making loans. When loans are repaid, the money can be lent again and again. If the bank wants to make even more loans, it must find more deposits (or more funds from its shareholders or other lenders).

Money is the bank's product to sell, just as drugs are what a pharmacy sells. To profit, a bank charges a higher rate of interest on the money it lends than what it pays on the money it has on deposit, just as a pharmacy charges more for the antibiotics it sells than the antibiotics it buys. Banks need to charge enough interest and fees for the loans they make to pay expenses and generate a profit for shareholders. Interest rates are determined just as physicians establish fees for the medical services they perform—by calculating the costs of personnel, materials, other administrative expenses, and then adding a profit margin. But there is one additional factor in a bank's equation to establish interest rates: risk. Please refer to the figure below.



How Does Risk Affect the Interest Rate on Your Loan?

Risk is the only part of the interest rate equation that you have the ability to affect. Your banker will start with a base interest rate and then add on to it, depending on his or her risk assessment of your business and loan request. The more risk, the higher the interest rate. Some of the key factors that affect the banker's calculation of risk are highlighted below and will be discussed in more detail throughout the guide.

- **The amount of financing:** The larger the loan amount, the more the bank stands to lose if you cannot repay.
- **The loan term:** None of us knows what the future brings. The longer a bank has money tied up in your business, the higher the risk that something may go wrong.
- **Your track record:** A solid history of running a profitable business and positive record of loan repayment will reduce your banker's concerns about risk.
- **Collateral:** Collateral that can be sold by a bank to cover the outstanding loan if you cannot repay will lower the bank's perception of risk.
- **Your business and industry:** Some types of businesses and sectors are considered riskier than others. The risk associated with the health sector will be discussed below.

Your banker will analyze the risk of your business and assess the likelihood of timely repayment. If the risk is high, your banker will require additional collateral and a higher interest rate to compensate for a greater chance of them losing their capital. If risk is too high, they will reject the loan request altogether. Please refer to the box below for tips for reducing risk and lowering your interest rate.

Tips to Reduce Risk and Lower Your Interest Rate

- Request only the amount of financing that you need. The higher the loan amount, the more carefully your banker will scrutinize your loan request.
- Make sure you are comfortable with the repayment period but be aware that the longer the loan term, the more you will pay for it.
- Provide collateral that can be easily resold and more than covers the value of the loan.
- Convince your banker that the health sector represents an important market opportunity and mitigate his or her concerns about risk in this sector. This guide will give you the information and tools you need to do this.

Opportunities and Reasons to Lend to the Health Sector

Often bankers do not know the market opportunities that exist in the private health sector, which is growing in most emerging markets. If bankers do not understand the market opportunities, they may overestimate risk and view the health sector and your loan request negatively. This section of the guide arms you with information you can adapt to your country and use to inform bankers about the good investment opportunities in the health sector. It will provide you with data on the growth of the health sector, factors behind the increase in private sector market share, and why the health sector is a good credit risk. The Making the Case section of this guide will discuss how to present this type of information in your loan request.

The Health Sector Is Resilient and Growing

Explain to your banker that the private health sector is growing. In fact, the rate of growth in the health sector is accelerating faster than gross domestic product (GDP) and population growth.[1]

- According to the World Health Organization (WHO), between 1995 and 2005 health expenditures worldwide doubled from $2.6 to $5.1 trillion.[2]
- The compound annual growth rate (CAGR) for health expenditure over this period is 6.97 percent; the world gross domestic product CAGR for the same period is 4.34 percent.[3]

Even in the face of a broader economic downturn, the health sector is projected to be resilient as evidenced in the following table.

1 World Health Organization 2008.

2 The WHO is the directing and coordinating authority for health within the United Nations system. Among other responsibilities it provides leadership on global health, sets norms and standards, articulates policy options, provides technical support to countries, monitors and assesses health trends, and collects and assesses health system information (such as expenditures).

3 This calculation is based on GDP data from the World Bank's World Development Indicators 2010 database.

Health Care Spending by Region (in U.S. dollars, billions)

	2008	2009	2010	2011	2012	2013	2014
North America	2,487.2	2,463.0	2,524.7	2,615.0	2,724.7	2,854.7	2,999.3
Western Europe	1,767.4	1,648.4	1,718.3	1,756.3	1,848.3	1,937.2	2,018.3
Eastern and Central Europe	183.6	143.6	168.1	183.0	206.5	230.4	257.9
Asia and Australasia	865.5	902.4	1,018.7	1,116.4	1,226.5	1,351.7	1,475.1
Latin America	276.5	247.3	279.9	293.2	317.4	345.0	375.5
Middle East and Africa	75.0	74.7	80.8	83.3	88.7	97.0	111.5
Worldwide [4]	5,654.5	5,477.5	5,788.2	6,044.8	6,409.7	6,813.4	7,235.3

Source: Economist Intelligence Unit 2010.

In addition to demonstrating to your banker that the health sector is growing, it also is important to explain why that trend is occurring. In general there are five main drivers that underpin the expansion of the health sector:

- population growth worldwide
- aging populations due to increased life expectancy
- a growing and changing disease burden with more chronic, non-infectious disease that needs more treatment
- rising consumer incomes and a corresponding ability to purchase health care
- the emergence of advanced medical treatments and technologies

These drivers are combining to increase demand for health care services, resulting in growing market opportunities for health care businesses and increased financing needs. The drivers of growth in your country may vary, so when talking to your banker, adapt them to your own country context.

The Private Health Sector Has a Significant Market Share

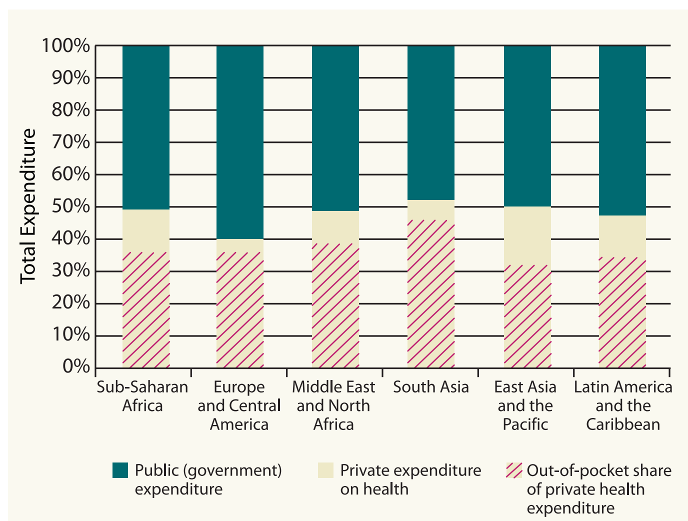
In the context of a growing health sector, it is also important to be able to explain the expansion in the private sector, with which your banker may be less familiar.

- Many governments lack the resources to meet their country's health care needs, resulting in an undersupply of health services.
- Private markets for health care are growing in response to that unmet demand.
- The private sector in many countries is becoming patients' preferred choice because of
  - greater accessibility and reduced waiting times
  - a higher perceived quality of services
  - the continuity of care it offers
  - the availability of pharmaceuticals

Remember to be prepared to adapt these growth factors to your own locality.

When discussing market opportunities, bankers will want to understand the size of the private health sector. One way to look at its breadth is to examine health expenditure data, which shows the volume of funds being channeled to the health sector from different sources, including private and out-of-pocket ones. High out-of-pocket payments usually reflect a high level of market activity and private provision of health services, although user fees and payments also can be made to public-sector facilities.[5]

Chart 1: Private and out-of-pocket expenditures represent a significant share of total expenditures in all regions



Source: World Health Organization 2009.

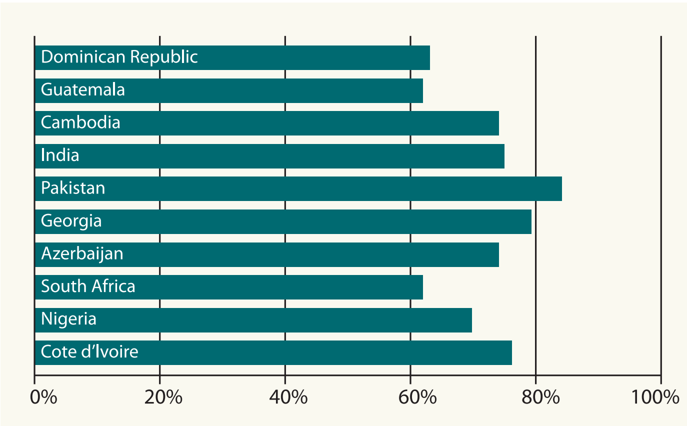
As Chart 1 demonstrates, across most regions, private expenditures, including out-of-pocket expenditures, comprise around 50 percent of total health spending. And in many countries, private spending represents more than 60 percent of total expenditures (see Chart 2). Annex One breaks down health spending by country, which you can use to share country-specific information on the private health sector

[4] Sum of 60 countries the Economist Intelligence Unit's industry service covers.

[5] Lagomarsino, Nachuk, and Kundra 2009.

with your banker. Annex Two provides a list of sources for market information and statistics.

