



Public-Private Partnerships in Afghanistan's Hospital Sector: Investment Promotion Conference Proceedings

March 11, 2014

Dubai, UAE



ABBREVIATIONS

ACCI	Afghanistan Chamber of Commerce and Industries
AISA	Afghanistan Investment Support Agency
GIRoA	Government of the Islamic Republic of Afghanistan
HPP	Health Policy Project
MoF	Ministry of Finance
MoPH	Ministry of Public health
NHA	National Health Accounts
PPP	Public-Private Partnership
USAID	United States Agency for International Development

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INTRODUCTION

The Ministry of Public Health (MoPH), with technical and financial support from the USAID-funded Health Policy Project (HPP) and in association with Afghanistan Investment Support Agency (AISA) and Afghanistan Chamber of Commerce and Industries (ACCI), organized an investment promotion conference titled “Public Private Partnerships in the Hospitals Sector” on March 11, 2014 at the Marriott Hotel Al Jaddaf, Dubai, UAE. The conference aimed to raise awareness of, and generate interest in, investment opportunities in Afghanistan's hospital sector to potential national and international investors. See Annex A for the full conference agenda.

PARTICIPANTS

Approximately 60 people attended the event, including national and international investors, government officials from the MoPH and other relevant ministries, representatives from AISA, ACCI and other business organizations. See Annex B for a full list of participants.

KEY SPEAKERS

The conference featured speeches from several high-profile dignitaries; the key talking points of each are highlighted below.

H.E. Dr Ahmad Jan Naeem, Deputy Minister for Policy and Planning, MoPH

Dr. Ahmad Jan welcomed the guests and stated that it was a pleasure to be part of this very important conference held to inform potential investors about the upcoming investment opportunities in Afghanistan's hospital sector.

He acknowledged the significant progress made in Afghanistan's health sector over the last decade. More than 60% of the population now lives within one hour walking distance to the nearest health facility, an increase of 9% from 2002. Infant mortality has decreased by 57% and child mortality by 62%. There is a substantially lower maternal mortality ratio than previously reported thanks to a 100% increase in the number of trained providers available. Many of these health improvements have been realised through an improved primary health care system.

The Government of the Islamic Republic of Afghanistan (GIROA) hasn't made the same progress in the secondary and tertiary services, due to the high cost of quality care meeting international and regional standards and a lack of access to technical and financial resources. Afghanistan's health sector is in dire need of quality care in these two areas.

According to Afghanistan's National Health Account (NHA) report, 73% of Afghanistan's total health expenditures are out of pocket. The NHA report also shows Afghans spend approximately US\$285 million abroad, receiving medical care due to the lack of access to secondary and tertiary healthcare.

The MoPH believes neither the public nor private sector alone is able to meet Afghan's health needs. For this reason, the MoPH has been working on partnering with the private sector through PPPs to fill the gap. The MoPH is now ready to initiate PPPs in Afghanistan's hospital sector.

The hospitals which have been nominated as the initial PPP candidates are:

- Jamhuriat 200 bed general hospital
- Jinnah 200 bed general hospital
- Sheikh Zayed 100 bed mother & child hospital

Further details will be presented later in the agenda.

The MoPH, with support from the USAID-funded Health Policy Project (HPP) has, over the past two years, taken the steps necessary towards ensuring that there is the required capability for the effective management of PPPs. This has been through establishing a dedicated PPP unit within its official structure, as well as the development of legal and administrative frameworks for PPPs. By holding today's conference the MoPH takes the first steps towards the realization of hospital sector PPPs.

The potential for success in Afghan hospital PPPs rests on the solid legal basis laid for PPPs and the practical plans envisaged for the future. With the private sector we will be able to implement PPPs successfully and improve Afghan's access to quality secondary and tertiary care.

Dr. Ahmad Jan finished by thanking all for their participation in the event and encouraged the private sector stakeholders to consider taking part in these opportunities with due confidence, so that jointly, better health care for the Afghan people can be achieved.

H.E. Dr Mustafa Mastoor, Deputy Minister for Finance, Ministry of Finance

The next presentation was due to be delivered by H.E. Dr Mustafa Mastoor, Deputy Minister for Finance, Ministry of Finance (MoF) of the GIROA, however he was unable to attend due to the death of Vice President Marshal Mohammad Qasim Fahim.

Dr Omarzaman Sayedi advised the audience the MoF conveyed their commitment to the PPP effort. The MoF appreciates the support and assistance of the international community and USAID.

Mr. William Hammink, USAID/Afghanistan Mission Director

The USAID/Afghanistan Mission Director, Mr. William Hammink, was unable to attend the conference; therefore, Dr Joseph Ichter, HPP Senior PPP Technical Advisor, spoke on behalf of Mr Hammink.

Dr Ichter advised, that on behalf of USAID, he is happy to express their support to improve the health of the Afghan people through the PPP hospital sector.

Dr Ichter talked about the large amount of money being spent abroad by Afghan people in secondary and tertiary healthcare. USAID applauds the efforts of the MoPH to improve health through the PPP initiative and advised that this conference was an excellent opportunity to take this forward.

Hundreds of millions of dollars have so far been donated to improve essential health care in Afghanistan and it is now the time to monitor and develop strategies for the future to support the MoPH efforts.

