

**BUILDING STATE CAPACITY IN SERVICE DELIVERY THROUGH PUBLIC
PRIVATE PARTNERSHIPS: THE CASE OF THE HEALTH SECTOR IN LESOTHO**

MASTER'S DEGREE IN GOVERNANCE AND POLITICAL TRANSFORMATION

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DECLARATION

I, **Mapheello Juliet Nkopane**, hereby declare that the mini dissertation that I am submitting for the Master of Arts in Governance and Political Transformation at the University of the Free State is indeed my independent work, and that it was never sent to any other institution. I further affirm that all citations have been properly acknowledged in this study.

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Mapheello Juliet Nkopane

July 2023

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I wish to dedicate this research to the following people:

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LIST OF ACRONYMS AND ABBREVIATIONS

ACHAP – African Comprehensive HIV/AIDS Partnership

FPTP – First-Past-The-Post

GoL – Government of Lesotho

GPOBA – Global Partnership on Output Based Aid

HMIS – Health Management Information System

IDA – International Development Association

IFC – International Finance Corporation

KPIs – Key Performance Indicators

LED – Local Economic Development

LEE – Local Economic Empowerment

NDPs – National Development Plans

NGOs – Non-Governmental Organisations

NSDP – National Strategic Development Plan

PCB – Program Coordinating Board

PPAD – Public Policy and Advice Division

PPR – Public Procurement Regulations

PPP – Public Private Partnership

PRS – Poverty Reduction Strategy

SDG – Sustainable Development Goal

SLEEP – Social Legal Economic Environmental Political and Technological

UNDP – United Nations Development Programme

UNESCO – United Nations Educational Scientific and Cultural Organisation

UNFPA – United Nations Population Fund

UNICEF – United Nations Children’s Fund

WBG – World Bank Group

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ABSTRACT

State capacity is mostly measured through the way services are rendered to a country's citizens. Hence, Public Private Partnerships (PPPs) in the health sector have gained popularity and they are seen by many democracies as strategic approaches to managing and governing service delivery to citizens and, therefore, are considered a policy tool for enhancing governance. However, in many developing countries PPPs have not received enough attention; this has aggravated the healthcare systems' challenges and development. Therefore, the purpose of this study was to emphasise the importance of building state capacity in service delivery through PPPs within the health sector in Lesotho and to provide information on the role of the government in ensuring effective collaborations or interactions between the public sector and the private sector.

A descriptive qualitative method was used in this research to investigate, through desktop research of various resources, how the Government of Lesotho could build state capacity through the implementation of PPPs in the health sector. The focus of the study was on the Queen 'Mamohato Memorial Hospital PPP project.

It was found in this study that building state capacity through PPPs in Lesotho's health sector is in its initial stages and it faces many challenges. This was evident in the recently failed Queen 'Mamohato Hospital PPP project due to the absence of PPP legislation, public sector capacity, a detailed implementation framework, risk sharing procurement, and many other factors. A well-balanced incorporation of such key factors would be essential for the successful and sustainable implementation of PPPs in the health sector in Lesotho.

The study answered the research questions on how state capacity towards service delivery could be enhanced using PPPs within the health sector in Lesotho.

Keywords: State Capacity, Public Private Partnerships, Governance, Healthcare

CHAPTER ONE

1. INTRODUCTION

1.1 MOTIVATION AND BACKGROUND

The Kingdom of Lesotho is a mountainous African country with an estimated population of 2.2 million. It is entirely landlocked by the Republic of South Africa. It is a constitutional monarchy with King Letsie III as the Head of State, who serves as a ceremonial icon and who does not participate in political initiatives, while the Prime Minister is the Head of Government. Section 87 (2) of the 1993 Constitution of Lesotho states, "The King shall appoint as Prime Minister the member of the National Assembly, who appears to the Council of State to be the leader of the political party or coalition of political parties that will command the support of a majority of the members of the National Assembly". Moreover, Lesotho has a bicameral parliament. The National Assembly is the lower House of Parliament and it has 120 members (80 are constituency-based members elected through the First-Past-The-Post (FPTP) electoral system, while 40 are elected through the Proportional Representation (PR) electoral system). The Upper House of Parliament, called the Senate, is composed of 22 Principal Chiefs whose membership is hereditary, and 11 appointees of the King (Freedom in the World Country Report, 2021: 1-2).

While Lesotho has experienced periods of instability, the country remains a democratic state, which implies that core governance principles apply. Accountability, effectiveness, sustainability, transparency, respect for the rule of law, and responsiveness towards service delivery are central to states that aspire to political stability and economic development. Afegbua and Adejuwon (2021: 141-142) assert that a governance approach takes into consideration issues of state responsiveness and accountability, and the impact of such factors on political stability and economic development. However, many states in Africa, including Lesotho, lack capacity. They are characterised by weak economies, poor service delivery, high corruption, an unethical public sector, failure to protect human rights, unconstitutional reforms, high unemployment, and poverty.

Consequently, the need for partnerships has gained prominence in many democracies (both old and new), which aspire to good governance. Partnerships are effective mechanisms through which governance systems, which are aimed at service delivery, can be strengthened because they bring together the government and the private sector to join hands in addressing complex challenges that governments are unable to solve on their own due to a lack of capacity.

In many instances, state capacity is measured through the way services are rendered to a country's citizens. Bukenya and Yanguas (2013: 3) argue that a capable state is essential for inclusive development. Strong states do not only provide a safe and predictable environment for private economic activity, but they are also characterised by the capability to alleviate poverty and inequality through social service provision, to correct market failures through regulation, to encourage the expansion of strategic sectors through industrial policy, and to stimulate economic activity through public investment and fiscal policy.

To alleviate poverty and inequality requires partnerships between governments and the private sector. A partnership refers to an agreement between actors with the intention to resolve multi-dimensional problems that exist. In this regard, Asaduzzaman et al. (2015: 2) state, "Building effective partnerships at both the micro and macro levels of governance has become a core element in the global discourse on good governance, sustainable development and state building".

Public Private Partnerships (PPPs) in Fombad's (2016: 1202-1203) view have different scholarly definitions and interpretations, which have features such as policy, infrastructure, service delivery, the negotiation of roles and responsibilities, dispute resolution, sustainability, capacity building, risk sharing procurement, participation, and economic development. PPPs can further be defined as governance tools and as long-term working arrangements based on a mutual commitment that involves risk-sharing between the public and private sectors to achieve a common goal. Moreover, Fombad (2016: 1202-1203) asserts that PPPs are strategic approaches to managing and governing service delivery to citizens; therefore, they are considered a policy tool for enhancing governance.

Lesotho is one of the least developed countries in the world with its nominal Gross Domestic Product (GDP) at \$1,118 million, while the poverty rate stands at 30.5%

(World Bank Group, 2021: 2). The research aims to establish the importance of building state capacity in service delivery through PPPs within the health sector in Lesotho and to provide information on the role of the government in ensuring effective collaborations or interactions between all the actors concerned.

Dykes and Jones (2016: 5) emphasise the importance of properly understanding the barriers that could deter partnerships from thriving, one being the legal barrier. Hence, the study will further provide information on all barriers that could hinder the success of collaborative projects aimed at inclusive development in Lesotho. For instance, Lesotho currently does not have a Public Private Partnership Act or a Public Procurement Act, which is crucial to informing decision making, ensuring accountability and transparency, and aiding in resolving disputes between the actors involved.

Within the uncertain socio-economic environment, “the collaborative rationality therefore posits a quite different heuristic for decision making. It views planning as a process of negotiating and communicating across communities and citizenries about shared values, cause-effect relationships and probable outcomes” (Chimhowu, Hulme and Munro, 2019: 77). Based on the literature cited, the study will further share information on the importance of proper planning towards achieving the best results with PPPs with the inclusion of all the key stakeholders. As an example, the PPP project between the Government of Lesotho (the Ministry of Health) and a consortium assembled by Netcare (an international private hospital operator) to establish a new national referral hospital was terminated due to the high financial costs the government incurred annually. The cost of construction was not comprehensively scrutinised in the planning stages (Webster, 2015: 1).

Failure to deliver effective and efficient services to the public is a dire sign of a fragile and incapacitated state; this demolishes any pre-existing competencies. Therefore, it of immense importance to investigate in depth the reasons for PPPs’ negative outcomes in Lesotho.

The next sections will discuss the problem statement relating to building state capacity in service delivery through PPPs within the health sector in Lesotho.

1.2 PROBLEM STATEMENT

The developmental problems in Lesotho are aptly identified by Bertelsmann Stiftung's Transformation Index Report (2022: 5):

Since independence in 1966, Lesotho has engaged in comprehensive planning exercises, such as the National Development Plans (NDPs), Poverty Reduction Strategy (PRS) and the National Vision 2020. The country has tried many strategies to align itself with structural challenges and implemented public sector reform programs to improve efficiency. The success of such programs, however, remains hampered by significant financial constraints and skills deficits. The National Strategic Development Plan (NSDP), which was a five-year plan, failed to take off. There is no evidence of what has been achieved in the implementation of NSDP. Lesotho has been classified as a least developed country since the United Nations introduced the classification in 1971. Remittances have been the largest revenue earner for Lesotho. This followed the introduction of a household tax by the colonial regime, which forced Basotho men to trade their labour in the mines of the neighbouring Republic of South Africa around 1900. An estimated two-thirds of the population live in rural areas with agriculture being their main source of livelihood.

Moreover, the health of the country's population remains a grave concern. In this regard, the UN Country Report (2017: 5-13) states the following on the health challenges in Lesotho:

- 1) Forty-two percent of residents living in rural areas have chronic malnutrition and children under five years in those poor communities are more likely to be malnourished than children from rich and educated families.
- 2) The maternal and mortality rate is high, with 1024 deaths per 100 000 live births mainly due to limited access to proper health services across the country.
- 3) Although Lesotho has a growing private sector, inadequate enabling policy frameworks and regulatory environment, poor functioning business development services, a paucity of domestic capital markets investing in local economies in a way that promotes sustainable and equitable growth, and weak private sector organisations have contributed to declining economic growth.

Moreover, the need for partnerships as effective mechanisms for the acceleration of public service delivery, especially in the health sector, has been realised in Lesotho and the coverage of health care services has increased over the years. However, the country faces continuing health care provision challenges despite the introduction of PPPs in this sector. The World Bank Group (2020: 6-13) states that the Government of Lesotho (GoL) has built strong partnerships with UN organisations, the World Bank, bilateral donors, NGOs and private organisations to strengthen the implementation of health services. This is shown in Figure 1 below:

Figure 1. Country Engagement Cycle



Source: World Bank Group (2020)

According to the World Bank Group (WBG), its partnership with Lesotho is fully aligned with the country's development vision articulated in Lesotho's Vision 2020, and the second National Strategic Development Plan (NSDP II). The World Bank Group (2020: 6-13) further states:

The partnership is articulated in the WBG's Country Partnership Framework (CPF) 2016-2020 and the Performance and Learning Review. The main strategic aim of the CPF is to assist Lesotho with building resilience and reversing the signs of growing fragility by (a) supporting increased efficiency and effectiveness of the public sector and (b) accelerating long-term growth through promoting private sector jobs creation.

Despite positive efforts towards effective partnerships, Lesotho faces continuing governance challenges regarding improved health care service delivery. This could be attributed to a lack of leadership skills and the capacity to prioritise the needs of the

people (public policy is focused on a few individuals rather than on every citizen). Prinsloo (2012: 3) asserts that “power and authority abuse, dishonesty, fraud and violation of the legal systems are factors causing good governments to fail”.

The GoL expanded resources towards the health sector in recent years, but few positive outcomes were realised. According to the World Bank Group (2020: 33), the GoL outsourced a large share of healthcare services to non-governmental suppliers with low capacity and a lack of legal frameworks to manage them. In addition, the Ministry of Health has left many strategic positions, which required expertise, vacant while there is a high proportion of non-essential staff, such as Office Assistants and Clerical Assistants. Moreover, low bed capacity in all district hospitals continued to reflect poor service delivery, especially for comprehensive emergency obstetric and new-born care, while efforts to include community-based health and nutrition information through digitalising facility-based Health Management Information System (HMIS) were anticipated to fill such gaps.

Dykes and Jones (2016: 5) state that many PPP projects in Africa, including in Lesotho, failed due to a misunderstanding of the SLEEPT (Social, Legal, Economic, Environmental, Political and Technological) approach. Governance issues such as resistance to or mistrust in private investments, the lack of a legal framework to support and resolve disputes, perceptions of risks by investors due to low economic growth, difficulty to communicate due to poor infrastructure, and a lack of political will or the inability to manage PPP projects continue to hinder effective partnerships and service delivery. More evidence is put forth by Wine (2021: 266) who states that the Prime Minister of Lesotho, Dr Moeketsi Majoro, said that, from his experience, the best development aid that was expended in the country was for water infrastructure in building the largest dam in Africa, namely, the Katse Dam, in 1996 – his reason being that the government knew exactly what it wanted to achieve, unlike in other projects.

It can therefore be concluded that Lesotho faces a relentless procurement challenge of bridging the gap that exists between financial capacity and various development needs, including an improved health care system. As a result, novel approaches on how to redevelop state capacity to deliver its core health functions through PPPs should be adopted, with the intention of having healthy Basotho who are able to

actively participate in political, environmental, socio-economic development in a comprehensive and sustainable manner.

The next section will focus on the aims and the objectives of the study.

1.3 AIMS AND OBJECTIVES OF THE STUDY

The research aims to determine how state capacity towards service delivery can be enhanced using PPPs within the health sector in Lesotho. This will be done by emphasising and deepening the knowledge on the importance of PPPs as, not only as a key governance tool for public infrastructure development, but also as promoters of human capacity, accessibility to healthcare system, as well as the mobilisation of additional resources in a weak state such as Lesotho.

The following research questions apply to the study:

- ✚ What is the current institutional arrangement for PPPs in the provision of healthcare services?
- ✚ How do external actors build state capacity to deliver positive outcomes in the health sector?
- ✚ What challenges prevail that hinder a high-quality healthcare system under PPPs?
- ✚ What actions are needed to strengthen health sector governance through PPPs?

1.3.1 The main objectives of the study

The main objectives of the study are the following:

- ✚ To establish the prevailing PPP scenario for service delivery in the health sector,
- ✚ To review the roles played by the state and development partners in ensuring successful PPPs within the health sector,
- ✚ To measure the success of the partnerships between the government and the private sector based on set developmental goals, and

- ✚ To identify and discuss the best approaches for effective PPPs in health sector governance.

1.4 RESEARCH METHODOLOGY

Research methodology involves the tools to be employed to collect, analyse, and evaluate data in line with the aims and objectives of the study. Salkind (2010:1149) states that research methodology is “a combination of a conceptual framework, technique of data and methods of analysis that collectively provide the basis for the scientific study of subjectivity”.

The research methodology will be explained below by discussing the research design, the research paradigm, the research type, the data collection method, and the data analysis.

1.4.1 Research design

According to Kothari (2004: 31), the formidable problem that follows the task of defining the research problem is the preparation of the design of the research project, popularly known as the “research design”. Decisions regarding what, where, when, how much, and by what means concerning a research study constitute a research design. “A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure,” states Kothari (2004: 31). Moreover, a research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement, and analysis of data. As such, the design includes an outline of what the researcher will do, from writing the hypothesis and its operational implications, to the final analysis of data.

For this study, the researcher selected a descriptive qualitative research method and a research paradigm that follows the constructivism school of thought. This was done in view of the objectives and the aims, and the results which the study intended to yield. In essence, the intention of the study was to investigate, through desktop research, how the GoL could build state capacity through the implementation of PPPs in the health sector. The focus of the study was on the Queen ‘Mamohato Memorial

Hospital PPP project. This PPP project formed the basis of the investigation into how PPPs could be used to build state capacity, the possible shortcomings, and the areas which the government needed to improve on to enable a healthy environment for PPPs' implementation in the future.

Kothari (2004: 5) states that the qualitative approach to research is concerned with the subjective assessment of attitudes, opinions, and behaviour. Such an approach to research is the function of the researcher's insights and impressions, and it generates results, either in non-quantitative form or in a form that is not subjected to rigorous quantitative analysis. According to Lambert et al. (2012: 255), the goal of qualitative descriptive studies is a comprehensive summarisation, in everyday terms, of specific events experienced by individuals or groups of individuals. For the researcher's intention to be achieved, this study needed to follow the descriptive qualitative method. This method allowed the researcher to describe PPPs and related terminology; to provide a detailed account of how PPPs could be used to build state capacity using the Queen 'Mamohato Memorial Hospital PPP project as a case study; to draw inferences from the material studied; and finally, to provide recommendations.

1.4.2 Research paradigm

Get Proofed (2022: 1) describes a research paradigm as the philosophical framework that a researcher's research is based on. It offers a pattern of beliefs and understandings from which the theories and practices of the research project operate.

Research paradigms are important because they form the philosophical basis of a research project. They also influence how different fields of learning (such as the sciences and humanities) undertake their research. Once a research philosophy has been determined, an appropriate methodology can be chosen.

There are many different research paradigms, namely:

1. Positivism – according to this school of thought, there is a sole reality which is possible to measure and understand. Positivists are inclined to use the quantitative methods in their research. They believe that a hypothesis can be proven or disproven using statistical data analysis.

2. Constructivism – constructivists believe that there are ‘many sides to a story’. Simply put, they are of the view that there is no single truth but rather many realities. Based on this, they are likely to use qualitative research methods such as interviews and case studies, which focus on providing different perspectives.
3. Pragmatism – they believe that the truth is continually interpreted and renegotiated against the backdrop of new and unpredictable solutions. Hence, the philosophy they apply in research depends on the research question itself. They often combine positivist and constructivist principles in the same research project, using both qualitative and quantitative methods to investigate the different components of a research problem (Get Proofed, 2022: 1).

In this study, the researcher followed the constructivist school of thought. This approach allowed the researcher to examine the different perspectives presented in the policy documents, reports, and scholarly articles written and published on PPPs and the case of the Queen ‘Mamohato Memorial Hospital, as well as on other similar PPP projects around the world. The researcher was also able to present and scrutinise the Queen ‘Mamohato Memorial Hospital PPP project case study.

1.4.3 Type of study

The type of research used for this study was descriptive qualitative in nature. The study encompassed aspects of both the descriptive and the qualitative method as presented in the definitions that follow. Egels-Zanden and Sandberg (2010: 32) define a descriptive study as a study intended to explain specific characteristics and behaviours by dealing with real life. Referring to the purpose of descriptive studies, Siedlecki (2020: 8) had the following to say:

The purpose of descriptive studies is to describe individuals, events, or conditions by studying them as they are in nature; do not analyse variables but only describe the samples or variable; look at the characteristics of a population; identify problems that exist within a unit, an organization, or a population; or look at variations in characteristics or practices between institutions or even countries.

Qualitative methods are often used in the social sciences to collect, compare, and interpret information (Discover PhDs, 2022: 1). According to Seers (2011: 1), good qualitative research uses a systematic and rigorous approach that aims to answer questions concerned with what something is like (such as a patient experience), what people think or feel about something that has happened, or it may address why something has happened as it has. The advantage of using a qualitative research approach for this study is that it is convenient, cost effective, flexible, and appropriate.

Kothari (2004: 33) states that a good research design is often characterised by adjectives like flexible, appropriate, efficient, and economical. Moreover, a design which yields maximal information and provides an opportunity for considering many different aspects of a problem is considered most appropriate and efficient in respect of many research problems (Kothari, 2004: 33).

For this study, the researcher thought it best to use the design that would be the most appropriate. Vaughan (2021: 1) provides some of the advantages of the qualitative research approach:

- Qualitative approaches to research are not bound by the limitations of quantitative methods. If the responses do not fit the researcher's expectation that is equally useful qualitative data to add context and perhaps explain something that numbers alone are unable to reveal.
- Qualitative research provides a more flexible approach. If useful insights are not being captured, a researcher can quickly adapt the questions or change the setting or any other variable to improve the responses.
- Qualitative data capturing allows researchers to be far more speculative about what areas they choose to investigate and how to do so. It further allows data capturing to be prompted by the researcher's instinct for where good information will be found.
- Qualitative research can be more targeted. It can be far more concentrated, selecting specific data sources to gather meaningful data. This can both speed up the process of gathering data and keep the costs of data capturing down.

There are also disadvantages to using the qualitative research approach. Miller (2019: 1) lists some of the disadvantages:

- It creates subjective data. Although there are several benefits to consider when using the personal perspective of researchers in the qualitative research method, there will always be a subjective quality to the data that they gather. Some people will always believe that certain vital points are more critical to their findings than others.
- It is time-consuming to collect the data points. One of the significant advantages of the qualitative research method is that it creates potential data points which are usable for social scientists. This process also creates a disadvantage which must be considered by researchers as well. When there is a glut of information available from a research process, there must be a time commitment to sort through the elements to determine what is usable and what is not. There is an element of uncertainty that is never truly eliminated with this option.
- It requires researchers to be knowledgeable about what they are reviewing. The opportunities that are possible through qualitative research become possible because of the industry-related expertise that researchers have. However, if a researcher is unfamiliar with the subject involved, then they cannot ask the relevant questions that are necessary to obtain the results that are desired or extract relevant material from the secondary data sources.
- It requires researchers to identify unspoken data points. Researchers are trusted to connect all the dots when they gather information through the qualitative process. There is much information that comes to the social scientists in a form that goes beyond the observational. Missing this data can lead to incomplete results, false conclusions, or worse.
- It is challenging to replicate results using this method. Theories become fact because third-party researchers can verify the information that the initial studies produced. When others can duplicate your work, it becomes useful to the betterment of that demographic. Qualitative research is highly subjective, so finding opportunities for duplication are incredibly rare. If a

researcher needs someone else to verify their results, then the scope of information collection will be limited. This disadvantage would then offer an incomplete look at the subject matter, which could then produce ineffective decisions down the road.

