MEDICAL CREDIT FUND AFRICA

Stichting Medical Credit Fund

Annual Report 2020

29 April 2021 | Amsterdam

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PHARMACCESSGROUP

PharmAccess FOUNDATION

Health Insurance Fund

MEDICAL CREDIT FUND AFRICA

SafeCare HEALTHCARE STANDARDS

Medical Credit Fund in 2020

LOANS

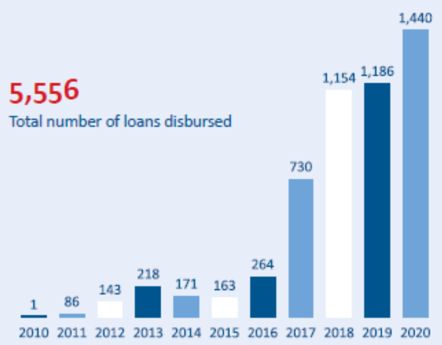
93.6% Loan repayment performance

5,556 Loans disbursed

USD 28,450,527 Total portfolio outstanding

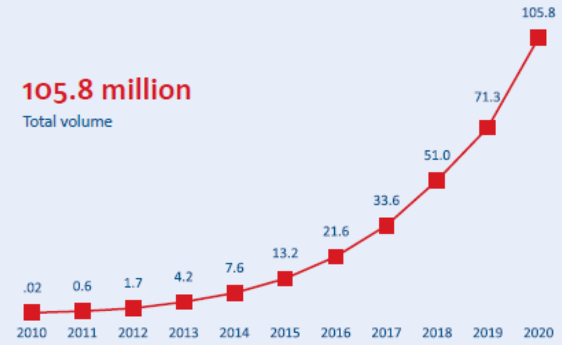
NUMBER OF LOANS DISBURSED

5,556 Total number of loans disbursed

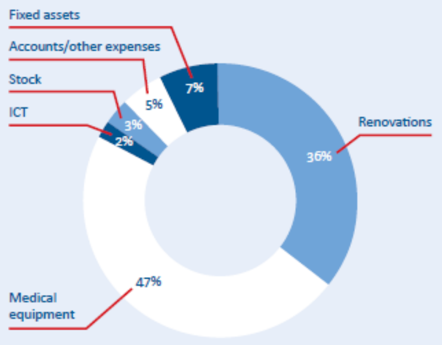


CUMULATIVE DISBURSED AMOUNT (US$m)

105.8 million Total volume



TYPE OF INVESTMENTS FINANCED THROUGH LOANS



NUMBER OF NEW HEALTHCARE FACILITIES RECEIVING A LOAN/YEAR

1,800 Total healthcare facilities reached

CAPACITY BUILDING

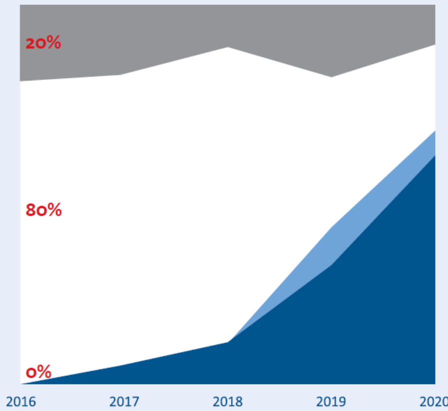
NUMBER OF HEALTH SME STAFF TRAINED

2,628 Financial partner staff trained

3,538 Business assessments

1,486 SafeCare assessments

PERCENTAGE OF DISBURSED LOAN VOLUME PER TYPE/YEAR



10% Syndication

23% Partner lending

7% Direct lending

60% Digital lending

RISK SHARING

AT THE END OF 2020

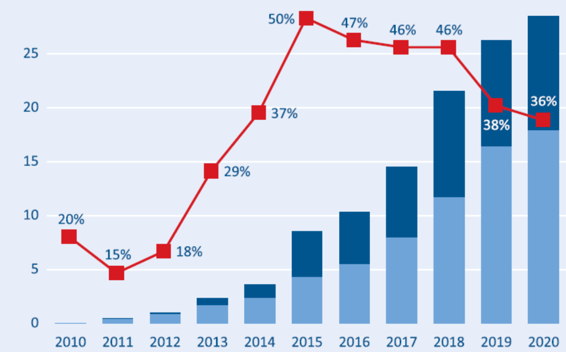
17
Financial partners

17,853,098
Risk portion Medical Credit Fund (USD)

10,578,412
Partner risk (USD)

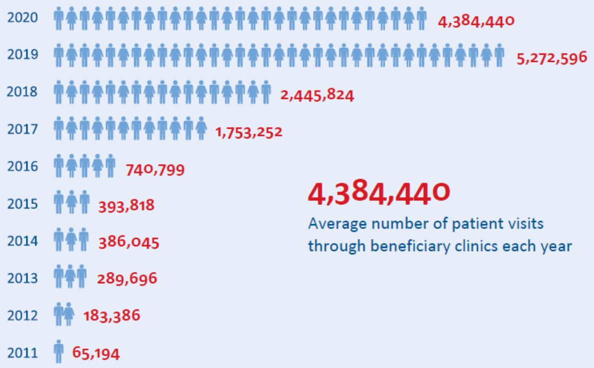
36%
Credit Risk portion financial partner (%)

RISK SHARING BETWEEN MCF AND FINANCIAL PARTNERS (US$m)



SOCIAL IMPACT

AVERAGE NO. OF PATIENT VISITS VIA BENEFICIARY CLINICS/YEAR

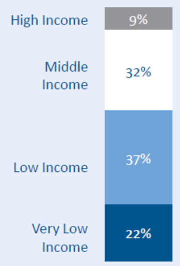


4,384,440
Average number of patient visits through beneficiary clinics each year

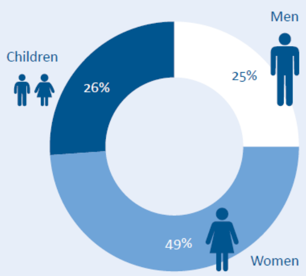
DEMOGRAPHIC INFORMATION OF POPULATION REACHED

59% of patients visiting the MCF beneficiary facilities and pharmacies come from low to very low income groups

SOCIO ECONOMIC STATUS

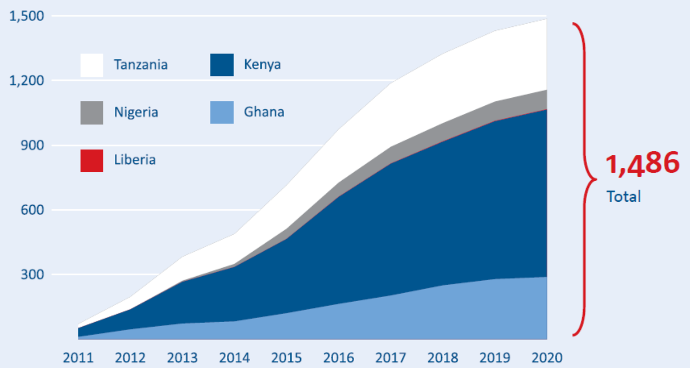


GENDER OF SMEs REACHED

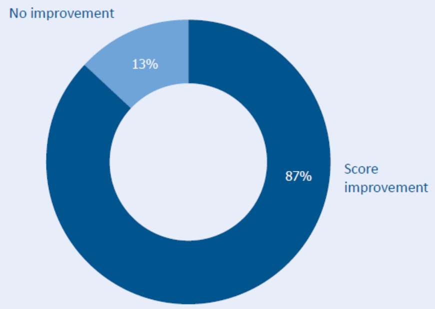


QUALITY IMPROVEMENT

TOTAL NUMBER OF APPROVED SAFECARE ASSESSMENTS (CUMULATIVE)



87% of beneficiary health SMEs improved their SafeCare score



Managing Director Update

I am very proud to present you with the Stichting Medical Credit Fund's (MCF) annual report and financial statements for 2020. Since inception, our mission has been to help small and medium-sized enterprises in the health sector in sub-Saharan Africa strengthen their businesses and improve the quality of care they provide to their communities. We do this with a small but dedicated MCF team based in Dar es Salaam, Nairobi, Lagos, Accra and Amsterdam.

In the difficult circumstances of the COVID-19 pandemic with lockdowns and temporary closures of many services, MCF disbursed 1,440 loans in 2020, of which 90% digital loans. This was even 21% more than the record year of 2019. Due to the digital nature and no collateral requirements, we were able to disburse over 100 loans per month while working from home, not being able to visit our clients in order to keep our staff safe. Some staff did become infected with the virus, but all recovered quickly. Our clients were facing working capital pressures due to reduced patients visits, who stayed away out of fear getting infected at the clinic, and the need to purchase protective gear and equipment for their staff.

Appreciating the high impact of digital loans, we have started pilots for new digital loan products in Tanzania, Kenya and Ghana. While it takes time to develop these products, we see a clear demand from the markets we operate in and increasing acceptance for digital loans by the health sector.

Next to providing loans to new and existing clients, we assisted clients with outstanding loans with flexible repayment terms. The portfolio quality worsened due to the pandemic but remained within reasonable levels.

Through our loans, we strive to improve healthcare. MCF loans come with technical assistance programs to increase the quantity and quality of care that health SMEs provide. This includes training our clients' staffs, assessing the quality of their services, identifying areas for improvement and supporting the client in implementing these enhancements. On average, 87% of SMEs in the MCF program have demonstrated measurable quality improvement. We have partnered with renowned local business schools to build the management capacity of health SMEs by organizing Health Management Programs.

Late 2020 we crossed the barrier of USD 100 million in loans disbursed since inception. While a significant milestone, we admit that the health market financing needs are much higher. In 2020 we decided to fundraise for a second fund, to be launched mid-2021. This new fund will continue to build on our expertise, will be much larger and focus more on digital loan products and expansion into new countries in sub-Saharan Africa. We are very excited to have received an initial investment of EUR 7.5 million from the Dutch Government's Foreign Affairs. This encourages other investors to join this second fund and as I write this, several investors are in advanced due diligence to indeed invest in MCF2.

The pandemic is far from over but our excellent international MCF team is determined to support the African health markets in these difficult times with funds and support.

Arjan Poels
Managing Director

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MANAGEMENT BOARD REPORT

FINANCIAL STATEMENTS

1. Mobilizing Investments for Health

The Medical Credit Fund is the first and only fund dedicated to increasing access to financing for small and medium sized companies in the health sector (health SMEs) in Africa. We combine loans to health SMEs with technical assistance (TA) that supports business and quality improvement — so that health SMEs can deliver better services to more customers.

1.1 INVESTING IN HEALTH SMEs IN AFRICA

With limited resources, lack of efficiency and limited capacity of governments, public health systems in Africa are not able to serve their populations adequately. This has become even more apparent during the COVID-19 pandemic. Public healthcare facilities often suffer from weak infrastructure, shortages of staff and supplies, and as a result provide poor quality services. The private sector fills this gap and complements the public sector in providing healthcare services. About half of the African population, including those in lower income groups, seek healthcare from private providers and pay for these services out of pocket. However, the private health sector is poorly regulated and highly fragmented. Most companies in the private health sector are small and medium-sized businesses. The SMEs that serve lower income groups face intense challenges like sub-standard infrastructure and equipment, a scarcity of skilled medical staff and poor-quality services. Health SMEs also have difficulty accessing capital to improve this situation because of their lack of banking history, limited collateral and the perceived high risk of the sector. During the pandemic, this situation has even worsened as private healthcare facilities were in need of working capital financing to cover liquidity gaps and purchase protective equipment at a time when banks were restricting their lending to SMEs.

1.2 OBJECTIVES AND APPROACH

To address these constraints, the Medical Credit Fund was founded in 2009 by the PharmAccess Group, a group dedicated to connecting more people to better healthcare in Africa. Together with PharmAccess and its local partners, MCF works to mobilize capital for health SMEs and increase their bankability.

MCF seeks to achieve impact in three dimensions:

- **Financial:** Demonstrating that the private health sector is bankable and can provide a reasonable return to investors. As trust in the sector increases, local markets start financing health SMEs, and financing becomes affordable.
- **Developmental:** A stronger and more efficient healthcare value chain will deliver better services to patients.
- **Social:** Better healthcare services will be available to more people, including those in urban slums and rural areas who are currently underserved.

The true catalyst for MCF took place in 2010, when the Fund received the G20 Financial Challenge Award from President Obama. The G20 had launched the Challenge to identify the best models for catalyzing finance for SMEs. A milestone for the development of MCF, the award kickstarted our first funding round, and helped establish and recognize the Fund for its innovative approach.

