

Success Stories

PUBLIC-PRIVATE PARTNERSHIPS

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

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Health



Photo © Nasser Nouri

Egypt: Alexandria University Hospitals

Egypt, the most populous country in the Arab world, has a well-respected system of medical education, but has difficulty delivering high-quality medical care because of inadequate hospital facilities. To tackle the problem, the government of Egypt sought IFC's assistance in the country's first public-private partnerships in the health sector to design, build and operate two new specialty teaching hospitals. These will be located at Alexandria University, a leader among Egypt's educational and healthcare institutions. The concessions were signed on April 30, 2012, and are expected to be ready to receive patients in 2014.

An international consortium led by Bareeq Capital, an Egyptian private equity firm focusing on social infrastructure projects, together with local and international partners, G4S, Siemens and Detac, won the 20-year concession contracts for two new hospitals in Alexandria, Egypt's second largest city. Smouha Maternity University Hospital is planned as a 200-bed gynecology and obstetrics center with a blood bank facility, while the Mowassat Specialized University Hospital will be a 224-bed facility providing neurosurgery, urology and nephrology services. Both hospitals will serve the current and future needs of the expected patient population, as well as provide a strong foundation for the clinical teaching component of Alexandria University.



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BACKGROUND

Alexandria University provides advanced medical education and clinical training for thousands of students from Egypt and throughout the region at several hospitals in Alexandria, the country's second largest city. While clinical and teaching standards are high, the University has a number of issues with the design and maintenance of hospital facilities and equipment. The existing maternity hospital cannot extend the full range of advanced services required in its current location, while the hospital facilities for neurology and other specialist services are delivered in buildings that are over 80 years old and cannot be safely adapted for higher standards of patient care and advanced medical equipment now required. Even with new hospital facilities, the University requires expert assistance with facilities management, medical equipment supply and maintenance.

To address these shortcomings, the government looked to the private sector to design, construct, and equip two hospitals under two public-private partnerships (PPPs). The contracts also require the winning bidder to supply and manage medical equipment and maintain the hospital facilities. These new hospitals address pressing needs in Egypt's health care sector:

- Smouha Maternity University Hospital is planned as a 200-bed gynecology and obstetrics center with the city's first blood bank facility. Improved obstetrics and gynecology facilities are a high priority for Egypt, the most populous and fastest-growing country in the region. Both hospitals are designed to serve the current and medium-term future needs for the city's catchment area of 7.4 million people.
- The Mowassat Specialized University Hospital will be a 224-bed facility providing neurosurgery, urology and nephrology services. Egypt is facing a crisis in prevention and treatment of chronic non-communicable diseases, some of which will be addressed by the services provided at the new hospital.

IFC'S ROLE

IFC was invited by the government of Egypt to assist Alexandria University and the Ministry of Finance's Public Private Partnership Central Unit on all aspects of the PPP project, including transaction structuring, preparation of legal documentation and marketing to potential investors, prequalification and assisting in the bidding process.

Together, the Ministry of Finance, Alexandria University and the IFC project team maintained an open and competitive process that followed best market practices in spite of unforeseen delays and political turmoil. Issues faced and resolved by the team included changes in project structure, personnel, and broad changes in the investment climate. IFC's role as a neutral and committed development partner facilitated solutions and provided stability throughout the transaction process.

IFC has been advising the government of Egypt on the design and implementation of PPP transactions since 2006 through an agreement with the Ministry of Finance. The ministry has sought to pilot such projects in the water and sanitation, transport, as well as education and health sectors, the first of which was the successful New Cairo Wastewater PPP.

TRANSACTION STRUCTURE

Each hospital project was bid as a separate contract. The winning bidders were required to finance, design, construct, furnish, equip, maintain, and provide non-clinical facilities management services for the two new hospitals and blood bank in Alexandria under 20-year concessions, after which management responsibility and ownership will revert to the government of Egypt.

BIDDING

An international consortium of investors and service providers, Bareeq Hospitals Company, won both the 20-year concessions. The consortium, led by an Egyptian private equity firm, Bareeq Capital, brings significant experience through a strong partnership of local, regional and international partners—G4S, an international security solutions company, Detac, an Egyptian construction firm, and Siemens Healthcare, a global provider of medical equipment systems. Initial capital expenditure for the two hospitals totals approximately \$275 million, including equipment.



POST-TENDER RESULTS

- Successfully secures Egypt's first health sector PPP, providing healthcare services to a population center of 7.4 million.
- Provides modern facilities offering gynecology, obstetrics, neurology and urology services, and a state-of-the-art blood bank.
- Establishes the viability and validity of significant PPP projects in building Egypt's future in a rapidly-changing political climate.