Chart 2: Private health expenditures make up more than 60 percent of total health expenditures in many countries



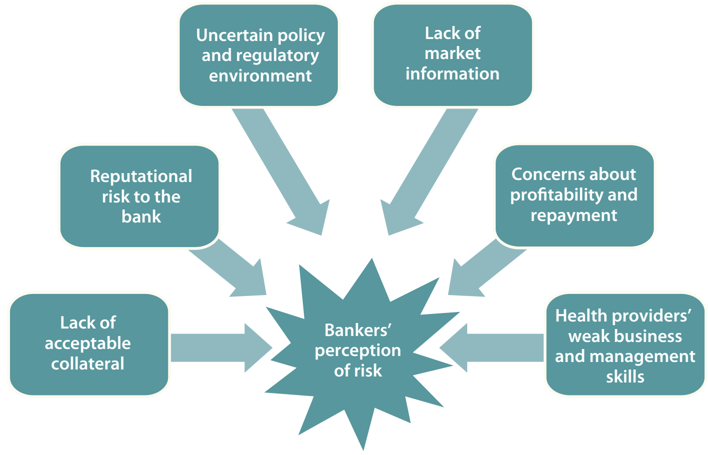
Source: World Health Organization 2009.

The Private Health Sector Is a Good Credit Risk

Anecdotal evidence shows that health care borrowers usually repay their loans and are a good credit risk. In fact, three banks interviewed for this guide reported that the portion of their health care portfolio that was at risk because of overdue payments was low compared to other sectors. Please refer to the box on health-sector portfolio performance for more details. If your bank is not familiar with the health sector, this information will interest it. Explain to your banker that health care businesses are a good credit risk because:

- They are registered businesses that are regulated by the government.
- Licensing requirements make it difficult for health care businesses to shut down and relocate to avoid loan repayment.
- They are reputation-based businesses that need to offer good services in order to attract patients and retain contracts.
- Patients seek health care even during economic downturns, which can result in a more stable cash flow compared to some other types of businesses.

Perceived Risks in Lending to the Health Care Sector



Despite data that health care businesses make good borrowers and that the credit risk can be lower than in other sectors, some banks have avoided lending to the health care sector because they think it is too risky. As a potential borrower, you should understand why banks think the health sector is risky so that you can better provide them with information to the contrary.

This section provides an overview of each factor that contributes to a bank's perceptions of risk: lack of market information, an uncertain and restrictive policy and regulatory environment, concerns about profitability and repayment, lack of acceptable collateral, the clinician's weak business and management skills, and reputational risk to the bank. The Making the Case section of the guide then will help you to address and mitigate these risk factors during the loan application process.

Heath-Sector Portfolio Performance

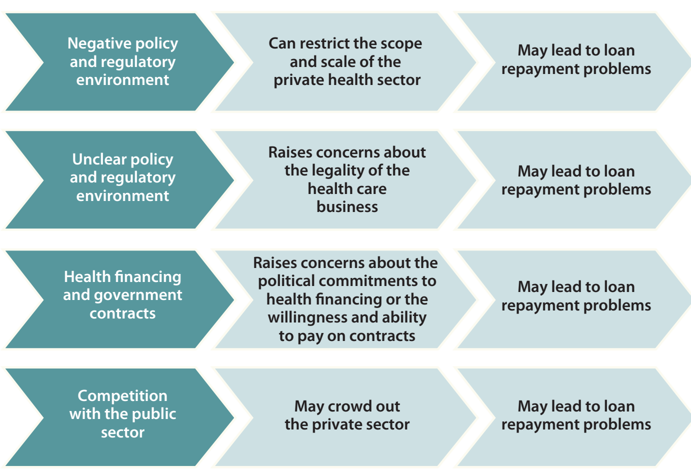
- Discussions with several banks with significant health-sector portfolios indicated that these portfolios perform well compared to other sectors. These banks reported that their portfolio at risk (PAR), or the portion of the portfolio that is at risk because payments are overdue, is quite low.
- Located in Nicaragua, Banco de la Producción (BANPRO) reported a health-sector PAR of 0 percent compared to 2.9 percent PAR of the bank's total portfolio.
- Equity Bank in Uganda reported a health-sector PAR of less than 1 percent.
- A bank in Europe and Central Asia reported that its health-sector PAR is less than any other sector that it lends to.

Lack of Market Information

In many emerging markets little centralized data exists on the private health sector. Some governments do not keep good records of registered health care businesses and often there are no comprehensive market studies. Bankers complain that they do not know the size of the market; its financing needs; and the risks, opportunities, and trends. Without this information, bankers avoid the sector as they feel uncomfortable analyzing and approving loan requests that they receive from health care businesses. One of the most important things you can do is to provide this information to your banker.

Uncertain and Restrictive Policy and Regulatory Environment

The health sector is different from sectors banks usually lend to. One of the most striking differences is the level of government involvement and oversight. Governments regulate health care businesses, setting and enforcing quality standards. In some countries the government also finances the delivery of some services through the private sector and delivers services itself. Banks often look negatively at government involvement and worry that a change in policy may adversely impact a private health care business's ability to repay a loan. The following figure shows banks' major concerns related to the policy and regulatory environment.



One risk in lending to clinics that have a government contract, is that the license can be revoked for substandard services.

– Mauricio Horvilleur
Manager of international business, BANPRO, Nicaragua

A Lack of Market Information Restricts Lending to Midwives in the Philippines

A 2005 survey of 46 financial institutions in the Philippines indicated that only 9 percent lend to private midwives' practices. The majority (78 percent), however, were interested in lending to this sector but cited lack of market information as the most important impediment.

Source: Banking on Health 2005b.

While some of those concerns about the policy environment may be well-founded, government regulation and opportunities for public-private partnerships also can help grow the market, control the quality of services provided, and improve a health care business's repayment capacity.

Concerns about Profitability and Repayment Capacity

Do not assume that your banker understands your business and knows how you make money. Health is often viewed as a public good with some governments offering free or subsidized services. While health reforms in many countries are increasing the role of the private sector, bankers may not be aware of the sizeable demand for private health care services. Nor do they always comprehend how private health care businesses earn revenue that can be used to repay a loan or manage the costs of providing quality care. Many bankers in emerging markets also complain that health care businesses do not always report all of the revenue that they receive. Informal payments make it difficult for bankers to assess the business's repayment capacity based on financial statements, and there is a concern that the business will be fined or shut down by the tax authorities.

The lack of financial statements by doctors is one of the main challenges to lending to them because it is not easy to verify doctors' income and determine whether their cash flow can service their debt.

– A commercial banker in Jordan

Lack of Acceptable Collateral

Bankers often complain about the type of collateral health care businesses offer. They particularly worry about two unique characteristics of collateral from health care businesses:

- the ability to resell medical equipment that is specialized and only can be used by highly trained professionals

- the difficulty of closing a health care facility due to a loan default, as the consequences of denying health care provision to those in need and the negative publicity that it would attract make seizing physical assets of a health care facility politically risky

Perceived Weak Business and Management Skills

Medical personnel who are not business people by training often run health care businesses. Some bankers express concerns about the limited financial and management capacity of health care businesses, a stereotype that is often reinforced by poor quality loan applications and financial projections, adding to the perception that the sector is risky.

Reputational Risk to the Bank

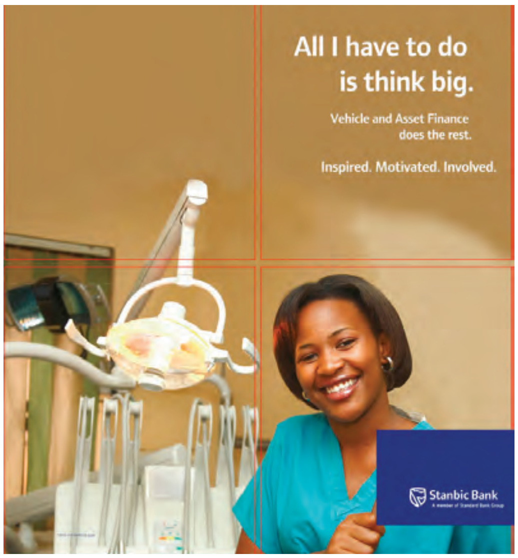
In some countries banks are concerned about the reputational risk of lending to health care borrowers that are engaged in unethical practices, such as selling illegal drugs or organs. Banks want to avoid any type of negative publicity that could hurt their reputation. Financial institutions need to feel comfortable that their borrower is meeting quality standards and operating legally.

Banks have tightened their lending requirements in Romania and the medical business has also been affected. Two major issues have been spotted: health care businesses need to make a contribution to the project…and the lack of mortgage collateral for bigger projects.

– Fady Chreih
Head of health care division
Banca Transilvania, Romania

Making the Case for Financing

As you can see, opportunities and risks exist in the health sector. Bankers weigh these two factors in making a decision to lend. If the perceived risks outweigh the perceived opportunities, the banker may deny your loan application or offer terms that are unacceptable, such as a high interest rate or excessive collateral requirements. This happens because bankers are unfamiliar with the health care market and many health care business owners do not know how to make a convincing case for financing. This section of the guide will help you to build and present your case for financing.