The above explanation on the advantages and disadvantages of qualitative research methods indicates that a researcher must be careful in their selection of a research method. It is essential that the choice be made with full consideration of what would be suitable for the study, its aims and objectives, as well as the intended results.

Evidently, the pros outweighed the cons in the current study as it was desk research. In addition, it was important for the chosen research method to align with the research paradigm. For this study, the researcher chose the descriptive qualitative research method, in conjunction with the constructivism approach. This provided a platform for the researcher to give a detailed account of how PPPs could be used in building state capacity; it further enabled the researcher to collect information, compare it, and offer recommendations.

1.4.4 Data Collection Method

As mentioned previously, this research is qualitative in nature. According to Seers (2011:1), good qualitative research uses a systematic and rigorous approach that aims to answer questions concerned with what something is like (such as a patient experience), what people think or feel about something that has happened, or it may address why something happened as it has. Moreover, a qualitative approach allows for direct interaction and further results in a conducive environment where participants are relaxed enough to better respond to questions and to provide rich information in their own words.

As stated by Lambert et al. (2012: 256), the data collection of qualitative descriptive studies focuses on discovering the nature of the specific events under study. Thus, the data collection could involve minimal to moderate, structured, open-ended, individual or focus group interviews. However, the data collection might also include observations, and the examination of records, reports, photographs, and documents.

Although there was limited literature available on the implementation of PPPs in the health and other government sectors in Lesotho, to attain an in-depth understanding of the topic under study, the researcher sought the most authoritative, relevant, and informative sources of information. This study was desktop research; therefore, the researcher explored data from existing documents and earlier research (secondary data) to gather information. The study used secondary data to gain knowledge and explore the views of different scholars. Data was gathered mainly from books, websites and publications from the GoL and reputable organisations such as the World Bank.

According to Nordquist (2018: 1), secondary sources refer to information that was collected and interpreted by other researchers and recorded in books, and other publications. Unlike primary research, secondary research is developed with information from secondary sources, which are generally based on scientific literature and other documents compiled by other researchers (Discover PhDs, 2022: 1). Secondary data sources include journal articles, government records, books, websites, government publications, and policy documents.

1.4.5 Time Horizon

Time horizon refers to the time frame of the research and the number of times data will be collected during the study. According to Alamgeer (2022: 1), time horizon is the time frame relevant to the research. The researcher determines the time horizon depending on the research objectives and the type of investigation. Alamgeer (2022: 1) further states that there are two types of research depending on the time horizon. These are longitudinal research and cross-sectional research. Research in which a researcher wants to study samples at a certain time is called cross-sectional research, while longitudinal research studies samples over a period of time. In longitudinal research, the period can range from short-term to long-term. For instance, the Broadbalk experiment continued for 173 years, and the Park Grass experiment continued for 160 years.

In this study, data were only collected once; hence, the study is cross-sectional. As soon as the researcher had chosen the research topic and put together the research

layout, the data sources ranging from books to government publications, which were going to be used for this study, were gathered.

1.4.6 Sampling Strategy

Regarding the use of sampling in a qualitative descriptive design, Lambert et al. (2012: 255) affirm that any purposeful sampling technique may be used. Like any other qualitative research design, the goal is to obtain cases deemed rich in information for the purpose of saturating the data. Of basic importance for researchers is to be able to defend their sampling strategies to meet the purposes of their studies. The sampling strategy used in this study is known as purposeful sampling. Palinkas et al. (2015: 1) advance that purposeful sampling is widely used in qualitative research for the identification and selection of information-rich cases related to the phenomenon of interest. Although there are different purposeful sampling strategies, criterion sampling is used most often in implementation research.

The time frame of this study and the limited available data pertaining to the subject were the major constraints that the researcher faced during data collection. However, the researcher still sought a strategy which would yield the most relevant data.

1.4.7. Data analysis

Seuring and Gold (2012: 546-547) define content analysis as a class of methods within empirical social science that can be applied in a qualitative way; moreover, it is a powerful tool for generating highly valid and reliable findings from literature reviews. Therefore, the researcher used content analysis to provide an overview of the subject matter, and to impart new knowledge on how the state and development partners could effectively collaborate in health governance in Lesotho, as well as to identify areas that required more research.

According to Lambert (2012: 256), the data analysis of qualitative descriptive research, unlike other qualitative approaches, does not use a pre-existing set of rules that have been generated from the philosophical or epistemological stance of the discipline that created the specific qualitative research approach. Rather, qualitative descriptive

research is purely data-derived in that codes are generated from the data during the study. As is the case with other qualitative research approaches, qualitative descriptive studies generally are characterised by simultaneous data collection and analysis.

Moreover, Lambert et al. (2012: 256) state that the presentation of data from a qualitative descriptive study involves a straightforward descriptive summary of the informational contents of the data that is organised in a logical manner. How the data are organised depends upon the researcher and how the data were rendered. For example, data presentation can be arranged by time of occurrence; categories/subcategories; actual or reverse chronological order of events; most prevalent to least prevalent themes; moving from a broad context of an event to a narrower context (i.e., specific cases); or, describing an event from the perspective of more than one participant. The outcome is the production of a descriptive summary of the selected event(s) organised in such a way that the findings will be presented, in the most relevant manner, for the audience for whom it was written.

In this study, following the extraction of relevant data, it was then presented in a series of chapters comprising descriptions and deductions, building up to what the study intended to achieve. The analysis was done with the aim to reveal new knowledge on how the state and development partners could effectively collaborate in health governance in Lesotho; thus, building state capacity.

1.5. LITERATURE STUDY

The literature for this study is based on various sources on PPPs, such as books, journals, articles, previous scholarly research, internet research, and government documents. The study is within the discipline of governance and political transformation; therefore, much focus will be on effective health governance of healthcare to increase or build state capacity. Onuwegbuzie and Frels (2012: 29) state that a literature review “is an interpretation of a selection of relevant published and/or unpublished information that is available on a specific topic from four modes (documents, talks, observations, and drawings/photographs/videos) that optimally involve summarisation, analysis, evaluation, and synthesis of information”. Sharing the same sentiments, Hart (2018: 5) affirms that a literature review includes the

investigation, evaluation and synthesis of prevailing knowledge related to a research problem.

Existing scholarly information helps a researcher better understand the topic (what has been researched, as well as to produce new information). Boote and Beile (2005: 3) expound on a literature review as follows:

A substantive, thorough, sophisticated literature review is a precondition for doing substantive, thorough, sophisticated research. Good research is good because it advances our collective understanding. To advance our collective understanding, a researcher or scholar needs to understand what has been done before, the strengths and weaknesses of existing studies, and what they might mean. A researcher cannot perform significant research without first understanding the literature in the field. Not understanding the prior research clearly puts a researcher at a disadvantage.

1.5.1 Books

Globally, various books have been written on state building in service delivery through PPPs. For instance, in their book *Sustainable Development Through Public-Private Partnership*, Lee and Quising (2017: 49) stipulate that as good practice, many states are transforming towards collaborative initiatives using PPPs to meet infrastructure needs, which continue to pose service delivery challenges. Such gaps do not only result in insufficient public resources but also in ineffective mechanisms to channel private resources towards expected developmental outcomes in various states. Greve and Hodge (2013: 2-3) state that PPPs come in many forms: either as specific projects, policies, or management tools. They aid in the development of products and services, and in the sharing of risks, costs and resources between a government and the private sector. Torchian, Calabro and Morner (2013: 239) elaborate on this point:

The rapid change in the provision of health care, due mainly to ageing populations, medical-technological developments, and policy changes, meant that governments around the world are dealing with problems such as booming health care costs and decreasing governmental budgets. For many

governments, PPPs between health care providers and the private sector represents a way of coping with such problems.

1.5.2 Academic journals

Various academic journal articles have been written on the critical issues to be taken into consideration regarding the theme of this study. Well-known South African author Madeleine C. Fombad stated in an article titled 'Governance in Public-Private Partnerships in South Africa' in the *Journal of Southern African Studies* (2016: 1199-1217) that there are lessons to be learnt from the Gautrain project. These lessons include that there is a need to overturn the social, political, and social injustices and boost developmental and global competitiveness that has forced states to shift from the traditional public sector approach of service delivery to a collaborative approach using PPPs. Such partnerships between the public and private sector have allowed for more economical use of resources, while also avoiding disastrous consequences from exclusive public ownership and the provision of services across all sectors, including the health sector (ibid.).

Another significant journal article on the topic of this study is that of Johnson titled 'Challenges in Health and Development: Public-Private Partnership and Health' (2017: 14), which affirms that improving human health and development requires multiple sectors and actors to work together across diverse scales to address high HIV/AIDS, malaria, TB and neglected tropical diseases' rates in low and middle-income states, Lesotho included. As a recent example of joint initiatives in the health sector, Johnson (2017: 14) states:

The Joint United Nations Program on HIV/AIDS (UNAIDS) was one of the early proponents of public-private partnerships. UNAIDS itself represented a unique arrangement of envoys across diverse UN bodies organized to address a singular threat to global health and development: HIV/AIDS. The UN Economic and Social Council formed UNAIDS in 1994 because the global response to HIV/AIDS necessitated a coordinated response across multiple sectors – a response that could not be achieved with compartmentalised activities and strategies. UNAIDS was formed to coordinate responses across the UNDP,

UNICEF, United Nations Population Fund (UNFPA), WHO, UNESCO, and the World Bank. The organisation and Program Coordinating Board (PCB) include representatives from member states, from multiple UN agencies, and from non-governmental organisations representing individuals impacted by the disease.

1.5.3 Relevant academic research

According to Tanzanian research conducted by Nuhu, Mpambije and Ngussa, and reported on in a journal article entitled 'Unresolved Challenges in Health Services Delivery in Tanzania Under PPP: Stakeholder View from Dar es Salaam Region' (2020), it was found that PPPs in the health sector were introduced to improve the delivery of health services. However, an inadequate legal and policy framework and ineffective implementation practices posed continuing institutional arrangements for PPPs, not only in Tanzania but in many democracies old and new (ibid.). According to Brown (2006: 1), PPPs in the health sector were established in response to market and government failure to provide effective healthcare goods and services, especially in developing countries.

1.5.4 Other sources

The World Bank document titled 'Implementation Completion and Results Report: Lesotho New Hospital PPP Project' (2013: 34) stated that, in response to the high HIV/AIDS prevalence rate of between 29% and 34%, the GoL embarked on a reform agenda that focused on support to develop, design, construct and equip a referral hospital in the country through private sector participation. The former referral hospital in the country, Queen Elizabeth II, was outdated with dilapidated infrastructure, poor management systems, and human resource shortages. The new national referral hospital, named Queen 'Mamohato Memorial, was then established using a PPP framework. The project was prepared in partnership with the International Development Association (IDA), the Global Partnership on Output Based Aid (GPOBA), and the International Finance Corporation (IFC). Thandani (2014: 309) elaborates on this project:

The Lesotho PPP model was the first of its kind in Africa. The Government implemented a PPP model to build a state of the art 425 bed National Referral Hospital to replace its dated main hospital. This pioneering PPP serves as a model for increased private sector participation in Sub-Saharan Africa's overburdened health sector. In addition to the hospital, the project included an adjacent gateway clinic, the renovation of three strategic filter clinics, and the private management of facilities, equipment, and delivery of all clinical care services for 18 years. It also includes a clinical training component to improve the availability of well-trained healthcare professionals.

1.6. RESEARCH LAYOUT

The study consists of five chapters, which are expounded on below:

Chapter one: Introduction

This chapter gives the general overview of the research. Moreover, it discusses the motivation and background, the problem statement, the research questions and objectives, the limitations, as well as the methods and procedures of gathering data for this research.

Chapter two: Theoretical Perspective

This chapter is a presentation of the theoretical perspective, which creates the conceptual framework for the study. It entails a comprehensive definition of key concepts. In addition, it identifies the gaps and challenges that governments are often faced by when implementing PPPs. Over and above this, the roles of the state and the development partners in PPPs are highlighted.

Chapter three: Building state capacity through PPPs in the health sector: Lesotho Case Study

This chapter establishes the current PPP scenario for service delivery in the health sector in Lesotho. It also provides a brief background on the establishment of PPPs in Lesotho's healthcare sector. It further focuses on the current legislative framework for

PPPs in the country. The discussion also covers the Lesotho hospital project PPP model, its governing principles, and the challenges that were encountered in its implementation. Moreover, the chapter sheds light on PPPs' challenges globally, and in Lesotho's context, as well as how such gaps between demand and supply in the health sector could be filled.

Chapter four: An analysis of key factors for effective Public Private Partnerships in the health sector

This chapter discusses the key factors essential for effective PPPs. Such approaches will be derived from different academic resources, including the best international practices on the issue. The chapter also focusses on measuring the success of existing partnerships between the GoL and the private sector, based on the set developmental goals.

Chapter five: Conclusion and recommendations

This is the concluding chapter of the study. It wraps up the research, as well as makes recommendations on key issues to be taken into consideration on how best state capacity could be built in service delivery within the health sector in Lesotho. In addition, this chapter explores whether the research questions were answered and whether the objectives were achieved.

CHAPTER TWO

THEORETICAL PERSPECTIVES

2. INTRODUCTION

Governments have struggled to improve service delivery in the health sector for many decades. To build capacity, many democracies have embarked on partnerships with the private sector to meet the prevailing demand and supply challenges towards effective service delivery.

This theoretical section creates the conceptual framework for the study. Vincent (1997: 21) explains the existence of political theory in the following statement: “Political Theory ... exists as a tense interstice, continually committed to describing, explaining, interpreting and re-evaluating normative alternatives”. Marsh and Stoker (1995: 16) state the purpose of theory as follows: “The fundamental purpose of theory is somehow to explain, comprehend and interpret reality”. In basic terms, the existence and purpose of theory indicates that theory helps us to “see the wood from the trees”. Political theory is communicated through a series of concepts. Ball (1997: s35) elaborates on political theory as follows:

Politics and political theory rest upon the hope (all too rarely realised, to be sure) that the pen is mightier than the sword and that the force of argument will win out over, or perhaps preclude, the force of arms. In aim and aspiration, then, political discourse anticipates agreement and consensus even as its speakers disagree among themselves.

Different models of PPPs have been adopted as an important policy approach and good governance tools in various countries. However, such transformation has failed to yield the expected outcomes in Lesotho: as a result, the researcher will establish the PPP scenario for service delivery in the health sector in Lesotho by asking the question: What is the current institutional arrangement of PPPs in the provision of health care services? The methodology used is qualitative, with data collection being done through a literature study of the available sources on the research topic.

This chapter further provides the theoretical perspectives on building state capacity through PPPs in the health sector in Lesotho by explicitly discussing the key concepts of the research topic, namely:

- state capacity in 2.1,
- public private partnerships in 2.2, and
- the healthcare system in 2.3.

UNDERSTANDING KEY CONCEPTS

Moving from the introduction, this section will focus on the key concepts of the research. Key concepts are crucial abstract ideas that structure the phenomena under discussion to bring new insights in research.

2.1 STATE CAPACITY

2.1.1. Definition

State capacity is the ability to provide public goods. According to EU-STRAT (2018: 4-7), state capacity entails the ability to enforce the rule of law or bureaucratic quality; accountability; the creation of stable and impartial institutions that effectively provide basic services; and the administrative capacity to plan, coordinate and implement policies impartially. On the other hand, Berwick and Christia (2018: 72) conceptualise state capacity as an interactive process, born of relationships between different social groups.

Bukenya and Yanguas (2013: 7) offer a summary of various definitions in Table 2 below. It can be noted from the summary that many scholars define state capacity looking at either resources (both financial and human) or outputs.

Table 1: Definitions of State Capacity

<u>Concept</u>	<u>Definition</u>	<u>Sample References</u>
<i>Bureaucratic capacity</i>	Capacity to manage resources and implement policy.	(Tilly, 1990; Evans, 1995; Evans and Rauch, 1999; Hendrix, 2010; Fukuyama, 2011, 2013)
<i>Legal capacity</i>	Capacity to enforce contracts and property rights.	(Levi, 1988; Besley and Persson, 2009)
<i>Territorial capacity</i>	Capacity to project power within territorial boundaries.	(Herbst, 2000; Mann, 2008; Soifer, 2008)
<i>Fiscal capacity</i>	Capacity to extract tax revenue from society.	(Ardant, 1975; Levi, 1988; Bräutigam <i>et al.</i> , 2008; Hendrix, 2010; Fukuyama, 2013)
<i>Infrastructural capacity</i>	Capacity to shape societal behaviour.	(Migdal, 1988; Jessop, 2008; Mann, 2008; Soifer, 2008; vom Hau, 2012)
<i>Coercive capacity</i>	Capacity to deter or repel challenges to internal or external security.	(Finer, 1975; Tilly, 1990; Centeno, 2002; Bates, 2008; Hendrix, 2010)

Source: Bukenya and Yanguas (2013)

Bukenya and Yanguas (2013: 3) add that a capable state is essential for inclusive development:

Strong public organizations can not only provide a safe and predictable environment for private economic activity, but they also alleviate poverty and inequality through social service provision, correct market failures through regulation, encourage the expansion of strategic sectors through industrial policy, and stimulate economic activity through public investment and fiscal policy.

In governance discourse, enhanced capacity plays a crucial role towards fostering peace and state building. Schwella (2015: 86-87) states that a developmental state aspires to the maximisation of development by means of governance driven facilitation and coordination of the development trajectory in the particular state's jurisdiction; is strategic and effectively plans for and implements policies aimed at facilitating and

delivering development; utilises ideas and capacity generated from a state base to involve a cross section of societal institutions in the development project of the state; and uses strong symbolic and guiding ideas to legitimate the role of the state and its partners in the development trajectory and projects of the state. On the other hand, a failed state is characterised by the following issues:

- weak government that has little or no control of its territory,
- inability to provide reasonable public services,
- inability to interact with other states as a full member of the international community,
- high corruption and criminality,
- involuntary movement of populations, and
- sharp economic decline and economic failure (Schwella, 2015: 86-87).

According to the African Development Bank Group Strategy (2014-2019: 7), more than two-thirds of African countries have successfully managed to strengthen their quality of governance by providing improved basic services and expanded economic opportunities. However, continuing patterns of exclusion and poverty, unemployment, high migration, rapid urbanisation, climate change and the poor management of natural resources in some countries undermine the good momentum realised by the continent; thus, this threatens the existing institutional capacities for managing political, economic, social, and environmental challenges.

2.1.2 The role of a state and development partners in building capacity

Andrews et al. (2017: 13-14) assert that building governmental capability is of primary importance for realising development objectives because building robust capability for implementation is a defining characteristic of being “developed”. However, in many countries implementation is the major attraction towards building state capacity in service delivery and, as a result, taxing citizens, regulating business, and providing healthcare and pensions become more complex and contentious. In addition, Andrews et al. (2017: 13-14) emphasise that implementation failures prevent many countries from realising their own stated development goals, and many governments lack the capability to overcome repeated implementation failures even after years of reforms

designed to strengthen state capability. Hence, the need for governments to collaborate with various development partners who often have the technical expertise in the successful implementation of projects.

Moreover, state capacity interventions to improve governance have gained importance in modern democracies. In Table 2 below, the African Development Bank Group Strategy (2014-2019: 45) outlines the strategies and roles needed to be played by states and development partners in addressing different ongoing development challenges in developing countries.

Table 2: Strategies and Roles played by States and Development Partners

Increasing risk of conflict or collapse of state functions	Active conflict and / or prolonged crisis	Signs of turn-around to rebuild and reform	Decreasing risk and pathway to state resilience
<p>Deteriorating or persistent socio-economic inequalities that result in exclusion and marginalization of groups</p> <p>Increasing levels of violence in individual regions or in urban areas</p> <p>Significant corruption and poor governance</p> <p>Failing economic and financial management</p> <p>No consensus between partners and government on development priorities</p>	<p>Acute instability, violent conflict and/or political impasse</p> <p>Absence of legitimate government</p> <p>Breakdown of effective administration</p> <p>IFI and/or international sanctions</p>	<p>Post-conflict situation after peace agreement, reconstruction phase;</p> <p>Settlement of conflicts that has broad acceptance</p> <p>Normalization of relations with key regional/ international bodies</p> <p>Progress in disarmament, but security issues remain</p> <p>Weak institutions that deliver services sporadically</p>	<p>Broadly stabilized situation</p> <p>Increase in government revenue, but challenge of corruption</p> <p>Signs of private sector-led job creation</p> <p>Increased access to basic (urban) infrastructure and confidence in justice and security</p> <p>Improved access to external finance</p>
Strategic Approach – The role of the Bank and partners			
<p>Focus on detecting and preventing risk – policy dialogue</p> <p>Bolster voice and accountability</p> <p>Promotion of income and employment for marginalized groups (youth, women)</p> <p>Strengthen service delivery</p> <p>Review the role of the Bank's (non-)lending engagement</p>	<p>Stay "at the table" through policy dialogue</p> <p>Use Bank's convening role to create a platform for dialogue, advocacy and partnerships (RMC, regional institutions, partners etc.)</p> <p>Provide advisory and technical support in areas of Bank's expertise</p> <p>Support pockets of stability, working with and through state and non-state actors and development partners, as appropriate.</p> <p>Build knowledge base through assessments</p>	<p>Support opportunities for turnaround moments following political settlements, consider PBOs</p> <p>Promote equitable access to basic infrastructure</p> <p>Start long-term institutional development for public and private sector</p> <p>Support partners in advancing justice and security sector reform</p> <p>Bridge critical capacity gaps and reverse brain-drain</p>	<p>Scale-up high-impact operations</p> <p>Facilitate private sector investments</p> <p>Promote sustainable development of natural resources</p> <p>Strengthen state capacity and governance</p> <p>Support private sector-led job creation</p> <p>Advance regional economic integration</p> <p>Strengthen skills development and invest in technology</p>

Source: African Development Bank Group Strategy (2014-2019)

2.2. PUBLIC PRIVATE PARTNERSHIPS

2.2.1 Definition

There are different perspectives on what Public Private Partnerships (PPPs) are, but generally a PPP can be defined as a strategic agreement between the public and private sector to hasten public service delivery. Reich (2002: 3) asserts that a good working description of PPP includes three points: first, these partnerships involve at least one private for-profit organisation and at least one not-for-profit or public

organisation. Second, the partners have some shared goals for the creation of social value, often for disadvantaged populations. Third, the core partners agree to share both efforts and benefits.

