



Public-Private Partnership Stories

Fiji: Lautoka and Ba Hospitals



Redevelopment of Lautoka Hospital and Ba Hospital is the first Public Private Partnership (PPP) to be implemented in Fiji. These upgrades represent a major milestone towards the Government of Fiji's (GoF) objective to strengthen the healthcare system to provide better services to residents. The PPP is expected to set a new standard for the provision of healthcare, not only through significant improvement in quality of services but also through the introduction of new, tertiary care services previously unavailable in the country.

On January 17, 2019, GoF signed a concession agreement with Healthcare Fiji Private, a consortium formed between the Fiji National Provident Fund (FNPF) and Aspen Medical Pty Ltd., a multi-national healthcare service provider headquartered in Australia. The concessionaire is responsible for constructing a new multispecialty hospital in Lautoka, equipping both project hospitals and maintaining and provision of both non-clinical and clinical services. It is the first health PPP in Fiji and is expected to set a new standard of healthcare in the country, generating \$80 million of private investment in infrastructure.

Project implementation was supported by Department of Foreign Affairs and Trade (DFAT), Government of Australia.

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

IFC
Public-Private Partnerships
2121 Pennsylvania Ave. NW
Washington D.C. 20433
ifc.org/ppp

BACKGROUND

Improving the quality of health care and access to tertiary care services is one of the main development objectives of the Government of Fiji. The quality and availability of services in the Fiji healthcare system are compromised due to a number of systemic issues, such as the shortage of qualified medical practitioners, lack of investment in facilities and equipment, poor maintenance, suboptimal management practices, and inefficient procurement of drugs and consumables.

Although health outcomes have improved in recent decades, the overall health burden is still high, stemming primarily from communicable diseases and a significant and growing prevalence of non-communicable diseases (NCDs). Surprisingly, Fiji has one of the highest rates of heart disease and diabetes in the world. This is a byproduct of unhealthy diet, high tobacco and alcohol consumption, and physical inactivity. For many citizens of Fiji, these much-needed tertiary care services—including treatments for cardiovascular disease or cancer—are only available overseas and are costly or unaffordable.

To address these issues, GoF sought to engage the private sector through a PPP model that would bring private financing to improve infrastructure, utilize supply chains of private operators in addressing issues of staff shortages (for medical specialists in particular), and bring operational expertise and capabilities to improve practices at the Project Hospitals.

IFC'S ROLE

The GoF engaged IFC Transaction Advisory Services to assist with the implementation of the PPP transaction. This involved technical, financial, legal, and environmental and social due diligence to develop a bankable transaction structure, which balanced the interests of both private investors and the Government.

After the Government had accepted the transaction structure, IFC assisted with developing all project documents, promoting the project to international bidders, negotiating with bidders, and managing the tender processes up until the signing of the concession agreement.

TRANSACTION STRUCTURE

Under the PPP, the Concessionaire is responsible for financing, upgrading, equipping, staffing, operating and maintaining, and delivering all clinical and non-clinical services at the Project Hospitals for a 23-year concession term.

This will include the construction of a new Joint Commission International (JCI) accredited 305-bed multi-specialty hospital in Lautoka, installation of new medical equipment at both hospitals in accordance with predefined technology standards, and staffing of all medical practitioner positions, including specialists currently not available in Fiji to introduce new services, such as

cardiac and oncology care. The Government will provide land and existing infrastructure at Lautoka Hospital and a newly built 70-bed hospital in Ba.

The payment mechanism includes both an annuity payment, designed to ensure bankability, and a tariff component to compensate the Concessionaire for the treatment services provided to Fijian citizens.

Services provided under the PPP will be free for Fijians, while the revenue derived from foreign patients will be shared between the Concessionaire and the Government.

BIDDING

The tender was designed as a one stage, two envelope process with technical proposals evaluated on a pass/fail basis. The successful bidder was determined by the lowest tariff for the provision of services as quoted in the financial proposals. After extensive marketing and consultation with investors, two bids were received, both of which were compliant with the technical responsiveness criteria in the request for tender.

The concession agreement was signed with Healthcare Fiji, a consortium formed by the winning bidder, Australia-based Aspen Medical Pty Limited, and the Fiji National Provident Fund (FNPF), a financial investor in the project.

EXPECTED POST-TENDER RESULTS

- The project will mobilize \$80 million of private investment to improve facilities and install advanced medical equipment.
- New, JCI accredited 305-bed multispecialty hospital and 70-bed hospital.
- Introduction of new tertiary care services, including heart surgeries and cancer treatments.
- About 240,000 people—26 percent of Fiji's population—will benefit from improved quality and access to services.

10/2019