Dr Ichter ended his address by advising that his statement shows the continued support of USAID to the MoPH, PPPs and the Afghan people.

Mr Abdul Qadir Bahman, Director of International Affairs, Afghanistan Chamber of Commerce and Industry (ACCI)

Mr Qadir Bahman advised what an honour and pleasure it is to attend this very important event and thanked the organiser's on behalf of ACCI. He went on to talk about the private sector's role in Afghanistan's economic development.

The ACCI has a major responsibility in implementing Afghan PPPs. The national economy has been improving since 2002, although there are still many challenges ahead. The MoPH's pioneering work in the hospital PPP initiative will assist in tackling these challenges.

Mr Qadir Bahman went on to say that freedom, initiative, professionalism and access to information would improve and tap into the talents of the Afghan people and help to build respect for the individual. Entrepreneurship has been proven in other nations to improve individual's circumstance and the state.

Each year, thousands of Afghans travel abroad seeking health care, spending nearly US\$300 million outside Afghanistan. Two weeks ago the ACCI organised a business forum to discuss this problem and potential resolutions. The forum determined that there is greater potential in health care when the private sectors are interested and get involved. There were however, two main areas of concern:

- Government economic issues are a top priority
- Government needs to engage in economic decision making

Successful communications are required to attract millions of dollars of investment to the health sector.

Afghanistan is behind countries such as Pakistan, India and the U.A.E. in treatments for illnesses such as cancer and cardiovascular disease leaving open possibilities in Afghanistan to develop these capabilities. Facilities are readily available and the GIROA has a tax exemption scheme to encourage investment. It is a relatively untapped market, with the potential for high returns.

Mr Qadir Bahman finished his presentation by advising that the ACCI can provide support and help promote private investment in Afghanistan.

Mohammad Ibrahim Shams, Vice President - Investment, Afghanistan Investment Support Agency (AISA)

Mr Ibrahim Shams began his talk on Afghanistan's investment climate and its relevance to hospital PPPs by advising that we needed to look beyond the last ten years and towards boosting the private sector.

The Afghan constitution states that all individuals, local and international, can start a business in Afghanistan without restrictions. 40,000 businesses across various sectors are active in Afghanistan

including health, agriculture, construction and the service industry. The next stage is the process of working towards PPPs in the health sector.

Mr Ibrahim Shams advised that AISA believes that development of one sector strongly supports the development of other sectors. Progress can be made through building on the success of other sectors. While the health sector is the current priority, in the future there will be opportunities for PPP in other sectors such as agriculture, construction and mining as well as services such as education.

It is also written in the Afghanistan constitution that there should be a free economy to enable everyone to achieve. The state promises to support the private sector, promoting opportunities for the importation of goods, services and industries into Afghanistan for further development.

Afghanistan has developed vastly over the last decade, with improved transportation, roads and airports. 80% of people have access to telecommunications and work is ongoing to strengthen this further still.

AISA is dealing with the relevant industries to look at what support is required to further build the economy. These improvements include power supply, the creation of industrial zones and in particular working with the MoPH in the development and manufacturing of medication, taking into account Afghan voices.

Other steps to support these initiatives include working with the private sector to review laws, policies and regulations to ensure these are not barriers to further investment.

Mr Ibrahim Shams concluded by saying that these first PPP initiatives will lead to further PPPs in many other sectors.

PRESENTATIONS

Following the key speakers, the PPP Unit staff conducted a number of presentations, further describing the PPP initiatives in Afghanistan's health sector, investment opportunities, the PPP legal framework and the procurement system:

Investment opportunities in Afghanistan's PPP Hospitals

Mr Zamani started the presentation advising that the following areas would be covered:

- Why PPPs in Afghanistan's hospital sector?
- Achievements to date
- Upcoming investment opportunities
- Security and insurance

Mr Zamani first covered the reasons why the MoPH wanted PPPs in Afghanistan's Health Sector including the following points:

- Currently low access to quality secondary and tertiary healthcare within the country
- Construction of several Government hospitals is or will be completed soon but the MoPH doesn't have sufficient financial, technical and management resources to operate these facilities

- To support the Afghan economy through finance, job creation and entrepreneurial expertise
- An estimated US\$285 million flows outside Afghanistan for medical care each year

Next Mr Zamani showed a breakdown of health expenditures by financing source, detailing 73% came from private funds, 21% from donors and 6% from the GIRoA budget. These figures were obtained from the 2011-2012 NHA report.

A number of steps have been taken since February 2012 to enable forward PPP movement, namely:

- The establishment of a dedicated PPP unit within the MoPH official framework
- The development of legal and administrative frameworks for PPPs i.e. PPP regulation in terms of Article 40 of the national procurement law and the PPP management manual
- The execution of operational and financial feasibility studies for three potential PPP hospitals
- All MoPH PPP activities have been supported by the USAID-funded HPP.

The dedicated MoPH PPP unit covers areas such as legal, financial, procurement, communications and administration. There are plans to expand to offer transaction advisory support from the World Bank. A new legal framework which incorporates PPP is essential and work is ongoing with the MoF, Ministry of Justice, ACCI and AISA to finalize the legal framework and regulations. Article 40 of the procurement law is being amended to serve as a basis for this regulation.

