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# HEALTHCARE AND LIFE SCIENCES IN AFRICA: Current Trends, 2023

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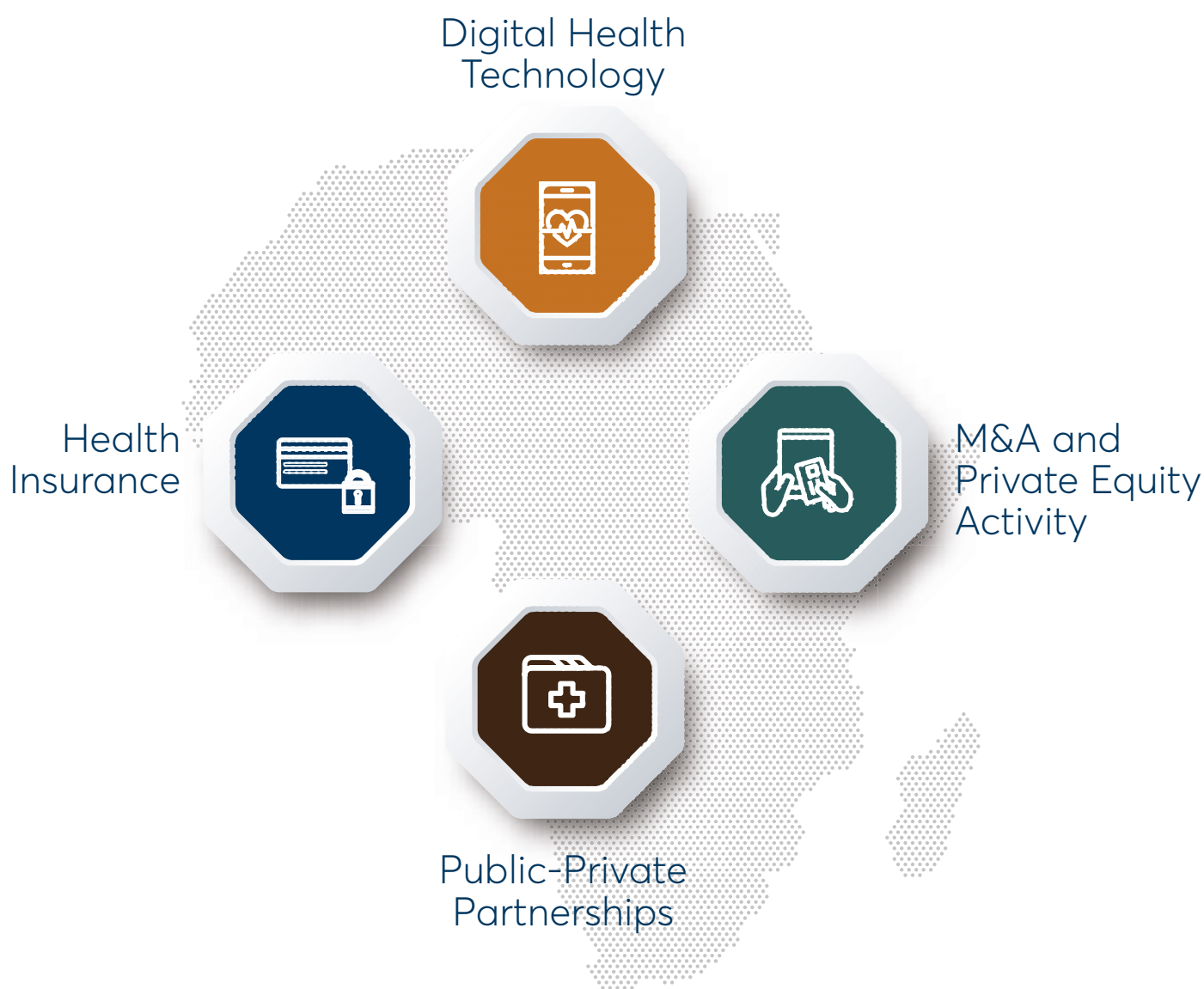
# Foreword

Reshaped by the Covid-19 pandemic, the pharmaceuticals and healthcare landscape in Africa is changing. With healthcare costs on the continent projected to continue rising in 2023, industry players are deploying digital healthcare technology to rein in costs, sharpen their competitiveness and increase access to healthcare services.

