Case 3

Bangladesh

Health Sector

Hemodialysis Centre at NIKDU

Syed Afsor H. Uddin
Name of project: Hemodialysis Centre at NIKDU, Dhaka & CMCH, Chittagong

Name of the speaker and email contact: Syed Afsor H. Uddin, ceo@pppo.gov.bd

Public Organization, managing the public interest: Directorate General of Health Services, Ministry of Health & Family Welfare, Government of Bangladesh

Private Organization, developing the project: Sandor Medicaid Pvt. Ltd., India

Capital Providers, financing the project: Infrastructure Development Company Ltd. (IDCOL), Bangladesh

Why is this project a Case Study for PPPs: This project has been developed as a pilot project to test the expansion of much needed affordable health care services in Bangladesh. It uses private sector providers while sets limits on the level of public sector investment. On successful implementation of the project, the aim of the project is to scale up this project across the nation, and to replicate the concept to other health care areas.

Why is this project a Case Study for PPPs based on SDGs:

Context → The Project will renovate an existing non-efficient and partially operated Dialysis Facility with 30 machines, in order to offer more quality health care services with 80 machines within the existing pricing framework.

Strategy → Private sector partner to invest in the upgrade, operation, and management of the facilities and delivery of the health care services.

Project KPI’s → Delivery of 19,500 dialysis sessions per year at BDT400 (approx. USD5) per session; Delivery of 1950 dialysis session at no cost. Quality service and availability linked KPIs.

Impact → Increases the national treatment capacity for dialysis by 12.3%, potentially saving over 1200 lives per year.

Scale up & replicate → The project has been undertaken on a pilot basis so that it can be replicated as a nation wide program in other under-utilised government facilities.

Management Team → The Private Partner carried out its contractual obligations with close contract management by the Contracting Authority’s Project team. With supervision from the PPP Authority on good governance & best practices, an Independent panel has been appointed to provide independent oversight and supervision.
Context:

1) There are around 160,000 patients with End Stage Renal Disease (‘ESRD’) in need of dialysis or kidney transplant in Bangladesh. However, national capacity for dialysis in Bangladesh is around 650 dialysis machines that can only treat around 10,000 patients.

2) 40,000 people in Bangladesh die every year due to kidney diseases; around 150,000 patients lead restricted lifestyles due to lack of access to treatment.

3) The lack of modern dialysis machines and support infrastructure restricts ability to offer quality dialysis services to patients suffering from ESRD, restricting their ability to lead a normal life and shortening their overall lifespan.

4) Construction, operation, and maintenance of dialysis facilities consisting of 80 new dialysis machines and related equipment to provide 1950 free treatment session in the span of 10 years. There are 19500 sessions to be subsidised with public sector rates, and the remaining sessions will be made available at below market price - subject to quality, service and availability linked KPIs.

5) PPP was selected as a delivery method to ensure a sustainable service delivery solution at a consistent quality standards while minimising the need for upfront public sector capital investment.

Strategy:

1) The need for enhancing Dialysis Services was identified by the executing agency responsible for the services. The PPP option was considered following a field visit and review of case studies. The project was then approved by the PPP Authority and the Health Ministry.

2) Feasibility Study included needs assessment, overview of market and current practice, findings from market sounding exercise, legal and regulatory environment review, infrastructure requirements, technical and quality parameters, project transaction structure, financial analysis, commercial heads of terms, key evaluation parameters. The feasibility study concluded that the project could be successfully implemented on a PPP basis.

3) The contract was signed on January 2015, with Financial Closure reached in March 2015. The Private partner started construction of the facilities with equity.

4) Developing the project on a PPP basis with payment linked to KPIs enables government to ensure service delivery on mandated quality standards at an agreed price.
**Strategy: Key Development Concerns**

1) The Key development concerns included:
   - Perception on shifting of Critical Health Service delivery to the private sector
   - Management of existing stakeholders (e.g. suppliers, labourers etc.)
   - Dilemma on potential conflict between the competing facilities
   - Concerns on the additional upfront time required for project development in response to the urgent need for dialysis support

2) The following mitigation measures were used to address the concerns of various stakeholders:
   - Extensive stakeholder consultation with public sector officials in the implementing agency, the executing agency, and the ministry.
   - Showcasing case studies of similar characteristics successfully delivered in other countries and the benefits secured.
   - Sensitive use of key existing resources (e.g. nephrologist etc).
   - Robust PPP Contract covering the key concerns of stakeholders regarding quality of service, governance issues, penalty regime, reputational risk, etc.

**Project KPI’s:**

1) The project is located within existing public health facilities at NIKDU Institute (Dhaka) and CMCH Hospital (Chittagong). Total floor space allocated at NIKDU is 7,500 sqft and at CMCH is 4,750 sqft. License has been provided for the private provider for service delivery. The permits required include import permit, environment clearance, trade license, VAT registration, incorporation certificate, etc.

