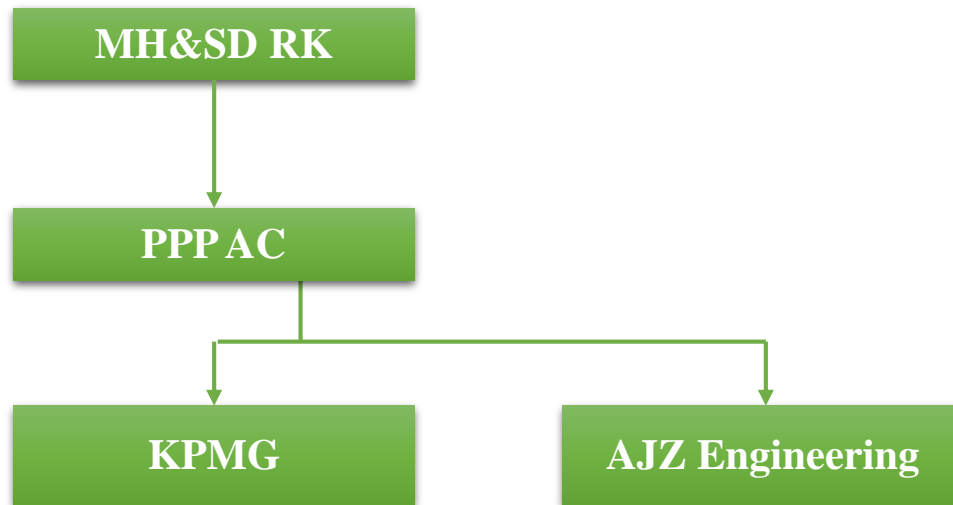


**Concession project “Construction and operation in Almaty of general hospital at  
Kazakh National Medical University after S. D. Asfendiyarov”**



**PUBLIC PRIVATE PARTNERSHIP  
ADVISORY CENTER**

**Moscow, 3<sup>rd</sup> November 2015**



## PPP Advisory Center

**Mandated** as a legal entity for advisory support of national and regional concession projects by the decree of the Government of the Republic of Kazakhstan on 30 April 2014 №248.

### The mission

to support the development of infrastructure in the Republic of Kazakhstan by providing advisory services on preparation and implementation of infrastructure projects including PPP projects.

<b>Name of the concession project</b>	Construction and operation of a multi-disciplinary hospital at Kazakh National Medical University named after SD Asfendiyarov RSE in Almaty
<b>Project Grantor</b>	Ministry of Healthcare and Social Development of the Republic of Kazakhstan
<b>Concession Type</b>	Design – Finance – Build– Maintenance – Operate (DFBMO)
<b>Срок концессии</b>	20 years
<b>CAPEX in constant prices (est.)</b>	USD 109,5 mln. (29,6 bln. tenge)
<b>Objectives of the project</b>	<ul style="list-style-type: none"> <li>• Applying new technologies to improve quality of medical services to the population of the Republic of Kazakhstan</li> <li>• Providing base for clinical training of students and retraining of doctors of KazNMU involving on the latest achievements of medical science</li> <li>• Creating a base for scientific and clinical research in cooperation with foreign scientific communities</li> </ul>



## Concept of the project

### Trends in the development of Almaty

- The role of the private health sector is increasing in Almaty

*In 2009 to 2013 number of private outpatient organizations and doctors' offices in Almaty almost doubled from 168 to 293.*

- competition among private and public organizations is expected to increase due to introduction of the insurance system

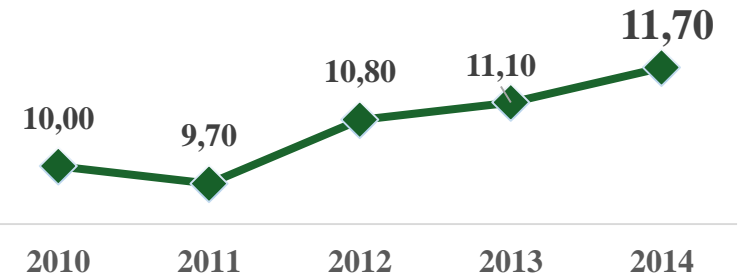
*This demonstrates the need for quality services and the confidence of patients in the planned hospital.*