Successful PPP implementation in South Africa, Turkey and the UK were used as a model for Afghanistan's framework.

Mr Zamani moved on to advise on the upcoming investment opportunities. The following three hospitals have been selected as the first PPP candidates, all located in Kabul City.

- Jamhuriat 200-bed tertiary teaching hospital
- Sheikh Zayed 100-bed mother and child hospital
- Jinnah 200-bed general hospital

Feasibility studies have been completed on all three hospitals and they were found to be suitable for PPP investment. These feasibility studies will serve as a basis for negotiation.

Jamhuriat 200-bed tertiary teaching hospital is a ten story facility with additional annexes in Kabul, constructed and equipped by the Peoples' Republic of China. It is currently being used as a public hospital, however as soon as a PPP agreement is in place this will be handed over to a private partner. The MoPH's vision is to use the existing building and site and to establish a tertiary referral unit and teaching hospital under a PPP agreement.

Mr. Zamani reviewed the service structure of Jamhuriat, in referencing the summary of feasibility studies provided to attendees. The breakdown of services details what the MoPH views as necessary and justifiable but will be open to modifications should a bidder present a worthy case.

Mr. Zamani went on to advise on the initial capital costs (all in US\$ millions) which were as follows: Buildings \$27.3 and equipment \$16.8 for a total initial capital outlay of \$44.0. The 25-year financial summary; total revenue \$735.97, total expenses \$(565.25), EBIT \$170.72, EBT \$98.85, resulting in a net profit of \$79.08. He advised that all figures in the MoPH commissioned studies were estimates and private companies wishing to invest would need to carry out their own feasibility studies.

Sheikh Zayed, a 100 bed mother and child hospital in Kabul has been constructed and equipped by the UAE-based Sheik Zayed Foundation. Construction was completed in 2013 and per the recently completed feasibility studies, the hospital can be commercially viable to operate under a PPP scheme.

Mr. Zamani reviewed the service structure per the feasibility study, with all services directed to the needs of Afghanistan's women and children.

Mr. Zamani went on to advise on the initial capital costs (all in US\$ millions) which were as follows: Buildings \$0.5 and equipment \$3.11 for a total of \$3.61 for initial capital outlay. The 25 year financial summary; total revenue \$627.42, total expenses \$(472.22), EBIT \$155.20, EBT \$142.07, resulting in a net profit of \$101.11. He advised that all figures in the MoPH commissioned studies were estimates and private companies wishing to invest would need to carry out their own feasibility studies.

Net profit figures include an MoPH concession fee. This fee is to be determined during negotiations.

The feasibility study suggests that within the existing building, the hospital could accommodate a total of 133 beds. As the existing building only occupies approximately 9% of the land, there is significant opportunity to expand the hospital on the same site.

The **Jinnah 200 bed general hospital**, also located in Kabul, is being constructed with the assistance of the Islamic Republic of Pakistan. Its construction is due to be completed in mid-2014. Results of a recent feasibility study indicate this hospital will be commercially viable to operate under a PPP scheme.

Mr. Zamani reviewed the service structure per the feasibility study, with all services directed to the needs of Afghans as a general medical and surgical facility.

Mr. Zamani went on to advise on the initial capital costs (all in US\$ millions) which were as follows: Buildings \$12.8 and equipment \$1.1 for a total of \$13.9 for initial capital outlay. The 25 year financial summary; total revenue \$309.46, total expenses \$(219.6), resulting in a \$89.86 net profit. He advised that all figures in the MoPH commissioned studies were estimates and private companies wishing to invest would need to carry out their own feasibility studies.

The original structure was revised as a result of the feasibility study, recommending a reduction in the number of beds and removal of thalassemia services.

As one of the primary contracting requirements, Mr. Zamani stated that all three PPP hospitals should be internationally accredited within the next three to five years.

Mr. Zamani then moved on to the subject of security in Afghanistan. Negative publicity regarding Kabul appears on TV, and can show this to be a place where you would not want to invest. However, investments are increasing and more expatriates are coming to Kabul. It is much safer than it has been earlier in the 2000's and Kabul is much safer than other parts of Afghanistan. The Afghan Public Protection Force (APPF), with over 20,000 guards, was established in 2009 to provide security for international, government and non-governmental entities, sites and facilities. The PPP Unit will assist bidders with any security investigations in conjunction with the Ministry of Interior.

Contact details for the APPF are as follows:

email sayeed.najib@appf.gov.af

telephone +93 700 707777

website www.appf.gov.af

Two primary international entities are willing to investigate providing insurance and loan guarantees for these PPP schemes. Each has been contacted and informed of the proposed projects.

The first is the Development Credit Authority (DCA), which guarantees private health sector financing through a USAID partnership. A DCA credit guarantees 50% protection for lenders willing to deploy capital into developmentally important sectors, including health.

