



# Public-Private Partnership Impact Stories

## Lesotho: Public Health Network



In 2009, Lesotho embarked upon a public private partnership (PPP) to rebuild the country's failing network of public health facilities. In 2012, the health network provided services to approximately 375,000 outpatients and 23,000 inpatients.

The Tsepong Consortium, headed by Netcare together with local investors and healthcare providers were awarded the 18 year contract in February 2009. Tsepong designed, constructed, partially financed, and now operates this network of public health facilities that includes the new Queen Mamohato Memorial Hospital as well as three expanded primary health care clinics in the greater Maseru area. The project cost approximately US \$100 million and is financed through a combination of commercial financing by the Development Bank of Southern Africa, a government capital contribution and private equity.

The new health network has improved quality of care and accessibility, and provides improved working conditions, training and professional development programs for health professionals.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

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## BACKGROUND

Lesotho is a small, mountainous country of two million people in southern Africa. Fifty-eight percent of the population lives on less than \$1.50 per day. The country faces serious challenges in the health sector: the third highest HIV prevalence rate globally, and infant mortality, mortality for children under five and maternal mortality rates are amongst the lowest in the world. At the time, the nation's only tertiary hospital was over 50 years old and consumed ever-increasing government resources, while providing a declining quality of service.

## IFC'S ROLE

The government approached IFC to help find a private sector partner to improve health facilities and services. To achieve this, IFC advised the government on the feasibility, structuring, tendering, and implementation of a public-private partnership (PPP). It worked closely with the government to improve its understanding of PPPs, build its implementation capacity, and helped it to garner political support.

The IFC team undertook extensive due diligence and commissioned a baseline study to document the existing service level and condition of the facilities. This study provided the basis for future evaluation and comparison and gave potential bidders realistic operating data to use in preparing their bids. Finally, the team developed the bidding documents and the PPP agreement and supported the government through the tender process.

## TRANSACTION STRUCTURE

The project structure responded to the government's objective to eliminate the existing problems with the health system, while maintaining costs within government budget. The project will also have a long-term effect on local economic development—bidders were required to include specific targets for local participation in project equity, management, subcontracting, and community development. These targets, along with stated increases over the life of the contract, were incorporated in the final PPP agreement as contractual obligations.

Project performance is monitored quarterly by an independent monitor jointly appointed by the government and the private operator. In cases when required standards are not met, predetermined penalties are levied. There is also a Joint Services Committee, established by the government and the private operator, to review overall performance and to develop mechanisms, procedures, and protocols that help improve services within the health network.

The winning bidder was also required to obtain and maintain accreditation from the Council for Health Services Accreditation of Southern Africa (COHSASA). The facilities were fully accredited in 2013.

## PROJECT COMMENCEMENT

Bidders were required to submit bids within minimum volume, service, and budget parameters to provide the government with a clear idea of what was possible within the range of affordability.

Bidders were scored on their technical proposals and then on their financial bids. Fourteen companies participated in the investors' conference and two submitted bids.

Tsepong Consortium, comprised of regional provider Netcare along with local investors and operators, was selected by the government after thorough review and negotiations in February 2009. Construction started in March 2009, supporting clinics opened in May 2010, and the new Queen Mamohato Memorial Hospital opened in October 2011.

## POST-TENDER RESULTS

- Increased capacity to deliver affordable and high quality health services.
- Patient satisfaction increased by 22 percent.
- Per unit cost of operation (excluding tax and capital cost compared to old facility) decreased by 22 percent.
- Overall death rate decreased by 41 percent—pediatric pneumonic care decreased by 65 percent, maternal death rate decreased by 10 percent, and still birth death rate decreased by 22 percent.
- Increased access for 330,000 people to high quality, public funded secondary and tertiary healthcare services.
- Chosen as one of the world's most innovative projects by KPMG in its 'Infrastructure 100: World Cities Edition' report.

*\* According to GPOBA Implementation Completion Report (ICR) published in Sep 2013*

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