Building Your Case

In order to build an effective case you need to understand the key elements for making a case, the steps for preparing for financing, and the tools that a banker uses to collect information for your loan request. Each is discussed below.

Key Elements for Making a Case

There are several key elements of a successful case for financing. Your banker may not be familiar with the health sector or the type of business that you operate. You need to be able to explain your business and industry to your banker, highlighting the market opportunities. Do your homework before approaching a bank so that you are able to describe why you need financing and how you are going to use it.

One of the most critical elements for making a case is being able to show your banker how you are going to repay the loan. If a bank does not see repayment capacity, it will not approve a loan request. The bank also wants to know that you have adequate collateral to secure the loan if there is a problem. You also need to demonstrate that you are reliable and honest and are providing a balanced and transparent account of your business and future plans. Your banker will know that you are honest if you acknowledge the risks and address them during the application process. You also want to reassure your banker that you have the management capacity to run a successful business that will be a strong and stable client for the bank. Refer to the checklist for a summary of these elements and keep them in mind when you are preparing and applying for a loan.

Checklist of Key Elements for Making a Case for Financing

- Explain your business and industry to your banker, highlighting market opportunities.
- Explain why you need financing, how much you need, and how you are going to use it.
- Show your banker how you are going to repay and secure your loan.
- Discuss your track record and credit history.
- Demonstrate that you are reliable, honest, and transparent.
- Acknowledge risks and address them.
- Reassure your banker that you have the management capacity to run a successful business.

Preparing for Financing

Before you approach a financial institution you need to do preliminary homework to identify the feasibility of your proposed project, the amount of financing required, the most appropriate type of financing, your ability to repay, and the best bank for your business. Being prepared when you speak to a banker reassures him or her that you are a strong business leader with the capacity to repay the loan. This guide briefly discusses the steps in the loan-preparation process. Refer to Annex Three for links to resources for more detailed guidance on each of these important topics.

Step One: Identify Your Financing Need

Identify your financing need. This may be a line of credit for working capital to cover payroll, financing the replacement of old equipment (such as an X-ray machine), or expanding your business by opening a new facility.

Step Two: Assess the Feasibility of the Planned Project

If you are planning to add a new service, expand your business, or start a business, you need to assess the feasibility of this new project before requesting financing. A feasibility study will tell you whether the project is viable and a good investment for your business. Planning for a greenfield, or start-up hospital or clinic, is different than planning for expansion. Please see the box below for tips for planning a greenfield hospital or clinic.

Step Three: Determine the Amount of Financing Needed

Establishing the amount of financing you need is important to manage the growth of your business and a key element in making your case for financing. To determine how much money your business needs, estimate the total cost of the project. Then subtract sources of funding that you already have available, such as cash in your bank account. The net amount will be your best estimate as to how much you need to borrow.

Step Four: Identify the Most Appropriate Type of Financing

As this guide has discussed, there are many types of financing, including equity investments, mezzanine financing, loans, and leases. Weigh the advantages and disadvantages of each and identify the most appropriate one for your financing needs. This guide focuses on debt financing.

Step Five: Assess Your Ability to Repay

If you pursue debt financing, you must be able to show your banker that you can repay the loan. A cash flow statement, which is discussed later, is an important tool to show that you can do so by projecting revenue, expenses, and principal and interest payments on a loan. Be conservative and realistic when you develop financial projections.

Step Six: Choose the Best Bank for Your Business

As a final step in preparing for financing, conduct research to find the best bank for your business. Do not just go to the bank that offers you the best interest rate, but rather consider the following factors:

- geographic location
- personal referrals or a previous banking relationship
- a good reputation for financing businesses like yours
- loan products and terms that meet your needs
- appreciation for you and your business

Understanding the Tools a Banker Uses to Collect Information for Your Loan Request

During the loan application process, you will have numerous opportunities to present your case. Banks have five primary tools for collecting this information; each of them is discussed briefly in this section.

Loan application: Every bank has its own loan application form. Generally, the larger the loan amount, the more complex the application. Sometimes the application can be completed online, but more often the business owner or finance manager must fill it in by hand. The following table includes information that may be required on a typical SME business loan application. Some of the information also may be in your business plan.

The banker will use the information in the loan application to check references, both credit and commercial. If your lender is a formal financial institution and a credit bureau exists in your country, the banker can access your credit history and find out if you have repaid your debt on time. The banker also may call one of your major suppliers, the government accreditation agency, and the medical council to see if your business is in good standing.

Business plan: A business plan tells where a company is going, how it will get there, and what it will look like once it arrives.[6] The business can use it internally to guide the company over the next year or to manage a new project or expansion; it also can be used externally to introduce an investor or banker to your business. A business plan presents background information, market information, operational information (how you will meet the demand), and financial information. It focuses on the project proposal, including the rationale for growth, financing strategy, and projections with realistic assumptions. Refer to Annex Three for more sources of information for business planning.

Financial statements and projections: Financial statements are reports that can be produced monthly, quarterly, or annually that describe the financial situation of a business. The three main types of financial statements are balance sheets, income statements, and cash flow statements. These statements provide the data for the financial analysis that a banker or credit analyst will perform to assess your capacity to repay a loan. A balance sheet shows a company's financial situation on one specific date. The income statement shows

Information Required in a Typical Business Loan Application

Section	Details
General information	Business name, address, phone, e-mail, website, and business registration number or tax identification number
Loan request	Amount, purpose, and term (maturity)
Previous and current loans	Lender, original amount, amount outstanding, and disbursement and maturity dates
Business description	History and nature of business, number of employees, major suppliers, and accreditation or certifications
Ownership structure	Names, addresses, phone numbers, e-mails of owner(s), and percentage of ownership
Management profiles	Short statement on key staff, including position, name, education, experience, and special skills
Market information	Health care environment and trends, competition and your competitive advantages, and customer profiles
Financial information	Balance sheets and income statements for the past three years from the business and principal owner(s), projections of business for three to five years, and collateral available

6 Siegel, Ford, and Bornstein 1993.

the revenues and expenses for a period of time. And the cash flow statement shows what money comes into and what money leaves a business. A banker will want both historical financial statements as well as projections for the life of the loan. The primary source of loan repayment is the future cash flow that a business produces. When you develop financial projections, you also need to explain your assumptions about costs and the market (supply and demand and how trends will affect sales figures) so the banker understands why the projected income and expense figures are realistic. Please refer to the section below on What Your Banker Needs to Know about Your Type of Business for a discussion of what kind of information needs to be included in your projections and explained in your assumptions. Refer to Annex Three for sources of information on developing financial statements.

Tips for Planning a Greenfield Hospital or Clinic

Planning for a greenfield project can be more difficult than planning for an expansion because you do not have a track record on which to base your projections. Here are some tips for you to consider:

- Greenfield outpatient clinics typically can break even in under a year but in projecting your financing needs be sure to have enough cash available to cover working capital and operating costs for the first year.
- Greenfield hospitals often take two to three years to break even. Be sure to have enough cash in the financing plan to sustain operations for the first three years.
- Be conservative in projecting how quickly the hospital will ramp up. Overly optimistic utilization projections will cause you to underestimate your financing needs and lead to a cash crunch before you break even.
    - Typically, the occupancy rate at inpatient facilities is 25 percent in the first year, increasing to 70 percent over five to seven years. It is rare to go above 80 percent occupancy, and 100 percent does not occur.
    - EBITDA margins tend to range from 18 to 23 percent when the operation is mature.

Interview: An interview usually takes place at the bank when the business owner brings the loan application, business plan, and financial statements and projections for the banker to review. This meeting is your opportunity to impress the banker with your knowledge of the health care sector and how your business fits into the market. Be well prepared for this interview; if you had assistance preparing the business plan and supporting documents, you may want to invite that person to the interview. Please refer to the box titled Tips for Managing Your Loan Interview.

Tips for Managing Your Loan Interview

Applying for a loan can be intimidating. Your banker will be analyzing you as a person and as a business leader during all of your interactions. He will be judging your honesty and assessing whether you have the ability and commitment to make your business a success so that you can repay the loan. The loan officer needs to be able to believe what you tell him or her about your business and its future. And you need to be sure you have presented your case with accuracy and realism.

If you convey respect and trust for your banker, he or she will most likely reciprocate it. Loan officers must comply with the bank's policies and requirements when analyzing loan requests, so do not take his or her questions and concerns about risk personally. The loan officer is asking these questions to be able to recommend approval for the loan application. The interview should be a dialogue, so come prepared with your own questions about the bank's policies and requirements.

Remember that if you are successful, your banker will be successful too.

Site visit: Most lenders want to see a business before they approve a loan. They want to verify that your business is operational and that you have clients coming and going. They also want to appraise the appearance of your business and the professionalism of your staff. If you have offered collateral, the banker will want to verify its existence and condition. Your banker may check the quality of the services that you offer, or want to ensure that you are not engaged in any unethical practices. Please refer to *IFC Self-Assessment Guide for Health Care Organizations*[7] for more information on meeting defined international standards of quality and patient safety. If the banker is impressed, he or she will be more inclined to approve your loan.

