



Impact assessment of Opham using a Cost-Benefit Analysis

As part of Adenia's commitment to driving impact performance within its portfolio companies, IBIS Consulting carried out a detailed Impact Assessment of Opham, a pharmaceutical company located in Madagascar. This impact assessment used data gathered up until December 2019.

The challenging and complex socio-economic context in which Opham operates, particularly in relation to the healthcare sector, means that the company is well-positioned to drive significant positive changes. This is especially relevant for those belonging to more vulnerable groups and communities, such as those living in rural areas who have had limited access to healthcare services. Opham is the largest distributor of medical products in Madagascar, occupying a market share of 40% and being more than 3 times as active in the market as their next largest competitor.

The methodology used for this Impact Assessment combines both qualitative and quantitative approaches, leveraging the OECD Development Assistance Committee (DAC) criteria¹ for the evaluation of development programs, the Impact Management Project² framework for mapping and measuring impact, and applying a Cost-Benefit Analysis approach to attempt to quantify the impact that has been achieved. In particular, the Cost-Benefit Analysis aimed to monetize the benefits that Opham has achieved for various stakeholders through its activities, and compared them to the monetary cost of undertaking such activities, in order to determine the net benefit or cost of Opham's activities from an impact point of view since Adenia's acquisition.

Key Findings

The volume and variety of products sold by Opham has expanded significantly since 2016, with there being an average year-on-year increase of 7% in the quantity of products sold over the period 2016 – 2019 and Opham distributing more than 4 500 types of medications throughout the country. In particular, Opham has driven the sales of generic medicines which now account for 45% of total sales in value (as compared to 41% at acquisition). Opham has managed to ensure that more people, particularly those in more remote areas, have access to these products at cheaper average prices than its competitors.

The Cost-Benefit Analysis shows that for every EUR 1 spent by Opham, the corresponding benefit to stakeholders (users and employees) amounted on average to EUR 6.53 p.a. between 2016 and 2019³. It is important to note that this did not require any trade-off in financial results for the company, as the company recorded an 11% increase in revenue and a 22% increase in EBITDA between 2015 and 2018.

The benefits that have accrued to Opham users as a result of their being able to access Opham products (specifically antibiotics) has been especially significant. In particular, Opham users have benefitted exceptionally from an improved quality of life which was monetized using the Quality-Adjusted Life Years (QALY) approach (in this case, improved quality of life includes improved health, improved livelihoods and improved financial stability). The results of this calculation indicate that quality of life gained by users (when monetized) makes up an average of 84% of the total benefit created by Opham between 2016 and 2019.

¹ OECD Evaluation Criteria, accessed at <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

² Impact Management Project, accessed at <https://impactmanagementproject.com/>







³ Given that the impact assessment focused on data up until December 2019, the impact of Opham's construction and move to the new warehouse has not been fully captured in the study.

The unique contribution made by Adenia to positive outcomes is largely a result of their majority investment and thorough transformation plan supported by an ambitious capex program, and can be estimated at EUR 5.47 for every EUR 1 invested during the period 2016 - 2019. In particular, Adenia's investment in Opham's infrastructure has helped to improve the efficiency and effectiveness of Opham's operations.

Although the emphasis of the report is on the outcomes achieved for Opham users, benefits that have accrued to Opham employees and for the company itself (through improved alignment with job quality standards and environmental performance) were also captured. In particular, a significant improvement in the standards of pharmaceuticals has led to improved production efficiency and an improvement in the quality of the products being produced. This finding is supported by the consistent improvement in lab audit scores which have been observed over the period (an increase of 17 percentage points between 2015 – 2020). Furthermore, Opham has performed consistently on job quality indicators such as remuneration and employee turnover rates over the period.

An analysis of Opham's activities against the DAC Criteria highlight the following:

Key: Low performance  High performance

DAC Criterion	Result	Rating
Relevance	The relevance of Opham's work is unquestionable, particularly in the Malagasy context. This is enhanced through continued efforts to widen the number and range of people with in the population that have access to holistic, quality healthcare, including through knowledge – sharing and communication with a range of other stakeholders.	
Efficiency	Efficiency is a challenge for Opham, particularly in light of their laboratories being located in Europe, India and China. Procurement and distribution remains a lengthy process, despite the long and productive relationship which Opham has with stakeholders in the supply chain. Improved efficiency remains a key consideration for Opham in enhancing the impact that it is able to have on stakeholders, and recent developments like the investment in infrastructure funded by Adenia, will help to improve its performance in this regard.	
Effectiveness	Opham remains effective in working towards its targets regarding new molecules introduced and new generic medications being distributed under its Deska brand. Logistics and inventory management remains a challenge, while key levers for success include Opham's employees, and significant support and engagement from Adenia as an investor (in the form of financial support contributing to improved infrastructure, and non-financial support in the form of knowledge and embedding good corporate governance).	
Impact	The Cost-Benefit Analysis highlights that significant impact is being achieved both internally and externally, and that beneficiaries are experiencing the intended outcomes of Opham's work.	
Sustainability	The sustainability of Opham's impact is largely dependent on the continued growth in access to medical care and products in Madagascar. Although Opham's network is extensive, the underserved population remains large, meaning that people may not be accessing care and products in a way that is sufficiently consistent to ensure ongoing impact.	
Risk	The main risks connected to the impact achieved by Opham are in the form of its dependence on a range of other stakeholders. This is mitigated to the greatest possible extent through strong relationships and stakeholder engagement.	

Recommendations and Lessons Learned

Based on the findings, the recommendations arising from this report relate to opportunities to increase efficiency, decrease dependence on other stakeholders, create efficiencies within the supply chain, as well as continuing to contribute to the development of the healthcare sector in Madagascar more broadly.

The main lessons learned by IBIS and Adenia in the course of this Impact Assessment include:

1. Impact achieved by a business's core activities can be enhanced through supplementary activities to address the challenges facing the sector within which it operates.
2. As a controlling investor, Adenia has the ability to drive both internal and external impact within an investment.
3. Gathering data through various sources is critical to ensuring the validity of findings.
4. The lack of primary data collected through this impact assessment has constrained the interpretation of some of the findings.
5. Cost-benefit analyses need to be interpreted with caution since not all benefits can be monetized.
6. Performance in qualitative indicators should not be compared against performance in quantitative indicators.