

## **Terms of Reference for Transaction Advisory Support Dialysis PPP in the People's Republic of Bangladesh**

### **A. Background and objectives of the assignment**

1. The Government of Bangladesh (“**GOB**”), through the Directorate General Health Services (“**DGHS**”) and the Health Services Division (“**HSD**”) of the Ministry of Health and Family Welfare (“**MOHFW**”), is receiving Technical Assistance (“**TA**”) from the Asia Pacific Project Preparation Facility (“**AP3F**”). The TA is intended to support in capacity augmentation at DGHS and HSD, creation of a PPP cell and for the establishment of a sustainable model in Bangladesh to identify, prepare, and implement healthcare PPP projects with private sector investments and participations (the “**Programme**”). GOB considers the delivery of high-quality clinical services such as dialysis, pathology/labs and imaging as immediate priority areas for potential private sector interventions.
2. The Office of Public Private Partnership (“**OPPP**”) at Asian Development Bank (“**ADB**”) is assisting GOB in implementing the Programme. To achieve the targeted outcomes, OPPP will procure consultant services in multiple phases. The first of such consultant procurement phases and this Terms of Reference (“**TOR**”) relates to preparation/implementation of a new hemodialysis project under PPP modality and restructuring of an existing dialysis PPP project.
3. To address the growing chronic kidney related illness in Bangladesh, GOB intends to pilot a Dialysis PPP Project involving approximately 150 hemodialysis stations across up to three different hospital sites in the capital city, Dhaka (“the **Pilot Dialysis Project**” or the “**Pilot**”). OPPP is looking to engage a professional services firm or a consortium of firms (the “**Dialysis Technical & Modeling Firm**”) to undertake the tasks as set out below.

### **B. Scope of Services**

4. As the Lead Advisor, OPPP will advise GOB in undertaking preparation and delivery of the Programme including the Pilot Dialysis Project under PPP modality. The Pilot Dialysis Project is expected to set the benchmark for replicating in future dialysis projects under PPP modality in other locations across Bangladesh. In this regard, ADB seeks the following scope of services from the Dialysis Technical & Modeling Firm:

#### **5. Component 1: Project Preparation**

- 5.1. The project preparation stage will broadly comprise feasibility assessment and implementation support as follows:
  - a) **Feasibility Assessment:** development of the project specifications, targeted outputs and parameters, Key Performance Indicators (“**KPIs**”), preparation of comprehensive whole-life cost estimates and cost benchmarking; analysis of payment mechanisms and delivery options; assessing public sector affordability and budgetary support calculations; risk mitigation and transfers; supporting the market sounding consultation with perspective bidders and funders; and other tasks/analysis, as necessary, to support ADB in facilitating GOB’s decision making to tender launch for the Pilot Dialysis Project;
  - b) **Shadow Bid Financial Model:** Develop Shadow Bid Financial Model (the “**Model**”) capable of supporting both feasibility assessment and procurement stage activities and decision-making; and
  - c) **Procurement tools:** Development of and input to technical sections of the relevant procurement tools (e.g. tender documents, concession agreement and other contracts, evaluation templates etc.) to facilitate procurement, evaluation, and contract execution of the Pilot Dialysis Project.

## **6. Component 2: Project Restructuring**

- 6.1. GOB has requested ADB's assistance in providing contract restructuring and negotiation support of the existing dialysis PPP project executed on 27 January 2015 between DGHS and Sandor Madicaids Pvt. Ltd. (the "**Sandor Dialysis Project**"). The Dialysis Technical & Modeling Firm will provide technical and commercial support to OPPP in restructuring of the Sandor Dialysis Project.

7. **Coordination and other support:** As set out in paragraph-2 of this TOR, ADB is in the process of separately procuring the services of a number of other consultants/advisors (both firms and individuals) including legal advisors to support components 1 and 2 above as well as delivery of the overarching Programme. The Dialysis Technical & Modeling firm will also:

- 7.1. Coordinate their activities and findings with the other advisors to enable ADB in providing a seamless and comprehensive advisory support to GOB.
- 7.2. Provide OPPP with necessary analysis, presentations & reports, attendances/participation in key meetings, and other forms of support (as necessary) and requested to:
  - a) Progress the Pilot Dialysis Project through the various stages, including obtaining relevant approvals, to achieving contract execution; and
  - b) Negotiate the successful restructuring of the Sandor Dialysis Project.

## **C. Detailed tasks and expected outputs**

8. Pursuant to the above paragraphs, this section expands on the list of tasks (not an exhaustive list) and expected outputs from the Dialysis Technical & Modeling Firm.

