



## Public Private Partnership: Queen Mamohato Memorial Hospital, Lesotho

### Background

Lesotho is a small mountainous country with population of about two million in southern Africa. It generates revenue mainly from export of water to South Africa and garment manufacture. The country faces serious problems in health sector due to poor infrastructure, poor management system and shortage of trained health care professionals etc.

In response to sector challenges, government adopted a reform program to refurbish Health Sector in the late 1990s; focusing on replacement of Queen Elizabeth II Hospital (QE II) with a new referral hospital.

### PPP Structure of the Project

In 2006, the Government of Lesotho (GoL) adopted a public private partnership (PPP) approach in the health care sector. The PPP had two purposes: first, to replace the aging QEII, the 100 year old national referral hospital and to upgrade the network of urban filter clinics. The PPP thus included construction of a new 425 bed referral hospital, Queen Mamohato Memorial Hospital (QMMH), a gateway clinic adjacent to the hospital, and the refurbishment and re-equipment of three urban filter clinics. The second purpose of the PPP was to engage the private sector in new ways to ensure that these new facilities functioned effectively as an integrated care network to provide more efficient, higher quality care and expanded access to services for the population.

The GoL selected Tsepong (Proprietary) Limited<sup>1</sup> as private player through an international bidding process. The Tsepong consortium entered into a concession agreement with GoL in October 2008 to design, build, operate, partially finance and deliver clinical and non-clinical services through this integrated network for a period of 18 years. During concession period, GoL would pay private players a fixed fee to cover original capital outlay and operational costs and Tsepong consortium

will return the property to GoL after concession period. To ensure value for money, GoL has appointed an independent monitor, insuring that the operator achieves the required level of services and quality stipulated in the PPP agreement. If Tsepong do not achieve those targets, they get penalised in form of deduction from fee.

The project has an overall cost of approximately US\$100 million, out of which 80 per cent of capital cost would be provided by government and remaining 20 per cent by private players. The Capital structure has debt-equity ratio of 85:15. Approximately US\$95 million was arranged by Development Bank of Southern Africa, US\$ 50,000 by Tsepong Consortium and remaining was contributed by government.<sup>2</sup> The project was also supported by technical assistance funds from the Governments of Netherlands and Sweden and has also been awarded a grant of US\$6.25 million from Global Partnership for Output Based Aid (GPOBA). This project was one of the first efforts to design a PPP in Africa for the construction and the operation of a major hospital plus the clinical services.

### Project Implementation

The construction of the New Referral hospital started on March 23, 2009 and it was expected that the filter clinics would get operational by end of 2009 and the new hospital by July 2011.<sup>3</sup> But the project experienced delays due to various reasons such as misunderstanding on payment mechanisms; failure to update the project design, delays in disbursements etc. Therefore, the filter clinics were commissioned in May 2010 and the new hospital on October 1, 2011.

The clinics were initially designed to be led by nurses, but due to increasing demand other support staffs were also added. Additionally, Maternity services were introduced three months after project implementation i.e. in September 2010 on 24 hours basis.

<sup>1</sup> Tsepong is private consortium led by Net care (40%), a leading private health care provider. The consortium also included Excel Health (20%), an investment company for Lesotho-based specialists and general practitioners (GP); Afri'nnaï (20%), an investment company for Bloemfontein-based specialists and GP; D10 Investments (10%), the investment arm of the Lesotho Chamber of Commerce; and Women Investment Company (WIC) Basotho Women group (10%).

<sup>2</sup> World Bank (2013), "Lesotho - New Hospital Public Private Partnership (PPP) Project", Washington DC: World Bank.

<sup>3</sup> IFC (2009), "Breaking New Ground: Lesotho Hospital Public-Private Partnership—A Model for Integrated Health Services Delivery", International Finance Corporation.

## Project Outcome

The outcome of adopting PPP approach to build up health care sector can be analysed on the basis of qualitative as well as quantitative indicators.