There is also insurance available through the Multilateral Investment Guarantee Agency (MIGA). This is a branch of the World Bank which provides political risk insurance guarantees to private sector lenders against non commercial risks such as:

- Currency inconvertibility & transfer restrictions
- Expropriation
- War, terrorism & civil disturbance
- Breach of contract
- Non honoring of financial obligations

Contact details for MIGA are as follows:

Email migainquiry@worldbank.org

Telephone + 1 202 458 2538

Website www.miga.com

Their full brochure can be found at <http://www.miga.org/documents/IGGenglish.pdf>

Mr. Zamani's presentation was concluded in the viewing of a short video entitled "Investment Opportunities in Afghanistan's Hospital Sector".

PPP Legal Framework

Mr. Osman Fahim outlined the content of his presentation, including;

- Background
- Specific legal support including:
 - Constitutional provisions
 - Public health law
 - Domestic and foreign private investment law
 - Private investment law
 - Procurement law
 - Draft PPP regulation

The legal environment and background preparation is very important to PPP development. At a minimum, existing legislation and other legal requirements must not prohibit the use of PPPs. Private firms must be permitted to provide the required services that are the subject of the PPPs. Fortunately

Afghanistan has a very supportive legal environment for PPP implementation for all sectors, in particular, health.

Mr. Osman Fahim went on to cover a number of constitutional provisions and legal points as follows:

Constitutional provisions:

Article 10:

“The state encourages and protects private investments and enterprises based on the market economy and guarantees their protection in accordance with the provisions of law”.

It was added that this includes PPPs.

Article 52:

“The state encourages and protects the establishment and expansion of private medical services and health centres in accordance with law”.

Public Health Law

Article 3:

The Ministry of Public Health (MoPH) shall facilitate the activities of private entrepreneurs in the provision of health services and shall also monitor their relevant affairs.

Domestic and Foreign Private Investment Law

Article 3:

“Based on the provisions of this law and the commercial law, qualified domestic or foreign entities, real or legal, may invest in all sectors of the economy whether production or service-related”.

Article 4 (4):

“Joint venture between the Government of Afghanistan and the private sector, whether domestic or foreign”.

Renting of land Article 14:

“Foreign investors, based on the classification of their approved enterprises as short-term, medium-term or long term (as described in Article Eleven), may lease real estate for ten, twenty or thirty years, respectively”.

Transfer of capital and profits article 15 & 16:

“Private investors have the right to transfer their capital and profits (out of Afghanistan)”.

“Private investors have the right to sell the approved enterprises after settling their legal accounts and obtaining the agreement of the High Commission”.

This needs to be achieved through the legal framework, and once any governmental taxes and other issues have been resolved the transfer of profits is allowed.

Access to banking article 20:

“All investors, whether foreign or domestic, have the right to avail themselves of the banking facilities in Afghanistan, including the opening of accounts in foreign currency and the receipt of loans and credits to advance investment in the country”.

Private Investment Law

Article 4:

“All foreign or domestic persons may make investments in all sectors of the economy”.

Article 21:

“A registered enterprise shall have the right to lease land in order to carry its operations and shall not be barred from leasing real property for terms up to fifty years, in accordance with Afghan law”.

Procurement Law

Purposed amendment to article 40:

“Contracts for private investment in the construction and/or operation of public works (Public Private Partnership) and other public goods and contracts for service concessions shall be awarded in accordance with Regulation (*Maqarara*) special procedures”.

This proposed amendment to the Procurement Law is being shepherded through by the MoPH

PPP Regulation

Article 1:

“These regulations (*Maqarara*) have been developed in terms of Article 40 of the Procurement Law”.

Goals and objectives:

- To provide the regulatory authority for the State to enter into PPP projects
- To stipulate what constitutes a PPP project
- To specify processes required for a transaction to qualify as a PPP project
- To ensure that the State realizes value for money in all PPP relationships
- To provide for compliance with the Public Finance and Expenditure Management Law
- To stipulate ring-fencing of public moneys for PPP projects.

PPP in Sectors.

- Generation, transmission and distribution of electric and thermal power
- Processing, storage, transportation, transmission and distribution of oil and natural gas
- Automobile, railway, water, air, urban electric transport
- Roads and railways (including bridges and tunnels)
- Public utilities and public services
- Medical, medico-preventive and other health care services
- Education, upbringing, culture and social services
- Mobile and stationary telecom services
- Tourism, recreation and sports
- Water resources and waste water

- Solid waste management
- Mining and other forms of mineral extraction
- Other sectors involving the provision of services to a wide range of consumers

PPP agreements may apply to other infrastructure assets and infrastructure services except for those prohibited by the State.

Mr. Osman Fahim concluded his presentation by stating there is no legal obstacle for PPP implementation in all sectors especially in hospitals and health.

Procurement Process for PPP Projects

The final presentation of the day was by Mr. Zamani, MoPH PPP Unit Head, introducing the following agenda:

- Procurement cycle and tentative timelines
- Request for qualifications (RFQ) stage
- Request for proposals (RFP) stage
- Evaluation of bids and selection of the preferred bidder
- Financial closure and award of PPP contract

Four distinct stages of the procurement cycle were provided, along with tentative timelines beginning in mid-April, soon after the elections through approximately 9-10 months for final award. This initial timeline applies to Sheikh Zayed only with Jinnah and Jamhuriat being offered soon after in a phased approach.