## **9. Feasibility Assessment**

- 9.1. Assessment of the service-seeking behaviour of patients suffering from End Stage Renal Disease ("**ESRD**") through primary research, visits to the pilot sites, available data analysis, stakeholder consultations etc.
- 9.2. Assessment of the current payment mechanisms (free services, insurance coverage, out of pocket expenditure) impacting the utilization of dialysis services.
- 9.3. Understanding of current challenges (including review of the Sandor Dialysis Project) in relation to the provision of dialysis services and recommending a way forward including areas for improvements.
- 9.4. Based on stakeholder consultation, assess lessons that need to be learned from existing PPP contract/s for dialysis services and provide early guidance on improvements that could be targeted in the Pilot..
- 9.5. Based on precedent global dialysis projects and key learnings, develop the minimum performance standards & specifications ("**MPSS**"), KPIs, targeted outputs and parameters for the Pilot.
- 9.6. Develop technical specifications which set out the requirements of government for the delivery of dialysis services including output specifications for service delivery, any technical requirements related to construction and equipment and a set of key performance indicators which allows for adequate monitoring of the services over the life of the contract.

- 9.7. Propose an operating model for the delivery of dialysis services which takes into account the interface between public and private sectors, clearly articulating the roles of each party and is most likely to deliver a value for money solution.
- 9.8. Develop a Payment Mechanism that reflects the needs of government and incentivises the private sector to perform to the quality required, and reflects the agreed risk profile/allocation of the project.
- 9.9. Study the availability and distribution of nephrologists based on stakeholder consultation, publicly available data, and data available from government.
- 9.10. Estimate the likely levels of human resources required to deliver the Pilot Dialysis Project.
- 9.11. Site visit and operational assessment of the 3 proposed sites and whether the sites are appropriate for the set up and operation of the envisaged dialysis services. Propose any works that will be required on the sites to accommodate the proposed service, including any environmental issues that may arise as a result of the Project.
- 9.12. Undertake detailed estimation of whole life costs. Estimate all capital costs associated with the project including cost of construction if needed, cost of equipment required to deliver the services and any other related costs, based on an aggregate of approximately 150 dialysis stations on the three sites.
- 9.13. Estimate the operating costs associated with delivering the services, including a detailed cost model showing the categories and numbers of staff needed as well as costs for human resources, consumables, pharmaceuticals, etc.
- 9.14. Estimate a per session cost for dialysis services payable by government, based on anticipated volumes of patients referred by the public sector as well as any anticipated private activity.
- 9.15. Conduct a cost benchmarking exercise with comparable projects in Bangladesh and a representative sample of other countries.
- 9.16. Analyse delivery structuring options based on precedent transactions within Bangladesh and other countries, recommending optimal structure for delivery.
- 9.17. Carry out the economic appraisal of the project including detailed risk analysis, Value for Money assessment, cost-benefit analysis etc., as required.
- 9.18. Assess key environmental and social impacts of the Pilot Dialysis Project and suggest suitable mitigations related to disposal of medical waste, exposure to hazardous chemicals, labour/working conditions, staff retrenchment, fire and safety protections etc.
- 9.19. Assist with the market sounding with prospective investors and funders, and with development of the procurement strategy, bid evaluation criteria, and bid evaluation methodology etc.
- 9.20. Develop bidding term-sheets comprising evaluation criteria, project scope, KPIs etc. (the full set up of procurement documents will be prepared, in coordination with legal and other advisors during the procurement phase).

## 10. Shadow Bid Financial Model

- 10.1. Develop the Model from scratch in Microsoft Excel (unlocked) for the Pilot Dialysis Project which can also be used to facilitate commercial negotiations of the restructuring of the operational Sandor Dialysis Project.
- 10.2. The Model should allow for the input of an array of assumptions and outputs typical for social sector / health PPP projects with provision of clinical services including construction period, operating period, fixed and variable operational and maintenance costs, capital and lifecycle expenses, pre/post-tax project equity and blended IRRs, NPV, DSCR and LLCR.
- 10.3. The Model should ensure appropriate accounting and tax compliance relevant to Bangladesh for projects of this nature and present Financial Statements (balance sheet, income statement, cash flow statement) and have a scenario manager and affordability calculation worksheets.
- 10.4. The Model should present both (a) feasibility metrics including affordability gap analysis for the public sector and Value for Money (VFM) assessment for GOB under PPP structure, and (b) enable evaluation of bids received from prospective investors/bidders during the tendering phase of the Pilot.
- 10.5. The Model should be easy to understand, reflect the applicable recommended transaction structures, be capable of accommodating reasonable changes in structure going forward, and adhere to industry best practices and modeling standards.
- 10.6. A Model User Guide (the “**User Guide**”) should be prepared to provide step-by-step instruction about using the models, changing assumptions and inputs etc. to derive expected outcomes. For the avoidance of doubt, the User Guide would not anticipate any coding changes to the model/s but only changes to input assumptions and other parameters.
- 10.7. Quality control of the Model including Model audit, if required by either ADB or the GOB, should be ensured.
- 10.8. The Model should be provided to ADB in an unlocked form, i.e. formulas visible and editable in cells, and, as a minimum, the Model should include the following for the entire PPP contract period:
  - a) Input tabs: Worksheets comprising time based and non-time-based input assumptions with scenario manager options.
  - b) Capex, O&M, lifecycle costs etc. for the entire concession period.
  - c) Step-ups and indexation: Step-ups, where relevant, and indexation mechanism for various cost and revenue items.
  - d) Accounting and tax: Accounting and tax depreciation and treatments.
  - e) Financing drawdown, repayment and others:
    - i. *Currencies*: Dual currency financing, in US Dollar (“**USD**”) and Bangladesh Taka (“**BDT**”)
    - ii. *Drawdown*: Flexibility to permit different drawdown options (e.g. pro-rated and sequential) for various funding tranches, including but not limited to, senior debt and shareholder contributions;
    - iii. *Repayment*: Defined repayment types (e.g. sculpted, straight line, equal amounts etc.) for individual funding tranches;
    - iv. *Others*: Reflecting important covenants such as DSCR, DSRA, LLCR, etc.