**ACCORDING TO THE MARKETING STUDY OF  
MEDICAL SERVICES IN ALMATY OPTIMAL  
CAPACITY OF THE UNIVERSITY HOSPITAL IS  
300 BEDS**

Population, thous. people



Rate of natural increase, %



Life expectancy at birth, years



## Concept of the project

### Structure of profiles and beds

Profile	Quantity
Therapeutic	40
Cardiological	30
Neurologic	30
Endocrinological	30
Rheumatological	25
Ophthalmological	20
Traumatologic	30
Surgery	30
Interventional cardiology	15
Gynaecological	20
Rehabilitation of adults	30
<b>TOTAL</b>	<b>300</b>

## Concept of the project

### Types and volume of outpatient services

#### Out-Patient Daily Department's Services

Ophthalmologic Treatment

Otolaryngological Treatment

Proctologic Treatment

Gynecological Treatment

Therapy

Surgery

#### Consultations of doctors - 300 visits per day

Therapist

Gastroenterolog

Pulmonologist

Nephrologist

Rheumatologist

Ophthalmologist

Otolaryngologist

Traumatologist

Surgeon

Cardiologist

Neurologist

Endocrinologist

Gynecologist

Urologist

Proctologist

### Types of Support Services

#### **Operating rooms, beds in intensive care beds, in the recovery room**

#### Diagnostics Center

- Functional diagnostics and ultrasound: EKG, EEG, Doppler blood vessels
- Radiological diagnosis: CT, MRI, X-ray diagnostics, mammography
- Endoscopy

#### **Center for Laboratory Medicine**

#### **The spectrum of research:**

1. Immunological
2. Biochemical
3. Hemostasis
4. Hematology
5. Cytological
6. General hospital
7. Immunology
8. PCR analysis
9. Immunoassay



#### *Strategic importance for Government*

- The project is in line with the Strategic Plan of development of healthcare of Kazakhstan up to 2020 and Perspective plan of the network of health care organizations of Almaty city for 2015-2025.

#### *Economic advantages of Almaty*

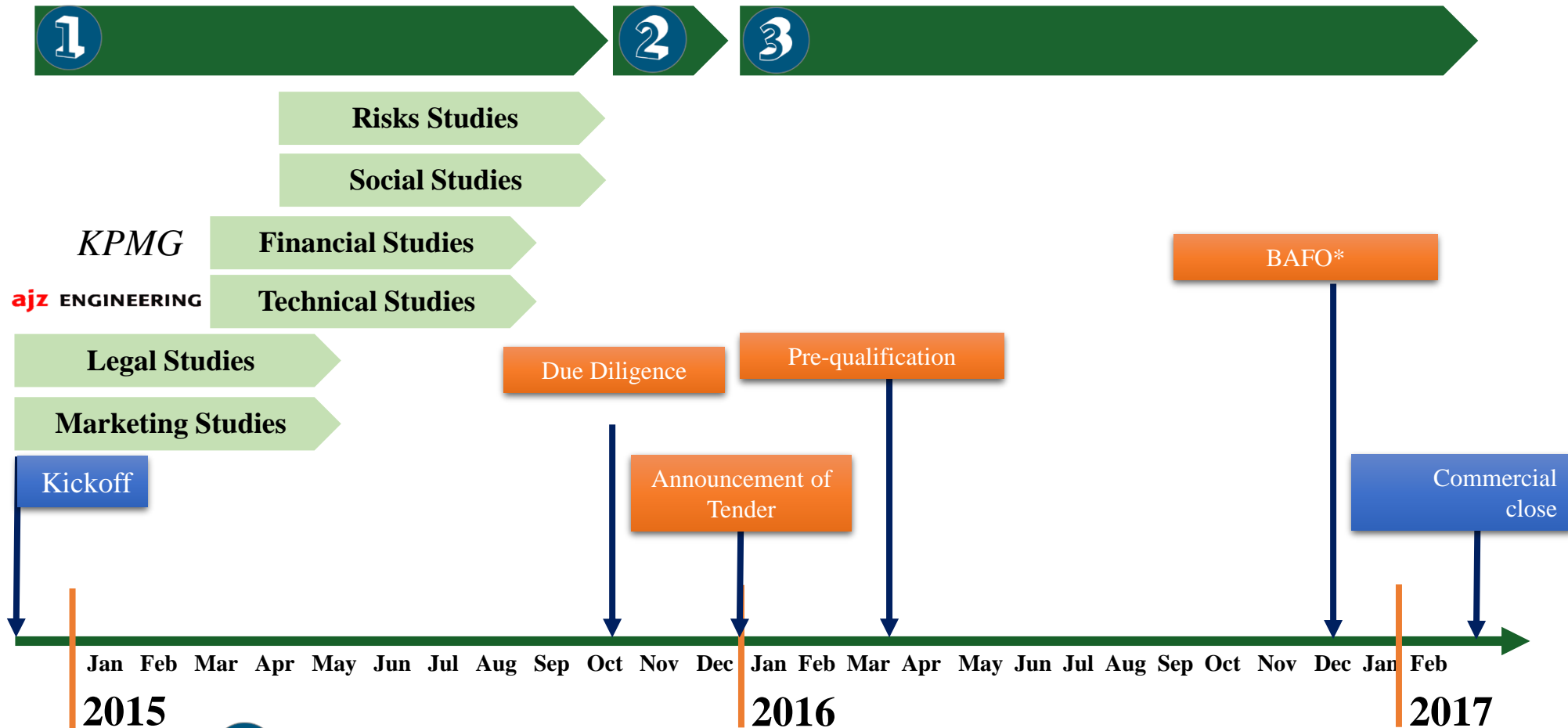
- In 2010 - 2014, the population of the city increased by 16.19%, while the real income of the population grew by 26%\*

