HP+ POLICY *Brief*

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Supporting Access to Finance for Family Planning Service Providers in Liberia

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Introduction

This brief reviews two activities undertaken by the U.S. Agency for International Development (USAID)-funded Health Policy Plus (HP+) project to address the lack of formal financing available to the private health sector in Liberia. A prior HP+ assessment of Liberia's private health sector showed that without access to financing, business owners were borrowing informally, largely from friends and family. The small percentage of business owners included in the assessment who had received small business loans through the formal banking sector reported having done so with high interest rates (approximately 50 percent annual percentage rate) and short loan repayment periods (one to two years). The loan products available to health businesses were also not designed to meet their needs. However, health business owners included in the assessment recognized the need for investment in their businesses, with 30 percent wanting loans for expansion and construction (Gerrard and Jain, 2019).

The private health sector is predominately based in urban Montserrado county (80 percent), where access to critical liquidity and banking services should be relatively straightforward, given that Monrovia in Montserrado County is where Liberia's financial and banking services are concentrated. However, due to the challenges explained in Box 1, the private health sector has limited access to capital and financial services, which limits its opportunity for owners to strengthen and grow their businesses and extend access to essential quality health products and services.

Box 1. Macroeconomic Challenges

Liberia's two civil wars between 1989–2003 destroyed much of its critical infrastructure, and an Ebola outbreak between 2014–2016 saw the loss of many lives, including health workers. The country continues to experience macroeconomic challenges, with high inflation, foreign exchange depreciation, recent liquidity challenges due to a shortage of Liberian dollar currency, and a 3 percent economic contraction in 2020 due to COVID-19. The country's banking and financial services sector has lagged behind other counties in the region. There has not been an effective credit rating system established to enable the records that businesses need for the approval of credit and banks rely on the Central Bank of Liberia's manual credit reference system to provide borrowers' credit history (ITA, 2021).

Over the course of 2020 and 2021, HP+ implemented two related and parallel activities to strengthen both the demand for and supply of access to finance in Liberia:

1. To foster demand for financing, HP+ established a locally embedded financial management training and mentoring program to build the capacity of private health businesses. The program focused on how loans can help grow

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business, as well as how to apply for and repay formal loans from a financial institution.

2. To foster the supply of financing to the private health sector, HP+ provided technical assistance to Access Bank, a USAID Development Credit Authority partner financial institution. Through this technical assistance, the bank increased its understanding and knowledge of the financing opportunities in the private health sector.

Strengthening the Financial Management Capacity for Health Sector Entrepreneurs

Identifying the need for and structure of a training course. Focusing on developing a sustainable local approach to establishing a specialized course for the private health sector, HP+ partnered with BSC Monrovia, a local training firm, in mid-2020. While the training firm specialized in delivering business management trainings to multisectoral micro and small enterprises, it had not yet expanded its training program to the health sector. With support from HP+, BSC expanded its offering to the health sector, developing a 16-hour training curriculum to strengthen the private health sector's understanding and implementation of financial and business management practices. The purpose of the training was two-fold: (1) build financial management skills in micro-, small-, and medium-size private healthcare businesses, and (2) increase the understanding of how these businesses can access financing to grow and the importance of loan repayment. In other countries, this type of financial management training has guided improvements in financial recordkeeping, which is used by banks to determine business's risk rating and affects lending interest rates.

Given the nature of the funding from USAID's Office of Population and Reproductive Health, in the training program, HP+ prioritized the participation of private healthcare businesses that offered family planning services. As a result, all 21 businesses included in the program were offering family planning services to their clients at the time of the training. Almost all facilities were from Montserrado county; two were from Margibi and Bong county. Nineteen were primary care clinics and two were hospitals (tertiary care).

Developing a needs-based curriculum. As this was a new course in Liberia, the first step was to identify a common set of needs across the private health sector and then design and implement a training program that responded to their needs. To identify needs, HP+ and BSC developed a business needs assessment tool to collect standardized and comparable information from each participating business. Through the assessment, the majority of the target businesses identified the following gaps in their knowledge and practices: lack of operation plans, financial management policies and budgets, and adequate working capital; in addition, they lacked vision, mission, and strategy statements. Approximately 90 percent of the businesses had inadequate financial management policies and/or procedures to determine whether they are profitable or not. BSC focused on the following topics for inclusion in the course: financial policies and procedures manuals, budget sheets/templates, daily sales and expense tracking templates, vision, mission, and strategy statements, basic recordkeeping, and cash flow templates.

