

**INVESTIGATING THE ROOT CAUSES OF THE CHALLENGES WITH THE
LESOTHO NATIONAL REFERRAL HOSPITAL PUBLIC-PRIVATE
PARTNERSHIP PROJECT**

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by

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ABSTRACT

The Lesotho government embarked on one of the most complex health public-private partnerships (PPPs) in the history of the country's procurement practices. The model combined the construction of the facilities and the provision of clinical services. The government needed this hospital to improve the quality of healthcare services, and to reduce the number of patients referred to South Africa for medical treatment. The referrals were mainly due to a shortage of medical equipment, medical professionals, as well as the poor state of the national referral hospital at the time, Queen Elizabeth II hospital. These referrals were not only costly to the government, but also inconvenient for the patients, who, at times, needed urgent medical care.

This current study followed a qualitative approach, using thematic analysis, assisted by an automated software tool, Nvivo. The data were collected through in-depth interviews with key parties involved in the PPP contract, as well as the review of project reports. Nineteen people were purposefully selected for the interviews.

The researcher investigated the root causes of the challenges with the Lesotho National Referral Hospital (LNRH) public-private partnership (PPP) project. The study findings revealed that the LNRH encountered many challenges related to high patient volumes, disputes between the parties, and the lack of contract management expertise from the Lesotho government. These challenges were mainly caused by an uncondusive environment for PPP projects; the lack of knowledge and understanding of the PPP concept; the lack of government commitment; and, the lack of project ownership. The study findings further revealed that five factors affected the success of the LNRH PPP project, namely, poor stakeholder engagement, the lack of political will, the lack of trust, the lack of transparency, and poor relationships.

The limitation of this current study is that the majority shareholder in Tsepong (Pty) Ltd, Netcare, was unable to participate in the study, because the data collection coincided with Netcare's handing over of the hospital management to the government of Lesotho. However, the inability to interview the Netcare representative did not affect the findings of this current study, because the reviewed documents, as well as the interviews from three representatives of Tsepong (Pty) Ltd consortium, provided adequate data.

The practical contribution of this current study is that Lesotho, in the future, would plan appropriately and build the necessary capacity to manage infrastructure and services of PPPs, before embarking on any other PPP projects. It is anticipated that the findings would inform the policy decisions of the government of Lesotho, when designing future PPP projects, as well as provide guidance for developing countries that plan to engage in referral hospital PPP projects, especially with a model that involves the provision of clinical services by the private sector.

Keywords: *challenges, government, health PPPs, PPP contract, private sector, public sector, public private partnership, national referral hospital PPP, Tsepong (Pty) Ltd*

ABBREVIATIONS

ADB	Asian Development Bank
ABC	All Basotho Convention
CAL	Consumers Association of Lesotho
COHSASA	Council for Health Service Accreditation of Southern Africa
DBFO	Design-Build-Finance-Operate
DBSA	Development Bank of Southern Africa
EIA	Environmental Impact Assessment
GoL	Government of Lesotho
GSB	Graduate School of Business
IFC	International Finance Corporation
LEE	Local Economic Empowerment
LSL	Lesotho Loti
LNRH	Lesotho National Referral Hospital
MoF	Ministry of Finance
MOH	Ministry of Health
NKS	Nya Karolinska Solna
PFI	Private Finance Initiative
PPP	Public Private Partnership
QMMH	Queen 'Mamohato Memorial Hospital
RSUTE	Ribera Salud Unión Temporal de Empresas

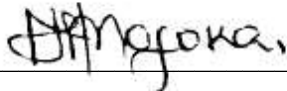
SA	South Africa
SDG	Sustainable Development Goals
SSA	Sub-Saharan Africa
UNECE	United Nations Economic Commission for Europe
UP	Unitary Payment
VfM	Value for Money
WBG	World Bank Group

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CHAPTER ONE

BACKGROUND AND RATIONALE OF THE STUDY

1.1. Introduction

In this current study, the researcher investigates the root causes of the challenges that faced the Lesotho National Referral Hospital [LNRH], Public-Private Partnership [PPP] project. The Lesotho government entered into this partnership with Tsepong (Pty) Ltd, for the following reasons. Firstly, for several years, Lesotho had experienced challenges with the previous referral hospital, Queen Elizabeth II, which was old and dilapidated, the infrastructure and equipment had deteriorated, and it was costly to maintain and operate, to provide the healthcare that patients needed. Due to the poor state of the hospital and equipment, the government was compelled to refer most of the patients to South African hospitals for medical care. Secondly, Queen Elizabeth II hospital could not attract and retain medical doctors, due to the poor working conditions and infrastructure challenges to provide the best medical care (Thahane, 2011).

The Lesotho National Referral Hospital [LNRH], Public-Private Partnership [PPP] project was the first of its kind in sub-Saharan Africa, and the largest government procurement of healthcare services in Lesotho's history (Downs, Montagu, da Rita, Brashers, & Feachem, 2013). The government's objective for procuring the health care service through a PPP was to address the quality of health care services, ensure cost neutrality, efficiency, and predictable government health expenditure (Downs et al., 2013). The engagement of the private party, Tsepong (Pty) Ltd, to provide a health service, resulted in a shift in the government role, regarding tertiary health care services provision. This shift provided the necessary capital injection from the private sector, to ensure a mutual commitment from the private sector and the public sector, resulting in the government shifting from being the provider, to being a purchaser of tertiary healthcare services. To complement the limited capacity within government, the International Finance Corporation (IFC) was engaged to serve as the transaction advisor. Transaction advisors provide independent advisory services, which is critical for the segregation of duties, as well as to ensure that no biases could occur, as it could, should government use internal advisors, when embarking on complex PPP arrangements (Downs et al., 2013).

Few studies have been conducted on the Lesotho National Referral Hospital, PPP project. These studies focused on various aspects of the project. For example, Marriott (2014) and Webster (2015) explored the cost of the project to the government, and the findings of both revealed that the project was costly to the government. Vian, McIntosh, Grabowski, Nkabane-Nkholongo, and Jack (2015) compared the performance of the public sector managed hospitals to the private sector managed national referral hospital, while McIntosh, Grabowski, Jack, Nkabane-Nkholongo, and Vian (2015) examined the impact of the Lesotho National Referral Hospital PPP project on clinical performance outcomes. Scott, Kaiser, Jack, Nkabane, and Vian (2013) compared the project baseline data with the 2013 data, to determine whether an improvement in service delivery was evident. Scott, Kaiser, Jack, Nkabane, and Vian (2020) repeated the same study of 2013 in 2019; however, none of the studies investigated the challenges that this current research explores, regarding the National Referral Hospital Project.

An explanatory research design was employed in this current study, which sought to understand why certain challenges arose at the LNRH, as well as the factors that influenced the success of the project. According to Robson (2002, p. 59), explanatory research design provides an explanation of the problem, which was necessary in this current study, in order to establish the root causes of the challenges facing the Lesotho National Referral Hospital PPP project. Saunders, Lewis, and Thornhill (2019) assert that an explanatory research design is suitable in studies that collect qualitative data to explain the reasons for the existence of a certain problem.

The rationale for conducting this current study is that the government, since the operation of the LNRH, has been faced with different challenges. This study was conducted soon after the government's decision to terminate the LNRH PPP contract prematurely, and has revealed the following issues. High patient volumes; the government's lack of capacity to manage the contract; disputes between the parties; unconducive project environment; the lack of PPP knowledge, and an understanding of what PPPs entail, or how they are managed; the lack of government commitment, as well as the lack of project ownership, are some of these issues. The findings revealed that the government's decision to terminate the contract five years earlier than the contract end date, was mainly triggered by the dismissal of +/- 250 nurses (Sello, 2021a), high project costs, as well as political interference.

The study participants were representatives from Tsepong (Pty) Ltd, the Ministry of Finance, and, the Ministry of Health. The results from this study will not only benefit the government

of Lesotho, but will also be beneficial, and of interest to other countries that are considering implementing a PPP project, especially in healthcare service provision. The results are informative to PPP advisors, the private sector involved in PPPs, and the civil society that is concerned about service delivery.

1.2. Background to the study

In October 2008, the government of Lesotho, through the then Ministry of Finance and Development Planning, entered into a 18-year design build finance and operate (DBFO) PPP contract with Tsepong (Pty) Ltd, for the construction of the Lesotho National Referral Hospital (Scott et al., 2013). The DBFO is a model that involves a long-term contract of 25 years or more, between the government, or procuring entity, and a private partner. Under the DBFO model, the private company bears significant risks, and invests in the construction of the facility and its operations. The service and performance standards are agreed upon by the government and the private party, with the government taking the facility back at the end of the contract (Grimsey & Lewis, 2004, p. 60).

The national referral hospital was for the replacement of the old, dilapidated referral hospital, Queen Elizabeth II. Tsepong (Pty) Ltd is a consortium of five companies, namely, Netcare, Afri'nnai, D10 Investment, Excel health, and the Women Investment companies. Netcare and Afri'nnai are the South African-based companies, while D10 Investment, Excel Health, and the Women Investment are the Lesotho-based companies. Netcare is the majority shareholder, with 40 percent shareholding, followed by Excel Health and Afri'nnai, with 20 percent shareholding respectively, and lastly D10 and Women Investment companies with 10 percent shareholding each (Downs et al., 2013).

Tsepong (Pty) Ltd designed, constructed, financed, equipped, and was operating the Lesotho National Referral Hospital, under the name of Queen 'Mamohato Memorial Hospital (QMMH), together with the gateway clinic adjacent to the hospital. In addition, Tsepong (Pty) Ltd upgraded and equipped the three urban filter clinics. The national referral hospital was officially opened in October 2011, and therefore, 2021 marks the 13th year of the PPP contract between Tsepong (Pty) Ltd and the government of Lesotho, as well as the 10th year of operation.

The promise of efficiency, affordability, and a reduced burden on strained public resources, has certainly struck the government's desire to collaborate with the private sector to resolve financial constraints in the provision of healthcare services. On the operational cost comparison, the government was to spend, approximately, a 7.5% increase on the annual operating cost for the LNRH PPP project, than it used to spend on Queen Elizabeth II referral hospital. The operational cost increase was due to increased scope, improved facilities, medical services, and patient care (Downs et al., 2013). The project "placed particular emphasis on health system strengthening and local economic development, and if successful, to provide a template for similar projects across the African continent" (Downs et al., 2013, p. 9).

The performance of the Lesotho National Referral Hospital PPP project has been of interest to most people because it was the first hospital PPP project to include the provision of clinical services in Southern Africa. Scott et al. (2013) conducted the first study on the performance of the Lesotho National Referral Hospital PPP project. The objective of that study was mainly to describe and compare the end-line situation, to the baseline, as well as formulate the lessons learned. Consequently, 17 months after the operation of the hospital, the study results revealed that the hospital, together with its filter clinics, comparatively provided more services of higher quality than at the baseline.

An assessment of the Lesotho National Referral Hospital project costs by Marriott (2014) revealed that the project was costly for the government, which has been reaffirmed by Webster (2015) and Hellowell (2019). Marriott (2014) blamed the International Finance Corporation that acted as the government's transaction advisor on the National Referral Hospital PPP project, for the high costs of the project to the government. She indicated that IFC did not advise the government properly on the National Referral Hospital PPP project. Therefore, Marriott (2014, p. 21), has advised low and middle-income country governments to "avoid replicating the Lesotho health PPP model and avoid seeking advice from the IFC on health PPPs until and unless the IFC's competency has been fully investigated and confirmed". Hellowell (2019) states that the high costs of the project to the government was due to extra patient volumes that were served by Tsepong (Pty) Ltd, as well as the late payment interest charges, noted by Scott et al. (2020), when the government was five months behind in unitary payment to Tsepong (Pty) Ltd.

Despite the criticism of the project's high costs, Hellowell (2019), Scott et al. (2013), and Webster (2015), acknowledge the improved quality of healthcare provided by Tsepong (Pty) Ltd. Tsepong (Pty) Ltd has also improved the accessibility of healthcare services and provided improved working conditions, training, and professional development programmes for health professionals (International Finance Corporation [IFC], 2013). This positive reported performance of the project revealed that there were no issues regarding the services provided at the hospital, which is key in any hospital project.

This current study, therefore, investigates the root causes of the operational challenges that faced the LNRH PPP project, because none of the existing studies examined such issues. The study specifically explored the non-clinical issues, which included stakeholder engagement, the parties' capacity to manage the project, the regulatory issues, relationship management, transparency, and trust among the parties.

1.3. Overview of the Lesotho National Referral Hospital PPP project

The objectives of the National Referral Hospital PPP project were as follows:

- (i) To improve access to more medical services of higher quality;
- (ii) To receive value for money on healthcare services;
- (iii) To have an improved clinical training centre;
- (iv) To reduce referrals for medical services to South Africa; and,
- (v) To create a tertiary level hospital (Scott et al., 2013).

These services were provided to a maximum of 310,000 outpatients and 20,000 inpatients per year. Additionally, Tsepong (Pty) Ltd was entitled to incremental payment, for any extra patient treated above these contractual parameters (Scott et al., 2013).

A total of around LSL1.3 billion (US\$153.1 million) has been invested in this project. Tsepong (Pty) Ltd contributed around LSL804 million (US\$ 95.4million). The LSL804 million comprised LSL800 million debt from the Development Bank of Southern Africa (DBSA), and LSL4 million of equity. The government contributed LSL400 million (US\$47.5 million) to

reduce the overall project debt, and LSL86 million (US\$10.2 million) to enable project works, such as extension of sewers, water, and, electricity (Downs et al., 2013).

The Lesotho National Referral Hospital project was an availability PPP. Under the availability payment PPP, the private party receives performance-based reimbursement from the government, during the operations and maintenance phase (Sharma & Cui, 2012). Tsepong (Pty) Ltd, therefore, is paid a fixed performance-based annual Unitary Payment (UP), which is escalated annually, by composite index formula. The unitary payment covers Tsepong’s operational costs, including staff costs, supplies, maintenance and repairs, debt costs, and investment returns.

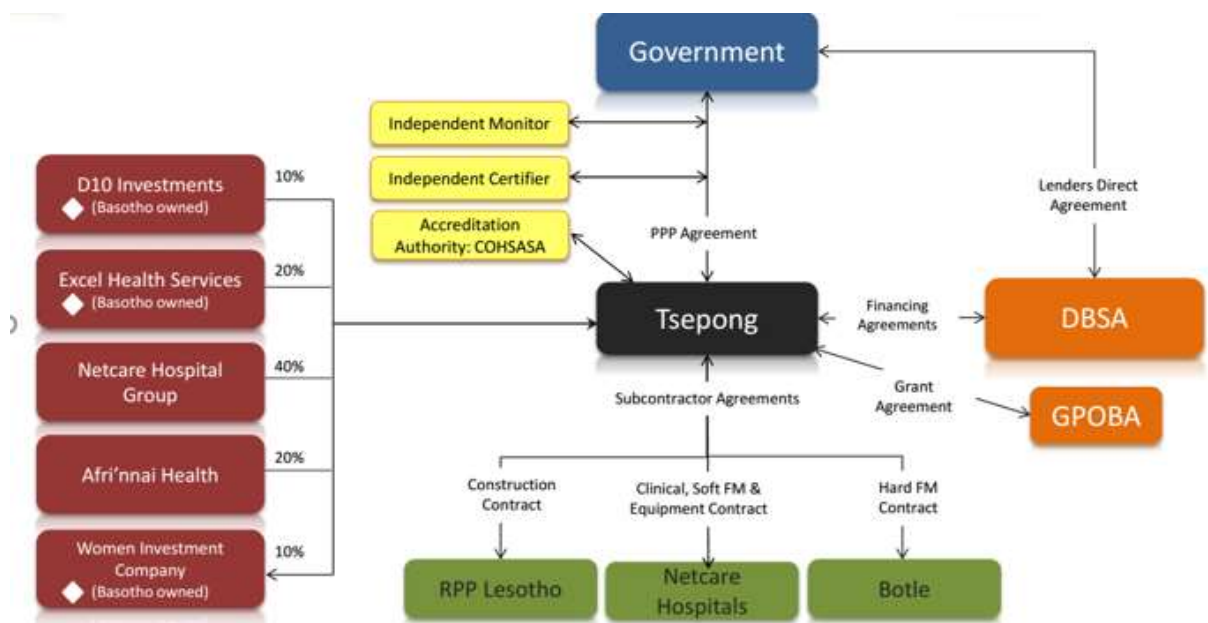


Figure 1.1: The National Referral Hospital PPP Project Structure

1.4. Research problem

The Lesotho National Referral Hospital PPP project, like any other project, experienced operational challenges during the operational phase. The problem was that both negative and positive results emerged from studies conducted on the project. The negative results highlighted the never-ending patient overflow that was costly to the government, as well as the shareholders’ internal disputes. In addition, the reports revealed that late payments by the government to Tsepong (Pty) Ltd contributed to the high cost of the project, because of the interest charges (Hellowell, 2019). In February 2020, the GoL was five months in arrears with unitary payments to Tsepong, and had not paid for the extra patients, who had received care at

the hospital, since 2017. Consequently, the issue of unpaid invoices for the extra patients, who had received care, is under legal arbitration proceedings, along with multiple other issues (Scott et al., 2020). Apart from the documented negative reports on the project, there were also ongoing challenges, such as the labour unrest (nurses' strike), which might have influenced the government's decision to announce its intention to terminate the contract in March 2021.

All these issues made it imperative to investigate the root causes of these never-ending challenges, with which the National Referral Hospital PPP project was faced. The research specifically investigated the reasons for the early termination of the LNRH PPP contract, the prevailing challenges, and their root causes, as well as the factors that Abuzaineh, Brashers, Foong, Feachem, and da Rita (2018) highlight as key for the implementation of the hospital PPPs. These include stakeholder engagement, the parties' capacity to manage a PPP project, transparency, trust, and, political will. The investigation would help to inform future private finance initiatives in the country, and assist other countries to avoid the same challenges that Lesotho experienced, when engaging in hospital PPPs.

1.5. Purpose of the study

The purpose of the study is to investigate the root causes of the challenges facing the National Referral Hospital PPP project.

1.6. Research question

The following was the main research question:

“What are the root causes of the challenges facing the Lesotho National Referral Hospital project?”

1.7. Research aim

The aim of this study was to answer the following questions:

- Why is the Lesotho National Referral Hospital project facing early contract termination, and what are the prevailing issues?
- What are the key factors that influence the success of the NRH PPP project?

1.8. Research objectives

The objectives of the study are:

- To investigate the reasons for the early termination of the LNRH PPP project contract as well as the prevailing issues;
- To determine the key factors that influenced the success of the Lesotho NRH PPP project.

