



# Structuring Around High Interest Rates: Legal Financing Options for Healthcare Investors

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# Introduction

Nigeria's healthcare and pharmaceutical sectors stand at a pivotal moment. An overwhelming demand for quality healthcare services is rising, local drug manufacturing is gaining policy support, and private capital is increasingly interested in the sector's long-term potential. Amidst all these, one structural obstacle continues to undermine expansion: the high cost of financing. Due to high interest rates, conventional bank debt continues to prove prohibitively expensive and nearly unsustainable for capital-intensive health projects.

Hospitals, diagnostic centres, pharmaceutical manufacturing plants, and medical technology ventures require significant investment. In such a climate, heavy reliance on short-term, high-interest borrowing distorts pricing structures, delays expansion, and increases systemic vulnerability.

While high interest rates remain a significant constraint, the more fundamental issue for many healthcare operators is the overreliance on short-tenor conventional debt for projects with long gestation periods. This mismatch between funding structure and project economics underscores the need for more sophisticated capital planning.

Traditional bank debt is often commercially unsustainable for these health care capital-intensive projects. However, Nigerian law provides alternative financing structures that sophisticated healthcare investors can deploy to mitigate capital cost risks.

This article examines the legal financing options available and how they may be structured to reduce exposure to expensive credit in a bid to benefit potential investors.

# The Legal Framework Surrounding Financial Structuring Flexibility

Although conventional commercial bank loans remain the most frequently utilised source of corporate funding in Nigeria, the Nigerian legal framework accommodates a far broader and more sophisticated spectrum of financing structures. Under the Companies and Allied Matters Act 2020, companies

have broad statutory capacity to issue shares, alter share capital, and adopt financing structures permitted by law. However, where the fundraising involves a public offer or other regulated capital-market activity, compliance is required under the Investments and Securities Act 2025 and applicable SEC rules.

Accordingly, the legal framework in Nigeria does not confine healthcare investors to traditional commercial lending; rather, it permits a range of debt, equity, and hybrid financing structures, subject to the nature of the transaction and the applicable regulatory threshold.



# Financing Options for Healthcare Providers

## 1. Equity Financing as a Strategic Alternative to Debt

Equity financing involves raising capital in exchange for ownership interests in the company, whether through private placements, venture or strategic investment, rights issues, or public offerings, depending on the size, maturity, and funding objectives of the business. One advantage of this

process is that it substitutes debt with equity capital, thereby eliminating periodic interest obligations and preserving cash flow during growth phases. Public offerings and other regulated securities transactions are subject to the Investments and Securities Act 2025 and SEC oversight, but not every equity raise requires a public market process.

For startups and early-stage healthcare ventures, it has enabled scaling that bank debt would not support. The limitation, however, is that most founder-led Nigerian healthcare businesses are deeply reluctant to dilute ownership, and even where founders are willing, equity placements require governance-ready documentation that smaller operators rarely have in place.

## 2. Public-Private Partnerships (PPP)

PPP structures are a form of partnership where private investors partner with the government, and depending on the agreed structure, each party contributes to the formation of a project. At the federal level, PPP arrangements involving public infrastructure are principally guided by the Infrastructure Concession Regulatory Commission Act 2005; however, state-level healthcare PPPs may also be subject to separate state PPP laws, procurement frameworks, and sector-specific approvals. For healthcare investors, the legal viability of a PPP will therefore depend not only on the commercial structure, but also on the identity of the public counterparty and the jurisdiction in which the project is situated. Indeed, the Nigerian government supports PPP arrangements and often calls for partnerships with private sector operators.

## 3. Corporate bonds

Corporate bonds and infrastructure notes are some of the other instruments that have been adopted by private institutions. They provide extended maturities and, in some instances, more favourable effective rates than short-term bank facilities.

In practice, this route is often better suited to larger healthcare groups, pharmaceutical companies, or hospital networks with the governance maturity and disclosure systems necessary to satisfy institutional investors and regulatory requirements. Institutional investors seek stable, long-term assets, and healthcare infrastructure, with its predictable demand profile, fits this criterion. The challenge, however, is that bond issuances involve significant disclosure, governance, and transaction costs under SEC supervision, which may make this route less attractive for smaller operators.

Beyond the financing options above, which are considerably prominent in Nigeria already, there are other options that are being adopted by other growing economies, and which Nigerian healthcare providers can similarly adopt.

## 4. Alternative Contractual Structures

Equipment leasing allows hospitals to use costly machines without full upfront payment. Depending on the structure provided under the contract, repayments are often tied to monthly income, aligning obligations with cash flow.

Under Nigerian law, the legal treatment of equipment finance will depend on the structure of the transaction. In some cases, issues relating to title, perfection, or security may require registration or other protective steps, including under the secured-transactions framework for movable assets where applicable. This makes careful contractual drafting essential, particularly in relation to ownership, maintenance, insurance, default, repossession, and enforcement rights. Leasing is common in global healthcare, and so many global healthcare institutions have built models around structured equipment finance that help hospitals scale without balance sheet strain.

Each model minimizes the need for high-interest loans. Legal viability hinges on clear contracts, enforceability of security interests, and sector regulation compliance. Another advantage offered by this structure is that health care institutions can negotiate the purchase of those instruments on an installment plan.