#### *Strong resource base*

- Kazakh National Medical University benefits from 1454 lecturers, including 4 academicians, 172 doctors of science, 475 candidates of science.
- More than 1,600 medical professionals are graduated from KazNMU annually
- Ministry envisages high level of medical equipment of the university hospital

# The preliminary stages of the project vision (competition dates)

## Schedule of pre-investment stage



① Development of the concession proposal

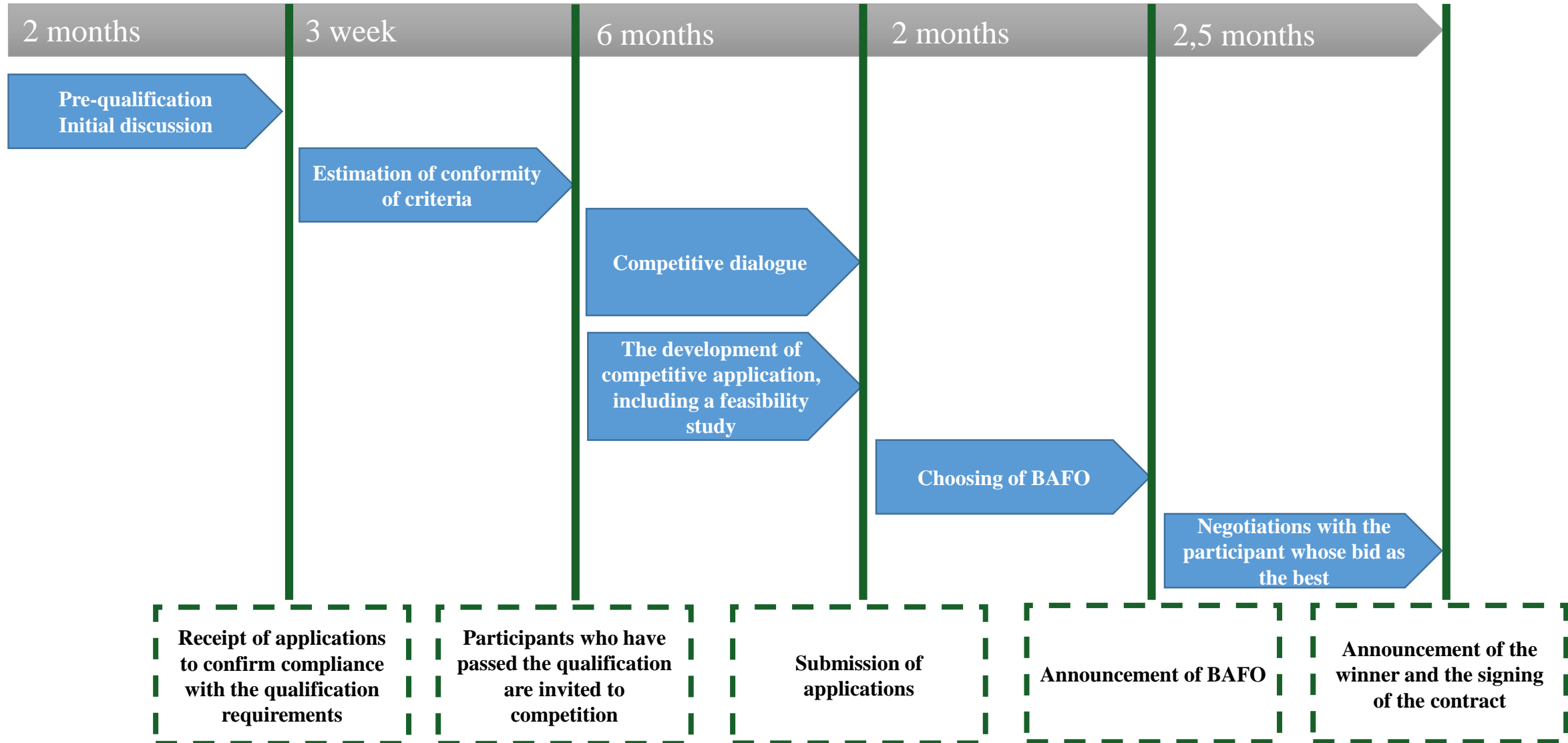
② Development of tender documentation and draft concession agreement