Bankers may bring a checklist with them to the site visit in order not to miss anything. Please refer to the box for an example of a checklist. The more you can do to prepare for the visit, the better the banker's impressions will be. Occasionally a banker will come to your business without an appointment, especially if he or she is in the neighborhood; in those instances you only can hope for the best, namely that your business is operating smoothly, as it usually does.

[7] IFC 2010.

Example of a Banker's Checklist for a Site Visit to a Health Care Borrower

- ☑ The location is appropriate for the market being served.
- ☑ The facility is clean and there are adequate hygiene, sanitation, and waste disposal systems.
- ☑ All of the services that were described are indeed offered.
- ☑ The facility has the appropriate type and level of staffing for the services that are offered.
- ☑ The facility has appropriate equipment and space for the services being offered.
- ☑ Ministry of health facility standards are being met.
- ☑ The business is actively operating, with an appropriate level of clients.
- ☑ There is space for whatever is being purchased with the loan.
- ☑ Other physical considerations that will be effected by the use of the loan make sense, e.g. if an increase in business is expected, the waiting room is large enough.
- ☑ Assets offered as collateral exist and are in good condition.
- ☑ For pharmacies, the banker will want to see the level of inventory and storage facilities.
- ☑ All staff act professionally and treat everyone with respect and courtesy.
- ☑ Clients seem satisfied with the services being offered.

Presenting the Case for Financing: The Five Cs of Credit

Now that you understand how a banker perceives your business, the key elements to making a successful case, the steps for preparing for financing, and the assessment tools that a banker uses to evaluate your loan request, you are ready to pull it all together to make your case. This section of the guide helps you understand the framework, called the Five Cs of Credit, that a banker uses to analyze the information that you have provided. It will help you present the characteristics of your health care business in the best possible light so that you can highlight opportunities and mitigate risks and concerns. It also tells you how the loan officer will use the assessment tools in conducting the analysis.

The Five Cs of Credit

- ☑ Character
- ☑ Capacity
- ☑ Capital
- ☑ Conditions
- ☑ Collateral

Many financial institutions use the Five Cs of Credit as a framework for their credit analysis. The Five Cs consist of character, capacity, capital, collateral and conditions, each of which is defined and discussed in this section. The loan officer will obtain information on the Five Cs through your loan application, business plan, financial projections and statements, interview, and site visit. The loan officer will give your business a high or low rating for each of the Cs. These ratings are used to set a risk level for your business; support a decision about whether to approve or reject your loan request; and, if approved, what terms are appropriate. Be sure to address each of the Five Cs in the loan application process, highlight opportunities, and mitigate risks. If you are able to do so, you will meet each of the key elements for making your case.

Character

Definition: This attribute measures the integrity and trustworthiness of a potential borrower. The banker wants to know that you can be trusted with the bank's money. The banker will factor education; experience in business and in the sector; management capacity; references; transparency; and willingness to discuss problems, risks, and concerns into the assessment.

Unique characteristics of health care businesses: As a health care business owner, you most likely will rank high on the character assessment. Many health care businesses are owned by doctors or other highly educated professionals, who are well known and respected members of their communities. Health care business owners usually are active in professional associations (such as the medical practitioners association or the pharmaceutical society), which can provide references or background information to the banker. In many countries health service providers are required to work in the public sector before going into private practice, giving them time to hone their clinical skills and make important connections in the community and in their sector. For many health care businesses word of mouth is their most important source of new clients. You operate a reputation-based business that depends on your good name and cannot be shut down easily or relocated to avoid repaying a loan. Many health care business owners and employees have taken a professional oath to provide quality care and are under an ethical obligation to their clientele. As mentioned previously, many bankers express concerns about the business and financial management capacity of health care business owners, who are often clinicians.

Presenting your case and mitigating risks: Character is the most subjective of the Five Cs, but it is an incredibly important part of the analysis. If your banker does not feel comfortable with you, he or she will not feel comfortable recommending the loan.

- Use the interview and site visit to let your banker know you and your business. In presenting your case, be honest and transparent.
- Make sure that your banker is aware of your academic and professional qualifications. Attach copies of professional certifications to your loan application and be sure to point them out when the loan officer conducts the site visit.
- Your banker should know how long you have been qualified as a medical professional and how long you have been operating in private practice. This information can go in your business plan.
- If you are active in a professional association, list it as a reference or obtain a letter of recommendation for the loan application.
- During your interview make sure your banker understands your ethical obligations and roots in your community and how a health care business differs in this respect from other types of businesses.
- Address the banker's concerns about business management by presenting a completed loan application with realistic and accurate financial projections that you can discuss and support. If the business has been profitable, highlight your financial track record.
- Make sure that your banker understands your staff's capacity in finance and administration by describing their skills in your business plan and by bringing key employees to meetings. As the firm grows, make it a priority to hire a qualified financial manager.

Capacity

Definition: Banks want to know that you have the ability to repay your loan. To assess this attribute they look at cash flow to make sure your projected revenue can cover the principal and interest payments. Bankers often say "cash is king," meaning that if you can show your banker that you have the cash to meet your debt servicing requirements, your application is more likely to be approved. Sometimes bankers require twice as much net cash to be available as is needed for loan payments. They also will look at your previous track record with credit. If you can demonstrate that you have successfully repaid loans in the past, they will feel more comfortable that you will be able to do so again in the future. They also will look at whether you have other sources of repayment, such as a part-time job in the public sector, revenue from a family business, or a spouse's salary.

"Cash is king"

Unique characteristics of health care businesses: The revenue mix for health care businesses and its impact on cash flow varies by type of business and the country of operations. In most countries pharmaceutical retailers have a high turnover and are a cash-based business with payment at the point of sale. Pharmaceutical wholesalers often will extend credit to retailers from 30 to 90 days and may have contracts to serve the public sector. Revenue for health service providers, laboratories, and diagnostic facilities in most countries may come from a mix of cash at the point of service, private insurance, government contracts and insurance, and contracts with private companies for employee health care. In many low- and middle-income countries, fee-for-service is the predominant source of revenue. Although private insurance often is limited, it can be an important source of revenue, particularly for higher-end facilities. Public insurance and contracting out is limited as well, but is growing in many parts of the world.[8] Government contracts expand the market for the private health sector and can bring a new source of revenue, but they also can create cash flow problems if there are delays in payment. In many countries with underdeveloped insurance markets, private companies contract health facilities to offer care to employees and their families. Company contracts can be an important and predictable source of revenue, particularly for larger facilities. In many emerging markets health care businesses earn informal income that is not reported in financial statements or to the tax authorities, making it difficult for a bank to assess repayment capacity. In addition, many private health care businesses do not have a credit history, which raises concerns for banks because there is no track record. Pharmaceutical wholesalers and retailers

Changes in National Health Insurance Program in Romania Made Family Doctors More Attractive to Banks

In Romania the National Health Insurance agency increased the capitated rate that it pays to private family doctors that are contracted to offer a basic package of health care services to the people of Romania. This increase in the rate raised family doctors' revenues by nearly 70 percent, improving the cash flow and viability of their businesses. By explaining this new development and how it impacted the revenue of their business and capacity to repay a loan, family doctors became much more attractive clients to bankers in Romania.

Source: Banking on Health 2009a.

8 Examples of countries where the private sector participates in government contracting and health insurance include the Philippines, Brazil, Nicaragua, Georgia, Romania, Ghana, and Nigeria.

are important exceptions; they typically have established relationships with banks.

Presenting your case and mitigating risks: Your business plan, financial statements, and projections must show the bank where your revenue is coming from and what the payment terms are.

- If your banker is unfamiliar with your business model, explain the payment mechanisms (such as fee-for-service, government and company contracts, and insurance) that exist in your country.
- If you receive a significant portion of your revenue as cash at the point of service or sale, make sure your banker knows that fact. Remember—"cash is king."
- If you have insurance contracts or contracts with companies that provide a predictable source of monthly revenue, highlight it in your business plan.
- Understand that bankers may view government contracts and public health insurance negatively. In your interview and business plan be honest if government contracts have a negative impact on your business and cash flow. Discuss your strategies to deal with problems, such as delays in payment.
- Highlight how public-private partnerships have benefited your business, such as increasing market share, diversifying your revenue sources, and increasing revenue. Please refer to the box on how changes to Romania's national health insurance program made private family doctors more attractive to banks.
- Understand that bankers will make a credit decision based on the income that you report. If you have informal income that is not reflected in your books, you need to have an honest conversation with your banker about how to present this revenue so that it is factored into the bank's assessment of your repayment capacity.
- If you have a credit record, include details about it in your loan application with contact information for the loan officer and bank that lent you the money. If you do not have a business credit history but have taken personal loans (such as a student loan, mortgage, or car loan), include that information in your loan application with relevant contacts.
- Generally banks that have entered the health care market find that health care businesses are good borrowers. Let you banker know this fact.

Capital

Definition: This attribute measures the net worth of your business or the amount by which your business assets exceed your liabilities, such as loans and the amount of money you owe staff and suppliers. Banks view this figure as an indication of how much you have at risk if the business fails. A general principle is that banks will not lend more than the amount of equity in the business, meaning the debt-to-equity ratio cannot be greater than 1.

