Lubowa hospital: Uganda should learn from the Lesotho experience

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On March 12, Parliament of Uganda adopted the report of the Committee on the National Economy that approved the proposal to issue promissory notes not exceeding $379.71 million (about Shs1.3 trillion) to FINASI/ROKO Construction Special Purpose Vehicle (SPV) Limited for the financing of the International Specialised Hospital of Uganda (ISHU) at Lubowa, in Wakiso District.

What Uganda is seeking to do is similar to what Lesotho did by developing the $100 million (about Shs370b) Queen Mamohato Hospital that was financed under the Public Private Partnership (PPP) arrangement supported by the World Bank.

However, the hospital has had significant adverse and unpredictable financial consequences on public funds. According to a report by Eurodad, in 2016, the private partners' consortium Tsepong's 'invoiced' fees amounted to two times the "affordability threshold" set by the government and the World Bank at the outset of the PPP. This resulted from the flawed indexation of the annual fee paid by the government to Tsepong, and poor forecasting. There was no transparency in negotiating the PPP.

Back home, we have already experienced a similar scenario with the ISHU, where there has been a significant increment in the project construction works compensation costs from $95.3m under the Project Works Investment Agreement (PWIA) to $116,985,881.91 under the Direct Agreement, a difference of $21,685,881.91 even before the project takes off.

A further increment appeared in the Finance minister's brief to Parliament, which indicated the total project cost to be $379.71 million instead of the $366.436 million that is reflected in the Direct Agreement, a difference of about $13 million. In addition, management and operational costs that are yet to be ascertained, will also be paid to the company. This puts Uganda in a very risky position, just like the case was with the Lesotho hospital where it later turned out that more than half of the country's health budget had to be paid out as service payments to the private partners.

Arguments have been made to the effect that the hospital will save Uganda millions of dollars that have been spent on treating public officials abroad. However, there is no guarantee that the existence of the hospital will stop the government from sending public officials abroad for treatment.

It is a known fact that a key driving factor for public officials to receive treatment abroad is the mistrust of Ugandan doctors rather than the lack of services. Indeed, we have seen officials flown abroad for simple ailments for which Ugandans are effectively treated locally.

Similar arguments were made for the loan that government acquired for the Mulago Specialised Women and Neonatal Hospital. However, we now know that its existence has not stopped maternal-related complications. Worse still, it remains out of reach for the majority due to the high costs. It has also been revealed that the hospital is relying on human resources from the Mulago National Referral Hospital.

There are telltale signs that should make Ugandans worry about the ISHU PPP. First of all, there is conflict around the ownership of the land that government ceded to the investor that has seen a claimant place a caveat, demanding trillions of shillings in compensation.

Second, there is no apparent risk transferred to the investor under the current arrangement and all risk remains with the government and indirectly, the Ugandan taxpayer.

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Thirdly, the process for developing the PPP has been shrouded in secrecy to an extent that even the MPs who gave the go ahead for the promissory notes to be issued have not seen all the contracts involved.

Fourthly, in case of any contractual misunderstanding, arbitration will be done in London, United Kingdom, hence the likelihood of a repeat of the 'hand shake' scandal that involved the Uganda Revenue Authority.

Furthermore, the procedures for entering into a PPP have not been fully followed. For example, the proposal came to Parliament after the contract was signed, and not much has been said about the maintenance costs other than the fact that people will have to pay to access services at the hospital.

Those who advocate for the possible role of for profit entities in extending quality healthcare to poor and rural populations also often fail to consider the financing implications inherent in the profit motive and the structure of capital markets.

ISER's research has shown that there is no evidence that strengthening the private sector and a focus on PPPs in health results in better health outcomes for the poor and rural communities. If anything, evidence has shown that private for profit is unlikely to deliver better health outcomes for poor people and exacerbates inequalities, resulting in the rich able to access better healthcare and the poor excluded.

It is, therefore, very likely that the government will spend taxpayers' money on debt repayment for a hospital that will serve a small number of people, yet the Shs1.3 trillion shillings would go a long way in improving the public healthcare system in the country.

The money could, for example, also go towards improving the Uganda Cancer and Heart Institutes at the Mulago National Referral Hospital.

It is not too late for Uganda to learn from the Lesotho experience and drop this PPP that is coming at a very high cost to the public.

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