③ Competition for the selection of the concessionaire

\* BAFO – Best and Final Offer

# The preliminary stages of the project vision (competition dates)

## Schedule of pre-investment stage



### Construction of flagship hospital and clinics on a concession basis

- An investor is invited to build the object, supply equipment, and provide technical maintenance
- The preliminary contract duration is 20 years
- Medical services in the hospital are to be provided by a state operator (on basis of KazNMU)



### Typical pack of other project agreements



- Financing agreement with shareholders
- Agreement with shareholders for the provision of subordinated debt



- Senior loan agreement
- Direct agreement



- EPC-contract
- Operation services contract

### Legal aspects

- The project is carried out in accordance with the Kazakhstan Law “On Concessions”
- The concessionaire is to design, build and operate a 300-bed hospital and clinics with a capacity for 300 visits per day (concession object)
- The Kazakhstan Ministry of Health and Social Development (MHSD) acts as a grantor
- 2-stage tender procedure: prequalification and bidding process
- Upon the start of operation the object is transferred to the state. The concessionaire obtains rights of use and ownership until the end of concession period
- At the end of concession period the concessionaire shall return the object to the grantor in an appropriate condition
- The grantor shall provide a land plot for construction and shall pay an availability payment





## Availability payment



### Compensation for investment costs

#### Compensation for senior debt service costs

- Repayment of the principal
- Interest payments during construction
- Bank fees during construction
- Security bonds bank guarantees



### Concession management fee

#### Compensation of concession object management costs to shareholders

- Repayment of the subordinated debt principal
- Interest payments on subordinated debt
- Shareholder's return on investment in the form of dividends
- Interest payments during operation
- Bank fees during during operation stage



**Availability payment will be guaranteed by the government and paid regularly.**



### Availability payment



### Compensation of operational costs

- **Supply and maintenance of medical equipment:**

- The maintenance of medical equipment (till the 1<sup>st</sup> upgrade)

- **Utility services:**

- The maintenance of electricity, water, heat, lighting, air conditioning, IT systems
- General cleaning services, sanitation
- The cleaning of nearby areas
- Waste disposal, medical waste disposal

- **Maintenance services:**

- Maintenance of the building, technical equipment, elevators
- Maintenance of the medical gas supply system

- **Other services:**

- Communication services (including the internet)
- Security services
- Disinfection
- Catering services for patients
- Laundry services
- Free car parking