According to Byiers et al. (2016: 1), a PPP is “a form of cooperation between government and business in which they agree to work together to reach a common goal or carry out a specific task, jointly assuming the risks and responsibility and sharing their resources and competencies”. Manhica (2021: 7), in turn, defines a PPP “as a long-term agreement involving a private party and a government unit for providing a community benefit, in which the private party abides substantial risk and management responsibility, and remuneration is linked to performance”.

PPPs are considered as governance tools, as well as working arrangements, based on a mutual commitment that goes beyond what is implied in any normal contract between public and private organisations. Therefore, governance in a PPP is defined as an arrangement to achieve and improve long-term service outcomes. Furthermore, according to Fombad (2015: 1202-1203), PPPs provide a novel approach to manage and govern the delivery of goods and services to citizens, and thus are considered a policy tool for enhancing governance. Among the characteristics attributed to good governance are a coherent PPP policy, transparency, capacity building, risk-sharing procurement, participatory and consensus orientation, accountability, dispute resolution, responsiveness, effectiveness and efficiency, equitability and inclusiveness, the rule of law, clarity of purpose, mutual trust and respect, investment of time and resources, negotiation of roles and responsibilities, and long-term sustainability (ibid).

For example, the use of huge private contracts with a consortium for the delivery of high-profile government projects is a strong regulatory tool in governing. Large economic incentives can be employed to ensure that the promise of the early achievement of government objectives are met – even for complex projects and in controversial circumstances (Greve and Hodge, 2013: 5).

The definitions of PPPs from different schools of thought encompass key aspects, including the following: an agreement between two entities, the provision of infrastructure and quality services to the public, risk sharing between the public and

private sectors, a clearly defined time frame for the project, performance management, and payment of the contract at hand.

2.2.2. Benefits

In trying to balance the gap that exists between demand and supply in public service delivery, many democracies have transformed towards collaborating with private entities. Asaduzzaman et al. (2015: 4) state that partnerships and capacity-building are often used synonymously in a development perspective. These authors (2015: 4) identify the advantageous reasons for adopting partnership governance as follows:

- ✚ Partnerships promote creativity, innovation, constructive collaboration, and a greater ability to tackle major problems, participation and responsibility.
- ✚ It increases the level of interdependence and interconnectedness between the different actors.
- ✚ Building global partnerships across all levels of governance is important because of the ongoing impact of globalisation.
- ✚ Partnership promotes the exchange of information among various actors. Learning organisations adapt to rapid changes in their environments by acquiring information about their surrounding environments.
- ✚ It contributes to involvement, the quality of positive governance and service delivery, administration, political support, as well as stability among governments, citizens, the private sector, and NGOs.
- ✚ It requires genuine participation, which contributes to democracy, sound governance and sustainable development for a better society.
- ✚ Partnerships motivate and enable the various actors involved to co-finance development projects.
- ✚ The strategic-managerial motives for partnerships concern the central issues of efficiency through the application of business-like measures of cost-effectiveness, cost-control, and other criteria used in the private sector.

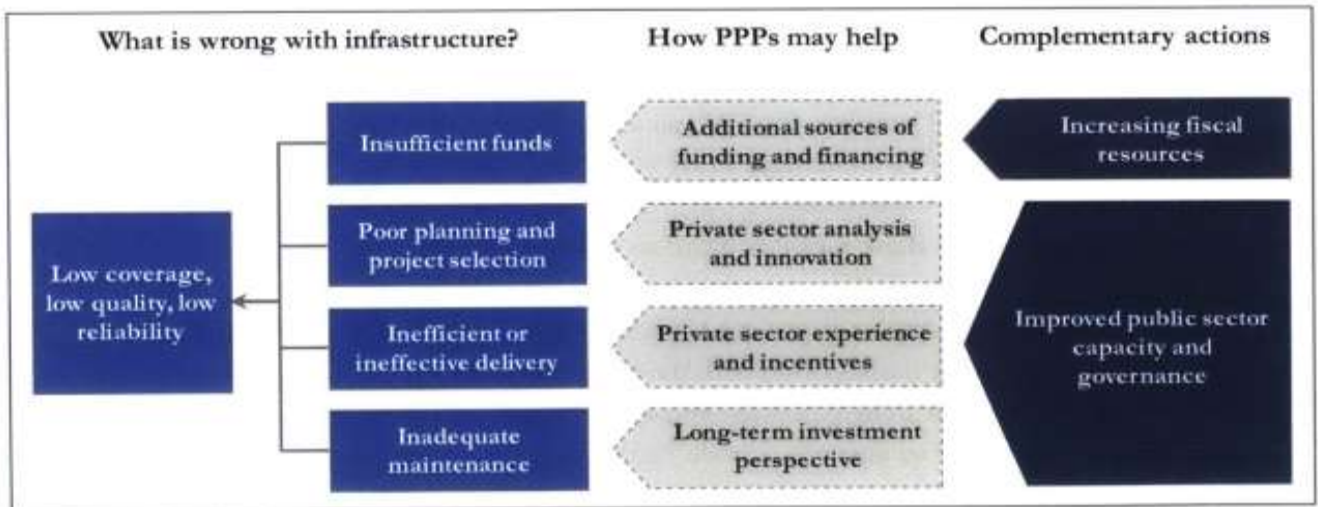
According to Lang (2016: 17-21), governments that have adopted PPPs have listed numerous benefits, including the following:

- 1) the attraction of private capital investment – PPPs help to relieve the funding burden on the public sector by activating untapped sources of funding from the local and international private sector,
- 2) private sector analysis, scrutiny and innovation – the private sector depends on accurate cost estimates and revenue so as to minimise risk and to best predict financial returns; thus, government can use the expertise, technical knowhow, and innovation capabilities of the private sector,
- 3) an increase in efficiency and the more effective use of available resources – usually the public sector has no or limited incentives for efficiency when projects are conducted, while the private sector targets profit maximisation by offering incentives, which lead to the enhanced effectiveness and efficiency of projects,
- 4) private sector expertise and experience – the presence of technical expertise enhances the overall quality of infrastructure service provision while significantly contributing towards improved effectiveness and efficiency, and
- 5) quality assurance and maintenance – PPPs combine maintenance and renovation with the obligation to conduct periodic maintenance and repair under one contract, which therefore ensures that the asset being constructed is built using high quality materials.

In Africa's context, according to Dykes and Jones (2016: 4), the demand for infrastructure development can be addressed by the adoption of PPPs. Lang (2016: 16) affirms this viewpoint by offering a broader perspective on the benefits of PPPs in infrastructure, as illustrated in Figure 2 below:

Figure 2. How PPPs can help to overcome the challenges of infrastructure provision

Figure 1 - How PPPs can help to overcome the challenges of infrastructure provision
(The World Bank Group, 2014)



Source: Lang (2016)

Similarly, Dykes and Jones (2016: 1-2) indicate that PPPs possess various advantages, namely, PPPs give access to private capital for public entities, which in most cases are resource poor and thus have limited ability to finance infrastructure development using their own budgets; private sector participation also helps to overcome the operating inefficiencies and bureaucratic inertia that epitomise many public entities; and PPPs involve investors who are focused on meeting the desired goal of the project in a timely and cost-efficient manner.

Examples of prominent PPPs include the Trans-Alaska Pipeline System in the United States, Enron’s Dabhol power plant in India, and Europe’s Channel Tunnel rail link. Investment in PPPs is also expected to grow in Africa to support current economic trends on the continent.

From the literature cited, one can conclude that PPPs do not only improve public service delivery by awarding the public and private sectors the opportunity to perform at their best, but they also result in cost-effective projects, business generation, job creation, innovation, and expertise.

2.2.3 Challenges

Globally, PPPs are considered as an effective means in respect of service delivery across various sectors. However, barriers to operative PPPs need to be clearly identified and mitigated for efficacious projects. Haarhoff (2008: 33-35), referring to the challenges associated with PPPs, indicates that PPPs have extensive aims that typically result in misunderstandings, weak or no coordination, and ultimately result in conflict between partners; they are usually marred by lack of performance management because in many cases the public sector does not have the capacity to effectively monitor and enforce agreements, while the private sector takes advantage of the situation and fails to comply with the agreed service standards; they are surrounded by unequal power relations between partners, which leads to tension as the parties involved may try to alter one another's priorities as more power rests with those controlling the resources; and funding could be drawn from other projects, thus reducing their effectiveness or resulting in the cancellation of such projects, even though they are also important.

In addition, Africa faces different challenges that inhibit the smooth operation of PPPs. The challenges are discussed below:

Societal barriers

Societal barriers include opposition or resistance behaviours from the public towards PPPs that may not have met their expectations. Societal discontent could stem from cultural differences or misunderstandings. Some societies have developed misgivings about PPPs, which may manifest in the delay or cancellation of projects in developing countries. For example, many African governments mistrust private investment in infrastructure development, particularly investment from the continent's former European rulers due to its colonial history. This mistrust is due to the fear of losing control of a country's natural resources (Dykes and Jones, 2016: 5). Sayadat et al. (2015: 3) assert in this regard that partnerships can only be successful if trust between the partners can be established and maintained.

Legal barriers

Weththasignhe et al. (2016: 864) identify insufficient coverage of a PPP's legal regime, poor regulatory frameworks, weakness in the enforcement of policy, the lack of institutional capacity and a PPP strategy, and the absence of a PPP dispute-resolving legal institute as some of the legal restraints to the proper implementation of PPPs in

most developing economies. Furthermore, legal barriers stem from the lack of an established legal framework.

Africa is beset by weak regulatory and judicial frameworks. As a result, the systems in place to assist PPP implementation as well as processes for resolving legal disputes are severely immature, depending on the focal country. For instance, the World Bank ranks several countries in Africa, such as Libya, Liberia, Zambia and Niger, very low in terms of their ability to enforce contracts through legal and regulatory systems, which discourages infrastructure development (Dykes and Jones, 2016: 5).

Economic barriers

Economic barriers result from the lack of confidence investors have regarding an area. The perception of risk that potential investors hold regarding Africa is driven by the difficulties linked to managing foreign exchange risk, inadequate domestic capital markets, and the inability of local institutions to provide long-term financing (Dykes and Jones, 2016: 5). Bashar et al. (2021: 2) state that major obstacles to achieving successful PPPs include high transaction costs and ineffective financial markets.

Environmental barriers

Environmental barriers influence the overall environment that either supports or hinders PPPs. Poor communication or lack of coordination between national and regional governments are examples of environmental barriers relating to PPPs in Africa. Many countries in Africa lack adequate internet connectivity and telephone lines, which facilitate communication and coordination between entities. The World Bank ranks several countries in Africa, including Algeria, Ivory Coast and Togo, low in terms of the general ability to conduct business in these countries (Dykes and Jones, 2016: 5). In addition, Al-Hanawi et al. (2020: 7) state that a lack of accountability and transparency, and delays in negotiations are considered some environmental barriers that prevent PPPs from being successful.

Political barriers

Political barriers are strongly linked to the government's ability to manage the process of PPPs. The foundation for developing and implementing PPPs begins with a strong commitment from the local government without which the infrastructure project may be fraught with delays due to political debate, reneging on behalf of the government,

and too many political concessions. The history of corruption in Africa plagues exchanges with many governments. Transparency International consistently ranks many of Africa's public entities, such as those in Chad, Gambia, the Democratic Republic of the Congo, Angola, Burundi, Uganda, and Kenya, as some of the most corrupt in the world. Corruption dampens transparency and accountability in the development and implementation of PPPs on the continent (Dykes and Jones, 2016: 5). Moreover, Babatunde et al. (2014: 11-13) argue that political renegeing, politicisation of the concessions, lengthy delays due to political debate, and the lack of strong political commitment for PPPs leads to project failures in developing countries.

Technological barriers

Technological barriers are recognised as one of the strongest impediments affecting successful PPP implementation in developing countries. Stakeholders face inconsistent risk assessment and management of projects stemming from the absence of parties with suitable skills and experience. Many African countries lack agents who have the experience, resources, and skills to develop and structure PPPs (Dykes and Jones, 2016: 5).

Lastly, effective governance within a PPP is a complex arrangement. Public and private institutions may have different underlying interests and expectations. Private sector partners, for example, may be concerned about the use of funds and technologies and about adequate brand recognition; while public sector partners will require confidence in the motives of private sector partners and may be reluctant to accept heavy oversight over their involvement. Perceived inequalities between different groups of stakeholders could consequently lead to a lack of trust and to a variety of obstacles (Burci, 2009: 369). Similarly, Squires (2020: 6-7) argues that even though PPPs relieve public budgetary constraints and improve the quality of public services whilst encouraging innovation and optimising risk transfer, the private sector continues to face barriers relating to the scale in finance as proposed developments may suffer from high bidding costs, high borrowing costs, and the need to comply with financial directives. Therefore, it can be stated that failure to take into consideration the legal, financial, institutional and regulatory arrangements; a lack of commitment and trust; a lack of good governance elements; as well barriers in social or cultural

environments undermine the positive aims of PPPs in terms of effective service provision.

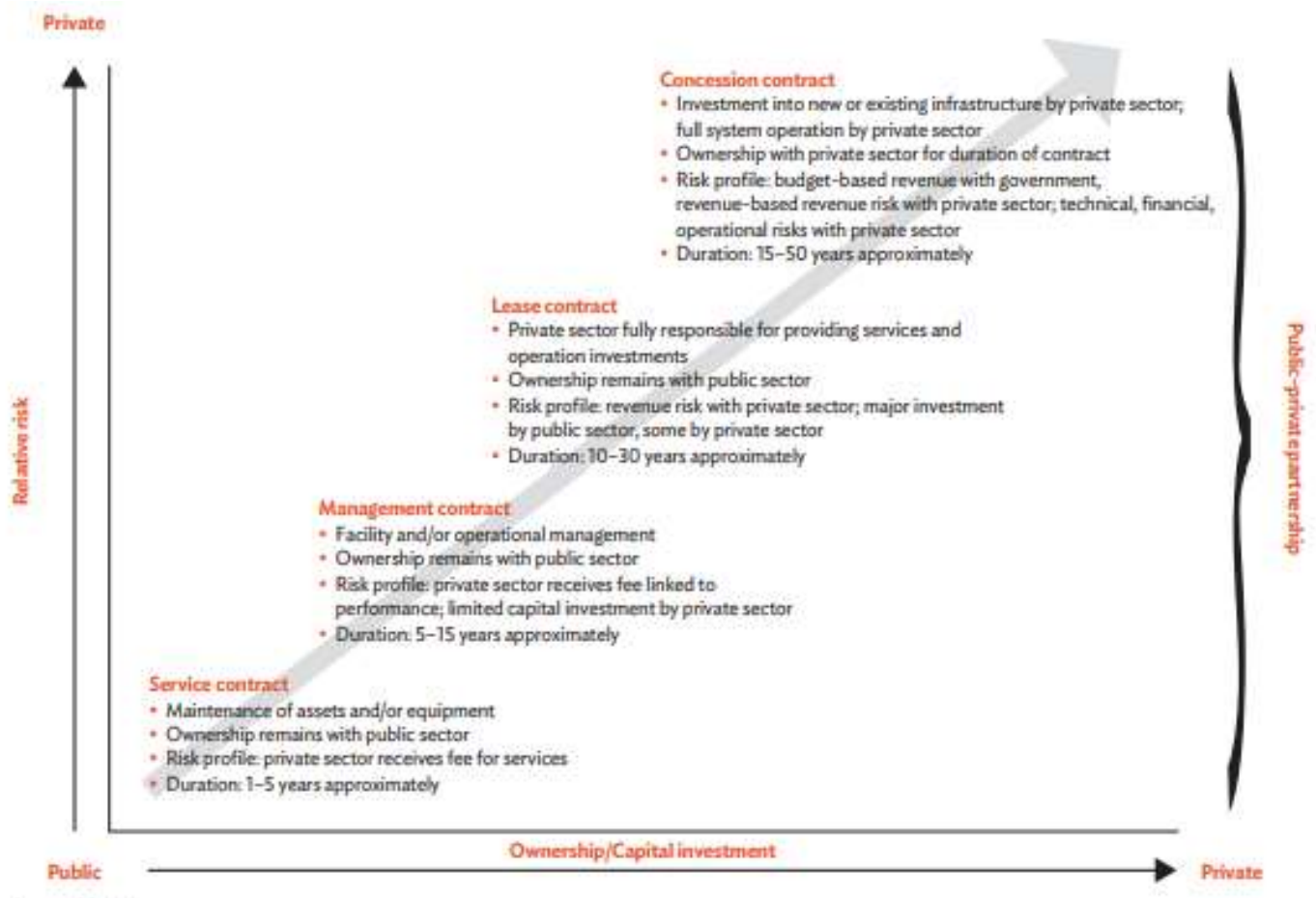
2.2.4 Different Models of Public Private Partnerships

Haarhoff (2008: 20) outlines the different models of PPP as follows:

- 1) Management Contracts – the private sector issues a service or manages a contract for a public service department.
- 2) Joint Venture – the government is the regulator and shareholder in the operating company.
- 3) Leasing – the private sector is responsible for operating and maintaining assets while the government is the owner of such assets.
- 4) Build Operate Transfers – the private sector is responsible for the funding, design, building and operating of the project while the public sector takes control and ownership of the project at the end of the contract.
- 5) Build Own Operate – the control and ownership of the project remain with the private entity.
- 6) Design, Build Finance Operator – it includes one private sector and one public sector party to the contract.
- 7) Design Build Operator – one contract is awarded to a private business, which designs, builds, and operates the public facility; however, the public sector retains legal ownership.
- 8) Co-operative Arrangement – this type of arrangement makes provision for equity partnership deals and concession type franchise arrangements.

Figure 2 below outlines different forms of PPP contracts in which public-private collaborations can take place. They are service contracts, management contracts, leasing contracts, and concessions. Figure 2 also shows the extent to which ownership and capital investment responsibility sits with each party, and the relative risk borne by each party (Lee, 2017: 56).

Figure 3: Different forms of PPP contracts



Source: Lee (2017)

Sharing the same views, Kimario and Muhanga (2020: 186) state that with a service contract, both the public and private sectors agree to supply public goods or service. With a management contract, the private entity oversees all operations and the maintenance of the facility under construction. With a leasing contract, the private entity is issued with an asset leasehold based on which it operates and maintains the asset. With a concession contract, the government issues rights to the private sector to deliver and maintain assets over a certain period according to the performance agreement set out by the government.

2.2.5 The Role of Development Partners in PPP projects

Development partners in PPP projects play a crucial role. As pointed out by Faisal (2016), the participation of development partners in project financing deals could have significant implications. Firstly, the developing partners' financing institutions offer relatively cheap financing sources for infrastructure projects. It must be noted that in

many developing countries, the local banking streams might lack the capacity to access the PPP project's quality. Conversely, international banks may also have concerns about the long-term country risk exposure of developing countries. In these circumstances, the likelihood is that domestic and international banks will charge an extra margin for their loans. When this occurs, as indicated by Faisal (2016), development partners can address these financing issues by providing long-term financing to the PPP project.

International development banks or other financial institutions, such as the World Bank, the Asian Development Bank, and the International Monetary Fund (IMF) repeatedly finance PPPs and contribute to them by providing their knowledge and experience. In some cases, governments established these institutions solely to assist PPP projects. As development banks and other publicly financed institutions may be funded by governments, they frequently have access to concessional loans and can introduce low financing costs for PPP projects. Given their extensive experience and knowledge in the field of infrastructure provision, these financial institutions could be better suited to assess the viability and risks associated with a PPP project.

Faisal (2016) stresses that interactions with potential investors, banks, and development partners during the project development stage are an essential part of the PPP project planning process. Both the government and investors need to convince the lenders about the viability of the project. Furthermore, government-owned finance institutions could play a role in PPP projects by establishing and enforcing clear rules and procedures for when financing is made available. It is important to note, however, that given their proximity to governments such institutions might be subject to political pressure and control (The World Bank Group, 2014).

Moreover, the participation of development partners in PPP projects serves as an enticement to potential investors. This is corroborated by Faisal (2016), who states that the participation of development partners provides an institutional stamp of approval that attracts private investors to the project. The involvement of development partners in a PPP project could have a catalytic effect on private investors when the credibility of the PPP's project planning process increases as a consequence.

