



INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP



Lesotho Hospital PPP

PPP Days 2012

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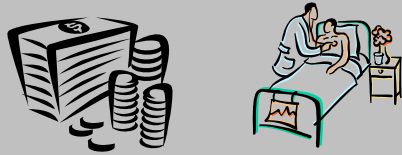
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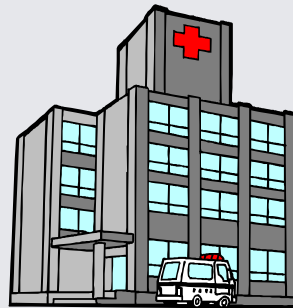


PPP Structure: New Hospital

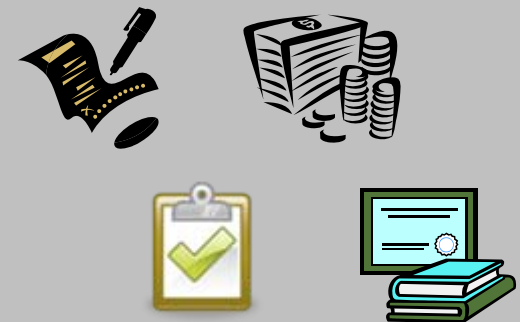
Private Consortium



- ▶ Detailed designs
- ▶ Capital financing
- ▶ Construction
- ▶ Medical supplies & equipment
- ▶ Clinical services
- ▶ Maintenance
- ▶ Non-clinical services
- ▶ Staffing



Ministry of Health or National Health Insurer



- ▶ Legal permits and authorization
- ▶ Reimbursement for clinical and non-clinical services
- ▶ Performance monitoring
- ▶ Medical licensing & certification

Lesotho: New Referral Hospital PPP

The Project

- ❖ Greenfield public hospital of 390 beds + 35 private beds (replacing existing hospital over 65+ years old)
- ❖ Refurbishment, upgrade and operation of 3 urban filter clinics
- ❖ Design, construction, partial finance, full operation for 18 years – significant risk transfer to the private sector

- ❖ **Operational services include:**
 - Non-clinical services - administration, building & facilities management, IT, etc.
 - Clinical Support Services - biomedical engineering, labs & pharmacy, imaging, etc.
 - Clinical Services - Tertiary hospital, with fewer referrals to South Africa
 - Private wing
- ❖ **This is the main public hospital for Lesotho's 2 million people, supporting the district hospitals**

Lesotho: New Referral Hospital PPP

Government's objectives for the new hospital project include:

- A new public hospital and filter clinics with a higher level of service and quality
- Maximize value for money – better quality and more services for the money spent
- Reliable services, affordable and predictable costs
- Accountability for results – clinical and fiscal
- Benefits from new hospital for the general public and throughout health sector

Lesotho: New Referral Hospital PPP

- **Winning bidder was a regional consortium with significant local participation**
- **Project Capex ~\$120m; Govt capital contribution of ~\$52m**
- **GPOBA: output based grant for service delivery (\$6.25m)**
- **IFC SME linkages program for local small business development**
- **Strong World Bank sector and country support for the project**
- **Other multilaterals keen to participate**
- **Same patients fees as all other public hospitals**
- **Government's Annual Payment to the PPP partner:**
 - Guarantees service to 20,000 inpatients & 310,000 outpatients per annum
 - Roughly equivalent to current operating budget for existing hospital
 - Escalated only by CPI – ensures budget certainty for Government
- **Local Economic Empowerment**
 - Strong contractual commitment for local participation at all levels

Lesotho: New Referral Hospital PPP

- **Maximize value for money – better quality and more services for money spent with project’s “global budget” approach**
- **Bidders provided with**
 - Unitary payment
 - List of services (required & optional) to be provided at the new hospital
 - Set quality parameters for services and minimum patients to be seen p.a.
- **Bidders required to specify the volume of services to be provided from list, within the agreed budget and quality standards; must treat all patients that present to hospital/clinics**
- **PPP Agreement allows for changes in the service mix, to meet future needs, changes in demographics and disease profiles**
- **Charges to the public remain the same as other public hospitals**

Lesotho: New Referral Hospital PPP

- Government enables reliable high quality health services for the public, at an affordable and predictable cost
- Operator must manage services within the set annual budget, adjusted for inflation
- Hospital building required to have minimum 50 year lifespan
- PPP Agreement includes equipment replacement schedules, maintenance and servicing levels to manufacturers standards
- Equipment replacement schedule means that at handover in 18 years, Government receives equipment in good operational condition

Lesotho: New Referral Hospital PPP

- **Accountability for results**
- **IFC Baseline Survey – measured services & quality today, in future**
- **Contractual Performance Indicators**
 - Ramp up from current baseline to targets (equipment availability, charts, etc)
 - Indicators based on review of Government's health targets (MDGs, etc) and international best practices for quality of service
 - Failure to meet performance indicators invokes penalties (up to 10% of UP p.a.)
- **Performance Monitoring – 5 levels**
 - Independent Monitor – quarterly assessment against performance indicators
 - Operator's internal monitoring
 - Government monitoring
 - Joint Services Committee
 - COHSASA Accreditation

Lesotho: New Referral Hospital PPP

- Benefits from new hospital to the general public and throughout health sector
- New hospital and clinics must attend all patients who present
- New hospital required to provide practical and ongoing professional training opportunities for health professionals throughout the country (medical and nursing students, district hospitals, clinics)
- Operator committed to attracting and retaining health professionals – key constraint for Government
- IFC SME linkages programme for local small, medium and women-owned businesses

Lesotho: New Referral Hospital PPP

➤ Timeline & Project Process

- Lesotho had not yet adopted a PPP framework, so the project was tendered using the existing procurement framework, internationally competitive bidding & PPP best practices
- The project took over 3 years to prepare, complete the competitive tender process and then reach financial close with the winning bidder.
- For governments, this sounds like a long time, but this was one of the fastest projects of its kind
- Clinics opened in May 2010, Hospital opened in October 2011