**Additional revenue of the concessionaire (not covered by the availability payment)**

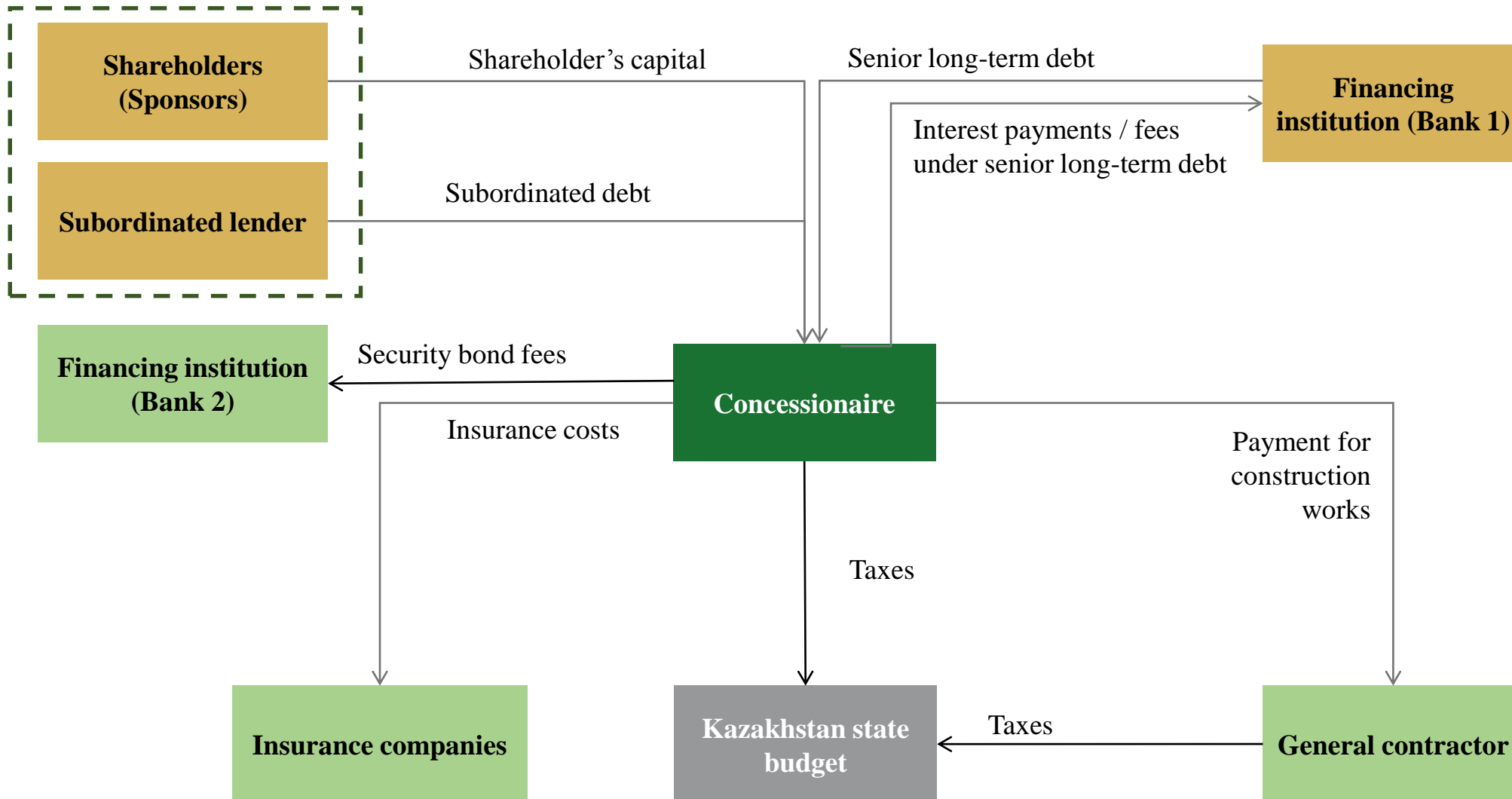


**Revenue from additional services**