The role of development partners in PPP projects also extends to the technical expertise that they may contribute. In support of this point, Faisal (2016) states that

development partners' knowledge and understanding of the business environments of developing countries could facilitate the infrastructure project implementation process. Faisal (2016) adds that one more role that development partners play in PPP projects is aiding the government in project planning. They play a unique facilitation role between the government, with whom they often conduct project planning, and private investors, to whom they provide financial assistance. For instance, the Asian Development Bank (ADB) has set up a project preparation facility fund to improve the quality of infrastructure projects. The fund assists governments in conducting PPP project due diligence (Asian Development Bank, 2014). The European Bank for Reconstruction and Development has a similar infrastructure project development facility.

2.2.6 Risk Management

Well-structured PPPs manage risks by allocating them across the public and private sectors in a manner that optimises their cost and aligns incentives for performance. Typically, responsibilities for the design, construction, and operating risks are passed to the private partner, which can optimise the design of the facility in view of its lifecycle costs and potential to meet performance obligations stipulated under the contract. These same risks are usually present in traditionally procured projects, but the risks are not transferred to the private party, at least not in full, and not beyond a limited project life. The full transfer of risks motivates the construction company to complete the project on time and on budget, and to deliver services that meet the key performance indicators of the contract (Lee, 2017: 54).

Moreover, Roerich et al. (2014: 114) assert that even though risk transfer plays a crucial role in achieving value for money in PPPs, a number of studies highlight the dysfunctional effects of lengthy and expensive contract negotiation periods, suggesting that there is still no clarity regarding, for instance, the types of risk that can be transferred to the private sector and when they can be transferred. Furthermore, there is limited research exploring risk and benefit sharing between partnering organisations and across the whole PPP project network, despite the repeated observation that (dysfunctional) extended contract negotiation is the direct consequence of risk allocation and quantification at the outset of the inter-organisational relationship.

2.2.7 Success factors

According to Spinelli (2011: 16), the successful implementation of a plan or project is dependent upon vision, resources (both financial and personnel), knowledge (technical competence), ownership (involvement and active participation of stakeholders), and action (actual implementation, monitoring and evaluation of the plan or project). Sharing the same views, Anonymous (2019: 28-29) states that successful PPPs depend on three key issues, namely:

- people to drive and implement the process – the staff with the right political support and training and with access to sufficient funding, located in the right government entities, to drive the project development and implementation process,
- laws that support the process – the rules of the game need to enable the government's efforts, protecting the state and the private sector without overly constraining the project development process, and
- money – for the project development and implementation of many PPP projects, in particular those to be financed by the private sector, government support is key to commercial viability as related to subsidies or access to finance.

Moreover, the key elements for a viable and sustainable PPP are the political will to a legal and regulatory regime appropriate to enable and encourage a PPP; the ability to identify the most appropriate and feasible projects for a PPP; to gather the necessary information, instruct high quality advisers, and empower a robust management team needed to develop the project for the grantor; the development of a viable revenue stream in order to allocate commercial risk while insulating investors from those risks best borne by the grantor or the government; and the mobilisation of financial resources so as to provide the project with the investment it needs (debt and equity) to satisfy its funding needs, from initial capital expenditure to major maintenance and working capital requirements (Anonymous, 2019: 28-29).

Correspondingly, Manhica (2021: 7) affirms that PPPs require the backing of regulatory quality, market consistency, socio-political will and strong governance and institutional indicators to reach their long-term goals. Moreover, Reich (2002: 10) identifies the 7 Cs needed to ensure successful and sustainable collaborations in projects as follows:

- ✓ Clarity of purpose
- ✓ Congruency of mission, strategy and values
- ✓ Creation of value
- ✓ Connection with purpose and people
- ✓ Communication between partners
- ✓ Continual learning
- ✓ Commitment to the partnership

Some scholars go further by emphasising that PPPs in healthcare are not self-administering, but they require a strong and competent government to manage them and to restructure policy-making processes capable of adjusting to the existing institutional framework (Manhica, 2021: 7).

Drivers for successful PPP projects include the availability of both human and financial resources, a comprehensive legal framework and policies, clear vision strategies and values, the commitment of all key players, as well as strong governance indicators.

2.3 HEALTHCARE

2.3.1 Understanding healthcare systems

Brown (2006: 2) states that health governance has traditionally been the domain of national and sub-national governments. Governments organise and regulate their health systems, and where necessary, coordinate with international organisations, such as the World Health Organization, for the purposes of monitoring and controlling health and disease within their boundaries. However, healthcare systems are burdened by various health and disease endemics such as HIV/AIDS, malaria, and tuberculosis.

Furthermore, governments globally are trying to meet the increasing demand for healthcare services while dealing with increasing healthcare costs. Since 2000, global health expenditure more than doubled, reaching US\$7.4 trillion in 2013. When compared to 2012, health spending grew by 2.5% in 2013, thereby accounting for 9.8% of the global gross domestic product (Lang, 2016: 33).

2.3.2 The need for PPPs in the health sector

Improving human health and development is a complex task that needs the collaboration of multiple sectors to solve service delivery challenges. Tobias (2020: 5-6) states that Sustainable Development Goal 17 (SDG 17) advocates for countries to encourage and promote effective public, public-private and civil society partnerships in all areas, including health, building on the experience and resourcing strategies of partnerships. The drive for partnerships in the health sector is prompted by three issues: a shift in philosophy about the roles of the private and public sectors; a recognition by both the public and private sectors of their interdependence; and a better understanding of how each party can gain from the partnership.

In developing countries, the recent rise of PPPs in healthcare systems has been initiated by two prominent issues: a need for the improvement of healthcare delivery services and the reduction of government budgetary constraints. Health systems in developing countries mostly are poor. Recent studies by various scholars identified insufficient budgetary allocation to health as the major challenge for healthcare services in Sub-Saharan Africa. In addition, the contribution of governments in developing nations for healthcare is very low compared to advanced economies (Manhica, 2021: 20).

Moreover, Tobias (2020: 5-6) argues that PPPs have the ability to tackle health threats that governments fail to resolve on their own because PPPs enrich the capacity, quality, and reach of public health services; help to put health in all policies; improve self-regulation; PPPs promote sustainable business models that allow innovation in more health designs and the contents of products; and transfer risk in relation to infrastructure and service delivery to the private sector resulting in the state realising better value for money.

Moreover, partnerships supply resources to national and global health governance in the form of drugs, supplies, services, or funds; partnerships also supply skills, expertise, and management to health interventions. For instance, the African Comprehensive HIV/AIDS Partnership (ACHAP), a partnership between the Bill and Melinda Gates Foundation and Merck Foundation, has provided training to over 500 government, NGO and other actors in project development, monitoring, evaluation, proposal development, media training, and computer skills, as well as training for over

1200 health care workers. ACHAP reports that over 12 000 people have been enrolled into the national anti-retroviral treatment programme. In addition, partnerships such as the Mectizan Donation programme have contributed to the eradication of blinding onchocerciasis (Brown, 2006: 4).

2.3.3 Types of PPP projects

Despite wide variability in PPP structures and participating stakeholders, PPPs in the health sector typically fall into one of three categories: health services, health infrastructure, or an integrated model of the two as shown in Table 3 below (International Finance Corporation, 2019: 2-3):

Table 3. Categories of PPPs in the health sector

<i>PPPs in the health sector</i>			
PPP Model	Common Term	Definition/ Explanation	Examples
Health services	Operating contract, performance-based contract (concession, lease)	Private party provides publicly funded health services in a publicly owned facility.	General hospital services, specialized services (i.e., dialysis), diagnostics and imaging, package of essential services
Health infrastructure	Design, build, finance, operate, maintain (DBFOM); build, own, operate, transfer (BOOT); UK PFI model	A public agency contracts a private party to provide a facility, with health services within the facility usually provided by the public sector.	General hospitals, primary and tertiary care clinics
Integrated model (services + infrastructure)	Twin accommodation, clinical services joint venture, franchising, PFI+	A private party builds or leases a facility and provides free or subsidized health services to a defined population.	General hospital and services, laboratories and lab services, primary care centers and services

Source: International Finance Corporation (2019)

Sharing similar views, the World Bank Group (2018: 6) elaborates on different PPPs within the health sector globally and provides country examples for clarity, as shown in Table 4 below:

Table 4. Different PPPs within the health sector globally

<p>Non-clinical Services</p> <p>Contracting out works and services such as IT services, cleaning, catering, maintenance, waste management etc.</p> <p><u>Country examples:</u> global</p>	<p>Management Contracts</p> <p>Management of hospitals or networks of hospitals and/or clinics</p> <p><u>Country examples:</u> Brazil, Lesotho, India</p>	<p>Infrastructure PPP (PFI)</p> <p>Contracting a private provider to design, build and manage facilities</p> <p><u>Country examples:</u> UK, Spain, Italy, Mexico, South Africa, France, Australia</p>
<p>Clinical Services</p> <p>Contracting out services such as dialysis, radiotherapy, day surgery etc.</p> <p><u>Country examples:</u> Romania, Peru, UK, India, Bangladesh</p>	<p>Clinical Support Services</p> <p>Contracting out support services such as laboratory and radiology diagnostics, ambulance services, supply chain management</p> <p><u>Country examples:</u> Global</p>	<p>Infrastructure and Services PPP</p> <p>Contracting a private provider to design, build, and manage facilities as well as deliver clinical services</p> <p><u>Country examples:</u> Portugal, Lesotho, Spain, Turks, Caicos, India</p>

Source: World Bank Group (2018)

2.3.4 Challenges of PPPs

In the context of healthcare, arguments against PPPs include that alliances between the public and private sectors are characterised by conflicts of interests that become difficult to resolve when the products or services provided by the private partner are harmful to people's health. Second, collaboration in health promotion is said to confer legitimacy and credibility to industries that may be harmful to people's health, damaging the credibility of public health institutions. Third, public-private interactions are considered to potentially lead to institutional capture, such as when companies influence governments to undermine regulatory measures to protect a population's health, including by regulations relating to tax. Fourth, in many instances, governments and/or health sectors lack the capacity to run competitive procurements, to write complete contracts, and to budget for them, which may generate risks for public

budgets and providers. Moreover, an evaluation of various PPP projects both in high- and low-income countries has revealed that PPPs are costly and difficult to manage by the public sector (Tobias, 2020: 6).

Similarly, Ozorhon et al. (2021: 141-145) state that PPPs in the health sector in many developing democracies are marred by:

- ❖ lack of institutional capacity – there are no mechanisms to assure the proper commissioning and monitoring of PPP projects;
- ❖ lack of a legal framework aligned with internationally accepted laws;
- ❖ lack of proper risk allocation evaluation especially during the planning and bidding stage, which requires proper, complete, and certain bidding criteria;
- ❖ lack of environmental and social impact assessment of the public party appears as a risk in both the pre-planning and financing phases of PPP projects;
- ❖ lack of a long-term view of project planning;
- ❖ lack of competitors in both numbers and good qualifications;
- ❖ lack of a clean land permit and project-related licence processes;
- ❖ lack of bankable payment mechanisms;
- ❖ lack of proper contract management; and
- ❖ lack of proper deduction performance.

Although PPPs are recognised as the best strategy to accelerate the delivery of high quality services to the public and to promote competitiveness, the continuing challenges compromise states' capabilities to provide health services effectively and efficiently.

2.4 CONCLUSION

It is a widely known fact that most low developing countries, especially on the African continent, struggle with poor service delivery. This is often due to reasons ranging from the lack of human and financial resources to corruption, poor infrastructure, and low investor confidence. In a bid to address these problems and build state capacity, many countries (including Lesotho) have opted to embark on PPP projects such as the Queen 'Mamohato Memorial Hospital project upon which this study is based.

This chapter provided the theoretical perspective on building state capacity through PPPs in the health sector in Lesotho. From the discussion it can be concluded that capacity development is the backbone of peace building, good governance, and state building in any nation. In Lesotho's healthcare context, failure to run competitive procurement and to properly cost the project, the non-existence of a legal basis (a PPP Act) to inform decision-making and enforce rules, and limited capacity to plan, procure, manage and pay for the contract point to the importance of effectively building state capacity for optimum results.

The Lesotho healthcare sector hospital project was undertaken to improve certain areas, such as infrastructure, the quality of healthcare services, case management systems and human resources. These goals were achieved, to a certain extent, even though many areas of the healthcare sector still need intensive work to achieve further improvements.

Moreover, PPPs can tackle complex issues within various sectors, including the healthcare sector. They are perceived as governance tools, which can accelerate public service delivery, but they might offer an unexpected and unwelcome outcome if public and private entities do not create a conducive environment. It is also clear that the concept of building state capacity mandates proper planning and meticulous implementation by the public sector.

CHAPTER THREE

BUILDING STATE CAPACITY IN PPPs IN THE HEALTH SECTOR: LESOTHO CASE STUDY

3. Introduction

The Kingdom of Lesotho is a tiny mountainous country, which is entirely landlocked by the Republic of South Africa. It has an estimated population of 2.2 million.

Lesotho has faced a healthcare crisis for decades now. Recent studies indicate that Lesotho has the second highest HIV prevalence and the highest incidence of tuberculosis in the world. According to the World Health Organization, Lesotho is facing formidable health challenges, including low coverage of essential public health services and weak public health institutions (World Bank Group, 2016: 1). Downs et al. (2013: 7) add that the Lesotho healthcare system is mostly publicly funded (61% of total health expenditure, 57% public hospitals), and healthcare spending represents 11.1% of the country's GDP.

According to Lang (2016: 42), consequent to the above circumstances, the GoL implemented a health sector reform programme in the late 1990s. This reform, in its first phase, aimed at strengthening the Ministry of Health to develop and implement a health sector programme and to enlarge the national health capacity to tackle the HIV/AIDS pandemic. Downs et al. (2013: 7) reported that in 2000 it became apparent that the national referral hospital and district hospital for Maseru (Lesotho's capital), Queen Elizabeth II, required replacement. After conducting a feasibility study and evaluating multiple alternatives, the GoL elected to proceed with a PPP solution for the hospital replacement. In 2005, the GoL implemented the second phase of the reforms by embarking on a PPP to replace the dilapidated Queen Elizabeth II, build a new filter clinic, and upgrade three other primary care clinics. Lang (2016: 42) states that the hospital and filter clinics would constitute a new health district that supported integrated care provision to enhance efficiency and to nationally expand healthcare access. Together, these health centres would provide care to more than 25% of Lesotho's population. The building of a larger state-of-the-art health facility promised to lessen the burden that had weighed down Lesotho's healthcare system for a long

time. The hospital would be equipped with the latest technology, as well as be staffed by various medical specialists. This therefore meant that the GoL would be able to cut down on the costs of sending its citizens to South Africa and other countries abroad, such as India, for specialised medical treatment. The newly improved filter clinics would also offer some services which were initially only available at the old Queen Elizabeth II Hospital. Thus, the number of patients being referred to the main hospital and the backlog of patients who needed certain services would decrease significantly. In a study conducted by Downs et al. (2013:7), it was found that the GoL greatly expanded the scope, quality, and volume of services available through the new national referral hospital, with a 7.5% increase in annual operating costs when compared to the old Queen Elizabeth II Hospital. User fees at Queen 'Mamohato Memorial Hospital were equal to fees at other public hospitals, so patients paid no more for significantly improved care at Queen Mamohato 'Memorial Hospital, which was accessible by referral only.

This chapter will present a detailed account of the Queen 'Mamohato Memorial Hospital PPP project, including:

- ✓ the legislative framework
- ✓ the contents of the contract
- ✓ the objectives of the project
- ✓ the type of PPP model applied in the project
- ✓ the PPP process and its governing principles
- ✓ the role of the development partners
- ✓ risk management
- ✓ contract management plan

3.1 CASE STUDY– PPP in the health sector

This section focuses on the Queen 'Mamohato Memorial Hospital PPP project, as the case study of this research.

According to the World Bank Group (2016: 2), PPPs are described as long-term contracts between a private party and a government agency, for providing a public

asset or service in which the private party bears significant risk and management responsibility. Downs et al. (2013: 4) state that PPPs are characterised by the long-term nature of the contract (typically 20+ years), the shared nature of the investment or asset contribution, and the transfer of some risk from the public to the private sector. These features distinguish a PPP from other contracts existing between governments and the private sector, which might not be considered PPPs. PPPs provide governments with alternative methods of financing, infrastructure development, and service delivery. Historically, governments have engaged the private sector to deliver services through healthcare PPPs to achieve one or more of the following six functions:

- ✓ Finance – financing or co-financing of the project,
- ✓ Design – design of the project, including the design of the infrastructure and care delivery model,
- ✓ Build – construction or renovation of facilities included in the project,
- ✓ Maintain – maintenance of hard infrastructure (facilities as well as equipment, as applicable),
- ✓ Operate – supply of applicable equipment, IT, and management/delivery of non-clinical services, and
- ✓ Deliver – delivery and management of specified clinical and clinical support services.

Most facility-based PPPs bundle these functions into three models:

1. Infrastructure-based model – to build or refurbish public healthcare infrastructure,
2. Discrete Clinical Services model – to add or expand service delivery capacity, and
3. Integrated PPP model – to provide a comprehensive package of infrastructure and service delivery (The Global Health Group, 2018: 12).

In the case of Lesotho, the integrated PPP model was adopted. Downs et al. (2013: 5) advance that PPIPs are a special form of PPP, designed to achieve significant and sustainable improvements to health systems at national or sub-national levels through both capital investment and service delivery. These authors (2013) further explain that PPIPs position a private entity, or consortium of private partners, in a long-term

relationship with a government to co-finance, design, build and operate public healthcare facilities and to deliver both clinical and non-clinical services at those facilities for a long-term period. The GoL and a consortium assembled by Netcare (also known as Ts'epong) entered into a PPP in which Ts'epong was responsible for the construction of the hospital and three filter clinics, including service delivery. As stated by Webster (2015), the World Bank, which helped Lesotho negotiate financing for this PPP model, said that the Queen 'Mamohato Memorial Hospital project served as a model for PPP financing for healthcare facilities and services in other low-income countries. This is a concept which World Bank officials currently promote in other countries, including Myanmar, Nigeria, and Tunisia.

Although the Lesotho healthcare PPP model has been widely commended for being one of the best in the world and for being a point of reference for other low developing countries that may want to consider PPPs in public healthcare in future, it has not been smooth sailing. For instance, to date, Lesotho has still not enacted specified laws governing PPPs. Consequently, the legality of PPPs is reliant on general public procurement laws, the 2017 PPP Policy, and contractual laws. The absence of specific legislation has given rise to problems, such as the non-establishment of the PPP Unit and no guidelines or stipulated legal provisions for the resolution of disputes that may arise in PPPs. A clear example of these disputes is the disagreement between the GoL and the Netcare consortium (Ts'epong), which led to the abrupt termination of Ts'epong's contract in 2021. Lesotho's public healthcare PPP also faced other challenges, such as non-compliance with contractual obligations, spiralling costs (construction and service delivery fees), the government's failure to keep up with payments, ambiguous contractual terms, and lack of proper monitoring of the contract by the government.

3.1.1 PPP establishment in Lesotho's healthcare system

Lesotho's healthcare system has faced various unresolved service delivery challenges since the country's independence in 1966. Mwase and Takondwa et al. (2010: 1) highlight that Lesotho has embarked on significant health reforms in recent years to strengthen human resources and institutional capacity, improve service delivery and

the coordination of donor, as well as to increase health financing. Lang (2016: 42) states that Lesotho has been battling high HIV infections, high infant mortality, under-five mortality, and maternal mortality since the 1990s. The GoL has implemented various reforms to overcome this crisis. Thus, the second reforms in 2007 focused on replacing the 100-year-old Queen Elizabeth II Hospital, which was marred by poor infrastructure, poor service delivery, a lack of employees, poor management systems (between 1995 and 2000 operational budgets increased by 50%, while service volumes and quality decreased), and poor hygiene standards by a new referral hospital called the Queen 'Mamohato Memorial Hospital. Moreover, Lang (2016: 42) states that the Queen Elizabeth II Hospital was considered unsustainable due to the ever-rising cost of operations (the annual cost for the Hospital had increased from 80 million Maloti in 2004 to 185 million in 2009). This therefore gave the GoL reasons to explore new ways of healthcare provision. Having conducted a feasibility study and explored other options for the project, in 2005 the government decided to request advice from the International Finance Corporation (IFC) on the design and implementation of the new hospital and decided to proceed with the new project.

The Lesotho PPP model was the first of its kind in Africa. The government implemented a PPP model to build a state-of-the-art 425 bed national referral hospital to replace its dated main hospital. This pioneering PPP served as a model for increased private sector participation in Sub-Saharan Africa's overburdened health sector. In addition to the hospital, the project included an adjacent gateway clinic, the renovation of three strategic filter clinics, and the private management of facilities, equipment, and delivery of all clinical care services for 18 years. It also included a clinical training component to improve the availability of well-trained healthcare professionals (Thandani, 2014: 309).