Other recognition has followed. In October 2014, the Medical Credit Fund was also selected as first runner-up for the SME Finance Innovation Award 2014 for DEG, FMO and PROPARCO. In March 2016, the Fund and SafeCare—its partner in improving clinical quality—were awarded a Finalist Award in the

OECD DAC prize contest. In June 2017, MCF was nominated for the Financial Times/IFC Transformational Business Finance Award and in 2021 the Fund was selected as Emeritus Impact Manager by ImpactAssets 50, having been included in this list for 7 years in a row.

1.3 BLENDED CAPITAL STRUCTURE

MCF is financed through a mix of grants and debt financing from public and private parties. By using public funds to catalyze funding from private sources, MCF has been able to significantly increase its impact. The Fund's capital base of first loss is funded by grants from public and private parties and this serves as a risk cushion for investors, comprising a mix of private investors and semi-public development finance institutions.

We had our first close in 2012, following the G20 Award, with a total capital raise of 28 million in US dollars (EUR 25 million). In 2016, MCF expanded its mandate in response to the market demand for more flexible financing solutions. Since then, MCF can do larger loans (up to USD 2.5m), provide loans in new geographic areas in sub-Saharan Africa as well as lend to a broader range of healthcare enterprises in the value chain. We partner with non-bank financial institutions (NBFIs) as well. To finance this expanded mandate, MCF raised new capital from lenders and providers of first-loss capital in three closings in 2016, 2017, and 2018. This has brought the total capital available for lending to more than USD 47.1m—including the first-loss capital which was expanded to USD 5.6m.

To date, MCF has been able to leverage first loss grants received of USD 7 million and outstanding debt of USD 27 million to disburse USD 105 million in loans to 1,800 Healthcare Facilities. At the end of 2020, the repayment rate stood at 93.6%.

In 2020, MCF started preparations for its further growth and next funding round, again in a blended structure. This new fund, MCF2, is expected to be launched in Quarter 2 of 2021.

1.4 A UNIQUE APPROACH: COMBINING LOANS WITH TECHNICAL ASSISTANCE

Loan Program

MCF helps health SMEs access capital in two ways: through partners, but also directly. The partner program builds on co-financing or guarantee arrangements with banks and non-bank financial institutions (NBFIs) in order to provide the necessary comfort to the financial partner to lend to the health SME. MCF also works with financial partners through syndication.

Moreover, together with partners, the Fund improves or develops new loan products and services if the existing ones pose barriers to access for health SMEs. While MCF does not necessarily require partners to operate, we don't shy away from unconventional collaborations and technologies either, especially if they can contribute to developing flexible solutions that work for our clients. In this capacity, Medical Credit Fund has successfully launched a loan product with the Ghanaian National Health Insurance Agency that finances receivables on insurance claims. Cash Advance—the digital loan product in Kenya that draws on revenues from M-PESA mobile payment tills—is another example of how MCF has implemented an unconventional approach to provide innovative, flexible solutions for health SMEs.

Over the past years, MCF has seen an increase in its direct lending program driven by the success of the Cash Advance product, but also by a growth in direct term loans. Cash Advance loans have proven very valuable during the COVID-19 pandemic to support healthcare providers to bridge working capital gaps at a time when banks had further limited their SME lending. In 2020 the Cash Advance loans contributed 60% of MCF's disbursement volume. Through its direct term loans MCF was able to cater to the demand for flexible loans by clients to finance working capital or invest in infrastructure and equipment.

MCF's loan portfolio is segmented into partner loans, syndication, direct loans and digital loans according the size and structure of the loan:

- **Partner Loans:** We build on the presence and capacity of our financial partners to provide health SMEs with capital for their investments. To reach more relatively small SMEs, collateral requirements for small loans are more flexible using a largely standardized loan process. For larger loans a more conventional collateral package and due diligence process is applied.
- **Syndication:** For larger loans, MCF can lend alongside a bank or a NBFI in a syndicate loan arrangement.
- **Direct lending:** These are term loans provided by MCF directly to allow more flexibility in collateral requirements and repayment schedule.
- **Digital lending:** Following the introduction of the Cash Advance product, which is mainly used for working capital, MCF has also developed the Mobile Cash Advance loan based on the same principles, but with a longer tenure to allow for equipment financing.

Overall, MCF offers various loan products to cater to the needs of Health SMEs, which can range from working capital to financing larger and more complex construction products. All loans are in local currency and at interest rates in line with prevailing market rates.

Table 1: Medical Credit Fund loan products

LOAN PRODUCT		LOAN SIZE (USD)	TENURE	SECURITIES
Regular Loans	**Small Loans**	< 15,000	< 12 months	Chattel mortgages, personal guarantees
	Medium and Large Loans	15,000–200,000	< 60 months	Conventional collateral, such as landed property and marketable assets
	Extra Large Loans	200,000–2.5m	< 120 months	
Syndication	**Syndicate Loans**	100,000–2.5m	< 120 months	Conventional collateral, such as landed property and marketable assets
Digital Lending	**Term Loans**	50,000–2.5m		Conventional collateral, such as landed property and marketable assets
	Cash Advance	100–50,000	< 6 months	Digital revenues on M-PESA and M-TIBA tills[1]

Technical Assistance Program

Offering technical assistance to health SMEs has been an intrinsic part of the Medical Credit Fund's approach since its inception. The TA Program is aimed at reducing risk, improving quality, and enhancing the business performance of the health SMEs.

Technical Assistance helps the Fund evaluation of clinical and financial risks, and requirements for quality improvement, before a loan is approved. After a loan has been disbursed, borrowers are supported in their quality and business improvement processes. The SafeCare quality improvement plan identifies priorities for improvement in healthcare facilities. MCF is also dedicated to building local capacity and expertise by working with in-country partners to deliver technical assistance, developing curricula in health management with local training institutions and providing subject specific trainings.

In 2020 specifically, PharmAccess and MCF have provided training and support to improve the COVID-19 preparedness of healthcare providers, including the introduction of the SafeCare4COVID app and various webinars and tools to assist providers in their response to the pandemic.

1 M-TIBA is the digital payment platform for health that was established by CarePay and PharmAccess in partnership with Safaricom and M-PESA Foundation.

Over the past few years this approach has proven its added value: the repayment rates of Medical Credit Fund loans have been very high—96-97%—and among the best performing of the partner banks' SME loan portfolios. At the end of 2020, the Medical Credit Fund's repayment rate had lowered somewhat as a result of COVID-19 but was still at a decent 93.6% on the outstanding loan portfolio. Furthermore, more than 85% of the healthcare providers have achieved an improved SafeCare score, indicating a reduction in clinical risks.

1.5 IMPLEMENTATION PARTNERS

To achieve its objectives, Medical Credit Fund works with strong local and international partners in the financial and healthcare sectors. Banks and NBFIs are partners in MCF's lending activities, while local health organizations and NGOs provide technical assistance services to healthcare facilities. In addition, MCF and PharmAccess have partnered with local universities to develop training programs for the sector. Table 2 provides an overview of our partners.

Table 2: Current MCF Partner Organizations

	Technical Partners	Financial Partners
Ghana	Marie Stopes Ghana (MSG) National Health Insurance Agency (NHIA)	Fidelity Bank Omni Bank Republic Bank
Kenya	Kisumu Medical and Education Trust (KMET) Marie Stopes Kenya (MSK) Strathmore Business School Architectural Association Kenya (AAK)	Credit Bank Sidian Bank Savannah Informatics
Nigeria	Society for Family Health (SFH) Marie Stopes Nigeria (MSN) Enterprise Development Centre (EDC)	Access Bank Bank of Industry (BOI)
Tanzania	Association of Private Health Facilities in Tanzania (APHFTA) Christian Social Services Commission (CSSC)	BancABC NMB EFTA
Other/multiple countries	Uganda Healthcare Federation AMPC International Consultants (multiple countries) PharmAccess Group	African Guarantee Fund (Kenya, Tanzania) Facts (Kenya, Uganda) Grofin (multiple countries) GT Bank (Kenya, Uganda) TLG Capital (Liberia, Nigeria)

Besides the above financial partners, MCF has partnerships with several medical equipment suppliers.

2. The Loan Program: Portfolio Performance, Disbursement and the Rise of Digital Lending

In terms of loans disbursed, 2020 was again a very good year, with digital loans as a main driver, both in numbers and in volume. However, loan portfolio growth has been lower than anticipated and loan portfolio quality deteriorated over the year, mainly attributable to COVID-19.

2.1 FINANCIAL PARTNERS

MCF has active partnership contracts with 17 financial partners. The main ones (in terms of the outstanding loan portfolio) are Sidian Bank, Guarantee Trust Bank, and Credit Bank (Kenya), Fidelity Bank and Republic Bank (Ghana), Guarantee Trust Bank (Uganda), Access Bank (Nigeria), and TLG Capital, Grofin and Facts (multiple countries).

However, also in 2020 partner lending reduced in significance in favor of direct and digital lending, with 23% of total disbursement volume versus 39% in 2019. The portfolio share of partner lending has also been shrinking from 55% in December 2019 to 41% December 2020.

The downward trend on partner lending is partly due to MCF's increased focus on direct lending, but also relates to partners losing appetite to lend to the healthcare sector due to COVID-19, which hit local economies in general and the health care sector specifically. In 2020, several loan applications that were approved by MCF, were not approved or not perfected by partners for this reason.

2.2 LOAN DISBURSEMENTS

The year 2020 showed again a high growth in the number and volume of loans disbursed. Volume growth was 59% (25% in 2019), reaching USD 34.5 million for the year, with a 21% growth in numbers (1,440). This made us cross the mark of USD 100 million loan volume disbursed since inception in December 2020. Digital loans were the main driver, both in numbers (+ 34%, reaching 1,135) and in volume (+ 200%, arriving at USD 20.8 million). The latter being the result of several high-volume repeat borrowers and a growing average loan size, arriving at USD 24,000 per loan (+ 31%). Digital loans contributed 60% to loan volume disbursed in 2020. As MCF's digital loan products are in Kenya, also the lion share of loan disbursements has been in this country.

Figure 1: Loans disbursed per year (number)

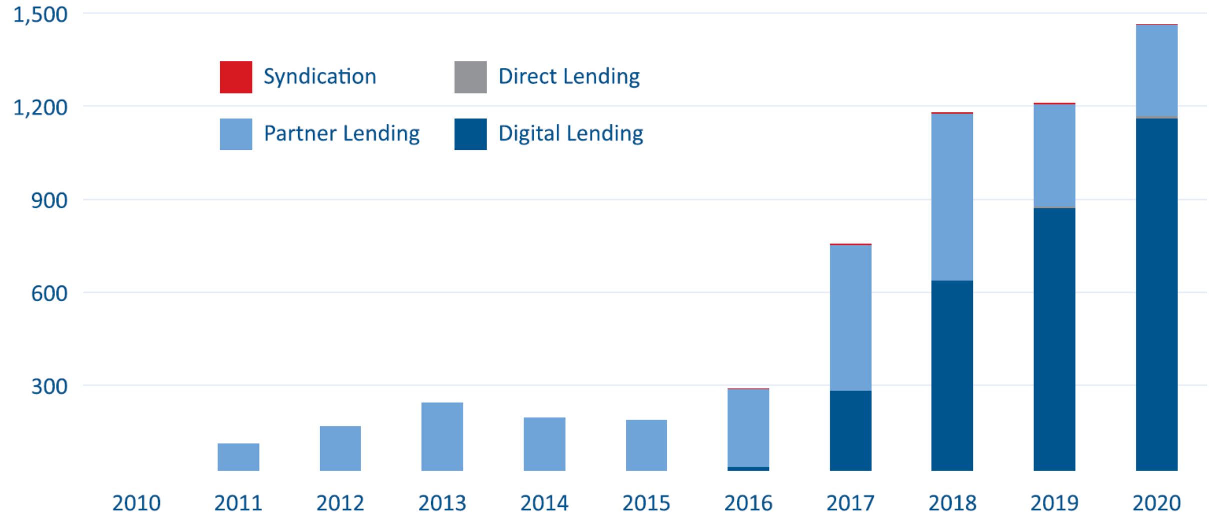
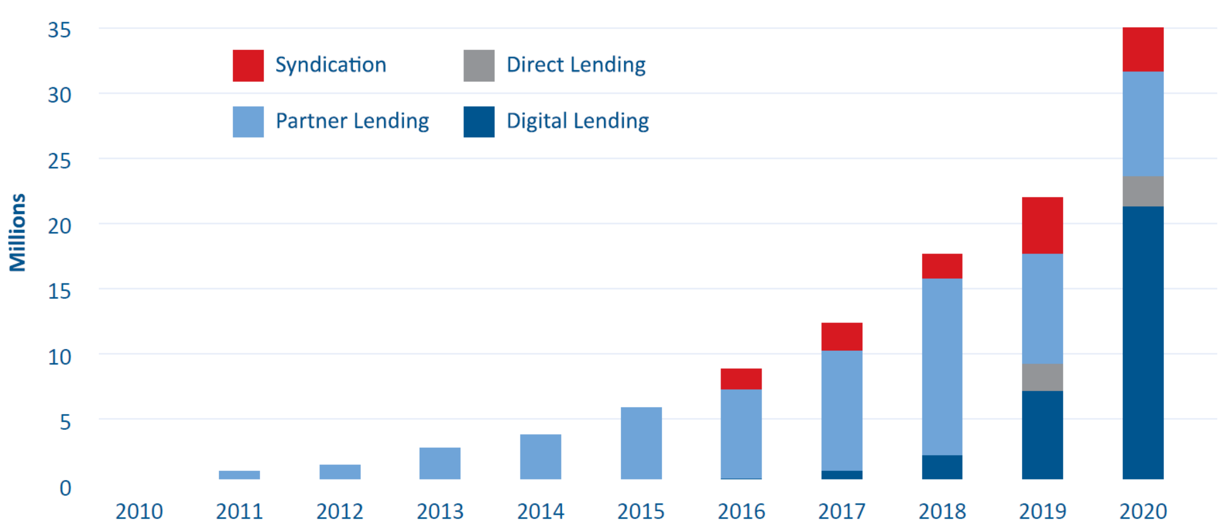