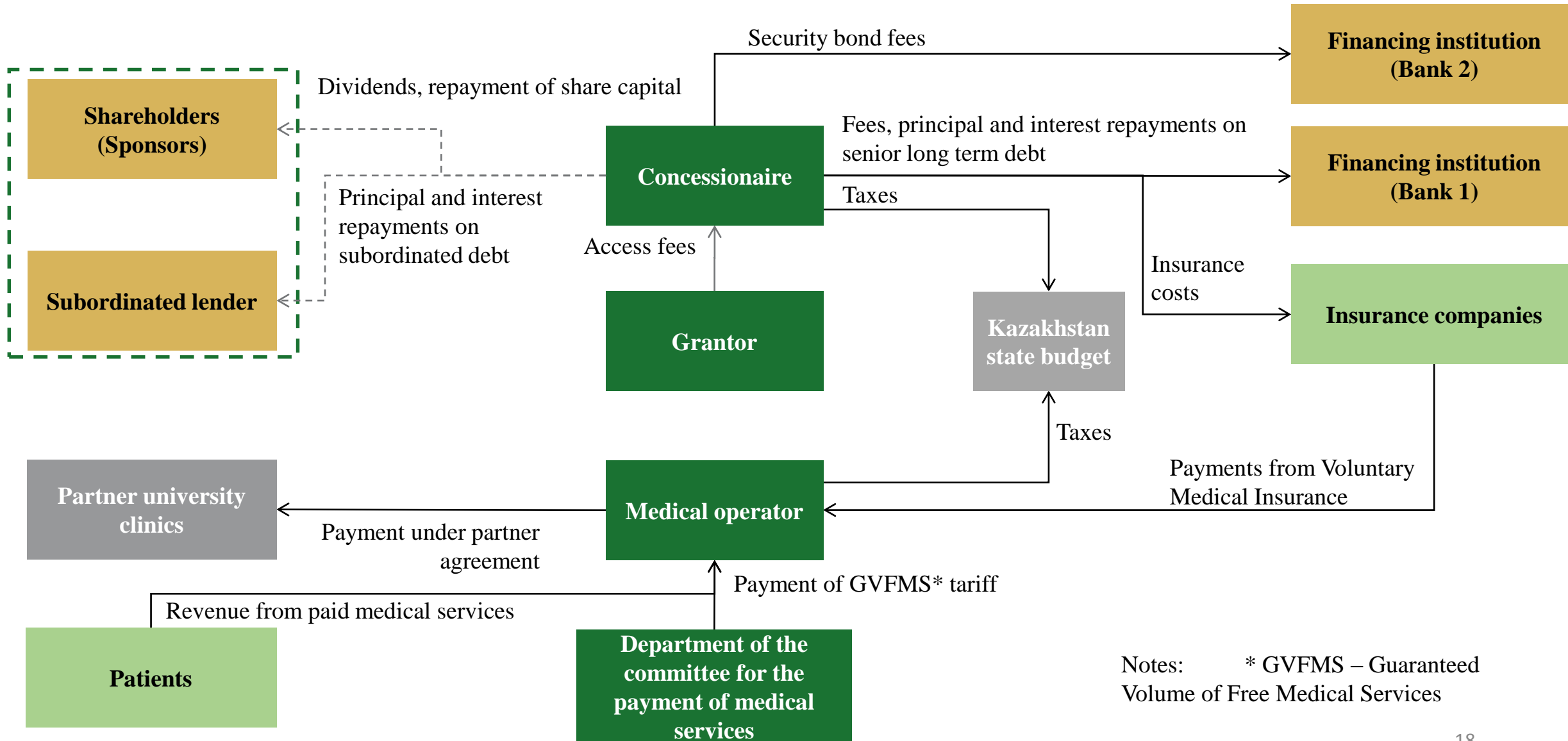
- Additional paid catering services
- Pharmacy sales
- Waste disposal services for other clinics (B- and C-class waste)



