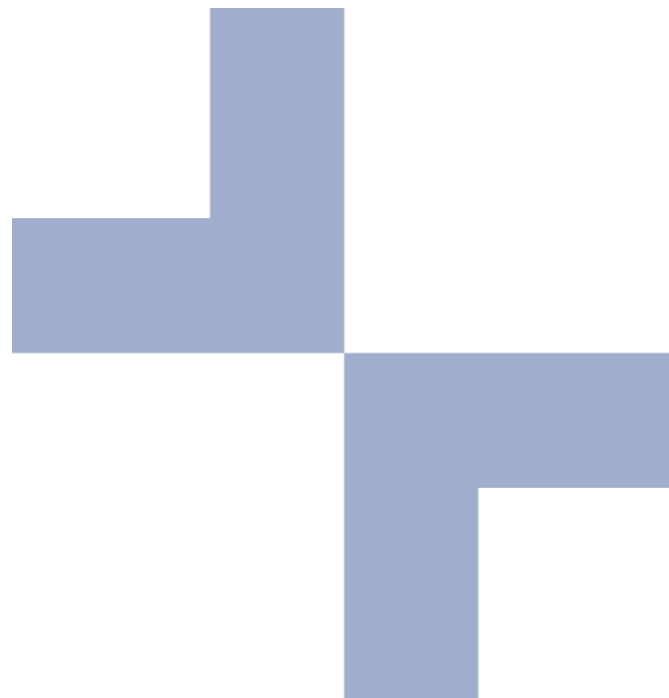




Supporting Access to Finance for HIV Service Providers in Tanzania

Final Activity Report



Recommended Citation: Estevez, Ignacio. 2019. *Supporting Access to Finance for HIV Service Providers in Tanzania: Final Activity Report*. Rockville, MD: Sustaining Health Outcomes through the Private Sector Plus Project, Abt Associates Inc.

Cooperative Agreement: AID-OAA-A-15-00067

Submitted to: Lois Schaefer, AOR
Service Delivery Improvement Division
Office of Population
United States Agency for International Development

Hannah Marqusee, Health Economics Technical Advisor
Office of HIV/AIDS
USAID

About SHOPS Plus: Sustaining Health Outcomes through the Private Sector (SHOPS) Plus is USAID's flagship initiative in private sector health. The project seeks to harness the full potential of the private sector and catalyze public-private engagement to improve health outcomes in family planning, HIV/AIDS, maternal and child health, and other health areas. SHOPS Plus supports the achievement of US government priorities, including preventing child and maternal deaths, an AIDS-free generation, and supporting the goals of FP2020. The project improves the equity and quality of the total health system, accelerating progress toward universal health coverage.



Abt Associates Inc.
6130 Executive Boulevard
Rockville, MD 20852 USA
Tel: +1.301.347.5000
abtassociates.com

American College of Nurse-Midwives | Avenir Health
Broad Branch Associates | Banyan Global | Insight Health Advisors
Iris Group | Population Services International | William Davidson Institute at the
University of Michigan

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Disclaimer: The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States government.

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Acronyms

BoA	Bank of Africa
CSSC	Christian Social Services Commission
DCA	Development Credit Authority
FI	Financial Institution
MKCB	Mkombozi Commercial Bank
MOU	Memorandum of Understanding
NHIF	National Health Insurance Fund
PEPFAR	President's Emergency Plan for AIDS Relief
PSI	Population Services International
SFI	Sustainable Financing Initiative
SHOPS Plus	Sustaining Health Outcomes through the Private Sector Plus
TA	Technical Assistance
USAID	United States Agency for International Development

