CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART III

PUBLIC PRIVATE PARTNERSHIPs (PPPs)

THURSDAY: 24 April 2025. Afternoon Paper. **Time Allowed: 3 hours.**

Read the case study below and answer the questions that follow. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

HOSPITAL SUPPORT SYSTEM (HSS)

The Kenyan healthcare landscape, grappling with the need for enhanced service delivery across its diverse regions, prompted the government to enact a transformative privatisation policy. At the heart of this initiative lies the Hospital Support System (HSS), a bold endeavour designed to revolutionise public health facility management. Through 30-year concession agreements, the government partnered with three private entities; Stat Medi-serve Ltd. (Stat), Oval Medivest Ltd (Medivest) and Pendocare Ltd. (Pendo) tasking them with the comprehensive oversight of hospital support services across more than 200 government hospitals and non-embedded institutions. This strategic move aimed to address critical inefficiencies and elevate the standard of healthcare provision.

The HSS project, structured as a Build, Operate and Transfer (BOT) agreement, envisioned a paradigm shift in hospital management. The concessionaires were entrusted with planning and maintaining essential hospital services, focusing on systematic asset management. This approach promised to curtail repair and replacement costs while simultaneously alleviating the Ministry of Health from the logistical and financial burden of directly managing a workforce of approximately 150,000 staff. Further, the initiative was designed to stimulate entrepreneurship and investment within the health sector, indirectly fostering economic growth. By ensuring comprehensive asset management, the HSS sought to extend asset life, enhance reliability, reduce downtime and improve the overall experience for medical personnel and patients. The problems that the HSS system is trying to solve revolve around the need to increase efficiency, reduce cost, and increase the quality of care within the Kenyan public health system.

The project's implementation, guided by the Government Technical Advisory Centre (GTAC) of South Africa, followed a meticulous sequence of phases: initiation, feasibility assessment, impact evaluation, authorisation, design, procurement, construction, commissioning, transfer and ongoing monitoring and evaluation. With an estimated budget of 5 billion shillings, the financial framework was structured as a 70% private investment and 30% government contribution, with concessionaires opting for private debt financing secured by project assets and revenues. The payment mechanism, a fixed, regular system managed by the contracting authority, aimed to ensure financial sustainability.

To ensure the successful execution of this ambitious project, a robust governance and oversight framework was deemed essential. The government committed to developing a transparent regulatory framework with performance benchmarks, quality assurance mechanisms and compliance monitoring. A dedicated project management team would oversee day-to-day operations, ensuring adherence to agreed service levels and contractual obligations. Regular audits, stakeholder consultations, and feedback mechanisms were to be incorporated to ensure accountability and continuous improvement. The strategic integration of technology, facilitating data-driven decision-making, asset tracking, and service optimisation, was pivotal to enhancing efficiency and service delivery.

Recognising the inherent complexities and potential pitfalls, the transaction advisor emphasised the need for strong risk management strategies. Contingency planning for potential financial, operational and service delivery risks was critical. By fostering close collaboration between the government, private entities and healthcare stakeholders, the HSS project aimed to successfully enhance healthcare service provision, optimise resource utilisation and improve the overall efficiency of Kenya's public health system. The success of this public-private partnership (PPP) would be measured by its ability to deliver tangible improvements in healthcare access and quality, setting a precedent for future collaborations in the sector.

(Disclaimer: This case study is solely for educational and examination purposes and does not reflect the position of KISEB)

QUESTION ONE

(a) Explain **FIVE** limitations of implementing the Hospital Support System (HSS) project under build-operate-transfer (BOT) contractual terms. (10 marks)

(b) Assess **FIVE** key concerns the concessionaire should address to build trust in the governing regulatory framework. (10 marks)

(c) Examine **FIVE** risks associated with the financing option adopted by the concessionaire for the project. (5 marks)

(Total: 25 marks)

QUESTION TWO

(a) Identify **FIVE** key guidelines that should be followed when procuring a PPP project of this nature. (5 marks)

(b) Describe **FIVE** economic regulatory objectives relevant to the HSS project. (10 marks)

(c) Propose **FIVE** environmental best practices that should have been integrated into the project during its implementation phase. (10 marks)

(Total: 25 marks)

QUESTION THREE

(a) Outline **FIVE** feasibility assessments that the HSS project underwent as part of the national development planning process. (10 marks)

(b) Evaluate **FIVE** limitations of outsourcing healthcare support services through PPP arrangements. (10 marks)

(c) Recommend **FIVE** principles of effective communication that the project team should adopt when engaging stakeholders. (5 marks)

(Total: 25 marks)

QUESTION FOUR

(a) Appraise **FIVE** critical success factors that will determine the effectiveness of the Public-Private Partnership (PPP) model in healthcare service delivery. (10 marks)

(b) Propose **FIVE** mechanisms the government can use to monitor and evaluate the performance of private concessionaires under the HSS contract. (10 marks)

(c) Recommend **FIVE** potential risks the government may face if any of the three concessionaires (Stat, Medivest or Pendo) fail to meet their contractual obligations. (5 marks)

(Total: 25 marks)

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