



Public-Private Partnership Stories

Kyrgyz Republic: Dialysis Centers



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

In the Kyrgyz Republic, a nationwide shortage of equipment and expertise meant that only 20 percent of people who needed dialysis had access to it through the country's public health centers. With nearly 1,000 Kyrgyz citizens dying every year from kidney failure, the government decided on a public-private partnership (PPP) to expand quality and access to the lifesaving treatment. In 2012, the Government of Kyrgyzstan approved a PPP law with the vision of attracting an international dialysis operator. After several unsuccessful attempts to move the project forward, the Ministry of Health looked to IFC, as lead transaction advisor, to help structure and implement a PPP for four dialysis centers.

In August 2017, the Ministry of Health (MoH) signed a ten-year PPP agreement with Fresenius Medical Care, a worldwide leader in dialysis care. In May 2019, Fresenius opened four dialysis centers in the Kyrgyz Republic (Osh and Jalal-Abad in the southern region and two in Bishkek)—covering around 75% of the population and offering a minimum of 75,000 dialysis sessions. In the coming years, Fresenius will expand services to introduce peritoneal dialysis, a procedure that allows individuals to perform dialysis at home. This will be the first-time peritoneal dialysis will be offered in the Kyrgyz Republic

IFC's advisory work was undertaken in partnership with KfW German Development Bank, who initiated the project and funded specialized consultants to work under IFC's leadership.

BACKGROUND

While kidney diseases were among the top 10 causes of death in the Kyrgyz Republic, only 20% of patients in need of dialysis had access. For those who had access, 79% of patients were infected with Hepatitis B/C due to insufficient spare equipment for sterilization between patients and limited access to running water. The Kyrgyz Republic suffered from a nationwide shortage of dialysis equipment, insufficient expertise, and outdated facilities, as well as a lack of education and clinical process.

There was also a lack of access to quality treatments. While dialysis treatments are fully subsidized by the government, prior to the PPP, patients were spending on average \$2,000 per year on testing and medications directly related to the treatment. For those who could afford it, they often opted for a kidney transplant in foreign country.

To address these challenges and expand access to dialysis treatment, the Ministry of Health, along with the Government of Kyrgyz Republic and the Ministry of Finance, entered into the country's first PPP agreement.

IFC'S ROLE

As lead transaction advisor, IFC supervised the technical and legal consultants work and advised the key government counterparts during the preparation of the Feasibility Study, bidding documentation, and the PPP agreement. As the first PPP in the country, IFC helped build capacity within the Government to make informed decisions and understand the PPP project implementation process, key aspects for bid evaluation, and future monitoring aspects. IFC also played a central role to help reach and attract major international companies to the Dialysis PPP tender and manage the bidding process.

As part of due diligence, IFC reviewed the Kyrgyz National Dialysis Standards and referral process prior to the tender launch, and proposed improvements in line with international best practice. Improved National Dialysis Standards were enacted through a ministerial order to align with best industry practice, ensuring that a high-quality provider would be selected for the project. In addition, as a result of the PPP, revised referral procedures were enacted nationally to ensure greater transparency and access to lifesaving care.

Following the successful implementation of the dialysis center PPP, the Government engaged IFC in two follow-up PPP projects (schools and a medical rehabilitation center).

TRANSACTION STRUCTURE

The ten-year PPP agreement envisages that the private provider will finance, lease, and operate four dialysis centers and provide an all-inclusive (lab tests and medicine) service for the patients at the best-practice dialysis standards. In return, the public counterpart pays a fixed tariff for the treatment. Since, by law, dialysis treatment is fully subsidized by the Government, public funding was a major constraint.

To ensure high standards are met, the transaction was structured so that payment to the private partner is linked to four KPIs that are assessed on a quarterly basis and is monitored by a special consultant team (set up by IFC in collaboration with KfW) together with the MoH experts. The KPIs introduced in the service contract made this a first of a kind contract in the country, with penalties calculated in percentage points of the session price.

BIDDING

An international call for bids was announced on January 10, 2017, with the bidding parameter set as least tariff charged to the MoH. More than 150 attendees participated at the investor conference, including 19 bidders, representatives of International Financial Institutions (IFIs), and the Government of Kyrgyz Republic. The international tender was run transparently and efficiently where two out of five prequalification applications were retained. Both companies then submitted a complete bid, and Fresenius was selected as the winning bidder on June 14, 2017.

POST-TENDER RESULTS

- Higher standards of care including improved National Dialysis Standards aligned to international best practices and increased medical expertise through training for doctors and nurses done in collaboration with the Medical Faculty of Bishkek
- Quality of life for patients who previously did not have access to lifesaving treatment
- Improved patient referral system ensures transparent prioritization, efficiency of decision-making process, and better treatment demand planning
- New monitoring capacity of PPP projects led by a team of special monitoring consultants in collaboration with experts from the Ministry of Health

05/2019