Introduction

In FY2014, PEPFAR's expenditures on capital infrastructure, equipment, training, and one-time costs for expanding the HIV service delivery network in Tanzania amounted to \$52.5 million. At the same time, Tanzania continues to face service delivery gaps and the private sector has expressed interest in alleviating these service delivery gaps in exchange for access to capital to grow the scope of their business. A Development Credit Authority (DCA) guarantee is one strategy to promote access to finance among health facilities. USAID's DCA provides a partial credit guarantee to a bank or lender to help reduce the risk to that financial institution from lending to certain sectors, typically agriculture and health. In Tanzania, the USAID mission has been supporting CRDB bank through a DCA agreement with a ceiling amounting to \$2.8 million in loans available for the health sector. Between 2014 and early 2017 when SHOPS Plus began providing technical assistance, this agreement had seen no utilization due to limited promotion and support for entrepreneurs to apply for loans. Successful utilization of the DCA guarantee would generate resources from the private sector that could replace or complement PEPFAR funding for capital investments in private health facilities in priority councils.

Under the Tanzania field support program, SHOPS Plus conducted an access to finance assessment in 2016. The SHOPS Plus team identified several opportunities and constraints to improving financing in the private sector and developed several recommendations for follow-on technical assistance. Based on this assessment, SHOPS Plus used SFI funds to strengthen the DCA mechanism and other private financing means through three complementary streams of technical assistance:

1. Supporting financial institutions to lend to the health sector
 - a. Set project strategy and present to bank senior management and gain approval
 - b. Develop action plan to ramp up utilization of DCA guarantee
 - c. Lead implementation of action plan
2. Deliver targeted business and financial management trainings for private health sector providers
 - a. Identify partner organizations, TA needs, and target training participants
 - b. Adapt business training materials to partners/providers needs
 - c. Lead training delivery
3. Design coaching/mentorship program
 - a. Define strategy/target providers
 - b. Implement coaching program

Activities and Achievements

Support Financial Institutions to Lend to the Health Sector

CRDB

SHOPS Plus initiated activities with CRDB in the second quarter of FY2017. At the time, the bank had not placed any loans under the DCA guarantee. In an effort to start up lending under the DCA, USAID indicated that SHOPS Plus should initially focus on activities that generated loans to health facilities in general. Once the bank starting approving and disbursing loans, the project focus would then shift to target health facilities that sought to leverage financing that would lead to improved and expanded provision of HIV services.

To lead activities with CRDB, SHOPS Plus built a team with strong banking and health sector expertise, including:

- A local banking expert responsible for delivering day-to-day technical support to CRDB.
- A local private health sector responsible for training CRDB staff on the particularities of the health sector, and to support health facilities in the application process.
- The SHOPS Plus Access to Finance Director responsible for providing technical guidance on health sector lending.

The bank faced several challenges that impacted its ability to generate loans, including a lack of a focused approach, limited commitment from senior management, concerns with credit quality, a slow credit process, and minimal training for staff. SHOPS Plus focused initial activities on developing a working relationship with senior management to ensure buy-in and support to implement the project's activities and on ensuring the bank allocated sufficient resources to jointly develop and implement an action plan. As the portfolio of health facilities grew over the implementation period and the bank saw the impact of SHOPS Plus technical support, the activities expanded and the partnership with bank has strengthened.

Over the two years of implementation, the SHOPS Plus team expanded its reach from the bank's headquarters to regional centers and branches. This growth resulted from increased awareness of the project and requests for support from the regions. Types of support provided included:

