LESOTHO REFERRAL HOSPITAL

CABRI 6TH ANNUAL SEMINAR MAY 2010
MAURITIUS

OUTLINE

- Background
- Financing Options
- Chosen Option
- Benefits of the Option
- Drawbacks of the Option
- Milestones
- PPP Structure
- Lessons learned so far

BACKGROUND

- The Kingdom of Lesotho needed to build a new referral hospital to replace the aging (over 50 years old) Queen Elizabeth II hospital in Maseru
- Capital cost M1.2bn (approximately ($155m)
- Annual capital budget Ministry of Health M80m
- How to finance the new hospital?

FINANCING OPTIONS

- 4 options studied:
  - Option 1: Finance the capital sum from the domestic budget
  - Option 2: Borrow from a third party : the WB could lend money on concessional terms and the government (e.g. Ministry of Works) would oversee the building of the hospital.
  - Option 3: PPP scheme, already used PPP scheme to contract the building of MOHSW headquarters.
  - Option 4: tender for one operator to design build, partially finance and operate the hospital, including the full provision of clinical services. Personnel will be employee of the operator.

CHOSEN OPTION

- Option 4 chosen: Hospital has been designed, will be built, part-financed and operated by a private sector consortium over 18 years agreement.
- Rehabilitate three filter clinics

BENEFITS OF THE OPTION

- Comprehensive solution
- Fits within affordability limit
- Budget Stability
- Service accessibility maintained
- Private sector efficiencies
- Late delivery and cost overruns risks transferred
- Built-in Local Economic Empowerment

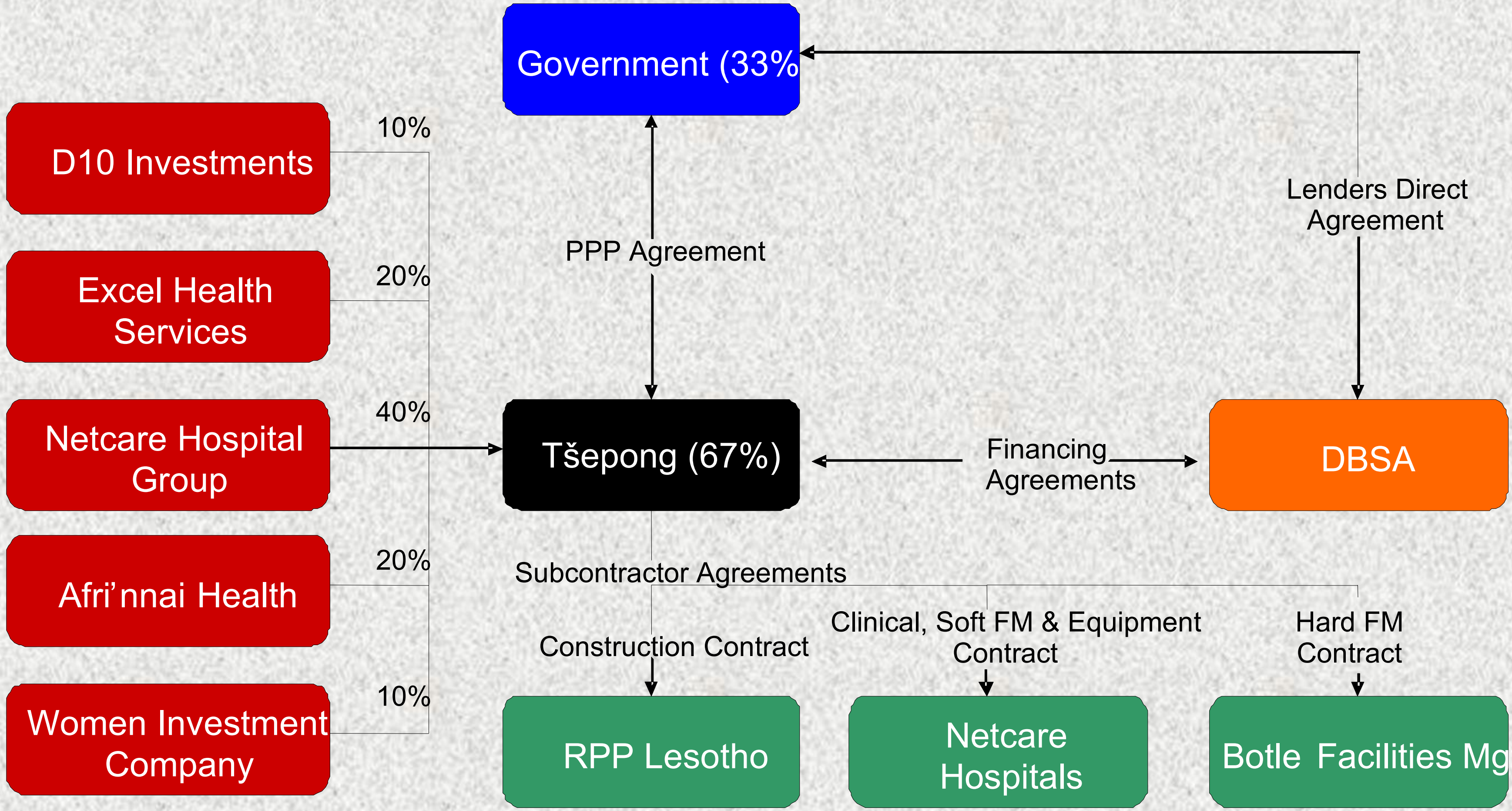
DRAWBACKS OF THE OPTION

- Limited internal capacity – hence shy contributions
- Potential additional costs - Wont meet all expectations

MILESTONES

- Feasibility 2002
- RFP - 6 June 2007
- Closing Date - 8 October 2007
- Preferred bidder - December 2007
- Commercial Close – 27 October 2008
- Financial Close – 20 March 2009
- Construction Start Date – March 2009
- Infrastructure completion –Clinics – May 2010

PPP STRUCTURE



GPOBA -Global Partnership on Output-Based grant US$6.25m (M48m) direct to the operator from the WB

LESSONS LEARNED SO FAR

- Be clear about the roles of Government and the Transaction Advisors from project inception to facilitate information flow and decision making.
- Composition of Transaction Advisors and Government teams should have all the necessary technical expertise.
- All relevant sectors should fully participate from inception
- Ministry of Finance should fully participate
  - Budget Allocations
  - Disbursements
- Need for policy and guidelines
- GPOBA Grant minimises budget burden
- PPP project will allow the Government to cover other priorities.
- Observation of timelines (cost overruns risk transfer)
- Strong contract management systems

Thank You