1.9. Significance of the study

It is anticipated that this current study would be informative in guiding the private sector engagement in healthcare service delivery, and specifically the future use of private finance. In addition, this study could inform the design of future PPP projects in the country, and ensure that the government has the necessary enablers in place, to successfully implement future PPP projects. This current study could not only be informative to the government, but also to the following stakeholder groups:

- The state-owned enterprises that are planning to partner with the private sector to deliver services to the public;
- Other countries that are planning to engage in PPP arrangements, especially hospital PPPs;
- Technical and transactions advisors to governments and private sector;
- The civil society that advocates for decent service delivery;
- Development banks and other commercial banks that provide finance to the private sector, to deliver a public service.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents the definition of public-private partnerships, the rationale for engaging in PPPs, the benefits and criticism of PPPs, PPPs in healthcare and their rationale, and the challenges experienced in the implementation of healthcare PPP projects.

2.2. Public-private partnerships definition

There is no universal definition of the public-private partnership. The Organisation for Economic Co-operation and Development (OECD, 2008), even stated that it was unclear how PPPs are defined. Consequently, various organisations define PPPs differently. The World Bank (2014, p. 14) defines PPP as a “long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance”. The OECD (2008, p. 12), on the other hand, defines PPP as, “an agreement between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners”.

The common feature in the definition of a PPP provided by the two institutions is that, in PPPs, the significant project risks are transferred to a private party and that the private party provides a public service. The World Bank definition is adopted in this current study. This is because the World Bank definition clearly states that the contract between the public and the private parties shall be long-term, and also because this definition has been adopted in the Lesotho Ministry of Finance PPP policy (Government of Lesotho, MOF, 2017).

2.3. The rationale for public-private partnerships

The public sector is responsible for provision of efficient and effective sustainable services to the nation and this has been among topical issues of discussion and debate, as noted by (Ngowi, 2008). According to this author, most governments in developing countries have failed to meet the citizens' expectations despite huge investments in public service delivery. Consequently, governments have been moved to consider partnering with the private sector to deliver some of the public services.

Governments have engaged private parties to deliver a public service, rather than continue to provide such a service, for several reasons (Švigelj & Hrovatin, 2013). These reasons include, but are not limited to, (a) accessing private capital and deferring payments (Hellowell, 2019), thereby attaining the opportunity to plan accordingly; (b) achieving efficient outcomes; (c) accessing the technical know-how, the management capacity, and innovative solutions, including finance, design, build, operation and maintenance of an infrastructure (Araujo & Sutherland, 2012). Some governments, however, opt for a PPP arrangement due to the promised efficiency and effectiveness (Abubakari, Buabeng, & Ahenkan, 2013).

Table 2.1: Main PPP Drivers for Incremental Efficiency and Effectiveness in Infrastructure Procurement.

Main PPP drivers	Description
Cost Management (flexibility to negotiate)	Higher flexibility in contracting (through flexible negotiations with subcontractors and/or a more flexible labour framework) and the 'for profit' nature of the private sector.
Life-Cycle Cost Management	The private partner will assume the risk of cost overruns during the whole life of the contract. Therefore, it has the incentive to design the life cycle to optimise the overall cost of construction and maintenance.
Risk Transfer/Risk Management	Paying based on outputs (availability or use) rather than on costs and requiring the private partner to finance the investment based on such revenues allows for significant risk transfer. Allocating or transferring risks to the private partner (those risks that are inherent in the scope of the contract and to the extent they are manageable by a competent manager) provide Value for Money, as the private sector is more able to mitigate, assess, price and/or manage the consequences of most risks.
Innovation	Focusing the requirements on output specifications incentivises innovation to design, construct and manage maintenance in a more cost-effective way.
Reliability	Results in terms of time for construction (time reliability) and achievement of results (technical or quality sustainability) are higher through the revenue regime of a PPP (linked to performance and based on results).
Incremental Asset Utilization	Under the appropriate incentives, the private partner will be interested in maximising utilisation (for instance, in payments by a user or per user or through specific bonuses).
Upfront Commitment and Predictability	With the necessary caution in terms of exposure to liabilities, PPPs are helpful in organising and distributing budgets to protect long-term quality standards in public infrastructure.

Source: Asian Development Bank [ADB], the European Bank for Reconstruction and Development [EBRD], the Inter-American Development Bank [IDB], the Islamic Development Bank [IsDB], the World Bank Group [WBG], & the Public-Private Infrastructure Advisory Facility [PPIAF] (2016)

PPPs have the potential of aiding governments to realise the benefits mentioned above, while also generating positive returns to the private party, thereby offering a win-win situation for the public and the private parties. The above-mentioned benefits are not always the reasons for embarking on PPP projects. Most governments procure projects as PPPs to postpone the recording of fiscal costs, and circumvent budget constraints, which exposes public finances to fiscal risks (Eurodad, 2018). According to Engel, Fischer, and Galetovic (2014), some governments venture into PPP projects just because they can be accounted for off the balance sheet and as such give an impression that the country has lower debt levels, not because PPPs are less expensive. Klein (1998) concurs with Engel et al. (2014), and asserts that fewer PFI projects were observed in the United Kingdom, following the change of its accounting rules in 2009. PPP initiatives, driven by these reasons, could lead countries into uncontrollable debt, potentially; therefore, it should be avoided.

In the analysis of six PPP projects, in the Italian health sector, Barretta and Ruggiero (2008) observed that, for most projects, recourse to a PPP was due to the lack of resources for the investment, and not due to an evaluation, which demonstrated that it would be more advantageous than traditional public financing. Secondly, they assessed that value for money was not determined by politicians, who interfere with the procurement process, and, thirdly, in most cases, the economic criterion included in the call for proposals, was the contribution of the private partner to the PPP. This demonstrates that the decision to engage the private sector in the provision of healthcare services was not, necessarily, to leverage on private sector efficiency and effectiveness, or improving access to, as well as quality of healthcare, as anticipated.

2.4. Public-private partnership benefits and criticism

The PPP subject is very controversial, and generates intense debate internationally, because some people oppose PPPs while others promote them (Oketch, 2009). Those, who advocate for PPPs, present their benefits to governments and the citizens, while the PPP opponents dwell on the challenges instigated about the public-private partnerships. Naturally, in the opinion of the researcher, there is no perfect initiative or arrangement, as the benefits and challenges will always be attached to any initiative. What matters the most is that each of the parties involved,

should be fully motivated to maximise the benefits, while minimising the challenges that come with the partnership.

2.4.1. Benefits of public-private partnerships

According to the researcher, any form of partnership has the potential for great benefits, as long as the parties in the partnership understand their roles, adhere to the agreed terms and conditions, and are willing to resolve issues, appropriately, as they may arise during the partnership period. Public-private partnerships, therefore, are no different; they hold great benefits for both parties, as long as each party can maximise the potential of the partnership (Van Niekerk & Naicker, 2014). In addition, these authors assert that a well-structured PPP has the potential to introduce commercial discipline, and consequently lead to infrastructure sustainability, as well as private financing for sectors with potential for commercial viability (Van Niekerk & Naicker, 2014).

The researcher is of the opinion that public-private partnerships help to leverage each party's skills and resources. Partnerships bring different skills, resources and, expertise together, in order to achieve a goal that is not easy to attain independently (Kostyak, Shaw, Elger, & Annaheim, 2017). The private sector provides complementary means to support health initiatives through in-kind resources, such as project management expertise and knowledge, as well as services and products (World Economic Forum, 2005). PPPs do not require large upfront investment from the government and provide greater efficiency from the private sector which leads to better healthcare services (Nikolic & Maikisch, 2006). The PPPs, therefore, help governments to leverage private sector finance, while the private sector reaps the benefits on profits from investments in healthcare.

Partnerships in health promote equity, and maximise the benefits for all including the marginalized, while simultaneously, minimising the risks for those in the partnership (Kostyak, Shaw, Elger, & Annaheim, 2017). Additionally, the PPP hospitals are open to all, regardless of a patient's social status or income level (Global Health Group, 2010). This would allow the poor to have access to quality healthcare services, which they may not have had, before the public-private initiative in healthcare.

According to the researcher, public-private partnerships help to allocate risks better; for example, the private party is, in most cases, allocated the cost and schedule risks, because the private partner may be able to manage costs and schedule overruns better, compared to the public party. Allocating these risks to the private party, may also lead to better overall project management. On the other hand, the demand risk may be allocated to the public sector, because it is better positioned to manage the patient flow in the health sector. After all, it is the custodian of health policies.

One of the PPP benefits is the timely delivery of projects, which most government-managed projects fail to meet. The United Kingdom, Australia, and Canada have embarked on health PPPs for the management of hospitals, and have seen facilities completed within budget, on schedule, having functioning equipment and being well-maintained (Sekhri, Feachem, & Ni, 2011). This is beneficial to governments because it enables them to provide the needed service to the nation on time. Additionally, project schedule overruns lead to cost overruns in most cases; therefore, timely delivery of projects helps to avoid the unnecessary cost overruns. However, while some governments embark on PPPs, because of the promised timely delivery of projects, Hodge and Greve (2009) argue that some PPP projects experience schedule overrun. These authors state that there are PPP projects that still experience schedule overruns. This was evidenced with the Nya Karolinska Solna (NKS) hospital PPP project that had a schedule overrun of four years, which delay has been expensive for the council (Eurodad, 2018).

Public-private partnerships offer great benefits, when implemented properly, under the ideal conditions, such as strong political commitment, as well as the necessary regulatory framework (Farlam, 2005). Within a conducive environment, PPPs provide an opportunity for growth to private sector, as well as value for money to governments. Additionally, PPPs could empower and develop nations (Seeletse, 2016). According to the researcher, many countries have seen public service delivery transformed through the use of PPPs. Infrastructure had been upgraded, expanded and modernised by using PPPs. The governments increase access to quality education and healthcare, create employment and transform poisoners through PPPs. The partnerships also enable the public sector to access private finance, and consequently, implement projects that otherwise would have taken several years to budget for, and implement. The partnership between the public and

the private sector enables each party to leverage on the strength of the other, to deliver a public service.

2.4.2. Criticism of public-private partnerships

Despite their promised benefits, PPPs continue to be a highly contested way of financing and delivering the public services (Bayliss & Van Waeyenberge, 2018). This may be because PPP benefits are not guaranteed, as noted by Araujo and Sutherland (2012). The benefits are dependent on a number of factors, including, political stability, stable macroeconomic condition, good regulatory frameworks, government capacity to manage the contract, and government commitment, among others (Araujo & Sutherland, 2012).

Some critics assert that no evidence of how health PPPs improve equity in healthcare services are existent. Asante and Zwi (2007) argue that insufficient debate on how health PPPs undermine or improve the global health equity has been discoursed. Therefore, the need exists to systematically evaluate health PPPs in order to answer crucial questions. This would include quantitative and qualitative analysis methods, to measure and determine the effectiveness of, and the challenges raised by health PPPs (Barr, 2007).

The PPP projects are expensive, and therefore require large capital investment. In most cases, PPP projects have been proven to be more costly than traditionally procured public projects. In a review of the cost of 227 road projects, by the European Investment Bank (EIB), in 15 European countries, it was observed that 65 projects, undertaken as PPPs, were 24 percent more expensive than traditionally procured public road projects (Blanc-Brude, Goldsmith, & Valila, 2006).

In a review of effective interest rates on privately financed projects in the UK, it was revealed that the interest rates on project finance initiatives were two times of the government borrowing rates (National Audit Office, 2015). This is because governments have an opportunity to borrow money at a comparatively lower interest rate than the private sector (Shaoul, Stafford, & Stapleton, 2011). In addition, PPPs involve high transaction costs, for negotiating and structuring the deal (Shaoul et al., 2011), and the ongoing costs for project implementation monitoring, relative to traditional projects (Loxley, 2013). PPPs, therefore, have proven to be expensive, and probably inefficient for financing public infrastructure, except in countries with mature PPP experience.

However, public-private partnerships, potentially, could affect economic development negatively, because the private sector is not always as efficient, as is perceived, or expected (Farlam, 2005). The claim that the private sector is more efficient in provision of public services is not correct, as the private sector instead, creates inefficiencies (Hall, 2015). This author indicates that research on utilities, recorded no statistically significant different score, between the private and the public sectors. Metronet, a large PFI schemes in the UK, is an example of PPP inefficiencies (Hall, 2008). Metronet was unable to operate economically, proving that at times the private sector is unable to deliver on a large scale (Hall, 2008).

The confidentiality of the contracts is one of the controversial issues in PPPs. Budds and McGranahan (2003) criticised PPP contracts for non-disclosure, which they consider a lack of transparency. The Lesotho National Referral Hospital PPP project contract, as with most PPP contracts, was confidential. The non-disclosure of this contract fosters dissatisfaction in communities (Webster, 2015). The evaluation commission of the Nya Karolinska Solna (NKS) hospital in Sweden criticised this hospital contract for non-disclosure (Eurodad, 2018). Hall (2015) asserts that PPPs hide behind confidentiality to protect commercial secrecy. The researcher, therefore, feels that the disclosure of PPP agreements is necessary for the population to appreciate the rationale behind these partnerships. Additionally, the disclosure could promote trust between the citizens and the government.

The private sector is profit-driven, which is the basis for PPP opponents to advocate against its involvement in public service provision. Mitchell's (2008) concern with private sector provision of public services is that the private sector may concentrate more on maximizing profits, and compromise the quality of the service provided to the citizens. This is one of the reasons why Hall (2015) criticises PPP promoters, such as the international finance institutions, regional development banks, the global bodies, namely, G20, World Economic Forum (WEF), United Nations (UN), to name a few, stating that PPPs do not deliver the promises, but rather benefit the private sector, at the expense of the poor. He recommends that governments use public finance for infrastructure development. Marriott (2014) concurs with Hall (2015).

Public-private partnerships are also criticised for non-competitiveness. In most cases, only a few companies manage to put a bid together, as it involves a lot of work and is costly (Hall, 2015). This author states that the work, as well as costs involved in putting together a PPP bid, most likely would lead to collusion in the process (Hall, 2015). However, the researcher believes that the risk of collusion could be managed by the involvement of probity advisors. Probity is important in PPPs projects procurement, because it ensures the integrity of the procurement process (Templeman & Paradise, 2006). It is mainly concerned with fairness and transparency in the PPP procurement process (Templeman & Paradise, 2006).

According to Hall (2015), the risk transfer to the private company in PPPs is a myth. This author states that any risk is associated with the cost to manage it, should the risk occur, this implies that, the more risks are transferred to the private party, the more the cost of the project increases, to the government or the end-user, depending on the type of PPP. Additionally, private parties always require extra payment in exchange for risk, which is normal for profit-making organisations that assume risks with compensation (European Federation of Public Service Unions [EPSU], 2011). Consequently, PPP opponents argue that there is no risk transfer in PPPs.

Public-private partnerships do not deliver the value for money that the PPP promoters claim (Hall, 2015; Jomo, Chowdhury, Sharma, & Platz, 2016). PPPs tend to be more expensive than traditional public procurement, as in some cases they did not deliver the promised gains, in terms of quality of services; including, efficiency, coverage, and development impact (Jomo et al., 2016). The findings of a study undertaken by Hodge and Greve (2009) revealed mixed results, while examining the degree to which PPPs meet the policy promise of value for money (VfM).

One of the reasons that governments enter into PPP contracts is; PPPs are believed to bring innovation in public service provision. However, the EPSU (2011) differs in opinion on this issue, and states that PPPs do not offer innovation in project design. In a UK example, the EPSU (2011) observed that PPPs do not produce better designs than those of traditional procurement. However, while this may be true in developed countries, such as the UK, the question remains whether the same holds true in developing countries.

While the above-mentioned critiques may be valid, the researcher is of the opinion that PPPs, if well managed and understood, have the potential of filling the existing infrastructure void in developing countries. In addition, the critiques, or challenges with PPPs, have been well documented, consequently, enabling governments to access such documentation, to be alerted to the experiences of other countries, unlike a scenario, where no lessons, critiques, or challenges have been documented. The crucial course of action is demonstrating the will to learn from such documented lessons, challenges, and critiques. The documented information could be helpful in the design of future PPPs, informing governments regarding the best strategies to be implemented, to avoid similar challenges, for which PPPs have been criticised.

However, while it may be true that PPPs are expensive to deliver, it is a fact that governments, solitarily, would not be able to raise the necessary funding to meet the global targets, according to the researcher. Consequently, private investment is clearly crucial, more than ever before. The common challenges in traditional public procurement, such as inefficiencies, and the lack of motivation, displayed by public officers, are also costly to the governments; therefore, it is incumbent on the governments to utilise the available information on the experience, challenges and critiques of others, to design better PPP projects, instead of repeating the same mistakes.

2.4.3. Public-private partnerships in healthcare

Public-private partnerships are lately common in addressing healthcare challenges across the globe (Barr, 2007). These partnerships are strategic components of health development (Kickbusch & Quick, 1998). According to Reich (2000), a health PPP is the best model to employ to address global health issues, especially to improve healthcare services in developing countries (Kostyak et al., 2017).

The public-private partnerships in the health sector adopt various forms, depending on the needs, objectives, government priorities, and capacity. For example, health PPPs are categorised into three models. In the first model, the private sector provides healthcare infrastructure and ancillary services, while in the second model; the private party provides infrastructure, ancillary services, and clinical services. With the third model, the private party provides infrastructure, clinical and ancillary services, as well as the

primary health care services (Cruz & Marques, 2013, p. 477), who noted, “each model corresponds to different levels of risk-sharing and potential to capture synergies”.

Traditionally, health PPPs have focused on drug and vaccine development, as well as the management of infectious diseases (Buse & Walt, 2000). Some PPPs in health include specific disease eradication-focused partnerships (World Economic Forum, 2005). The health PPPs have also focused on the building of infrastructure and ensuring its maintenance, with inclusion of ancillary services in some cases (Global Health Group, 2010). However, new models that include clinical service delivery have been observed in Spain, Lesotho, Romania, Portugal, Australia, South Africa as well as the Turks and Caicos Islands (Global Health Group, 2010).

2.4.4. The rationale for public-private partnerships in healthcare

The health sector is one of the sectors with the growing interest in PPPs. The following are the underlying reasons for the rising interest in health PPPs: (a) the aging population in both developing and developed countries; (b) an increase in communicable and non-communicable diseases; and (c) the ever-changing medical technologies (Independent Evaluation Group [IEG], 2016). The quality of services through new medical technologies provide rapid and substantial investments in health infrastructure, increases expertise, and attracts, as well as retains better performing staff (Nikolic & Maikisch, 2006). The importance of health PPPs, therefore, could not be overemphasised, in order to address the most pressing health issues, which governments independently cannot address timeously, due to limited financial and technical knowledge.

