

Healthcare Infrastructure in Developing Countries and Emerging Markets

An initiative by the Federation of German Industries (BDI) with support from the KfW Development Bank and the Federal Ministry for Economic Cooperation and Development (BMZ)

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I. The Initiative

With its healthcare infrastructure project for developing countries and emerging markets, the BDI is pursuing two **main goals**:

1. **Market access** for German enterprises with competence and expertise in the planning, construction, equipping and operation of hospitals and related operations in the healthcare sector;
2. Making an **active contribution to improve healthcare infrastructure and the provision of healthcare** as part of sustainable development for developing countries and emerging markets.

The BDI is working to achieve close cooperation between different segments of German industry and German Federal Government¹.

German enterprises operating in different segments along the value added chain within the healthcare sector (consultancies, hospital operators, suppliers of medical equipment), together with private healthcare insurers and banks, have excellent know-how and extensive expertise in this area.

However, **cooperation between different segments** could be enhanced. The initiative creates a cross-segmental cooperation platform for the German healthcare industry, and also functions as contact point for international

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¹ The government departments involved are the Federal Ministry for Economic Cooperation and Development (BMZ), the Federal Ministry of Health (BMG), the Federal Foreign Office (AA), the Federal Ministry of Economics and Technology (BMWi) and the Federal Ministry of Education and Research (BMBF).

queries regarding the whole gamut of healthcare infrastructure solutions and health facility management systems.

In **cooperating with the Federal Government**, the initiative is working closely with **development policy-makers**, while seeking to play a supportive role in promoting foreign trade. The political aspect has gained in substance as a result of the Coalition Agreement in 2005, closely interlinking foreign trade and development policy. The BDI is convinced that this will benefit both sides: *Without* the backing of development cooperation, German industry active in developing countries and emerging markets could only provide hospitals for elite minorities. However, *with* appropriate support from development cooperation, German industry can plan, construct and operate hospitals that will ensure the sustained provision of high quality healthcare capable of reaching the poorer parts of the population. Such facilities can also serve as reference and training clinics, even as research units, for the national healthcare system in partner countries.

The project aims to provide a basis for enterprises and development policy-makers to identify common ground and to apply this knowledge through practical cooperation – initially within the framework of **pilot projects** (“**German Hospitals**”) in developing countries and emerging markets yet to be selected. Over the medium and long term – depending on the experience gathered through the pilot project – institutionalised development models may follow, for example in the form of a healthcare export initiative.

II. Initial Situation

The **need for healthcare infrastructure** is growing worldwide – especially in developing countries and emerging markets. According to a recent study by the International Finance Corporation (IFC), spending of around 30 billion US dollars is needed up to 2016 in sub-Saharan Africa alone. In many such countries, an expanding middle class is demanding substantially improved hospital and healthcare services, which are also needed in order to improve the general health situation of poorer people. Three of the eight Millennium Development Goals are directly related to healthcare, and

cannot be achieved without expanding the healthcare infrastructure in the developing countries and emerging markets. This all depends on efficiently run hospitals, which apart from providing direct care to patients, act as reference clinics (or reference laboratories) for subordinated primary healthcare facilities and as providers of training in a whole range of medical and pharmaceutical occupations. Such hospitals also act as major drivers for setting up and developing financing systems (vouchers, insurance policies). Apart from their primary role in the provision of healthcare, hospitals also have a secondary function as a local economic force helping to alleviate poverty and to reach the Millennium Development Goals.

In the segments mentioned, **German industry** has enormous expertise in all relevant areas: consultancies, construction companies, suppliers of medical equipment, hospital operators, the pharmaceuticals industry and private healthcare insurers all provide first-class services and products. From planning and equipping, to facility operation and the training of medical personnel; through the cooperation of enterprises, German industry can provide tailored solutions in a “one-stop-shop” for hospitals and other healthcare facilities,

No guidance and support from policy-makers is required when planning, constructing and operating hospitals in industrially advanced countries. Private banks provide the necessary capital, while established healthcare insurance systems ensure that patients can afford the treatment, that operating costs are covered and that the investment is amortised over a foreseeable period of time.

In **developing countries and emerging markets**, the situation is somewhat different. Privately, or at least autonomously, run hospitals in metropolitan cities can be profitable when concentrating on the middle classes. However, treatment for a significant proportion of poorer patients, as well as healthcare in rural regions and medical training - as part of a broad development policy - requires the backing of governmental institutions. Apart from securing investment, it is particularly important to establish systems which – either through a healthcare insurance model and/or state financing – guarantee that operating costs are covered over the *long term*.

Apart from combating HIV/Aids, tuberculosis and malaria in the multi-disciplinary context (with major contributions made by international organisations and funds), the main thrust of German development aid focuses on the primary health sector. As mentioned in this chapter, there are good reasons to reemphasise the provision of high-quality broadly effective hospital care in development cooperation.