- f) Sensitivity analysis: Capable of carrying out various “what-if” scenarios and sensitivity analysis related to currency depreciation, funding assumptions, dialysis/health assumptions, cost increases, timing delays, etc.
- g) Model outputs and affordability analysis:
  - i) Generate projected financial statements (cash flow, balance sheet, profit & loss accounts on a semi-annual and annual basis);
  - ii) Determine project returns (e.g. NPV, NPV to government, IRR, RoE etc.);
  - iii) Show key outputs in tabular and chart forms.

**11. Procurement of the Pilot Dialysis Project:** Following approval by GOB of the feasibility stage analysis and reports, the Dialysis Technical & Modeling Firm will support OPPP in the procurement of the Pilot. The following is a broad (not exhaustive) list of expected tasks:

- 11.1. Provide technical inputs, international best practice, and other similar support in the development of tender/procurement documents (single-stage or multi-stage, as deemed appropriate), contracts, and templates that can be used for delivering future dialysis projects under PPP modality.
- 11.2. Identify various benchmarks which can be used as reference in determining technical specifications in future dialysis projects.
- 11.3. As applicable, review and make changes, where necessary, existing documents/templates used in Bangladesh to accommodate dialysis healthcare PPP projects from technical perspective.
- 11.4. Tendering and Project Delivery of the Pilot Dialysis Project
- 11.5. Provide technical inputs and support to draft tender documents for the Pilot based on either the single or two stage procurement, as applicable.
- 11.6. Assist with the development of the procurement strategy (including market sounding), pre-qualification criteria, bid evaluation criteria, and bid evaluation methodology.
- 11.7. Provide necessary technical support to conduct and manage the tendering/procurement process including responding to bidder’s queries during procurement, joining pre-qualification conferences, bid conference, and others as required, undertaking bid evaluations and scoring and recommending preferred bidders, negotiation with preferred bidder.
- 11.8. Provide other necessary support and advice to achieve Commercial Closure on the Pilot.

## **12. Restructuring of the Sandor Dialysis Project**

- 12.1. Based on various due-diligences and analysis undertaken (e.g. during feasibility assessment and modelling), the Dialysis Technical & Modeling Firm will coordinate with the legal advisors (to be engaged separately) in supporting in the successful restructuring and negotiation of the Sandor Dialysis Project agreements.
- 12.2. Support ADB with meetings, negotiations etc. with both the public and private sector counterparts.

## **D. Team and required expertise**

13. To achieve the expected outputs for the Pilot Dialysis Project and restructuring of the Sandor Dialysis Project, the Dialysis Technical & Modeling Firm will mobilise a Core Team of experienced professionals and specialists as set out in below.