# Preliminary cash flows. Construction stage



# Preliminary cash flows. Operational stage

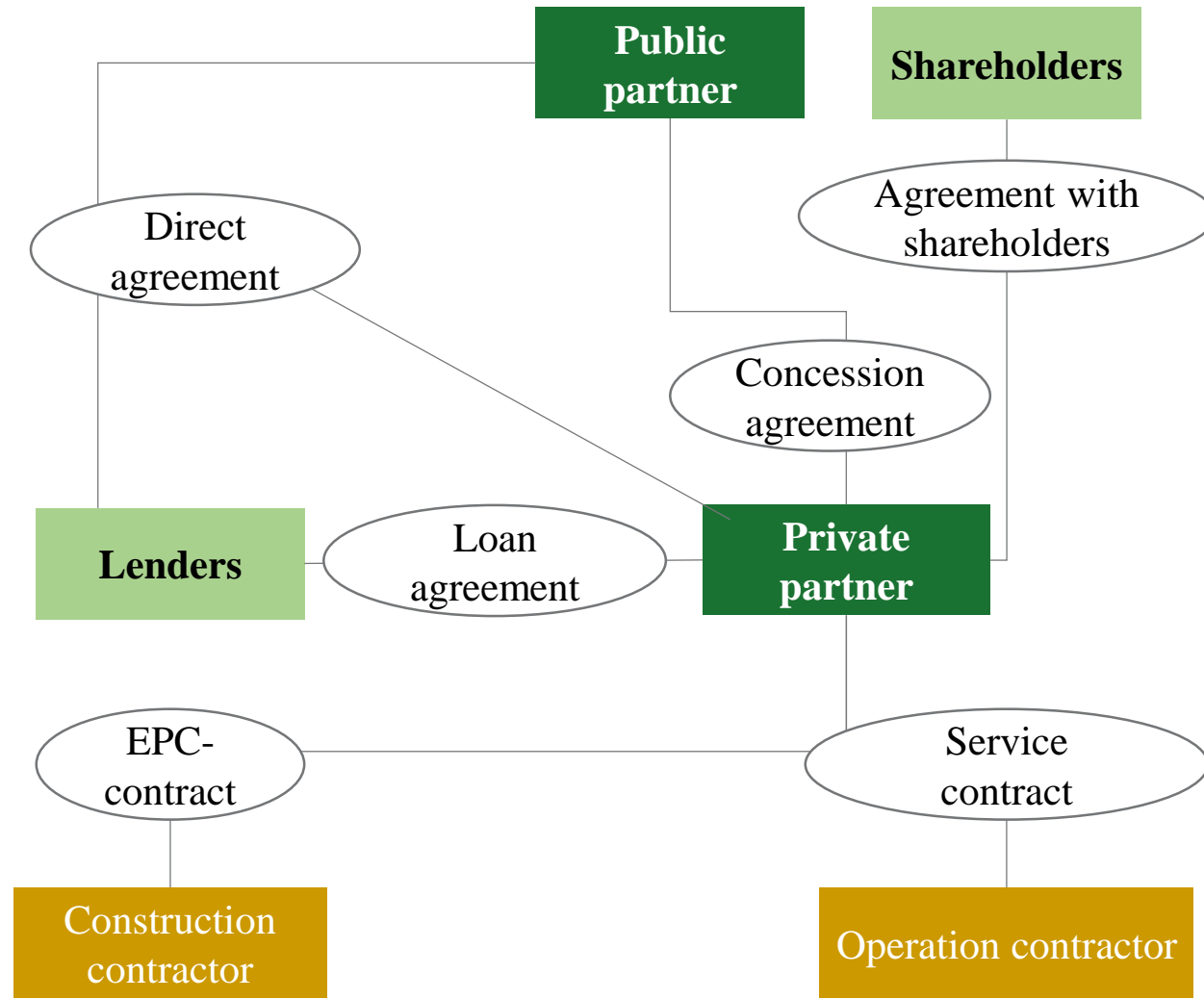


## Loan agreement

- The main document between the lenders and the private partner contains the project funding terms: the list and terms of all loan facilities under the project, requirements for drawdown and repayment, security, debt covenants, and early repayment terms, including early termination of the concession agreement

## Direct agreement

- Three-way agreement between the public partner, private partner and the lenders under which the public partner agrees to give the lenders a period of advance notice of the impending termination of the project arrangement
- This agreement also gives the lenders the opportunity to step in, either directly or through a nominee or representative, to **remedy the termination event** or to **find another party who will be acceptable** from the point of view of taking over the rights and obligations of the private partner under the concession agreement



### Shareholders' agreements on equity contributions

- The document specifies the terms of equity contributions
- Usually sponsors pay their equity early before any other funding and take the risk of insurer of last resort to cover any insurance gaps

### Shareholders' agreements on subordinated debt

- The document specifies the terms of subordinated debt provided by shareholders
- Subordinated debt acts as quasi-equity, but shareholders are able to minimise dividend tax

