PPP Projects in Healthcare:
INFORMATION MEMORANDUM

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Astana, Kazakhstan
PPP Advisory Center LLP
7.8.2015
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Kazakhstan: Investment Outlook

General Information

Kazakhstan is the 9th largest country in the world. Its resilient economy has recorded 10 straight years of positive annual GDP growth. In 2002 Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating. Since 2010, Kazakhstan has been part of the Belarus-Kazakhstan-Russia Customs Union, which helps it attract foreign investment and improve trade relations.

Today, Kazakhstan is among the 50 most competitive countries of the world. The country has created a favorable investment climate, the National Plan to attract investment, a simplified tax treatment. According to the updated ranking of the World Bank “Doing Business 2014” the country is in 50th place; the indicator "protection of investors” Global Competitiveness Index for the second year in a row occupies the 10th place among 185 countries of the world.

The most important factors of the investment attractiveness of the country

Existing and potential investors of different factors evaluated attractiveness of the country. Those who are already working in Kazakhstan, first of all appreciate the high level of economic, political and social stability in the country, as well as the relatively low tax rates for businesses.

Potential investors are still not aware of these advantages of the country, while among the main advantages is called wages and entrepreneurial culture.

However, both operating in Kazakhstan, and potential investors noted the high level of development of the telecommunications infrastructure and the size of the consumer market.

Kazakhstan in World Rankings

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>LT Issuer Rating (Domestic)</td>
<td>Baa2</td>
<td>Baa2</td>
<td>Baa2</td>
<td>Baa2</td>
<td>Baa2</td>
</tr>
<tr>
<td>Senior Unsecured (Foreign)</td>
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<td>n/a</td>
<td>Baa2</td>
<td>Baa2</td>
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<tr>
<td>Senior Unsecured MTN (Foreign)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>(P) Baa2</td>
<td>(P) Baa2</td>
</tr>
<tr>
<td>LT Issuer Rating (Foreign)</td>
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The Global Competitiveness Index

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
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<th>2014</th>
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</thead>
<tbody>
<tr>
<td>GCI</td>
<td>72</td>
<td>51</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Corporate ethics</td>
<td>93</td>
<td>70</td>
<td>56</td>
<td>48</td>
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</table>

Key Economic Indicators

- Steady economic growth

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Inflation</td>
<td>5</td>
<td>20</td>
<td>18</td>
<td>5</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-4</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>n/a</td>
</tr>
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</table>
Stability of the tax law

<table>
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<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Net Income Tax</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Wealth Tax</td>
<td>1,5%</td>
<td>1,5%</td>
<td>1,5%</td>
<td>1,5%</td>
<td>1,5%</td>
<td>1,5%</td>
<td>1,5%</td>
</tr>
<tr>
<td>Social tax</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>
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**Project #1 Multidisciplinary University Hospital in Almaty**

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### Project Resume

| **Project Name** | Construction and operation of multi-disciplinary hospital with capacity of 300 beds at the Kazakh National University in Almaty |
| **Sector** | Social Infrastructure |
| **Status** | Development of the concession proposal (80% completed) |

The Ministry of Health and Social Development of the Republic of Kazakhstan (MH&SD RK) is currently developing a first national level concession project in healthcare “Construction and operation of multidisciplinary hospital with capacity of 300 beds at the Kazakh National University in Almaty”.

The concessionaire will finance, build, equip, transfer to the Government a multidisciplinary university hospital and provide maintenance services during the period of the concession agreement. The concessionaire will receive an availability payment over the term of the agreement.

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### Regional Context

The hospital will be built in Nauryzbay district of Almaty.

Almaty is a city of national significance, the former capital of Kazakhstan, which houses many medical institutions serving the population from the entire territory of Kazakhstan as national centers for specialized medical care.

Almaty is the fourth fastest-growing regions in the number of people of Kazakhstan.

Nauryzbay district is a new district of Almaty formed in 2014. Area of Nauryzbay district is 6976 hectares, it became part of Auezov district and the city recently annexed areas.

Population Nauryzbay district, according to official figures, is 157 thousand people, which is projected to increase by 30% by 2025 will amount to 204 thousand people.

