



Rafiki Orthopaedic and
Rehabilitation Centre

Mobilising Africa

Director's Report

2019

April 27th, 2020

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Director's report 2019

The directors of Rafiki Orthopaedic Foundation hereby present its financial statements for the financial year ending on 31 December 2019.

1. General information

The primary goals of Rafiki Orthopaedic Foundation¹ are to deliver high quality orthopedic healthcare for -in particular- poor patients in Kenya and East Africa and to initiate and support capacity development in orthopedic healthcare.

The foundation wants to realize these goals through the development of the "Rafiki Orthopaedic and Rehabilitation Centre", a specialized orthopedic hospital and training institute in the Nairobi area, Kenya. For the purpose of the development of this Centre, the foundation initiated the incorporation of "Rafiki Orthopaedic Limited²", and the registration of "Stichting Rafiki Orthopaedic Centre³"

The foundation supports the development of the hospital and training institute by a number of activities, including:

- Establishing and (financially) support the required project organizations in The Netherlands and in Kenya.
- Fundraising and advice.
- Establishing partnerships to enable and support the development of the hospital and training institute.

Targets thusfar achieved through the cooperation of Rafiki Orthopaedic Foundation, Rafiki Orthopaedic Limited and Rafiki Orthopaedic and Rehabilitation Centre include the following:

- Purchase and Valuation of the plot of land of 14 acres in the Nairobi area. This allows for the development of the hospital and for future expansion.
- Approval of the architectural plans and further detailing of the construction drawings.
- Obtainment of necessary government approvals and permits, required for the construction of the hospital (some will need re-approval before the actual construction).
- Affirmation of the medical team and licensed Kenyan orthopedic surgeons, responsible for the medical services, patient care and training facilities.
- Letters of intent with local and foreign professional organizations.
- Coöperation with RoyalHaskoning/DHV, an international construction company and consultancy.
- Furthering of a MoU with Kenyan Government (Ministry of Medical Services and

¹ The foundation was established on June 13th 2006 and registered with the Commercial Register of the Dutch Chamber of Commerce in Amsterdam on June 28th 2006 under number 34251027.

² "Rafiki Orthopaedic Limited" has been incorporated on December 11th, 2007, under the Companies Act (Cap.486). The Directors of Rafiki Ltd. are Mr. AH. De Haas Van Dorsser, Mr. C. Kluft, Dr. J.I. Murila, Mr. F. Ojiambo, and Mr. S. Dijkstra

³ "Stichting Rafiki Orthopaedic Centre" has been registered on December 6th, 2007, under section 10 of the Non-Governmental Organizations Co-ordination Act. The board of NGO RORC consists of the executive committee of the Dutch "Rafiki Orthopaedic Foundation", among which legal advice from Kaplan & Stratton Advocates and Mrs. Susie Murila, MBA

Ministry of Finance).

- Planning and development of a drinking water and sanitation plant (a bore hole, pump and drinking water tank have already been constructed by a local company with the expertise from Hatenboer Water, a Dutch company).

Other achievements are mentioned under 'project developments'.

2. Project developments

As stated previously, many preconditions for the planning, design and construction of RORC have been met.

Notwithstanding the current COVID-19 pandemic and the socio-economic and financial crises, potential partners and investors have expressed interest in the realization of an orthopedic hospital and training institute. Further discussions will have to wait as most countries and whole continents are in “survival mode” locked-down, their societies disrupted by the COVID-19 disaster.

3. Financial information

In the year 2019 the foundation had a negative result. The foundation received no donations in 2019. The third and fourth release (out of five) of each € 200,000 of the € 1,000,000 loan of the late Cornelis van Ginneken are respectively not stated in the financial year 2010 and 2011. Further releases will be done in connection with the planning and actual construction of the Orthopedic Center. Initially, the value of the land was estimated at KES 300 million, estimates done (unofficially) by valuers and architect.

Meanwhile, the value of the plot of land purchased by Rafiki Ltd /the Foundation has gone up and is estimated to have quadrupled between 2008 and mid-2015.

Currently, the value of the Rafiki Landplot is estimated at 8.500.000,-- US Dollars. The increase is driven by a general price increase in land in Nairobi, developments in the area, and developments on the land itself (e.g. borehole development). The land title was transferred to Rafiki Orthopaedic Limited on 21st February 2008 for KES 82.74 million. A valuator may officially revalue the land in the year 2020. As this comes at a relatively high cost, it will be done at the request of investors.