Conducting the training course. To meet participant needs and learning styles, the training approach included a mixture of methods, such as mini lectures, presentations, group work, and individual assignments. Instructors emphasized the need for participants to actively engage in sharing ideas, knowledge, and experiences across the course's different topics. The course's 16 hours were split over four weekly sessions to ensure that the participants could plan for time away from their businesses, as well as allow for reflection and practice between sessions. As part of a post-training evaluation, the participants highlighted the development of financial statements as the most useful section of the training. Some participants remarked that they have been in business for over a decade without having any business knowledge.

Workshop participants in Monrovia, Liberia.

> "I want to see this training going across other healthcare facilities across Liberia."
>
> –Workshop participant and business owner

Coaching and mentoring. Following the completion of the course, BSC continued to offer coaching and mentoring opportunities at the participants' places of business. This on-the-job support helped solidify classroom learning. Through the coaching sessions, participants became more engaged in the content and focused on resolving issues related to applying what they learned. The coaching sessions reinforced some of the key aspects of business management, including budgeting, financial statements, recordkeeping, and loan application processes, as well as putting the materials and skills acquired during the face-to-face training into practice.

Sustaining the course's availability. The course that was developed and applied can be offered on demand by BSC. The cost per business to complete the course is approximately the same as the price paid by private facilities for an annual health facility license. Fostering a partnership between BSC and the Healthcare Federation of Liberia—a group that provides coordination among all private health stakeholders across Liberia and increases collaboration with the Ministry of Health—will help build demand for the course among their private healthcare members and help ensure it continues.

Fostering the Supply of Financing to the Private Health Sector

The second objective of this activity was focused on developing local access to business loans so that the private health sector can grow and owners can develop their businesses. This part of the activity happened concurrently with the financial management training course to help ensure that the private health sector would have access to business loans tailored to their needs once demand had been created. The objective of this work was designed to draw on USAID's Development Credit Authority (DCA) (see Box 2). Later, it evolved into a broader partnership with a local microfinance organization.

Using the DCA to support Liberia's private health sector. Through DCA guarantees, USAID is able to couple technical assistance with

Box 2. Understanding How to Tap into a DCA Guarantee

The DCA is a credit guarantee program formerly operated by USAID (now operated by the U.S. International Development Finance Corporation) that encourages lending to businesses—especially to micro-, small-, and medium-sized enterprises. The DCA partial credit guarantee is designed to reduce the risks to banks from lending to underserved markets and sectors, while working to support the long-term commercial viability of lending to creditworthy but underserved borrowers, such as the private health sector. These guarantees, which typically cover a percentage of realized loss, enable USAID to leverage private sector wealth for sustainable economic development. Borrowers who are viewed by banks as too risky, such as those within the healthcare sector, demonstrate their creditworthiness to lending institutions, and through the experience, those banks and financial institutions come to better understand and serve new customers and sectors (DFC, 2019). In many cases, lending continues long after guarantee coverage expires.

access to financing opportunities that can lead to sustainable, market-changing impacts. In this objective, HP+ worked with USAID's DCA program partner—Access Bank—to strengthen its use of the DCA in the health sector, with the parallel objective of increasing access to financing to health enterprises. HP+'s technical assistance to Access Bank had three key purposes:

1. Increase the bank's understanding of how the health sector operates and its specific needs
2. Develop lending strategies and products that best fit the health sector's needs
3. Train the bank's credit officers to evaluate health businesses for loans and introduce them to a group of potential borrowers

As mentioned previously, the Liberian private health sector suffers from severely constrained access to business loans. Options are limited to general loans that are not tailored to the needs of the sector and require considerable collateral. In September 2019, USAID Liberia deployed a 10-year DCA agreement with Access Bank that includes a provision for partially guaranteeing credit offered to the health sector. Approximately US$650,000 was made available to support the health sector, with a focus on improving access to and quality of primary and secondary healthcare services. Up until working with HP+ in 2020, Access Bank had only provided small working capital loans to pharmacies and drug shops to procure pharmaceutical commodities. Its understanding of how to evaluate service businesses was limited. As of July 2020, Access Bank's lending portfolio for health service businesses (clinics, medical centers, and hospitals), represented 0.41 percent of its total business, with an average loan size of US$3,800, and 1.73 percent for health commodities businesses (pharmacies and drug stores), with an average loan size of US$1,800.