Most governments in both developing and developed countries are under pressure to provide citizens with quality healthcare; however, they are under financial constraints, and look to PPPs to increase access to higher quality healthcare services (IEG, 2016). The rationale is that PPPs help governments to leverage managerial capacity, the technical expertise and capital from the private sector. They also help governments to address the cost and investment challenges that the health sector face.

2.4.5. Challenges in healthcare public-private partnerships

While countries have embarked on various PPP models in healthcare, PPP arrangements have not been without challenges. In their comprehensive review of the health PPPs literature, Cruz and Marques (2013) observed the following major challenges:

- (i) lack of accountability, transparency and informed debates;
- (ii) unreliable and opportunistic assumptions underlying some of the health PPP projects;
- (iii) ethical challenges, downsizing of the hospital capacity and the potential to introduce inequalities;
- (iv) failure to plan hospital PPPs based on the population needs but rather on financial basis; and overall,
- (v) a skewed value for money that favours the private parties.

The following challenges were raised at the World Economic Forum roundtable discussion on development-driven PPPs in health:

- (i) the lack of political will and public support for the PPP concept;
- (ii) the lack of transparency;
- (iii) poor relationship management;
- (iv) the lack of access and eligibility to sustainable funding;
- (v) the inability to ensure continuity in the management of PPP projects, as it is the commitment and passion of individuals, which has often led to successful PPPs, rather than the institution itself (World Economic Forum, 2005).

The hospital PPPs face cost-related issues, as a record exists of hospital PPP projects that have cost more than planned. As evidenced in England, the cost of the first wave of PFI hospitals proved the hospital PPPs to be expensive. At the time of their review, Shaoul, Stafford, and Stapleton (2008) noted that 10 of the 12 hospital PPP projects were costing the government more than was projected initially at the financial close. Similarly, the Lesotho government also experienced a higher cost with the National Referral Hospital PPP project (Eurodad, 2018).

The high costs of the hospital PPPs differ from country to country. The high costs of hospital PPP projects in England were due to an increase in patient volume, inflation, failure to identify and/or specify the requirements in sufficient detail, as well as contract changes. In Lesotho, Eurodad (2018) asserts that poor patient forecast was one of the

major causes of the high project costs. In the UK, Broadbent, Gill, and Laughlin (2008) observed that, in 17 PFI health projects, the public sector failed to cost some of the projects' risks, which led to the projects being more expensive than was originally expected. Shaoul et al. (2011) assert that overall, both the private and the public sectors underestimate the cost of the hospital PPP projects.

The health PPPs have a challenge of poor risk management, and this contributed to experienced problems in Victoria, Australia, where the government had to increase payment to two hospitals, to enable the private party to continue with the provision of healthcare services (Senate Community Affairs References Committee, 2000, as cited in Acerete, Stafford, & Stapleton, 2011). One of the reasons for this was the inordinate focus on quantitative risks, and less focus on qualitative risks (Broadbent et al., 2008), as well as the lack of experience in negotiations and risk management (Hood & McGarvey, 2002). In addition, the risk sharing between the parties could be ambiguous, making risk transfer uncertain, and therefore, leading to potential operational disputes (Acerete et al., 2011).

Poor contract management is also evident in some of the health PPP projects. While there were responsible structures for contract management within the La Ribera Hospital PPP project in Spain, no evidence exists that the management of the contract was conducted satisfactorily, or that the problems raised, concerning the contract, were addressed (Acerete et al., 2011). This could be the result of a lack of skills to manage the contract, and/or unclear roles and responsibilities. There was also a board of directors and the management committee for the hospital PPP project, in respect of which, similar concerns were raised (Caballer-Tarazona, Clemente-Collado, & Vivas-Consuelo, 2016).

Poor terms of employment for the healthcare workers was yet another evident challenge with health PPPs, especially the model that included the provision of clinical services by the private party. The private party to the La Ribera hospital PFI project introduced new terms of employment for healthcare workers. The terms were comparatively worse than the government terms of employment; for example, the La Ribera Hospital PFI project employment terms comprised lower salaries, but longer working hours, and less job security (Acerete et al., 2011).

Additionally, the health PPPs are not immune to private-sector financial distress. The Victoria State in Australia was left no other option, but to terminate, prematurely, the contract with the private company that was engaged to manage the La Trobe Regional hospital, after the company was declared financially non-viable. It became apparent that the private party underestimated the project costs, and did not understand the funding regime, which led to its inability to deliver its contractual obligations (English, 2005). A premature contract termination was also evidenced between the Valencian government and Ribera Salud Unión Temporal de Empresas (RSUTE), when the initial contract to construct and manage both the clinical and non-clinical services for the La Ribera hospital, was terminated (Acerete et al., 2011). Even though Acerete et al. (2011) were unable to access the initial project cost estimates, they suspect that there were similarities between the La Ribera hospital private party, and the La Trobe Regional hospital case of financial distress. However, unlike the La Trobe hospital case that was managed by the government following the contract termination, the La Ribera hospital contract was awarded to a different company (Acerete et al., 2011). English (2005) reveals that even though the UK has not experienced an early termination of a hospital PFI yet, it invested an additional £50 million, to rescue hospitals that were in financial distress between 2005 and 2006. Some of those hospitals were PFI hospitals.

One of the major reasons why governments opt for PPPs is the promise of quality services by the private sector. While measuring the quality of service is straightforward in some sectors, measuring and assessing healthcare quality remains a challenge in healthcare provision. Hospitals are complex; therefore, it is not easy to define quality clearly, as well as how it should be measured (Barlow, Roehrich, & Wright, 2013; Ferreira & Marques, 2021). Consequently, this poses a challenge in hospital PPPs, where the private party's remuneration is based on performance.

The researcher believes that lack of capacity to assess clinical performance also remains a challenge, and that is exacerbated by the difficulty to assess the quality of healthcare. Barros (2010, as cited in Pereira, Ferreira, & Marques, 2021) states that the lack of capacity to properly assess clinical services, becomes an issue in facilities that serve complex patients, more so if coupled with lack of experience in hospital PPPs. This therefore calls for capacity building in this critical area of hospital PPP projects.

Public-private partnership projects are mainly based on forecasts, as they are long-term in nature. However, poor forecasting appears to be one of the issues that leads to high project costs and other project-related issues. Eurodad (2018) states that poor forecasting was one of the causes of the high project costs for the Lesotho National Referral Hospital project. The unitary fee paid to Tsepong (PTY) Ltd covered the provision of services to a maximum of 20,000 inpatients and 310,000 outpatients; however, the patient volume exceeded those parameters since the operation of the contract (Eurodad, 2018). Poor forecasts of citizen's demand and the development of health technology lead to a need for contract renegotiations which in some cases make hospital PPPs end up more costly compared to traditionally procured hospital projects (Torchia, Calabrò, & Morner, 2015). The complexity of healthcare service PPPs, consequently, renders it difficult to define all the project dimensions.

A literature review on the challenges with health PPPs reveals that the lack of transparency, high costs, poor risk management, poor forecasting, poor contract management, among others, are common challenges that healthcare PPPs face. While these challenges have been documented, none of the studies focused on the root cause of the prevailing challenges in healthcare PPPs, especially the Lesotho National Hospital PPP. This void needs to be filled, because failure to determine the root cause of any challenge is likely to result in erroneous solutions. Therefore, in the researcher's opinion, it was important to undertake this current study, to determine the root causes of the challenges facing the Lesotho National Referral Hospital PPP project.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

In this chapter, the researcher presents a description of the research philosophy, approach, design, and strategy. The researcher also describes how the various stages of the research are conducted, including the selection of participants, the data collection instrument, the data collection process, the pilot study, and the data analysis. The chapter is concluded with a discussion on how the trustworthiness of the research findings was assured, as well as the research ethics.

3.2. Research approach

In any research study, the researcher could decide to adopt a qualitative, quantitative, or mixed methods approach. The qualitative research approach was selected in this current study. The qualitative research approach is defined as a flexible design because the “research design develops or emerges during the process of data collection and analysis” (Robson, 2002, p. 547). The qualitative research approach is suitable in cases where the researcher attempts to explore the factors that influence a particular situation. Hancock and Agozzine (2006) assert that the qualitative research approach is appropriate for such studies, because it is flexible, and creates the opportunity to gain a holistic perspective, which is necessary to address the research questions. In qualitative research, the researcher is able to obtain data through open-ended and conversational communication. This gives the participants an opportunity to express their views on the subject under scrutiny, and the researcher, in turn, to interact with the participants intensively. Another advantage of qualitative research is that multiple sources of data collection, such as meeting minutes, reports, policies, and strategic plans could be used, if required, to enrich the results of the study (Abubakari et al., 2013).

3.3. Research philosophy

This research is underpinned by the interpretivist methodological assumptions, with a philosophical view that respects the differences between human and physical phenomenon. This is because humans create meanings of social action, to interpret the contexts of the social

world and create new understandings (Saunders et al., 2019, pp. 149, 806). Cohen, Manion, and Morrison (2007, p. 26) define interpretivism as a paradigm that endeavours to “understand and interpret the world in terms of its actors”. This philosophy was deemed relevant for the following reasons: (a) this study was intended to create an understanding and interpretations of the root causes of the LNRH PPP project challenges; (b) the study grasped the opinions of the participants within their social setting, providing an in-depth understanding of the root causes of the prevailing challenges. Lastly (c), the study makes sense of the socially constructed and subjective meanings expressed by participants about the research topic, which Saunders et al. (2019, p. 179) aver as one of the reasons for the interpretivist paradigm.

3.4. Research strategy

A single case study was used in this current research. A case study is “a research strategy focusing on the study of a single case” (Robson, 2002, p. 545). The case could be an individual person, an institution, or a group; however, in this current case, it is the Lesotho National Referral Hospital project. A case study intensively examines a single case, of which a theoretical analysis could be made (Bryman & Bell, 2011).

3.4.1. Justification for the case study strategy

A case study was deemed suitable for this current research because the LNRH project is unique and, according to Abubakari et al. (2013), a case study is appropriate in a situation where the phenomenon to be studied is unique, extreme, and critical. Secondly, the National Referral Hospital project is studied in its real-life context; therefore, the experience of the participants was important. Thirdly, an intensive investigation is conducted on the root causes of the challenges/factors that led to the early termination of the National Referral Hospital PPP project contract, and includes the use of the direct quotations of the participants.

The challenge with a case study is that the researcher needs to identify and gain access to a case study setting (Saunders et al., 2019, p. 198). This challenge was overcome by employing suggestions made by Saunders et al. (2019, p. 245), which include, “familiarizing with the organization before making contact; allocating sufficient time; using existing contacts; providing a clear purpose of the research”, as well as identifying potential benefits to the organisation for granting access.

3.5. Research design

The explanatory research design was employed in this current research to determine the root causes of the challenges with the Lesotho National Referral Hospital project. This is because the explanatory research design assists with the understanding and explanation of the root causes of the challenges that faced the National Referral Hospital PPP project. According to Robson (2002, p. 59), explanatory research explains the reasons for the existence of the problem, which was key in this current study.

3.5.1. Population and Sampling

3.5.1.1. Target population

The target population for this current study was the individuals, who were involved in the National Referral Hospital PPP project, from both government's relevant ministries and Tsepong (Pty) Ltd. The ministries included the Ministry of Health (MOH) and the Ministry of Finance (MOF).

3.5.1.2. Sampling

A sample is a subset of the population in a study (Sekaran & Bougie, 2013, p. 245). A sample enables the researcher to infer the attributes of the study population as a whole. Purposive sampling was employed in this current study. Purposive sampling is a technique used to identify and select the study participants, who would be able to answer the research question(s), and therefore, help to meet the research objectives (Saunders et al., 2019, p. 321).

The purposive sampling technique was used because: (a) it is appropriate when working with a small sample size, such as a case study (Saunders et al., 2019, p. 321); and (b) when the population providing the information is limited (Sekaran & Bougie, 2013, p. 253). These are both applicable in the case of the LNRH PPP project, which makes the purposive sampling technique the most appropriate.

The purposive sampling weakness is generality (Sekaran & Bougie, 2013, p. 254); however, for the purpose of this current study, generality was not of great importance, as the results are mainly meant to recommend policy direction to the government, for future PPP projects not to face the same challenges that have been experienced with the National Referral Hospital PPP project.

3.5.1.3. Sample size

Based on the purposive sampling, 19 participants were recruited for this current study. Of the 19 participants, 11 were from the MOH, as the beneficiary of the services provided under the PPP agreement. Of these 11 participants, seven are current employees of the MOH, two were former principal secretaries, and the last two were former directors in the MOH, who were directly involved in the project operations. Of the remaining eight participants, three were from the MOF, the custodian of the PPP policy in Lesotho, and the signatory to the LNRH PPP contract. Another three participants were Tsepong (Pty) Ltd shareholders, the company vested with the responsibility of operating the LNRH under the PPP agreement. The last two participants were the former Minister of Finance and the former MOH PPP consultant. It is worth noting that, of the three shareholders, two were from local companies that had shares in Tsepong (Pty) Ltd, while one was from a South African-based company.

3.5.1.4. Data collection

Two data collection methods were used in this current study, in order to enhance the rigor of the research. These are the participants' semi-structured interviews, and an analysis of the quarterly project performance, assessment reports, produced by an independent monitor.

3.5.1.4.1. Research instrument

Data collection in research could either be done through interviews, observation, and questionnaires. Interviews may be structured, semi-structured, or unstructured (Robson, 2002, p. 270). Semi-structured interviews and quarterly project performance, assessment reports were used to obtain the data required to answer the research questions in this study.

3.5.1.4.2. Semi-structured interviews

A semi-structured interview has a predetermined set of questions that could be posed to the interviewees in the order the interviewer sees fit, and is an efficient data collection tool for explanatory research (Saunders et al., 2019, p. 444). This predetermined set of questions is referred to as an interview guide or schedule (Appendix 4), which aids the interviewer in the

interviewing process. In addition, the semi-structured interview allows probing through follow-up questions, and the interviewees are at liberty to express themselves without restrictions (Hancock & Agozzine, 2006, p. 40). The interviews were preceded by electronic communication to the participants, which introduced the researcher. The correspondence included information that explained the purpose and objectives of the study, as well as a consent form (Appendix 3), assuring the voluntariness, anonymity, and confidentiality of the interviews. The MOH ethics clearance committee, approval letter (Appendix 2) was also attached to this communication. In addition, the participants were requested to provide dates and times that suited their schedules, for the interviews.

The initial plan was to conduct all the interviews face-to-face; however, due to COVID-19 restrictions, 11 of the interviews were conducted virtually, using the Zoom or Teams platforms, while eight were conducted face-to-face, while still observing the COVID-19 protocols. A face-to-face interview involves the researcher physically meeting with the participant (Saunders et al., 2019, p. 441). The face-to-face interviews were conducted at the place chosen by the participant including in their offices, and doubled as an opportunity to meet in person, and allow the researcher to build rapport, while allaying any concerns that they may have had about providing information and/or stating their views (Saunders et al., 2019, p. 442). Both the virtual and face-to-face interviews took the form of an open discussion, which provided rich data that was free of bias. All the interviews were recorded, with the participants' consent, as suggested by Saunders et al. (2019, p. 438). Once they were completely informed, all the participants signed the consent form (Appendix 3) to confirm their informed consent. The interviews lasted between 50 minutes and 1 hour-5 minutes.

3.5.1.4.3. Document review

A document review was conducted to complement, and corroborate the data collected through the interviews. Document analysis is a systematic review of both printed and electronic documents (Bowen, 2009). The documents that were analysed included reports produced by the independent monitor, who

was engaged by the government and Tsepong (Pty) Ltd. These reports yielded, among other information, the challenges that the project faced. The data from the reports were analysed, using the thematic analysis technique, which is discussed later. A document review is relatively less expensive, unobtrusive, and is a good source of information that may not necessarily be gleaned from the interviews. The independent monitor reports also served as a means of verification and confirmation of some of the information collected through the interviews.

3.5.1.4.4. Pilot study

A pilot study is a small-scale study intended to test the data collection instrument's feasibility for obtaining accurate responses from the participants (Saunders, Lewis, & Thornhill, 2016, p. 723). A pilot study is an ideal way of detecting any ambiguity in the questions, ensuring that the questions are clear, considering the time it takes to conduct an interview. A pilot study was conducted with one participant, to determine any flaws in the data collection instrument, before the main data collection process commences.

The pilot study helped the researcher to realise that the interview schedule excluded important information, such as the level of the position that the participants held, as well as their highest qualification. Consequently, the interview schedule was modified accordingly to include these two elements. The pilot study of the data collection instrument also revealed the need to add the following question: "Do you think the challenges mentioned above, contributed to the early termination of the contract, or that there may be other reasons for early termination?" This helped to get clear responses to research question one, "Why is the Lesotho National Referral Hospital project facing early contract termination, and what are the prevailing issues?"

3.5.1.5. Data analysis

The data for this study was analysed with the use of thematic analysis. Thematic analysis involves coding qualitative data, to identify patterns or themes for analysis (Saunders et al., 2019, p. 651). The advantage of thematic analysis is that it is flexible and straightforward, compared to other data analysis techniques and not

tied to a particular research philosophy. Thematic analysis allows the researcher to explore various interpretations of a phenomenon (Saunders et al., 2019, p. 652). In addition, thematic analysis is adaptable, suitable for use with several qualitative research strategies, and is not overly prescriptive, unlike other qualitative data analysis techniques (Saunders et al., 2019, p. 660). Nvivo, an automated computer software, analysis tool was used to analyse the data. Nvivo helps to analyse qualitative data, using themes, coding relevant text, categorising themes with similar meaning, and visualising results (Adu, 2019, p. 223). Nvivo was suitable for this current study, because it is useful for the analysis of documents and interview transcripts.

Data analysis for this current study followed four of the six stages suggested by (Adu, 2019, p, 223), namely, data preparation, exploration, coding of empirical indicators, and the development of categories/themes. The last two stages suggested by Adu (2019, p, 223), namely, visualising outcomes, and exporting outcomes, were not followed because the researcher was of the opinion that the major stage of category/themes development was sufficient to determine the findings. In Figure 3.2 below, the steps of data analysis taken are summarised.

