



# Public-Private Partnership Stories

## Bangladesh: Bangladesh Dialysis Centers



There is high incidence of kidney failure in Bangladesh due to many occupational, environmental and demographic factors. The Government of Bangladesh (GoB) estimates that about 40,000 patients die each year due to kidney disease. The only treatment options available for patients with kidney failure are kidney transplant or dialysis. While kidney transplants face numerous technical and financial constraints, dialysis is a fairly simple procedure and patients who receive this vital treatment can live normal and productive lives for many years. However patients on dialysis need the procedure 2 to 3 times a week for the rest of their life, which means patients need easily accessible and affordable dialysis services, especially patients from economically weak sections of society.

To resolve this issue, the Government of Bangladesh launched a pilot project placing dialysis services within existing hospitals in the country's biggest cities, Dhaka and Chittagong, through a Public Private Partnership (PPP). A tender was launched for the same and as a result a company with expertise in providing dialysis services was selected as the private partner.

*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

Chronic kidney disease is one of the leading non-communicable diseases in Bangladesh. It is a progressive ailment that ultimately leads to end stage renal disease (ESRD) which requires patients to either receive a kidney transplant or seek dialysis to survive. According to estimates from the government, about 1.6 million people in Bangladesh suffer from ESRD and about 40,000 patients die each year due to kidney diseases. The combined capacity of both the public and private healthcare providers is able to provide less than 10% of patients with dialysis services, thus the need for immediate and wide spread expansion of dialysis services across the country.

It was imperative for the Government of Bangladesh to leverage private sector finance and expertise in efficient operations for such wide scale expansion. The government decided to upgrade dialysis centers in specialized hospitals in Dhaka and Chittagong, the two most populated cities in Bangladesh. The existing dialysis facilities at the selected hospitals i.e. National Institute of Kidney Diseases and Urology (NIKDU) and Chittagong Medical College & Hospital (CMCH) were grossly inadequate with obsolete equipment and dilapidated buildings.

## IFC'S ROLE

IFC's PPP transaction advisory team was engaged by Bangladesh's PPP Office to assist in formulating the PPP transaction structure, preparing the tender documents, and conducting the bid for selecting a private operator through a competitive and transparent process. A tripartite memorandum of understanding was signed between IFC, the PPP office and the Ministry of Health and Family Welfare.

The winning bidder would be responsible for financing, refurbishing, staffing, operating and maintaining dialysis centers at NIKDU and CMCH. IFC conducted detailed technical, financial, environmental, regulatory, and legal due diligence and provided recommendations on financing mechanisms, risk allocation, and the design of the tender process including preparing the tender documents.

## TRANSACTION STRUCTURE

The project includes installation of 110 dialysis stations at the two hospitals, 70 stations at NIKDU and 40 at CMCH. NIKDU & CMCH will provide the space, utilities, and nephrologists at the two centers. The private partner will design, refurbish, procure and install equipment, and finance and maintain operations of the dialysis centers for a period of 10 years. The private operator will also employ and maintain all staff other than nephrologists.

The project uses a cross-subsidization model with dual pricing, meaning poor and underprivileged patients are provided services at highly subsidized rates, while private patients pay a

higher fee. The government wanted to ensure all patients could afford this vital service, so as part of the PPP, they established a fixed tariff for government patients and set the bidding parameter to be the least tariff for private patients. In order to support low tariffs to users, the Government of Bangladesh would pay an amount of about USD 700,000 each year to the operator.

The total estimated capital expenditure of the project is around USD 2 million.

## BIDDING

After a transparent and competitive bidding process, an Indian company that operates a network of dialysis centers across India, Sandor Medicaids Private Limited, was selected and awarded the project. Sandor Medicaids committed to offer a dialysis session to private patients at about USD 28 per session, which is less than half of that in private hospitals in the country providing dialysis services of comparable quality. The Concession agreement was signed between Sandor Medicaids Private Limited and the government of Bangladesh in January 2015.

## EXPECTED POST-TENDER RESULTS

- At least \$2 million in private investments.
- Improved dialysis services to the general populace of Bangladesh.
- 8 times Increase in capacity for dialysis services at NIKDU and CMCH.
- 13% increase in total dialysis machines in the country.

01/2016