In turn, healthcare users have been enthusiastic in their uptake of digital health services, which have proliferated since the pandemic.

On the mergers and acquisitions (**M&A**) front, the pharmaceutical, medical and biotech industry is the most active in the sector, especially in private equity.

This report provides insight into some of the key trends lawyers in our Healthcare and Life Sciences Sector have identified in various jurisdictions, including Ethiopia, Kenya, Nigeria, South Africa and Zambia.



# ETHIOPIA



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Ethiopia's healthcare market is on the brink of far-reaching change, particularly when it comes to the introduction of digital health technology to improve the reach and quality of healthcare services.

## DIGITAL HEALTH TECHNOLOGY



Digitalisation of the health sector began in 2015 with the Ministry of Health's (**MoH**) adoption of the first Health Transformation Strategic Plan focusing on digital transformation of the country's health system.

The MoH and the United States Agency for International Development (**USAID**) are investing USD 63 million in Ethiopia's health sector and have launched the Digital Health Activity (**DHA**) initiative. This entails modernising Ethiopia's health information systems by transitioning to electronic medical records.

The DHA has also created a digital Covid-19 surveillance system for better contact tracing and expedited test results.

Other recent digital health developments are:

- the launch in August 2020 of the MoH's Digital Health Innovation and Learning Center (**DHILC**) to promote healthcare innovation and best practices and ensure the development and implementation of data and demand-driven health systems.
- the launch in June 2022 of a public health emergency information service in five languages. This is a partnership between the MoH, the Ethiopian Public Health Institute, the Ministry of Innovation and Technology and the Mastercard Foundation.

Ethiopia still needs to develop advanced technology capabilities such as mobile health, telehealth and telemedicine, along with innovations that reduce inefficiencies and costs in the healthcare system while increasing quality and expanding access to healthcare.

This will necessitate greater collaboration between the public and private sectors, as well as the enactment of new legislation on digital healthcare.

## M&A AND PRIVATE EQUITY ACTIVITY



The Ethiopian Government seeks to promote a business-friendly environment and attract foreign direct investments by creating investment opportunities in strategic economic sectors, including certain aspects of healthcare.

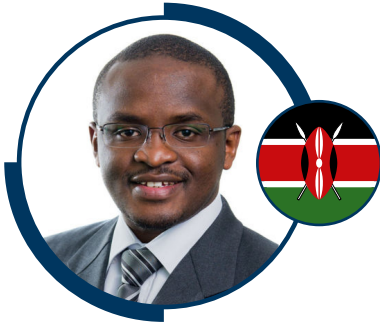
Investment Regulation No 474/2020 allows foreign investors to engage in the following:

- high-end tertiary health services;
- basic pharmaceutical products and pharmaceutical preparations;
- chemical and chemical products;
- knowledge and technology transfer; and
- manufacturing of medical equipment.

Other healthcare activities, specifically in the primary and mid-level health services, are reserved exclusively for domestic investors.



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## DIGITAL HEALTH TECHNOLOGY



Kenya has been recognised as second in Africa for health innovation, which includes telemedicine, health information systems, information for citizens, mobile health (**mHealth**) and eLearning. This is as a result of the high levels of mobile coverage in Kenya, supportive government policies and changes linked to the Covid-19 pandemic, such as increased demand for remote medical consultations.

The Kenya Medical Practitioners and Dentist Council has to date granted provisional approvals to about 20 licensed health facilities to offer virtual medical services.

Kenyan consumers now have access to online health platforms such as online consultations (mDaktari), digital health financing (M-TIBA) and the tracking and storage of consumer health data (AfyaRekod).