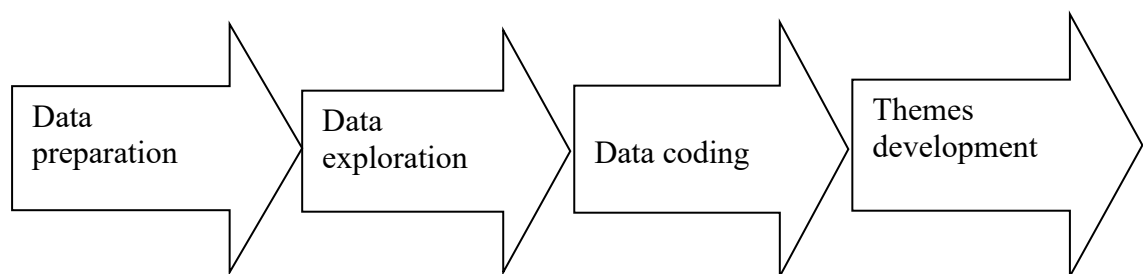


Figure 3.1: Data analysis steps

3.5.1.5.1. Data preparation

The transcripts were prepared, following the steps provided by Adu (2019, p. 66), before it was imported into Nvivo. These are: (a) the interviews were conducted using audiotape; (b) the files were transcribed manually; (c) any identifiable information was removed; (d) identification IDs were assigned to the participants' data; and, (e) the raw transcripts were read before starting the analysis process. Each participant's ID was placed at top of the transcript and used as the name of the document, when saving such a transcript. These

steps allowed the researcher to review each participant's response to the questions, which subsequently helped to identify patterns, and realise the picture that the data portrayed, as noted by Patton (2015, p. 690). The transcription allowed the researcher to become familiar with the collected data. The participants' demographic information was created on an excel spreadsheet and imported into Nvivo, as well. Each participant's demographic information was entered against his/her ID. The reports/documents were prepared by compiling them in one folder, labelled independent monitor reports (Appendix 5).

3.5.1.5.2. Data exploration

Following the importation of the transcripts and the reports into Nvivo, cases were created for both participants' transcripts files and the reports. Adu (2019, p. 224) describes a case as a container that is created for files, participants, groups, or organisations. The data exploration followed, which entailed conducting a word frequency search, to determine the number of times specific words were used, from both the interviews and the independent monitor reports. This aided an understanding of the collected data. The word frequency search informed the codes used to label the empirical indicators. A code, which is sometimes referred to as a node, is a container that houses an empirical indicator (Adu, 2019, p. 224), while an empirical indicator is the relevant data/information from the documents or interviews that was used to help address the research questions (Strauss, 1987, p. 25).

3.5.1.5.3. Data coding

- **Coding strategy**

The coding exercise was preceded by the determination of an appropriate coding strategy to help in the identification of the relevant information from the collected data. The suitable coding strategy is determined by examining the research strategy, the objectives of the research, the characteristics of participants and the research questions (Adu, 2019, p. 37). Based on these factors the researcher identified the interpretation-focused coding strategy as the suitable strategy for this current study. The interpretation-focused coding involves the

identification of important information in the data, and generating a code that represents the researcher’s understanding of the information (Adu, 2019, p. 37). This strategy was deemed appropriate because it is suitable for, among others, studies with the objective of explaining or understanding specific behaviours, settings, experiences, phenomena, or events (Adu, 2019:33), which resonates with the purpose of this current study.

- **Coding**

Following the determination of the coding strategy, the researcher assigned the anchor codes to research questions, in preparation for coding. Anchor codes are the labels that represent the research questions (Adu, 2019, p. 97). In addition, anchor codes help to organise codes under their respective research questions. It also facilitates the grouping of the codes into categories and themes (Adu, 2019, p. 97). The labels or anchor codes in Table 3.1 were assigned to the research questions.

Table 3.1: Anchor codes and the research questions

Anchor code	Research question
Reasons for early contract termination and issues.	Why is the Lesotho National Referral Hospital PPP project facing the early termination, and what are the prevailing issues?
Factors that influenced LNRH’s success.	What are the key factors that influence the success of the LNRH PPP project?

In order to code the data for analysis, the researcher reviewed the transcripts and reports, with the research questions in mind, to identify the relevant information. The identified information was dragged and dropped into the created nodes under each anchor code. In a case where an existing node could not be used for an identified empirical indicator, or selected information, a new node was created as recommended by Adu (2019, p. 237). This process was repeated until all the reports and transcripts had been coded.

3.5.1.5.4. Developing categories/themes

Once the codes had been generated, the next step was the creation of categories or themes as suggested by (Adu, 2019, p. 121). The researcher, therefore, transformed the codes into themes/categories, immediately after the generation of codes. These are presented in Tables 3.2, 3.3, 3.4, and 3.5. Individual-based sorting was used to build the themes/categories. This is one of the categorisation strategies that Adu (2019, p. 243) suggests for categorisation. The individual-based sorting strategy involves assessing the features of each code, placing them in clusters, and labelling such clusters, based on the characteristics of the codes in it (Adu, 2019, p. 127). The researcher adopted the process suggested by Adu (2019, p. 129) in Figure 3.2 below.

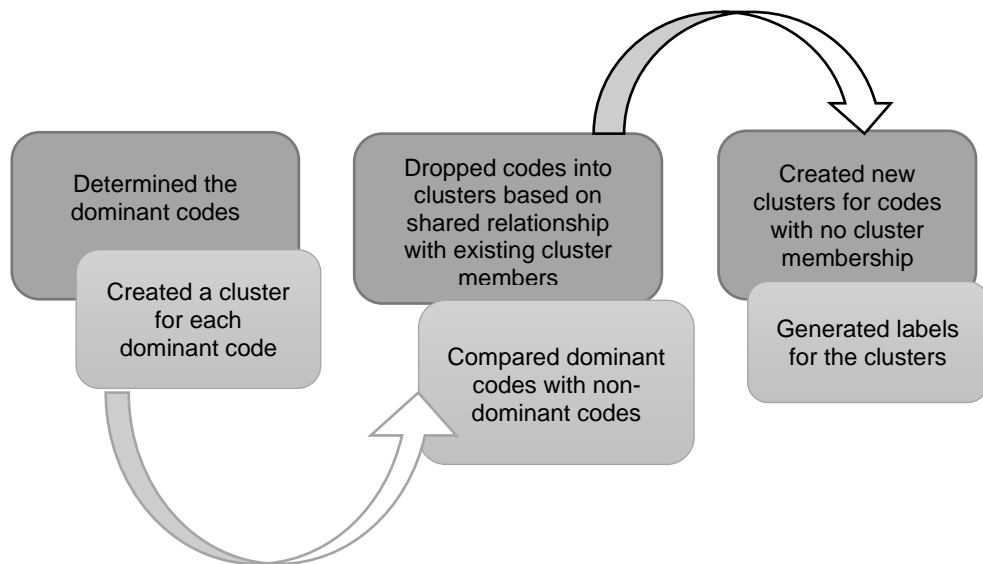


Figure 3.2: The process of clustering codes using individual-based sorting adapted from Adu (2019, p. 129).

The codes for the research question were grouped into clusters, as depicted in Tables 3.3 and 3.4. The clustering of the codes involved the review and comparison of the characteristics of the codes to determine commonalities. The related codes were dropped under one cluster, as advised by Adu (2019, p. 131). Clustering involved identifying the dominant code for each research question, and placing it in the first column of the table, or under cluster 1. Adu (2019, p. 254) defines a dominant code as one that has the highest frequency and is connected to most participants, or the number of cases.

After placing the dominant code under cluster 1, the remaining codes were compared with the dominant code, to determine the existence of any shared relationship. A code was dropped into the existing cluster, in cases where such a code had a relationship with the already identified cluster, failing which a new cluster was created for the dropping of such a code.

The process above yielded eight clusters for the research question, “Why is the Lesotho national referral hospital PPP project facing the early termination and what are the prevailing issues?” and five clusters for the research question “What are the key factors impacting the success of the LNRH PPP project?” as depicted in Tables 3.2 and 3.3.

Table 3.2: Clusters for the research question 1 (RQ1¹).

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7	Cluster 8
High project costs	Lack of knowledge & understanding	Lack of government commitment	Lack of project performance monitoring	Lack of project ownership	Poor referral system	Frequent changes in leadership	Disputes between the government and Tsepong
Firing of staff	Misrepresentation of project information		Lack of government contract management capacity	Lack of project buy-in	Late referrals to QMMH by districts	Unconducive environment for a PPP project	Tsepong board issues
Political interference	Contract interpretation				High patient volumes	Political instability	Shareholders internal disputes
					Lack of capacity for the district hospitals	Unavailability of PPP frameworks	Parties' failure to honour contractual obligations

Table 3.3: Cluster for the research question 2 (RQ2)²

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Lack of political will	Lack of transparency	Lack of trust	Poor relationship	Poor stakeholder engagement

Following the sorting of all the codes into clusters, such clusters were labelled according to the characteristics of their members, or assigned codes,

¹ RQ1 denotes the research question 1, Why is the Lesotho national referral hospital project facing early contract termination and what are the prevailing issues?

² RQ2 denotes research question 2, What are the key factors impacting the success of the NRH PPP project?

as depicted in Table 3.5 and 3.6. The researcher mainly used the existing names of cluster members for labelling the cluster/theme, as suggested by Adu (2019, p. 136). This process yielded the themes in Table 3.4 and 3.5 for research questions 1 and 2, respectively.

Table 3.4: Themes for research question 1

Reasons for early contract termination	Lack of PPP knowledge & understanding	Lack of government commitment	Lack of government contract management capacity	Lack of project ownership	Poor referral system	Unconducive PPP project environment	Disputes among parties
High project costs	Lack of PPP knowledge & understanding	Lack of government commitment	Lack of project performance monitoring	Lack of project ownership	Poor referral system	Frequent changes in leadership	Disputes between the government and Tsepong
Firing of staff	Misrepresentation of project information		Lack of government contract management capacity	Lack of project buy-in	Late referrals to QMMH by districts	Unconducive environment for a PPP project	Tsepong board issues
Political interference	Contract interpretation				High patient volumes	Political instability	Shareholders internal disputes
					Lack of capacity for the district hospitals	Unavailability of PPP frameworks	Parties' failure to honour contractual obligations

Table 3.5: Themes for research question 2

Lack of political will	Lack of transparency	Lack of trust	Poor relationships	Poor stakeholder engagement
Lack of political will	Lack of transparency	Lack of trust	Poor relationship	Poor stakeholder engagement

The themes for the first research question, “Why is the Lesotho national referral hospital PPP project facing the early termination and what are the prevailing issues?” were divided into three parts, as depicted in Table 3.6. In the first part were the ones related to the reasons for the early termination of the LNRH PPP contract, in the second part were those on the issues with the LNRH PPP project, and in the third were those on the root causes of the challenges facing the LNRH PPP project.

Table 3.6: Breakdown of RQ1 themes

Reasons for early contract termination	Prevailing project issues	Root causes of the project challenges
Tsepong firing of nurses	High patient volumes	Unconducive project environment
High project costs	Government lack of capacity	Lack of government commitment
Political interference	Disputes among the parties	Lack of project ownership
		Lack of knowledge and understanding

3.5.1.6. *Trustworthiness*

It is important that the study results are trustworthy. Credibility, dependability, transferability and, confirmability are important in establishing trustworthiness in qualitative research (Bryman & Bell, 2011, p. 395). Trustworthiness is a quality criterion for a qualitative study (Bryman & Bell, 2011, p. 43). In order to ensure the trustworthiness of these current research findings, credibility, transferability, dependability, and confirmability were assured.

3.5.1.6.1. *Credibility*

Credibility is the extent to which the researcher has gained access to a participant's knowledge and experience, and is able to infer meanings (Saunders et al., 2019, p. 449). The credibility of this current study was ensured by verifying that the participants had experience and knowledge of the subject matter. All the participants in this current study had been involved in the operation of the LNRH PPP project, while some had even been involved in the project development phase. Credibility was also assured by asking clear questions, probing, and exploring responses from different angles, as recommended by Saunders et al. (2019, p. 451).

3.5.1.6.2. *Dependability*

As Saunders et al. (2019, p. 449) indicated, the findings from semi-structured interviews are not envisioned to be repeatable, because they show reality at a particular point in time, a situation which may change, as is the case with this current study. However, in order to ensure that the study findings are

dependable, the changes that occurred during the research life cycle were recorded. In addition, the research design was explained, the reasons underpinning the choice of strategy and methods, as well as how the data was obtained and analysed had all been stated, as recommended by Saunders et al. (2019, p. 447).

3.5.1.6.3. Transferability

Transferability is the extent to which the research findings might be similar or applicable to other contexts or settings (Saunders et al., 2019, p. 449). The study material, including the research design, research questions, interpretations, and findings will be shared with interested people, because, as noted by Saunders et al. (2016, p. 206), sharing such information allows readers to judge the transferability.

3.5.1.6.4. Confirmability

Acting in good faith, when conducting research, is key for the trustworthiness of the research results. Confirmability is concerned with ensuring that the researcher acted in good faith, when conducting the research (Bryman & Bell, 2011, p. 398). Confirmability was established by ensuring no researcher bias. In an effort to ensure that there was no bias in this current study, all the interviews were recorded with the permission of the interviewees. A full record of an interview was compiled immediately after the interview, because, according to Saunders et al. (2019, p. 461), such actions control biases in research.

3.5.1.7. Research ethics

Research ethics was ensured throughout the study. Research ethics refer to the appropriateness of the researcher's behaviour, in relation to the rights of the participants or those affected by the study (Saunders et al., 2007). Leedy & Ormrod (2018, pp. 135–139) divide ethical issues into four categories, protection from harm, informed consent, right to privacy, and honesty with professional colleagues. These four categories of research ethics were considered during this current research.

- **Protection from harm:** All the participants in the research were not subjected to undue psychological or physical harm, and were not coerced to respond to questions to which they felt uncomfortable to respond.
- **Informed consent:** The participants were informed about the objectives of the research and were given the choice to participate or not. None of the participants was coerced to participate in the study, and no incentives were offered to encourage participation.
- **Right to privacy:** The participants remained anonymous and assurance was confirmed by the signing a consent form, which included a confidentiality clause that their responses would not in any way be linked to their identity.
- **Honesty with professional colleagues:** The research findings were presented in a complete and honest manner, and assurance was given that no misrepresentation or distortion would be tolerated in the report writing, as advised by Leedy & Ormrod (2018, pp. 135–139).

Additionally, the study was approved by the Graduate School of Business (GSB) of the University of Cape Town, as well as the MOH Research Ethics Committee.

CHAPTER FOUR

DISCUSSION OF FINDINGS

4.1. Introduction

In this chapter, the researcher discusses the findings of the study. The overall objective was to investigate the root causes of the challenges that faced the Lesotho National Referral Hospital PPP project. Sections 4.4 and 4.5 are the most important sections that address the research questions. These sections are preceded by the clarification of the data collection context, as well as a description of the participants.

The specific research questions addressed are:

- (i) Why is the Lesotho National Referral Hospital project facing early termination, and what are the prevailing issues?
- (ii) What are the key factors that influence the success of the NRH PPP project?

Consequently, it is anticipated that the findings will provide:

- the reasons behind early termination of the LNRH PPP project, as well as the prevailing issues, and;
- the five key factors that influenced the success of the LNRH PPP project.

4.2. Context of the data and findings

The data for this study were collected between July 22 and August 21, 2021. By this time, the government had announced a notice of contract termination for the LNRH PPP contract with Tsepong (Pty) Ltd, effective from September 1, 2021. The termination notice was issued on March 17, 2021 (Kabi, 2021b – Appendix 6). Despite the termination notice being effective from September 1, 2021, the government introduced the new management of the Lesotho National Referral Hospital, Queen Mamohato Memorial hospital, to staff on August 1, 2021, a month before the period stated in the termination notice (Sello, 2021c). Consequently, Tsepong (Pty) Ltd management, was obliged to hand over the project management/operations to the government, a month earlier.

4.3. Background of the participants

In this current case study, part of the collected data emanated from the interviews with 19 participants. Of the 19 participants, 11 were current and former employees of the MOH; three were employed at the MOF, while the other three were Tsepong (Pty) Ltd shareholders, as well as board members. The last two participants were the former Minister of Finance, Dr. Timothy Thahane, and the PPP consultant, who was previously engaged to build MOH capacity, to monitor the project. This project was initiated during the time that Dr. Thahane was the Minister of Finance, and the project champion.

In order to answer the two research questions, 19 participants were interviewed, using a semi-structured interview guide (Appendix 4). Additionally, the independent monitor (IM) reports were analysed to identify any challenges that may have been identified during the performance assessments, as well as to substantiate some of the issues mentioned by participants.

Table 4.1: Participants Demographics

Institution	Male	Female
Ministry of Health Officials	2	5
Ministry of Health Former Principal Secretaries	2	0
Ministry of Health Former Directors	0	2
Ministry of Finance Officials	0	2
Former Principal Secretary Ministry of Finance	0	1
Tsepong (Pty) Ltd Shareholders	3	0
Former Minister of Finance	0	1
PPP Consultant MOH	0	1

4.4. The reasons for the early termination of the NRH PPP contract

In this section, the researcher addresses the first research question: Why is the Lesotho National Referral Hospital project facing early termination, and what are the prevailing issues? The government of Lesotho is not the first to terminate a hospital PPP contract prematurely. The procuring entities or governments terminate hospital PPP contracts prematurely for various reasons. The Victoria State in Australia terminated the hospital PPP contract prematurely with the private party that was engaged for the management of the La Trobe Regional hospital. The

reason for the termination of the contract was that the private party was accumulating losses and consequently, could not provide the required level of services (English, 2005). In this current study, the government of Lesotho prematurely terminated the LNRH PPP contract for three reasons: Tsepong (Pty) Ltd fired nurses, which crippled the provision of services (Sello, 2021b); high project costs; and political interference. In both cases, the LNRH project and the La Trobe Regional hospital, the private party was unable to provide the services to the expected levels, although the causes were different.

4.4.1. Tsepong's firing of nurses

The study revealed that the main reason for the government's decision to terminate the LNRH PPP contract prematurely was the firing of more than 200 nurses by Tsepong (Pty) Ltd in early March 2021 (Kabi, 2021a). The LNRH PPP project nursing staff staged an illegal strike for almost a month in February 2021 (Kabi, 2021a). The nurses were requesting a salary increase. In early March 2021, Tsepong (Pty) Ltd dismissed more than 200 hundred nurses, following their failure to report back to work, despite having received a labour court interdict instructing them to do so (Kabi, 2021b). The government announced the intention to terminate the LNRH PPP contract two weeks after the firing of the nurses. According to participant P13:

"The issue of the nurses let the Ministry down and it felt like it's better to terminate the contract"

Participant P3 added:

"...the termination was really triggered by the firing of nurses at QMMH".

The issue of health professionals' low salaries at Tsepong (Pty) Ltd managed health facilities dates back to the early years of the operations of the hospital (Kabi, 2021b). This followed the government's review of its employees' staff salaries, including the healthcare professionals, which led to the government staff salaries being more than that of Tsepong (Pty) Ltd health professional staff. Participant P14 disclosed:

"When Dr. Motsoahae's government took over and increase the nurses' salaries by a substantial amount, the nurses working at QMMH found their salaries far below those of government nurses".

This was attested to by participant P15:

“...after the government salary review in 2013, the nurses at Tsepong found their salaries below that of their counterparts working in government facilities”.

