

Ex-Ante Evaluation (for Japanese ODA Loan)

JICA

Private Sector Investment Finance Division
Private Sector Partnership and Finance Department

1. Name of the Project

Country: Federal Republic of Brazil (“Brazil”)

Project: Healthcare Sector Enhancement Project (“the Project”)

Loan Agreement: June 18, 2021

2. Background and Necessity of the Project

(1) Current State and Issues of the Healthcare Sector in Brazil

The impact of the spread of COVID-19 in Brazil is severe, with infections spreading throughout the country. As of July 2021, the number of new infections has not been contained. The total number of infections exceeded 19 million, ranking third in the world after India. The number of deaths has exceeded 530,000, ranking second in the world after the United States.

In Brazil, public hospitals are facing challenges in securing human resources and equipment due to the chronic shortage of government budgets. Private hospitals also play a role in supporting medical services for low-income people by accepting patients who use the Unified Health System or Sistema Único de Saúde (SUS), a national free universal health insurance system. However, due to the spread of COVID-19, the number of general outpatients and surgeries has decreased significantly, forcing many private hospitals into difficult management situations.

In addition, approximately 50% of Brazil’s medical equipment and 30% of its pharmaceuticals are imported. As supply and demand for medical supplies tightens around the world, it has become increasingly difficult to secure sufficient imports, while at the same time, domestic production capacity expansion has not been able to keep pace, resulting in worsening shortages of masks, protective clothing, antibody test kits, ventilators, and other supplies at medical facilities.

In response to the situation in Brazil caused by the spread of the COVID-19

infection, this project will support the financing of the healthcare sector by Itaú Unibanco S.A. It will support financing to private hospitals that are engaged in facing COVID-19 crisis, which also includes private hospitals that supports SUS in terms of services for research and development, or that accept patients coming from SUS. Diagnostic clinics will also be supported, as well as medical equipment and pharmaceutical companies that have production bases in Brazil.

(2) Japan's and JICA's Cooperation Policy and Operations in the Electric Power Sector in Brazil

This project is the first Private Sector Investment Finance (PSIF) project to meet with “JICA’s Initiative for Global Health and Medicine,” which addresses the healthcare sector improvement in response to the spread of COVID-19. It will contribute to strengthening the healthcare system and responding to the spread of COVID-19 through support for the private healthcare sector in Brazil. It will also contribute to SDGs Goals 3 and 17 (“Good Health and Well-being” and “Partnerships for the Goals”)

3. Project Description

(1) Project Objective(s)

The objective of the Project is, to enhance the healthcare sector in Brazil by improving the capacity of private hospitals and bolstering the supply capacity of medical equipment and pharmaceutical companies, especially at this time due to the pandemic.

(2) Project Sites / Target Areas

The whole country of Brazil

(3) Project Outlines

The loan to Itaú will improve access of finances to the healthcare sector. It will support financing to private hospitals that are engaged in facing COVID-19 crisis, which also includes private hospitals that supports SUS in terms of services for research and development, or that accept patients coming from SUS. Diagnostic clinics will also be supported, as well as medical equipment and pharmaceutical companies that have production bases in Brazil.

(4) Environmental and Social Considerations, Cross-sectional Items, and Gender Classification

1) Environmental and Social Considerations

1) Category classification: C

2) Basis for categorization: The Project's negative impact on the environment and society is judged to be minimal, based on the JICA Guidelines for Environmental and Social Considerations (announced in April 2010).

3) Cross-sectional Items: This project will contribute to climate change countermeasures (mitigation measures), as it's expected it will reduce greenhouse gas emissions by electrifying the area using renewable energy as the main power source, and save energy by curtailing electric power losses.

2) Gender classification: [Not applicable] ■ GI (Gender mainstreaming needs investigation and analysis items) <Reasons for classification> Specific elements to contribute to the gender mainstreaming are not included.

4. Project Outcomes

(1) Quantitative Effects: Itaú Unibanco Holding's Healthcare Sector Loan Outstanding and Sub-Loan Outstanding of Private Hospital/Clinic are measured.

(2) Qualitative Effects: Enhancement of healthcare systems, Reinforcement of production of pharmaceuticals and medical equipment/supply, and Respond with COVID-19.

5. External Factors and Risk Control

(1) Preconditions : None in particular

(2) External Factors: None in particular

6. Lessons Learned from Past Projects

The lesson learned from the ex-post evaluation of the ODA loan to Egypt, the Micro and Small Enterprises Support Project (ex-post evaluation conducted in 2016), was the importance of an abundance of experience in the loan business, and having lots of branches in order to gain the trust of customers that are dispersed throughout the country. In the Project, we confirmed Itaú's loan business experience, set-up of branches, and loan adjudication process through a review. We also confirmed that Itaú retained a sufficient ability to execute loans

despite the impact of COVID-19.

7. Evaluation Outcome

As described above, the need for the Project has been recognized, and there is an appropriate project plan with a sufficient likelihood of achieving it, and thus this loan will be granted.

8. Plan for Future Evaluation

(1) Indicators to be Used

As shown in Section 4 above.

(2) Future Evaluation Schedule (estimate)

2025 Ex-post evaluation

END