Downs et al. (2013: 7) state that following a competitive tender process, Ts'epong (Pty) Ltd, a consortium comprised of the private South African hospital operator Netcare and various local partners, was selected as the preferred bidder and ultimately contracted with the GoL. The PPP contract aimed at providing new healthcare facilities, alongside a range of primary, secondary and tertiary care, was signed in October 2008 by the Ministry of Health and Ts'epong. Key issues noted during the signing of the contract were the following: the upfront capital cost of the project was estimated to be M1.165 billion (US\$84 million in 2007 dollars) (Table 2); construction

was to last two years and be followed by a 16-year operational period in which Ts'epong would maintain the facilities and manage all clinical and non-clinical services; Ts'epong would receive a 'unitary fee' from the government, set to cover all expected operational costs plus a return to debt and equity throughout the tenure of the contract; the fee was set at M255.6 million (US\$18.4 million in 2007) during the contract; use of the facility would be free for patients, except for a small co-payment for some services, 90% of which would transfer to the Ministry of Finance; the contract required both the government and Ts'epong to contribute to the upfront capital costs; and, public capital of M400 million was provided and private capital of M765 million financed the rest (Helowell, 2019: 1-3). Lang (2016: 52) offers a summary of the contract between the GoL and Netcare in the table below:

Table 5. Overview of key project terms and specifications

Table 6 - Overview of key project contract terms and specifications

General terms	
Type of contract	Public-Private Integrated Partnership
Duration of contract	18 years
Contracted patient volume p.a.	- min. 258,000 outpatients, 16,500 inpatients
	- covered in unitary payment: 310,000 outpatients, 20,000 inpatients
	- treatments above coverage: +M50 per inpatient / +M8,326 per outpatient
Specifications of health facilities	
Number hospital beds	425 (thereof 390 public and 35 private)
Surgical theaters	8 major procedure rooms, 1 minor procedure room
Area of health complex	29,000m ²
Affiliated clinics	3 filter clinics (off-site); 1 gateway clinic (on-site)
Financial specifications of PPP contract	
Total CAPEX	M1.29 billion (US\$153.1 million)
thereof public funds	M484 million (US\$57.7 million) (37.7%)
thereof private funds	M804 million (US\$95.4 million) (62.3%)
Unitary payment p.a.	M255.6 million (US\$30.3 million)
NPV of project cost (interest 9.5%, 18 years)	>M2.2 billion (US\$256.8 million)
Key project stakeholders	
Public sector sponsors	Government of Lesotho
	Development Bank of Southern Africa (provision of loan to Tšepong)
	Global Partnership for Output-Based Aid (grant for service delivery)
Private sector sponsor consortium	Netcare Ltd. (40%)
	Excel Health (20%)
	Afri'nai (20%)
	Woman Investment Company (10%)
	D10 Investments (10%)
Project certification and monitoring	PD Naidoo and Associates (independent certifier)
	Turner and Townsend (independent monitor)
Subcontractors	Netcare Hospitals (facilities management, clinical services)
	RPP Lesotho (facilities construction and refurbishment)
	Botle Facilities Management (hard facilities management)

Source: Lang (2016)

3.1.2 Legislative framework of PPPs in Lesotho

Currently, Lesotho does not have any specific laws dedicated to PPP. However, the government has taken deliberate steps to strengthen its PPP framework by better regulating and prioritising PPPs, such as by introducing its 2017 PPP Policy. This policy is regarded as a forerunner to more specific legislation which will set out guiding

principles pertaining to PPPs and establish an agency dedicated to PPP oversight (Infrascope, 2019: 1). It is worth noting that there are other applicable sectoral laws, such as the Public Procurement Regulations (PPR) 2007 and the Public Procurement Amendment Regulations (PPAR) 2018. These are the general public procurement laws under which existing PPPs in Lesotho operate. The Public Policy and Advice Division is responsible for the public procurement system and policy. There are no provisions related to PPP or concessions in the PPR and PPAR. The PPR and PPAR both highlight the 2017 PPP Policy's prescription of PPP modalities and processes. Thus far, there is no PPP unit. PPPs are administered by the Ministry of Finance and Development Planning in association with relevant line ministries.

While Lesotho is still lagging in terms of enacting enabling legislation for PPPs, the 2017 PPP Policy presents recommendations for specified legislation, the establishment of a PPP Unit, and a schematic framework for PPP operationalisation. Among other things, the 2017 policy lays out recommendations for environmental compliance with Lesotho's 2008 Environment Act. The Act sets out requirements for an environmental impact study, which apply to any Greenfield infrastructure project. The environmental study aids in guaranteeing the environmental viability of any PPP project. The PPP Policy, together with the PPR and PPAR public procurement regulations, set the tone for the enactment of legislation specific to PPP. When the legislation is finally enacted, it is believed that it will facilitate a better-enabled setting for PPPs; thus, eradicating most prevailing institutional framework challenges and contractual disputes. It must be noted however that the absence of specified legislation and a PPP Unit has had a negative impact on the implementation of this project. Reporting their findings, Downs et al. (2013: 7) pointed out that delays in establishing PPP Units in the government and strengthening the government's contract management capabilities were key implementation challenges of the Queen 'Mamohato Hospital project.

3.1.3 Objectives of the Queen 'Mamohato Memorial Hospital PPP Project

The GoL decided to undertake the Queen 'Mamohato Memorial Hospital project as a PPP so that they could tap into the financial resources and expertise of the private sector. Thus, this option prevented the GoL from solely being burdened with the entire

construction cost of the project, while sharing the financial and operational risks of the complex healthcare system with the private sector. Lang (2016: 43) points out that because of fixed periodical payments to the private sector, the PPP allowed the government to spread the project costs over the project lifetime, thereby giving the government better predictability for payments from its health budget. Through the engagement of the private sector, the government further attempted to leverage the experience and technological expertise of the private sector to provide for better quality of health services and to increase the volumes of healthcare provision to the people of Lesotho.

Mwase and Takondwa et al. (2010: 72-77) state that PPPs would not only curb the uneven decentralisation of health services but also achieve a sustainable increase in access to quality prevention, curative and rehabilitative health care system in Lesotho. Lang (2016: 43-44) further indicates that other objectives included the reduction of the average length of a stay at the referral hospital, as well as better out-patient care and improved transportation services. Intensive and sustained project management, as well as efficiency gains in service provision were seen as the main drivers for making the project less costly and more sustainable, thereby increasing the compensation and education of staff members, while providing all services under the umbrella of cost neutrality for the patient, meaning that there would be no increases in out-of-pocket costs. More efficient management of the health facilities, as well as streamlined regulation and monitoring processes by the Ministry of Health constituted another key objective of the PPP. For this reason, the GoL decided to introduce the IFC and other third parties to the project, such as Boston University, which helped in carrying out the baseline and endline study of the PPP, to establish challenging but achievable performance indicators for the private sector and to help to develop contract management processes. Downs et al. (2013: 7) put forth that the project placed particular emphasis on health system strengthening and local economic development and, if successful, could provide a template for similar projects in future.

Local Economic Empowerment (LEE) or Local Economic Development (LED) was considered a critical additional success factor of the project. For this reason, the GoL set the objective to relocate the former Queen Elizabeth II staff to the new health facilities. Additionally, the Ministry of Health was committed to provide for clinical

training to its own employees but also other health professionals in the country, while introducing local entrepreneurs and promoting female empowerment. Besides the goals mentioned above, the Lesotho New Hospital PPP project was expected to function as a starting point to reform the entire health sector of the country and to drive economic growth. By introducing a state-of-the-art healthcare complex in the capital Maseru, the GoL expected positive spillover effects to other health facilities in Lesotho. Moreover, if implemented successfully, the Greenfield project would provide for a best practice example on the African continent, thereby attracting increased foreign investment to the healthcare sector of Lesotho (The Global Health Group and University of California, 2010).

3.1.4 The PPP model applied in the healthcare sector in Lesotho

According to Axelsson et al. (2003:5), a PPP in the healthcare sector is an approach to address public health (and social development) problems through the combined efforts of public, private, and development organisations. To address these problems, governments often enter into partnerships with private development partners. These partnerships vary in nature depending on the issues which the purported PPP project seeks to address. What ailed the healthcare sector in Lesotho ranged from poor infrastructure, the mismanagement of financial resources, and a lack of specialised healthcare services. This therefore called for the implementation of an all-encompassing healthcare PPP model.

Lang (2016: 36) asserts that a clear categorisation of PPP in the healthcare sector is often difficult to establish. This is the case because PPPs are complex collaborations of multiple parties, which have different incentives and objectives. Moreover, PPPs frequently integrate several different purposes into one single endeavor. Nonetheless, a categorisation of healthcare PPPs could help the public and private sectors to better align their incentives and to foster better coordination and understanding. Furthermore, it would simplify the complex process of categorising PPPs into different sub-groups thereby promoting a standardisation of best-practice activities, as well as required capabilities and common risks (Nlitchcll, 2000).

The PPP model applied in the Queen 'Mamohato Memorial Hospital PPP project classified as an Integrated PPP model, and it was the first of its kind to be implemented in a country on the African continent. This type of PPP model seeks to provide a comprehensive package of infrastructure and service delivery (The Global Health Group, 2018: 12).

3.1.5 Principles governing the PPP process

The principles set out to guide the PPP process in Lesotho are intended to ensure that:

1. The PPP guiding principles are effectively and consistently applied.
2. Government resources available to develop and implement PPP projects are used efficiently, by implementing first the highest priority projects that will deliver the most value.
3. All PPP projects are properly developed and evaluated, and meet the criteria set out in the Policy. Besides, the PPP project also undergoes a preliminary review and clearance by the PPP Unit prior to submission to the Ministry of Finance for final review, clearance, and approval.

Thus, the project receives the final approval of the Ministry of Finance prior to financial closure (PPP Policy, 2017: 19).

3.1.6 PPP PROCESS

The success of any PPP project is greatly dependent on proper planning and structuring before implementation, diligently carrying out the project objectives, and accurately managing the project through its course. Lang (2016: 24) points out that breaking down PPP projects in smaller parts could significantly simplify the process and could help to achieve efficient and effective partnerships between the public and private sector. In this process, the government first identifies the need for various infrastructure projects before selecting the projects that have the largest positive impact on society. After the project preparation, the government pre-selects a number

of bidders and requests proposals from them for the project. In the next step, the government selects a preferred bidder, with whom it closes the financial contract. Once the contract has been signed, the government's role is to regulate and monitor the service provision undertaking throughout the lifespan of the contract. In the case of the Queen 'Mamohato Memorial Hospital project, Downs et al. (2013: 7) reported that independent monitors were appointed to evaluate the quality of both the construction and operations phases, and formal structures were established in the PPIP contract for joint oversight by Ts'epong and the GoL.

Vian et al. (2015: 163) identified some unique features of the Lesotho PPP model, which yielded positive results. These authors (2015: 163) stated that certain characteristics of the PPP model appeared to be necessary for facilitating conditions that allowed the kinds of improvements observed in Lesotho. These included allowing the private sector partner to assume responsibility for managing personnel, which enabled the PPP the flexibility to add posts, change pay scales, and discipline, reward, and dismiss people. In addition, the use of a contract model with performance requirements was an important distinguishing characteristic of the partnership. For example, the private contractor was required to win and maintain external accreditation of the clinics and the Hospital, which Ts'epong achieved in May 2013 and November 2013, a goal that had eluded government facilities since 2006. In addition, Vian et al. (2015: 163) reported that another distinguishing characteristic of the PPP model was that Ts'epong had equity at risk, unlike a simple management contract for a government facility. This gave the private partner an enduring interest in seeing the venture succeed. Long-term contractual arrangements were designed to assure that the facilities were adequately maintained, and evidence was seen of increased attention to maintenance in the Lesotho PPP. Finally, the involvement of a private sector partner was critical to promote innovative changes in management systems (e.g., procurement and medicines supply and information technology).

According to Lang (2016: 25), from the viewpoint of the government, the PPP life cycle can be divided into the three main phases:

1. Project selection and preparation which involves:
 - ✓ Definition of the priorities and the aims of the possible PPP programme,

- ✓ The identification, evaluation and selection of projects, and
 - ✓ Preparation of the PPP engagement, including a definition of the responsibilities, as well as the performance and financing measures.
2. Procurement: Issuance of a tender notice with pre-qualification criteria, the short-listing of bidders, the selection of a winning bidder and the closure of the contract.
3. Contract management, which includes:
- ✓ Facilitation of communication amongst the parties,
 - ✓ Supervision of the fulfillment of the contractual responsibilities of the private party,
 - ✓ Application of the relevant remedies of the penalties, and
 - ✓ Termination of the contract.

Throughout the entire process, it is imperative that the government plays a holistic role in developing, implementing and supervising the PPP project. It is equally important for the public sector to not only select a contracting party, but a partner, and implement clear and transparent processes and responsibilities (PPIAF, 2011: 12). This viewpoint is emphasised by Faisal (2016: 26) where he explains that in PPP projects, the government initially plans the project and offers it to the private sector. Investors can either accept or reject the offer. Since governments plan the project, they are the informed party and act as the first mover. Most infrastructure projects involve dealing with multiple ministries. Therefore, it is important that the different ministries plan the project in a coordinated manner and develop the project properly. Failure in project development can create reputational damage for the government who sells the right to implement the project to the private sector.

The above stages of the PPP process are also reflected in Lesotho's 2017 PPP Policy. As illustrated in Table 5 below, the Lesotho PPP Policy (2017: 14) lists the four key stages of the PPP process in Lesotho as follows: concept note and project proposal; detailed feasibility study and PPP structuring; procurement and transaction; and lastly, contract management. In all the stages, inputs of the project are to be reviewed by the PPP Unit before approval can be issued by the Ministry of Finance.

Table 6. Four stages of the PPP process in Lesotho

No.	Stage	Content and Objective
0	Concept Note and Project Proposal	Concept Note and Project Proposals to be approved by PSIC include a needs analysis and identification of proper assets and services to meet the appraisal criteria defined in the PSIC Guidelines issued by the Ministry of Development Planning.

I	Detailed Feasibility Study and PPP Structuring	Design and develop viable PPP options and conduct the necessary detailed pre-feasibility or feasibility study with the objective of determining whether a proposed project is both financially viable and in harmony with the development objectives of the Government of Lesotho. The MoF will review, approve and decide on the project's capacity to fulfill the guiding principles set forth in this PPP Policy including, but not being limited to VfM, optimal risk transfer, and affordability.
II	Procurement and Transaction	Prepare the PPP Agreement. Prepare, manage the competitive bidding process and pass through various approval stages.
III	Contract Management	Establish a functioning contract management procedure (including contract monitoring unit or team) which assures a smart path including flexibility and reliability concerning the contractual terms specified in the PPP Agreement

Source: PPP Policy (2017)

3.1.7 Challenges of the PPP project

The major challenges in PPP projects may vary from case to case but are often due to a combination of factors. In the case at hand, Helowell (2019: 1) states that different shortfalls surfaced during the evaluation of the project in 2013. They were noted as follows:

- ✓ At the contract's halfway point, the quality of services delivered was relatively high, but the costs to the government were higher than they had initially been predicted.
- ✓ The Ministry of Health had limited capacity to plan, procure, manage and pay for the contract, undermining its ability to meet wider health system objectives.
- ✓ The policy actors that promoted PPPs failed to ensure that proposals were subject to independent challenge considering the domestic capacity to manage complex contracts.
- ✓ The unavailability of a PPP Act to guide decision making.

Various indicators were selected to evaluate the performance of the project. However, it was found that:

- 1) Once the PPP agreement was signed, the indicators and targets were not adjusted to reflect the specific project requirements and outputs.
- 2) The indicators did not adequately differentiate between the types and levels of services provided at the facilities. For example, the tertiary orientation of the hospital and some of the indicators, such as post-operative infection rate and outpatient admissions, were not relevant to the operation of the filter clinics, yet it was a requirement that quarterly reports covering all indicators were provided as a condition for payments, even when only the filter clinics were operating before the commissioning of the hospital.
- 3) Project payments were based on a global budget instead of patient diagnoses/cases and were not designed to drive the achievement of clinical outcomes.
- 4) The end-line study revealed many inconsistencies with the quality of data, especially qualitative data, as explained above (World Bank, 2013: 7-8).

Although PPPs enhance the quality of clinical services, weaknesses in the state's capacity to run competitive procurements, write complete contracts, and budget for them proficiently generated risks in the Lesotho PPP project (Helowell, 2019: 6). These challenges led to the termination of the PPP contract by the GoL in 2021.

3.1.8 Risk management

Lang (2016: 21) advances that in structuring a PPP, it is very important to understand the risks associated with such a project. These risks can be regarded as an unpredictable change in the value of the project – for some or all stakeholders – that can arise from certain underlying risk factors. The risks associated with a project vary depending on the nature of the project itself, the assets and services involved, as well as the country or region in which the project is implemented. The assessment of the risks inherent in a project can be carried out either qualitatively or quantitatively. This evaluation is of utmost importance to determine the relative gravity of a risk for all stakeholders involved and to determine which party will bear the cost (or receive the benefit) arising from a certain risk factor. Each risk should be allocated to the party that can manage it best. Therefore, a risk is assigned to the party that can:

- (a) best control the likelihood of occurrence of the risk,
- (b) best control the impact of the risk on the overall project outcome by preparing and responding to it, and
- (c) absorb the risk at the lowest cost.

The allocation and sharing of risks in a PPP project do not mean that the maximum possible risk is being transferred to the private party, but that risks are optimally distributed among the public sector and the private sector. Development partners also help manage the environmental and social risk of PPP projects.

Faisal (2016: 35) asserts that, depending on the project risk, the government may need to share some project ownership with the private sector. Although project ownership does not always equal project control, it fundamentally reflects the administrative responsibility of an infrastructure project. As PPP projects are capital intensive and involve a long contract period, investors must be assured of project quality during the ownership structuring process. After the construction stage, the PPP project starts the operation process. The long-term nature of a PPP project means that the government must manage a relationship with the private investors during the operation stage to address any unexpected project events.

3.1.9 Contract Management Plan

PPP contracts differ from conventional contracts in terms of complexity, financing, risk allocation, duration, and coordination. PPP contracts are more complex in nature as they involve a number of key stakeholders, and they are usually financed wholly or in part by private partners. In these types of contracts, the risk is shared among the stakeholders. The contracts may span a period of 20 or more years; thus, they call for effective communication and management between all stakeholders to avoid conflicts. Based on this description, it is evident that PPP contracts need tailor-made contract management plans, which could address the different facets of these contracts, as well as any disputes that might arise.

According to Lang (2016: 23), contract management in PPP projects includes the following:

- ✓ The facilitation of communication amongst the parties,
- ✓ The supervision of the fulfillment of the contractual responsibilities of the private party,
- ✓ The application of relevant remedies or penalties, and
- ✓ The termination of the contract.

The role of contract management in PPP projects is often the responsibility of the public sector. It is therefore important that this oversight role is carried out diligently so as to avoid a breach of contract or contractual disputes.

3.1.10 Lessons learnt

One of the major lessons learnt from the Queen 'Mamohato Memorial Hospital PPP project is that the public sector often lacks the expertise and experience in the planning and execution of these enormous projects, especially in low developing countries such as Lesotho. The consequences of this shortfall range from imprecise project forecasting and resource scheduling to improper monitoring and evaluation. Lang (2016: 58) also advances another important lesson – that the development of infrastructure often involves vast upfront investment, which could easily reach billions of dollars and pose significant financial risks to an investor. These investments only

generate returns long after being made and are highly irreversible, thus rendering their public justification difficult and the pre-arrangement of funds challenging.

Lang (2016: 58) further indicates that demand forecasting is vital for this type of project. The author (2016: 58) adds that forecasting the right demand is crucial for the future success of any infrastructure project. While PPP project planners generally overestimate the demand for an infrastructure asset, the opposite was the case for the Lesotho New Hospital PPP. The public and private parties considerably underestimated the future need for the health complex, thereby significantly increasing the total cost billed by Ts'epong because of excess payments. This could serve as a valuable lesson for low developing countries planning to embark on PPIP projects in future.

Another vital lesson learnt was that it would take more than one state-of-the-art hospital to reform the healthcare sector and improve the health status of Lesotho's population. While the Queen 'Mamohato Memorial Hospital project undoubtedly improved the healthcare quality of some of the people of Lesotho, the Hospital mostly serves only those people living in the capital of Maseru. The population living in the rural areas barely benefit from the improved healthcare services. Hence, there is still a long way to go before the objectives of the country's health reforms will be achieved. The GoL might have to consider constructing equally equipped hospitals in the Southern and Northern regions of the country to balance the quality healthcare provision scales.

Equally important to note is that the lack of specific PPP legislation gravely affected the outcomes of the contract. There were obvious blurred lines in terms of honouring the contractual obligations between the parties. The non-establishment of a PPP Unit also had a negative impact on the dealings related to the PPP project. Combined these two factors might have been major contributors to the contractual disputes which led to the sudden termination of the contract by the GoL. It would be advisable for the GoL to enact PPP-dedicated legislation before embarking on another major PPP project. Listing some focus areas that needed attention to strengthen Lesotho's PPP enabling environment, *The Economist Intelligence Unit* (2019: 2) emphasised the importance of developing an overall legal and regulatory framework to ensure transparency

around contract termination, penalties and compensation, as well as mandatory disclosure and independent oversight around re-negotiation.

3.2. CONCLUSION

This chapter presented the Queen 'Mamohato Memorial Hospital project case study while examining many aspects of the project, including the legislative framework, the PPP process and its governing principles, the role of the development partners, risk management, contractual management, and the lessons learnt. Even though limited literature has been published on the Queen 'Mamohato Memorial Hospital PPIP project, I hope that the information presented here has captured the most important facets of this case.

To conclude, it is evident that the GoL's high investment in healthcare through the Queen 'Mamohato Memorial Hospital PPP project has not yielded the intended results of improved health outcomes for the population. Lang (2016: 36) advises that an all-inclusive, consultative process should be put in place to finalise the five-year health sector strategic plan and health policy in which the SDGs have been mainstreamed. These strategic health documents will facilitate a coordinated joint stakeholder implementation and review process. Moreover, further analytical work to determine and address the underlying causes of ill health and inefficiencies in the health sector needs to be conducted with support from the UN, health stakeholders and donors, with the GoL leading the process. This should include the evaluation of earlier health sector programmes, including the Health Sector Reform Project Phase 2, supported by the World Bank. In addition, the establishment of a robust surveillance system and contingency plans will help to prepare for, manage, and respond to health emergencies. Finally, strengthening the leadership governance and stewardship role of the Ministry of Health will lead to better management and to accountability for results (Lesotho Country Analysis Working Document, 2017: 6).