**Qualitative Indicators:** As compared to QE II, QMMH provided new and improved services such as:<sup>4</sup>

- **Patient Friendly Signage:** Wards are labelled with letters as well as with coloured squares, so that someone who is not literate can find the ward.
- **Access to physically handicap:** The entire hospital is handicap accessible, with elevators and ramp.
- **Improved care:** QMMH provided better and improved care to its patient as compared to QE II, because of improved bed side facilities, 24 x 7 access to pharmacy, improved diagnostic equipment etc.

**Quantitative indicators:** In terms of Qualitative indicators, QMMH stands ahead of QE II because of following reasons:

- **Number of beds:** QMMH has 390 acute care beds, 24 filter clinic beds, 82 per cent occupancy, and an average length of stay of 5.0 days, compared to Queen Elizabeth II which had 409 acute care beds, 8 filter clinic beds, 61 per cent occupancy and an average length of stay of 5.94 days.
- **Number of Patients admitted:** In addition to this, in 2012, QMMH had 23,341 admissions, compared to an average of 15,465 at QE II, indicating an increase of 51 per cent.
- **Cost:** No increase in cost of services to public patients (as compared to QE II), is main strength of QMMH. Additionally, estimates indicate that QMMH is more efficient than QEII, with 22 per cent lesser unit cost (if capital costs are excluded).
- **Employment:** QMMH created employment options for residents of Lesotho, as it employed greater amount of staff as compared to QE II.

## Lessons Learned

Lesotho has demonstrated the ability to build and operate a complex hospital under a PPP agreement in a low income setting. Thus, following lessons can be drawn from Lesotho's experience for effective and efficient implementation of PPP agreements in other countries (especially low income):

**Evaluation of bid is important:** The challenge in front of GoL was to come up with a bid evaluation structure to

<sup>4</sup> Taryn Vian, Nathalie McIntosh, Aria Grabowski, Bram Brooks, Brian Jack, Elizabeth Limakatso Nkabane (2013), "Endline Study for Queen 'Mamohato Hospital Public Private Partnership", Boston University.

accommodate three competing objectives: to procure maximum number of services to people at the hospital and filter clinics; to improve the quality of services; and to do so within the government's affordability limit. Therefore, in order to have a best and balance structure, evaluation of bid is integral to enhance outcome and affordability.

**Integrated service delivery is essential:** Since the private operator was responsible for complete health care service delivery at the hospital and filter clinics, it is important to ensure that it can deliver all services effectively- for example: pharmaceuticals. Thus, it is important to ensure that private operator must enter into a service-level agreement with suppliers and must adopt capacity- building initiatives that will enhance supply capacity of suppliers, thereby ensuring better service delivery not only to the PPP but also to public health system.

**Careful Implementation:** Implementation manual was finalised only after implementation period of project and even after delays did not correlated with terms and conditions of the agreement. All this resulted in difficulties in implementing project and delays. Therefore, proper guidance is required to avoid all these delays and timely implementation of project.

## Conclusion

The Lesotho Hospital PPP has demonstrated that it is possible in a low-income country to undertake a very ambitious project that is affordable for the country and patients, is attractive to private investors, and has the potential to deliver high-quality health services and meet the critical shortage of health professionals—key constraints for many developing countries. In addition, the project won the 2008 "Social Infrastructure Deal of the Year" award from media outlet Africa-investor due to the pioneering nature of the deal and its ability to be replicated in other African countries, as well as for the project's commitment to supporting local businesses and communities.

Although the project is in initial years of its operation, there will be long terms issues and obstacles that the government and private players have to overcome. A key risk is that there is high probability that QMMH will provide better and better services to patients in future, requiring the government to improve the quality of services in other hospitals to relieve the pressure on the new referral hospital. The key factor for the success of this project is the commitment and support of the government throughout the project process, from procurement, during negotiations, and to financial operations and belief that this project will deliver meaningful results for the country.

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