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# Orientation on Public-Private Partnerships

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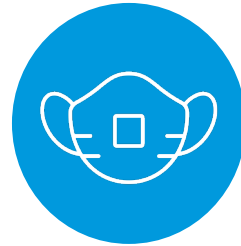
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# Role of Government



## Health security/EPHF



## Provide public goods

(commodities or services, benefiting the whole population such as clean air, pandemic preparedness and response)



## Regulate

(for safety such as licensing, and compliance with public health policy such as control of supply and pricing)



## Protect the poor and ensure equity

# Role of Government vis a vis the Private Sector

- **Market regulation**  
(to protect health and correct for market failure)
- **Make information available to promote competition**
- **Normative functions such as quality assurance**

## *Other:*

- **Provision Role:**
  - To complement the private sector by covering underserved areas
  - To compete with the private sector and reinforce the government bargaining power
- **Financing Role:**
  - Mandatory social security (informal sector, unemployed)
  - May serve as incentive for regulation, and as a leverage for reform

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# UHC: Public vs Private

- Everyone, everywhere has access to needed quality health services without facing financial hardship.
- **Who does what and how**, depends on the history and particular context of each country.
- The health authority is responsible for the stewardship of the system and is entrusted to use **national resources** (public and private) in the most efficient and equitable way to achieve UHC.

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# Poverty Reduction & Equity

- Provide essential services (e.g., PHC/immunization) which are highly cost-effective and will greatly improve the health of the poor.
- Establish mandatory social insurance and regulate private insurance.
- Cover catastrophic payment.

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# Challenges

How to deal at the same time with



## **Multiplicity of actors**

(P4P, NGOs,  
Professional  
Associations...)



## **Resourceful private sector**



**Weak health authority**  
(limited power, lacking human and  
financial resources)



**A chronic context of  
political instability**

# Role of The Private Sector in Healthcare



## Private for Profit:

- Secondary and tertiary care, high technology (coded and well reimbursed interventions)
- May be associated with awareness and screening campaigns (mammography)



## Civil Society Organizations

- Health promotion and prevention
- PHC



## Academic Institutions

- Generate evidence for decision making
- Help developing standards, guidelines and implementation tools

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# PPP Prerequisites

**Two conditions** for a constructive relationship (Depends on political and social contexts):

- 1- Enhanced Public Sector capabilities (contracting, monitoring and evaluation).
- 2- Developed and efficient private sector.

## PPP Framework

The Government **creates the environment** (infrastructure, law system) for the private sector to operate efficiently.

Supply, demand and pricing are left to the market.

Wherever the market fails, the government intervenes for regulation.



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# PPP Framework

- The government is responsible for the provision of **public goods** and interventions generating **externalities**.
- The public sector should fill provision gaps for **equity** purposes and intervene to protect the poor.
- The public sector may contract with the private sector to accomplish its mission in areas where expertise is lacking, or better **efficiency** is sought.

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# Privatization vs Partnerships

**Privatization** is the transfer by selling state-owned assets or public services to the private sector.

Government loses control, and services are delivered more efficiently, on for-profit basis with no political influence, but usually with a higher cost to consumers and a risk of creating a monopoly.

**Public-Private Partnerships (PPP)** is a Long-term (contractual) relationship between a private sector entity and the government, for building and equipping health-care facilities, and/or providing services. PPPs are tools that governments can use to advance their strategic objectives.

# Type of PPPs

**PP Investment Partnership (PPIP)** is a design, co-finance, build, operate, and deliver **(DBOD) model**

- The healthcare facility is owned by the government
- The private partners are **also** responsible for delivering all clinical and non-clinical services at the facilities
- The government keeps its control over the operation.