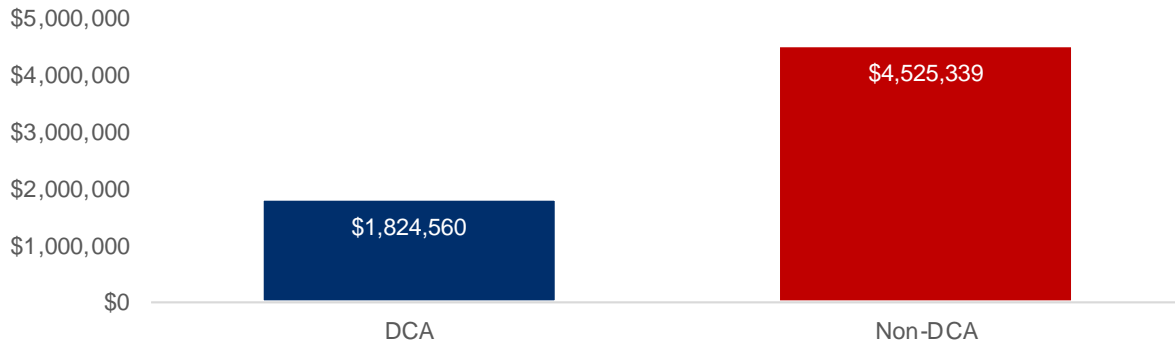
- Attending to clients that had either indicated interest in obtaining a loan or provided a loan application to bank. Support focused on ensuring that these clients and applications were complete and that the bank was moving requests through its internal credit approval processes.
- Dedicating significant resources to training bank staff, not only on opportunities and particularities of the health sector, but also to develop appropriate sales and risk processes.
- Developing a pipeline of potential loans (see "Pipeline Activities" section below).
- Developing new products: SHOPS Plus worked with the bank to develop appropriate products for the health sector, including a risk-sharing arrangement with equipment suppliers and invoice financing. At project completion, the risk-sharing arrangement was in place.
- Supporting the creation of a Health Unit at CRDB: Originally, the bank assigned an individual to support the SHOPS Plus team. As business increased, the bank increased

resources dedicated to the project and is in the process of establishing a dedicated health business unit.

DCA Utilization

As a result of SHOPS Plus's support, DCA utilization has continually increased over the two-year implementation period, almost doubling original targets in both DCA-backed loans and in dollars leveraged to support providers of HIV services (Figure 1).

Figure 1. Value of DCA and non-DCA loans through SHOPS Plus support



In addition to extend the value of the DCA guarantee, the bank began to approve more loans without requiring the DCA's backing. This was in part a result of the bank feeling increasingly comfortable with lending to the sector. It was also part of an effort on the bank's part to maximize the value of the guarantee by limiting the types of loans placed under it to those that were deemed riskier and would otherwise not be approved. Less risky loans that would have previously only been approved under the DCA due to the bank's unfamiliarity with the health sector are now being approved outside of it. The bank has indicated interest in a new DCA guarantee that would allow them to continue expanding lending in the health sector.

Pipeline Activities

SHOPS Plus supported CRDB to develop a pipeline of strong loan candidates. Prior to the project's start, the bank had begun its own process to develop a pipeline, but it stalled and did not generate results. The SHOPS Plus team reviewed the pipeline that the bank had developed and created an action plan to determine the best approach to managing it. The pipeline included various types of facilities, some that met DCA requirements (including private laboratories, dispensaries, health centers and hospitals), and others that did not (including public health facilities and pharmacies).

SHOPS Plus helped CRDB prioritize opportunities in the pipeline based on the health facilities' location, risk profile, whether or not they were bank clients (deposit or otherwise), whether they met DCA requirements and the level of business they could generate for the bank. Additionally, the team looked to identify and prioritize those



The Uwela dispensary.

facilities whose request would potentially increase provision of HIV services. During the first three months, the team identified eleven strong pipeline opportunities which converted into six disbursed loans. Of the remaining five, two were not approved by the bank, and three opted to not to accept the bank's lending terms.

Additional Financial Institution

As progress continued with CRDB, the project aimed to develop a partnership with an additional financial institution (FI) in an effort to expand reach and scale access to finance in the private health sector. Project staff held discussions with various FIs and moved forward with a new with a new partner, Mkombozi Commercial Bank.

Mkombozi Commercial Bank (MKCB) is owned by the Tanzanian Episcopal Conference, Dioceses, Parishes, and individuals of all religious persuasions. At the same time that SHOPS Plus was in discussions with MKCB, the project staff was also working with the Christian Social Services Commission (CSSC) to support its member facilities that required financing. CSSC is the largest ecumenical organization in Tanzania working in the health sector. Given the similarities between the ownership of the bank and target facilities, there appeared to be strong potential for the two to work together. Both indicated interest and SHOPS Plus helped develop and finalize a strategy to help CSSC members (see "Activities with stakeholders section" for more details).