Figure 2: Disbursements per year (loan volume)



2.3 PORTFOLIO OUTSTANDING

Higher volumes disbursed did only result in a small loan portfolio growth from USD 26.3 million to USD 28.5 million. This is mainly because most of the digital loans are short-term working capital loans, which are repaid and renewed quickly, therefore not contributing to portfolio growth so much. Some large term loan projects, which would have boosted portfolio growth, were shelved due to COVID-19.

There are a few relatively large partner loans in the outstanding portfolio. This explains why the partner lending share in the portfolio is at 41% (55% in 2019), although digital and direct lending are gaining importance in the portfolio, with Kenya as a leading country.

Figure 3: MCF Portfolio Outstanding Volume (by loan type)

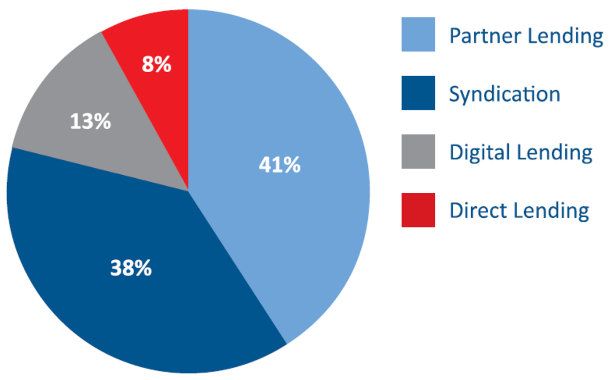
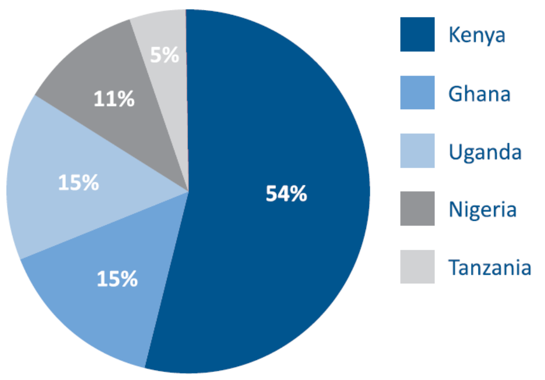


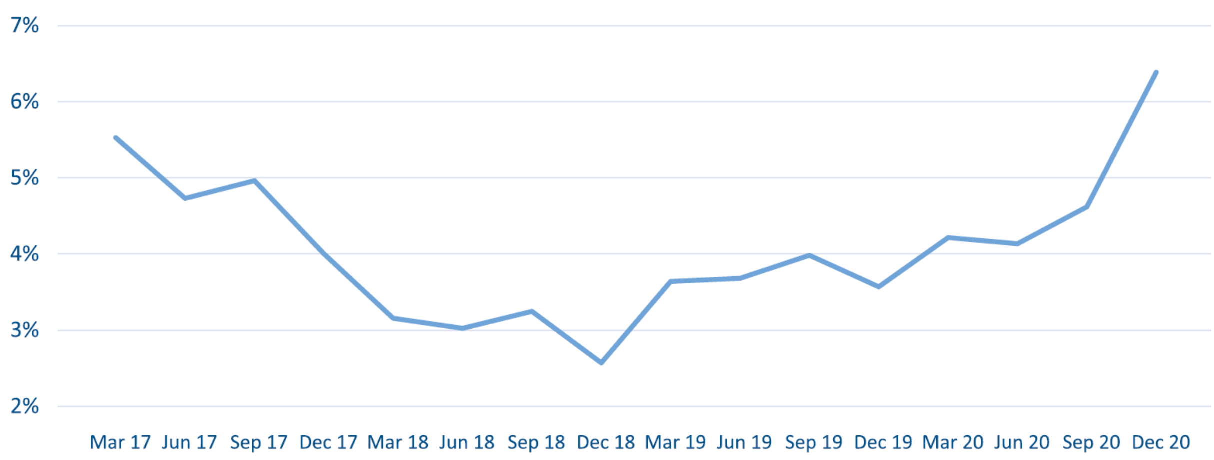
Figure 4: MCF Portfolio Outstanding Volume (by country)



2.4 PORTFOLIO QUALITY

The quality of the loan portfolio can be measured in terms of the Portfolio at Risk (PAR). PAR is a standard international metric of portfolio quality and reflects the portion of a portfolio that is deemed at risk because installments are overdue by a number of days. The portfolio quality has been on an increasing trend, with non-performing loans (PAR90—more than 90 days overdue) increasing from 3.6% by the end of 2019 to 6.4% by December 2020. The main reason for the deteriorating portfolio quality is COVID-19. Healthcare facilities reported less patient visits and – as a result – lower revenues. Many also reported higher operating expenses for medicines, Personal Protective Equipment (PPEs) and supplies. This affected the loan repayment capacity of many MCF clients. During the year, a number of loans were restructured, for example by agreeing on a longer repayment term and/or suspending capital repayments for a certain period.

Figure 5: NPL (PAR90)



2.5 DIGITAL LENDING

In 2020, the Cash Advance continued to be MCF's driver for growth. For many healthcare providers and pharmacies, the product was one of the few remaining borrowing options during the COVID-19 pandemic. It helped them to bridge periods of liquidity constraints. A total of 1,135 Cash Advances were disbursed (844 in 2019) at a volume of USD 20.8 million (USD 6.7 million in 2019).

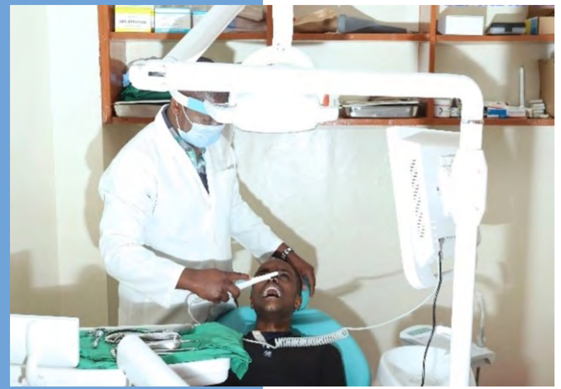
A new digital loan product that has been piloted in 2020 is the Claims Advance. For this product, MCF partners with Savannah Informatics in Kenya. Savannah is in the business of digitizing health insurance claims. With the permission of healthcare providers on the Savannah platform, MCF has access to transactional data on which it can base its lending decisions. So far, the product has been piloted with 6 clients, which all turned into repeat borrowers. No loan arrears were reported. Upon a positive evaluation, the product will be scaled in 2021.

In 2020 we also started to 'export' the Cash Advance concept and other digital loan concepts to other countries. Pilot projects have been initiated in Tanzania, Uganda and Ghana and new partnerships in Nigeria are in the making.

GRACE HOME CLINIC BANANA HILL

Dr. Tony Njuguna, proprietor at Grace Home Clinic:

"Our facility offers multiple services like dental services, and maternity and family planning services. We have been a beneficiary of MCF's Cash Advance product in the past years and have been able to equip our delivery room. Moreover, the dental sofa was installed through MCF's facilitation. The dental sofa has been of help to many people around; we have given somebody a job and we are serving many new clients as well!"



EMBU CHILDREN'S HOSPITAL

Dr. Jim Njimiu, owner of Embu Children's Hospital:

"Our hospital has been growing since 2013. With loans from MCF, we mostly bought medical equipment to expand our business. The past COVID-19 crisis year has been tough on us. However, with our most recent MCF loan we were able to establish a fully equipped COVID-19 isolation center. We procured protective gear for our health workers and established an initial stock of medications. This way, we are able to improve health and safety conditions for patients facing the pandemic."

RADIANT GROUP OF HOSPITALS

Salome Njeri Chiira is the owner of Radiant Group of Hospitals. She currently owns five hospitals with multiple operating theaters, ambulances, and a 372-bed capacity. Being a Cash Advance client since 2017, she has been able to expand her facility. While women in Kenya often encounter more difficulties applying for loans than men, MCF's Cash Advance enabled Salome to buy medical equipment when opening some of her operating theaters. Other loans were used to fill a staff salary gap and to purchase medication and commodities, including those that are needed to respond to the COVID-19 outbreaks.

Her words: *"Thanks to the Cash Advance loans, I have been able keep my prices affordable so I can welcome people that previously weren't able to get good quality care. I like MCF so much that I often try to pay back my loans even faster than needed. Instead of strict collateral requirement, MCF looks at what you have and how your payments have been. And it is very fast. For banks, you need a minimum of 90 days, but at MCF, you make an application today and you can receive the money the same day!"*

3. Country Overviews

3.1 KENYA

Economic and political developments

As in many other African countries, the Kenyan economy has been hurt by the COVID-19 pandemic. GDP growth for 2020 is expected to be around 1.4%, a drop compared to the 5.4% growth in 2019[2]. This is mainly caused by the measures and restrictions put in place to contain the spread of the disease, which lead to a 5.7% drop in GDP in the second quarter of the year. The sectors most affected were services and industry, while growth in other sectors like agriculture, forestry and fishing cushioned the economy from further contracting. According to the Kenya National Bureau of Statistics, overall year-on-year inflation was maintained within government target, closing at 5.62% in December 2020.

In a response to the pandemic the government introduced temporary cuts on personal and corporate income taxes and a reduction in VAT, while increasing its spending on health and social protection. This response was supported by a USD 739 million Rapid Credit Facility by the IMF in March 2020[3].

The Kenyan Central Bank helped cushion the blow with interest rate cuts, and with liquidity injections to ensure the continued smooth functioning of Kenya's financial system. It also encouraged banks to offer borrowers the chance to postpone loan payments. The temporary elimination of fees for mobile money transactions reduced costs for users and promoted transition from physical exchange of cash to a safer means of payment.

While economic activity is picking up, many challenges remain. Public health is still under pressure with the rollout of COVID-19 vaccines just getting started. Higher poverty has set back progress towards Kenya's development goals. Kenya's fiscal and debt positions have also worsened, adding to difficulties that existed even before the shock.

The Central Bank Rate (CBR) was reduced to 7.0 percent in response to the pandemic[4]. As a result of this reduction in combination with the interest rate cap installed in 2016, which despite the announcement of its repeal end of 2019 has still not been removed, average lending rates stand around 12%. The interest rate cap has led the banks to focus on treasury bill lending, with a preference for shorter term T-Bills at the expense of servicing the commercial domestic market, especially affecting SME lending. The COVID pandemic has only further reduced the banks' appetite for SME lending.

Health sector developments

With the global pandemic hitting the country early March, this led to drastic measures being announced by the Government to help curb the situation. The measures included, amongst others, an indefinite closing of all schools, a ban on international travel, cessation of movement within certain territories. This really affected not only the health sector but the entire economy. As a result, many companies scaled down operations with others closing down leading to employee redundancy.