4. Subsequent events

The current plans have been adapted several times since their inception in 2011, as the circumstances so dictated and the fundraising potential in mind.

An update of the construction & building costs was provided by the architects, April 2015, together with an update of the project management & financing costs and estimated revenue tables has been obtained from the future CFO of RORC.

By the end of 2010, the Board also decided to appoint a fulltime project manager in Nairobi, Kenya, to further refine the existing plans, appoint a local project team and increase the efforts to establish the hospital and training institute. This has resulted in a well- received Investment Paper and Business Plan.

Notwithstanding the joint efforts of the Board and project team, progress in fundraising and establishing additional partnerships have been increasingly difficult.

5. Fundraising

The initial funding requirement (a funding mix of debt, equity and grants) was proposed for the construction of the hospital (USD 9,3 million), acquisition of the fixed and current assets for the hospital (USD 6,0 million), and funding of the project development costs, the start-up costs and incidental expenditure (USD 5,5 million).

Previously, the International Finance Corporation, IFC, expressed interest to invest in the hospital and training institute. IFC considered funding about USD 3 million in debt, after the start of construction & building (Phase I).

By actively communicating interest to other potential funders. IFC's (soft) commitment showed its importance. IFC and the probability of further support from IFC as an 'anchor investor' means a great deal for other potential investors. Other organizations also have expressed interest in additional funding (in debt).

The foundation trusts in being able to reach an agreement on a syndicated loan with previously identified. For the equity, two social investment funds have expressed interest to fund the requested amount up to USD 2.4 million (each). The foundation also looked into several options to raise the necessary funds in Grants. Charity funding however has become increasingly difficult.

6. Partnerships

Future partnerships a.o. with Kenyan government has been initiated, including an MoU with the Kenyan Ministry of Medical Services and the Ministries of Finance and Justice, in order to obtain full governmental support.

This may also result in tax exemptions and in cost savings for setting up the hospital and training institute. The Ministry appreciates the initiative and especially welcomes the capacity development in orthopedic healthcare in Kenya. The final draft of this MoU is under review of legal counsel of the Kenyan Ministry of Medical Services and the Ministry of Finance.

Cooperation with a yet to be disclosed general hospital and with a Children's hospital is pending until the start of operations of Rafiki Orthopedic Center, a cooperation that may benefit the development and quality of orthopedic healthcare in East Africa (e.g. training programs, capacity development, staff pooling, sharing of facilities and outreach programs).

The Orthopedic Department of the AMC/ VU Medical Centre in Amsterdam several times has reconfirmed interest to set up an exchange program. Following this program the medical staff would provide training and perform joint research activities.

Letters of intent/recommendation from several charitable organizations would ensure a working relationship and a flow of patients in the future. Examples include Liliane foundation (MoU) and CBM (Letter of intent). The foundation continues efforts to establish future partnerships (MoU's) in 2020.

7. Project management and future management team

The foundation previously has negotiated a partnership with a financial intermediary providing advisory and brokerage services, as finalizing the deals with funders can be a complex process that requires special expertise and local management in Nairobi.

For all non-financial activities the local project management rests with the future management team. Key persons in the management team and a hospital have been identified. Some key persons in the management team were identified at an earlier stage: Dr. Johnson Murila, co-founder of Rafiki Orthopedic Center will be the Chief Medical Officer, and a CFO with 13 years of finance experience in the health sector has been contracted.

The foundation is currently weighing the options for (part-time) hiring the management team in the course of 2020 in order to prepare the hospital and training institute for opening. For fundraising, communications and as an advisory to the Board, the foundation will appoint a communications and marketing consultant.

8. Future outlook

The expectations for 2020, later this year, are carefully optimistic. The Board expects to resume discussions with investors and suitable partners in the course of late autumn of this year 2020. The liquidity of the foundation has been a matter of concern, including the need for working capital. The foundation however remains optimistic that limited resources notwithstanding, additional funds will be found, providing the necessary working capital to cover the costs of project management, fundraising and the start of the future management team in 2020.

The suddenly appearing, devastating and seemingly unstoppable COVID-19 pandemic threatens to disrupt our ways of living and Earth itself.

Aerdenhout, the Netherlands, April 27th, 2020

The Board, represented by:

A.H. de Haas van Dorsser (chairman)

S. Dijkstra (treasurer)

C. Klufft (vice chairman)