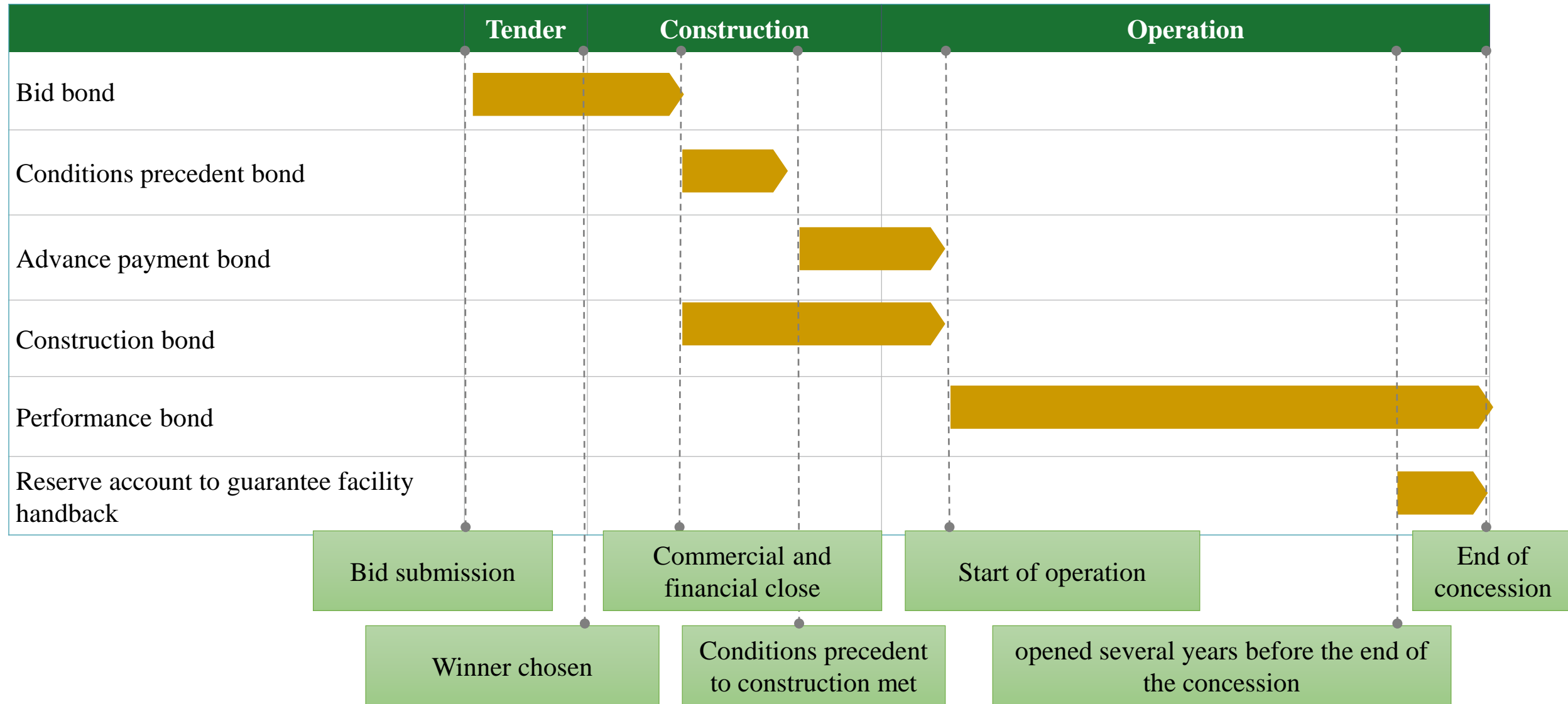
### EPC-contract

- Construction contract with the building contractor, under which the private partner's construction obligations under the concession agreement pass to the building contractor
- The building contractor provides warranties to both the public partner and the lenders. The lenders generally have the first right to step into the construction contract in place of a private partner. Any rights the public partner has are usually subject to the rights of the lenders

### Service contract

- The private partner enters into service contracts with service providers and passes on its service obligations under the concession agreement to these contractors. The service providers provide warranties to the public partner and the public partner has step-in rights in certain circumstances, subject to the rights of the lenders

# Project security backing and its terms



# Thank you for your attention!

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