The pandemic has painfully demonstrated the weaknesses in Kenya's health system. Although the government has been fairly quick in its response, it has had difficulty coordinating efforts and scaling up

2 https://www.afdb.org/en/countries-east-africa-kenya/kenya-economic-outlook#:~:text=Kenya's%20economy%20has%20been%20hurt,have%20had%20a%20dampening%20effect.
3 https://www.imf.org/en/News/Articles/2021/03/17/na031721-imf-loan-to-support-economic-recovery-in-kenya
4 https://www.centralbank.go.ke/uploads/quarterly_economic_review/1321177989_QER%20October-%20December%202020.pdf

testing capacity. Treatment and isolation of patients is mainly done in public healthcare facilities and the government has significantly increased its health spending, with support of development partners. Since March, the pandemic has claimed a total of 1,847 lives out of 105,057 infections. Out of this 86,497 have recovered. Research indicates that a much larger part of the population has been exposed to the virus, so this may be just a tip of the iceberg. Moreover, it is likely that the pandemic also had profound effects on morbidity and mortality from other medical conditions, as many people have avoided seeking care or could not reach healthcare facilities due to the travel restrictions.

Portfolio performance

The Medical Credit Fund has its largest operations in Kenya. In 2020, a total of 1,153 (2019: 896) loans with a total value of USD 23.4 million (2019: USD 15 million) were disbursed (Table 3). The COVID-19 pandemic took a toll on patient numbers which resulted in decreased cash flows in the health facilities. The mobile Cash Advance loans proved to be very instrumental for healthcare providers to bridge liquidity gaps. In relation to the term loans outstanding, MCF saw itself forced to restructure a number of its loans and issue moratoriums on payments to enable borrowers to cope with the dwindling cash flows. Repayment measured in PAR90 closed at 5.5%, doubling from a previous year figure of 2.1%.

Table 3: Overview loan portfolio in Kenya

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2020	Volume of loans disbursed in 2020 (USD)*	Outstanding portfolio per 31 December 2020 (USD)	PAR90
3,485	63.5 million	1,153	23.4 million	15.3 million	5.5%

* Funded/guaranteed by partners and MCF together

3.2 GHANA

Economic and political developments

Economic growth is projected to be about 1% in 2020 due to the COVID-19 crisis which triggered a reduction in external demand and a terms-of-trade shock in the oil sector. However, the 2020 projected outturn for real GDP growth (including oil) is 0.9%, while excluding oil it is 1.6%. Rapidly falling domestic economic activity due to social distancing measures added to the impact. Over the medium-term, non-oil activities are expected to continue to support overall growth by improved agriculture and agribusiness, a rebound in the post-reform financial sector, and continued expansion of the information and communications sector. Growth is expected to remain low even after the COVID-19 crisis, as oil production slows further due to maintenance and lower oil prices.

As a result of significant shortfalls in revenues and COVID-19 related increases in expenditure, the fiscal deficit (on cash basis and without financial sector and energy sector costs) was expected to be 11.4% of GDP for 2020 but the projected year outturn is 11.7%. After contracting in 2020, when the oil sector was hit by the global economic fallout from the coronavirus pandemic, economic activity will rebound in 2021, although investment in new oilfields has been pushed back, which will delay a resurgence in economic activity. The revised end-year inflation target of 11% may be bettered slightly, with a projected year outturn of 10.4%.

The incumbent New Patriotic Party won the December 2020 presidential election and a razor thin majority in the parliament, although these results are currently disputed by the opposition. However, the Ghana Supreme Court rejected the opposition challenge of the elections, paving the way for the re-elected president to form his government and prosecute its development agenda. For the first time since the commencement of the 4th Republic in 1992, the Speaker of Ghana's Parliament was chosen from the opposition party.

Health sector development

Characteristic of election years, the NHIA improved its claims reimbursement to credentialled health facilities, as it reduced its backlog of unpaid claims to between 6 and 8 months, as opposed to the previous more than 12 months arrears.

In an attempt to strengthen the country's health infrastructure, the government started construction of 80 new hospitals throughout the country, to be better prepared for future pandemics. This promise has even been expanded as the government seeks to implement agenda 111, to provide hospitals and related infrastructure nationwide in 2021.

After a year of disruptions due to the COVID-19 pandemic, with more than 80,700 Ghanaians getting infected with the virus and over 580 lost lives, the path to recovery for the people of Ghana could finally begin, as Ghana becomes the first country to receive the Covid-19 vaccines (600,000) from the COVAX facility.

Portfolio performance

The MCF Credit Committee approved MCF Ghana's first direct loan, to a pharmaceutical retail and wholesaler for business expansion and working capital (USD 680,000). Several other direct loan requests are being processed for approval. MCF Ghana also completed activities towards piloting cash advance mobile money-based digital loan product. Life testing of this product is to be concluded in Q1 2021, for actual roll-out to commence from the beginning of Q2.

Due to the negative effects of COVID-19 on businesses, partner banks have slowed down on lending to health care facilities. Again, the revenues of most MCF clients suffered a tumble, thereby making it difficult to successfully meet their loan repayment obligations. This decision of the partner banks not to lend, coupled with worsening portfolio quality seriously affected MCF Ghana's portfolio growth which had a negative effect on our net result.

Table 4: Overview loan portfolio in Ghana

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2020	Volume of loans disbursed in 2020 (USD)*	Outstanding portfolio per 31 December 2020 (USD)	PAR90
790	18.7 million	143	5.7 million	4.2 million	18.1%

* Funded/guaranteed by partners and MCF together

3.3 NIGERIA

Economic and political developments

Nigeria is facing rapidly weakening macroeconomic conditions, triggered by the sharp decline in price of oil to below USD 30 a barrel in March 2020, from more than USD 60 at the start of the year. The pandemic has also had cascading impact through reversed investment flows, volatile financial markets, and disruptions in travel and tourism. Real GDP is projected to contract by between 4.4% and 7.2% depending on the gravity and duration of the pandemic, wiping out gains from the three consecutive years of growth since the 2016 recession. Crude oil and gas account for an estimated 90% of total export earnings and more than 50% of fiscal revenues. The government projects oil revenues to decline by 90% in 2020 due to the decline in oil price triggered by low demand.

The COVID–19 pandemic morphed into a socioeconomic crisis with far reaching implications on jobs and poverty. It was estimated that 10 million people could slip into poverty in Nigeria, which is among the countries likely to record an increase in poverty of more than three percentage points in 2020 due to the pandemic. The pandemic presents an opportunity to strengthen the health system's resilience and stimulate economic growth, which will require additional resources and targeted investment. So, financing from development partners should be prudently deployed to improve the quality of the health sector as well as undertake structural reforms to build economic resilience against future shocks.

Health sector development

Nigeria has aligned itself with the global push for universal access to quality health care devoid of risk of financial catastrophe. A vital feature of "protection from catastrophic expenditure" is the availability of prepayment for health care costs. At present, only about 5% of Nigerians have prepaid health care through social and voluntary private insurance. Whereas the National Health Insurance System (NHIS) and private insurance have gained traction in providing coverage to federal public sector workers, their families and workers of large private organizations, the large majority of Nigerians are without any form of coverage. This situation has made the aspiration for UHC difficult to attain. State Governments have been slow in the uptake of social insurance regulated by NHIS because they feel excluded from the scheme. Expanding coverage and minimizing out-of-pocket expenditure primarily through greater federal government health care funding is not a realistic proposition given Nigeria's income status, and more importantly, the autonomy that the constitution gives the States to determine their health care priorities and spending choices.

The complexity of aligning States was also illustrated in Nigeria's response to COVID. While the Federal Government had established a Presidential Task force to coordinate and oversee the pandemic response, States were not always following recommendations. Nigeria in general had difficulties scaling up test capacity and handling confirmed COVID-cases. But also other measures proved difficult to implement. By the end of 2020, Nigeria reported 90,000 confirmed COVID-19 cases and 1,311 deaths and had just entered a second wave of infections. The World Bank estimates that a decrease in care seeking for essential care services may have led to as many as 42,000 additional maternal and under-five deaths[5].

PharmAccess and MCF activities

Medical Credit Fund is involved in several programs that are run in collaboration with PharmAccess and has had various initiatives with its financial partners.

- PharmAccess and MCF supported the Lagos State Government in its COVID response and organized various webinars to increase COVID preparedness of health workers.
- The DFID-supported Lafiya Project, in which seven partners led by the Palladium Group work towards improving health outcomes for the poorest and most vulnerable in Nigeria. MCF is involved in the components related to private sector involvement and public private partnership.
- As part of the Global Fund Resilient & Sustainable Systems for Health program, MCF is engaged in preparing a curriculum as well as facilitating business training for healthcare providers of the Lagos State Health Management Agency (LASHMA). The purpose of the training was to ensure that the key officers of the hospitals under the Lagos State Health Scheme (LSHS) are able to better manage their businesses with a view to ensuring efficiency and better results.
- In 2020, MCF organized series of webinars with some of its financial partners as part of its plan to create awareness about the need for healthcare investment. A webinar "Managing Healthcare Business during COVID-19 and beyond" organized with Polaris bank attracted 2,702 viewers on Facebook, and 1,535 viewers on Zoom. In addition, MCF trained 130 senior and top management of Access Bank in response to a desire of the bank to increase its market share in the health sector.
- The Health Management Program in partnership with the Enterprise Development Center (EDC) has continued in 2020 with two cohorts with a total of 36 participants graduating in July and December.

Portfolio performance

As with most other economies around the world, the sharp drop in Nigeria's GDP growth is largely down to the slowdown in economic activity after the country resorted to a lockdown back in April to curb the spread of the virus. MCF was greatly affected by this as disbursements under the successful Mediloan partnership with Access Bank were low. As a result, the number of loans disbursed in Nigeria decreased to 103 (from 117 in 2019) with a volume of USD 1.2 million. The portfolio quality remained good with PAR remaining at 2.7%.

Table 5: Overview loan portfolio in Nigeria

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2020	Volume of loans disbursed in 2020 (USD)*	Outstanding portfolio per 31 December 2020 (USD)	PAR90
897	10.1 million	103	1.2 million	3.1 million	2.7%

* Funded/guaranteed by partners and MCF together

3.4 TANZANIA

Economic and political developments

Despite being surreal, 2020 was not such a bad year for the Tanzanian economy. Revenue collection strengthened by 69 percent from internal market, inflation stayed below four percent, and in July, the World Bank upgraded the country from a low- to a lower-middle income status. This upgrade came on the back of the country's strong economic performance of over six percent real GDP growth on average for the past decade.

Gold exports, which accounted for 55.8% of total non-traditional exports, increased by 35.9% to USD 2.833 billion in 2020 from USD 2.084 billion in 2019 owing to increase in volume coupled with rising gold prices. Notwithstanding the above the real gross domestic product (GDP) estimated growth was 4.5% in 2020 down from 5.8% in 2019 (World Bank report).

The incumbent President John Magufuli officially won a second term, with a landslide victory of more than 84% of the vote in the national presidential and parliamentary election that was held in October 2020. His main opponent, Tundu Lissu, earned 13% of the vote, according to the official count. Tragically, the President died in March 2021 resulting in the country's Vice-President Ms Samia Suluhu Hassan taking over the presidency.

The Tanzanian Government has focused heavily on infrastructure investment in recent years, as part of the country's Five-Year Plan. While this plan expires in 2021 the trend is likely to persist in the quarters ahead. A draft of a new Five-Year Plan running from 2021 to 2026 was tabled in the National Assembly on February 10th, 2021. The plan is worth TZS 114.8 trillion (USD 49.3 billion) and will focus on increasing access to finance for SMEs, strengthening the capacity for industrial production, and infrastructure development.

5 https://openknowledge.worldbank.org/bitstream/handle/10986/34921/Rising-to-the-Challenge-Nigerias-COVID-Response.pdf?sequence=1&isAllowed=y

While Tanzania will struggle to attract the private sector investment from overseas given its waning investment appeal, close links with and investment from China will ensure that gross fixed investment remains strong in the coming quarters.

COVID-19 Pandemic

The COVID-19 pandemic was confirmed to have reached Tanzania in March 2020. Authorities stopped reporting case numbers in May 2020 after President John Magufuli alleged that the national laboratory was returning false positives. Since then, the government has consistently downplayed and ignored the impact of the coronavirus. Tanzania has become one of the few countries in the world that does not release COVID-19 infection data.

In December there were reports that a number of patients at the Aga Khan, Shree Hindu Mandal, and Rabininsia Memorial hospitals in Dar es Salaam were coming in with symptoms of coronavirus and subsequently tested positive for COVID-19. There were also reports that quite a number of church leaders and politicians had died after showing systems related to COVID-19.