The procurement cycle and tentative deadlines are as follows:

1. Request for qualification (RFQ) (1- 2 months)
2. Request for proposals (RFP) (3 months)
3. Evaluation of bids, negotiations and selection of the preferred bidder (4-5 months)
4. Award of PPP contract - Soon after successful negotiations

An RFQ is the first step of the PPP procurement cycle which is intended to identify qualified bidders that will be eligible to bid on the PPP project(s). All aspects of the interested firm and their technical and management capacities as well as Afghan Economic Empowerment aspects will be taken into consideration during the pre-qualification stage.

Mr. Zamani defined the Special Purpose Vehicle (SPV) which is a conglomerate of different partners who can come together as one bidder comprising of a variety of funders, sponsors, contractors and subcontractors, with the lead taking on the role of the SPV. Any combination needs to be clarified in the bid during the RFP stage.

Parties eligible to participate in the bidding consortia must be privately-owned national and international firms that are not blacklisted by the GIRoA or by professional bodies. These organizations cannot have been found guilty in a court of law for fraud or corruption-related crimes. If all these are met, the organization should be eligible for participation.

Once RFQ's have been received and scrutinized, all interested bidders responding to the RFQ will be notified of the results in writing. In order to qualify in the bidding process, pre-qualified bidders will be required to provide the MoPH with bid bonds to receive the RFP. The bid bond amount will typically be enough to cover the cost if MoPH needs to restart the PPP procurement process from the RFQ stage should the winning bidder step back from the process.

The RFP stage will involve calls to the pre-qualified bidders to a pre-bid conference where information on the RFP requirements, processes and timelines will be communicated. The MoPH will then issue the RFP to the pre-qualified bidders along with the draft PPP agreement and respond to questions. Answers will be shared with all potential bidders to ensure everyone has the same information (unless there are confidentiality issues). The MoPH will provide bidders with project information but they must do their own due diligence as well.

Once the bids have been returned there will be a bid evaluation and selection of the preferred bidder. This stage has five areas to be scrutinised.

- Confidentiality and conflict of interest
- Compliance of bids with the RFP requirements
- Bid evaluation as per the criteria described in the RFP
- Detailed technical and financial bid analysis
- Technical and financial negotiations with the preferred bidder and finalize the deal.

There are four major approvals involved as follows:

- Ministry of Finance Approval 1 - Feasibility study
- Ministry of Finance Approval 2 - Bid documents including the draft PPP agreement
- Special Procurement Commission Approval 3- Selection of the preferred bidder
- Special Procurement Commission Approval 4 – Contract award to the successful bidder.

The Special Procurement Commission (SPC) Membership will be comprised of:

- Minister of Finance (Chairman)
- Minister of Justice (Member)
- Minister of Economy (Member)

The final contract will be awarded after successful negotiations and completion of the required due diligence by both parties e.g. legal due diligence to ensure that all required approvals have been obtained. This is required pre award to ensure all parties have a clear understanding of their responsibilities.

This concluded Mr Zamani's presentation.

PANEL DISCUSSIONS

Two panel discussions were held during the conference, allowing participants an opportunity to ask questions about Afghanistan's investment climate and the hospital PPP opportunities.

The first panel was composed of representatives from the Ministry of Commerce and Industries (MoCI), the MoPH, AISA and ACCI.

Table1. Panelists in the first panel

Name	Title	Organization
Mr. Abdul Hakim Nasery	Director of Industries	Ministry of Commerce and Industries
Dr. Abdul Qadir Qadir	General Director of Policy and Planning	Ministry of Public Health
Mr. Abdul Qadir Bahman	Int'l Affairs and TIR Director	ACCI
Mr. Khan Mohammad Zamani	PPP Unit Head	Ministry of Public Health
Mr. Mohammad Ibrahim Shams	Vice President, Investment	AISA

This panel focused primarily on Afghanistan's current investment climate and the hospital PPP opportunities. The Q&A session reflected discussions on the existing facilities for private sector PPP investment, MoPH's measures to manage skills shortages, financial incentives and partnerships between international and national entities. See Annex C for further detail.

The second panel was composed of the Director of Policy and Planning (MoPH), the PPP Unit Head, a PPP Legal Expert and the Director of the Directorate for Private Sector Coordination (DPSC).

Table 2. Panelists in the second panel

Name	Title	Organization
H.E. Dr. Ahmad Jan Naeem	Deputy Minister for Policy & Planning	Ministry of Public Health
Mr. Mohammad Osman Fahim	Legal Expert, PPP Unit	Ministry of Public Health
Mr. Khan Mohammad Zamani	PPP Unit Head	Ministry of Public Health
Dr. Sayed Shafi Saadat	Director, DPSC	Ministry of Public Health

During this panel, the major topics of discussion during the Q&A were related to the bid bonds, special purpose vehicles (SPV) and financing. See Annex D for further details.

CONCLUSION & WAY FORWARD

H.E Dr Ahmad Jan Naeem, Deputy Minister for Policy and Planning, MoPH closed the conference with the following words.

This has been a full day of discussion. Thanks to CWI, USAID, HPP, ACCI, AISA, all the participants for their interest in Afghanistan's hospital PPP opportunities and to the presenters and panelist for their enlightening discussion.