This was because Tsepong (Pty) Ltd did not increase the staff salaries to match that of the government employees, which has since caused animosity among Tsepong (Pty) Ltd staff. Their argument for the failure to increase the staff salaries was as follows:

“Government had reneged on its 2014 undertaking to review salary structures at QMMH and to provide additional funding to restore parity between comparative nursing job grades at the respective institutions” (Kabi, 2021b).

Tsepong (Pty) Ltd health professionals’ dissatisfaction with their salaries has also been reflected in most of the independent monitor’s reports, dating back in 2014. In the IM 15th quarter report of 2014, it was recorded that, in an interview with the nurses, during the quarterly performance assessment, the nurses “raised questions about wages and salaries” (Renshaw, 2014, p. 7). The 24th quarter report revealed the staff opinion that the reason for the delay in filling vacant positions, was due to low salaries offered by the employer. According to Uys (2016, p. 7 – Appendix 7), “It is felt by them that the challenge with filling these posts has been due to the lack of specialists in Lesotho and also the employment packages offered to potential employees.” The firing of nurses by Tsepong (Pty) Ltd, consequently, has been raised as the major reason for the government’s decision to terminate the LNRH PPP contract, five years earlier than the contract end date, which was 2026.

The poor terms of employment for the healthcare workers under a health PPP arrangement were experienced with the La Ribera hospital PFI project (Acerete et al., 2011). The private party introduced new terms of employment to healthcare workers, which were lower than those that were offered by the government. For instance, the La Ribera hospital PFI project employment came with lower salaries, but longer working hours, and less job security (Acerete et al., 2011).

The experience from the LNRH PPP project and the La Ribera hospital PFI project reveals a need for the proper management of the staff salaries risk in hospital PPP projects. Failure to manage this risk could lead to a repeat of similar experiences in other countries.

4.4.2. High project costs

While the firing of the nurses by Tsepong (Pty) Ltd was mentioned by almost all participants as the main reason for the early termination of the LNRH PPP contract, some participants were of the opinion that it may merely have been a convenient reason for the government to terminate the LNRH PPP project. They highlighted high project costs as another reason for the early termination of the LNRH PPP contract. This is what Participant P5 stated:

“...the government found it now very costly to meet its obligations as per the agreement and I think it’s the primary reason that led to the termination of this contract”.

Participant P15 advanced a similar reason:

“...whether we look south or north, if we were to continue with this project, we were likely to reach 2026 highly indebted and this hospital would have drained much of the government resources”.

The above statement could be so because, over and above the unitary payment that the government had to pay, Tsepong (Pty) Ltd had been providing healthcare services to more patients than the contractual demand parameters’ maximum of 20,000 inpatients and 310,000 outpatients, since 2013 (Downs et al., 2013). The extra patients managed at Tsepong (Pty) Ltd facilities, were paid for as an additional amount, besides the unitary payment (Downs et al., 2013). This was confirmed by participant P5:

“Over and above the unitary payment there were excess payments that were brought by high numbers and that on its own led to a high fiscal burden to the government and I really think it’s the primary reason why the government felt it needed to terminate the contract”.

The LNRH PPP project is not the first PPP project to face higher project costs than projected. The same challenge was experienced with the Nya Karolinska Solna (NKS) hospital PPP project that had a schedule overrun, and consequently, ended up costing the council more (Eurodad, 2018). The Hexham and the West Park hospitals in the UK also created financial pressure on the public sector, to the point that their contracts were bought out, in order to release the financial burden on the government (Whitfield, 2017). Shaoul et al. (2008) noted that 10 of the 12 hospital PPP projects in England were costing the government more than was projected at the financial close.

While there are different reasons for the high project costs of diverse projects, this indicates that poor risks assessments and management exist in hospital PPPs. For example, in the case of Lesotho, it was apparent that one major cost driver was the failure to manage the demand risk by the government, as an overseer of the entire health system. The failure to manage the demand risk at QMMH, therefore, led to the hospital overflow, and consequently, high cost to the government. Therefore, it is important for both the transaction advisors, as well as the governments that embark on hospital PPP projects, to ensure that project costs are properly estimated, and the cost drivers well managed.

4.4.3. Political interference

Political interference emerged as one of the reasons for the early termination of the LNRH PPP. Some participants were of the opinion that the premature termination of the LNRH PPP project was mainly due to political interference. However, the reasons that were advanced by the participants differed. Some participants based their conclusion on the approach with which the termination was done, while some believed that the political interference had been promoted by the local shareholders, who have since the beginning of the project operation complained about the majority shareholder company, Netcare, to the government. Participant P1 offered the following explanation:

“I really believe the two parties could have met each other halfway but that was not done, rather it was politicized because the way government terminated the contract was not in a way that said, this person is still offering me services but rather you see the government coming with the mentality that it has power”

Participant P15 also commented on the way the LNRH contract was terminated, as follows:

“I personally do not like the way this termination has been undertaken. It appeared more of political intervention than a strategic decision”.

While participants P1 and P15 disclosed that participant P14 had expressed the following:

“...the whole thing has been political because local shareholders started complaining to the government about Netcare alleging it of several issues and that poisoned the relationship within the parties...”

In addition, participant P19 stated the following:

“...we felt we can't manage the shareholders' issues, but anyway, the overarching issue is the political interference”.

It is worth mentioning that while the government, through the current Minister of Health, had terminated the LNRH PPP contract prematurely; there had been attempts, or threats by one of the former Ministers of Health, to terminate this contract, a few years earlier. Participant P14 mentioned that one of the former Ministers of Health publicly indicated that:

“...his objective was to terminate the hospital PPP agreement”.

Given that history, participant P11 stated:

“...even this issue of termination I still suspect it's a political move with someone wanting to make a score.”

This confirms the findings of Babatunde, Perera, Udejaja, and Zhou (2014), who state that political interference is one of the barriers in the implementation of PPP projects in developing countries. Claude (2013) concurs that the nature of the PPP projects makes political interference inevitable, because the government, as a party to the PPP agreement, is also a decision-maker in whatever happens with the project.

According to Bloomfield (2006), the premature termination of contracts and the disputes among the parties are not surprising. It indicates that, even though the parties may have

entered the partnership in the spirit of collaboration and mutual trust, initially, contracts are prematurely terminated and disputes arise, due to the differing interests, and efforts to protect such interests.

4.5. Prevailing project issues

In this current study, several challenges that constrained the smooth implementation of the LNRH PPP project were revealed. These were categorised into high patient volumes, poor referral system, lack of capacity of the district hospitals, inadequate project performance monitoring, government lack of capacity to manage the contract, and the disputes.

4.5.1. High patient volumes

The LNRH PPP contract contained the set maximum and the minimum number of patients to be provided with healthcare service by Tsepong (Pty) Ltd. The minimum and maximum inpatient numbers were 16,500 and 20,000, respectively, while the minimum and maximum outpatient numbers were 258,000 and 310,000 (Renshaw, 2014). However, the LNRH PPP project has since the second year of its operation faced the challenge of high patient volumes (Scott et al., 2013). Participant P5 expressed the following:

“QMMH became overwhelmed with patients.”

This resulted in high project costs to the government. Participant P2 stated the following:

“The more patients Tsepong serves, the more government has to pay...”

The findings of this current study revealed that the poor referral system and the lack of capacity in the district hospitals were the major causes of the high patient volumes at QMMH.

4.5.2. Poor referral system

The poor referral system has been observed as one of the major challenges that the National Referral Hospital project faced. This challenge has been in existence throughout the operations of QMMH. The issue was raised by the participants, and stated in most of the independent monitor reports. The 26th quarter assessment report, produced by the

independent monitor, quoted one of the physicians, interviewed during the inspection, who highlighted poor referrals as the challenge faced by the hospital, as follows:

“...the referral patterns from the public hospitals remain a challenge. It would seem that patients that can be treated at the referring facilities are being referred to QMMH for no apparent reason.” (Uys, 2017).

Participant P12 disclosed the following:

“We saw the district hospitals referring cases that could be managed at the district to QMMH thereby burdening it with patients load.”

The findings revealed that QMMH did not operate as was intended, which was to be the national referral hospital for the cases that the district hospitals failed to manage, especially due to the lack of skills and equipment. QMMH was eventually operating like any other hospital, attending to minor cases that, under normal circumstances, were supposed to be managed at the lower level of care. The challenge of a poor referral system was never addressed, despite being in existence throughout the operations of QMMH. The failure to address this challenge has led to unsustainable project costs. Therefore, it is advisable for the governments that are planning to embark on referral hospital PPP projects, to ensure that a clear referral protocol is implemented, to avoid the same challenge.

4.5.3. Lack of capacity of the district hospitals

The hospitals that referred patients to QMMH were mainly the district hospitals. The findings of this current study revealed that the district hospitals did not have the adequate capacity to undertake their role in the healthcare system. In addition, the findings revealed that the district hospitals did not have the necessary equipment and skills to manage certain healthcare conditions, and consequently, started to refer minor cases to QMMH. Participant P10 stated the following:

“You would find that the district hospitals, for example, do not have an x-ray machine and therefore a patient be referred to QMMH just for an x-ray”.

However, Participant P11 on the other hand, added the following:

“...the other issue is that even the district hospitals were challenged, in terms of capacity, so eventually all cases ended up landing at QMMH.”

While some participants were of the opinion that the district hospitals referred unnecessary cases to QMMH, due to the lack of capacity and resources, some felt like they were taking advantage of the poor referral system, as participant P7 refers to in the following extract:

“Whoever presents at the district hospital that the hospital feels like may need more attention and demand them to work hard, they were not managing that patient but rather just stabilise and refer to QMMH, and the system was not controlling that”

Participant P9 made a similar comment:

“...people from district hospitals told themselves that they will not do the work but rather refer patients to QMMH”.

The lack of capacity at district hospitals, as well as the poor referral system, indicates that the government did not prepare the system, prior to the implementation of the LNRH PPP project. It appears that the district hospitals were not provided with the critical medical equipment, or the necessary skills, to undertake their responsibilities appropriately. However, it is clear that the high patient volumes that QMMH experienced were not necessarily about poor patient forecasting, as Eurodad (2018) states, but a sign of the health system's unpreparedness to implement and manage the LNRH PPP project. Consequently, Participant 1 states the following:

“...our district hospitals were already under-utilised if you can see from our reports. They never reached even the 50 percent capacity, while at that particular point QMMH was congested”.

This is a clear indication that most of the inpatients at QMMH could have received services at the district hospitals, if the system was functioning properly. Therefore, governments that intend to implement similar projects need to ensure that the referring hospitals are well equipped and capacitated, to avoid an influx at the referral hospital,

because it is important for countries to prepare themselves, prior to the implementation of PPP projects, in order to achieve the envisaged benefits (Grimsey & Lewis, 2004).

4.5.4. Inadequate project performance monitoring

One of the main responsibilities of the government in a PPP arrangement is project performance monitoring. While the LNRH PPP project had a quarterly performance assessment conducted by an independent monitor, the findings from this current study revealed that no consistent daily project monitoring was conducted by the MOH. The daily or the frequent monitoring of the private company's operations in PPPs is important because it provides more insights into the project, than do the quarterly assessments. The study findings revealed that the MOH did not conduct daily monitoring of Tsepong (Pty) Ltd operations, as participant P18 remarked:

“The government was not monitoring the a, b, c, d of the contract.”

Participant P19 made a similar comment:

“...one major thing that has been lacking is monitoring of the project.”

This is probably because some of the key departments within the MOH did not understand their role in the LNRH PPP project. Participant P10 offered the following statement:

“The clinical services department never felt like it was its responsibility to undertake daily monitoring of the services at QMMH.”

In addition, it has been reported that the PPP unit was staffed with non-technical people, who also impeded the government's ability to monitor the private party's operations properly.

While the findings revealed that there had been attempts by the MOH to set up the daily monitoring team, the team consisted of officers, who had other responsibilities, and consequently, could not perform the project monitoring, as expected. Apart from being charged with other responsibilities, the findings revealed that the team did not understand the PPP, and therefore, did not know how to monitor the Tsepong (Pty) Ltd operations. Participant P15 stated the following:

“The team that was selected to monitor, each of them had other responsibilities and were not a permanent team and the fact that they did not even understand what they were supposed to do when monitoring the project, they continued with their daily responsibilities on their areas of expertise.”

This was not only observed by participant P15, but also participant P19, as follows:

“...even at a times when there was a so-called monitoring team, those people did not understand what they were supposed to monitor and how.”

It is evident from the findings of the study that the government did not have the capacity to manage the LNRH PPP project. Therefore, it was not surprising to encounter inadequate project monitoring. According to Mudyarabikwa and Regmi (2016), governments need to develop the capacity to undertake the monitoring function in PPP arrangements, to ensure the efficiency of the partnership, as PPP project performance monitoring requires specific skills.

4.5.5. Government’s lack of capacity to manage the LNRH PPP contract

Projects do not implement and manage themselves, but people with the necessary skills and capacity do. The findings of this current study revealed that the government did not possess the required skills and capacity to manage the LNRH PPP contract, as participant P12 highlights:

“The government had zero capacity and competence to manage this contract, and unfortunately, it did not even try to build that capacity”.

The findings also revealed that the PPP unit had two officers, with no background in medicine, as participant P2 expressed:

“There is just no way a project of its magnitude can be manned by two personnel.”

It is worth noting that, unlike other countries where the PPP unit is within the MOF, in Lesotho, the PPP unit was in the MOH. This was probably because the MOH was the first ministry to implement a PPP project. According to Claude (2013), one of the root causes of failures in PPP projects, is the institution in which the project is embedded, because it defines the capacity to implement and monitor these arrangements properly. It

is important for the procuring entity to have the capacity to manage the PPP contract, in order to realise the efficiencies and value for money of engaging the private sector in the provision of public service (Andrews & Entwistle, 2015). The reason being that the private party is likely to take advantage of the government's lack of capacity, and consequently, attempt to deliver sub-standard services, while maximizing the profits. Governments, therefore, need to implement structures and control measures to protect the quality of services and the interests of the population, as they minimise their roles as social service providers (Andrews & Entwistle, 2015). The lack of government capacity to manage the LNRH PPP contract contributed to the inadequate monitoring of the project, which appeared as one of the issues.

4.5.6. Disputes among the parties to the LNRH PPP contract

Disputes are inevitable in any relationship, especially in PPP projects, as they involve several parties with different interests. The LNRH PPP project has not been an exception. The study findings revealed that one of the challenges facing the project was disputes. The disputes existed between Tsepong (Pty) Ltd and the government, as well as among the Tsepong (Pty) Ltd shareholders.

4.5.6.1. Shareholders internal disputes

The findings revealed disputes among Tsepong (Pty) Ltd shareholders (Scott et al., 2020). The disputes reportedly started from the early operations of the project. These disputes mainly revolved around corporate governance, and lately, also around dividends and share dilution. The dissatisfaction stemmed from the way in which the management company, Netcare, was managing the project. When commenting on this, participant P18, a board member in Tsepong (Pty) Ltd, expressed the following:

“...if the meeting has to be called its Netcare, if Netcare is not there, there is no quorum, and as such the meeting cannot go ahead, even if other shareholders are there. So, everything revolved around Netcare”.

Participant P14 attested to this sentiment:

“Tsepong board, did not act as one, they were fighting from the beginning, that’s one major problem.”

The study findings revealed that the local shareholders reported such issues to the principal secretaries and the Ministers, as participant P9 confirms:

“We complained to all the principal secretaries and the Ministers since 2012, and nobody did anything, except Dr. Khaketla, while serving as the Minister of Finance, who engaged the mediator.”

The other cause for contention among the shareholders was the inability to benefit financially from the project (Kabi, 2021b). The study findings revealed that the minority shareholders were unhappy that the company had never declared any dividends. Their considered opinion was that it was a deliberate action by Netcare, the management company, receiving the management fee. Participant P16 mentioned the following:

“To date, no dividends were ever declared.”

In addition, the findings revealed that the management company, Netcare, informed the minority shareholders that the reasons for not paying dividends were, the company was not making profits, and was still servicing the loan. Participant P18 added the following:

“...and that’s where the conflict started.”

The findings also revealed that Netcare failed to reduce its shareholding in Tsepong (Pty) Ltd, as per the terms of the PPP contract (Kabi, 2021b). Netcare was supposed to have reduced its shareholding in Tsepong (Pty) Ltd, in an effort to ensure local economic empowerment (Scott et al., 2020). The independent monitor reported Netcare’s non-compliance with the PPP agreement regarding local economic empowerment, from the 26th quarter report; however, it was never corrected.

“Tsepong was supposed to have executed share dilution in October 2016” (Uys, 2017).

The findings revealed that this was one of the issues, which caused disputes among the shareholders (Scott et al., 2020). The non-compliance to the local economic empowerment (LEE) requirement caused a great deal of animosity among the shareholders. Participant P9 commented:

“As Netcare realizes that it is making more money, it told itself that it will not give up the project especially in terms of shareholding”

Participant P9 added:

“That’s when the fights among shareholders intensified even more...”

Additionally, the study findings revealed that while the LNRH PPP contract stipulated that Netcare should reduce its shareholding to local shareholders on the eighth year of the contract life, the contract was silent on whether such shares should be free of charge, or at a cost. The following was the statement of participant P18 on the issue of share dilution:

“...there were grey areas in the contract, like whether the share dilution will be free or not, because as we fight for share dilution, then Netcare started saying whose shares, how much are you giving me for these shares.”

The failure to be explicit on how the share dilution should be undertaken within the contract, did not only initiate disputes among shareholders, but also exposed the contract to diverse interpretations. As per participant P18’s comment above, Netcare wanted the local shareholders to pay for the shares, while the local shareholders believed that they should acquire the shares free of charge. Participant P18 continued:

“Let us look into the rationale behind it; it’s called local economic empowerment. It does not talk of the selling of the shares”

Therefore, it is important to clarify the contract accurately, as it is fundamental to the success of a PPP project (Hodge & Greve, 2005). Perfecting the contract right does not only imply covering almost everything, but also that the contract should be uncomplicated and clear, to minimise the risk of misinterpretations.

4.5.6.2. Disputes between the government and Tsepong (Pty) Ltd

The study findings also revealed disputes between the government and Tsepong (Pty) Ltd (Kabi, 2021b). The disputes between these two parties mainly revolved around the contract interpretation. For example, participant P2 expressed the following:

“...when you look at the issues under arbitration, those are some of the obligations that the other party was supposed to do, but they would be interpreting the contract differently.”

Participant P12 added:

“...even the disputes that are currently in arbitration, when you look at that list, its more on disagreements about the interpretation of the contract.”

While the findings revealed disputes between Tsepong (Pty) Ltd and the government, none of the participants detailed them. Participant P2 simply stated the following:

“...there are a lot of disputes in arbitration.”