Health sector development

In October 2020, the country expanded its national health insurance scheme, ensuring all citizens would have access to affordable healthcare although the reimbursed services will be limited. Despite public healthcare workforce shortages, healthcare spending across the country is expected to increase. Healthcare spending will be driven by the increasing uptake of national health insurance.

Healthcare spending in Tanzania reached a value of TZS 6.8 trillion (USD 2.9 billion) in 2020, which is expected to increase by 11.5% (8.8% in US dollar terms) to TZS 7.6 trillion (USD 3.2 billion) in 2021. By 2025, its forecasted that the sector will rise to a value of TZS 11.8 trillion (USD 4.4 billion), corresponding to a local currency five-year compound annual growth rate (CAGR) of 11.7% (8.7% in US dollar terms). Over the long term, it is forecast the market will grow at a 10-year CAGR of 12.0% (9.4% in US dollar terms) to yield a market size of TZS 21.0 trillion (USD 7.2 billion) by 2030.

Portfolio performance

Medical Credit Fund disbursed 32 loans in 2020 (compared to 25 loans in 2019). The portfolio quality, as measured by PAR90, also improved drastically to 2.5% from 15.6%, mainly on the back of the growth of the outstanding portfolio.

Table 6: Overview loan portfolio in Tanzania

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2020	Volume of loans disbursed in 2020 (USD)*	Outstanding portfolio per 31 December 2020 (USD)	PAR90
364	6.2 million	32	1.3 million	1.5 million	2.5%

* Funded/guaranteed by partners and MCF together

3.5 UGANDA

Economic and political developments

Uganda's real gross domestic product (GDP) grew at 2.9% in 2020, less than half the 6.8% recorded in 2019, due to the effects of the COVID-19 pandemic. GDP is expected to grow at a similar level in 2021. Economic activity stalled during the latter part of 2020 due to a domestic lockdown that lasted more than four months, border closures for all but essential cargo, and the spillover effects of disruptions to global demand and supply chains. This resulted in a sharp contraction in public investment and deceleration in private consumption, which hit the industrial and service sectors hard, particularly the informal service sector.

The medium-term outlook for Uganda has worsened considerably due to the impact of COVID-19, and risks are tilted heavily to the downside. If the impact of COVID-19 lasts longer globally, or the virus spreads more widely in Uganda, this could deter the recovery in Uganda's exports, adversely impact a rebound in foreign direct investment (FDI), tourism and remittances, and further depress productivity and hence the domestic economic recovery. Such developments could lead to more severe social and economic impacts and amplify external and fiscal imbalances.

Furthermore, while lower oil prices are beneficial to Uganda's trade balance and real growth outcomes, they also mean increasing risks to investment plans in the Ugandan oil sector, which was expected to start producing and exporting by 2024/25. Finally, heightened uncertainty in the post-2021 election period and weather shocks could further exacerbate the aforementioned risks.

Health sector development

Beyond disrupting the economy, the COVID-19 pandemic risks rolling back the recent gains in health and human capital development if effective prevention and control measures do not continue to be implemented rapidly and at scale.

Uganda is one of the countries in East Africa that took early measures to curb the spread of COVID-19 by quickly closing all their borders with other countries and restricting international travel in and out of the country early enough. So far, the country has had only 334 deaths as a result of COVID-19 with a total of 40,300 cases being reported out of which so far there are 14,616 recoveries.

Portfolio performance

Medical Credit Fund started working in Uganda in 2018. Operations are managed from the Kenya office. In 2020, 9 loans have been disbursed in Uganda. The portfolio outstanding is USD 4.1 million with no loans in PAR90.

Table 7: Overview loan portfolio in Uganda

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2020	Volume of loans disbursed in 2020 (USD)*	Outstanding portfolio per 31 December 2020 (USD)	PAR90
19	6.9 million	9	2.9 million	4.1 million	0%

* Funded/guaranteed by partners and MCF together

4. Technical Assistance Program

Together with its strategic partner, PharmAccess Foundation, the Medical Credit Fund provides support services or technical assistance (TA) and training to its (potential) borrowers. Before the loan approval, TA focuses on assessing the SME's clinical and business risks. Following loan approval, the support services aim to help the health SME with business growth and quality improvement.

4.1 TA IN PRACTICE

The Technical Assistance process starts with the preparation of a Business Assessment by a Medical Credit Fund business advisor. The assessment describes the business and financial profile of the business, its strategy and investment plan, and its repayment capacity. Finally, it offers a credit risk analysis. This assessment adds value for the SME owner/manager as it includes business recommendations such as how to improve on debt collection or finetune its investment plan. It also serves as the basis for the loan application. MCF underwrites loans based on the Business Assessment and the document helps financial partners complete their credit assessment. For digital loans, which are mostly used for working capital, the appraisal process is based on a lighter business check and an analysis of historical mobile money cash flows.

Most MCF borrowers are healthcare providers. For healthcare providers applying for larger loans, the SafeCare standards play an important role in the technical assistance program, which supports them in achieving quality improvement. The SafeCare TA starts with a SafeCare Assessment, which leads to a Quality Improvement Plan (QIP). (See Annex 1 for more information on SafeCare.)

The QIP lists (high) risk areas that must be addressed and require funding, e.g. renovations, medical equipment or ICT hardware and software. Most activities in a QIP, however, are "no-budget activities", which means that they need no investments to be implemented, such as the implementation of Standard Operating Procedures (SOPs), the implementation of hand washing policies, the formation of quality improvement teams, and the development of job descriptions.

The QIP also helps the SMEs prioritize the improvements. In most cases, this starts with the formation of a Quality Improvement Team. This team, consisting of key staff, will meet periodically and monitor progress. Relying on the online SafeCare Library for templates of SOPs, checklists and supporting documentation, the team will begin implementing improvement activities. The library not only contains materials on clinical subjects like infection prevention and laboratory procedures, but also offers business-oriented materials such as trade receivables management and budgeting guidelines. The teams can reach out to PharmAccess or its TA partner for additional support on specific topics. Depending on the facility's location, the SafeCare Quality Advisor will monitor progress through either on-site visits or other forms of communication (phone, e-mail, WhatsApp). In the latter case, the improvement team will usually send pictures or digital documents as evidence of implemented activities. Gradually, SafeCare is transforming into a digital self-managed platform, where the client can monitor its own improvement process and get (digital) support where necessary.

For loans larger than USD 200,000, especially those involving construction, additional technical assistance and monitoring activities may be warranted, as these loans come with higher risks. If required, a tailormade technical assistance program will be offered to address specific risk or improvement areas. These clients are also closely monitored by the MCF team. Shortly after loan disbursement, the MCF business advisor contacts the client to determine if investments have been implemented as laid out in the credit proposal. If applicable, MCF will determine where and why there were deviations. After this, the client is monitored on a quarterly basis, whereby the project progress, business developments and business progress and (new) service uptake is discussed. The Medical Credit Fund Business Advisor will also consult the (TA partner's) Quality Advisor and the Financial Partner's credit officer to collect additional information and record all the information in a quarterly monitoring report.

Also, for larger loans, external expertise may be required for specific subjects. For large construction projects, external parties may be sought to review architectural drawings or provide project management services.

To build local expertise in hospital design, MCF and PharmAccess have initiated a series of workshops for architects on hospital planning and design in partnership with the Architectural Association of Kenya. MCF has identified local architects with an interest and experience in hospital design to support its clients. For non-healthcare providers, TA in relation to quality improvement will be tailored to the specific business. For pharmaceutical distributors, for example, a program for Good Distribution Practice or ISO certification may be warranted. For medical education, links to international accreditation bodies and universities could be established to accompany technical assistance. PharmAccess has an extensive network of companies and institutional partners for this purpose.

The pandemic has made 2020 an exceptionally difficult year, in general, but also for private healthcare providers in Africa. PharmAccess, SafeCare and Medical Credit Fund have taken numerous initiatives to support health SMEs to weather the crisis. PharmAccess and SafeCare have organized webinars to inform health SMEs about COVID-19 and infection control. SafeCare has developed the SafeCare4COVID app, a self-assessment tool for healthcare providers to measure their COVID-19 preparedness and define areas for improvement. The app was widely disseminated among healthcare providers along with posters and other tools on infection control measures.

CDC PLUS' COVID-19 BUSINESS RESPONSE FACILITY

As a response to the COVID-19 pandemic, CDC Plus created a TA facility to provide funding for CDC investees to respond to the crisis and scale up or adapt their business models and operations to address the basic needs and essential services of CDC's target populations (e.g., women, low-income households, people on the front line of responding to the crisis, etc.).

With the help of CDC Plus funding, MCF has implemented a variety of projects with MCF borrowers to improve the COVID-19 response. These ranged from assistance in purchasing Personal Protective Equipment (PPEs) and training programs for healthcare facility staff to developing digital service models and increasing production of PPEs and hand sanitizer. The projects have started in 2020 and are expected to end in the second quarter of 2021.

Liberian Private Healthcare Seor National COVID-19 Response – Snapper Hill Clinic | Liberian

Snapper Hill Clinic is a health center located in Monrovia, Liberia. The clinic has led Liberia's national response to COVID-19.

With CDC's TA support, Snapper Hill was able to address the following aspects:

- COVID-19 Case Management Training to 90 facilities in Monrovia
- Distribution of COVID-19 essential medication and Personal Protective Equipment to protect staff in 90 facilities
- Development and implementation of a telehealth platform (digital pharmacy and telemedicine tool)

Case Management Training by Snapper Hill, Monrovia

Improve COVID-19 Preparedness in Lagos – Express Pharmacy | Nigeria

Express Pharmacy is a chain of pharmacies in Lagos providing a wide variety of affordable medicines, serving the low- and middle-income population.

The pharmacy chain responded to the COVID-19 pandemic in three ways:

- Purchase of Personal Protective Equipment for pharmacy staff
- Staff training on COVID-19 measures
- Development and implementation of a telehealth platform (digital pharmacy and telemedicine tool)

Advertisement for Digital Pharmacy Delivery, Lagos

Increase Hand Sanitizer Production and Distribution – Human Diagnostics Ltd | Uganda

Hand Sanitizer in Various Packages, Kampala

Human Diagnostics Uganda Ltd. (HDU) specializes in the distribution and limited production of medical laboratory diagnostic reagents. Before the pandemic, Human Diagnostics was producing a small amount of hand sanitizing products.

To address the increasing demand of these products, Human Diagnostics made use of the TA support to buy new machinery to increase production. The new machines also allow to produce the hand sanitizer in new smaller package sizes, suitable for individuals. Not only is Human Diagnostics distributing the product in bulk to its original customers (hospitals, clinics, etc.), but it has also been able to diversify its customer base and is currently distributing its product to individuals throughout the entire country.

Caring for Caregivers in Ghana during COVID-19 – Erith Health Services | Ghana

Erith is established to improve and promote the well-being of the oncology population in Accra. As there appeared to be a huge demand/supply imbalance in PPE when COVID-19 entered Ghana, Erith expanded its scope outside of the cancer care space to health workers in all fields of practice and started producing PPEs for healthcare workers in general. Moreover, it developed an online marketplace for supplies.

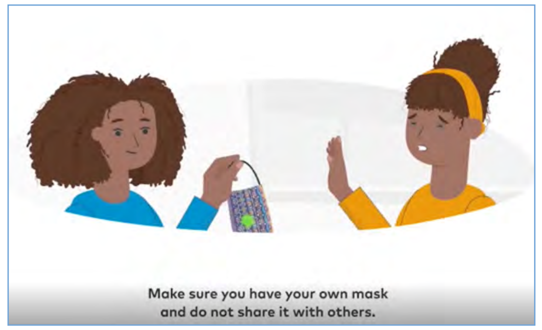
With CDC's TA support, Erith Health expanded its scope:

- Creation of a customer engagement office in Kumasi to increase PPE distribution across the entire country
- Development of training materials on an online platform to train healthcare staff on COVID-19 measures

Improve COVID-19 Preparedness in Embu County – Embu Children's Hospital | Kenya

Embu Children's Hospital is a group of five facilities, offering comprehensive medical services. It is the only private health facility in the county that has launched a COVID-19 isolation center for infectious diseases. As part of the project, Embu Children's Hospital worked on three areas:

- COVID-19 Case Management Training to 25 facilities
- Awareness campaign on COVID-19 in Embu county
- COVID-19 treatment at the isolation center, by purchasing more PPE and improving quality.



Television Clip from Awareness Campaign, Embu County

Improve COVID-19 Preparedness of MCF Clinics using the SafeCare4Covid App – SafeCare4Covid | Kenya

PharmAccess has developed the 'SafeCare4Covid app' built onto data, documentation and guidelines developed by the WHO, to facilitate the support to healthcare providers for COVID-19 worldwide (see Annex 1).