Developing responsive loan products. During 2020, HP+ provided technical assistance to a core lending team to understand the bank's needs. HP+ also conducted focus groups with bank staff and health entrepreneurs to help design appropriate lending strategies and products. From the client side, the focus groups highlighted the negative impact that insufficient financing in the marketplace had on their businesses, including inadequate cash flow resulting in stockouts and onerous collateral requests for loans. Cash flow issues also delayed reimbursements for services provided to privately insured clients. From the bank's side, focus groups highlighted that the lack of financial recordkeeping and financial management expertise among healthcare businesses means that banks have insufficient financial information upon which to make lending decisions. Based on these insights, a framework for health sector-aligned loan products was drafted and Access Bank identified small- and mid-size enterprises in two categories as its target client base: (1) health facilities (e.g., health clinics, health centers, and hospitals) and (2) diagnostic imaging centers and stand-alone laboratories.

Shifting to a new lending partner. Following the emergence of COVID-19 in early 2020, ongoing macroeconomic constraints, and the limited market potential of the private health sector in Liberia, Access Bank began to restrict its work in the health sector and ultimately decided not to use its DCA to invest in private health businesses. As a result, HP+ began exploring other avenues to extend access to finance to the health sector and developed a partnership with Foundation for Women (FFW). FFW, a leading microfinance institution in Liberia, has been operating for more than 15 years as a grassroots lending partner to families, small businesses, micro-entrepreneurs, and schools. In 2018, FFW began lending to the health sector, drawing on the lessons and expertise gained from its more than 50,000 lending relationships since 2006. FFW launched the Network of Excellence, a capacity-building approach designed to infuse capital, training, clinical mentoring, and oversight into the private healthcare sector. The network offers a lending platform for clinic owners to improve their services and facilities, along with training, peer support, and mentoring. From 2018 to 2020, the Network of Excellence distributed microloans ranging from US$1,000–5,000 to 50 private health facilities and provided a package of auxiliary support in collaboration with a local private hospital. Prior to partnering with HP+, FFW had dispersed over US$150,000 in loan capital to 50 clinics with a 95 percent repayment rate.

HP+ introduced FFW to the first group of participants of the HP+-sponsored financial management course, offering an opportunity for FFW to widen its client base for loan products. Despite the time between the end of the course in January 2021 and the loan product being made available in June 2021, three course participants applied for a business loan in the first round of

Table 1. Two Private Health Borrowers (as of August 2022)

Borrower sex:	One male; one female
Borrower age (years):	Over 40
Loan size (US$):	$3,500 and $5,800
Loan purpose:	• Procure medical equipment and laboratory expansion • Procure health commodities and building renovation

loan applications. Two were deemed eligible and received their first loan disbursement in August 2021 (see Table 1). While the FFW loan product has some distinct limitations, such as a loan size limit of US$7,000 (micro-loan) and a one-year repayment period (to curb excessive interest rates due to Liberia's high inflation rate), it provides a much-needed starting point for micro- and small-sized health businesses that need working capital to plan more efficient commodity procurement and debt financing to procure new medical equipment or refurbish a room. The maximum loan size is well within the average loan amounts provided by Access Bank. In addition, because smaller primary-level health businesses make up 88 percent of all facilities across Liberia, microloans are entirely appropriate for the market (Gerrard and Jain, 2019).

Challenges in generating demand. Given the interest from the private health sector in participating in the earlier financial management workshop, BSC Monrovia continued working with HP+ through June 2022. The training firm's role was to generate additional demand for loans among the private health sector and facilitate successful loan applications and disbursements. BSC conducted an additional workshop and followed up with participants from both groups. However, the demand for loans from FFW by health businesses experienced unanticipated challenges. Two additional loan applications were submitted, yet these plus the remaining applicant mentioned previously were still pending as of

Table 2. Status and Level of Interest in Loan Applications

Status	Count	Explanation
Loan disbursed	2	N/A
Application submitted	3	Extended administrative review process
Interested, but with some reservations	8	• Outstanding debt that needs repayment • Concern over interest rates and repayment terms • Expired documentation • Limited internal capacity
Not interested	8	• Rates and terms are prohibitive • Mismatched expectations

July 2022. Of the remaining 16 participants in the original workshop, half ended up not being interested in the loan product and the other half appeared interested but with reservations (see Table 2). Among those uninterested in taking loans from FFW, a primary barrier is the misalignment of expectations. Some of the clients were under the impression that completion of the workshop would allow preferential access to finance. Reportedly, some thought that the product would be made available in grant form and were unwilling to apply for a loan requiring repayment. Those interested but who have not yet applied gave valid reasons for their delay, including outstanding debt and expired or invalid documentation. Finally, those who completed an application shared that the review process is often prolonged and inefficient. Sometimes applications became relegated to a pending status without real motivation for follow-up on either end.