Online pharmacies are also experiencing rising popularity with e-pharmacies such as MYDAWA and GoodLife facilitating the delivery of health products through online and mobile platforms.

A related trend is the growth in online advertising and promotion in the healthcare market. In March 2022, the Cabinet Secretary for Health, in consultation with Kenya's drug regulatory body, the Pharmacy and Poisons Board (**PPB**), proposed amendments to the current Pharmacy and Poisons Rules to regulate the online advertising and promotion of health products and technology.

The Government of Kenya has implemented digital health initiatives such as **LifeYangu**, which aims to improve access to sexual and reproductive health-related information. Similarly, the PPB and the US Agency for International Development (USAID) have launched a mobile app for reporting adverse drug reactions.

Some county governments have also implemented digital healthcare initiatives to expand access to health services.

## M&A AND PRIVATE EQUITY ACTIVITY



M&A activity is primarily centred around private equity transactions. Deals of this nature in 2022 included the acquisition of stakes in hospitals, pharmacies and entities in the medical insurance business.

The health sector is expected to experience increased M&A activity as businesses implement measures to recover from the economic effects of the Covid-19 pandemic.

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The drive to bridge service delivery gaps through mandatory health insurance, public-private partnerships and digital healthcare technologies has seen the Nigerian healthcare sector attracting increasing investor interest. This has gone hand in hand with new legislation and regulations.

## DIGITAL HEALTH TECHNOLOGY



Digital innovation in the provision of pharmaceutical services is regulated, requiring the registration of internet-based pharmaceutical service providers in Nigeria, among other things.

A number of telemedicine services providers have emerged in Nigeria, with some of the health providers operating remotely from foreign countries. We understand that for the time being, the Medical and Dental Council of Nigeria requires all telemedicine apps and portals providing telemedicine services in the country to be owned and managed by Nigerians. The specialists providing medical services to patients must be Nigeria-registered professionals, and the servers for the telemedicine platform must be domiciled in Nigeria.

Pending the release of rules regulating telemedicine in Nigeria, a cautious position that has been adopted by existing telemedicine providers has been to engage the services of locally registered medical practitioners to provide the service to Nigerian patients.

## M&A AND PRIVATE EQUITY ACTIVITY



Nigeria's healthcare sector has attracted significant private equity investment in the past three years. Transactions that stand out are Ohara Pharmaceutical's acquisition of 21.75% of Fidson Healthcare and, more recently, Nigerian healthtech start-up Reliance Health's series B capital raise of USD 40 million and Mpharma's acquisition of the majority stake in Healthplus, a leading pharmacy chain in Nigeria. These all demonstrate the increased investor appetite for the Nigerian healthcare sector.

## PUBLIC-PRIVATE PARTNERSHIPS



State governments in Nigeria are adopting the public-private partnerships (PPP) model to bridge the gap in healthcare delivery. The Lagos State government, in partnership with a consortium of investors, is developing the Medipark Lagos, a 180-bed hospital to be situated in Ikoyi, Lagos. At least four other hospitals have adopted the PPP model so far.

## HEALTH INSURANCE



Health insurance is mandatory for all Nigerians and legal residents. The National Health Insurance Authority is required to operate a health insurance scheme for all federal government employees, while states are expected to set up and operate a similar scheme for their employees and residents in their states.

The public health insurance schemes at federal and state levels are distinct from the private health insurance arrangements between private employers and health maintenance organisations. Residents are not precluded from obtaining private health insurance for themselves provided that they participate in a state-established public health insurance scheme.

# SOUTH AFRICA



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### DIGITAL HEALTH TECHNOLOGY



South Africa's annual investment in digital health and life sciences is estimated at USD 3.2 billion. This includes investments in artificial intelligence, robotics, drones, medical devices and health apps, among others.

The country has a thriving health tech start-up sector, consisting of approximately 560 start-ups offering services ranging from patient monitoring and health practice management to genetic testing and health insurance.