Activities with other stakeholders

The project evaluated and pursued several opportunities to develop and/or strengthen relationships with key stakeholders in the health sector.

Health Networks

- **Christian Social Services Commission (CSSC):** CSSC's health department coordinates and strengthens 900 health services provided by health facilities under the Tanzanian Episcopal Conference and the Christian Council of Tanzania. Currently, more than 500 of CSSC facilities are owned by the Catholic Church. These facilities are primarily located in rural regions of the country and include approximately 700 dispensaries, 100 health centers, and 100 hospitals and are important providers of HIV services (Figure 2).

CSSC and SHOPS Plus signed a Memorandum of Understanding that outlined the terms of collaboration. The first activity under the MoU was for SHOPS Plus to conduct an assessment of member facilities to better understand their business training and loan needs. The project, working with MKCB, assessed 19 facilities in the northern region. The assessment identified a strong need for business and financial management support, as well as high demand for loans to finance equipment, expansion and working capital. Facilities also indicated challenge is accessing finance as illustrated in Figure 3.

Figure 2. Average monthly number of people tested and treated for HIV/AIDS by assessed facilities

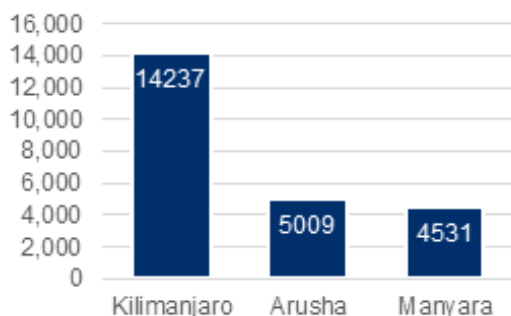
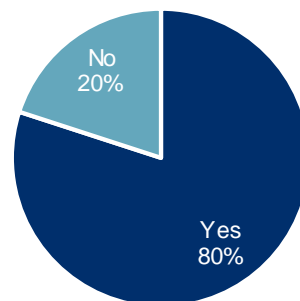


Figure 3. Bank products and services met needs



- Population Services International (PSI):** PSI has a network of over 150 providers in Tanzania, of which an estimated 90 percent provide some level of HIV services. SHOPS Plus designed a needs-assessment questionnaire to identify business training and financing gaps of PSI facilities. In addition, the assessment aimed at understanding the network’s gender composition and provision of priority services. Following this assessment, SHOPS Plus provided business training to 16 PSI facilities. Under the SHOPS Plus Tanzania Year 4 Field Support work plan, SHOPS Plus will work with CRDB’s Women’s Market division to evaluate the potential for credit product targeting PSI women-owned facilities.

Equipment Suppliers

The project engaged Anudha Company Limited, Biocare Health Products Limited and Pyramid Pharma to discuss the possibility of signing an agreement with CRDB aimed at increasing access to finance for health facilities. Anudha is one of the biggest suppliers of general health facilities in the country, Biocare and Pyramid Pharma were identified as strong suppliers of HIV/AIDS equipment. The team met with GE and Philips. GE had indicated interest in providing a first loss guarantee on GE equipment, and Philips indicated a willingness to find areas of collaboration. Unfortunately, these discussions did not lead to any concrete actions.

A partnership between a bank and equipment supplier would aim to address risks that the bank faces when lending to the health sector (e.g., valuation, repossession, resale) and the challenges the suppliers’ clients have in securing loans to purchase equipment. SHOPS Plus led discussions between CRDB and Anudha, which resulted in an agreement to develop a pilot project. The parties signed an MoU and initiated a pilot in the final quarter of FY18. The first two deals under this pilot were under review at the end of FY18 and have since been approved. With Field Support funding, SHOPS Plus will continue to lead implementation of this new partnership and develop a similar arrangement between CRDB and Pyramid Pharma.