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### Expected Revenue of the Concessionaire

| **Availability Payment** | Includes Compensation For Investment Expenses; Compensation For Operating Expenses and Management Fee |
| **Non-Medical Revenue** | |

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### Project Team

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The Ministry of Health and Social Development of the Republic of Kazakhstan

KazNMU

PPP Advisory Center

KPMG

AJZ Engineering

Project Timeline

Kickoff

2015

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

Due Diligence

2016

Announcement of Tender

Pre-Qualification

BAFO

2017

Commercial Close

Development of Concession Proposal

Risks Studies

Social Studies

Financial Studies

Technical Studies

Legal Studies

Marketing Studies

TD – Tender Documentation
BAFO – Best and Final Offer
Project #2 Out-patients' clinic in Kyzylorda

Project Resume

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Construction and operation out-patients’ clinic for 500 visits per shift in Kyzylorda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Social Infrastructure</td>
</tr>
<tr>
<td>Status</td>
<td>Development of the concession proposal (30% completed)</td>
</tr>
</tbody>
</table>

Local administration - Akimat of Kyzylorda region of Kazakhstan is developing a pilot ppp project in healthcare.

The Concessionaire will build and operate a city out-patients’ clinic for 500 visits per shift (2 shifts per day) in Kyzylorda and overall management of the project during the period of the concession agreement, which will be concluded for a period of 17 years.

Regional Context

Kyzylorda area is located in the southern part of the country, the total length of the regional boundary is 2285 km. The distance between the northern and southern sides of the Kyzylorda region in a straight line is greater than 1 000 km. According to official data, the population of the Republic of Kazakhstan in 2014 amounted to 17,160,774, of whom only 4.3% or 739,776 people live in the Kyzylorda region (Figure 2.1 A). Kyzylorda region a small population and a lower share in GDP of Kazakhstan. The region produces 3.8% of GDP. The area is traditionally different from other regions of Kazakhstan by the fact that most of the population lives in rural areas.

The outpatient hospital is to be created as a replacement of existing outpatient hospital of the same capacity, located in a relatively new district of Kyzylorda city. The outpatient hospital will serve 31000 people currently living nearby. The expected growth rate of the population is 6%.

The tender is expected in the mid 2016.

Expected Revenue of the Concessionaire

<table>
<thead>
<tr>
<th>Compensation Investment Costs</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Medical Services</td>
<td>✔</td>
</tr>
<tr>
<td>Non-Medical Revenue</td>
<td>✔</td>
</tr>
</tbody>
</table>

Project Team

Type of concession | BTO  |
Grantor           | Akimat of Kyzylorda |
Term              | 17 year |
Term of Construction (estimation) | 24 month |
CAPEX (estimation) | USD 8.02 mln |
PPP Projects in Healthcare: Information Memorandum

PPP Advisory Center LLP

Legal Advisor  
Financial Advisor  
Technical Advisor

KazNMU  

Kazakh National Medical University is a university in Almaty, Kazakhstan. It is the no.1 medical institute in all of Kazakhstan. Many of Kazakhstan's leading physicians are affiliated with the university. It is dedicated to S.D. Asfendiyarov who was the first rector when the university was established.

PPP Advisory Center  

Established on March 19, 2014 in accordance with the decision of the Coordinating Council on PPP under the Government of the Republic of Kazakhstan on September 3, 2013. Mandated as a legal entity for advisory support of national and regional concession projects by the decree of the Government of the Republic of Kazakhstan on 30 April 2014 №248.  

www.pppac.kz

KPMG  

KPMG is one of the leading advisors in the PPP market. KPMG in the CIS is actively participating in establishing the conditions to develop PPP in the CIS and provides the full scope of advisory, tax and audit services needed to run projects. Their experience includes advising on such projects as Moscow-Saint-Petersburg PPP Toll Road (58-684 kms), Pulkovo airport, Nadex light rail system, Moscow waste disposal plant, construction of educational centers in Russian regions as well as several large water and wastewater projects.

KPMG  

www.pppac.kz

AJZ Engineering  

AJZ Engineering offers system solutions to capital investment projects in research and education, medical engineering, life sciences and industry. Multiple projects which have already been handled worldwide warrant that requested projects are successfully planned and put into practice in accordance with your individual requirements. AJZ Engineering is able to rely on many years’ experience in medical and laboratory planning. In addition, the Company takes on responsibility as general contractor in turnkey projects.

http://www.ajz-engineering.com/

Project Team Portfolio
established in 1931. In 2001, the government classified it as a “national” university. There are more than 11000 students, PhD students study at KazNMU, and there are more than 1500 faculty members working at KazNMU, including more than 200 doctors of science, 130 professors, more than 500 candidates of science and 15-laureates of State prizes.

http://www.kaznmu.kz/
Contacts

PPP Advisory Center

Yelzhan Birtanov  
*M.D., MBA*  
y.birtanov@pppac.kz  
*Chief Executive Officer*

Anara Musrepova  
*MA*  
a.musrepova@pppac.kz  
*Head of Projects*