There are many opportunities in Afghanistan and I hope you received enough information on PPPs. I hope some concerns you have about investment in Afghanistan are alleviated. We have a respectable legal framework and GIRoA backing. I hope to meet different entities for establishing partnerships – finance, facilities management, constructors etc.

He reiterated that AISA is a one stop shop where you can easily register yourself for business in Afghanistan.

The Minister of Finance was unable to attend due to the passing of the Vice President, Marshal Mohammad Qasim Fahim but the MoF is committed to this PPP project.

Flexibility is available and the private sector gives benefits which the GIROA is in favor of as it results in social benefits for Afghanistan.

Dr Ahmad Jan Naeem ended the conference by thanking participants for their interest, contribution and questions, all of which will help the Government in pursuing PPPs. He let participants know that there are booklets with details of who you can contact to ask further questions and we look forward to hearing from you soon and working with you. He wished a safe trip to participants who were traveling.

This closed the formal session. The formal session was followed by a networking session for participants to take the opportunity to meet others.

ANNEX A. CONFERENCE AGENDA



Hospital PPPs Investment Promotion Conference Agenda

Date: March 11, 2014	
Time: 8:45 AM – 5:00 PM	
Venue: Marriott Hotel, Al Jaddaf, Dubai	
8:45 am - 9:15 am	Registration
9:15am – 9:30 am	Introduction and National Anthem
9:35 am - 9: 45am	Welcoming Remarks: H.E. Dr. Ahmad Jan Naeem, Deputy Minister for Policy and Planning, Ministry of Public Health of the GIRoA
9:45 am – 10:00 am	Statement by H.E. Dr. Mustafa Mastoor, Deputy Minister for Finance, Ministry of Finance of the GIRoA
10:00 am - 10:10 am	Message from USAID/Afghanistan
10:10 – 10:25 am	Role of the Private Sector in Economic Development of Afganistan Mr. Abdul Qadir Bahman, Director of International Affairs, Afghanistan Chamber of Commerce and Industries
10:25am – 11:00 am	Tea/coffee break and networking
11:00 – 11:15am	Investment Climate in Afghanistan and its relevance to hospital PPPs Mohammed Ibrahim Shams, Vice President, Investment – Afghanistan Investment Support Agency (AISA)
11:15am – 11:55am	Investment opportunities in hospital PPPs in Afghanistan Khan Mohammad Zamani, Head of PPP Unit, Ministry of Public Health
11:45am – 11:50am	Short video on Investment Opportunities in Afghanistan’s Hospital Sector ¹⁴

11:50 am - 12:50 pm	Panel Discussion on investment climate and hospital PPPs in Afghanistan (includes panelists from Ministry of Finance, AISA, ACCI, Ministry of Commerce and Industries and MoPH/GDPP)
12:50pm – 2:15pm	Lunch
2:15pm – 2:35pm	Legal framework for hospital PPPs Mohammad Osman Fahim, PPP Unit Legal Expert, Ministry of Public Health
2:35pm – 3:00pm	PPP Procurement Procedures Khan Mohammad Zamani, Head of PPP Unit, Ministry of Public Health
3:00pm – 4:15pm	Panel Discussion on Hospital PPP Opportunities and PPP Policy/legal Framework (Deputy Minister for Policy & Planning, MoPH, MoF, GDCM, PPP)
4:15 pm – 4:30pm	Wrap up and Closing Remarks H.E. Dr. Ahmad Jan Naeem, Deputy Minister for Policy and Planning, MoPH
4:30pm – 5:30pm	Networking

The support for this event has been provided by the USAID-funded Health Policy Project.



ANNEX B. LIST OF PARTICIPANTS

Dubai Investment Promotion Event Participants Sign Sheet						
S/N	Name	Job Title	Organisation	Organization Nationality	Phone no	Email
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4	Dr Said Jawid	CEO	Afghanpharma Co	Afghan	+ 9340226673	info@afghanpharma.com
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ANNEX C. PANEL 1 Q&A

Panelists: Dr. Abdul Qadir “Qadir” – MoPH, Mr Abdul Hakim Nasery – Ministry of Commerce & Industry, Mr Abdul Qadir Bahman – ACCI, Mr Mohammad Ibrahim Shams – AISA & Mr Mohammad Zamani – MoPH. The panel was chaired by Dr Omarzaman Sayedi.			
No	Question	Answer	Answered by
1	A market economy is needed to provide facilities for the private sector such as a decrease in tariffs for equipment and medicine and amendments in legislation to cover private sector and PPP. Can you please advise the current changes to policy, especially with respect to currency exchange?	<p>The MoPH is willing to build partnerships with private investors and they can be assured that their investment will be treated in the right way. In answer to you, we have a policy, Constitution article 52 focuses on health service delivery and that the Government should increase private assistance. We acknowledge the important role which private healthcare can play and this will be recorded in all legal documents.</p> <p>With regards to how we will manage transition, our constitution has clearly defined rules and regulations, but these can be changed through the democratic process.</p> <p>As the Minister of Finance was unable to attend, the question on exchange rates could not be answered. Further communications will follow.</p>	Dr. Abdul Qadir “Qadir”
2	All models rely on transition from international to local staff as the costs will remain too high if we are reliant on international expertise. It is the responsibility of the Government to train people to undertake these roles. Can you please advise what the Government has done over the past 8 to 10 years in primary health care and advise what mechanisms you have in place to ensure the correct standards and timings?	<p>PPP is not an entirely new initiative in Afghanistan. We already work in partnerships with NGOs, where 85% of primary health care is delivered, so we already have a very good and well established system with more than ten years experience. Local private sector is also dominant in the provision of healthcare in Afghanistan but we need to build further upon this. We will start with three hospitals and then expand further throughout Afghanistan.</p> <p>The number of local doctors is increasing by building local capacity. Part of what the PPP agreements will do is help build capacity in health care human resources, we have work to do here with our partners.</p>	<p>Dr. Abdul Qadir “Qadir”</p> <p>Dr Omarzaman Sayedi</p>