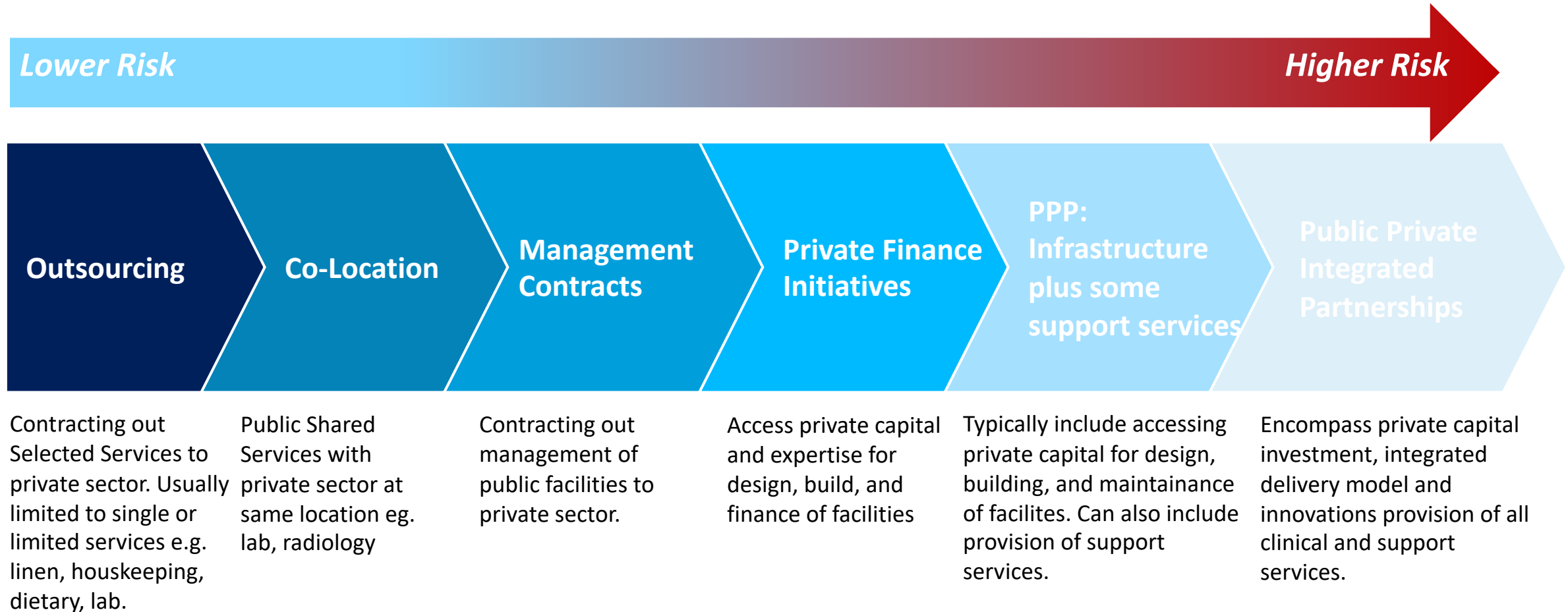
**Built Operate and Transfer (BOT) model**

- The private provider builds the health facility, runs service delivery for an agreed upon period of time before transferring the operation to the government
- Lower cost and risk
- The government has full control over processes and operational structure.