The project's goal was to increase the COVID-19 preparedness of 100 MCF clients in Kenya by designing and implementing a targeted support program using the SafeCare4Covid app. We increased engagement with the health SMEs to help address the gaps and challenges in terms of COVID-19 preparedness by providing trainings and developing various interventions addressing Infection Prevention Control, Mental Health and Finance Management.

4.2 PARTNERS

From the start, Medical Credit Fund has worked with banks and other financial institutions in the disbursements of its loans to attract local capital and encourage local financial institutions to enter the health sector. Over the years, MCF has trained over 2,500 bank staff on financing health sector companies and has worked closely with these institutions during due diligence and thereafter. For its digital loans, Medical Credit Fund has entered into partnerships with technology companies (like CarePay in Kenya) and organizations handling insurance claims (Savannah Informatics, National Health Insurance Agency Ghana).

Managing TA for healthcare facilities is largely carried out by MCF's strategic partner, PharmAccess. In Kenya, Ghana, and Nigeria, PharmAccess partners with KMET and local social franchise organizations to provide TA. In Tanzania, through the HDIF partnership, PharmAccess has provided TA to 400 healthcare facilities by working with the Association of Private Health Facilities in Tanzania (APHFTA), PRINMAT and Christian Social Services Commission (CSSC). In Ghana, PharmAccess has entered a partnership with the Christian Health Association of Ghana (CHAG), which is representing a network of over 300 faith-based healthcare facilities serving low-income populations. CHAG has been granted a SafeCare license and CHAG staff has been trained to provide technical assistance.

For the larger investments, MCF and PharmAccess often work with both local and international consultancy companies and training institutions to provide tailormade assistance. For health infrastructure development, AMPC, a Dutch consultancy company, plays a role in advising large loan borrowers and training the Fund's own staff. AMPC was also involved in the FDOV program with Strathmore University and the hospital design training of local architects.

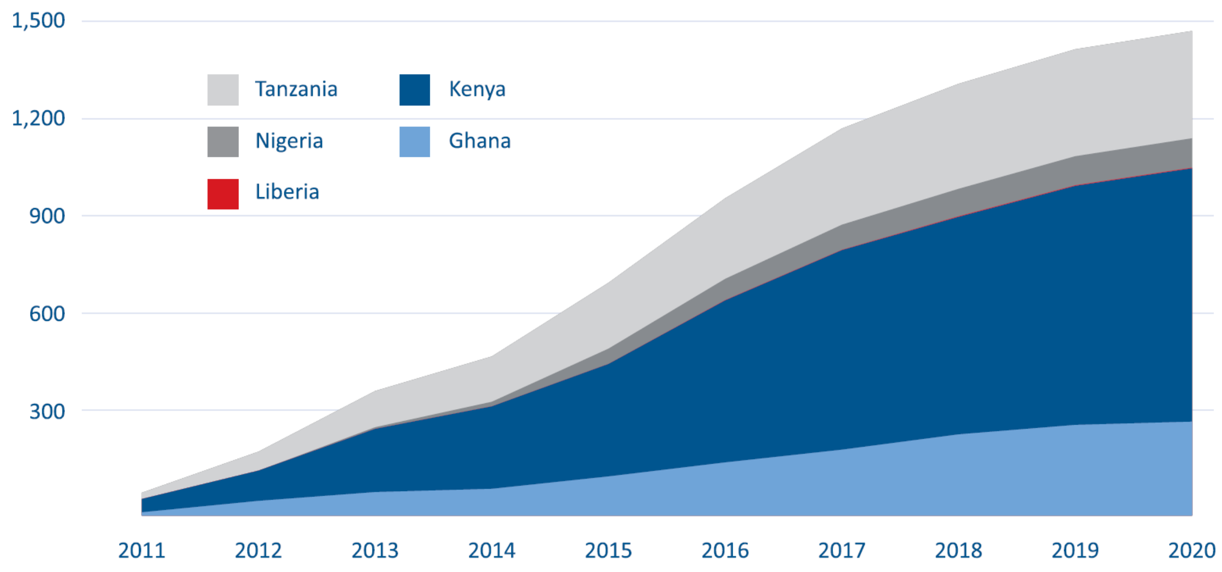
To build local capacity in healthcare management, business training programs have been set up with renowned local education institutes: the Strathmore Business School in Kenya and the Enterprise Development Center of the Pan-Atlantic University in Nigeria. The program with Strathmore is supported by the Dutch Governments' FDOV program and commenced four years ago. The programs have so far had 300 participants in executive and foundation courses.

4.3 ACTIVITIES AND RESULTS

Quality

The Medical Credit Fund measures its developmental results related to quality improvement of healthcare providers using the SafeCare baseline and follow-up assessments. These assessments provide insight into the overall performance and consequently the degree of improvement of a healthcare facility after receiving the loan and technical assistance. To date, 1,486 SafeCare assessments have been approved for healthcare facilities that have received a MCF loan or are in the pipeline for a loan. On average, 87% of beneficiary health SMEs improved their SafeCare score.

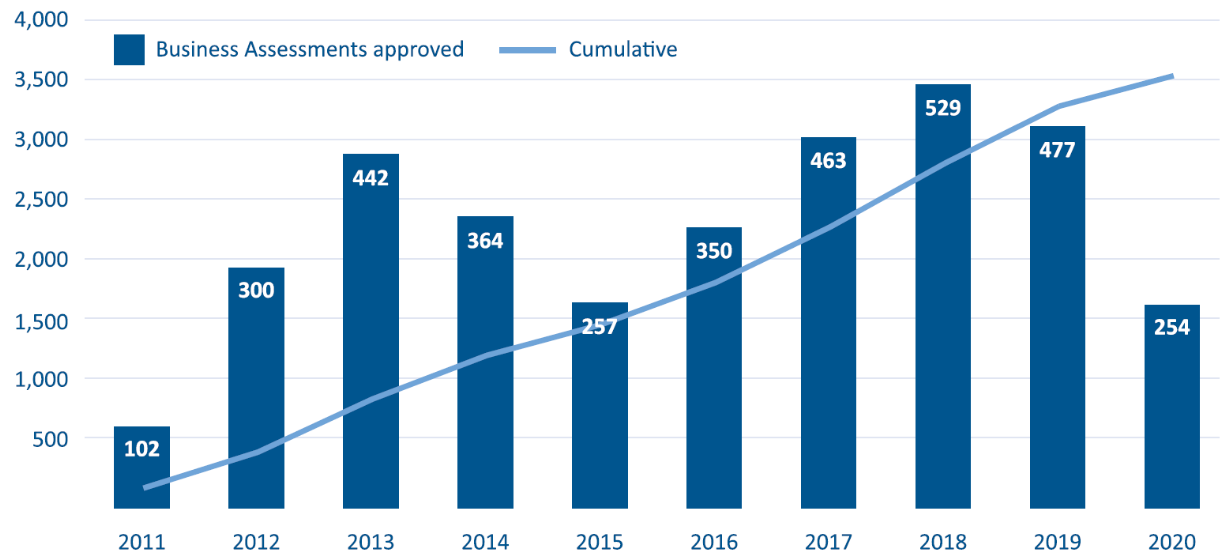
Figure 6: Safecare assessments per country



Business Assessments

To date, 3,538 business assessments have been approved for MCF facilities.

Figure 7: Business Assessments approved

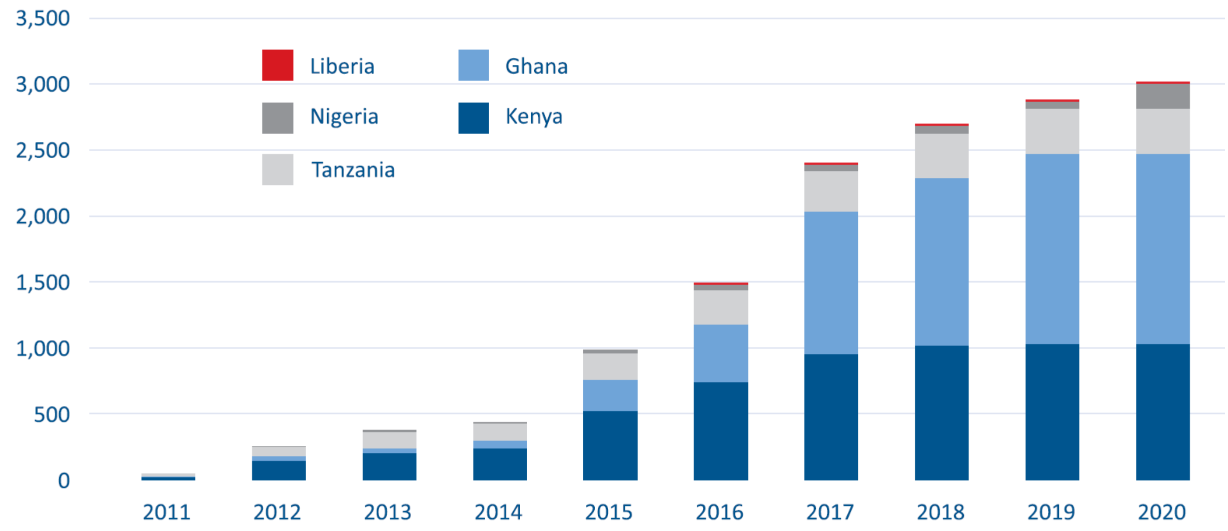


Capacity building

The TA and training activities related to Medical Credit Fund have reached significant numbers of healthcare professionals and financial partner staff. In total 2,628 financial partner staff and 3,011 health SME staff were trained.

Figure 8: Financial partner staff trained to date

Figure 9: Health SME staff trained



In addition to attending existing trainings in quality improvement and business skills, more than 300 health SME managers participated in the comprehensive capacity building programs referred to above, including executive healthcare management courses at the Strathmore Business School in Kenya and the Enterprise Development Center in Nigeria. Although these results may be less tangible in terms of numbers, this form of assistance has led to valuable results for individual health SMEs and contributes towards their longer-term clinical and business objectives.

An observational study commissioned by CDC Group and performed by Dalberg in 2019 collected data from interviews in 110 healthcare facilities across Kenya to study the impact of financing and technical assistance by MCF and SafeCare. The study indicated that clinics improved in terms of quality and business performance and highlighted the importance of technical assistance[6].

6 https://www.cdcgroup.com/en/news-insight/insight/articles/what-is-the-impact-of-improved-access-to-finance-for-healthcare-facilities-in-kenya/?fl=true

Executive Managing Healthcare Business (MHB) Program is a six-month program with the aim of training Healthcare Business owners / top management on how best to run profitable hospitals / clinics. The program was supported by FDOV, a subsidy by the Dutch Government, and was executed in collaboration with Strathmore Business School.

The program covers topics such as: Entrepreneurial Finance, Leadership & ethics, Change Management, Marketing & branding etc. The Program has been successfully conducted in a classroom setting since 2016 following a pilot class in 2015. So far, we have had 5 cohorts where 95 healthcare professionals have graduated from the MHB Executive Program. Additionally, 148 healthcare professionals have received training in the MHB Foundation Program that runs for 5 days.

However, following the COVID19 pandemic in 2020, the program had to adopt to the new guidelines that resulted to online learning. The 2020 program was well attended by 17 healthcare professionals from across Kenya, despite the challenges. The program commenced five months later than scheduled on 22nd September 2020 and came to an end on 26th February 2021. The first 3 Modules were delivered online, while the last module was conducted in a classroom at Strathmore Business School, following the resumption of education institutions in Kenya.

The 2020 MHB Program was attended by 11 females and only 6 males. However, in the previous years the gender distribution in the classroom has been balanced. Out of the 95 healthcare professionals trained since 2016, 51.6% are female while 48.4% are male.

5. Financial Overview:
Income, Expenditure and Funding Positions

5.1 RESULT ON LOAN PORTFOLIO

In a challenging year, The Medical Credit Fund has recorded a result on the portfolio of USD 7k for 2020. The result was heavily impacted by the Covid-19 pandemic.

The loan portfolio generated USD 3.1 million in interest income (USD 2.0 million in 2019) and USD 384k in non-interest revenues (USD 219k in 2019) during 2020 at an annual growth rate of 55% and 75% respectively from the prior year. Good growth in revenue was driven by the growing loan portfolio and improved portfolio mix which resulted in higher yields. The Gross Yield on the portfolio increased by 110 bps from 16.0% (2019) to 17.1% (2020) which can be attributed to growth in higher yielding digital and direct lending.