**Table-1: Core Team of experts\***

	<b>Experts</b>	<b>Minimum qualification criteria</b>	<b>Minimum person months required (22 working days per person month)</b>
1)	Senior Healthcare PPP Specialist / Team Leader	The expert shall have a master's degree from an accredited college/university. S/he should have minimum of 15 years of overall experiences in successful implementation of PPP projects across developed and developing countries. The expert must demonstrate at least 10 years of healthcare sector experiences. Prior experiences in in clinical services projects (PPP preferable) including dialysis is highly desirable.	6.0
2)	Dialysis Operations Specialist	S/he shall have at least a Bachelor's degree (or equivalent) in medicine, ideally be a nephrologist or have at least 8 years of post-graduate professional experiences in operations/management of dialysis services. The expert must also demonstrate experiences and knowledge about global best practices for dialysis service delivery and monitoring.	5.0
3)	Infrastructure Specialist in health facilities and medical equipment	S/he shall have at least a Bachelor's degree with minimum of 10 years of post-graduate relevant experience in PPPs and healthcare sector. The expert must have demonstrable technical and health sector experiences of developing project specifications and KPIs, preparing detailed whole-life costs projections and benchmarking including for clinical services such as dialysis. Experiences in PPP procurement would be an added advantage.	5.0
4)	Financial modeler	S/he will have at least a Bachelor's degree or be qualified accountant or have equivalent qualification from an accredited university or professional association. The expert must have at least 10 years of experiences in developing complex project finance and PPP models including in the healthcare sector. The expert's project experiences should be located in 3 or more countries in at least 2 regions, and must include at least one healthcare PPP project during the preceding 18 months.	5.0
5)	Local public health specialist	S/he shall have at least a Bachelor's degree (or equivalent) in public health and preferably a postgraduate degree, with at least 8 years of post-graduate professional experience in public health. The expert must also demonstrate experiences and knowledge in undertaking primary research in public health matters, locating and sourcing data, undertaking basic data analysis and other types of public health market research and analysis. Expert is expected to be based in Dhaka, Bangladesh	5.0

\*The table presents the core team of experts (Key Personnel) who would be evaluated on the basis of roles, qualifications, experience requirements as mentioned in the table. The firm may suggest other team members as non- key personnel as required. The CVs of the non-key personnel would be required for assessment of the proposal on a pass/ fail basis though their CVs will not be scored.

## **E. Evaluation Criteria**

14. The overall score weightings between technical and financial (all-inclusive costs) proposals are 90/10.

15. The scoring weights for the technical evaluation section are:

15.1. Approach and methodology including workplan and personnel schedules: 20%.

15.2. Relevance of Core Team's experiences and qualifications: 70%.

15.3. Corporate credentials and experiences: 10%.

16. The Dialysis Technical & Modeling Firm may also supplement the Core Team with other key experts, as necessary, in order to execute the entire scope of services within the required timescale.

The Core Team can work flexibly however in order to advise and manage government stakeholders, key members are expected to spend at least 1/3 of their time in Bangladesh. The Team Leader in particular is expected to spend as much time as necessary in Bangladesh (including attendance in important meetings with GoB) to deliver the scope of services and assist ADB in managing stakeholders to achieve the targeted outcomes. The Approach and Methodology section of your proposal should clearly demonstrate time spent in Dhaka by relevant Core Team experts vs in their home office location, support by other experts etc. The work plan (and therefore the proposed costing) should also include the field and home time for both key personnel as well as non- key personnel.

17. Following the outbreak of COVID-19, the commencement and completion dates and other implementation arrangements for this assignment are to be considered indicative and will be agreed with the first-ranked firm at contract negotiations taking into account the situation with COVID-19 at that time. In particular, it is expected that all international travel related to the assignment may be suspended during the COVID-19 pandemic period and any travel will require prior written approval by ADB."

18. A total budget of USD 600,000 has been earmarked for this assignment. This amount is inclusive of all costs including international air travel, costs for hotel accommodation, land transportation, report preparation and productions, out-of-pocket expenses, contingencies etc. for both key-personnel and non-key personnel proposed in the proposal. The respondents are required to provide breakdown of their assumptions for all these costs.

19. All key members including the Core Team of experts, must have excellent oral and written communication skills in English.

## **F. Timelines and payment milestones**

20. This assignment is expected to be executed within 12-18 months period.

21. The following table summarises key deliverables, indicative timelines and payment percentages (excluding travel related costs and out-of-pocket expenses):

**Table-2: Deliverables and payment percentage**

	<b>Key milestones/deliverables</b>	<b>Indicative timeline (T = Notice to Proceed)</b>	<b>Payment Amount as % of total contract (subject to OPPP's approval of deliverable)</b>
1)	Inception Report	T + 3 weeks	5%
2)	Feasibility Assessment Report	T + 3 months	15%
3)	Recommendation Report on restructuring plan and negotiating positions	T + 3 months	10%
4)	Audited Shadow Bid Model and User Guide (including structural changes to accommodate market sounding feedback)	T + 4 months	15%
5)	Execution of restructuring agreement of Sandor Dialysis PPP	T + 4 months	5%
6)	Approval by GOB of procurement documents	T + 6 months	10%
7)	Completion of Bid Evaluation	T + 10 months	30%
8)	Commercial Close of Pilot Dialysis Project	T + 12 months	10%

22. All reports shall be accompanied by supporting materials and Excel spreadsheets, as appropriate. Each report will also be accompanied by a report in Word format summarizing findings and supporting materials and spreadsheets.

23. The Technical & Modeling Firm will present all findings to ADB and GOB and/or other consultants, either in person or through videoconference. All raw data collected shall be provided in electronic format to ADB.

24. The team would have a conference call with ADB at least once every 2 weeks, but possibly on a weekly basis, to provide updates.