

300-bed University Hospital in Almaty: the launch delays

Key highlights of the Project

- Object of concession: 300-bed hospital and clinic diagnostic centre (+52 outpatient beds)
- Location: Nauryzbai district of Almaty city, Kazakhstan
- Grantor: the Republic of Kazakhstan represented by the Ministry of Healthcare
- The Project structure implies an output-based two-stages tender
- The concession period is 18 years, including construction period of 38 months
- Medical services will be provided by the Kazakh National Medical University (hereinafter – the “KazNMU”)
- Concessionaire will provide technical maintenance / facility management services
- The Project is included in the list of concession projects of high importance as per Government Decree No.1060
- Concessionaire will be compensated for CAPEX, OPEX and Management Fee through the availability payments mechanism

The Ministry of Health of the Republic of Kazakhstan plans to implement the Project in accordance with the contractual public-private partnership under the concession agreement. It is anticipated that cooperation of the state, represented by the Ministry of Health of the Republic of Kazakhstan and the private partner in the implementation of the Project will contribute to the development of healthcare, medical education and medical science. The Project will include financing, creating and operating a social infrastructure and life support facility.

The Grantor will act as the organizer of the tender for the selection of the concessionaire and conclude a concession agreement. The concessionaire will build the hospital and transfer it to state ownership. After that, the hospital will be transferred to the concessionaire for the right of use for further technical operation. The operation of the hospital facility will be carried out jointly by the concessionaire, who will be responsible for the technical operation, and the medical services operator - KazNMU, which will be responsible for the functional (medical) operation of the hospital.

To finance the construction of the hospital, it is planned to attract private investors' own and borrowed funds. The costs incurred by the concessionaire at the investment stage of the Project implementation will be compensated at the operational stage. The concessionaire will receive availability payments starting from commissioning the hospital and transfer it to the state ownership.

The availability payments include compensation for operating and investment costs, as well as management fees. Availability payments will be paid regardless of the operating load of the hospital. Thus, when using this mechanism, the demand risk is transferred to the public side, which increases the attractiveness of the Project for investors. There are no plans to provide measures of state support for the Project.

Current status of the Project

On December 11, 2020 the Ministry of Health, together with the European Bank for Reconstruction and Development, with the participation of the Kazakhstan Project Preparation Fund, KPMG and Unicase as legal consultant of the Project held a presentation of the 300-bed University Hospital in Almaty concession project as part of an online road show - format for the international investment community.

It was announced on the road show that the planned start date of the 2 stage tender for selecting a concessionaire is 31 January 2021 and it is scheduled that the winner of the tender will be announced on 28 February 2022. However, as of today it is obvious that the announced starting date of the tender for the Project is postponed, this causes delay of the Project as a whole. One of the reasons for it is that tender documentation which is subject to compulsory state approvals still has not received approval of the expertise required by the law. Thus, the start of the tendering procedure will depend on how fast the tender documentation will receive all legally required state approvals.

Feasibility study issue

One of the major stumbling blocks preventing approval of the tender documentation were shortcomings of the legal framework related to the feasibility study issue. Prior to the recent amendments to the Budget Code of Kazakhstan (which entered into force in 2021) there has been a discrepancy between provisions of the Concession Law and the Budget Code of Kazakhstan regarding the requirement for the public side to prepare and include a feasibility study of the concession project in the tender documentation. Under the Concession Law in the event of a two-stage tender the obligation to develop a feasibility study of a technically complex and (or) unique concession projects lies with potential concessionaires. This provision contradicted to the Budget Code of Kazakhstan according to which regardless to the complexity of the project and a type of the tendering procedure the tender documentation of the concession projects should have included a feasibility study prepared by the public side.

Due to the recent amendments to the Budget Code of Kazakhstan this discrepancy has been eliminated by applying a single approach. According to the amendments, the approach to the feasibility study issue stipulated in the Budget Code of Kazakhstan has been made in line with the Concession Law approach. Thus, from now on in the event of a two-stage tender the obligation to develop a feasibility study of a technically complex and (or) unique concession project lies with potential concessionaires at the second stage of the tender. In this case the public side shall not prepare and approve additional feasibility study.

Taking into account abovementioned amendments to the legislation eliminating some legal obstacles it is anticipated that the development and approval of the tender documentation will go faster and the tendering procedures will start soon.

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