However, the Tsepong (Pty) Ltd staff salaries issue was clear, among others. For example, participant P12 expressed:

“...the issue of staff salaries, was first raised in 2013, and was referred to arbitration, following failure to reach an agreement.”

Disputes remain one of the highest risks in PPP projects. The disputes and claims are ranked the third most significant project risk area (Grimsey & Lewis, 2004). They show that the disputes and claims in PPPs are usually caused by inadequate specifications, which gives rise to variations, and consequently, claims. It is also obvious that unclear contract terms, give rise to disputes, as they pose the risk of diverse contract interpretations. Therefore, a need for considerable effort exists, to ensure that contract terms are clear and precise, to avoid misinterpretations.

4.5.7. The root causes of the challenges with the LNRH PPP project

Based on the analysis of the collected data the following emerged as the root causes of the challenges of the LNRH PPP project: an uncondusive project environment; the lack of government commitment; the lack of project ownership; and the lack of understanding and knowledge, which are elaborated on in the following section.

4.5.7.1. An uncondusive project environment

The PPP legislation, the supporting regulatory framework, and the political stability are key for the successful implementation of a PPP project (Abuzaineh et al., 2018). According to these authors, even if a PPP project is aligned to the health sector strategy, experience has revealed that the legislative environment and regulatory frameworks are critical for its success. However, Baithili, Nkanata Mburugu, and Mugambi Njeru (2019) emphasise the importance of a good political environment, for the successful implementation of PPP projects. Given the claim of Baithili et al. (2019) that a solid political environment is important for PPP projects, this current study's findings revealed that the LNRH PPP project was implemented in an environment of political instability, unavailability of PPP frameworks and, frequent changes in leadership positions, which ultimately challenged the success of the LNRH PPP project.

4.5.7.1.1. Political instability

Lesotho has been experiencing political instability since 2012, merely a year following the operation of the hospital, and two years after the operation of the filter clinics, under the National Referral Hospital PPP project. Abuzaineh et al. (2018) assert that a conducive environment includes political stability, as a success factor for any PPP project. However, in Lesotho, the government under which the LNRH PPP project was conceived changed a year after the project operation, specifically, in 2012. The government that came into power in 2012, also changed in 2015, through the general elections that were held earlier than the usual five years, due to political instability. Additionally, government that came into power in 2015, changed again in the 2017 general elections. This indicates that the LNRH project has operated under an unstable political environment, an environment

that was not conducive for a PPP project. Participant P6 expressed the following:

“...it was a very unfortunate project. It came at the wrong time for the wrong people. It needed a good political environment.”

Participant P6 expressed, more or less, the same sentiments:

“...it was bad luck to have this project being under different governments that were seeing it as a burden.”

Political stability is stated in most of the PPP literature as key for the successful implementation of PPP projects (Grimsey & Lewis, 2004). Therefore, it is not surprising that the LNRH PPP contract did not sustain the entire contract lifecycle, considering the political environment within which it existed. The frequent government changes posed a risk to its success. Political stability, therefore, remains one of the key success factors for the implementation of PPP projects.

4.5.7.1.2. Unavailability of PPP frameworks

Lesotho lags behind its regional neighbours in the development of PPP frameworks, as its PPP policy was only introduced in 2017 (Economist Intelligence Unit [EIU], 2019). The country implemented the LNRH PPP project without enabling PPP legislation (Downs et al., 2013). The LNRH PPP project was implemented, based on Lesotho’s general procurement law, the Public Procurement Regulations 2007 [PPR], and the Public Procurement [Amendment] Regulations 2018 [PPAR] (EIU, 2019). Both the PPR and the PPAR underpin the 2017 PPP policy’s prescription of PPP modalities and processes (EIU, 2019).

This current study’s findings revealed mixed results regarding the effect of the unavailability of PPP frameworks during the development of the LNRH PPP project. Some participants were of the opinion that the project challenges emanated from the non-existence of PPP frameworks, while others considered that the availability of PPP frameworks would not have prevented

the project from facing the prevailing challenges. For example, participant P17 stated the following:

“...if we had the legal framework, that would have compelled that this project be taken through certain processes.”

It could be concluded that the abovementioned opinion may have led to the engagement of key stakeholders. Participant P13 concurred with participant P17, by adding:

“I believe that if we had a PPP law, maybe it could have prevented some of the flaws that seem to have happened at the design stage.”

However, these two participants asserted that participant P5 had argued as follows:

“...the law would not have designed a PPP project, here, what failed with this project is not so much about the legal provisions than the technicalities of designing and implementing it. So, I don't think the law would have changed anything.”

Similar sentiments were echoed by participant P18, who expressed the following:

“...the presence of PPP regulations would have not made a difference because the project is implemented by the people and not the regulations.”

Implementing a PPP project, with no enabling legislation implies that the government bureaucrats and officials, who encourage and promote private sector participation in infrastructure development, do so at their own discretion, and have confidence in the value of PPPs (Mahalingam, 2010). However, Mahalingam (2010) asserts that implementing PPPs without enabling legislation poses a risk, because, in most cases, such officers are prone to investigation from anticorruption agencies. In the case of the LNRH

PPP project, the absence of enabling legislation contributed to the lack of project ownership. Participant P1 remarked as follows:

“...it was lately being labelled an individual’s project. You would hear high-level authorities making comments like; I don’t want to hear anything with this so and so project.”

Participant P19 added the following extract:

“...the current Minister of Health comes in with the spirit to say, I want to get rid of this Thahane’s project. There is no more saying the government’s project.”

This demonstrates the risk of implementing PPP projects without the necessary legislation. Therefore, it could be concluded that it is imperative for countries to develop the necessary legislation prior to engagement in PPP projects. According to Abuzaineh et al. (2018), the PPP legislation and regulatory framework would remove institutional barriers, among others.

4.5.7.1.3. Frequent changes in leadership positions

The unstable political environment, experienced between 2012 and 2017, led to frequent changes in leadership positions within the Ministry of Health [MOH] and the Ministry of Finance [MOF]. This challenge was revealed by this current study’s findings. The new governments would, not only change ministers and principal secretaries upon winning the elections, but also do so during their ruling tenure. Participant P10 emphasised the following:

“The other challenge that one saw from the Ministry side is the regular change of management.”

This had implications for the initiatives that were being made to ensure that the project operated optimally. This challenge was reiterated by participant P14:

“...the problem with government is lack of continuity.”

All these comments indicated that the lack of continuity in the government due to frequent changes in leadership positions, contributed to the challenges that the project faced, as the lack of continuity also leads to institutional memory loss. According to Farquharson, Torres de Mästle, and Yescombe (2011), the loss of continuity and knowledge is common in the governance of projects. The commonality of this challenge calls for projects preparation teams to find ways of managing this risk, to ensure that the success of projects is unimpeded by frequent changes in leadership.

4.5.7.2. The lack of government commitment

Strong government commitment is necessary for a PPP project's success (Olsen, 2009). Olsen (2009) asserts that a PPP project's benefits cannot be realised without substantial government commitment. This current study's findings revealed a lack of government commitment to the LNRH PPP project. The government's lack of commitment was evidenced in several ways, including appointing only two staff members to the PPP unit. The establishment of a PPP unit, comprising an adequate number of personnel with the necessary skills, signals the government's commitment to the PPP project (Grimsey & Lewis, 2004). The MOH PPP unit, however, was located at the MOH, not the MOF, as per international practice, and was not staffed with the adequate number of personnel, who possessed the necessary skills to manage such a complex contract. Participant P15 stated the following:

"We had only one officer in the PPP unit."

While participant P11, on the other hand, added:

"...there was a need to have a central PPP unit at the Ministry of Finance, but unfortunately we didn't have one."

The lack of government commitment was also evidenced by the failure of government authorities, the principal secretaries, to attend the liaison committee meetings. The liaison committee was established to oversee the project, and comprised the higher authorities from Tsepong (Pty) Ltd and the government. The study findings revealed that this committee was not functional, because the

government representatives hardly attended the committee meetings. Participant P11 disclosed the following:

“You would find on the last minute the principal secretaries apologising for one reason or the other.”

Participant P10 concurred that the liaison committee was not functional, as per the following extract:

“The liaison committee had met on a few occasions than stipulated in the contract because the leadership, which formed part of the committee, was never available for the meetings”.

The government’s inability to manage the referrals to QMMH was also one of the signs of a lack of commitment, as the government was in a better position to manage the referral system, as opposed to the private sector. The researcher suggests that it might be noteworthy to determine whether the high project costs would have been a major issue for the government still, had the referral system been functioning properly, with the QMMH only managing the more complicated cases.

The study findings revealed efforts by external bodies, like, the World Bank Group (WBG) and the Harvard leadership program, to help the government resolve the challenges facing the LNRH PPP project. For example, the participants reported that the WBG attempted to help the government with the renegotiation of the contract, as well as capacity building, but did not succeed. Participant P11 stated the following:

“...but for some reason, it always failed when World Bank tries to rescue the situation in any way.”

The Harvard leadership program was among others, who aimed to assist the MOH to reduce the LNRH PPP project costs, through the proper management of the referrals to QMMH; however, this, too, was unsuccessful. Nothing could explain all these, except that the government was not committed to ensuring the success of this project. Participant P11 disclosed the following:

“You would see the MOH not interested to support whoever wants to assist with the proper management of this project”

This was attested to by participant P5, who said:

“...the effort that was made by the Harvard leadership program to help us to reduce the costs, in the end failed due to the MOH itself, not doing what they were supposed to do throughout that program.”

The likelihood of the LNRH PPP project succeeding was limited, considering the level of the government’s commitment. It is evident that the government was not committed to ensuring this project’s success, because according to Atmo and Duffield (2014), clear government commitment, combined with well-defined project structures, are necessary for the success of the PPP projects.

4.5.7.3. The lack of project ownership

A PPP project, like any other national project, requires consistent and continuous government ownership, in order to succeed (Organisation for Economic Co-operation and Development [OECD], 2012). However, in the case of the LNRH PPP project, the study findings revealed that the LNRH PPP project ownership only lasted for one year of the project operation phase. The findings revealed that the project had no ownership since 2012, one year after the operation of the QMMH. Participant P8 commented as follows:

“It was seen from the beginning as someone’s project and not the government project”.

Participant P10 reiterated the following:

“...the current Minister of Health came in with the spirit to say, I want to get rid of this Thahane’s project.”

Dr. Thahane is the former Minister of Finance, under whose leadership the project was initiated, while he also served as the project champion.

One of the signs of lack of ownership was that the MOH considered it a project of the MOF, and not its own. This would probably explain why the MOH did not

make any effort to build the necessary capacity to monitor the performance of Tsepong (Pty) Ltd. Participant P8 expressed the following:

“Lately, there was even the saying that this is, after all, the MOF project and not the MOH project.”

This indicates a need to define the roles of each key government ministry, during the operation phase of the PPP project. Ultimately, the failure of the government to define the roles of each of the key ministries during the project operation phase, contributed to lack of ownership, as revealed in this current study.

4.5.7.4. The lack of knowledge and understanding

One of the most intriguing findings related to the knowledge and understanding of the PPP concept. The findings of this current study revealed that a lack of understanding of the PPP concept and the contract provisions, were some of the root causes of the challenges that the LNRH PPP project faced. The lack of understanding was demonstrated in both the local private and the public sector participants. Participant P17 stated the following:

“...as the Ministry had to implement the contract, we found that it is full of terms that we do not understand, we did not understand anything even when IFC was trying to explain some of the things.”

Participant P1 also noted the same challenge with the public sector, as follows:

“...the government did not understand what the contract entailed; throughout its operations it has always been like we are in the learning process.”

While it is understandable for the country to implement a PPP project with a low, or no understanding of the PPP concept, efforts could be made to capacitate the government officials, in order to adopt the government’s role in PPP implementation. The findings also revealed that only three public sector officials were trained about PPP, and had only attended a training session once. Two of these public sector officials were from the MOH, while one was from the MOF.

As indicated, the lack of understanding was also noted among the local shareholders of Tsepong (Pty) Ltd. Participant P11 noted the following:

“Even Tsepong itself, I think it’s only one party that understood the PPP contractual obligations, which is Netcare.”

Participant P18, a shareholder in Tsepong (Pty) Ltd, concurred and stated:

“...and people joined knowing nothing, just being told that it is going to be a good project, some were skeptical and some like my company joined.”

When justifying involvement in the project with a lack of knowledge and understanding, a local shareholder stated that they had relied on the government transaction advisor, IFC. The study findings revealed that the local shareholders agreed to participate in the project, under the impression that IFC was not only serving the government’s interest, but also theirs. Participant P18 expressed the following:

“...these Basotho companies’ representatives relaxed a bit when they saw the involvement of IFC in this project and assumed that IFC as the advisor to the government of Lesotho would also safeguard their interests in the project.”

This was a clear sign that the local shareholders did not understand the roles of the various players in the PPP project preparation, and were not sensitised or trained on how PPP projects operate.

The lack of understanding was also noted in relation to the project operations or the contract contents. Some of the public sector officials, who were expected to be knowledgeable about the contents of the LNRH PPP contract, based on their role, made comments, which indicated that they did not understand the LNRH PPP contract. For example, participant P15 stated the following:

“Tsepong did not open some of the services, the areas like that of dialysis have been catered for at QMMH but there were no dialysis services being provided at QMMH.”

Participant P3 added the following:

“Tsepong (Pty) Ltd kept referring cancer related cases to Bloemfontein instead of providing the services in-country”.

This shows a lack of understanding of the contract provision, because some of the services, including dialyses, radiotherapy, and chemotherapy, were excluded from the PPP contract (Downs et al., 2013), and consequently, Tsepong (Pty) Ltd was not supposed to provide them at QMMH. This confusion or expectation may have been caused by the fact that the hospital design included the wards for excluded services, to make it easy for inclusion, should the government and Tsepong (Pty) Ltd decide to include them in the contract in the future. This was confirmed by participant P10, as follows:

“...the contract excluded cancer from the contract except the keeping of statistics by the operator. This was meant to ensure that if need be the contract can be amended to include provision of such services.”

The main issue with the LNRH PPP was a lack of understanding, as indicated by participant P19:

“...the overarching issue is that we did not understand what we are getting into.”

This is not surprising because the LNRH PPP was the first of its kind in Africa, and the first in a low-income country (Abuzaineh et al., 2018).

4.6. Key factors that affected the success of the NRH PPP project

The outcomes of the data analysis revealed five factors that influenced the success of the LNRH PPP project, namely: poor stakeholder engagement; the lack of political will; the lack of trust; the lack of transparency; and poor relationships among the LNRH PPP contract parties.

4.6.1. Poor stakeholder engagement

One of the most intriguing findings, related to stakeholder engagement. The findings revealed that there was not much stakeholder engagement in the preparation of the LNRH PPP project. In addition, the information relating to this project was known to a few

people, who were involved in its design. Only certain high-level individuals in the Ministries of Health and of Finance were involved in the LNRH PPP project preparation and design. The former Minister of Finance, Dr. Thahane, acknowledged that the government underestimated the need for thorough stakeholder engagement. He expressed the following:

“...from the government, I must admit, I underestimated the need for engagement of the key stakeholders, I did not engage the doctors and nurses to the full extent in the process of preparing this project.”

This was attested by doctors, who participated in the study. Participant P15 stated the following:

“...as doctors we would hear on the passages that there is this upcoming big project but we were not informed on how it was going to operate.”

It was apparent from the interviews with the participants that not only the health professionals were inadequately engaged in the LNRH PPP project preparation and design, but also the larger population. The self-referrals to QMMH was the other sign that the population was not sensitised to the role of QMMH in the health system. QMMH is a referral hospital, and consequently, patients should only need to go there, when they have referral letters. Participant P2 disclosed the following:

“There was insufficient stakeholder engagement hence why people would even refer themselves to QMMH because they did not understand the nature of the hospital that we have.”

In addition, participant P11 added:

“There should have been proper planning, including public awareness about PPPs, and that was not done.”

It is important to engage the healthcare service providers from the early stages of the hospital PPP project design, in order to garner their views about the project layout, operations, equipment selection, and systems (Abuzaineh et al., 2018). The early engagement of the key project stakeholders helps to integrate their concerns and expectations into the project design, and obtain their buy-in. However, it was clear from

the study findings that this was not the case during the LNRH PPP project preparation phase. Participant P17 reported the following:

“...we were surprised that the very same services that we thought the hospital was constructed to provide were the same services that have been excluded in the contract.”

Participant P17 was not the only participant who raised this issue, as participant P15 explained:

“...the excluded services are the ones that we thought, with the new hospital, we will no longer refer to Bloemfontein, but that was not the case.”

The services that these participants were referring to included, dialysis, chemotherapy, and radiotherapy, among others, the services that the country used to refer to South African hospitals, during the operation of Queen Elizabeth II hospital, which was replaced by QMMH, under the LNRH PPP project. The study findings revealed that this came as a shock to most of the people, because they were given an impression that one of the objectives of the LNRH PPP project was to reduce referrals to South Africa. It is worth noting that this is one of the critiques of the LNRH PPP project, as it failed to reduce the referrals to South Africa. The public observe patients still being referred to South Africa, which are mainly patients, who need services that were excluded from the LNRH PPP contract.

Inadequate stakeholder engagement was also demonstrated by the participants' comments on the inclusion of the filter clinics, as part of the LNRH PPP project. Some participants were of the view that, had they been consulted, or engaged in the design of the LNRH PPP project, they would not have agreed with the inclusion of the filter clinics, as part of the project. The reason being that they considered it a bad decision to combine primary healthcare and tertiary healthcare in one project. Participant P3 confirms this perception:

“The main challenge was to combine primary healthcare and tertiary in one project.”

Subsequently, according to the findings, the inclusion of primary healthcare in the LNRH PPP project scope, contributed to high patient volumes at QMMH, as confirmed by participant P5:

“...the inclusion of the filter clinics in the contract contributed to unmanageable numbers.”

Poor stakeholder engagement is detrimental to the success of a project, which in this case, was evident throughout the phases of the LNRH PPP project, and negatively influenced the success of this project. It could be concluded that proper stakeholder engagement may have helped to solve, or even avoid some of the challenges that this project faced. The reason being that the project stakeholders' opposition was one of the main reasons for the PPP projects' failures (El-Gohary, Osman, & El-Diraby, 2006). Ultimately, stakeholder engagement is a necessity and not an option in PPP projects.

4.6.2. Lack of political will

Public-private partnership projects are likely to be implemented successfully, where political will abounds (Mahalingam, 2010). This study's findings revealed that there was a lack of political will for the LNRH PPP project. Most of the participants indicated that the political will for the LNRH PPP project ended with the government that initiated the project, as Participant P1 expresses:

“...there was political will at the initial stage, but as things unfolded, it seems like there was no more political will.”

