



Public-Private Partnership Stories

Bangladesh: Bangladesh Hospital PPP



Bangladesh faces an increasingly challenging demographic issue as the population aged 60 and above is expected to rise to 17 percent by 2050 from six percent in 2006. The ratio of elderly to active labor force is also expected to reach 15 percent by 2050, compared to six percent in 2010. This is due to a combination of population growth, improved health services, education and new technologies, decline in mortality rates, and longer life expectancy.

To address the challenge and support the ageing population, the Ministry of Social Welfare (MoSW) engaged IFC in May 2013 to advise on a pilot PPP project for a secondary care hospital with special focus on geriatric care and ancillary activities for the elderly. On December 4, 2017, MoSW signed a concession agreement with Universal Medical College & Hospital Ltd. (UMCH), a healthcare service provider headquartered in Dhaka, Bangladesh. UMCH will design, build, finance, operate, and maintain the 70-bed facility under a 30-year concession agreement.

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

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BACKGROUND

In Bangladesh, the local elderly care industry is underdeveloped. The most vulnerable are the elderly in rural areas who suffer from low food supply, unreliable access to clean water, and limited access to healthcare services.

To solve this problem, the MoSW previously attempted to develop an elderly care facility which was unsuccessful due to the lack of technical and financial capacity within the government. To address these challenges and provide quality services to the growing elderly population, while addressing both financial and labor bottlenecks, MoSW planned a combined healthcare and elderly care facility on a PPP basis with support from the IFC Transaction Advisory Services.

IFC'S ROLE

IFC's PPP Transaction Advisory team was engaged by the MoSW to advise on a pilot PPP project for a secondary care hospital and elderly care facility to be built in Sylhet, a city in northeastern Bangladesh. The facility will focus on geriatric care and ancillary activities for the elderly.

IFC conducted detailed technical, financial, environmental, regulatory, and legal due diligence and provided recommendations on financing mechanisms, risk allocation, and design of the tender process and documents. IFC also supported MoSW in attracting private sector bidders.

TRANSACTION STRUCTURE

The project scope includes a 70-bed facility, with 40 beds for acute hospital care and 30 beds for elderly care. The private partner will finance, design, construct, staff, maintain, and operate the network for a period of 30 years. The total private sector investment is \$5 million.

For this project, IFC developed a unique approach by adopting a bidding parameter that maximizes services for those most in need. Thanks to this strategy, such services will more than double, making 55 percent of the healthcare and 10 percent of the elderly care services available to the poor. The project structure incorporated an income tax incentive for the operator to increase services for low-income patients. Additional land was provided to the concessionaire to undertake commercial activities that could cross-subsidize services to the poor.

BIDDING

After a transparent and competitive bidding process, Universal Medical College & Hospital Ltd. (UMCH), which operates one of the largest corporate hospitals in Bangladesh, was selected as the winning bidder. The Concession agreement was signed between UMCH and the Government of Bangladesh on December 4, 2017.

One of MoSW's goals was to maximize services for the poor without any additional payment from GoB. Advised by IFC, UMCH will serve 55 percent of patients from low-income households.

EXPECTED POST-TENDER RESULTS

- \$5 million in private sector investment mobilized for the public health sector.
- 15,000 people per year will receive access to improved services, of which over 50% will be from low-income households.
- The PPP Law was revised to include tax incentives across all sectors in Bangladesh.
- A biometric system to identify patients will be introduced and will support MoSW's work in developing a list of low-income households across the country to ensure they receive quality healthcare and other services.

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