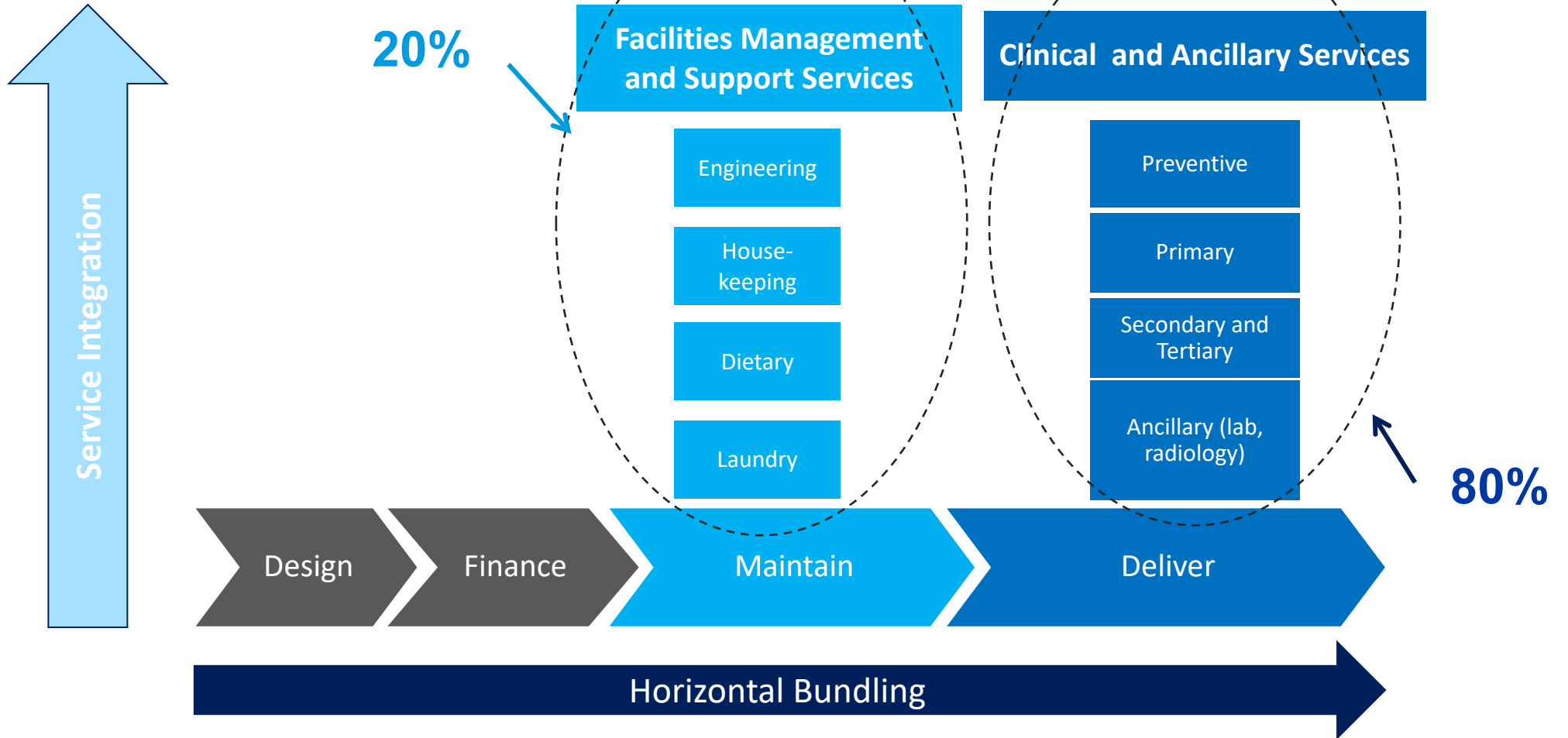
**Contracting**

- The binding agreement between the government and a private entity that agrees to perform a work or provide services under specific terms

# Types of PPPs



# PPIP types



# PPP: Contracting



**Mutual agreements  
between parties**



**Clarity of  
expectations, product  
specifications and  
timeframe**

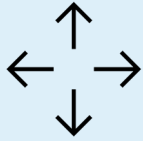


**Define evaluation  
mechanism**

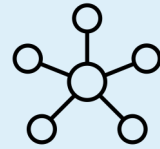


**Framework for  
resolving  
disputes**

# PPP: Contracting



**No withdrawal of the state, but a change in its level of involvement**



**Responsibility is not transferred in full. It is shared between the state and concerned entities.**



**The state should ensure that the contracted complies with the public service mission through the contract.**

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# Financer- Provider Contracting

- Public financer contracting private provider (or autonomous public entity) implies a **financer-provider split**.
- Financer-provider split and capitation payment lead to **shifting financial risk** from financer to provider.
- Contracting is based on **competition**: a higher volume and/or better quality for a lower price.
- Monopsony and/or monopoly hinder competition.
- The existence of public health centers and hospitals strengthens the bargaining power of the MOPH



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# Contracting as a Tool for Regulation

- Soft Regulation within the framework of Public-Private partnership (safety and quality requirements).
- Results based monitoring and accountability (to bypass resource consuming procedural control).
- Financing as a leverage for enforcing regulations (reimbursement linked to compliance).

# Risks and Benefits of PPPs

## RISKS

- Long-term costs to the public sector that are subject to variation.
- Monopoly
- Unaffordable cost to households



## BENEFITS

- Harnessing private sector resources
- Overcoming constraints on public sector resources
- improving quality and efficiency of health-care facilities (including clinical and non-clinical services)
- Enhancing transparency and value for money of government procurement programmes

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# Contracts Management

- **Intelligent contracting:** Flexible clauses based on **output specifications** that are easily identifiable.
  - Detailed inputs and processes (men/months, supplies, meetings...) may only be required in the preparation phase for budgeting and selection.
  - They may be annexed to the contract for clarification.
- Simple and clear monitoring and evaluation mechanisms.
- Disbursement against deliverables.
- Performance incentives and sanctions as last resort.

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## If you decide to go for PPPs

**START  
SMALL**

Developing the necessary expertise takes time so consider deploying small-scale contracts that in case of failure will not undermine the financial sustainability of local public health systems.

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# Contracting: A Step-Wise Approach

1

*Initial emphasis:*

**Reduce the financial barrier to enhance accessibility**

2

*Second step:*

**Move from simple access, to access to high quality responsive care**

Accreditation: Hospitals, PHC centers

Key Performance Indicators for quality improvement by self evaluation

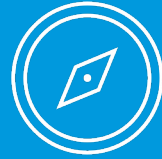


**Focus** on getting better value for money through performance contracting

# Requirements for effective and sustained PPPs

Strengthening the governance framework for implementation, focusing on **four key areas**:

1. Strategic and capital planning
2. Long-term budgetary planning
3. Building organizational capacity
4. Ensuring that PPPs are used strategically to the long-term benefit of Afghanistan's health system.



Clear, predictable and transparent institutional framework



Public auditors to ensure value for money on project and health system levels and to prevent corruption



Capacity to plan, procure, negotiate and monitor PPP contracts

Some activities (such as monitoring) will need to be carried out close to the facilities and be closely connected to facilities' management. In many cases, this will need to be undertaken by the hospital organization itself, suggesting a need for additional management capacity

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# Public-Private Contracting

## SUCCESS FACTORS



- The **Government capacity** to manage contracts:
  - Ability to design the contracting agreement, capacity to monitor the implementation, capability of tacking sanctioning measures.



- **Public payer reliability**
  - Funds are available and adequate; the market is competitive.



- The **private sector capacity** to deliver
  - Existence of qualified human resources and expertise. The absence of monopoly while the production volume allows for economies of scale.



- **The existence of a favorable environment** for the **consumer** to be informed and allowing his empowerment.

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# Thank You!

## Orientation on Public-Private Partnerships

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