On the other hand, Dr. Thahane stated the following:

“...our politics changed, our government got out and was followed by the government that said, this is a hell type of a project.”

It is clear from the study findings that the opposition party, the All Basotho Convention (ABC) party was not supportive of the LNRH PPP project. It was reported that most of the new Ministers of Health came into office with a negative attitude towards the LNRH PPP project, and some even threatened to terminate the contract. Participant P8 stated the following:

“...some were even threatening to terminate the contract, until now when this current one really terminates it, unlike the predecessors who were only threatening to...”

Participant P12 added:

“...the government that initiated the project fully supported it but as time goes on we saw different views of the project with some governments wanting to terminate the contract.”

Political will is considered one of the enabling conditions for the implementation of PPP projects (Abuzaineh et al., 2018; Mahalingam, 2010). According to Daniel, Germà, and Albert (2019), the lack of political will could affect the PPP projects negatively, due to cost overruns, and the perception that politics may turn projects into white elephants. Ensuring political will in healthcare PPPs is even more critical because, according to Abuzaineh et al. (2018), healthcare is perceived as a government responsibility, and consequently, the population and the politicians are uncomfortable with the idea of healthcare being managed, or provided by the private sector. Mahalingam (2010) indicated that the public's, as well as the politicians' discomfort with private healthcare, has contributed to the PPP project's lack of political support, the negative publicity, and in some cases, even cancellation of PPP contracts, following the change of governments.

4.6.3. Lack of trust

One of the principles of a good partnership is trust. Abuzaineh et al. (2018) indicate that sustained trust between the public and the private sectors is key to the success of a PPP project. The study findings revealed that no trust existed between the government and Tsepong (Pty) Ltd. All the participants stated a lack of trust as one major factor that negatively affected the success of the LNRH PPP project. Participant P15 expressed the following:

“We ended up not trusting Tsepong, especially when we see our resources being depleted.”

Participant P11 added:

“...the government always felt like Tsepong was somehow cheating in one way or the other.”

It became apparent from the study findings that one of the major reasons for the government's lack of trust in Tsepong (Pty) Ltd was due to its reluctance to share its financial statements with the government. Participant P12 stated the following:

"...over the years the government was not convinced that Tsepong was unable to fulfill the staff request for salaries increase due to its financial position, especially that it was not disclosing its financial position."

When commenting on the same issue, participant P12 stated:

"...how would you trust someone who seems reluctant to share the financial statements, despite the contract being clear that the government can at any time request such information?"

The study findings also revealed that the government did not trust the patient numbers that Tsepong (Pty) Ltd claimed to have served in its managed health facilities. Participant P15 expressed the following:

"We felt like they were cheating us with the number of patients that present at their facilities."

Participant P2 also shared the same sentiments:

"I think Tsepong was lying on the patient numbers and taking advantage of the lack of capacity from our side to monitor the project."

The findings also revealed a lack of trust among Tsepong (Pty) Ltd shareholders. The local shareholders did not trust Netcare, the South African-based healthcare provider, which was the majority shareholder and a management company for the LNRH PPP project. This was evidenced by the local shareholders' request for a forensic audit on Tsepong (Pty) Ltd, because they suspected the misuse of company funds by Netcare. Participant P16, a local shareholder, had the following to share:

"We wanted a forensic audit and Netcare did not agree to that indicating that we will have to pay for it"

However, participant P9 added:

"...even today we still want a forensic audit for Tsepong".

These quotations clearly indicate that there was no trust among the shareholders in Tsepong (Pty) Ltd.

It is clear from the study findings that any organisation, which resides in South Africa, was not trusted; by either the government, or the local shareholders, or both, because they suspected that any company from South Africa conspires with Netcare. The government did not trust the project-performance assessment reports that were produced by the independent monitor. Participant P11 stated the following:

“It was not trusting Tsepong to the point that even the reports produced by the independent monitor were not trusted...”

Participant P18, a local shareholder in Tsepong (Pty) Ltd, expressed the following:

“...even that IFC is full of people that I don't trust, who play golf together with Netcare people.”

This participant added a comment about the mediator, who resided in Johannesburg, and was engaged to help to resolve the shareholders' disputes:

“...white people are intelligent, for some reason, they managed to manipulate this fellow.”

This indicates the level of mistrust that existed in this project.

Additionally, the study findings revealed that Tsepong (Pty) Ltd did not trust the government. Participant P5 stated the following:

“Tsepong did not fully trust the government's willingness and ability to pay.”

Participant P18 confirmed the above statement:

“We did not trust the government especially when it comes to unitary payments. It was never clear why the payments were delayed.”

It has been reported that the lack of trust between the government and Tsepong (Pty) Ltd contributed to the failure of the parties to resolve issues; therefore, the disputes that emerged were referred for arbitration. The distrust between the public and the private

sectors has also been identified as a barrier to the success of PPPs in India (Mahalingam, 2010).

The premature terminations of PPP contracts confirm the difficulty of operationalising the principles of cooperation and mutual trust, during the contract implementation period (Bloomfield, 2006). The LNRH PPP project confirms this observation. None of the parties in the LNRH PPP project trusted each other, which destroyed the relationship between the parties.

4.6.4. Lack of transparency

It is important for the parties in a PPP project to strive to maintain transparency (Abuzaineh et al., 2018). The reason being that the parties in any form of relationship require and deserve accurate information, in order to make an informed decision on any matter relating to the partnership. The transparency in a PPP project does not only matter at the procurement stage, but also throughout the project life cycle, as the nature of the PPP projects makes transparency critical for the success of the partnership (Abuzaineh et al., 2018). However, in this current study, the findings revealed an apparent lack of transparency between the government and Tsepong (Pty) Ltd, as well among the Tsepong (Pty) Ltd shareholders.

The study findings also revealed two major issues as the evidence of the lack of transparency between Tsepong (Pty) Ltd and the government. The participants from the public sector highlighted Tsepong's reluctance of to provide the financial statements to the government, as a sign of the lack of transparency. Participant P11 expressed the following:

“You would not see transparency when it comes to audited financial statements which the government has been requesting but always a struggle to get.”

Participant P13 offered a similar comment:

“It was always difficult to get access to the financial statements from Tsepong. What were they hiding?”

In contrast, the participants from the private party referred to government's failure to communicate its inability to make timely monthly unitary payments, as a sign of the lack of transparency. Participant P9 stated the following:

"...the government's lack of transparency has been a failure to state that it is unable to make a unitary payment to Tsepong."

The above statement was probably in response to the fact that the government was five months in arrears with monthly unitary payments, at the time of data collection for this current study.

The current study's findings also revealed a lack of transparency among Tsepong (Pty) Ltd shareholders, as per the following statement by participant P9:

"Tsepong itself lacked transparency."

The lack of transparency among shareholders was mainly between minority shareholders and the majority shareholder Netcare. The minority shareholders, who were mainly the local shareholders, indicated that Netcare was not transparent in the way it conducted the business. The issue raised was that Netcare presented the budget with lump-sum figures to the board, and would not agree to break down the figures for the board to appreciate how the figures had been established. Participant P18 expressed the following:

"Netcare failed to justify and provide the breakdown of the administration fees, maintenance fees, and staff emoluments."

Participant P9 concurred by stating:

"Netcare was not transparent to us as shareholders, and more so with the project finances."

This caused the other shareholders to doubt and distrust whatever Netcare presented to them.

4.6.5. Poor relationships among the LNRH PPP contract parties

The long-term nature of the PPP contracts makes the good relations between the parties critical for the success of the project. A good relationship should exist between the

procuring entity, or the government, and the private party, as well as among the members of the project company. The reason being that the quality of the relationship between the PPP parties had been revealed as a key contributor to the success of a PPP project (Zou, Kumaraswamy, Chung, & Wong, 2014).

This current study's findings revealed that there were poor relationships between the government and Tsepong (Pty) Ltd, as well as between the Tsepong (Pty) Ltd shareholders. This is not surprising because the same results were observed in relation to trust. The government and Tsepong (Pty) Ltd did not trust each other, and the Tsepong (Pty) Ltd local shareholders did not trust the majority shareholder, Netcare. Trust is highlighted, because the level of trust determines the strength of the relationship (Smyth & Edkins, 2007). This implies that where no trust exists, the likelihood of poor relationships is inevitable. Participant P12 affirmed the following:

“...lack of trust eventually led to the deterioration of the relationship between the parties.”

The same views were echoed by participant P10:

“...it started as a good relationship that unfortunately drifted apart as it goes along.”

The poor relationships among the parties have been regarded as one of the reasons for the failure of the LNRH PPP project. Participant P14 highlighted the following:

“When you look at this or on an evaluation... it was the relationships that caused the project not to succeed.”

Participant P17 added:

“...the fact that the disagreements started as early as 2012, that was a sign that this relationship is not going anywhere. I am still surprised that it has reached thus far.”

This indicates that the parties failed to manage their relationships. The complexity of the parties involved in a PPP project, highlights the need for effective relationship management (Zou et al., 2014).

The study findings revealed two issues as the reasons for the poor relationship between the government and Tsepong (Pty) Ltd. The first is the cost of the project to the government, and the other is the nurses' frequent strikes due to low salaries, as the February 2021 nurses strike was not the first strike. Participant P15 disclosed the following:

“The relations started being a little bit sour when Tsepong (Pty) Ltd invoiced the government for the extra patients provided healthcare at their managed facilities.”

Participant P5 expressed a similar comment:

“This relationship deteriorated quickly when the true cost came out when it was realized that the unitary payment was not enough to guarantee the services that the government anticipated.”

Participant P13, on the other hand, stated the following:

“...the nurses strike also contributed to a sour relationship. It weighs the ministry down.”

It is important, therefore, to maintain good relationships between the parties in a PPP project, throughout the project phases.

This current study's findings revealed that the likelihood of the LNRH PPP project succeeding was limited, as the project lacked most of the critical success factors in PPP projects. These included the lack of stakeholder engagement, the lack of political will, the lack of trust, the lack of transparency, and poor relationships. These factors have been noted as key for PPP projects, and in particular, Abuzaineh et al. (2018) identified them as among the key success factors for the hospital PPPs.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The objective of this current research was to investigate the root causes of the challenges that faced the LNRH PPP project, by answering the two research questions;

- (i) Why is the Lesotho National Referral Hospital project facing early termination, and what are the prevailing issues?
- (ii) What are the key factors that influence the success of the NRH PPP project?

In this chapter, the researcher provides the summary and conclusions drawn from the findings of the study, the policy recommendations, and lastly, the avenues for future research. However, these will be preceded by the study limitations.

5.2. Study limitations

The researcher was unable to conduct an interview with Netcare, the LNRH PPP project management company, as well as the representatives of D10 (Pty) Ltd, a local shareholder in Tsepong (Pty) Ltd. Netcare was unable to participate in the study because the data collection coincided with the handing over of the hospital management, from Netcare to the government, while the D10 (Pty) Ltd representation had been postponing the meetings, until the researcher had to analyse the data. The researcher's inability to collect data from the representation of the two companies, Netcare and D10, was considered unfortunate; however, it did not affect the findings, because Tsepong (Pty) Ltd comprises five companies, and three of the companies' representation participated in the study.

5.3. Summary of the findings and conclusions

The study findings revealed three reasons for the early termination of the LNRH PPP project. These were the firing of more than 200 nurses in early March 2021 by Tsepong (Pty) Ltd, the high project costs, and political interference. The findings revealed that the government was unhappy with the decision of Tsepong (Pty) Ltd, to fire the nurses during a one-month nurses'

strike over a salary increase outcry, and consequently, decided to terminate the LNRH PPP contract prematurely. In addition, the findings revealed that, besides the nurses' strike, the government was already unable to meet its contractual payment obligations, due to high project costs, and consequently, the high project costs became another reason for the early termination of the LNRH PPP contract. Another intriguing finding was that the LNRH PPP contract was terminated prematurely due to political interference. The participants were convinced that, with determination and commitment, the LNRH PPP project challenges could have been resolved; however, politics took control. While these three reasons were advanced for the premature termination of the LNRH PPP contract, the study findings revealed that the project already had several challenges, prior to contract termination.

The study findings revealed that the LNRH PPP project was faced with many challenges, namely, high patient volumes, disputes, and poor contract management, due to the government's lack of capacity. These challenges were reported to have existed since the early operations of the project. It was noted that the high patient volumes at the facilities that were managed by Tsepong (Pty) Ltd, QMMH, as well as the three filter clinics, were mainly caused by a poor referral system, and the fact that the referring district hospitals did not have the capacity, in terms of skills and equipment. Additionally, it became apparent that the parties to the contract were involved in disputes, between the government and Tsepong (Pty) Ltd, as well as among the Tsepong (Pty) Ltd shareholders. This was one of the major issues that affected the success of the LNRH PPP project, and according to Grimsey and Lewis (2004), if not resolved, disputes could be detrimental to the project. The government's inability to manage the LNRH PPP contract also emerged as a challenge that the project faced, since its operations, which consequently, led to poor performance monitoring of the project.

The challenges that faced the LNRH PPP project were caused by an unconducive environment, the lack of knowledge and understanding, the lack of government commitment and, the lack of project ownership. Literature has revealed that PPP projects need a conducive environment to succeed (Abuzaineh et al., 2018). In addition, it is not easy for any organisation to implement an initiative that it does not understand. Knowledge and understanding are even more important in PPP projects, because PPPs are complex, and consequently, it is important for governments to build the necessary capacity for officers to understand and know what they have to do, at any given time. Government commitment and ownership are very important in any government initiative. The lack of commitment from the government caused the country to lose the

opportunities that were offered by the WBG and the Harvard leadership program. It could be concluded that if the government was committed to making the LNRH PPP project a success, some of these challenges would not have been experienced, or at least, resolved in a timely fashion.

The findings revealed that the lack of stakeholder engagement, the lack of political will, the lack of trust, the lack of transparency, and poor relationships, were the main factors that impacted the success of the LNRH PPP project. These are the factors that Abuzaineh et al. (2018) identified as key for the successful implementation of hospital PPP projects. All these indicate why the LNRH PPP project could not go through the entire PPP project lifecycle. The project lacked the important elements that the literature has highlighted as crucial in making a success of a PPP project.

5.4. Policy recommendations

The recommendations provided below serve to inform policy, in order to avoid the challenges experienced with the LNRH PPP project, when the government decides to embark on other PPP projects. It is recommended that the government:

- (i) Develop the regulatory and legal PPP frameworks. The PPP framework will help to ensure that PPPs operate efficiently, and optimise the use of public resources (Lee, Han, Quising, & Villaruel, 2018).
- (ii) Establish and staff the PPP unit under the Ministry of Finance. According to Grimsey & Lewis (2004), this would demonstrate government commitment to making PPP projects a success.
- (iii) Invest in preparing the relevant sector before engaging in a PPP project, as the study findings revealed that the government failed to prepare the health sector for this project, which led to high patient volumes at the referral hospital, as well as high project costs.
- (iv) Establish policies that would control the private party's remuneration packages. The reason being that the La Ribera hospital employment package involved lower salaries, but longer working hours, and less job security (Acerete et al., 2011). This, therefore, calls for the governments to manage this risk proactively, through the development of policies.
- (v) Capacitate the public sector, prior to the implementation of the PPP project, and have the retention policies in place to ensure continuity.

5.5. Recommendations for future research

This study was focused on investigating the root causes of the challenges that faced the LNRH PPP project with the data collected from officers in the MOH, the MOF, and Tsepong (Pty) Ltd, as well as the independent monitor reports.

- (i) It would be of interest for similar research to be conducted with the inclusion of the lender, DBSA, and the transaction advisor, IFC. This could determine whether the analysis would reveal similar findings, or not.
- (ii) It is also recommended that similar research gather the views of the patients, as well as the doctors and the nurses. This type of research could reveal the LNRH PPP project challenges and the root causes from the perspectives of patients and healthcare workers at QMMH, as well as the filter clinics.
- (iii) There is also a need to conduct research that only focuses on the LNRH PPP project's actual costs. Such research could explore the actual cost of the LNRH PPP project versus the projections in the financial model. The same research could determine the savings that the government would have made, had proper referral systems been in place, and sufficient capacity generated at the district hospitals.

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APPENDICES

Appendix 1: UCT Ethics in Research application and approval



UNIVERSITY OF CAPE TOWN
FACULTY OF COMMERCE
 Igniting Knowledge and Opportunity



Commerce Faculty Ethics in Research Application Form

Any person planning to undertake research in the Faculty of Commerce at the University of Cape Town is required to obtain ethical clearance. This form is intended for undergraduate students, honours students, PD Dip students and Masters students whose research component is less than 90 credits.

Once this form is completed it should be sent via email to your departmental ethics representative. Your supervisor will be able to provide you with the contact details.

It is assumed that the researcher has read the UCT Code for Research Involving Human Subjects (Available at <http://web.uct.ac.za/depts/educate/download/uctcodeforresearchinvolvinghumansubjects.pdf>) in order to be able to answer the questions in this form. Students must include a copy of the completed form with the dissertation/thesis when it is submitted for examination.

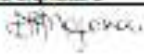
1. PROJECT DETAILS			
Project title:	Investigating the root causes of the challenges with the Lesotho National Referral Hospital Public-Private Partnership Project		
Principal Researcher/s:	Nobetse Mofoka	Email address(es):	mfnb0002@myuct.ac.za
Research Supervisor:	Dr. Rene Albertus	Email address(es):	rene.albertus@uct.ac.za
Co-researcher(s):	N/A	Email address(es):	N/A
Department: Graduate School of Business			
Brief description of the project:			
<p>This is a case study to investigate the root causes of the challenges faced by Lesotho National Referral Hospital (LNRH) Public-Private Partnership project. The LNRH is operated by the private company, called Tsepong (Pty) Ltd under the 18 years contract with the government of Lesotho. However, in March 2021, the Lesotho government announced its intention to terminate the contract with Tsepong (Pty) Ltd. The objectives of the study are to (i) to investigate the root causes of the challenges facing the Lesotho national referral hospital PPP project and (ii) to determine the key factors that impacted the success of the Lesotho NRH project.</p> <p>This study is underpinned by the interpretivism methodological assumptions and will employ the qualitative research approach. Purposive sampling technique will be used for the identification and selection of respondents. The semi-structured questionnaire and the reports produced by an independent monitor of the project will be used for data collection.</p> <p>Thematic analysis with the use of Nvivo and automated analysis tool will be used to analyse the data gathered from the interviews conducted and the documents reviewed.</p>			
Data collection: (please select)			

I certify that I have read the Commerce Faculty Ethics in Research policy
 (<http://www.commerce.uct.ac.za/Pages/ComFac-Downloads>)

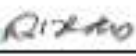
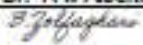
I hereby undertake to carry out my research in such a way that

- there is no apparent legal objection to the nature or the method of research; and
- the research will not compromise staff or students or the other responsibilities of the University;
- the stated objective will be achieved, and the findings will have a high degree of validity;
- limitations and alternative Interpretations will be considered;
- the findings could be subject to peer review and publicly available; and
- I will comply with the conventions of copyright and avoid any practice that would constitute plagiarism.

