



# Public-Private Partnership Stories

## India: Shillong Medical College



The state of Meghalaya in northeastern India suffered from a lack of affordable health-care services and a severe shortage of doctors. The problem was exacerbated by the region's remoteness and a difficult regulatory climate that discourages private sector participation in the sector. To expand access to effective and affordable health-care services and put medical education within reach of students from lower income households, the state government turned to IFC to set up a concession to build and operate a medical college and training hospital.

KPC Medical College and Hospital, Jadhavpur, the biggest private medical college and hospital in eastern India, won the 99-year concession. It will build and operate both the Shillong medical college and the associated training hospital. From 2020, it will produce 100 trained doctors per year. The hospital, which is expected to be operational by 2018, will serve over 240,000 patients annually. The concession was signed on November 2, 2012.

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

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*Shillong Medical College is expected to serve 240,000 low-income patients and train 100 doctors per year.*

## BACKGROUND

India has long faced challenges in delivering affordable health care to its citizens. In poor states such as Meghalaya in northeastern India, the problem is exacerbated by a severe lack of doctors (Meghalaya, with a population of 2.5 million, has two doctors per 10,000 people) and medical training facilities. Investors were discouraged by Shillong's remote location, the relative poverty of the region, a difficult regulatory regime that discourages private investment, and the government's experience gap in executing public-private partnerships (PPPs).

To address these longstanding issues, the state government proposed constructing a 100-seat medical college with an associated 500-bed teaching hospital through private sector participation. It sought support from IFC to attract qualified private sector firms to participate in a bidding process. The project also supports the government of Meghalaya's objective of making Shillong an education hub for the region.

## IFC'S ROLE

IFC conducted a detailed feasibility study to determine what role private investment could play in the provision of a health-care facility in Shillong and an affiliated teaching facility. IFC's findings were presented in a Strategic Operations Report that recommended seeking an investor through a PPP.

IFC then worked closely with the state government to structure the project and execute the transaction within the framework of existing regulations. It also conducted an extensive outreach which addressed investor concerns about the project in the transaction structure, reaching over 100 potential investors. The transparency and professionalism of the IFC team contributed significantly to private sector interest in the project.

IFC assisted the government in implementing the transaction and managing the bid process. It drafted PPP contract documents, assisted in the evaluation of technical and financial bids, and worked closely with all parties through the signing of the final contract agreement.

## TRANSACTION STRUCTURE

The winning bidder would be responsible for designing, developing, financing, constructing, and operating the proposed medical college and hospital for the concession period. It would also ensure that the medical college adheres to Medical Council of India (MCI) guidelines. At the end of the concession period, the project would be transferred to government. The state government would provide land for the project, a 40 percent capital subsidy for the construction phase of the project, and an operational subsidy for the first 12 years of operations of the project. The state government is also introducing a universal public health insurance plan and will list the teaching hospital as a state referral hospital, thereby ensuring that patients will be sent there.

## BIDDING

The main bid criterion was the subsidy required by the bidder to develop and operate the hospital—the smaller the subsidy, the more attractive the bid. Five firms submitted bids, of which three were qualified. Of these, the lowest bidder was the KPC Medical College and Hospital, Jadhavpur, the biggest private medical college and hospital in eastern India. The 99-year concession was signed in November 2012.

### EXPECTED POST-TENDER RESULTS

- First successful PPP in medical education in India.
- Expected to serve 240,000 low-income patients per year.
- Expected to train 100 doctors annually.
- \$30 million in expected investments.

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