National Health Insurance Fund (NHIF)

NHIF has been managing a loan program that targets both private and public health facilities. While there are a number of health facilities interested in accessing funds from NHIF, funding is limited. In 2017, NHIF stopped its lending process early in the year, although it still had a list of facilities that had requested financing. In 2018, the government allocated approximately \$6.5 million in funding for lending, much of which is expected to go to public sector facilities. SHOPS

Plus has had various meetings with NHIF Investment Managers to discuss the potential to collaborate. At these meetings, stakeholders considered two opportunities for SHOPS Plus:

1. Assist NHIF in managing a pipeline of private facilities they were unable to attend
2. Evaluate the potential of invoice financing arrangement and/or assignment of invoices to CRDB. Invoice financing would improve facilities' cash flow.

Progress has been slow but there is increasing pressure from the Tanzanian government for NHIF to support financing needs of the health sector. As of last the last meeting between the project and NHIF, NHIF indicated interest in developing an invoice financing product. As part of FY19 field support activities, SHOPS Plus will continue to engage in these discussions.

Develop Targeted Business Training for Health Sector Providers

SHOPS Plus worked with associations and groups of private health providers to develop and conduct training activities. Through these partnerships, the project was able to provide support to a large number of private providers – including business training, access to finance, coaching, and other. As part of the aforementioned support to CSSC and PSI, each entity provided support to implement the assessments and follow-up support, including scheduling meetings with facilities, provide logistical support, and conducting joint visits to facilities. As noted earlier, following the assessment of PSI network facilities, SHOPS Plus and PSI agreed to a training plan. PSI managed communication with facilities (invitations), and logistics (site, per diems), and the SHOPS Plus team adapted training materials and presented the content to 16 PSI facilities.



SHOPS Plus training for PSI network facilities.

Coaching/Mentoring Activities/Other Support

SHOPS Plus implemented coaching activities to provide individualized support to 45 private health facilities. Depending on the size and complexity of loan requests, SHOPS Plus support ranged from simple guidance on the loan application process and documentation requirements, to more complex activities such as developing a business plan to support a credit request.

“Furaha Hospital which is at the final stage of completing construction of a modern General, Maternity and Children Hospital in Dar es Salaam will forever be grateful to you. There has not been short of words the way SHOPS Plus rescued us in the middle of financial difficulties and made our dream comes true....[SHOPS Plus] immediately linked us with CRDB Bank Plc and supported [us] in improving the business plan and provided us with professional technical advice in the process. CRDB Bank Plc approved and disbursed us with a new loan. We are very happy now that the construction is in the final stage and the brand-new hospital is expected to be officially launched next month, March 2019”

- Furaha August (MD, M.Med, PhD)

Lessons Learned

DCA Guarantee Utilization

The DCA guarantee is an important tool available to USAID to encourage financial institutions to make loans to new or risky sectors - in the case of Tanzania and CRDB, the health sector. The tool helps address collateral challenges often faced by private health providers, and reduces financial institutions' risk. However, DCA guarantees often require additional technical support to the partner financial institution. The technical support helps address challenges such as the financial institutions' lack of knowledge of the health sector, its limited abilities to adapt lending policies and procedures, and its management unfamiliarity with the instrument. In the case of CRDB, the guarantee was unutilized prior to start of project as the bank was unable to develop or adapt their sales activities and risk processes and policies. The addition of technical support resulted in a significant increase in loans backed by the DCA and expectations are the DCA guarantee will be fully utilized by end of 2019.

Business Case

In order for a financial institution to enter a new sector with support from DCA, there must be a strong business case to justify the required investments. SHOPS Plus worked with stakeholders (health facilities, equipment suppliers, financial institutions, etc.) to generate business cases to incentivize CRDB to make those investment to actively expand activities in health sector. These have also been used in meetings with MKCB and have been important in generating interest.

