

## SCIENTIFIC ADVISOR'S REFERENCE

<b>Program:</b>	Master in Corporate Finance
<b>Student:</b>	Kazimir Iablonskii
<b>Title of thesis:</b>	Developing a Financial Model for Public-Private Partnerships in Hospitals: A Pilot Project for the St. Petersburg Children's Hospital #5

**Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis.** Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.

This master thesis represents a consulting project done for one of the hospitals in St. Petersburg. The choice of the topic was justified by the gap between current financing for renovation and technological upgrade from the city government and the amount of one-off investments needed to raise the quality and efficiency of service delivery. Clearly, the only way to bridge the gap is to exploit possibilities of public-private partnership. At the same time, two major issues arise: (1) lack of PPP projects in the Russian health care sector requires formulation of what models can be offered. The main aspect here is a financial one – how to structure different PPP models taking into account multiple sources of financing for public hospitals, quite different in their nature. (2) lack of internal financial information to justify the choice between PPP models offered for consideration. This choice should be based on assessment of their relative financial attractiveness for a potential investor (partner) as well as on cost-benefit analysis of the project for the government (owner of the hospital), but currently only general financial reporting at a very aggregated level is available. Consequently, the author has to design a new system for processing financial information first, and then to apply to the hospital in order to get basic data on cost of operating particular units or servicing a patient. These two issues led to the two goals set for the project.

**Structure and logic of the text flow.** Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.

The text is structured logically. One should have in mind that a consulting project per se would lack some of the items considered by the author, but these items are quite natural for a master thesis (literature review on PPP, etc.).

**Quality of analytical approach and quality of offered solution to the research objectives.** Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.

The approach offered is adequate. The author evaluate the models based on FCF calculations (a potential partner might make its decision to enter the project based on discounted FCF), cost-benefit analysis (potential decision-making criterion for the city government as owner of the hospital), and risk assessment for both the partner and the city.

**Quality of data gathering and description.** Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.

One of the key achievements of the author is dealing with very poor financial information available at the hospital. We should note that this is very typical for public hospitals in Russia. The first phase of any financial project for a public hospital should always be designing an internal information system that would be able to deliver necessary data for calculations. What we sometimes take for granted when doing consulting for a private company is a matter of hard work once we have to get any valuable financial information for decision making at hospitals. The author spent almost two months to be able to get

information about product cost, cost of serving a patient, cost of operating a unit in the hospital.

**Scientific aspect of the thesis.** Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.

By nature, consulting project implies little research novelty. Still, the PPP models were developed based on extensive literature review. The data collection methodology for hospitals is based on the review of both research publications in the health care financial management and analysis of international best practices in the field.

**Practical/applied nature of research.** Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.

The thesis is an applied consulting project done for one of the hospitals in St. Petersburg that has been trying to implement a PPP project for the last few years, but never did it at the level of financial analysis required by both a potential partner and the owner (the city of St. Petersburg). The expectations for the project were set by the hospital top-management. The author has been in close contact and delivered intermediate reports to the top-management to align what is done in the project with their expectations.

We should note that PPP models and data collection methodology developed for this hospital are transferable to any other hospital that might be considered for a PPP project. In this respect, the thesis contributes to the developing standards of financial analysis and evaluation of PPP projects in health care in Russia.

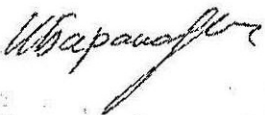
**Quality of thesis layout.** Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.

Layout is done in accordance with the Regulations.

The Master thesis of Kazimir Iablonskii meets the requirements for master thesis of the Master in Corporate Finance program thus the author of the thesis can be awarded the required degree.

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Scientific Advisor:



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