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Poor health services support opportunity to attract capital

Foreign companies are expanding in the acquisition of medical institutions
Annual expenditure on health stands at EGP142 billion, including 29% for the public sector

By AHMAD SHAWKY

Statistics on the local medical service reflect the unequal share of the private and public sectors, regarding the provision of services, the implementation of investments or the ownership of institutions, as the former surpasses the latter clearly, despite the importance of state-run facilities to the ordinary Egyptians and the poor in particular.

This is mainly attributed to the low government spending on health in Egypt, as the ministry's budget reaches about LE 46.4 billion during the current fiscal year compared to LE 33.5 billion during the previous fiscal year, bringing the per capita to LE 51.5 pounds, before deducting the ministry's expenses and medicine buying requirements. The latter is estimated at LE 6.7 billion, while the staff wages and compensation are estimated at LE 26.7 billion.

The Egyptian market is more attractive to the investors compared to the neighboring markets due to the increased demand for medical services, because of the outbreaks of diseases such as hepatitis C and avian flu, for example, since Egypt occupies the first place in the world in terms of the incidence of both diseases.

Perhaps that was reflected in some companies', such as the Emirati 'Abraj', pumping new capital to expand in the ownership of medical institutions in the Egyptian market.

Executive Director of the Right for Medicine Center 'Avicenna', Dr. Mahmoud Fouad, said that the volume of the medical sector's investments reaches LE 11 billion, including hospitals, laboratories and dialysis units; whose

number reaches 160, as well as the radiology centers whose number reaches 1853.

Fouad pointed out that the volume of charitable health investment is so far unknown and that there is no counting of it, as the service is provided either free of charge or against a nominal price, or payment is made through donations. He said that the volume of investment in the pharmaceutical sector reached last year LE 780 million, divided between the local and Arab investments.

Fouad pointed out that Avicenna Center prepared a complete file for the Emirati Abraj Capital's acquisition and purchase of a number

of private hospitals and laboratories, which constitutes a clear threat to health services and the monopoly of medicine through a foreign company of multinational capital. He noted that the company recently purchased Amun Pharmaceutical Company at LE 1.1 billion, after it was scheduled to be sold to the American company Pfizer.

Chairman of the Financial Supervision Authority, Sherif Samy, said that investment in the medical sector, as in any other sector, is made through buying and selling hospitals, laboratories and companies, but with the assets staying in Egypt, thus entailing benefit to the

state and its citizens.

Samy pointed out that the Authority does not prevent the sale of any private medical facility to any foreign investor and that its role is limited to the financial audit and ensuring that there is no monopolistic practices. He also pointed out that the last two years have witnessed the Authority's approval of the sale of Al-Borg Laboratories and Cairo Specialized Hospital.

Member of the Council of the Syndicate of Physicians and Chairman of the Health Committee of the Free Egyptians Party, Dr. Khaled Samir, said that there are about 60,000 private clinics and 20,000 private hospitals and medi-

cal centers in Egypt, with local and foreign investments. Thus, the number of private health institutions reaches 80,000.

Samir pointed out that the private medical sector includes the entire private hospitals, as well as the radiology centers, the charity hospitals, and the hospitals affiliated to the civil society organizations.

He added that the number of public hospitals is almost 633, varied between public, central and university hospitals, whose number reaches 82, with a total number of 96,062 beds, in addition to the hospitals affiliated to the other ministries that are under the umbrella of the public sector hospitals by 25 hospitals.

Samir said that expenditure on health reaches LE 142 billion annually, of which 29% is spent on the public medical sector, with the amount of LE 41.2 billion. He pointed out that the volume of investment in the medical sector is large and includes many parties in the form of the government, private medical clinics, the pharmaceutical companies and the medical supplies companies.

Samir pointed out that the university hospitals account for the delivery of health services by 43% for the simple and medium services, compared to 47% by the public hospitals affiliated to the Ministry of Health, while the university sector accounts for 70% of the high medical services such as surgeries, compared to 30% by the hospitals of the Ministry of Health.

Samir welcomed the investment in the health sector, but objected to pumping capital from abroad that seeks to acquire certain successful health facilities prior to exercising monopoly.

Healthcare service highly rewarding for anchor investors

The cost for doing business is remarkably high in healthcare market, where social dimension is a liability for financial institutions

By SHERIF OMAR

Investment in the medical services and hospital operation business in the Egyptian market is better undertaken by anchor investors, according to investment strategists. Investment in the healthcare services requires large financial resources with an understanding of the sector's critical social dimension. Strategists say that this requirement means that opportunities are very limited to convince financial investors to target the healthcare services business, taking into account that they are usually motivated by the search for quick and easy profits.

In 2014, international financial institutions undertook several acquisition deals in the Egyptian healthcare services market. Prominent among these are the deals by Abraj Capital on the Cairo Specialized

Hospital, Cleopatra Hospital and two diagnostic labs. Other deals include the Emirati TVM buyout of Amico Group for Medical Industries, the divestment of the Arab Gathering Investment Company from the 6th of October Specialized Hospital and a proposal by the Dutch Triquira B.V. company on Minapharm Pharmaceuticals, which reflects growing interest in the healthcare services sector. Anchor investors are the most qualified candidates for investment in the healthcare business in Egypt, according to Ghada El Gansouri, a board member at the Chamber of Private Healthcare Services Providers at Gansouri Specialized Hospital. She builds her argument on the fact that medical service is a sensitive field for doing business in Egypt, compelling investors to focus on improving services to citizens instead of maximizing profits.