Over and above this, Downs et al. (2013:9) acknowledged that the Lesotho PPIP case study was rich with lessons for others considering similar PPP or PPIP initiatives. These lessons included the need to:

- Customise the PPP solution to local healthcare needs, as established in comprehensive baseline or feasibility studies,
- Access broad appropriate expertise, including local knowledge,
- Assign strong project leadership and develop a pipeline of next generation of public and private leaders early on,
- Develop extensive plans and training programmes early in the project effort, and
- Build government capacity for contract management from the outset of the project.

The case study shows the lengths and effort it takes for a low developing country like Lesotho to harness the expertise and financial resources of the private sector to improve the quality of healthcare services being provided to its citizens. While some of the gaps and challenges of the Hospital project are obvious, the country has witnessed significant improvements in its public healthcare sector. Downs et al. (2013: 9) advised that future evaluation and greater availability and transparency of project data would be essential to establish the impact and success or failure of the project.

However, *The Economist Intelligence Unit* (2019: 7) has emphasised that ultimately a PPP should not be the end goal but may be one possible mechanism to reach important health objectives. As governments strive to fill health service gaps, PPPs are increasingly seen across both infrastructure development and service provision in emerging markets. Evidence and opinions vary about the overall efficacy of PPPs, particularly as successful partnerships rely upon a careful balance between risk, true capabilities, and achieving nuanced and sometimes-divergent objectives across different stakeholder groups.

CHAPTER FOUR

AN ANALYSIS OF KEY FACTORS FOR EFFECTIVE PUBLIC PRIVATE PARTNERSHIPS IN THE HEALTH SECTOR

4. Introduction

As a result of the ever-increasing pressures on government budgets, countries around the world have implemented health sector PPPs as alternative methods to service delivery. Through PPPs, governments are able not only to relieve their burdened budgets but also to secure the delivery of quality public healthcare services and incidentally address other persistent health system challenges. The Global Health Group (2018: 5) stated that PPPs provide governments with alternative methods of financing, infrastructure development, and service delivery. It must be noted that the application of PPP models differs according to the particular needs of each country. For instance, in the case of Lesotho, the Queen 'Mamohato Memorial Hospital project was based on an integrated model, which encompassed both the delivery of services and infrastructure. This model included financing, construction, facility operation and clinical services, and it was hailed as having set a precedent for future PPPs in the health sector.

According to Aziz (2012: 1), two common approaches have been used by governments for the implementation of PPPs: a finance-based approach that aims to use private financing to satisfy infrastructure needs, and a service-based approach that aims to optimise the time and cost efficiencies in service delivery. The implementation of PPPs, however, may suffer from legal, political, and cultural impediments. In the United States, the federal government enabled acts to ease the impediments and to promote PPPs for infrastructure development. The successful implementation of PPPs relies on certain factors. Aziz (2012: 1) lists some of these factors pertaining to the availability of a PPP legal framework and implementation units: the perceptions of the private finance objectives, risk allocation consequences, and value-for-money objectives; maintenance of PPPs' process transparency; standardisation of procedures; and the use of performance specifications.

This chapter will present an analysis of best approaches for effective PPPs in the health sector based on (but not limited to) the factors listed below:

- ❖ Comprehensive institutional and regulatory frameworks in 4.1,
- ❖ Investment climate in 4.2,
- ❖ Transparency in 4.3,
- ❖ Contract management in 4.4,
- ❖ Stakeholder engagement in 4.5,
- ❖ Public sector capacity in 4.6,
- ❖ Private sector participation in 4.7,
- ❖ Financing in 4.8,
- ❖ Measuring success in 4.9, and
- ❖ The conclusion in 4.10.

4.1 Comprehensive institutional and regulatory frameworks

According to the World Bank Group's PPP Reference Guide (2020: 1), a PPP framework consists of the policies, procedures, institutions, and rules that together define how PPPs will be identified, assessed, selected, prioritised, budgeted for, monitored, and accounted for; and who will be responsible for these tasks. It is further acknowledged that establishing a PPP framework communicates the government's commitment to PPPs and fosters efficiency in the governance of the PPP programme. It promotes accountability, transparency, and integrity. It also ensures that the selected projects are aligned with the government's development strategy, generate the greatest economic returns for society, and do not expose the government to excessive fiscal risks. It further guarantees that consultation with stakeholders will be systematically undertaken and fair compensation awarded to those who are entitled to receive it. This generates greater private sector interest and public acceptance of PPP programmes.

According to The World Bank Group (2020: 1), in practice, the components of a comprehensive PPP framework are interrelated and typically include the following:

- Policy – articulation of the rationale behind the government's intent to use PPPs to deliver public services, and the objectives, scope, and implementing principles of the PPP programme.

- Legal framework – the laws and regulations that underpin the PPP programme – enabling the government to enter into PPPs, and setting the rules and boundaries for how PPPs are implemented. This can include PPP specific legislation, other public financial management laws and regulations, or sector specific laws and regulations.
- Processes and institutional responsibilities – the steps by which PPP projects are identified, developed, appraised, implemented, and managed, ideally within the Public Investment Management system, and the roles of different entities in that process. A sound PPP process is efficient and transparent, and it is followed consistently to effectively control the quality of the PPP project.
- Public financial management approach – the fiscal commitments under PPPs are controlled, reported and budgeted for, to ensure PPPs provide value for money without placing undue burden on future generations, and to manage the associated fiscal risk.
- Other arrangements – how other entities such as auditing entities, the legislature, and the public participate in the PPP programme, and hold those responsible for implementing PPPs accountable for their decisions and actions.

In the view of Sabol and Puentes (2014: 3-13), a strong legal framework at the state level needs to be created for successful PPPs. This is because PPPs require a sound legal basis to ensure that the public sector has the authority to pursue a deal and it allows the private sector to mitigate unnecessary political risk. According to these authors (2014: 3-13), the legislation must address four key issues:

- 1) authorise state and local agencies to enter into concession and partnership contracts with private entities without a second review by the legislature,
- 2) introduce flexibility for state and local agencies to engage in PPPs for a broad range of project types, not just a single subset of assets,
- 3) accept lowest cost bids which undermine the value for money concept, and
- 4) consider existing legal structures that may undermine the intent of the authorisation.

White (2006: 2) adds that international experience has shown that governments need to set up a firm regulatory framework to ensure that PPPs are a sound alternative for state departments to pursue. The standard drafted by the United Nations Economic

Commission for Europe (2016 :1) sets out that for the successful implementation of PPPs, it is imperative to ensure that PPP policy and legislation is robust and consistent with other policies. The policy and legislative framework for a PPP programme in the healthcare sector should be consistent with the government's healthcare, economic and fiscal policies. While the PPP assessment should provide a clear framework for development, it should not impose too much legislative rigidity early in the programme so that early lessons can be adopted. Moreover, legislative frameworks governing the responsibility for the delivery of public services are complex and restrictive. Over and above this, financial control mechanisms do not anticipate public services being financed and delivered by the private sector. This has created a demand for countries to enact specified legislation to facilitate the delivery of public services by the private sector under a PPP contract (Haarhoff, 2008: 37). For instance, in South Africa, the PPP legislative framework is guided by the Treasury Regulation 16 in terms of the Public Finance Management Act (PFMA) (1 of 1999 as amended by 2 of 1999).

In 2004, the South African National Treasury introduced the Standardised Public Private Provisions in terms of Section 76(4) of the PFMA. These provisions describe issues that are likely to arise in PPPs and how they should be addressed. In addition, there are other laws as well as policies and guidelines dedicated specifically to PPPs in South Africa. All these institutional and legislative frameworks provide an enabling environment for the successful implementation of PPPs. Haarhoff (2008: 40) states that these regulations offer clear guidance on the aspect of the PPP cycle, the identification of projects, and post-implementation guidelines. There are also relevant regulations which deal with affordability and value for money, and the provision of guarantees and budgeting.

In contrast to South Africa, the issue of institutional and legislative frameworks for PPPs in Lesotho is still in its infancy. To date, Lesotho does not have any existing specific PPP legislation, nor does it have a PPP Unit. However, the government has taken deliberate steps to strengthen its PPP framework by better regulating and prioritising PPPs, such as by introducing its 2017 PPP Policy. The 2017 PPP Policy is considered a precursor to more specific legislation, which will codify guidance pertaining to PPPs and establish an agency dedicated to PPP oversight. This PPP Policy is intended to be a guiding framework for procuring PPPs as a modality in

Lesotho government projects, as well as the foundation for dedicated PPP legislation in the future (Infrascope, 2019: 1).

Even though there is no specified PPP legislation in Lesotho, PPPs have been implemented in sectors such as telecommunications, power, and recently in health. In an article published by *The Economist Intelligence Unit* in 2019, it is stated that existing PPPs operate under Lesotho's general procurement laws, the Public Procurement Regulations 2007 (PPR) and its Public Procurement (Amendment) Regulations 2018 (PPAR). The PPR and the PPAR underpin the 2017 PPP Policy's prescription of PPP modalities and processes (Infrascope, 2019: 1).

It must be emphasised that the 2017 PPP Policy is a positive indication of the GoL's commitment towards leveling the playing field for the successful implementation of PPPs in the future. However, the mismanagement of the Queen 'Mamohato Memorial Hospital's PPP was partly because the contract had been based on the general laws of procurement, rather than PPP-specific legislation. When disputes between the government and the private partner arose, it became difficult to solve them to the extent that the contract was eventually terminated before its intended time. Therefore, having a proper institutional and regulatory framework in place is one of the major factors which could contribute to the successful implementation of PPPs in Lesotho.

4.2 Investment climate

For PPPs, the investment climate is largely influenced by the status of a country's legislative framework. According to Haarhoff (2008: 102), it is important to have a good legislative framework because the lack of an adequate framework can adversely affect a country's potential for attracting foreign investment. It can further affect the market's appetite to bid for or finance projects. On the other hand, a solid legislative framework can boost investor confidence in a certain country. Taking South Africa as an example, quoting the PFMA (1999), it could raise healthcare PPP initiatives in the country as it has the highest operational maturity among African countries, including high levels of technical assistance. Moreover, South Africa is the only country in Sub-Saharan Africa with sufficient financial market depth to fully enable PPP financing. "Its banks are well

regulated and well capitalized, there is a large and reliable local market for hedging instruments, and its ability to structure finance is strong,” according to The Economic Intelligence Unit (2015: 10).

Another factor which is crucial to the investment climate for PPPs is political will. The Global Health Group (2018: 35) defines ‘political will’ as representing broad political backing and a clear long-term commitment to private sector collaboration and PPPs. Lack of, or changes in, political will are often the key reasons for project failure and failure to attract private sector interest in PPPs. As stated by The Global Health Group (2018: 34), political will is arguably the most critical enabling condition for PPPs: for example, the cancellation of the PPP development pipeline in Chile in 2014, along with the experience in Lesotho, Spain, and other countries that have, or have tried to implement integrated PPP projects, reveals how changes in political philosophies when a new political party takes over after an election can have a significant impact – up to and including the halting of projects. The private sector will not invest resources and time into bidding for PPP projects if there is uncertainty about public sector commitment and political stability and continuity. As stated by Sabol and Puentes (2014: 14), “Even with all the right financial and legal pieces in place, a poor understanding of the political environment can increase costs, delay the project, or even scuttle a well-structured PPP”.

Changes in political will represent the biggest risk to PPPs and prove the need for public and private parties to ensure strong bipartisan support for the projects over the long run. Manhica (2019: 16) reiterates that political distortion impedes PPP implementation and investment climate. However, the general business environment reforms made by many Sub-Saharan African countries in the last decade have influenced more investor-friendly laws and frameworks. Regulations and macroeconomic stability through investment incentives and ease of doing business have boosted space for PPP in the region. Conversely, political distortion such as corruption, transparency, political instability, violence, and poor governance indicators in general remain a challenge.

Noting a concern from the Lesotho PPIP hospital project, whose contract was terminated due to unresolved disputes, The Economic Intelligence Unit (2019: 1)

reported that the perceived mismanagement of the Queen 'Mamohato Memorial Hospital project in Maseru had reduced public and political support for PPPs, a sentiment some fear could spill over to the use of PPPs in larger infrastructure projects. This in turn had the potential to negatively affect the investment climate for future PPPs in Lesotho. Similarly, Aziz (2007: 920) listed a lack of or discontinuity of public-sector leadership as one of the impediments to the successful implementation of PPPs. Political champions for PPPs may enter and leave office throughout the course of a project, creating uncertainty for the private sector partners. This may have been one of the factors which led to the abrupt ending of Lesotho's hospital project since the country went through two volatile coalition governments in five years.

Based on the above, it can be deduced that a strong legal framework and good political will are essential factors for enabling a healthy investment climate for PPPs. The volatility of the ruling government, a lack of political will, and specific legislation for PPPs cannot be overlooked when considering the factors which might have resulted in the failure of the Queen 'Mamohato Memorial Hospital PPIP project. This might gravely affect investor confidence in future PPP projects in Lesotho.

4.3 Transparency

The Global Health Group (2018: 35) describes transparency in PPPs as supporting a strong partnership with aligned goals. Tactics that help harness trust include an open tender process, third party facilitators, open dialogue, and increased transparency. Transparency and accountability are essential for the success of PPP projects. It is therefore vital for governments to create an enabling environment for proper disclosure in PPPs.

Both public and private entities need a well-defined process to safeguard successful PPP procurement. For instance, the public sector must develop a clearly defined and comprehensive roadmap that highlights a variety of boards, permits, approvals and regulations that apply to the PPP concerned (Sabol and Puentes, 2014: 18).

Fabregas et al. (2017: 1) advance that most development stakeholders agree on the need to foster more open and transparent PPPs to ensure that PPP projects provide quality public goods and services to citizens, and that they effectively contribute to pro-

poor development outcomes. These authors (2017: 1) further noted that PPPs involve a great deal of data and documents, and the information that is often publicly available is generally difficult to interrogate. This challenge can be overcome by providing open data and proactive disclosure; that is, the routine electronic publication of data and information can play a fundamental role in demystifying PPPs, making their content, scope and progress accessible and understandable by everybody, and helping to ensure that they translate into strong and sustainable development outcomes.

The perception of the public in many countries is that the provision of healthcare services falls under a government's tasks. Consequently, the public and politicians are not keen on the idea of healthcare services being provided by private entities. The outcome of this is lack of support for PPPs from the public and politicians, bad PPP publicity and, sometimes, far-reaching consequences such as the cancellation or termination of PPP projects after the appointment of a non-supportive government. The Global Health Group (2018: 38) recommended two measures which could be put in place to avoid and address such resistance:

- Public PPP leadership is advised to be as transparent as possible in its decision making, including engaging stakeholders in, and clearly defining project rationale and associated bidding and contracting terms to reassure the public that their tax dollars will be well spent.
- Other lessons include ensuring a transparent procurement process with well-developed documentation, publicly available and quantifiable criteria, and methodologies for pre-qualification, shortlisting, bid evaluation and award.

The current situation in Lesotho is that there is little to no information on PPPs which is publicly available. The result of this is that support from the public and politicians is absent. This spills over to having a negative effect on investor confidence for PPP projects. In a bid to avert or address the lack of transparency borne from the unavailability of information on PPPs, Lesotho must take lessons from other countries that have mastered transparency in PPPs. In Chile, Honduras and Peru, information on all PPP projects, including tender announcements, contracts and progress reports, can be easily found on public websites. According to The Global Health Group (2018: 38), for countries with less than stable economies, transparency is even more important to build private sector interest.

4.4 Contract management

Contractual terms upon which PPP projects are founded are a fundamental element for the successful implementation of such projects. The ability of the government to manage the said contract is equally important. As defined by The Global Health Group (2018: 35), comprehensive and clear contract terms that incorporate measures to support flexibility can support course corrections and help to ensure that PPPs meet the changing healthcare of the population served. The Economic Intelligence Unit (2019: 2) reports that one of the focus areas for Lesotho to strengthen its PPP-enabling environment should be to develop an overall legal framework to ensure transparency around contract termination, penalties and compensation, as well as mandatory disclosure and independent oversight around renegotiation.

Clear contractual obligations have the potential to facilitate the effective operations of a PPP project, while also playing a crucial role in dispute resolution among concerned entities (Khatleli and Shipalana, 2020: 105). On the other hand, Ahmed, Abdul and ASCE (2012: 926) assert that contract management may reduce the length of time and the cost to negotiate, allow for the consistency of the approach and the pricing of project, while also promoting a collective understanding of the risks involved in a PPP project.

According to The Global Health Group (2018: 40), a PPP project's long-term success depends on the contract's design and flexibility, strong public sector contract/project management skills, and sustained trust between the partners. However, contract management can be a particular challenge, especially as the original conditions set during project planning will evolve over time with changes in health system structure, national or local laws and politics, population health needs, and advances in healthcare technology and medical practices. Over and above having to strengthen public sector capacity in managing PPP projects' contracts, governments often face the daunting task of designing contracts that are firm enough to uphold the objectives of the PPP project, yet flexible enough to allow for the inclusion of the incidental necessary changes during the course of the contract. Due to the ever-changing needs of the healthcare sector, governments, especially those that are novices in the health sector PPP implementation sphere, are prone to encounter contract management challenges. According to The Global Health Group (2018: 40), it is therefore important

that contracts be flexible enough to adapt to such changes, with built-in reassessment points and strong governance structures. An example of a contract which had to be re-designed and re-tendered three years into its ten-year contract is the La Ribera PPP in the Valencia region of Spain. When the project started to experience problems which demanded that certain changes be made, the government that had just come into power and the PPP project partner reached an agreement that the project was not financially or operationally sustainable under its original terms. This led to the tendering of a new 15-year PPP contract, which was specifically designed to address the challenges that had resulted in the cancellation of the initial contract. This new model was deemed significantly more successful from both a financial and patient care standpoint and was subsequently adopted in four other districts in Valencia.

Moreover, besides being crucial for the smooth incorporation of essential changes which may arise during the course of the contract, flexibility in PPP contracts can assist in avoiding disputes or the inability to uphold the contract terms, especially when the changes are due to circumstances outside both parties' control. In a low-income country like Lesotho, which is currently experiencing its most severe economic distress of all time, flexibility in health sector PPP contracts could come in handy during sudden changes in the health system. It is worth noting that flexible contractual terms are not a one-size-fits-all; they are usually tailored to the demands or needs of a certain PPP project, and they may be of any type. For example, to ensure that projects take advantage of rapid advances in technology, many PPP contracts in South Africa require that IT equipment be updated every three years and medical equipment every five years (The Global Health Group, 2018: 40).

4.5 Stakeholder engagement

Stakeholder engagement refers to a concerted effort to engage, clearly communicate with, and educate the public, staff unions, civil society, the media, and other stakeholders about the benefits of the PPP early on and throughout the life of the project (The Global Health Group, 2018: 35). In many countries, PPP projects often face the challenge of hostility from both government employees and the public at large. This is partly due to a lack of understanding of how PPP projects operate. There is often a misconception that when the public sector partners with the private sector, it

essentially translates into privatisation; even more so in countries where there are cases of futile privatisation attempts in the past. Adding to these problems is the lack of public sensitisation campaigns and the dearth of available public documents on PPPs. The solution to addressing these hurdles is broad stakeholder engagement from the inception of the PPP project and throughout its lifespan.

Baxter (2021: 1) asserts that PPP practitioners know firsthand that there are stakeholders involved in projects who they should engage with. Stakeholders in PPP projects include project sponsors, team members, the public/users, experts and outside parties, such as NGOs and civil society organisations, which have different roles to play, are impacted in different ways, and which often have divergent expectations. It is vitally important to engage all these stakeholders as projects do not exist in a vacuum. Baxter (2021: 1) adds that a comprehensive and well executed stakeholder strategic management plan can be beneficial to all. The plan stands to increase project insights, sets realistic expectations of stakeholders, defines roles, increases the productive engagement of interest groups who are well informed, and reduces the risk of conflict or rejection by keeping stakeholders focused on the same goals. Sharing the same sentiments, The Global Health Group (2018: 41) states that throughout project development and implementation, governments and private partners need to educate and communicate openly with the public, civil society, health staff and the media about the intended objectives of the PPP to address questions or concerns and help ease general apprehension. Transparency efforts, including making information available about the bidding and selection process, and ensuring robust communication around facility opening and changes in management, could help mitigate public concerns. Effective communication could help enable continuity across stakeholders and is particularly important due to the long-term nature of PPPs. Countries could support PPPs by ensuring that PPP models include a broad representation and integration of stakeholders in decision-making processes (*The Economist Intelligence Unit*, 2019: 7).

Stakeholder engagement is not limited to community engagement; staff engagement is an integral part of this key factor. The Global Health Group (2018: 42) emphasises the importance of staff engagement by saying that managing the human resource implications of shifting from a publicly to a privately managed facility is especially

difficult, and special attention is needed to identify appropriate measures to engage employees (and unions, if applicable) early on. Engaging staff from the beginning has its benefits. The advantage of managing staff expectations and communicating the implications of them being part of the PPP project is that workplace conflicts can be avoided, and any good management practices such as punctuality, good ethics and professionalism can be accepted and upheld for a long time. Although there was significant improvement in the quality of care and services at the Queen 'Mamohato Memorial Hospital, the much-publicised disputes between the staff and the Hospital management signal improper staff engagement.