Unique characteristics of health care businesses: As mentioned previously, health care businesses (with the exception of pharmaceutical companies), often have less debt financing than other businesses. Many health care businesses rely on self-financing and loans from friends and family in their early years, demonstrating a personal commitment to and investment in their business.

Presenting your case and mitigating risks: Bankers look at the balance sheet in your financial statements to assess capital.

- If you built your business by investing your personal savings and reinvesting your profits, mention it in your business plan and your interview with the banker.
- Let your banker know that you believe in your business and have made a long-term personal, financial commitment to it over the years.

Collateral

Definition: This attribute consists of assets you pledge to secure a loan. Collateral is a bank's plan B: it relies primarily on the cash flow the business generates to repay a loan; however, if a business struggles and is not generating enough income to repay the loan, the bank wants additional assurance that it will get its money back. Banks often ask a borrower to pledge an asset that the bank can seize and sell if the loan goes into default.

In Uganda a Medical Equipment Supplier Provided a Buy-Back Guarantee on Medical Equipment

In Uganda a medical equipment supplier signed a buy-back agreement with a financial institution. It agreed that if a health care borrower's loan went into default, it would buy back the equipment. This guarantee assured the bank that it would be repaid and would not be stuck with equipment that would be difficult to resell. This guarantee reduced the bank's risk and made it more interested in approving equipment loans.

Unique characteristics of health care businesses: As previously discussed financial institutions that are new to the health care market often question whether private health care businesses have assets to secure a loan. They express concerns about the type of collateral that health care businesses offer, citing the negative publicity they could receive if they were forced to close a hospital or clinic if a loan goes into default. They also are concerned that it would be difficult to resell specialized medical equipment.

Presenting your case and mitigating risks: Bankers assess collateral by looking at your loan application and examining your assets during the site visit.

- In many countries there is a growing market for used medical equipment. If that is the situation in your area, share that information with the banker during your interview, especially if he or she expresses this concern. Bankers also can verify the secondary market by talking to suppliers and provider associations during the reference checks.
- If you are using a loan to purchase medical equipment, consider talking to the supplier to see if it is willing to provide a buy-back guarantee in which it would purchase the equipment if the loan goes into default. Please refer to the box on how a buy-back guarantee was structured in Uganda for medical equipment.
- If you are offering your facility to secure the loan, be aware that the banker may want to discount its value.
- If the business assets listed in your business plan do not address the banker's concerns, he or she may ask for personal assets, which you will list on the loan application. You do not need to include personal financial information in the business plan as it may circulate widely, but be prepared to disclose it to the bank if it requests it.
- Consider a third-party guarantee to strengthen your case. A third-party guarantee is a commitment from another person or company to repay your loan if you cannot.

Conditions

Definition: This attribute refers to the economic and regulatory climate of the market in which your business operates.

Unique characteristics of health care businesses: Many banks do not have adequate market information about the health sector and have concerns about the policy and regulatory environment. Unlike most other sectors in the economy, the health sector includes not only commercial businesses but also not-for-profits and the public sector. The government also has an important role in regulating the scope and scale of private practices and setting and enforcing quality standards. Banks often look negatively on the role of government and how the policy environment can impact a health care business. While some of these concerns may be well-founded, government regulation also ensures that basic quality standards are being met. Health reform, insurance, and opportunities for public-private partnerships are growing the role of the private health sector in many countries and may result in new financing needs. Please refer to the box on how a change in accreditation standards in Nicaragua increased the financing needs of private hospitals.

In Nicaragua Private Hospitals Developed Strategies to Reduce Banks' Concerns about Risk

In Nicaragua the Social Security Institute contracts private hospitals to provide a basic package of health care to formal-sector workers. Several years ago the Social Security Institute increased its accreditation standards, which required some hospitals invest in equipment and facilities to be reaccredited. Some of the banks in Nicaragua were concerned about the government's commitment to the Social Security system and the political risk of lending to hospitals that depended on it. These concerns were real because a loss of accreditation could devastate the business. To get financing to make the necessary investments for accreditation, hospitals needed to address the banks' concerns about risk. Successful strategies included demonstrating that the hospital had other sources of revenue, familiarizing banks with how the Social Security Institute system works and how providers get paid, providing collateral to secure the loan, and demonstrating that the change in accreditation represented a market opportunity for banks interested in the sector.

Presenting your case and mitigating risks: The market section of the business plan is an important place for you to address your banker's concerns about conditions.

In your business plan include background on the health care market in your country so the loan officer has information to accurately assess your business.

- Provide information about how the market is segmented among commercial businesses, not-for-profits, and the public sector. Explain how this competitive environment impacts your business and who your customers and suppliers are.
- Discuss the size of the private health sector and its market share.
- Explain trends for growth and factors that contribute to it.

Many sources can provide you with market information on the health sector in your country. The Understanding the Banker's Perspective section of this guide shares general information on the growth of the private sector and its key drivers globally. Adapt some of this information for the market section of your business plan. There are also a number of international sources of information on the health sector in your country. The WHO has statistics for most countries and national health accounts data can provide information on expenditures in the private health sector versus other sectors. Refer to Annex Two for sources of market information.

You also can find information on the size of the market within your country. Although these sources may not be complete or totally accurate, they can provide information about trends or a snapshot of the relative size of the sector. Useful local sources can include business registration statistics found at the business commerce chamber or health authorities. There also may be a public list of providers working under contract with the government or of those approved to participate in a government insurance scheme. If this information is not completely accurate, let your banker know the limitations.

In addition to discussing the size and scope of the health sector in your country, competitors, suppliers, and your customer base, you also will need to provide an overview of how the regulatory and economic environments affect your business. Be honest. By being transparent your banker will trust you and feel more comfortable lending to you despite the risks.

- If the policy and regulatory environments constrain your business, discuss the impact and describe your strategies to mitigate this risk.
- Highlight the positive role the government plays in your industry because it might not be apparent to the banker. For example, demonstrate in your business plan and at the site visit how you meet the government's licensing and accreditation requirements. Assuring the banker that he or she can be comfortable with the quality of care you provide will mitigate some of the perceived risk in lending to the health sector.
- If you have contracts with the government, be honest about how they impact your cash flow. If you have multiple sources of revenue, highlight them.
- Mention the positive impact that public-private partnerships have on your business as discussed in the section on capacity.
- The health sector is resilient during economic downturns. Share this fact with your banker in the market section of your business plan. Your banker might not be aware that lending to health care businesses is an effective strategy in reducing risk in his or her portfolio.

What Your Banker Needs to Know about Your Type of Business

This guide has reviewed different types of financing, how a bank analyzes your business, and how to present a case so that you highlight opportunities and mitigate risks. As you make your case articulate key components of your health care business. These include the factors that drive your revenues and expenses and other important variables that are unique to your business. Please refer to the box for a summary of key drivers. As was mentioned previously, do not assume that your banker understands how you make money. Major components of different types of health care businesses (including hospitals, outpatient clinics, laboratory and radiology diagnostic facilities, pharmacies, and medical-education institutes) are presented in this section. Each component should be highlighted in your loan request.

Hospitals

Revenue drivers: Typically hospitals earn revenue from a combination of inpatient and outpatient services. Important sources of revenue include procedures done in the operating rooms, medications used from the hospital dispensary or pharmacy, and diagnostic tests by the pathology laboratory, and radiology department. Sometimes pathology and radiology are outsourced with revenue sharing arrangements. In developing your financial projections, you need to explain your assumptions for operating room utilization, number and types and prices of procedures, the number of inpatient beds with their occupancy ratio and average length of stay. This will help a banker verify the basis of your estimates for inpatient revenue and demonstrate that you understand your business and how to generate revenue. If you have specialized, higher revenue units such as an intensive care unit (ICU), they should be differentiated from revenue in general wards. Volume (the number of patients) and the price of consultations drive outpatient revenue. Be sure to discuss these assumptions in your financial projections. Refer to the pharmacy and laboratory and radiology models for information on how to describe revenue from these services.

In your business plan and financial projections you also need to explain what percent of your revenue comes from public and private insurance, company contracts, and out-of-pocket, cash payments from patients. If you participate in a capitated insurance plan, explain that you get paid a fixed amount per person enrolled on a regular basis and provide your banker with a list of the number of patients enrolled and the per capita payment amount. Explain that capitation payments from insurers provide stable monthly cash flows. It is important that your banker understands the advantages and risks of each of the different types of payment mechanisms. For example, explain that insurance allows more patients to access more care, but that you are not paid immediately and often must wait anywhere between 30 to 90 days for payment. Fee-for-service patients pay cash at the time of service—which improves cash flow—but it may be more difficult for them to afford care.

Expense drivers: Due to equipment and facility requirements and the regular need to repair and modernize equipment, hospitals are more capital intensive than outpatient clinics. Salaries tend to be a significant operating expense. Staffing-to-patient ratios can indicate quality, efficiency, and cost control. Many hospitals in emerging markets struggle to retain qualified medical staff, which can drive up costs. Consumables and drugs are another important expense. Utilities, such as electricity and diesel to run a generator, can also be significant.