Lessons Learned

The two original approaches to build the demand and supply of loans for healthcare businesses were adjusted based on local operational insights. Adopting an agile approach resulted in a shift in the availability and demand for loans in the local marketplace. Through this experience working with the private health sector and financial institutions, lessons emerged in the following areas.

Access to loans. The DCA guarantee is an important tool that can aid in lowering the risk of making loans to new sectors. It is often leveraged with additional technical assistance to support the increased understanding of how the health sector operates and how the guarantee can be effectively leveraged. Technical assistance to financial institutions is often provided over the course of years and accompanies interventions that can strengthen other stakeholders within the enabling environment to bolster the approach, such as working with health equipment suppliers and wholesalers on equipment buy-back schemes.

In the case of the Liberia program, providing this support over a one-year period did not prove to be sufficient. Bank behavior can be difficult to shift in a short period of time, particularly within a challenging macro- and socio-economic climate as experienced in Liberia over the course of 2020. Between April and June 2020, the Government of Liberia imposed immediate and strict lockdown orders due to the COVID-19 pandemic, which had a severe impact on the economy. The lockdown extended to the private healthcare sector as well as financial institutions. Following the reopening of the economy, the bank's human resources were already strained across its existing loan portfolio and thus health was deemed a lower priority. As the opportunity shifted, the HP+ team similarly shifted its approach and began working with other local lenders. The COVID-19 pandemic created challenges in virtually all aspects of life—especially the health sector. Floundering macroeconomic conditions, coupled with a global pandemic, created an environment that undermined the supply of loans to small health businesses.

Financial management capacity building. Just as a technical assistance package for the DCA banking partner is a core element of the successful implementation of a DCA guarantee, so is a package aimed at supporting the target borrowers with implementing business planning and sound accounting practices. Establishing a financial management capacity building workshop and mentoring program proved to be a cost-effective approach to training health entrepreneurs. While the group sessions provided theoretical foundational knowledge, course homework over the month of training meant that business owners had an opportunity to practice what they had learned and adapt with the trainer's expert feedback. The in-business coaching provided an additional opportunity for participants to shape what they learned to their own business needs. Establishing the curriculum with a local training firm, with a pricing structure that reflects a local ability to pay, enables the course to continue to be held locally following the end of donor support. The ability of the Healthcare Federation of Liberia to advertise the course among its members and partners helps create awareness and stimulate demand.

Given feedback received later in the process, including the mismatched expectations on the part of health businesses, these types of programs need to more clearly lay out their process, time expectations, and the financial products that will be available. While it is reasonable to expect that not everyone will want a loan, the fact that several business owners expected to receive grants from FFW indicates a basic misunderstanding of the process.

Overall market-level sustainability. The shift from partnering with a financial institution to a socially oriented microloan organization that supports education, access to health, and other areas resulted in the loss of a formal demand creation role being fulfilled by credit officers employed by Access Bank. As a result, over the course of October to December 2021, HP+ partnered again with the local training firm to provide additional support to build awareness of the local loans, help businesses develop their growth strategy, and aid in gathering the documentation needed to apply for loans. This assistance led to a small uptake of FFW loans over a two-month period (November to December 2021). While the approach described in this brief has worked in other contexts, the combination of macroeconomic conditions, the transition to a microfinance nongovernmental organization rather than a commercial bank, and a slow loan approval process contributed to limited success of the approach in Liberia.

Summary

Over the course of 2020 to 2022, HP+ was charged with stimulating access to finance for the private healthcare sector in Liberia. While USAID's DCA partner financial institution ultimately decided not to invest in the healthcare sector, a local organization provided an avenue for healthcare entrepreneurs to access business loans. Partnering with a local training firm helped raise awareness of the opportunity for these business loans. Despite the short time period for implementation (September 2021 to June 2022) and other external factors, the HP+ activities stimulated two micro-loans, totaling US$9,300. The development of a locally developed and owned financial management course for the health sector offers the sector an opportunity for future training, at a price point that is viable for the market. The training firm now acts as a focal point for potential borrowers and provides opportunities for continued sustainability.

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