Signed by:

	Full name and signature	Date
Principal Researcher/Student:	Ntoetse Mofoka 	29/06/2021

This application is approved by:

Supervisor	Dr. R w Albertus 	29/06/2021
Departmental Ethics Rep	 Dr Badri Zoffaghar	29/06/2021

Questionnaire checklist on next page

Appendix 2: Lesotho Ministry of Health - Ethics approval



Ministry of Health
P.O. Box 514
Maseru 100

REF: ID140-2021
Date: July 19, 2021
To
Ntoetsi Mofoka
University of Cape Town

Category of Review: <input checked="" type="checkbox"/> Initial Review <input type="checkbox"/> Continuing Annual Review <input type="checkbox"/> Amendment/Modification <input type="checkbox"/> Reactivation <input type="checkbox"/> Serious Adverse Event <input type="checkbox"/> Other _____

Dear Ms. Mofoka

RE: "Investigating the Root Causes of the Challenges with the Lesotho National Referral Hospital Public-Private Partnership Project"

This is to inform you that the Ministry of Health Research and Ethics Committee reviewed and **APPROVED** the above named protocol and hereby authorizes you to conduct the study according to the activities and population specified in the protocol. Departure from the approved protocol will constitute a breach of this permission.

This approval includes review of the following attachments:

- Protocol
- Informed Consent form: Consent Form
- Data Collection Tool:** Questionnaire
- Participant materials:
- Other materials: Letter of permission to conduct a study, CV_ Ntoetsi Mofoka

This approval is **VALID** until July 19, 2022.

Please note that an annual report and request for renewal, if applicable, must be submitted at least 6 weeks before the expiry date.

All serious adverse events associated with this study must be reported promptly to the MOH Research and Ethics Committee. Any modifications to the approved protocol or consent forms must be submitted to the committee prior to implementation of any changes.

We look forward to receiving your progress reports and a final report at the end of the study. If you have any questions, please contact the Research and Ethics Committee at reumoh@gmail.com (or) 59037919/58800246.

Sincerely,

DR. NYANE LETSIE
Director General Health Services

DR. LLANG BRIDGET MAAMA-MAIME
Member of National Health Research
Ethics Committee (NH-REC)

Appendix 3: Interview consent form

Participant name:

I volunteer to participate in a research project conducted by **Ntoetse Mofoka** as partial fulfilment of the requirements for the **Master of Commerce in Development Finance Degree** at the UCT Graduate School of Business. I understand that the research is designed to gather information about **Investigating the root causes of the challenges with the Lesotho National Referral Hospital Public-Private Partnership Project** and that I will be one of approximately 20 people being interviewed for this research.

Objective(s) of the research

- To investigate the reasons for the early termination of the LNRH PPP project and the prevailing issues.
- To determine the key factors that impacted the success of the Lesotho NRH PPP project.

Ethics approval

The ethical clearance for this study was approved by the UCT GSB Research and Ethics Committee on 29th June 2021.

Participation and confidentiality

I understand that my participation in this research is voluntary, that I will not be compensated and that I may withdraw at any time. The interview will take approximately 45 - 60 minutes to complete and will be audio recorded.

I understand that I will not be identified by name in any reports using information obtained from this interview and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions.

Should you have any questions or concerns please contact me on mfknto002@myuct.ac.za or my supervisor at rene.albertus@uct.ac.za

Consent

I consent to participate in this interview, based on the terms outlined above and subject to the following additional condition of my own (if any).

Signed by interviewee

Date

.....

.....

Signed by Student

Date

Appendix 4: Semi-structured interview guide

Section 1: Demographic information

1. How long have you been involved in the LNRH PPP project?

Less than 1 year

1-5 years

6-10 years

Over 10 years

2. Which party did you represent in the project?

Private party

Public sector

3. Position held

Minister

Middle management

Principal secretary

Middle management

Director/Board member

Lower management

4. Gender

Male

Female

Other

5. Your highest qualifications

COSC or Matric

Postgraduate degree or diploma

Certificate or diploma/national diploma

Masters' degree

Undergraduate degree or B-tech

Doctorate

6. Have you ever attended any form of PPP training

Yes

No

Section 2: Interview questions

1. What do you think were the main challenges with the LNRH PPP project?

2. What do you think may be the root cause of the above-mentioned challenges?

3. What do you think has been the effect of the above-mentioned challenges on the project's success?

4. Do you think there were enough efforts put in place to resolve the challenges you raised above _____ and _____ why?

5. Do you think the challenges mentioned above contributed to the early termination of the contract or that there may be other reasons for early termination?

6. Do you think each party (Tsepong Pty (Ltd) & Government) understood and adhered to their responsibilities and why?

7. “Political will is arguably the most critical enabling condition for PPPs” (Abuzaineh, et al. 2018).

- (i) Do you feel there was political will for the LNRH project and why?

8. Do you think Tsepong Pty (Ltd) had sufficient capacity and competence to manage the hospital and why?

9. Do you think the government had sufficient capacity and competence to manage the contract and why?

10. It has been noted that there is no PPP law nor regulations but only PPP policy. Do you think that has an impact on the success of the NRH project and why?

11. Do you think there were enough efforts to engage all stakeholders (hospital staff, unions, the public, civil society, the media etc.) throughout the operation of the hospital? What do you think has been the impact of that engagement/non-engagement on the project success?

12. What are your views about the relationship between the government and Tsepong? Do you think the parties (Tsepong Pty (Ltd) & Government) had good or bad relations and why?

13. Do you think the parties (Tsepong Pty (Ltd) & Government) were transparent with each other and why?

14. Do you think the parties (Tsepong Pty (Ltd) & Government) trusted each other and why? What do you think has been the effect of trust or lack of on the project?

15. Do you think the contract was comprehensive, clear and flexible enough to ensure that the changing health needs can be met and why?

16. Do you have any other comment about the issues relating to the LNRH project?

Appendix 5: Independent monitor's reports

The screenshot shows a software application window titled "The Lesotho National Reference Hospital PPP Project Case Study.rpt - Nitro 12 Pro". The interface is divided into a sidebar on the left and a main content area. The sidebar contains several sections: "Quick Access" (Files, Menus, Nodes), "Data" (Files, IM Reports, Interview transcripts, File Classifications, External), "Codes" (Nodes, Relationships, Relationship Types), "Cases", "Notes" (Menus, Framework Matrices, Annotations, See Also Links), "Search", "Maps", and "Output". The main content area displays a table titled "IM Reports" with the following columns: Name, Codes, References, Modified On, Modified By, and Classification. The table contains 25 rows of data, each representing an IM Report from Q11 to Q35.

Name	Codes	References	Modified On	Modified By	Classification
Lesotho IM Report Q11		1	32 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q15		4	34 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q16		8	40 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q17		8	40 8/31/2021 6:05 PM	NM	
Lesotho IM Report Q18		8	43 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q20		1	31 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q21		1	30 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q22		1	33 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q23		1	36 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q24		4	34 8/31/2021 6:03 PM	NM	
Lesotho IM Report Q25		4	35 8/31/2021 6:03 PM	NM	
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Pascalinah Kabi

Govt details "irreparable" breakdown of relations with Tšepong

SEVERAL infractions, including the Queen Mabolane Memorial Hospital (QMMH) authorities' decision to turn away "emergency patients" who had been referred to the hospital by the district hospitals, are behind the government's decision to cut ties with the Tšepong Consortium which has run QMMH since it opened its doors in 2011.

The government also took umbrage at the QMMH management's failure to perform certain surgical operations on patients after nurses at the hospital went on strike to demand salary increments.

These and other lapses are outlined in the health ministry's Principal Secretary DISO Khutsoane Tšeoana's 17 March 2021 notice of termination to QMMH General Manager Mathutshane Mchabipi.

On the same day that Mr Tšeoana wrote to Mchabipi, Health Minister Semane Sekake addressed a press conference at his ministry's headquarters in Maseru where he announced that the government had reached to cut ties with the Tšepong Consortium.

The Consortium has run QMMH since October 2011 when it replaced Queen Elizabeth II Hospital as the country's major referral healthcare facility.

Mr Sekake said the government felt it could no longer continue its 10-year Private Public Partnership (PPP) entered into in 2011 with the Consortium for the construction, running and transfer of the hospital due to serious differences which had plagued the agreement from the very beginning.

South African healthcare group, Netcare, had formed the Consortium with a fellow South African company and three local companies.

In October 2008 an 10-year PPP agreement was signed between the government of Lesotho and the new company, Tšepong Consortium, for the construction and operation of the hospital.

Netcare has a 40 percent stake in the Tšepong Consortium. Four other companies, namely Afrifood of South Africa, Ecol Health, Women Investment and DIO Investments (all from Lesotho), hold the balance of the shares.

However, the consortium has been under fire for allegedly fleecing the government and flouting the terms of the agreement over the years. Its operators have also been hamstringed by ubiquitous staff strikes for salary increments since 2011.

Mr Sekake said although the government and the consortium had differed over many issues, the final straw was the letter 13 March 2021 decision to fire 345 working nurses and nursing assistants at the institution.

The nurses went on strike on 1 February 2021 to press the government and QMMH to award them salary increments to match their counterparts in other government and private institutions.

In an interview with this publication shortly after the dismissal of the nurses, QMMH Public Relations Manager Mphoane Tšebane had said the hospital was coping well despite the strike. She said after the nurses' dismissal, the hospital would continue working with district staff until after the nurses' posts were filled.

But Mr Tšeoana's letter to Mchabipi paints a different picture of the situation at QMMH during the strike.

According to the PS, major services were crippled at the institution.

"Since 1 February 2021 the majority of Tšepong's nursing staff embarked on a strike which resulted in substantial disruption of services," Mr Tšeoana states in his letter.

In an attempt to resolve this issue, nurses who were on strike were dismissed and this action has exacerbated the disruption of clinical services.

"Consequently, there has been a number of observed and reported incidents which resulted in the refusal of (patient) referrals from district hospitals thus denying patients access to services; turning away emergency patients resulting in unnecessary complications; reduction in bed capacity and occupancy which led to closing of some wards



PHOTOMOTO Tšeoana.

as well as mixing of patients. "There has also been a delay in the provision of services to high priority patients; high nurse-to-patient ratio leading to compromised care and fatigue and suspension of elective surgical operations which could result in missed opportunities."

According to Mr Tšeoana, the hospital's failure to provide these and other essential services is a gross violation of the PPP agreement which enabled the Consortium to run the hospital on behalf of the government.

This and the Consortium's alleged failure to ensure that local shareholding in the Consortium increased to 45 percent by the eighth year of the PPP agreement (2016), are grounds enough for the government to cut ties with the Consortium, Mr Tšeoana states.

Netcare has the largest chunk of 40 percent shares in the Consortium followed by fellow South African company, Afrifood Health, with 20 percent.

Local company Ecol Health also has 20 percent while Women's Investment and DIO Investments each hold a 10 percent stake.

"It has come to the attention of the government of Lesotho that Tšepong (Pty) Ltd is in breach of its contractual obligations in terms of the Public-Private Partnership Agreement (PPPA).

"Moreover, Tšepong has intentionally failed to provide private health services contrary to clause 27 of the PPPA, thereby denying the government shared revenues contrary to clause 30.5. Tšepong has also neglected to procure and maintain and keep in full force and effect the medical malpractice insurance in accordance with clause 31.1.

"In the light of operator defaults as narrated above, the government has decided to serve Tšepong with this notice of default and therefore requires Tšepong to exercise its options as stated under clause 51.2," Mr Tšeoana states in his letter to Mchabipi.

The Lesotho Times has established that Mr Tšeoana's letter was forwarded to Tšepong shareholders and board members by Netcare General Manager, Christianoff Smith, on Saturday.

"Dear board and shareholders, please find attached a letter issued by the Ministry of Health which follows the recent media announcements made by the Honourable Minister of Health Semane Sekake to sever their ties with Tšepong. We will prepare a response as requested pursuant to clause 51.2 of the PPP Agreement and we will share as soon as finalised," Dr Smith wrote to the shareholders.

He added: "The Directorate on Corruption and Economic Offences (DCEO) yesterday (Friday) visited QMMH to gather information and assets pursuant to a search warrant. Further updates regarding next steps will be communicated as appropriate".

This was in reference to the DCEO's weekend raid of QMMH where it seized computers, hard drives and some documents as part of a probe into the alleged embezzlement of funds at the institution by Netcare.

DCEO spokesperson Mathutshane Senoko confirmed the raid at the hospital as part of the probe. She, however, refused to say what they were actually investigating because such disclosures would compromise their probe.

However, well-placed authoritative government and hospital sources said the Friday raid came after three of the five companies in the Consortium sided the anti-prob body to probe Netcare for allegedly looting funds over the years.

The three companies are Afrifood Health, Ecol Health and DIO Investments.

The companies allege that the misappropriated funds run into billions. They allege that Netcare has abused its management contract to line its pockets ever since the hospital began operations.

See story below for Netcare's response.

Netcare challenges govt's move to cut ties with Tšepong Consortium

... blames QMMH problems on the govt's delays in paying Tšepong Consortium.

... blasts fellow shareholders' "unsubstantiated and inflammatory" claims of looting at QMMH.

Pascalinah Kabi

SOUTH African healthcare group, Netcare Hospital Group (Pty) Ltd, says it will challenge the government's move to cut ties with the Tšepong Consortium which runs the Queen Mabolane Memorial Hospital (QMMH).

In a statement yesterday Netcare General Manager, Christianoff Smith, hit out at the government, saying its delays in paying the Tšepong Consortium was the major cause of problems at the country's main referral hospital including the strike by some of the nurses which culminated in their 11 March 2021 dismissal.

Dr Smith said they had resolved the government's notice indicating its intention to cut ties with the Consortium "which Netcare plans to challenge as we believe it is indeed the government of Lesotho that has defaulted".

"Netcare also duly notes the alleged media statements by the Minister of Health Semane Sekake of government's intention to terminate the 10-year-long PPP agreement, now in its 10th year.

"Netcare remains committed to providing Lesotho citizens with the best and safest care, and will keep engaging government of Lesotho on these issues in an effort to seek any disruption to service delivery," Dr Smith said.

He also branded as "unsubstantiated, factually inaccurate and inflammatory" statements by fellow shareholders in the Consortium accusing it of years of systematic looting of funds from the hospital and Consortium.

Dr Smith's statement comes after last Wednesday's announcement by Health Minister Semane Sekake that the government had reached to cut ties with the Tšepong Consortium. The Consortium has run QMMH since October 2011 when it replaced Queen Elizabeth II Hospital as the country's major referral healthcare facility.

Netcare formed the Consortium with a fellow South African company and three local companies. In October 2008 an 10-year PPP agreement was signed between the government of Lesotho and the new company, Tšepong Consortium, for the construction and operation of the hospital. Netcare has a 40 percent stake in the Tšepong Consortium. Four other companies, namely, Afrifood of South Africa (20 percent), Lesotho companies, Ecol Health (20 percent), Women Investment (20 percent) and DIO Investments (10 percent) hold the balance of the shares.

The other shareholders have repeatedly accused Netcare of siphoning millions of rands from the Consortium under "fabricated and unexplained circumstances". (See story above).

However, Dr Smith rebuffed the allegations of financial impropriety, saying the problems at QMMH and in the Consortium "were a result of non-payment or delayed payment of fees by the government of Lesotho".

"Tšepong Consortium is a thinly capitalised entity without access to working capital and therefore unable to meet financial obligations when monthly payments by the government of Lesotho are delayed," Dr Smith said.

He also dismissed allegations that Netcare looted from the Consortium, saying his company had been merely recovering money it had loaned to the Consortium.

He said due to the government's frequent delays in meeting its financial obligations to the Consortium to enable it to run QMMH, Netcare repeatedly found itself in the unenviable position of having to provide immediate loans to the Consortium to bridge the funding gap.

"During these prolonged periods of non-payment — sometimes up to five consecutive months — Netcare provided the interest-free bridge funding to avert the financial position of Tšepong," Dr Smith said yesterday.

"When Netcare recovered amounts due to it, the company was accused of financial impropriety. These accusations are not conducive to maintaining relations especially when Netcare's financial assistance ensured the stable

ty of the project. Netcare's financial support to Tšepong in effect means that Netcare is a 100 percent contributor on the downside and only a 40 percent beneficiary on the upside."

He said shareholder relations became further strained when "unsubstantiated" allegations were made by some of the shareholders that they have not benefited financially from the PPP project.

"These utterances do not recognise that M60 million advanced by the Development Bank of South Africa (DBSA) to ensure their participation has been settled in full. It also does not recognise the substantial management fees paid for procurement of equipment and Netcare's concession to share 30 percent of its monthly management fees which to date, yielded the shareholders aggregated earnings in excess of M11.5 million.

"While Tšepong has been trading solvently, Tšepong's ability to declare dividends and maintain liquidity has been severely constrained by the poor payment history by the government of Lesotho and poor support by some members of the Tšepong board to act in the interest of the company and take action to collect fees owed by the government of Lesotho."

Dr Smith said the disputes between the Consortium and the government mainly revolved around "non-payment or delayed payment of agreed fees and monthly fees".

"In addition, contractual disputes which emerged at the start of the project remain unresolved albeit that these matters have been referred for resolution through arbitration. The arbitration process was interrupted when the International Finance Corporation (advisors to the government of Lesotho) was given a mandate to mediate a solution which was then revoked by the government on 17 February 2021 and the parties have again reverted to arbitration for final adjudication.

Continues on Page ... 5

Appendix 7: A Uys – Quarterly Service Report – July 2016 (PDF attached)



**Quarterly Service
Report
(24th Quarter)
July 2016
Final Report**

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QUEEN 'MAMOHATO MEMORIAL HOSPITAL**

Lesotho Referral Hospital & Filter Clinics in Maseru
Tsepong & Government of Lesotho

August 15, 2016



Appendix 8: Editorial Certificate

10 January 2022

To whom it may concern

Dear Sir/Madam

RE: Editorial certificate

This letter serves to prove that the thesis listed below was language edited for proper English, grammar, punctuation, spelling, as well as overall layout and style by myself, publisher/proprietor of Aquarian Publications, a native English speaking editor.

Thesis title

INVESTIGATING THE ROOT CAUSES OF THE CHALLENGES WITH
THE LESOTHO NATIONAL REFERRAL HOSPITAL PUBLIC-PRIVATE
PARTNERSHIP PROJECT

Author

Ntoetse Mofoka

The research content, or the author's intentions, were not altered in any way during the editing process, and the author has the authority to accept, or reject my suggestions and changes.

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