Growth in income was largely offset by higher loan portfolio costs incurred. The impact of COVID-19 on the cashflows of borrowers under the MCF program has resulted in declining portfolio quality compared to previous years. The Funds non-performing loans (more than 90 days in arrears) has increased to 6.4% of the outstanding portfolio up from 3.6% in 2019. As a result of the declining portfolio quality, provision for expected losses of USD 1.4 million have been incurred in 2020 in comparison to the previous year, where USD 267k of expected credit losses were provided for.

5.2 FUND MANAGEMENT

Over 2020 the core expenditure to manage the fund amounted to USD 2.38 million, a decrease of USD 250k from USD 2.63 million incurred in 2019. The lower cost base can also be attributed in part due to the COVID-19 pandemic with reduced travel, head-office, and other overhead related cost. These costs have been fully funded by grants and other reserves.

5.3 GRANT POSITIONS

At the end of 2020, The Medical Credit Fund has an overall grant position of USD 8.5 million of which USD 5.6 million is a first loss cushion for any future losses realized on the loan portfolio, whilst USD 2.8 million has been secured to fund our management costs for 2021. This first-loss cushion is about 31% of the Medical Credit Fund's total credit exposure on loans.

Table 8: Grant Position 2020

	Off Balance Sheet (A)	Deferred Income (B)	Grant Position (A+B)
	USD	USD	USD
First-Loss	–	5,590,128	5,590,128
Management Costs	2,794,118	–	2,794,118
Projects	–	131,342	131,342
TOTAL	**2,794,118**	**5,721.470**	**8,515,588**

5.4 DEBT POSITION

The Medical Credit Fund has $27 million outstanding in debt from the lender group with USD 7.2 million becoming due in the next 12 months. The Medical Credit Fund is now fully drawn on all lender commitments, and the loan portfolio will be wound down in order to repay all debt obligations until the last loan is repaid in 2026.

6. Risk Management and Governance

6.1 CREDIT RISK MANAGEMENT

The Medical Credit Fund is exposed to various financial risk types. Credit risk or repayment risk, foreign currency risk and liquidity risk are the most applicable. The Fund has a direct exposure to repayment risk of the loans disbursed to the health SMEs in the program, and shares part of this repayment risk with its financial partners. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the financial partners and MCF each use their own underwriting procedure. Since 2016, the Medical Credit Fund has also begun to underwrite some loan products directly without a financial partner.

The Fund uses a standardized business template to analyze the many aspects of a health SME's business profile, market position, investment risk, bank account history, and financial statements. The template focuses on the specialized nature of the healthcare business, including clinical quality aspects. The credit analysis combines healthcare sector specifics with a thorough financial analysis, which is greatly valued by the Medical Credit Fund's financial partners. In turn, the Medical Credit Fund relies largely on the knowledge and handling capacity of the local financial partners for collateral valuation and perfection.

As the portfolio will increasingly comprise larger investments, the concentration risk increases. When appropriate, the Medical Credit Fund provides tailored Technical Assistance programs before its investment to enhance the investment strategy and mitigate risks for these larger investments. It also contracts external specialist advisors if necessary.

The Medical Credit Fund and its technical partners perform periodic visits to and monitoring of the health SMEs. When a client falls into arrears, there is a dual follow-up by both the financial partner's and the Medical Credit Fund's staffs. When needed, clients are monitored more frequently. The Medical Credit Fund also holds monthly portfolio meetings at both the local offices and at its head office in Amsterdam to discuss arrears, write-offs, and the pipeline. Large loans (i.e., with a Medical Credit Fund credit exposure above USD 100,000) are reviewed by a Credit Committee. The Credit Committee consists of a minimum of three members, including at least one external member and one supervisory board member with veto power.

6.2 FOREX RISK, INTEREST RATES, AND LIQUIDITY MANAGEMENT

The foreign currency and liquidity risk are monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions and currency risk exposure, whereby an individual forex exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar. As Medical Credit Fund borrowings are also in USD, the Medical Credit Fund hedged the local currencies against the USD exposure instead of towards the EUR exposure.

Hedging costs are mostly driven by interest rate differentials between currencies, the so-called interest rate parity. When interest rates rise in local currency, the hedging costs of the respective currency will also rise, ceteris paribus. The costs of hedging for the Medical Credit Fund, therefore, are to be implicitly covered by the interest income that is earned on its local loan portfolio. Market inefficiencies and changes in expectations, however, can lead to discrepancies. These hedges are not perfect hedges and as such, the Medical Credit Fund has not applied hedging accounting in its books.

For more information on Medical Credit Funds exposure and approach to managing Forex, Interest rate, and Liquidity risk we refer you to Note 1.8 of our annual financial statements.

6.3 GOVERNANCE

The Medical Credit Fund operates within the scope of PharmAccess, leveraging its existing networks, market knowledge and partners. Following the signing of a Support and Facility Agreement, PharmAccess has equipped a division, including all necessary support staff, which has, amongst other things, the delegated responsibility for the implementation of the TA activities for the Medical Credit Fund. In addition, PharmAccess' institutional infrastructure in the areas of human resources, administration, IT support, marketing and communication has been placed at the disposal of the Fund. The Medical Credit Fund can therefore fully utilize and reap the benefits of PharmAccess' unique organizational and health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities. Similar to 2019, MCF core staff are seven and PharmAccess staff fully dedicated to the MCF programme are twenty-three.

Governance Structure

The key features of the structure are:

- **Management:** Each of the entities is managed by the same structure: the executive board consists of the PharmAccess Group Foundation (PGF) together with the Managing Director of each entity. The management responsibility of all entities (PAI, HIF, the Medical Credit Fund, SafeCare) is vested in the members of PGF's executive board ("statutair bestuur"), who has delegated the management of MCF to the MCF Management Board. The MCF Management Board consists of the MCF Managing Director and Finance Director.
- **Supervision:** All entities including PGF are supervised by one Supervisory Board. Two members of the Supervisory board have the Medical Credit Fund as a special responsibility and interest area.

The Supervisory Board has appointed an Audit Committee consisting of three of its members. A Medical Credit Fund Credit Committee was established that reviews and approves all investments with a MCF credit exposure larger than USD 100,000 and new partners and products. The Supervisory Board of PGF and Credit Committee are composed of a group of senior professionals, representing comprehensive experience in the health sector, non-governmental organizations, finance, investing and banking in Africa, and knowledge of healthcare in general and specifically in Africa.

During 2020, four Supervisory Board meetings and two Audit Committee meetings were held. During these meetings, the Supervisory Board reviewed and approved the activity plan, budgets and annual accounts. Furthermore, the progress of the Medical Credit Fund in relation to its goals and ambitions was monitored and the challenges faced were deliberated. The Supervisory Board provided feedback on the proposed product developments with the aim to further innovate and to achieve the mission. A total of 30 credit proposals were reviewed by the Credit Committee.

7. Outlook 2021

At the time of finalizing the annual report for 2020, the world is still in the grips of the COVID-19 pandemic, economic conditions for borrowers in the Medical Credit Fund portfolio remain difficult as businesses struggle to contend with erratic patient numbers, and continued delays from National Health Insurance payouts resulting in liquidity stress in the healthcare system. The Medical Credit Fund Loan portfolio quality will be further tested during 2021, but there are also signs of recovery.

In their latest updates, both the International Monetary Fund[7] (IMF) and the African Development Bank (AFDB) forecast the Sub-Saharan Africa will undergo a period of economic recovery in 2021 after a difficult economic period in 2020.

The AFDB reports that, "Africa is projected to recover in 2021 from its worst economic recession in half a century. Economic activity in Africa was constrained in 2020 by an unprecedented global pandemic caused by COVID–19. Real GDP in Africa is projected to grow by 3.4 percent in 2021, after contracting by 2.1 percent in 2020. This projected recovery from the worst recession in more than half a century will be underpinned by a resumption of tourism, a rebound in commodity prices, and the rollback of pandemic-induced restrictions."

Whilst we do not yet know the true extent off losses caused on the portfolio as a result of COVID-19 (actual write-offs in 2020 were limited to $93k across the loan portfolio and guarantee contracts), history shows that the Medical Credit Fund portfolio is resilient to shocks, and that despite the difficulties in the environment, many healthcare providers will continue their operations and can – albeit over a longer period of time – still find ways to continue paying down their debt. It is well documented that Healthcare is a defensive sector, Healthcare is a basic need which implies that the demand for healthcare is relatively insensitive to the business cycle.

At Medical Credit Fund, our commitment to strengthening health systems remains strong and unchanged.

7.1 STRATEGY AND EXPECTATIONS FOR 2020 AND BEYOND

The strategy of the Medical Credit Fund program going forward is to focus on providing direct loans to the Healthcare sector in sub-Saharan Africa in particular through digital channels. Coinciding with Medical Credit Fund being fully drawn on lender commitments, it was decided to fundraise for a second fund (MCF2) to be launched mid-2021. As a result, loan disbursements from this Fund will come to an end during 2021, as the program and new loan disbursements transition to MCF2.

The core strategy of the Medical Credit Fund program remains the same and we continue in our mission to provide affordable financing to Health SMEs in order to improve the quality of Healthcare in sub-Saharan Africa.

Products

We will continue to provide solutions for working capital needs, equipment finance and expansion finance. For the products focusing on working capital, processes will be streamlined further to reduce turnaround times and loan requirement and establish scalable solutions. Digital finance products, like the successful cash advance product in Kenya, will be launched in other countries.

7 African Economic Outlook 2021, African Development Bank Group

Footprint

Besides growing the portfolio in the existing countries, we are proactively seeking and pursuing opportunities in the growing healthcare markets in sub-Saharan Africa. The Medical Credit Fund program is currently exploring possible expansion into Zambia, Rwanda and/or Francophone West Africa.

Partnerships

Although MCF2 will no longer disburse loans through intermediaries such as Banks, the Medical Credit Fund will further develop its partnerships. We will continue to look for opportunities to lend alongside other financial institutions in syndicated financing arrangements. We will also look to collaborate with bank financial institutions with regards to product innovations for the Healthcare sector. In addition, Medical Credit Fund has entered into collaborations with equipment manufacturers/distributors.

COVID-19

The Medical Credit Fund program will continue to be a source of support for the Healthcare sector during the COVID-19 pandemic. Availability of credit to the SME sector, in particular Health SMEs, has been severely impacted as a result of Covid-19 as Bank Financial Institutions have limited appetite to increase their exposures, and look to preserve their balance sheets.

7.2 TECHNICAL ASSISTANCE

In line with the two-track approach of standardizing small loans and tailoring larger loans, the TA program will follow the same route going forward.

For smaller loans, MCF will further standardize and, where possible, capitalize on the opportunities brought about by the digitalization of Africa's economies to enhance cost efficiency. The thorough revision of the SafeCare standards completed in 2016 and the resulting "lighter" SafeCare basic assessment tool has been an important step in this direction. SafeCare is in the process of further digitalizing its tools to allow for self-managed quality improvement, distant monitoring and digital support.

For large loans, support is tailored. Where possible, MCF works with professional consultants. In Kenya (through the Strathmore Business School) and Nigeria (through the Enterprise Development Centre, which is part of Lagos Business School) MCF has successfully developed integrated capacity building programs. In Ghana, the Fund and PharmAccess provide business training programs for healthcare professionals that are accredited by the Medical and Dental Council. Participants in this program have obtained CME (Continuous Medical Education) points, underscoring the importance of business education as part of the healthcare curriculum for health professionals.

Annex 1: SafeCare

SafeCare

The SafeCare methodology entails a set of international (ISQua accredited) clinical standards that evaluate the structures and processes that guide the delivery of healthcare.

Stepwise improvement

With SafeCare, healthcare providers in resource-poor countries can gain insight in identified gaps and challenges and take a stepwise approach towards higher quality. Through tailor-made quality improvement plans, technical support, consulting visits and innovative quality improvement platforms, facilities progress along a quality improvement trajectory with achievable, measurable steps. Ultimately, facilities are equipped to monitor and improve their quality by integrating principles of continuous quality improvement into their daily operations.

Figure 10: SafeCare Stepwise approach

SAFECARE CERTIFICATE LEVELS

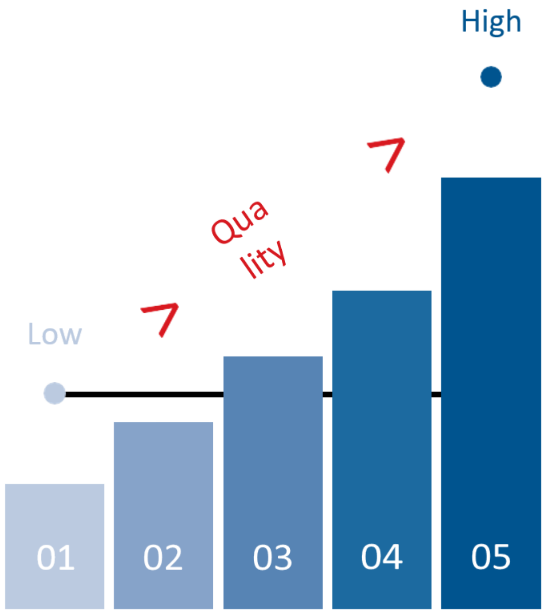
01 The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.

