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Projects & Procurement - Sweden

Hospital Procurement on PPP Basis

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In October 2008 Stockholm County Council began the procurement process for the development of the New Karolinska Solna University Hospital (NKS) on a public-private partnership (PPP) basis. The total investment is estimated at SKr14.1 billion (2007 nominal value), making this probably the largest building project under procurement in Sweden.

The PPP concept has so far gained little support from the government: the Arlanda Rail Link, connecting Stockholm-Arlanda Airport with Stockholm Central Station and completed in 1999, is essentially the only project developed on a PPP basis in Sweden. However, following the change of government in 2006, a window of opportunity opened for potential proponents of PPP. The new government showed increased interest in private participation in the implementation and funding of investments, primarily within the infrastructure sector. However, recent government bills relating to infrastructure imply that such investments are not envisaged to be implemented on a PPP basis. Future decisions to implement PPP projects are more likely to be made at county council level, where the issue of whether benefit is to be gained from procuring hospitals, sports arenas and similar facilities on this basis will be considered. In this context, the experience gained from the NKS project will be highly significant.

The NKS is intended to constitute the hub of a nationally and internationally competitive university healthcare system. It is envisaged that the hospital will focus on highly specialized care and research. The building will cover a total of 335,000 square metres. Aside from the hospital building, the procured project includes an outpatient hotel, parking facilities and a number of so-called 'hard' and 'soft' facility management services.

The contract structure will, in all significant respects, comply with commonly recognized practice for similar PPP projects. The selected bidder is expected to establish a special purpose vehicle (SPV) which will sign a project agreement with the Stockholm County Council. The agreement will govern the respective responsibilities of the council and the SPV, and allocate risk between the parties. Principles developed in similar PPP projects overseas have served as inspiration. However, the project agreement, which is tailored to the NKS project, will have a Swedish format and be based on Swedish contract law, practice and custom. The compensation model will follow international practice for PPP schemes within the healthcare sector and will be based on a combination of accessibility and quality parameters. The contract period will be at least 30 years following financial closure.

The negotiated procurement process is estimated to be finalized by April 2010 and the council expects to open its new hospital in 2015.

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