Contractual agreements often last for decades and require open and sustained engagement from the public and private sector, as well as the community at large. To ensure a successful PPP over the long term, the public sector should create a staffed monitoring mechanism, design an ongoing engagement strategy with the public, be willing to adapt to project changes, and actively learn from mistakes made throughout the process (Sabol and Puentes, 2014: 22).

According to The Global Health Group (2018: 42), many PPP projects have involved managers and line staff from the existing hospital in the facility design process to inform building layout and workflow. For instance, some hospitals, as in Australia, have included staff in the bid review process. In contrast, in several cases where the staff were not involved in the project design, key design features were missed, resulting in costly post-construction remodels. Proactive investment in communication, change management, training and proper staff orientation are all areas that could help to integrate existing or new staff in the development and implementation of a PPP. With the realisation of the negative results of not properly engaging PPP project staff and having recently experienced the premature termination of the PPP hospital project contract, the carry away lesson for Lesotho should be to invest in broad and comprehensive stakeholder engagement for future PPP projects to ensure their success.

In the case of Lesotho, the Queen 'Mamohato Memorial Hospital PPP project is the perfect example of the consequences of inadequate stakeholder engagement. The Global Health Group (2018: 41) articulates the situation as follows:

The opening of the PPP hospital in Lesotho highlights the downside of insufficient community engagement. In this case, the hospital faced significant negative publicity when it first opened, with local media airing complaints from patients and employees. Although the Ministry of Health and the private partner, Netcare, had disseminated information about the new hospital, patients remained unclear on how to access care (e.g., needing a referral), and whether the hospital was still public or whether it had been privatized. Confusion and resulting long lines as the public tried to access care led to dissatisfaction and backlash against the PPP.

4.6 Public sector capacity

Public sector capacity in PPPs relates to the technical capacity of government personnel in managing PPP contracts, evaluating and monitoring, and having an overall understanding of the technicalities surrounding PPP contracts. A strong public sector capacity to manage PPPs is particularly important, as PPPs require strong contract management from the public sector. This represents a major shift for many Ministries of Health – transitioning from a role of managing facilities and delivering care directly, to one of holding others accountable for delivery, via contract performance management. This shift requires a range of new Ministry skill sets, including contract management, legal, finance, risk management, and monitoring and evaluation (The Global Health Group, 2018: 39). As per Haarhoff (2008: 110), another problem is that the level of PPP project related information is high and often the people who review the process do not have the right skills, and this leads to problems. PPPs need people with financial, legal and project management skills. This is lacking in government departments and thus this leads to unsuccessful PPPs. The problem can be curtailed by ensuring that there is well-trained staff, who are familiar with the PPP process. Ongoing training is also important, and the retention of staff is vital for the success of PPP projects.

Since PPPs are a new phenomenon in most countries in the Sub-Saharan African region, low-income countries such as Lesotho face a public sector technical capacity deficit for PPP project related matters. It is thus critical for such countries to draw

lessons from countries like the UK and outsource external expertise or invest in building capacity across all levels of PPP project personnel before the commencement of the project. To address these capacity gaps, some countries have brought in external expertise, including from the IFC and the UK Department for International Development, to help staff and guide the PPP development process while the country builds up local capacity (The Global Health Group, 2018: 39). The establishment of a unit dedicated to PPPs can also be helpful towards implementing successful PPPs. PPP units comprise of a hub of experts in financial, legal and project management skills related to PPPs. As reported by The Global Health Group (2018: 39), to manage capacity gaps, many governments have established dedicated PPP units to provide technical assistance and project management support to government ministries at both national and provincial levels. These units, which drive policy and develop guidance, employ staff with specific legal and contracting/contract management skills to help ministries coordinate PPP efforts and maximise negotiation strength. Currently, Lesotho does not have a PPP Unit.

According to The World Bank Group (2016: 1), one of the key lessons for Lesotho is the need to build and maintain government capacity to manage PPPs, and to monitor and enforce the terms of the contract. Generally, PPPs do not eliminate, but rather change and intensify, the need for a government's continuous involvement in monitoring performance in service delivery. The absence of strongly improved government capacity coupled with strong private facility and contract management skills creates an imbalance that can lead to misunderstandings, and negative public perceptions about governance or profiteering. Mechanisms to continue monitoring and evaluation for the life of the project need to be established and maintained to ensure improvements in the quantity and quality of services. It is critical in cases like Lesotho to provide continuous support in contract management, especially when government personnel turn over regularly and capacity is lost. The Economic Intelligence Unit (2019: 1) states that with relatively low technical expertise in PPPs, the Lesotho government is still strengthening its PPP environment to match its need for greater private agency in large infrastructure fields, including stipulating PPPs as a legal modality, improving transparency in bid competition, and ensuring accountability in contracting.

4.7 Private sector participation

The successful implementation of PPPs further needs the strength and commitment of a private sector that has the financial and technical expertise and local expertise to address the gaps identified by the government. It has been noted that there is low private sector participation in Lesotho. Governments need the buy in of the private sector to implement successful PPPs. It therefore remains the task of the government to create a PPP enabling environment that has the potential to inspire private sector participation. Implementing PPPs can provide national governments with much more attractive conditions for private investment. In return, the government can gain many advantages from the private investor, such as improvements in operational efficiency, management capacity, technology, and innovation – ultimately leading to better quality public services. For the private sector, participating in a PPP brings revenue from the public sector for using the infrastructure, which is then used to repay borrowing, cover costs, and make profits (Khatleli et al., 2020: 7).

Another benefit of having private sector participation in PPPs, as laid out by Sabol et al. (2014: 10), is that while the public sector brings significant expertise to projects, many private sector firms have access to technologies, materials, and management techniques that exceed the capabilities of an individual government agency or department. PPPs are one way to harness the ideas and breadth of experience the private sector brings to projects by fully incorporating them into the procurement process. In countries which lack operational maturity, like Lesotho, involving the private sector and being trained on new techniques or being exposed to the use of state-of-the-art technology can be beneficial. The private sector can impart much-needed skills to government personnel and this could aid future PPP projects.

Sabol et al. (2014: 3) further state that PPP success requires a proper understanding of what the private sector needs. Strong partnerships are based on finding the right alignment of interests, which is why it is essential to understand what makes a project appealing to private sector investors. While the public sector may identify government sectors or assets which they wish to rescue or revive through PPPs, a careful selection of PPP projects which may be attractive to the private sector is imperative. Haarhoff (2008: 100) confirms this by saying that the ability to identify a potential PPP project is important; it is the responsibility of the public sector to ensure that a PPP project will

deliver value for money and that substantial risk will be transferred to the private sector. Another point made by Haarhoff (2008: 100) is that the pooling of resources is an advantage for PPPs because the public sector and the private sector can benefit from the project. Understanding the needs of the private sector and trying to make projects appealing to their participation also involves making sure that there is proper infrastructure in place in the location of the intended project. For instance, if the GoL were to seek to engage a private partner for a PPP project in one of the remote areas of the country where there are no roads, electricity, or access to clean water, it may be hard to attract such a partner because of the apparent lack of infrastructure.

Private sector participation can also be encouraged by transparency and publicly availing information relating to PPPs. The Global Health Group (2018: 38) points out that since responding to a public bid is costly for the private sector, transparency is important in encouraging private sector participation and boosting confidence that the process will be a fair one. Increased confidence in turn leads to increased competition and the potential for higher quality and more competitive and cost-efficient bids. Examples can be drawn from countries like Chile and Peru where all the information regarding PPPs is available on websites. Making PPP projects' information publicly accessible is even more important in countries with volatile economies to build trust and garner private sector interest.

Regarding transparency and making PPP-related information publicly available, Lesotho is currently failing dismally, and this may deter private sector participation. There is barely any available information on health sector PPPs published by the GoL; even trying to obtain information for the purpose of this study was an uphill battle. Most of the content that has been published is from other sources, such as the World Bank, the Economic Intelligence Unit, and independent researchers.

4.8 Financing

Haarhoff (2008: 100) states that because most PPP projects are long-term projects, they have a capital expenditure implication because they are likely to only be delivered over a period of longer than a year. For this reason, having a healthy and well-organised fiscal space is a key ingredient to the success of PPP projects. The Global

Health Group (2018: 35) is of the view that fiscal space in PPPs refers to a local market for private financing of PPPs and a banking sector that is well regulated and has the capacity and experience to fund PPPs; this includes having risk instruments to protect investments. A major hurdle facing Lesotho and many other African states is their financial institutions' inability to finance PPP projects. Hence, Lesotho and a sizeable number of other African states have looked to external funding to address this problem.

According to Manhica (2019: 17), financial institutions are another relevant component for PPP success. Apart from South Africa, Malawi and Mauritius, many Sub-Saharan African countries have low quality financial institutions. However, "Local markets for private infrastructure finance are slowly developing in the remaining countries, but hedging instruments are less robust, and there is a heavy reliance on external funding," according to The Economic Intelligence Unit (2015: 20). Sharing the same view, Khatleli et al. (2017: 13) affirm that African governments, including Lesotho, have struggled to source financing for their infrastructure projects. These authors (2017: 13) emphasised that while long-standing donor engagement in Africa's infrastructure development and the rising role of China in Africa's infrastructure financing warrants attention, domestic resource mobilisation is essential for fiscal sustainability and African self-sufficiency because it facilitates governments' discretionary spending in pursuit of national development strategies. However, domestic capital markets across Africa remain under-developed, and the African Development Bank's 2017 estimates suggest that financing Africa's infrastructure needs requires \$130 to 170 billion per year, with a financing gap of \$68 to \$108 billion. It remains uncertain whether PPPs can sufficiently tackle the deficit in Africa's infrastructure financing deficit. What is obvious though is the dire need for the strengthening of local financial institutions, as well as putting adequate risk instruments in place.

Khatleli et al. (2017: 7) state that even with blended financing, African countries have struggled to adequately manage and implement PPPs. The World Bank lists only 16 African countries that have legislation dealing with PPPs, while there are even fewer specialised PPP units – only ten are reflected throughout Africa. This is further compounded by the fact that, over the past two decades, most PPP projects (60%) have occurred in predominantly middle-income countries (MICs), 37% in lower MICs,

and only 4% in lower-income countries (LICs). Given that most African countries are LICs, this raises questions as to how successful PPPs have really been across the African continent. Creating an enabling environment in the fiscal space is essential for the successful implementation of PPPs, especially in LICs. This could have a positive impact on potentially attracting local investors to PPP projects. As stated by Axis Consulting (2013: 17), the key challenges and constraints to implementing PPPs include the restrictive financial sector environment and, therefore, a potential lack of appetite for local investment. Whereas it is important to secure financing from the private sector or through external funding, it must be understood that PPPs are not free money. Just like other public sector projects, they fail or succeed based on access to long-term revenue streams. While the details of PPP funding and financing packages are arranged far along in the procurement process, states and localities must lay the groundwork for a successful repayment mechanism in advance (Sabot et al., 2014: 17).

For the Lesotho PPP hospital project, the service payment plan was set up such that the private partner was to deliver budget certainty, as well as patient-centred care. The private partner would assume full patient care from the beginning of the project. It was agreed to treat all patients who presented at the Queen 'Mamohato Memorial Hospital and filter clinics, regardless of their type of condition. In return, the Government of Lesotho agreed to pay the private partner an annual fixed service payment for the delivery of all services, escalated only by inflation annually. At some point during this contract, the GoL did not keep up with the payments. This led to a dispute between the two parties, which eventually resulted in the termination of the contract. Based on the above analysis, it can be stated that it is important to have clearly stipulated terms of repayment and enforceable contractual terms in PPP projects.

4.9 Measuring success

The Global Health Group (2018: 43) states that the ability to measure and demonstrate the success of the PPP projects against the original objectives of the project is an identified key challenge. The Global Health Group (2018: 43) further states that while it is more straightforward to assess the success of an Infrastructure-based PPP, where the focus is on building a facility on time and within budget, assessing improvements

in service, quality, efficiency and health outcomes under Discrete Clinical Services PPPs, and Integrated PPPs, is significantly more complex. Considering the Lesotho PPIP hospital project, it is safe to say that although the project appears to have brought some improvement to the health sector on face value, it will take a thorough investigation to really determine if any of the project objectives, especially regarding the delivery of health service, were achieved.

Some PPP projects include project evaluation both during implementation and at the completion of the project as a way of measuring success. This is however not without its own challenges. According to The Global Health Group (2018: 43), the challenge of evaluating healthcare PPP projects is further compounded by a general lack of published data on past PPP projects. Between the limited number of baseline studies conducted, limited data collection mechanisms, and the complexity of separating the impact of a PPP project from other public healthcare delivery initiatives implemented simultaneously, little evidence exists. This has proved to be true when considering the case of the Queen 'Mamohato Memorial Hospital in Lesotho where there was limited data published on the PPP projects which were conducted before, as well as on the hospital project itself. It was difficult to measure the success of the PPP hospital project when there was little information available on the operation of PPPs in Lesotho.

To be able to assess the success of PPP projects properly, The Global Health Group (2018: 43) advanced that the ability to leverage public and private data to support objective and robust research is needed. In many low and middle-income countries this may require building public sector capacity to securely collect and store financial, operations and patient data, which can be used in baseline studies. To do this, governments should make it mandatory for all private healthcare institutions to publish key data, regardless of whether they are part of a PPP or not. The Global Health Group (2018: 43) further recommended that governments should develop a set of minimum Key Performance Indicators (KPIs) to be applied to any healthcare PPP, which includes service delivery. This could help in measuring the positive or negative impact of implemented PPP projects. Data from such an effort could also provide critical evidence to inform future healthcare investment. Several PPP projects have established clear KPIs to be measured against, including in Australia, Spain and Lesotho, but more work is needed. All that is left for the GoL is to ensure that KPIs are enforced to move a step closer towards enabling the assessment of PPP projects.

It can therefore be stated that the success of PPPs rests on a well-blended balance of essential factors, such as a comprehensive legal framework, contract management, stakeholder engagement, private sector participation, public sector capacity and financing. Moreover, assessing whether a PPP has achieved success calls for an extensive inspection of the intended outcomes and impacts across stakeholders and systems. Many independent researchers, international organisations and the public have taken a recognisable interest in PPPs across Africa and many of them have attempted to investigate whether these PPPs are successful and, if not, why.

4.10 Conclusion

The chapter explored some of the key factors for the successful implementation of PPPs, with the aim to assist the researcher to make recommendations on how best to build capacity through PPP investment in the health sector in the Kingdom of Lesotho in future in a quest for good governance. It is evident that PPPs are complex and multi-faceted, and that they are challenging to implement successfully. It is however clear that many low-income to middle-income countries look to PPPs to improve public sector infrastructure and services. It is thus imperative for these countries to align themselves with some of the aforementioned best practices, while carefully adapting them to their own local context to ensure PPP success.

According to Sabol et al. (2014: 23), infrastructure PPPs are technically, economically, politically, and contractually difficult arrangements. Despite these challenges, they are increasingly a topic of conversation in congressional hearings, state forums and local meetings, and they feature at conferences and symposiums around the world. This enthusiasm for a complex procurement model reflects growing demand for infrastructure investment, the search for new tools, and a great deal of over-optimism. In a tax averse and politically gridlocked environment, PPPs are appealing as abstract solutions to tangible infrastructure problems.

The responsibility to invest in public sector infrastructure will remain the task of any country's government. This means that even with the implementation of PPPs, it is still the burden of the public to determine the successful implementation of PPPs. It is important to create an enabling environment for PPP success by ensuring that the

requirements for the key components of PPP success are met – from enacting specific legislation and setting up PPP units to strengthening relationships with stakeholders and encouraging private sector participation. Sabol et al. (2014: 23) assert that PPPs are not a substitute for direct public sector investment in infrastructure and are in fact highly dependent on public revenue and expertise to operate effectively. The real opportunity for public benefit in a PPP lies in the innovation, risk sharing, and value to the taxpayer that these agreements can provide. Better commutes, access to economic opportunities, more efficient energy distribution, world class public buildings, more resilient water systems, and a wide range of other benefits are achievable through carefully arranged PPPs.

These benefits can however be difficult to achieve and only a subset of projects will ever have the scale, revenue, and political support to become a PPP. Creating an accountable, effective, and lasting PPP environment requires both the work of highly competent public officials and the strategic use of precious public resources. However, taking the time to develop these processes will guide private capital towards the greater public good (Sabol et al., 2014: 23). As a country, Lesotho still has a long way to go in putting mechanisms in place for the successful implementation of PPPs. However, with the current mechanisms in place, lessons from the recently failed PPP hospital project, and lessons from the country's fellow African counterparts, such as Malawi that has been commended for having the most functional PPP unit, the country might be able to do a better job of implementing PPPs in future.

The next chapter will present the conclusion of this study.

CHAPTER FIVE

SUMMARY OF THE RESEARCH, FINDINGS, RECOMMENDATIONS AND CONCLUSION

5. INTRODUCTION

The previous chapters explored building state capacity through the implementation of PPPs in Lesotho, taking into consideration the recent case of the Queen 'Mamohato Memorial Hospital PPIP project. The findings showed that building state capacity through PPPs in Lesotho was in its infancy stage and the government still had a long road ahead in terms of institutionalising PPPs for state capacity building.

It was expected that Lesotho, as a low-income country, would prioritise the use of PPPs to build state capacity in the health sector. This expectation was borne from the fact that the country in recent years had faced a shrinking public sector budget resulting from the misuse of public funds and corruption. The proper implementation of PPPs assists in building state capacity, not only in terms of the construction of modern health sector infrastructure, but also in strengthening the skills of public sector officials. Having a record of well-handled PPPs helps in building a local market for private investment. PPPs can also aid in improving public healthcare sector services, as well as in addressing the backlog in the number of patients waiting to receive specialised services. It is important to note that most low-income to middle-income countries in Africa have looked to PPPs to solve their public sector infrastructure and services problems.

This chapter will present an interpretation of the research. The data from secondary sources, which were captured in the previous chapter, will also be reviewed. The research method used in this study is the descriptive qualitative method. According to Lambert et al. (2012: 255), the goal of qualitative descriptive studies is a comprehensive summarisation, in everyday terms, of specific events experienced by individuals or groups of individuals. The research findings will be presented using the deductive method.

In this chapter, a summary of the previous chapters will also be presented. Moreover, the limitations of the study will be reviewed and opportunities for future research will be proposed. Furthermore, the chapter will make recommendations to the GoL based

on the research, with a specific focus on how the country could improve PPPs' implementation to build state capacity. Lastly, concluding remarks will be made.

5.1 SUMMARY OF THE CHAPTERS

This section presents a summary of the earlier chapters.

5.1.1 Chapter one

Chapter one explained what prompted the researcher to choose the topic and provided a brief background on why Lesotho needed PPPs for state capacity building in the healthcare sector. The research aims and objectives, as well as the research methodology, were also outlined. The researcher strongly believes that PPPs could be used to enhance state capacity building in Lesotho's healthcare sector.

For this research, research questions were formulated to guide the researcher in finding the answers. The main objectives of the study were the following:

- To establish the prevailing PPP scenario for service delivery in the health sector,
- To review the roles played by the state and development partners in ensuring successful PPPs within the health sector,
- To measure the success of partnerships between the government and the private sector based on set developmental goals, and
- To identify and discuss the best approaches for effective PPPs in health sector governance.

In this chapter, the researcher advanced that the need for partnerships as effective mechanisms for the acceleration of public service delivery, especially in the health sector, has been realised in Lesotho and the coverage of healthcare services has increased over the years. However, it was pointed out that the health of the country's population remains a grave concern, as per the UN Country Report (2017: 5-13), which stated the following ongoing health challenges in Lesotho:

1) Forty-two percent of residents living in rural areas have chronic malnutrition and children under five years in those poor communities are more likely to be malnourished than children from rich and educated families.

2) Maternal and mortality rate is high, with 1024 deaths per 100 000 live births, mainly due to limited access to proper health services across the country.

3) Although Lesotho has a growing private sector, inadequate enabling policy frameworks and a regulatory environment, poorly functioning business development services, a paucity of domestic capital markets investing in local economies in a way that promotes sustainable and equitable growth, and weak private sector organisations have contributed to declining economic growth.

The chapter further presented the research methodology, which included the research design, the research paradigm, the research type, the data collection method, and the data analysis. This was followed by the literature review, which was based on different sources, such as books, journal articles, scholarly research, internet research, and government documents on PPPs. Onwegbuzie and Frels (2012: 29) state that a literature review “is an interpretation of a selection of relevant published and/or unpublished information that is available on a specific topic from four modes (documents, talks, observations, and drawings/photographs/videos) that optimally involve summarisation, analysis, evaluation, and synthesis of information”.

The final section of the chapter was the research layout in which the contents of the chapters was provided.

5.1.2 Chapter two

Chapter two dealt with the theoretical perspective. The chapter created the conceptual framework for the study. Vincent (1997: 21) explains the existence of theory in the statement: “Political Theory ... exists as a tense interstice, continually committed to describing, explaining, interpreting and re-evaluating normative alternatives”. The researcher discussed the theory from various sources to show how PPPs could be used in building state capacity in the health sector in Lesotho. Furthermore, the PPP scenario for service delivery in the health sector in Lesotho was established by asking the following question, namely, What is the current institutional arrangement of PPPs in the provision of health care services?

