



Public-Private Partnership Stories

Nigeria: Cross River State Hospital



Cross River State, with just over 0.5 hospital beds per thousand people, has the lowest density of hospital infrastructure in the South-South region of Nigeria. While there is nascent private sector involvement in the health sector, most health care delivery is provided by the state; however, the network of public sector hospitals and health care centers does not meet the region's needs. The government of Cross River State hired IFC as lead transaction advisor to support the structuring and implementation of a public-private partnership (PPP) for a new referral hospital in the capital city of Calabar that will deliver an affordable international standard of health care for the state.

A 10-year concession was awarded to UCL Healthcare Services Ltd, an international consortium comprising Utopian Healthcare Consulting (U.S.), Cure Hospital Management Services (U.S.), Cuningham Group (U.S.), Consultants Collaborative Partnership (Nigeria), ITB Nigeria Limited (Nigeria), HealthFore Technologies (India), and Simed International (the Netherlands). The consortium will bear some project development costs, deliver a turnkey hospital, and will be responsible for operating the hospital under the terms defined in the PPP agreement.

The PPP agreement was signed on June 24, 2013. The hospital will be operational in 2015.

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

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The hospital is expected to provide high quality advanced secondary clinical and diagnostic services to the citizens of Cross River State, particularly to the citizens of the greater Calabar area.

BACKGROUND

The hospital facilities in Cross River State are inadequate: in addition to deteriorating infrastructure and a lack of skilled staff, the facilities lack advanced medical equipment. As a result, the quality of public health care services is sub-optimal. Moreover, the population perceives the quality of healthcare as poor, resulting in a loss of confidence in the facilities, a greater reliance on self-medication, and an exceptionally high rate of medical evacuations to other countries. The lack of advanced diagnostics is a serious problem and patients are often forced to travel to neighboring states for imaging services; there is also limited access to quality high-risk obstetric care, intensive care units, and to emergency/trauma care.

With a population of approximately 3.4 million people, a shortage of doctors exacerbates the state's healthcare problem. Apart from the federally-funded teaching hospital, only 36 doctors and 938 nurses employed by the state cover the state's secondary health facilities. This number translates into an alarming doctor-population ratio of 0.21 doctors per 10,000 patients—one-fifth of the Sub-Saharan African average.

To confront these challenges, the Cross River State government proposed the establishment of a 105-bed referral hospital to serve the needs of the capital city, Calabar, and its environs. A gateway clinic will be included, offering primary healthcare services and a solid referral mechanism for the PPP hospital, ensuring that only patients requiring secondary care are admitted to the hospital. The government sought IFC's support to attract the participation of qualified private sector firms in the design, construction, equipping, and management of the proposed hospital through a transparent tender process.

IFC'S ROLE

In September 2011 the government of Cross River State engaged IFC as lead transaction adviser to help implement all aspects of the PPP project. IFC conducted a detailed feasibility study to determine how private participation in the proposed facility could improve healthcare outcomes. IFC recommended seeking a private operator through a competitive tender to design and construct the hospital, and to manage all clinical and non-clinical facilities. IFC worked closely with the government to structure and implement the transaction, guiding the government through a transparent tender process, including the preparation of PPP contract documents, evaluation of technical and financial bids, and signing of the final contract agreement.

TRANSACTION STRUCTURE

The 10-year project term will include up to two years for construction and eight years for operation. The hospital is anticipated to be operational in 2015. The construction and equipping of the hospital, totaling approximately \$37 million, will

be financed by the state government. The consortium will bear some project development costs, deliver a turnkey hospital, and will then be responsible for running the hospital operations under terms defined in the PPP agreement. At the end of the concession period, the facility will be transferred to the government. The hospital will be managed as a state referral hospital, providing quality and affordable access to regional level clinical services.

BIDDING

Fifteen international firms responded to an invitation for expressions of interest issued by the government in April 2012, and four of these firms were prequalified. Two bids, comprising technical and financial proposals, were ultimately received. The consortium led by UCL Healthcare Services presented the lower financial bid and was awarded the contract. The consortium includes, among others, Cure Hospital Management Services, a U.S.-based firm which will provide clinical services, and Simed International, a Dutch firm which will deliver the medical equipment.

POST-TENDER RESULTS

- The hospital is expected to provide high quality advanced secondary clinical and diagnostic services to the citizens of Cross River State, particularly to the citizens of the greater Calabar area.
- 66,000 expected unique patients per year.
- The hospital will play a role in the state government's overall growth strategy by creating jobs.
- Health professionals in the state will build expertise through exposure to international best practice.
- Nigeria and surrounding countries will refer to this model for good practice in concession contracting under international PPP standards.