III. Project Components

The initiative aims to achieve its main objectives (market access, improved healthcare infrastructure in developing counties and emerging markets), as well as more intensive cooperation between the different sectors of industry, the Federal Government and development organisations, using the components described below:

1. Information and Cooperation Platform; Marketing

The initiative pools and disseminates information about

- International hospital projects of potential interest to German enterprises planned by institutions in the relevant country as well as by German, European or multilateral organisations;
- Areas of competence and specific interests of German enterprises prepared to invest internationally and involved in export in the hospital sector.

In this respect, the initiative serves as a contact for German enterprises and the Federal Government as well as for development institutions, foreign agencies and authorities interested in German know-how and German hospital technology. As such, the initiative also improves the marketing of German system know-how and German technology in the hospital sector.

Instead of competing against, the initiative aims to work closely *with* existing structures such as information-gathering facilities involved in promoting international trade or existing corporate joint ventures in specific industries.

2. Analysis Activities

Cooperating closely with the Federal Government and development organisations involves extensive analysis activity, which the initiative provides in the following areas in particular:

- Analysis of potentials arising from cooperation between different segments of German healthcare industry and institutionalised development cooperation in the hospital sector with regard to common priorities and interests (market access and the alleviation of poverty / sustained development), in particular evaluating the role of the hospital as a driver for quality management, training, financing of healthcare services, as well as its reference and supervisory function towards subordinated healthcare facilities;
- Analysis of the success or failure of German hospital projects in developing countries and emerging markets in the past;
- Analysis of how other industrialised countries are approaching the issue;
- Analysis of the extent to which existing instruments and procedures of development cooperation, foreign trade promotion, healthcare and research policy, are suitable support agents for cross-national cooperation for the German healthcare industry;

And expanding on these areas

- Developing potentially successful cooperation models for the hospital sector between the German private sector and German, European and multilateral development agencies, at the same time taking account of additional opportunities to cooperate with other areas of policy of the German Federal Government;
- Formulating concrete proposals for further development of (support) instruments of the Federal Government.

This analysis phase is nearing completion.

3. Developing a Pilot Project (German Hospital)

In close cooperation with enterprises, the Federal Government and development cooperation institutions, the initiative is indentifying and developing a pilot project with which a “German Hospital” model can be set up and operated in developing countries and emerging markets.

The pilot project must take equally into account the interests of the relevant developing country or emerging market, the German development policy and the German enterprises. The structure of the pilot project will be defined by the BMZ in accordance to the existing instruments of the Federal Government, as well as the criteria and procedures of development financing, enabling it to be implemented within a reasonable time-scale. Specific recommendations will be drawn up with regard to location, involved stakeholders, the functional areas of the hospital, financing and risk management.

4. Creating a contact point for international queries

The worldwide demand for products and services in healthcare has changed significantly over the last few years. Today, emphasis is on comprehensive system solutions, rather than individual medical technology products.

Hospitals are the facilities where such system solutions in concentrated form are particularly in demand. This means that hospitals have evolved into focal points for system-oriented healthcare services. Due to the fragmentation within the German healthcare industry, there are no individual German suppliers that can offer complete complex system solutions such as hospitals. As far as competing internationally is concerned, this places the German healthcare industry at a disadvantage compared to its competitors from the USA, Canada or the United Kingdom.

One aspect of the initiative, therefore, is to asses the possibility of setting up a central contact point for international queries concerning complex German solutions systems in the healthcare sector – in this case hospitals. Via the contact point, which acts as intermediary between the German healthcare industry and interested international partners, information can be disseminated and contacts arranged, together with accompanying advisory services and political backing to ensure transaction completion. As part of

its effort to contribute to providing better healthcare in developing countries and emerging markets as a goal of development policy, the envisaged contact point will pay particular attention to such countries. Nevertheless, the contact point will also deal with queries from countries not within the direct remit of the Federal Ministry for Cooperation and Development (BMZ). The exact extent of demand for the contact point will be determined during a pilot phase, the content of which will be closely defined and which will last for a limited period of time.

5. Representation of interests

In addition to the technical aspects of its work and content, the initiative will coordinate representation of the interests of participating sectors of German industry vis-à-vis policy-makers. As such, the initiative intends to lobby decision-makers in Federal Government and the Bundestag, as well as European and multilateral institutions, in particular focussing on the creation of healthcare infrastructure in developing countries and emerging markets in a “one-stop-shop”. This will be based on the concepts described in this paper, making additional use of the advantages culled from the conducted analyses.

IV. Structure; Duration; Financing

Institutional Framework

The initiative runs under the aegis of the BDI Development Policy Working Committee. The working group “Healthcare Infrastructure in Developing Countries and Emerging Markets” was constituted within this framework, and comprises representatives from various interested sectors of the German healthcare industry, headed by a representative from a German enterprise.

Coordination

Coordination and day-to-day running of the project and the working group is the responsibility of the BDI International Trade and Development

department, where a health economist has been hired as project manager. He coordinates the initiative's components described above and is available for direct contact. He works closely with the director of development policy, allocated to the BDI by the BMZ, and with the working group's technical director.

Duration

The initiative's first phase, launched in November 2008, is scheduled to run 12 months.

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