Key Components that a Banker Needs to Know about Your Business

Revenue Drivers

- Where does your revenue come from?
- What factors determine revenue?
- When and how do you get paid?

Expense Drivers

- What are your main expenses?

Other Variables

- What are other important variables that define your business?

Please refer to the box below for examples of questions that hospital owners should answer in their loan request to explain their business.

Examples of Questions that Hospital Owners Should Answer in Their Loan Request to Explain Their Business

- How many and what types of procedures do you perform?
- What is your operating room utilization rate?
- How many beds does your facility have?
- What is your occupancy ratio?
- What is the average length of a patient stay?
- What services do you offer?
- What prices do you charge per services?
- What is the percent of revenue from each of the major service areas?
- What are the payment mechanisms (such as point of service, insurance, and contracts), and what are the terms of payment?
- What percent of revenue comes from the different payment mechanisms?
- How many patients per day and per provider do you serve?
- What is your physician turnover rate?

Outpatient Clinics

Revenue drivers: These are outpatient facilities that can include ambulatory surgery facilities where patients do not stay overnight. Revenue is driven by volume (the number of patients) and the price of services. In many instances, such clinics are allowed to sell drugs or have some diagnostic services (refer to the following business models). It is important that you explain to your banker what percent of your revenue comes from public and private insurance, company contracts and out-of-pocket, cash payments from patients. Please refer to the section on hospitals for more details.

Expense drivers: Staffing tends to be the largest operating expense and retaining qualified staff can be one of the biggest challenges. Typically, outpatient clinics require less investment in facilities and equipment and are less capital intensive than hospitals. Consumables, drugs, and utilities can also be significant expenses.

Please refer to the box below for examples of questions that clinic owners should answer in their loan request to explain their business.

Examples of Questions that Clinic Owners Should Answer in Their Loan Request to Explain Their Business

- What services do you offer?
- What prices do you charge for your services?
- What is the percent of revenue from each of the major service areas?
- What is the average number of clients per day?
- What is your medical staff-to-patient ratio?
- Is your clinic affiliated with a hospital or laboratory, and does it sell drugs?
- What are the payment mechanisms (such as point of service, insurance, and contracts), and what are the terms of payment?
- What percent of revenue comes from the different payment mechanisms?
- What is your staff turnover rate?

Laboratory and Radiology Diagnostic Facilities

Revenue drivers: Although in the service-provision category, laboratories or diagnostic centers that have laboratory and radiology services resemble manufacturing facilities as their revenue depends on the relationship between capacity (equipment and personnel) and volume (number of tests performed). Bankers will want to know whether the equipment is operating at or near capacity as well as the utilization ratio.

Expense drivers: Such diagnostic facilities require equipment that can be expensive. Salary expenses are a significant operating expense and retaining sufficiently skilled staff can be a challenge in many countries. Supplies, reagents, and ongoing maintenance costs are other important operating expenses.

Other variables: Importation of equipment and power-supply issues can impact a diagnostic facility's ability to operate and generate profit. Be able to clearly articulate to your bank whether and how these variables impact your business.

Please refer to the box below for examples of questions that owners of diagnostic facilities should answer in their loan request to explain their business.

Examples of Questions that Diagnostic Facility Owners Should Answer in Their Loan Request to Explain Their Business

- What services (tests) do you offer?
- What is the price of each major service (test)?
- What is the average number of clients for each major service (test)?
- List the major equipment, its cost, depreciation, condition, market value, and average utilization ratio.
- Who are your major suppliers of equipment and are there any issues in importing the equipment and maintaining it?
- What is the breakeven point for any new piece of major equipment being purchased?
- What are the payment mechanisms (such as point of service, insurance, and contracts), and what are the terms of payment?
- What percent of revenue comes from the different payment mechanisms?
- What are your major expenses?
- Do you ever have difficulty procuring supplies? If so, how does it impact your business?
- Do you ever have difficulties with power supply? If so, how does it impact your business?
- What is your staff turnover rate?

Pharmacies

Revenue drivers: Pharmacies are retail health care businesses. Tell your banker that the business model is not very different from any other retail business. Revenue is earned from the sale of products and there is a relatively high turnover. Pharmacies often get drugs on credit for 30 to 90 days and typically are paid cash at the time of sale. These points are important to emphasize to your banker. Pharmacies can be profitable, with net margins ranging up to 50 percent in some places.[9] Be prepared to discuss your net profit margin with your banker. There also are important growth trends in the sector, which is important to point out as well if they apply. In many countries there are opportunities for consolidation for single-outlet operations and a growing trend toward pharmacy chains.

Expense drivers: Drug inventory is one of the biggest expenses. Staffing expenses also can be significant. And in many countries, it can be difficult to hire and retain trained pharmacists.

Other variables: Unlike other retail businesses, pharmacies often must meet certain conditions including:

- a license to operate the pharmacy
- certified, skilled staff (such a pharmacist)
- certain infrastructure requirements for accreditation or licensing, such as space, refrigeration, and security for narcotics and other scheduled drugs
- being open during certain hours and days of the week
- a large portion of the inventory is time-sensitive (dated) and often imported, which means it is subject to import duties, trade regulations, and foreign currency fluctuations
- the government may regulate markups on drugs

Please refer to the box on the next page for examples of questions that pharmacy owners should answer in their loan request to explain their business.

Medical-Education Institutes

Revenue drivers: The number of students multiplied by the cost of tuition typically determines the revenue for medical-education facilities. The student dropout rate is another factor that your banker will consider in checking your revenue projections. Most medical-education facilities charge tuition once or twice a year; be prepared to discuss how payment impacts cash flow. Students' ability to make lump sum payments and the lack of student loan options are two of the biggest barriers to the expansion of medical education in the private sector. Be prepared to discuss with your banker how your students finance their education. On the positive side, in many countries there is tremendous demand for

[9] IFC 2008.

Examples of Questions that Pharmacy Owners Should Answer in Their Loan Request to Explain Their Business

- Are you affiliated with a hospital or clinic?
- What are the licensing or certification requirements and when did your business most recently obtain them?
- What is your inventory turnover ratio and spoilage ratio?
- Who are your major suppliers, and what payment terms do they offer?
- What percentage of the medicines you sell is imported?
- Do you ever have stock-outs? How often?
- What is your staff turnover rate?

medical education—make your banker aware of this trend. Telling him or her about the number of students admitted versus the number of students that applied will help make your case. There is a 4.3 million global shortage of qualified health service personnel. The WHO estimates that the largest relative shortage is in sub-Saharan Africa where an increase of 140 percent is needed to meet the threshold standard of one qualified health service person (doctor, nurse, or midwife) per 1,000 people.[10]

Expense drivers: Major expenses for medical-education institutes include staffing costs and room and board, if provided. Nursing schools tend to be easier to establish than medical schools because they require fewer start-up costs and are often regulated differently.

Other variables: In some countries the regulatory environment for private medical education is unclear or restrictive. Be prepared to discuss your registration and certification with your banker. Medical-education institutes must be able to provide students with practical medical training and are often affiliated with hospitals. Be prepared to explain these relationships.

Please refer to the box below for examples of questions that owners of medical-education institutes should answer in their loan request to explain their business.

Examples of Questions that Owners of Medical-Education Institutes Should Answer in Their Loan Request to Explain Their Business Model

- Are you affiliated with another organization (such as a hospital or learning institution)?
- What are the licensing and certification requirements, and when did your business most recently obtain them?
- What is the shortage of medical personnel in your country by type of provider?
- How many students are enrolled at the institute by year?
- What is the price of tuition, and when and how do students pay it?
- What is your dropout rate?
- What is your staff turnover rate?

[10] Ibid. p. 47

Common Mistakes and Strategies for Success in Getting a Loan

This guide discussed different types of financing, bankers' perspectives and how to make a case to obtain financing. It concludes by reviewing some common mistakes that health care borrowers make in applying for a loan and strategies that can lead to success. Please keep them in mind as you prepare and present your case.

Unrealistic Financing Request and Financial Projections

Bankers often complain that health care business owners are too optimistic in their planning and projections. If a prospective borrower asks for too much money or if his or her business plan has aggressive projections for client growth, many bankers will want to reject the loan request.

⇨ **Strategy for Success: Be Realistic**
Request a reasonable amount of money so that your conservative projections show you easily can repay the loan and still have a cushion left over in case a situation comes up that you did not predict. Generally, a bank will not want to lend more than the amount of equity that you have in the business. If you have big plans, you may want to think about financing in phases. Request a smaller amount to implement the first phase; once that step is successful, then consider additional financing.

Incomplete Loan Application and Business Plan

Time spent providing accurate and complete information to the bank is time well spent. If your banker has to ask you repeatedly for information, he or she might suspect you do not have the information, are hiding something, or you are just inefficient.

⇨ **Strategy for Success: Be Responsive**
Answer questions promptly and be prepared. Complete all forms and documents, and communicate regularly with your banker.