2) Capital expenditure includes project development cost, building refurbishment, medical equipment, installation and project development costs of around USD2m (NIKDU) and USD1m (CMCH).

3) Debt to equity ratio for the transaction is 40:60, and the debt is mainly spent on equipment and machines imports.

4) The revenue stream will be based on the following structure: Delivery of 19,500 dialysis sessions per year at BDT400 (approx. USD5) per session; Delivery of 1950 dialysis session at no cost; Delivery of additional sessions outside these minimum at private partners option but capped to BDT2190 (approx. USD27).

5) The key project milestones included: Invitation for Tender, February 2014; Tender submission, May 2014; Project Approved, January 2015; Contract Signing, January 2015; Construction commencement, August 2015; Financial close, March 2016. Further, the expected date for commencement of operations is around June/July 2016.
Impact on People & Planet:

1. This project will increase the capacity of the country’s dialysis services by 12.3%, providing access to treatment to over 1000 additional patients who did not have access to treatment before. This will enable these patients to lead a better quality of life through better health service.

2. The project structure ensures that patients will have access to increased number of dialysis sessions, at higher quality standards but at reduced charges. Additionally, patients can also access private healthcare facilities at charges below prevailing market prices.

3. Patients will be able to benefit from walk in service availability, with 24 hour service coverage, ‘1-stop-shop’ health services without the need to purchase consumables separately.

4. The project will also help to disseminate health service best practices within the other facilities of the health complex.

Sustainable Development Goals

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<thead>
<tr>
<th>Sustainable Development Goals</th>
<th>No impact</th>
<th>Some impact</th>
<th>High impact</th>
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<tbody>
<tr>
<td>1    End Poverty</td>
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<td>2    End hunger</td>
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<td>3    Wellbeing –healthy lives</td>
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<td>4    Quality education</td>
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<td>5    Gender equality</td>
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<td>6    water and sanitation for all</td>
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<td>7    Affordable and sustainable energy</td>
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<td>8    Economic growth &amp; decent jobs for all</td>
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<td>9    Resilient infrastructure, sustainable industrialization, foster innovation</td>
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<td>10   Reduce inequalities within and among countries</td>
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<td>11   Cities inclusive, safe, resilient and sustainable</td>
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<td>12   Responsible consumption by all</td>
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<td>13   Combat climate change</td>
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<td>14   Protect the ocean</td>
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<td>15   Take care of the earth</td>
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<td>16   Peaceful and inclusive societies, justice for all, accountable institutions at all levels</td>
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<td>17   Mechanisms and partnerships to reach the goals</td>
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Scalability & Reliability

1. This project has been developed as a pilot. Upon successful implementation, it will enable replication of the project at national level across other regions of the country where there is acute need for dialysis services.

2. The project provides a first step into enabling introduction of private sector providers in delivery of health services within the public sector framework. Other follow up projects that are being considered include diagnostic services, imaging facilities, and ambulance services.

3. The proposed commercial model for this project is also being piloted on a housing project, whereby the private partner is using proceeds from commercial and residential property sales to develop affordable housing estates.

4. Countries at a similar stage of economic development as Bangladesh and health service requirements can consider the adoption of this project to address dialysis service needs.

5. The key success factors for expanding the project and replicating it into a wider program include the need for adequate demand, the availability of suitable space within existing public health institutions, and the availability of skilled medical practitioners and public sector official buy-in.

6. Wider stakeholder consultation and discussion will be vital for the success of future similar projects.

People First is also about the Management Team that made it happen:

1) Ministry of Health and Family Welfare (approval authority); Directorate General of Health Services (contracting authority); National Institute of Kidney Diseases and Urology and Chittagong Medical College Hospital (executing agency); PPP Authority (Regulator for PPPs)

2) Sandor Medicaids Pvt Ltd (Private Partner)

3) The project is being monitored by a government team consisting of the Director (NIKDU), Director (CMCH), Director Hospital (DGHS), Deputy Security (PPP Authority), and supported by PPP consultants.

4) The PPP Authority was established to support infrastructure development by implementing an enabling environment to access private sector finances through PPPs. The PPP Authority has put in place a number of reforms, including enactment of the Bangladesh PPP Act. As a result, within 4 years the PPP Authority has established a USD14 bn pipeline, with USD1.3bn of contracts signed and another USD1bn of projects in procurement.

5) To increase economic growth in Bangladesh from 6.5% to 8% over the next 5 years, the government has to increase investment as a portion of GDP by 5.5%. 77% of this increased investment is targeted from the private sector. This is critical to developing Bangladesh into a middle-income country.