



Public-Private Partnership Stories

Brazil: Belo Horizonte Primary Care



Aiming to provide greater access to improved healthcare facilities to its population, the Municipality of Belo Horizonte decided to partner with a private sector firm to build and remodel some of the city's Primary Care facilities under a public-private partnership (PPP) model. In order to structure the transaction, the Government signed a mandate with IFC in 2010 to be its lead advisor.

The APS BH consortium won the bid for a 20 year concession to build, remodel, operate, and maintain 77 primary care units spread across the municipality of Belo Horizonte, in addition to providing a new laboratory and sterilization center. The concessionaire is expected to invest USD 115 million for new construction works, general infrastructure, providing low complexity medical equipment, as well as operating non-clinical services, such as cleaning, surveillance, laundry, sanitation and maintenance. The PPP agreement was signed in February, 2016.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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1 million low and middle income people from the municipality will have improved access to higher quality primary care services.



BACKGROUND

The Brazilian constitution guarantees free access to public health for all its citizens. However, the country has struggled to provide the quality health facilities needed to live up to this important goal. To change this situation, the Municipality of Belo Horizonte has prioritized investments in the public health sector, and believes that improving the provision of primary care services will contribute to the overall improvement of health indicators across Brazil's sixth largest city.

The Belo Horizonte Primary Care project was the second health PPP in the Municipality of Belo Horizonte and the first involving Primary Care facilities. This is IFC's second successful partnership with the Municipality, following the Belo Horizonte Schools PPP which closed in 2012.

IFC'S ROLE

After having successfully advised the State of Bahia in structuring the Hospital do Suburbio PPP, the first health PPP in Brazil, IFC was approached by the Municipal Government of Belo Horizonte to discuss whether a PPP would be an appropriate option in helping them provide more modern health facilities for their citizens, and in May 2010, the city engaged IFC to help them in structuring, implementing, and tendering the Primary Care Network PPP project.

IFC undertook this task in partnership with Brazilian National Development Bank (BNDES) and the Inter-American Development Bank (IADB) as part of the joint Brazil PSP Program, which aims to foster the development of infrastructure in Brazil in partnership with the private sector.

IFC's mandate included structuring a PPP agreement that would help meet the city's objective of providing more and better quality healthcare facilities, as well as helping the municipality run a transparent and competitive bidding process to identify a private sector partner. The partner would be required to finance, build, equip, maintain and operate non-clinical services of 77 primary care centers across Belo Horizonte. As part of the non-clinical services, the private partner would have to provide services such as a help desk, cleaning, laundry, maintenance and surveillance of the clinics, as well as the operation of a Laboratory and Sterilization Center.

TRANSACTION STRUCTURE

IFC proposed a transaction structure based on a 20 year concession agreement with the project's implementation being divided into two phases. The first phase includes constructing or rehabilitating 40 primary care centers, as well as building the laboratory and sterilization center, providing all the necessary investments and delivering fully operational facilities within 36 months. The second phase, which encompasses 37 additional

primary care centers will be implemented subject to land availability provided by the municipality.

The agreement also spelled out the Government's responsibility to pay an annual fee to the Concessionaire for providing the services in line with strict performance indicators, including 24 quality and 9 availability indicators. The lowest fee was the bid criteria to ensure the City received the best deal possible

BIDDING

The APS BH consortium won the bid for the Primary Care PPP in Belo Horizonte. The winning proposal was composed by a yearly maximum Government payment of USD 31.8 million (FX rate as of April, 2016).

The concession agreement was signed in February, 2016.

EXPECTED POST-TENDER RESULTS

- Provides for the construction/remodeling and operation of non - healthcare related services of 77 Primary Care centers and 1 new Laboratory and Sterilization Center in less time and at lower cost.
- Guarantees improved access and higher efficiency through quality and availability indicators.
- Mobilizes \$115 million in private sector investments in Belo Horizonte's health equipment and infrastructure.
- 1 million people with greater access to improved health facilities pre year.

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