Health insurtech is growing rapidly, especially in the areas of online medical advice, virtual consultations and fully digital platforms for claims.

In the consumer pharmaceuticals market, partnerships between retailers, e-hailers and pharmaceutical companies are offering customers unprecedented convenience in the delivery of medicines.

Other innovations are robotic pharmacy automation, smart locker systems for pharmaceuticals and ATM-like machines that dispense products 24 hours a day.

### M&A AND PRIVATE EQUITY ACTIVITY



One of the most compelling areas of M&A activity is private equity-driven acquisitions of small health tech and biotech start-ups. Deals of this nature in 2022 included a private equity fund manager's acquisition of an animal vaccine manufacturer and a venture capital-based transaction involving pharmaceutical deliveries.

Meanwhile, South African pharmaceutical, medical and biotech companies are on the acquisition trail outside the African continent. This is part of a broader trend that has seen African companies making bids worth USD 5.1 billion for pharmaceutical, medical and biotech companies beyond African soil.

The local vaccine manufacturing sector has attracted support and investment. In July 2021, the World Health Organisation launched a vaccine technology hub in Cape Town, and in December 2022, a local pharmaceutical manufacturer announced that it would receive USD 30 million from the Bill & Melinda Gates Foundation and the Coalition for Epidemic Preparedness Innovations.

### HEALTH INSURANCE



Following clause-by-clause deliberations on the National Health Insurance (NHI) Bill by the Portfolio Committee on Health, the Minister has indicated that the NHI Bill is anticipated to be finalised and tabled in the National Assembly during the course of 2023. The NHI implementation plan has however received much criticism, and there have been reports of a legal challenge being raised should the NHI Bill be passed. The Health Profession Council of South Africa has issued various guidelines which should be observed by health care practitioners, including guidelines in respect of telehealth. The principles of good practice in relation to patient consent, confidentiality, and record-keeping continue to apply to the use of telehealth. By facilitating access to health services, especially in remote areas, telehealth can assist in achieving universal health coverage in South Africa, which can then aid in the implementation of the National Health Insurance once launched. *Further updates to follow as this area develops.*

# ZAMBIA



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## DIGITAL HEALTH TECHNOLOGY



There has been significant interest in and increased adoption of digital health services in Zambia across both the private and public healthcare sectors.

In the private sector, interest gravitates towards mobile health apps that provide more efficient and user-friendly access to health information and enable digital e-prescriptions and consultations. There is also increasing interest in health data systems and digital tools involving collaboration between the private sector and Government.

Government has also introduced the Smart Zambia Institute (**SZI**), whose role includes ensuring that all First Level hospitals in Zambia are on a wide area network.

## M&A AND PRIVATE EQUITY ACTIVITY



Merger activity in the private healthcare sector in Zambia has been limited in recent years, according to information published by the Competition and Consumer Protection Commission (**CCPC**). However, given the growing interest in the digital healthcare market in Zambia, it is anticipated that M&A activity will increase.

An area to watch is the hemp and cannabis sector, specifically for medicinal, scientific and research purposes. This follows the introduction of the Cannabis Act 2021 and the Industrial Hemp Act, potentially opening up new investment opportunities in the Zambian healthcare sector, particularly for entities involved in the cultivation, manufacturing, production and distribution of cannabis for medicinal purposes.

## HEALTH INSURANCE



Zambia's National Health Insurance Scheme (**NHIS**) was established in 2019 under the management of the National Health Insurance Management Authority (**NHIMA**). Since then, the Zambian Government has taken further steps to improve healthcare service delivery, notably by launching the Zambia Digital Health Strategy (**ZDHS**), which recognises the potential of digital health technology to achieve the health objectives outlined in the United Nations Sustainable Development Goals.

Successful implementation of the ZDHS requires both the public and private sector to coordinate digital health investments to reduce technological fragmentation and ensure that different ICT platforms and applications can be connected.



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