	<p>You will have shortfall in skilled labour required to undertake the roles in the hospital PPP. What type of programme will you be building to combat this labour shortfall? Will you be teaming up with local colleges to ensure people are trained up?</p>		
3	<p>You mentioned that 60% of the population are one hour walking distance from a medical facility. It is unusual to hear the use of walking distance as a measurement for infrastructure. Can you please advise what plans there are in Afghanistan to improve infrastructure? Do you have strategic investment in road building and connecting people?</p>	<p>With regards to the strategy on road building, this event is health sector specific. There is currently no official PPP in other sectors but work is ongoing with the MoF and other relevant ministries to increase PPP to include a roads project.</p> <p>There are government initiatives to encourage further investment. Incentives have been approved by the cabinet in five sectors, the development of each of these sectors is connected and one ministry alone cannot solve this.</p> <p>With regards to transportation, Afghanistan could be an important route for Asia and the Middle East. We care about how we will improve these routes and will resolve problems and provide solutions. We want to build a better environment for global investors.</p> <p>Common problems such as regional security issues and corruption are not unique to Afghanistan but we are committed to finding solutions and meeting our visions. We want our local business to develop ties and work closely with international business.</p> <p>With regards to the role of ACCI, we are an apex organisation for Afghanistan, dealing with memberships including national commodities and building strong relationships with small, medium and large business as well as with the International Chamber of Commerce. We are a thriving organisation in contact with investors and business. We deal with advocacy issues and new investment policy.</p> <p>ACCI will try to support investors and solve problems and can mediate with any disputes as well as assist with legal issues.</p>	<p>Khan Mohammad Zamani</p> <p>Mohammad Shams Ibrahim</p> <p>Abdul Qadir Bahman</p>

4	<p>What will the further steps for investment be? These PPP hospitals are not accessible for patients outside Kabul. There appears to be a conflict in the data. The net profit over 25 years is different between hospitals. Can this be explained?</p> <p>Why is there a difference of 40% in the figures between two hospitals?</p>	<p>The MoPH is not talking about the financial but the social benefits, which is to improve the quality of healthcare. The public aspect centers focus on social benefit and our private partners think about the financial. People are looking for quality rather than geographic location. People are currently going to India and Pakistan because we do not have quality healthcare available in Afghanistan. If we can provide this in Afghanistan location will not be so important.</p> <p>The differences in figures for the three hospitals are because the feasibility studies were undertaken by third party providers. Any bidders should undertake their own due diligence on spending and income. We cannot verify the accuracy of the estimated figures.</p> <p>A PPP unit financial expert answered this question. The feasibility studies were undertaken by three companies and used different considerations such as private health care, lower costs and no lease to Government which is why they show different levels of profit. For example Jamhuriat has higher operational costs so its profits are lower. The feasibility studies were not consistent but all are profitable hospitals. Due diligence is required but changes can be made during negotiations.</p>	Dr. Abdul Qadir “Qadir”
5	<p>Has this information been shared with the private sector in Afghanistan? A partner from outside Afghanistan could not implement this without a strong partner within Afghanistan. Has tripartite partnership been reviewed?</p>	<p>With regards to potential investors from Afghanistan. Local investors were invited to this summit and the MoF are very pro this PPP hospital initiative so local business will be invited to contribute further.</p> <p>I will be giving a presentation later which will cover our procurement procedures and the establishment of consortiums. Typically PPPs are a number of different companies or Special Purpose Vehicles (SPVs) which can include financiers, sponsors, equity holders, construction companies, facilities management and other subcontractors (e.g. in health, diagnostic & pharmaceutical services).</p> <p>There is a shared risk when combining a number of companies. The SPV will be the contracting body with the authority and will be a mix of local and international companies.</p>	<p>Dr. Abdul Qadir “Qadir”</p> <p>Khan Mohammad Zamani</p>