Impatience with Bank's Credit Approval Process and Policies

The time it takes for a bank to analyze, approve, and disburse a loan depends on the bank and you. Generally the larger the loan and the more complex your business and the collateral required, the longer it will take the bank.

Often we meet doctors who want to buy the newest medical equipment. We know that in 80 percent of the cases it is an emotional decision, and we try to find out if the medical equipment is really going to be used at its full potential or if the doctor could use a cheaper one, which would make it more profitable and less risky.

—Fady Chreih, head of health care division, Banca Transilvania, Romania

⇨ **Strategy for Success: Be Patient**
Apply for your loan well in advance of your financing need so you will not be in a hurry and get frustrated if the bank does not approve your request immediately.

Unwillingness to Pay Market Rates of Interest and Provide Sufficient Collateral

Remember that banks are for-profit businesses just like yours, and they need to charge enough interest and fees for the loans they make to pay expenses and generate a profit for their shareholders. Often collateral is a regulatory requirement, so a loan officer may not even be able to negotiate with you on whether it is necessary or not. If you are confident that you will generate enough cash flow to repay the loan, you do not need to worry about losing your collateral.

⇨ **Strategy for Success: Be Reasonable**
Banks need profits to keep serving their customers and shareholders. They also need to reduce their risks with collateral. If you accept these facts of borrowing money from a bank, you will be successful in obtaining a loan and establishing a mutually beneficial borrower-lender relationship for years to come.

Excessive Fear of Indebtedness

It is wise to be afraid of taking on too much debt. Assuming more debt than you need or can afford can result in repayment problems and excessive interest payments. If your investment is based on accurate market research and your projections are conservative and show your repayment capacity, it is appropriate to borrow money.

⇨ **Strategy for Success: Be Confident**

Know how much debt you can afford to repay. If you have confidence in your business and its financial projections, you can sleep well at night knowing your business has the capacity to repay the loan on time. Debt is often necessary for a business to grow if the business is well capitalized and has a realistically bright future.

Please see the case study below on how a health care entrepreneur in Uganda avoided these common mistakes and successfully obtained financing.

Case Study: Health Care Entrepreneur in Uganda Diversifies and Expands Business through Financing

Name of Health Care Business Owner: Dr. Benon Mugerwa, Benba Enterprises

Type of Health Care Business: Clinics, Diagnostic Facilities, Hospital, Medical Training Institute

Location: Mbarara, Uganda

Nursing Student at Mayanja Memorial Medical Training Institute

Dr. Benon Mugerwa owns one of the largest private health care businesses in southwestern Uganda. He started his business by opening a small clinic near Mbarara. Using his own savings he expanded, opening a larger outpatient clinic, a 20-bed inpatient facility and a diagnostic center. Dr. Mugerwa, an obstetrician and gynecologist, also had a faculty position at the local teaching hospital and earned a reputation in the community for providing high-quality maternal and child health care.

Dr. Mugerwa had a vision for opening the first private hospital and medical training institute in Mbarara. Initially, he funded the construction of this project with his own savings but soon realized that it would take him many years to complete it. He prepared a business plan and met with a number of banks, which were reluctant to lend for such a large project. He scaled back his loan request and decided to focus on opening the hospital as the first phase of his expansion plan. He was successful and received a loan of $250,000 for 5 years to finish construction and to equip the hospital. He opened Mayanja Memorial Hospital in 2003. This 100-bed establishment provides inpatient, outpatient, and diagnostic services and was one of the first private facilities in the region to offer prevention of mother-to-child HIV transmission services and antiretroviral treatment for HIV/AIDS. Mayanja Memorial Hospital has been so successful that Dr. Mugerwa repaid his loan early. He subsequently, received another loan to fund the second phase of his dream: opening a medical training institute to address the shortage of nurses and other medical personnel in Uganda. Mayanja Memorial Medical Training Institute accepted its first class of nursing students in 2008.

Learning Points: Over the years Dr. Mugerwa has learned the importance of developing a sound business plan and realistic financial projections, requesting financing that can be supported by cash flow and collateral, phasing his development plans to meet the bank's requirements, identifying financial institutions that appreciate his business and are willing to work with him, and always keeping his dream in front of him. Dr. Mugerwa is currently developing another business plan to expand his training institute to additional cadres of providers and will be looking for more financing.

Source: Banking on Health Project, Success Story, 2009

Conclusion

Financing is an engine of growth for the private sector. Health care businesses large and small can benefit from access to finance. Whether you have a delay in accounts receivables and need additional cash to make payroll, your X-ray machine breaks and you need a replacement, or you have a vision to open a multispecialty hospital across town, financing can help you. Please refer to the case study below on how Dr. Telby in Nicaragua used financing to grow his diagnostic business.

Before you go to a bank, you need to be prepared. You need to understand bankers' perspectives and be able to make a case for financing that addresses risks and highlights opportunities. You will use the business plan, financial statements and projections, loan application, interview, and site visit to make this case. This guide discussed all of the elements of a successful case and how to address them during the loan application process while avoiding common pitfalls and mistakes. Now take this knowledge and put it work for your health care business.

Elements of a Successful Case for Financing

- You explained your business, highlighting drivers of revenue and expenses, and demonstrated the market opportunities.
- You explained why you need financing, how much you need, and how you are going to use it.
- Using a cash flow projection, you demonstrated that you have the capacity to repay a loan and you provided adequate collateral.
- You discussed your track record and credit history.
- In all your interactions you showed your banker that you are reliable, honest, and transparent.
- Your business plan acknowledged and addressed risks.
- You demonstrated strong financial and business management capacity by submitting a complete loan package and being able to explain your loan request.

Case Study: Equipment Financing in Nicaragua Grows a Diagnostic Business

Name of Health Care Business Owner: Dr. Telby Mejia

Type of Health Care Business: Diagnostic facilities

Location: Managua, Nicaragua

Dr. Telby is a radiologist who owns five diagnostic clinics in Managua with his three brothers. He has been on the faculty at a medical school in Managua for 26 years, which is an important source of referrals. He is also a member of the association of radiologists. He opened a new clinic in 2004 and needed to invest in equipment. A patient referred him to BANPRO, from which he borrowed $26,000 in April 2005 for four years to finance 50 percent of an ultrasound machine. He used his savings to finance the other 50 percent. Dr. Telby estimates that 60 percent of the clinic's income is generated from the ultrasound machine. He has repaid his loan in full and on time.

Learning Points: Dr. Telby used a personal referral to establish a relationship with a bank. By contributing a significant amount of his own resources into his expansion project, he was able to demonstrate to the bank a belief in his business. Financing allowed Dr. Telby to expand his business and grow revenue. The growth in business was more than adequate to enable Dr. Telby to repay his loan.

Financing is an engine of growth for the private health sector.

Annexes

Annex One: Health Expenditure in Select Countries [11]

	Total expenditure on health as a percentage of gross domestic product	Private expenditure on health as a percentage of total expenditure	Private expenditure on health (in millions of 2009 U.S. dollars)	Out-of-pocket expenditure on health as a percentage of private expenditure
Sub-Saharan Africa				
Angola	3	13	176	100
Benin	5	50	116	95
Botswana	7	24	185	28
Burkina Faso	6	43	149	92
Burundi	9	91	75	57
Cameroon	5	80	718	95
Cape Verde	5	22	13	100
Central Africa Republic	4	62	37	95
Chad	5	46	145	96
Comoros	3	45	5	100
Congo	2	28	43	100
Cote d'Ivoire	4	76	528	88
Democratic Republic of Congo	7	81	498	49
Equatorial Guinea	2	20	38	76
Eritrea	4	54	28	100
Ethiopia	4	41	249	81
Gabon	5	27	129	100
The Gambia	5	43	11	71
Ghana	5	66	420	78
Guinea	6	86	165	100
Guinea-Bissau	6	74	14	56
Kenya	5	52	584	80
Lesotho	7	41	44	69
Liberia	5	74	23	66
Madagascar	3	37	61	53
Malawi	13	31	127	28
Mali	6	50	176	100
Mauritania	2	31	17	100
Mauritius	4	49	126	81
Mozambique	5	29	103	41
Namibia	5	33	132	16
Niger	6	45	98	97
Nigeria	4	70	4,112	90
Rwanda	11	58	181	39
Sao Tome and Principe	6	15	1	100
Senegal	6	43	242	77
Seychelles	6	25	15	63

[11] The health expenditure data is drawn from the WHO World Health Statistics Report, 2009 reporting data from 2006.