Focus on Providers of HIV Services

A USAID program that aims to support a specific priority service – such as HIV – would require consideration be given to the profitability and required investment of financial institutions in targeting that specific health area. Financial institutions would likely be interested in sector as a whole, as a focus on one health area would limit their overall market. This preference potentially dilutes the impact of lending programs on priority services. In order to ensure this connection, programs focused on a specific health area – such as HIV – should focus on the provider side rather than limit the scope of the financial institution. Based on the SHOPS Plus experience in Tanzania, recommended support should include both:

- Coaching and business support to facilities that require financing to expand HIV services. In the Tanzania SFI work, SHOPS Plus worked with facilities to develop business plans, assist in completing loan application and submit to bank, and to ensure any additional information required by the bank is generated and provided. These facilities were selected based on identification of a financing need that would lead to higher provision of HIV products and services.
- Development of financial instruments that target specific HIV-linked equipment, which may require partnerships with stakeholders that work in the space. The project proposed a partnership between financial institutions and equipment suppliers in which the financial institution and equipment supplier agreed to a financial product to purchase HIV-linked equipment. The financial product, a buy-back agreement, provided for each party to assume a level of credit risk, as well as provide safeguards, such as a maintenance plan, to ensure equipment was properly maintained.

Impact on HIV Service Delivery

As noted earlier, the initial focus of SHOPS Plus’s work in Tanzania was to ensure utilization of the DCA. The project worked with the bank to develop a pipeline of deals and convert these into loans. While continuing to support the bank in general health sector deals, SHOPS Plus began to prioritize support to facilities whose loan would positively impact provision of HIV services.

Health Center in Njombe Region

SHOPS Plus provided support to a private health center located in the Njombe Region. The center provides, among other services, counselling and testing, and prevention of mother-to-child transmission. The center was granted a DCA-backed loan to purchase hematology analyzer and expand laboratory. As a result of the loan, the center was able to increase the number of patients by 16% over a 6-month period.

SHOPS Plus provided support to a range of facilities that provided HIV testing services and/or treatment. These included dispensaries, hospitals and health centers. Facilities used funds to purchase equipment such as hematology analyzers, expand laboratory services, and as working capital to purchase reagents.

Data collected from facilities receiving SHOPS Plus support indicate that the project’s support led to an increase in number of newly tested individuals (Table 1). As part of the field-funded FY19 activities, the project will aim to capture additional data and conduct more detailed evaluation on impact of A2F activities.

Table 1. Increases in HIV test at SHOPS Plus partner facilities

SHOPS Plus Partner Facility	% Increase in HIV Tests Pre- and Post-Loan
1	16.1%
2	15.6%
3	40.4%
4	4.9%
5	13.6%
6	0.0%
7	5.6%
8	2.8%
9	9.9%
10	2.3%
11	21.8%
12	25.4%
13	58.2%
14	26.4%
15	49.9%
16	18.0%
17	30.9%
TOTAL	35.3%

Summary

SHOPS Plus activities have resulted in CRDB increasing its lending to the private health sector. The bank is clear on the opportunity that exists within the private health sector, and is investing to further develop activities, such as partnerships with health sector stakeholders, developing new products, and increasing resources to manage business. The DCA guarantee has been critical in the bank testing the market. With positive loan performance, the bank has started to approve loans without the requirement of DCA support. This will lead to reduced cost of funds, which could be passed on the clients in the form of lower interest rates.

The partnerships with associations and network providers allowed SHOPS Plus to reach a large number of private health sector providers. This allowed the project to conduct assessments in an efficient manner to better understand providers' business training and loan requirements. Additionally, it provided the project with information on those facilities that provided HIV services, helping the project team to target activities on these facilities.

The development of innovative products has been an important component of this activity. The initial results of buy-back arrangement have been positive, and expectations are for lending under the arrangement to continue to grow. The partnership with Pyramid Pharma that was to focus on HIV equipment allowed the project to target the priority health area in an efficient manner.

As a result of this work, the dollars leveraged under this activity has been higher than originally expected. The DCA portfolio is expected to be fully funded by the end of the calendar year, and the non-DCA portfolio was approximately \$4.5 million at end of 2018.