02 The facility is starting to put processes in place for high-risk procedures, however the quality of services provided is still likely to fluctuate and the risk of unsafe situations remains high.

03 The facility is starting to operate according to structured processes and procedures. However, not all high risk procedures are controlled, thus the quality of services provided can still fluctuate.

04 The facility is accustomed to operate according to standardized procedures and has started to monitor the implementation of their procedures and guidelines. Most high risk procedures are monitored and controlled and the quality of services provided is less likely to fluctuate.

05 The facility is regularly monitoring the implementation of treatment guidelines and standard operating procedures through internal audits.



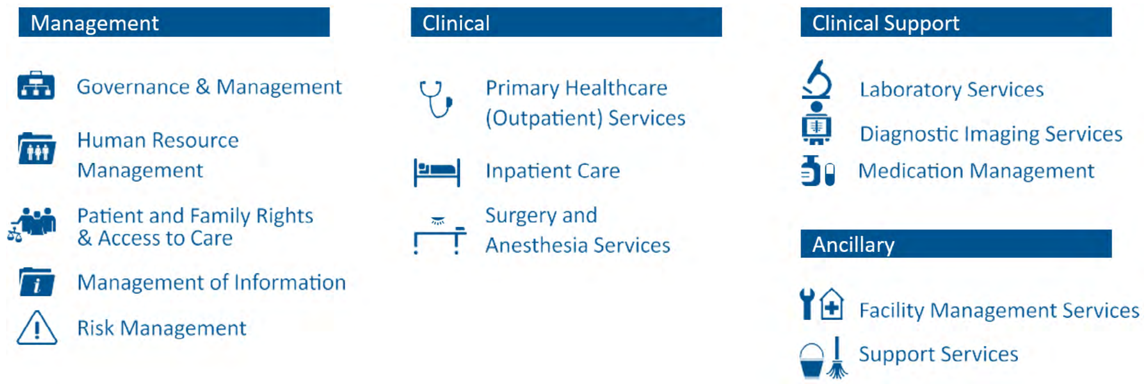
SafeCare Standards

The SafeCare standards cover a full range of medical to non-medical aspects of care, enabling a holistic view on all required components for safe and efficient delivery of healthcare services. Topics range from human resource management to laboratory services and in-patient care. The four broad categories are divided into 13 sub-categories (Service Elements), which are linked to separate management responsibilities within the healthcare facility.

Ten topics are specifically surveyed: emergency Care, HIV/TB/Malaria, infection Prevention, life and fire safety, maternal, neonatal and child health (MNCH), patient centeredness, quality assurance, business management, staff allocation and guidance and Supply Chain management.

Any issues that impact the safety, quality or financial sustainability of a facility are highlighted as priority areas, so prompt and effective action can be taken . Depending on a facility's performance against the SafeCare standards, it will be awarded a certificate of improvement reflecting the quality level, ranging from one (very modest quality) to five (high quality), based on their scoring. The certification process aims to introduce a transparent, positive, and encouraging rating system, which recognizes each step forward in quality improvement.

Figure 11: SafeCare Service Elements



Data-driven decision making

SafeCare methodology also allows other stakeholders—ranging from donors, insurance companies, investors and provider networks to governments— to accurately assess, benchmark and monitor healthcare quality and allocate resources more effectively. By differentiating between facilities operating at different levels, benchmarking is possible at regional, national and international levels. Robust online due diligence reports are combined with cost-efficient improvement strategies, which can guide fact-based decision making, and get a better grip on (health) outcomes, training needs, risk management for quality investments and contracting.

Digital technologies

Acting on digital technologies, SafeCare has streamlined the assessment process by developing an automated assessment tool which, through standardization, improves process efficiency and enables scaling. SafeCare is in the development phase of an all-stakeholder Quality Platform that provides the means to guide progress, investment and decision making. The SafeCare Quality Dashboard, an interactive quality-management platform, complements technical assistance and helps to motivate and incentivize healthcare facilities to improve.

COVID-19

As a response to the COVID-19 pandemic, SafeCare developed a globally accessible free mobile app, that facility staff can use to self-assess their COVID-19 preparedness:

Data-driven decision making

OUR APPROACH

As the number of COVID-19 cases in Africa continues to grow -currently 52 countries in the continent are seeing the virus spread to regions beyond the capital cities- local, innovative solutions are needed to help curb the impact. To quote Dr Matshidiso Moeti, WHO Regional Director for Africa: “Tackling cases in rural areas that often lack the resources of urban centres will pose an immense challenge for already strained health systems in Africa.”

To build a resilient healthcare response it is generally agreed that the following activities are needed:

1. Protection of health worker staff and patients to avoid facility based infections and spreading of the disease;
2. Collection of real time data on the availability of services, HR resources, equipment to test and treat the disease, and importantly, the availability of PPEs. Data should be collected from both the public and the private sector. This will inform key stakeholders with real time data needed for allocation of supplies, and allocation of patients;
3. Set up and maintain up-to-date processes and knowledge to manage the disease, also in relation to non-COVID cases.

With the surge in mobile technologies and most of the worldwide population within reach of a mobile phone, using this opportunity will provide the broadest and fastest impact on the pandemic. PharmAccess is determined to combat this new viral disease and prepare and inform providers, communities and policy makers to address the imminent situation and minimize the negative health and economic outcomes using mobile technology. Banking on 20 years of experience in the quality field and a wide experience with digital innovations, PharmAccess has developed the ‘SafeCare4Covid app’ build onto the data, documentation and guidelines developed by the WHO, to prepare and support public and private healthcare providers for Covid-19 worldwide and even in the most rural regions.

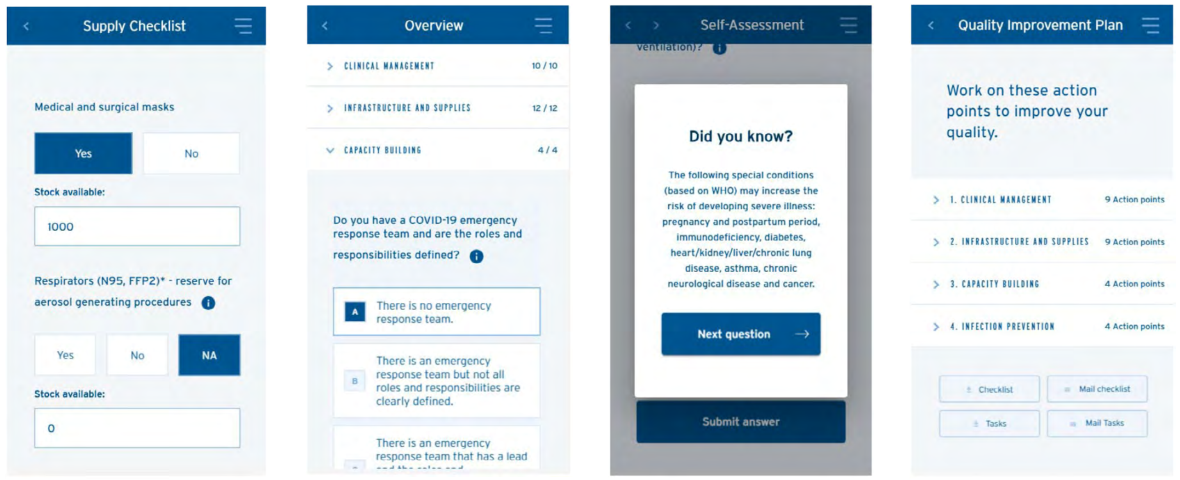
SAFECARE4COVID APP

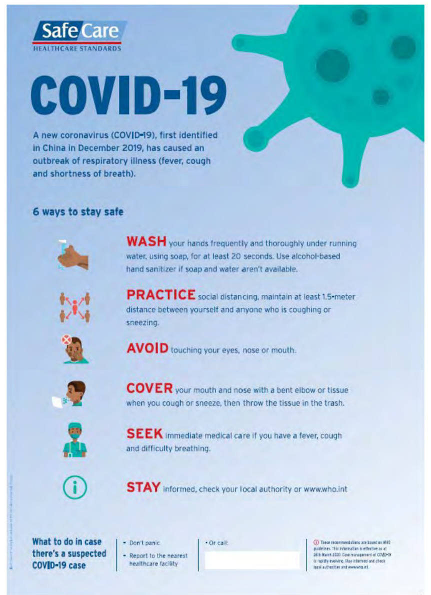
With this free, globally accessible mobile app, facility staff can do a self-assessment using their own mobile phone, to report on the availability of equipment, staff and supplies, as well as check on their own processes and knowledge to treat patients for Covid-19 while staying safe. Data derived from the SafeCare4Covid app can be used through dashboards by stakeholders for data driven resource allocation and patient allocation.

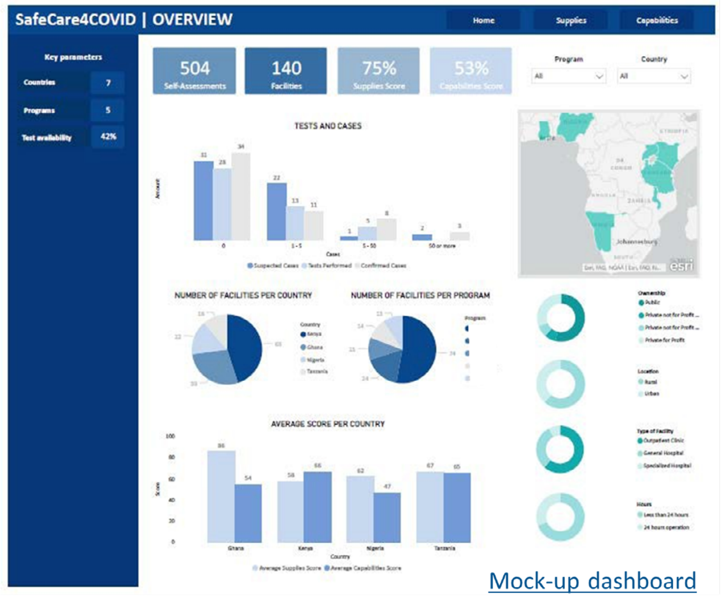
Access the SafeCare4Covid app: covid.safe-care.org

The app contains:

- On-boarding questions, which is a collection of facilities profile data such as no. of suspected and confirmed cases
- A supply checklist, structured per type of facility (identification of gaps on e.g. PPEs, oxygen and infection
  prevention supplies) partly based on the WHO checklist
  (https://www.who.int/emergencies/diseases/novel-coronavirus-2019/technical-guidance/
  covid-19-critical-items)
- Self-assessment of facility preparedness and capabilities, guidelines, triage and other processes
- Quality improvement plan based on the self-assessment
- Resources, guidelines and posters based on WHO information on e.g. how to stay safe can be downloaded
- List of 10 COVID-19 fact ‘’did you know’’ questions sandwiched between the self-assessment questions to combat misinformation







Mock-up dashboard

PHARMACCESS AND SAFECARE

PharmAccess (www.pharmaccess.org) is an international organization, supported by the Dutch Ministry of Foreign affairs and has offices in Nigeria, Ghana, Kenya, Tanzania and the Netherlands. PharmAccess strives to improve quality of and facilitate access to healthcare in sub-Saharan Africa. Within PharmAccess, SafeCare is a unique standards-based and ISQua accredited incremental approach for measuring and improving the quality of healthcare services in resource restricted settings. To date, almost 6000 SafeCare quality assessments have been performed in sub-Saharan Africa.

Signing of the Management Board Report

Stichting Medical Credit Fund
By: management board members of Stichting Medical Credit Fund

Signed on the original: A.W Poels, Managing Director

Signed on the original: G.T Dawber, Finance Director

By: statutory board of Stichting Medical Credit Fund:

Signed on the original: M.G. Dolfing-Vogelenzang, Representative of Stichting PharmAccess Group Foundation

Signed on the original: J.W. Marees, Representative of Stichting PharmAccess Group Foundation

Signed on the original: A.W Poels, Managing Director

Amsterdam, The Netherlands, April 29, 2021

PHARMACCESSGROUP

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