## 5. Development Finance

Development Finance Institutions (DFIs) are government-backed entities mandated to catalyse private sector investment in developing economies, specifically in sectors where commercial capital is either unavailable or prohibitively expensive. Some of the most active DFIs in sub-Saharan Africa include the International Finance Corporation (IFC), the African Development Bank (AfDB), the U.S. International Development Finance Corporation (DFC), Germany's DEG (a subsidiary of KfW), France's Proparco, and the Netherlands' FMO. Their toolkit includes long-tenor loans of up to 15–20 years, local-currency financing that eliminates foreign exchange exposure, mezzanine instruments that sit between equity and senior debt, and partial credit guarantees that improve a project's bankability with commercial co-lenders.

Critically, DFI financing is predominantly structured as debt or quasi-debt. Importantly, some Nigerian healthcare institutions are already tapping into this opportunity. In February 2026, it was reported that IFC and the Nigeria Sovereign Investment Authority (NSIA) partnered to provide naira-denominated financing to NSIA Advanced Medical Services Limited (MedServe).<sup>1</sup> The naira-denominated arrangement illustrated a critical point: it is funding the expansion of oncology, diagnostic, and cardiac facilities across several Nigerian states, while explicitly addressing the foreign exchange risk that has historically discouraged local operators from accessing dollar-denominated development finance. This example is significant not merely because of the capital deployed, but because it demonstrates that Nigerian healthcare projects can attract long-tenor, local-currency development finance where the project is well structured, institutionally credible, and capable of demonstrating measurable social impact.

DFIs also frequently provide technical assistance alongside capital advisory support on patient safety standards, green building certification, and impact measurement frameworks.

For many operators, the real barrier is therefore not the absence of funding, but the absence of investment readiness in terms of governance, financial reporting, bankable project documentation, and risk allocation. For operators seeking to professionalise or attract further private co-investment, this non-financial support can be as valuable as the financing itself.

<sup>1</sup> <https://www.ifc.org/en/pressroom/2026/ifc-and-nsia-to-scale-oncology-and-diagnostic-services-for-underserved-communities> (accessed on 8 March 2026)

# Global Precedents and Lessons for the Nigerian Market

The case for DFI engagement is reinforced by the experiences of peer economies that have already deployed these instruments at scale.

## 1. India: Finance for Vaccine Production through Development Finance Institutions.

India's private healthcare sector has scaled substantially through a financing model that combines public, private, and development capital. Rather than relying solely on commercial loans, Indian operators have accessed healthcare-specific credit structured through development-linked intermediaries.

For instance, in 2021, the United States, via its International Development Finance Corp (DFC), supported vaccine manufacturing efforts by Biological E. Ltd's (an Indian biotechnology and biopharmaceutical company)<sup>2</sup> to expand vaccine manufacturing capacity. This is a template for what targeted development lending to pharmaceutical manufacturers can achieve.

For Nigerian pharmaceutical manufacturers, the lesson is that targeted development finance can support local production where the business case aligns with national health priorities, production capacity, and credible execution.

## 2. South Africa: Multi-DFI Co-Financing

The 2023 Aspen Pharmacare transaction demonstrates how multiple DFIs can co-finance a single healthcare investment at a scale unattainable through bilateral arrangements. A consortium comprising the IFC, DFC, DEG, and Proparco jointly structured a €500 million loan package supporting Aspen's 'Manufacturing in Africa for Africa' strategy. Each institution contributed according to its own mandate and risk appetite, while the borrower, a private pharmaceutical company, accessed long-term capital without ceding ownership. Nigerian pharmaceutical manufacturers should study this consortium model as a blueprint for structuring large-scale DFI engagements<sup>3</sup>

<sup>2</sup> <https://www.reuters.com/world/india/us-indias-biological-e-finalise-50-mln-financing-deal-covid-19-shots-2021-10-25/> accessed on 8 March 2026.

<sup>3</sup> <https://www.ifc.org/en/pressroom/2024/ifc-proparco-deg-and-dfc-support-aspen-to-strengthen-africas-pha> (accessed on 8 March 2026)

# Conclusion

High interest rates in Nigeria do not render healthcare investment unviable. They demand sophistication. The conventional instruments remain relevant within their respective constraints, and competent legal and financial structuring can extend their utility.

However, they do not resolve the fundamental financing challenge facing private healthcare operators, particularly those unwilling to dilute ownership or unable to absorb the transaction costs of capital market issuances.

Development Finance Institutions represent an underutilised resource available to the sector. The financing already directed at Nigerian and African healthcare through the IFC, AfDB, DFC, DEG, Proparco, and FMO is substantial. The gap is no longer capital availability; it is preparedness and awareness on the part of the operators best positioned to benefit.

In practical terms, the most resilient healthcare investors are likely to be those who adopt a blended financing strategy, combining the most

suitable elements of equity, structured equipment finance, PPP participation, capital-markets instruments, and development finance, rather than relying exclusively on conventional bank debt. In a high-interest-rate environment, the healthcare businesses most likely to succeed will be those that not only understand the full architecture of available capital but also position themselves, legally and institutionally, to access it.



# About Stren & Blan Partners

Stren & Blan Partners is a leading Nigerian commercial law firm with dedicated practices in Asset Recovery, Fraud Investigation & Enforcement, and Financial Services.

Our team has extensive experience representing international clients in cross-border fraud matters and works closely with law enforcement agencies, regulatory bodies and international counsel to achieve effective recoveries.

For enquiries regarding digital fraud recovery or asset tracing in Nigeria, please contact our Asset Recovery and Fraud Investigation team.

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