6	Afghanistan is a post war country that needs to attract investment. What are you doing to achieve this e.g. tax exemptions, reduced import costs etc? Will this be available to foreign investors?	<p>There is policy for investment promotion. New policies will be introduced to improve investment promotion in six sectors including health. Any new health business starting in Afghanistan before December 2015 can benefit from incentives including;</p> <ul style="list-style-type: none"> • Free land • Seven year tax exemptions (from December 2015) • Reduced electricity costs • Reduced customs tariffs <p>These are just some of the incentives the Government hopes to implement.</p> <p>With regards to profit repatriation, under Afghan law the company has 100% ownership and can repatriate profits.</p> <p>We need to make sure that PPPs benefit from the incentives of investment promotion policy. MoPH is not looking for revenue, but the benefits received from improved service quality. The concessionary fee can be used by the MoPH to treat patients by providing additional beds and/or services.</p>	Khan Mohammad Zamani
7	How would the SPV get its money? Through charging for services or payment by the Government?	It would raise the initial money through funders and sponsors and then would charge patient fees for services to make profits. We want to minimize donor dependency and create a fee-for-service revenue model.	Khan Mohammad Zamani
8	Who would be the decision making body during the operational stage and fee setting state? What would be the main selection criteria from the MoPH in regards to the procurement selection criteria?	The party providing the services would set the fees. The Ministry of Finance and MoPH has decided that there will be rules on pre selection and selection based on technical and financial proposals. We need a transparent process for all parties to ensure a fair process for all.	Dr. Abdul Qadir “Qadir”
9	What is the vision of the Ministry in terms of managing the hospital once it is PPP?	<p>This level of detail will be discussed during negotiations.</p> <p>The private partner will be responsible to operate and manage the hospital in accordance with the PPP contract terms and conditions.</p>	Dr. Abdul Qadir “Qadir” Khan Mohammad

			Zamani
10	What networking facilities will be available after today?	Networking is one of the objectives of this conference. There are details on our website of various donor providers (both private and public), foreign and local investors. Local banks can be involved if they are willing to invest.	Dr. Abdul Qadir “Qadir
11	What arrangement will there be between primary and secondary sector care choices if you can’t afford treatment? Which facilities would local practitioners direct patients to? Fee or non fee paying?	<p>These are parallel systems. We do not want to compete in the same hospital. Full details will be defined through the process. We are not willing to compete at the same hospital but want improvement in quality and choice for the patient. There are different fees at different hospitals. We want to offer choice and quality care but what people can afford. During negotiations we will discuss patients who cannot afford to pay.</p> <p>There are plans to standardise hospitals at provincial level. We need to improve the private sector so that quality is improved for all. If we can minimize the financial resources going to other countries we can improve the healthcare in Afghanistan. The Government may be able to use fees to subsidise patients who are unable to afford private healthcare and this will be discussed during the negotiation phase.</p>	Dr. Abdul Qadir “Qadir

ANNEX D. PANEL 2 Q&A

Panelists: H.E. Dr. Ahmad Jan Naeem – MoPH, Mr. Khan Mohammad Zamani – MoPH, Mr Mohammad Osman Fahim – MoPH, Dr Sayed Shafi Saadat – MoPH with Dr Omar Zaman Chairing			
No	Question	Answer	Answered By
1	Is the Afghan Government committed to providing free services? How will this be addressed? With regards to the bid bond, if the bidder is selected but cannot reach agreement with the MoPH would they lose the bid bond? Your procurement seems more like consultation. Should bidders not have a business plan for 25 years including projections, profit and loss etc?	<p>The purpose of the bid bond is to ensure that any preferred bidder does not step back. If the negotiations fail and the MoPH doesn't want to continue the bid bond will be returned. If the bidder steps back they will lose the bond.</p> <p>A major step of the procurement process will include documents such as a business plan.</p> <p>Article 52 of the Constitution covers free services but the state provides the facilities. Also article 10 of Constitution encourages and protects private welfare allocations in the project.</p> <p>Article 2 of the Constitution explicitly says that the provision of these services should be free within the resources of the Governments financial limits.</p>	<p>Khan Mohammad Zamani</p> <p>Mohammad Osman Fahim</p> <p>Dr. Ahmad Jan Naeem</p>
2	Can you elaborate on the SPV. Who is responsible for what?	<p>The SPV will be the prime contractor dealing with the Government. Most terms and conditions of contract will flow down to the subcontractor through the SPV. Some provisions may not apply, but some processes and terms and conditions will apply to the subcontractor as well as the SPV.</p> <p>Different companies can come together under one name as a separate entity under licence from AISA, or the SPV can be an individual company and they can subcontract to other companies. The first type creates a new company and the second type is a parent company.</p>	<p>Khan Mohammad Zamani</p> <p>Dr Omarzaman Sayedi</p>

3	How can we get information about financial institutions who would be interested in getting involved in this process?	A number of international financial institutions were registered to attend today's conference as well as hospitals, pharmaceuticals and diagnostics companies but some could not make it. They are really interested and we will be doing our best to put you in contact with each other.	Khan Mohammad Zamani
4	Can you please explain how the SPV legal status will work with a locally registered firm and international contractors?	There would be one prime contractor who can then subcontract. The subcontractor should be entitled to the same legal status. It would follow normal procedures for working with other companies.	Mohammad Ibrahim Shams
5	If there is a locally registered firm and international firm that is not registered how do they create a joint venture?	Many companies work together, nationally and internationally. This practice has been around since 2004 in Afghanistan and there are procedures laid down.	Mohammad Ibrahim Shams
6	What is the potential tax liability?	There will be tax holidays for new businesses starting before December 2015 for seven years. Businesses would only be subject to withholding and municipality tax.	Khan Mohammad Zamani