In addition, Chapter two delved into understanding the following key concepts of the research topic, namely:

- **State capacity** - EU-STRAT (2018: 4-7) describes 'state capacity' as entailing the ability to enforce the rule of law or bureaucratic quality; accountability; the creation of stable and impartial institutions that effectively provide basic services; and administrative capacity to plan, coordinate and implement policies impartially.
- **Public private partnerships** - Byiers et al. (2016: 1) describe a PPP as a form of cooperation between government and business (in many cases also involving NGOs, trade unions, and/or knowledge institutions) in which they agree to work together to reach a common goal or perform a specific task, jointly assuming the risks and responsibilities and sharing their resources and competencies.
- **The healthcare system** - Brown (2006: 2) states that health governance has traditionally been the domain of national and sub-national governments. Governments organise and regulate their health systems, and where necessary, coordinate with international organisations, such as the World Health Organization, for the purpose of monitoring and controlling health and disease within their boundaries. Furthermore, governments globally are trying to meet the increasing demand for healthcare services, while managing increasing healthcare costs by engaging in PPPs.

The chapter also reviewed the roles played by various development partners in ensuring successful PPPs from different resources. Furthermore, it highlighted the significance of collaborative efforts between the state and development partners in support of effective public health service provision to citizens, while increasing technical capacity and benefits for all concerned stakeholders, such as public access to infrastructure services at lower costs. The discussion shed light on PPPs' challenges globally and in Lesotho's context, as well as how such gaps between demand and supply in the health sector could be filled. The different types of PPPs were also discussed in this chapter.

5.1.3 Chapter three

In this chapter, the researcher presented a Lesotho case study for PPPs in the health sector. The researcher highlighted the circumstances which led the GoL to implement a health sector reform programme in the late 1990s. The first phase of this reform program was aimed at strengthening the Ministry of Health to develop and implement a health sector programme and to enlarge the national health capacity to tackle the HIV/AIDS pandemic. Subsequently, in 2005, the GoL implemented the second phase of the reforms by embarking on a PPP to replace the dilapidated Queen Elizabeth II Hospital, build a new filter clinic, and upgrade three other primary care clinics.

The chapter further presented a detailed account of Lesotho's current PPP legislative framework. It also examined the contents of the contract of the Queen 'Mamohato PPP Hospital project, as well as its objectives. Moreover, the researcher identified the type of PPP model used in the project as being the Integrated PPP model. The PPP process and its governing principles were also discussed. Lastly, the risk management and the contract management mechanisms which were employed in the project were discussed.

5.1.4. Chapter four

In this chapter, the researcher provided an analysis of the key factors that are essential for the successful implementation of PPPs. The successful implementation of PPPs relies on certain factors. Aziz (2012: 1) lists factors which pertain to the availability of a PPP legal framework and implementation units; the perception of the private finance objectives, risk allocation consequences, and value-for-money objectives; the maintenance of the PPP's process transparency; the standardisation of procedures; and the use of performance specifications. The researcher further identified and analysed the following key success factors:

- **Comprehensive institutional and regulatory frameworks** – PPP frameworks consist of the policies, procedures, institutions, and rules that together define how PPPs will be identified, assessed, selected, prioritised, budgeted for, monitored, and accounted for; and who will be responsible for these tasks.
- **Investment climate** – The researcher indicated that the investment climate for PPPs is largely influenced by the status of a country's legislative framework, and sometimes, by political will. According to Haarhoff (2008: 102), it is

important to have a good legislative framework because the lack of an adequate framework can adversely affect the country's potential for attracting foreign investment. It can further affect the market's appetite to bid for or finance projects. Political will is also crucial to the investment climate for PPPs. The Global Health Group (2018: 35) defines 'political will' as representing broad political backing and a clear long-term commitment to private sector collaboration and PPPs. Lack of, or changes in, political will are often key reasons for project failure and failure to attract private sector interest in PPPs.

- **Transparency** – The Global Health Group (2018: 35) described transparency in PPPs as supporting a strong partnership with aligned goals. Tactics that help harness trust include an open tender process, third party facilitators, open dialogue, and increased transparency. Transparency and accountability are essential for the success of PPP projects.
- **Contract management** – As defined by The Global Health Group (2018: 35), comprehensive and clear contract terms that incorporate measures to support flexibility can support course corrections and help to ensure that PPPs meet the changing healthcare of the population served.
- **Stakeholder engagement** – This refers to a concerted effort to engage, clearly communicate with and educate the public, staff unions, civil society, the media, and other stakeholders on the benefits of a PPP early on and throughout the life of the project (The Global Health Group, 2018: 35).
- **Public sector capacity** – Public sector capacity in PPPs relates to the technical capacity of government personnel in managing PPP contracts, evaluating and monitoring, and having an overall understanding of the technicalities surrounding PPP contracts.
- **Private sector participation** – The successful implementation of PPPs also needs the strength and commitment of the private sector, which has the financial and technical ability to address the gaps identified by the government involved.
- **Financing** – As per The Global Health Group (2018: 35), fiscal space in PPPs refers to a local market for private financing of PPPs and a banking sector that is well regulated and has the capacity and experience to fund PPPs; this includes having risk instruments to protect investments.

The chapter concluded by looking into how PPP success could be measured. The researcher stated that the successful implementation of PPPs depended on a well-blended balance of the key factors mentioned above. It was further noted that measuring success in PPPs had its own challenges and warranted an extensive inspection of the intended outcomes and impacts across stakeholders and systems.

5.2 Summary of the key findings

This section presents a summary of key findings based on the research questions.

5.2.1 Current institutional arrangement for PPPs in the healthcare sector

PPPs can include all types of partnerships between the public sector and the private sector to deliver services, policies and infrastructure, as well as joint ventures and concessions, outsourcing, and the sale of equity shares in state-owned businesses. It is important for governments to have comprehensive institutional arrangements for PPPs.

The research revealed that Lesotho's health sector reforms date as far back as the 1990s. Since then, the government had explored options to replace the 100-year-old Queen Elizabeth II Hospital; and they eventually made a costly investment in its refurbishment. However, the outcome was undesirable as the costs of the renovations had skyrocketed, almost tripling the Hospital's annual budget. Then the GoL sought advice from the World Bank Group to recommend ways in which the private sector could assist in the construction of important public health care facilities, as well as in improving the quality of care and services provided.

Subsequently, the IFC assisted and advised the GoL on the viability, structuring, tendering and implementation of the PPP. This led to the awarding of the PPP tender to Netcare and its partners in 2007. The Netcare consortium was awarded an 18-year contract in which they would construct a new hospital, the Queen 'Mamohato Memorial Hospital, and refurbish three filter clinics, and then manage and provide clinical services in those facilities for the duration of the contract. The GoL would, in turn, play a monitoring and evaluation role, manage the contract, and pay an annual fee to the consortium. The contract has since been terminated due to unresolved disputes between the consortium and the government.

The implementation of PPPs in Lesotho is relatively new, with the recent PPIP hospital project being the biggest one in the country and across Africa. Currently, Lesotho does not have any PPP dedicated legislation. All PPPs, including the health sector PPPs, are governed by the 2017 PPP Policy and other general procurement laws such as the Public Procurement Regulations (2007) and the Public Procurement Amendment Regulations (2018). Consequent to the lack of dedicated legislation, Lesotho does not have a specialised PPP Unit or a detailed framework for PPP implementation.

5.2.2 The role played by the state and development partners in building capacity through PPPs

Andrews et al. (2017: 13-14) emphasise that implementation failures prevent many countries from realising their own stated development goals, and that many governments lack the capability to overcome repeated implementation failures even after years of reforms designed to strengthen state capability. Hence, the need for governments to collaborate with various development partners who in many cases have the technical expertise in the successful implementation of projects.

The World Bank (2016: 1) states that PPPs are long-term contracts between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility. The role of the state in PPPs includes building state capacity and closing gaps in public sector infrastructure or services. This role extends to creating an enabling environment for PPP implementation by enacting specified legislation and establishing processes which guide preparation, procurement, and contract and risk management. According to The World Bank (2016: 1), through its latest health sector PPP initiative, the GoL sought to transform the operation of the health facilities, improve the quality of healthcare they provided, and to build capacity in the public healthcare system. It can be deduced from the research that although the hospital project ended abruptly, some of its objectives were realised. For instance, the construction of a state-of-the-art healthcare facility was completed, the backlog in patient referrals was significantly reduced, and if the comments from patients and the public are anything to go by, the quality of care and services improved extensively during the term of the contract.

Regarding the role of development partners in PPPs, the study established that private partners in PPPs carry the greater burden of risk and management as the implementing partners. In addition, private partners provide relatively cheap financing sources for infrastructure projects, especially in low-income countries where the local banking streams may lack the capacity to access the PPP project's quality and international banks may also have concerns about long-term country risk exposures.

Besides taking part in financing PPPs, international development banks or other finance institutions, such as the World Bank, the Asian Development Bank, and the International Monetary Fund contribute to them by providing their knowledge and experience. These institutions are replete with knowledge because they repeatedly take part in financing PPPs in different countries across the world. This is why the GoL sought counsel from the World Bank Group when they were faced with the task of considering PPPs to address their health sector problems. Apart from advice, the World Bank Group also provided bridging financing for the PPIP hospital project.

The participation of development partners in PPP projects also serves as enticement to potential investors. It provides an institutional stamp of approval that attracts private investors into the project. The involvement of development partners in a PPP project may be expected to have a catalytic effect on private investors when the credibility of the PPP project planning process is increased as a consequence. The role of development partners in PPP projects also extends to the latest technology and technical expertise, which they might contribute. Among other things, the Netcare consortium contributed state-of-the-art medical equipment and technology, and specialised medical services to the Queen 'Mamohato Memorial Hospital project.

5.2.3 Best approaches for effective PPPs in the health sector

The successful implementation of PPPs relies on a number of key success factors. This study found these factors to include the following:

- the availability of a sound PPP institutional and legal framework and implementation units,
- a healthy investment climate which has the potential to attract private investors,

- the maintenance of PPPs' process transparency through the publication of documents related to PPPs,
- a broad and comprehensive stakeholder engagement plan which involves keeping the public and the project staff informed about how the PPP project functions or affects them,
- a well empowered public sector which is capable of formulating PPP contracts, managing them, and being able to oversee the overall project implementation,
- encouraging private sector participation by creating an investment climate that makes PPPs attractive, making PPP-related information easily accessible, and being able to identify PPP projects that are appealing to the private investors, and
- a well-organised fiscal space that is properly regulated, has the capacity and experience to fund PPPs, and has adequate risk instruments in place to protect instruments.

A well-balanced incorporation of these key factors is essential to successfully implement and sustain PPPs.

5.2.4 Measuring health sector PPP success in relation to the set developmental goals

Measuring whether a PPP has been successfully implemented requires a broad consideration of the set developmental goals and how the project has impacted the stakeholders as well as the health sector systems. Researchers and international organisations have attempted to gauge the success of different PPPs across Africa. What these studies have indicated is that it is challenging to measure PPP success. Based on this study, it has been noted that while it is more straightforward to assess the success of an infrastructure-based PPP where the focus is on building a facility on time and within budget, assessing improvements in the quality of care and services is more difficult. For instance, in the case of the Lesotho PPIP Hospital project, it was found that the infrastructure part of the project was achieved successfully. On the other hand, there is a need for a thorough investigation to determine if any of the other project objectives involving the quality of care and services were achieved.

When analysing the data collected in this study, it was established that project monitoring and evaluation, both during implementation and at the completion of the project, was included in some PPP contracts as a way of measuring success. This is however not without its own challenges.

Evaluating healthcare PPP projects is further complicated by the lack of published data on past PPP projects. Between the limited number of baseline studies conducted, limited data collection mechanisms, and the complexity of separating the impact of a PPP project from other public healthcare delivery initiatives implemented simultaneously, little evidence exists. As a result, it becomes a challenge to measure the success of a particular PPP project against its objectives when such objectives and the already existing initiatives overlap. This proved to be true when considering the case of the Queen 'Mamohato Memorial Hospital in Lesotho where there were limited data published on the PPP projects that were undertaken before, as well as on the Hospital project itself. It was difficult to measure the success of this PPP project as there was meagre information available on the operation of PPPs in Lesotho.

To accurately assess the success of PPP projects, the public sector needs to be empowered to be able to effectively collect and store financial, operations and patient records so that they could be used in baseline studies. This might require compliance enforcement by the government through making it mandatory for all private healthcare institutions to publish key data, regardless of whether they are part of a PPP or not. The study further established that it is recommended that governments should develop a set of minimum KPIs to be applied to any healthcare PPP, which includes service delivery. The KPIs aid in measuring the positive or negative impact of implemented PPP projects. Additionally, the information could supply critical evidence to inform future healthcare investments. Several PPP projects in other countries, as well as in Lesotho, have established clear KPIs to be measured against, but more work is needed in this regard. Moreover, the GoL must ensure that the KPIs that have been put in place are enforced so as to enable assessing the success of PPP projects.

5.3 LIMITATIONS OF THE STUDY

This study was based solely on desktop research. The researcher established that not much information on PPPs had been published and made public by the GoL. Most of the information on Lesotho's PPP scenario, which was found on the internet, was

published by international organisations and independent researchers. The researcher therefore was of the view that some of the research questions were not adequately addressed due to a scarcity of information. Perhaps other data collection methods such as questionnaires, key informant interviews, and focus group discussions would have yielded more informative and rich results.

5.4 RECOMMENDATIONS

This section will provide recommendations as to what needs to be done to address the challenges facing Lesotho towards building state capacity through PPPs.

The first recommendation is regarding Lesotho's PPP institutional and regulatory framework. As previously mentioned, the study revealed that to date Lesotho does not have dedicated PPP legislation. PPPs in the country are governed by the general procurement laws and the 2017 PPP Policy. The Policy sets out the following recommendations:

- The enactment of specified PPP legislation,
- Establishing a PPP Unit, and
- A well-planned framework for the operationalisation of PPPs.

The researcher therefore advises that the GoL implements the major recommendations included in the 2017 PPP Policy to counter problems that may arise from the lack of institutional and regulatory frameworks before engaging in future PPPs. Since PPP units usually comprise of a team of technical experts, setting up a PPP Unit is recommended for the GoL as it would benefit the country to adopt an organised approach towards managing PPPs; hence, taking positive steps to attain operational maturity. The GoL should draw lessons from the negative impact of implementing PPPs without proper legislation from the recently terminated PPP Hospital project to avoid making the same mistakes in future. In addition, the GoL can learn valuable lessons from neighbouring South Africa where PPPs' institutional and legal framework is more advanced.

As mentioned by Haarhoff (2008: 53), having the right legal, institutional, and financial framework will go a long way in ensuring the lawful implementation of projects. The establishment of a PPP Unit in the Minister of Finance's office in Pretoria, South Africa, cemented PPPs as part of the government's investment strategy. The establishment

of the PPP Unit guaranteed an organised approach to PPPs in South Africa. Haarhoff (2008: 53) further states that the South African government has established a firm legislative framework for PPPs and the country is seen as a leader in the PPP environment in developing countries. In July 2007, representatives from African countries and Vietnam visited South Africa on a study tour organised by the World Bank PPP team.

Secondly, the researcher recommends that, to ensure a positive investment climate and avert PPP project failure in future, it is advisable for Lesotho to align itself with the standards which were drafted by The United Nations Economic Commission for Europe in 2016. The standards make recommendations to ensure that there is political and civil service support. Prior to project implementation, a government should conduct a formal assessment of political and public sector/civil service support for the programme to identify any objections that need to be addressed and any legislation required to enable successful programme delivery (UNECE, 2016: 1).

Stakeholder engagement is another major factor essential for ensuring the success of PPPs. It is therefore imperative to engage all stakeholders before implementation and throughout the lifespan of a PPP project; this includes educating the public and engaging staff to manage their expectations regarding the project and to get them to adopt a sense of ownership of the project. The researcher hence advises that for future PPPs, Lesotho should embark on proper and comprehensive stakeholder engagement. This will help in managing the expectations of the public and the project staff to avoid disagreements which could result in industrial action, as was the case with the Queen 'Mamohato Memorial Hospital project.

A recommendation in relation to contract management is also important to note. Contract management in PPPs can be a challenge. This is because the original terms and conditions set during project planning are likely to evolve over time as changes in health system structure, national or local laws and politics, population health needs and advances in healthcare technology and medical practices occur. The GoL is advised to strengthen public sector capacity in managing PPP projects contracts so that public officials are equipped with the skills needed to design contracts that are firm enough to uphold the objectives of the PPP project, yet flexible enough to allow

for the inclusion of the incidental necessary changes during the course of the contract. As PPP implementation is fairly new in Lesotho, having strong public sector technical expertise will help in dealing with any PPP contract management challenges that may arise.

PPPs are a relatively new phenomenon in Lesotho; thus, there is an evident lack of public sector capacity with regard to managing PPPs. Due to the complexity and difficulty to negotiate and implement PPPs, it is suggested that the GoL invests in PPP project management training, especially for public officials who deal with PPPs at the Ministry of Finance and Planning, as the PPP Unit has not yet been set up. However, the most crucial step in building public sector capacity in Lesotho is the establishment of a specialised PPP Unit, as set out in Lesotho's 2017 PPP Policy. But, for this to be realised, the government is urged to take heed and hasten the enactment of specific PPP legislation to guarantee better handling of PPP projects in future. It is also advised that, where necessary, the government should seek the advice and expertise of international organisations such as The World Bank Group, as they have vast experience in operating PPPs. This will help them strengthen their own public sector capacity.

Another recommendation for Lesotho is to ensure that there is transparency regarding PPPs in the country. As the study revealed, there is a lack of information regarding PPPs in Lesotho. This is compounded by the fact that the GoL has not published much information on PPPs. The GoL is therefore advised to learn from other countries where information is publicly available and to ensure the availability and accessibility of PPP-related information. The government should proactively disclose information related to PPP in a way that enables meaningful understanding by all stakeholders, effective monitoring by the public sector, efficient performance by the private partner involved, and accountability of intended PPP project outcomes. Transparency will not only help in public sensitisation, but it could also aid in attracting private sector investment. When there is no transparency in PPP-related issues, the private sector may be deterred from wanting to participate in PPPs, as opposed to when there is publicly available information.

The effectiveness of PPPs depends on key factors, ranging from an institutional and regulatory framework to transparency in handling PPP-related issues. A balance of

these factors is essential in ensuring that PPPs are implemented successfully. The GoL is therefore urged to embark on an all-encompassing overhaul of its PPP sector. It must also ensure that the necessary administrative capabilities and clear PPP policies and strategies to implement successful PPPs are in place. This will assist the country in managing PPPs with greater success in the future. It will also help in building state capacity in areas such as contract management, and monitoring and evaluation.

5.5 CONCLUSION

It has been stated that PPPs are gradually becoming a way to finance infrastructure development projects, and that PPPs are a new way to entice the private sector to finance public service provision. As a result, many African states have resorted to using PPPs as means to deliver on the SDGs and their own national developmental goals. This has seen countries such as Lesotho incorporating changes in their national regulatory frameworks to allow for PPPs, as seen in the education sector and health sector strategic plans. These measures have paved the way for the GoL and its respective ministries to engage in PPPs as an alternative financing mechanism for public service delivery, as well reforming policies to provide for an enabling environment for engaging in PPPs. Lesotho stands to benefit a great deal from building state capacity through PPPs' implementation. However, in as much as PPPs are essential in addressing the challenge of sustainable development, they are complex and require skills that are found in the private sector, but not in the public sector.

Based on the investigation and the data collected for this research, it is possible to conclude that building state capacity through PPPs in Lesotho's health sector is still in its infant stages, and it faces many challenges. This is evident from the terminated Queen 'Mamohato Hospital PPP project. The PPP project, which was the biggest one for Lesotho and across Africa, was founded upon general procurement laws and the 2017 PPP Policy. However, many contractual disputes arose during the course of the project, which could be partly attributed to the absence of dedicated PPP legislation. Another challenge, as revealed by the study, is that Lesotho suffers from the challenge of low public sector capacity in negotiating and implementing PPPs. This warrants the GoL to invest in building the technical capacity of public sector officials to equip them with the necessary skills to manage PPPs.

PPPs should not be considered as the only mechanism to attain the country's health sector goals, as included in the health sector strategic plan. It must be understood that achieving these goals remains the responsibility of the GoL, even without PPPs. However, in low-income countries like Lesotho where government budgets are often burdened with many public service demands, PPPs may be considered as a means to fill public health service gaps.

In considering the effectiveness of PPPs, opinions and proof vary widely. This is because the successful implementation of PPPs is reliant upon a careful balance between risk, public sector capacity, and achieving the sometimes-diverse objectives of PPP projects. Determining whether a PPP has achieved success involves a thorough consideration of the intended project outcomes and impact across systems and stakeholders. The greatest responsibility for ensuring that PPPs are properly implemented lies with the government involved. Governments can sustain PPPs by ensuring that enabling legislation and public sector officials with the necessary technical skills and infrastructure are in place, and that stakeholders are informed and involved in the decision-making processes.

Based on the Lesotho Hospital PPP project, it can be said that this study clearly indicated that it is possible for a low-income country to embark on an ambitious integrated PPP project, which is affordable for the state and the public, is capable of attracting top-quality private investors, involves the expansion of services to assist more people, and has the potential to deliver much needed high-quality health services.

In closing it can be stated that this study was worthy of pursuing as the researcher was able to determine whether PPPs are a viable option towards building state capacity in the health sector in Lesotho. Even though it is undeniable that the GoL has already taken deliberate steps to strengthen its PPP framework, much still needs to be done towards enabling an environment that is conducive for PPPs to thrive so that they can contribute effectively towards building state capacity. Key among the issues which the country needs to address is the enactment of PPP-specific legislation and the setting up of a PPP Unit. This will pave the way for the inclusion of more major factors, which are essential for PPPs' implementation success.

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