	Total expenditure on health as a percentage of gross domestic product	Private expenditure on health as a percentage of total expenditure	Private expenditure on health (in millions of 2009 U.S. dollars)	Out-of-pocket expenditure on health as a percentage of private expenditure
Sierra Leone	4	64	36	56
Somalia	-	-	-	-
South Africa	8	62	12,783	18
Sudan	4	63	917	100
Swaziland	6	34	54	41
Tanzania	6	42	361	54
Togo	6	79	105	84
Uganda	7	75	523	51
Zambia	6	39	250	67
Zimbabwe	9	51	157	50
Europe and Central Asia				
Albania	7	63	401	95
Armenia	5	59	188	81
Azerbaijan	4	74	621	86
Belarus	6	25	554	69
Bosnia-Herzegovina	10	45	552	100
Bulgaria	7	43	953	97
Croatia	8	14	549	92
Czech Republic	7	12	1,195	96
Estonia	5	27	222	93
FYR Macedonia	8	29	148	100
Georgia	8	79	491	92
Hungary	8	29	2,622	78
Kazakhstan	4	36	1,166	98
Kyrgyz Republic	6	57	97	94
Latvia	7	41	572	97
Lithuania	6	30	542	98
Moldova	9	53	163	98
Montenegro	8	28	60	100
Poland	6	30	6,150	85
Romania	5	23	1,410	97
Russian Federation	5	37	18,326	82
Serbia	8	30	733	88
Slovak Republic	7	29	1,133	80
Slovenia	8	28	871	43
Tajikistan	5	78	110	97
Turkey	5	28	7,419	84
Turkmenistan	4	34	140	100
Ukraine	7	45	3,394	89
Uzbekistan	5	50	426	97

	Total expenditure on health as a percentage of gross domestic product	Private expenditure on health as a percentage of total expenditure	Private expenditure on health (in millions of 2009 U.S. dollars)	Out-of-pocket expenditure on health as a percentage of private expenditure
Middle East and North Africa				
Afghanistan	9	68	501	79
Algeria	4	19	885	95
Bahrain	4	32	203	68
Egypt	6	59	3,805	95
Iran	7	49	7,645	95
Iraq	4	22	111	100
Jordan	10	57	846	76
Kuwait	2	22	447	92
Lebanon	9	56	1,116	76
Morocco	5	74	2,429	77
Oman	2	18	129	58
Pakistan	2	84	2,139	98
Saudi Arabia	3	23	8,987	13
Tunisia	5	56	867	82
United Arab Emirates	3	30	1,470	69
West Bank and Gaza	-	-	-	-
Yemen	5	54	515	95
South Asia				
Bangladesh	3	68	1,263	88
Bhutan	4	28	10	100
India	4	75	27,447	91
Maldives	8	20	15	98
Nepal	5	70	318	85
Sri Lanka	4	53	600	87
East Asia and the Pacific				
Cambodia	6	74	324	85
China	5	59	78,407	83
Indonesia	3	50	5,469	70
Lao P.D.R.	4	81	117	76
Malaysia	4	55	3,441	73
Mongolia	6	26	49	44
Pacific Islands	-	-	-	-
Papua New Guinea	3	18	30	42
Philippines	4	67	3,150	84
Thailand	4	36	2,860	77
Timor Leste	18	14	8	37
Vietnam	7	68	2,848	90
Latin America and the Caribbean				
Argentina	10	55	11,783	44
Bolivia	6	37	254	81
Brazil	8	52	45,305	64
Caribbean	-	-	-	-

	Total expenditure on health as a percentage of gross domestic product	Private expenditure on health as a percentage of total expenditure	Private expenditure on health (in millions of 2009 U.S. dollars)	Out-of-pocket expenditure on health as a percentage of private expenditure
Chile	5	47	3,449	55
Colombia	7	15	1,705	44
Dominican Republic	6	63	1,359	64
Guatemala	5	62	938	91
Haiti	8	32	127	90
Honduras	6	52	336	87
Jamaica	5	47	282	64
Mexico	7	56	37,195	94
Nicaragua	10	52	276	98
Panama	7	31	372	81
Paraguay	8	62	460	88
Peru	4	42	1,551	76
Uruguay	8	57	913	31

Annex Two: Resources for Market Information and Statistics

Global Resources

There are several international resources for information on the health sector. These are listed below.

Global Health Observatory (GHO) http://www.who.int/gho/en/	GHO is the World Health Organization's (WHO) portal providing access to data and analyses for monitoring the global health situation. It includes data and analyses for key health themes, as well as direct access to the full database. Indicators include health expenditure, demographic and socioeconomic statistics, health workforce, infrastructure, and essential medicines, as well as specific health-related information. WHO's annual World Health Statistics reports can be accessed through the GHO. These documents present the most recent health statistics for WHO's 193 member states. All reports are available for download in Adobe PDF or Excel.
Organization for Economic Co-operation and Development (OECD) Health Statistics http://www.oecd.org/statisticsdata/0,3381,en_2649_34631_1_119656_1_1_1,00.html	OECD Health Statistics provides information on health status, determinants of health, health care activities, and health expenditure and financing in OECD countries.
Demographic and Health Surveys (DHS) http://www.measuredhs.com/aboutdhs/	DHS provide information and data from comprehensive surveys of population, health, and nutrition. Country-specific data is available. The database has a STATcompiler that provides quick facts and country comparisons, allowing users to build customized tables from hundreds of surveys and indicators. The STATmapper creates maps from STATcompiler data in more than 75 countries.
World Bank Data http://data.worldbank.org/	World Bank Data is a searchable database of more than 300 indicators from 209 countries, available in English, French, Spanish, and Arabic.

Country-Specific Market Research

Market research on the private health sector has been conducted in several countries. Available reports include:

- Tarantino, Lisa, and Makaria Reynolds. 2007. *Financing and Training Needs of Small-Scale Private Health Care Providers and Distributors in Romania: Market Research Report.* Bethesda, MD: Banking on Health, Abt Associates.
- McKeon, Kimberley. 2009. *Financing and Business Development Needs of Private Health Care Providers in Nigeria: Market Research Report.* Bethesda, MD: Banking on Health, Abt Associates.

Country-Specific Economic, Health, and Health Care-Related Information

A number of avenues exist in country to find information on the private health sector. These include:

- the ministry responsible for business registration will have information about the number of registered health care businesses
- the ministry of health will have statistics on certified and registered health businesses, the policy and regulatory environment, and standards and requirements for health-related businesses
- the ministry of the economy or labor will have national economic statistics and information, as well as data on businesses
- professional and industry associations will have information related to the policy and regulatory environment for health care businesses
- chambers of commerce may have information on the number of private health care businesses and types in that specific location

Annex Three: Sources of Information and Tools for Business and Financial Management

Resource	Description	Website
IFC SME Toolkit	The IFC SME Toolkit is a comprehensive resource for small- and medium-enterprises (SMEs) in emerging markets to learn sustainable business-management practices for growth and success. The SME Toolkit offers a wide range of how-to articles, sample business plans, business forms, free business software, online training, self-assessment exercises, quizzes, and resources to help entrepreneurs, business owners, and managers in emerging markets and developing countries start, finance, formalize, and grow their businesses. The SME Toolkit has links to country specific SME Toolkit sites. These sites include country specific business and financial management information.	**http://www.smetoolkit.org/smetoolkit/en**
Financing for the Private Health Sector: A Tool to Assist the Private Health Sector in Developing Countries to Identify and Obtain Financing	This document is a resource guide for organizations that seek financing for private health initiatives in developing countries.	**http://www.psp-one.com/content/resource/detail/2308/**
Business Feasibility Study Outline	This resource identifies the key components of a feasibility study in outline form.	**http://bestentrepreneur.murdoch.edu.au/Business_Feasibility_Study_Outline.pdf**
Business planning guide and template	This online, interactive planning tool helps users create a business plan.	**www.scotiabank.com/cda/content/0,1608,CID10328_LIDen,00.html**
Business planning guide and template	Provides business plan templates and other tools	**www.bdc.ca/en/business_tools/business_plan/default.htm**
Your Guide to Business Planning	Your Guide to Business Planning is a line-by-line approach to business plan writing that goes through the process one step at a time.	**www.cibc.com/ca/small-business/article-tools/business-planning.html**
Financial Management Training Center	This online resource provides free self-paced courses on topics related to financial management.	**www.exinfm.com/training/index.html**
SmallBizU	This online resource provides interactive training in several business-related areas.	**www.smallbizu.org/**
How to Set Prices for Your Services	This guide provides step-by-step instructions to setting prices.	**www.dern.com/hw2price.shtml**
All Business	Provides short webinars on business issues. This site also has a section specific to medical practices.	**www.allbusiness.com/4354046-1.html**

Resource	Description	Website
Missouri Small Business & Technology Development Centers	This site offers free web-based seminars and short training courses. The link leads to the general training website, which offers a variety of tools and resources. The link at the bottom of that web page leads to a listing of online courses. The courses are free but registration is required. Topics include financial reports, financial ratios, developing a business plan, and foundations of marketing.	www.missouribusiness.net/training/index.asp
Business Owners Toolkit	This excellent site presents a variety of business topics. The link has electronic business reporting forms and templates to download.	www.toolkit.com/index.aspx
Small and Home-Based Business Virtual Resource Library	Contains links to a variety of recordkeeping forms (electronic and paper) and other information.	www.umext.maine.edu/hbbsite/html/record.htm
Small Business Development Center, Kuztown University of Pennsylvania	Provides free online training courses in a variety of business and financial-management areas.	http://www.kutztownsbdc.org/course_listing.asp?course=6

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Contact Information

Health and Education Department

2121 Pennsylvania Avenue, NW
Washington, DC 20433 USA
ifc.org

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