World Health Organization
REGIONAL OFFICE FOR Europe

THE UNIVERSITY of EDINBURGH

Public–private partnerships for health infrastructure & services: Lessons from the WHO European Region

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17 July 2024

Defining the terrain: three archetypes

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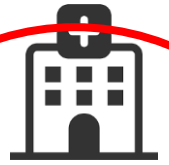
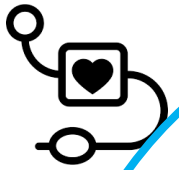
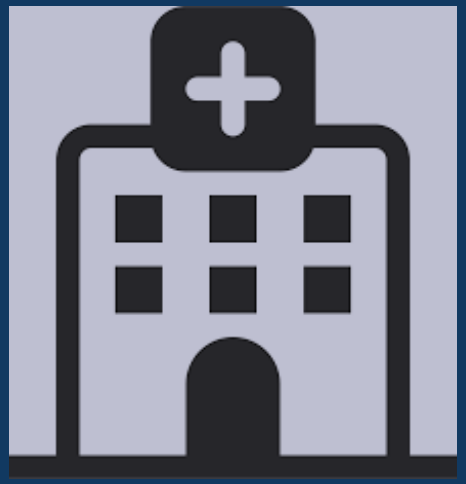
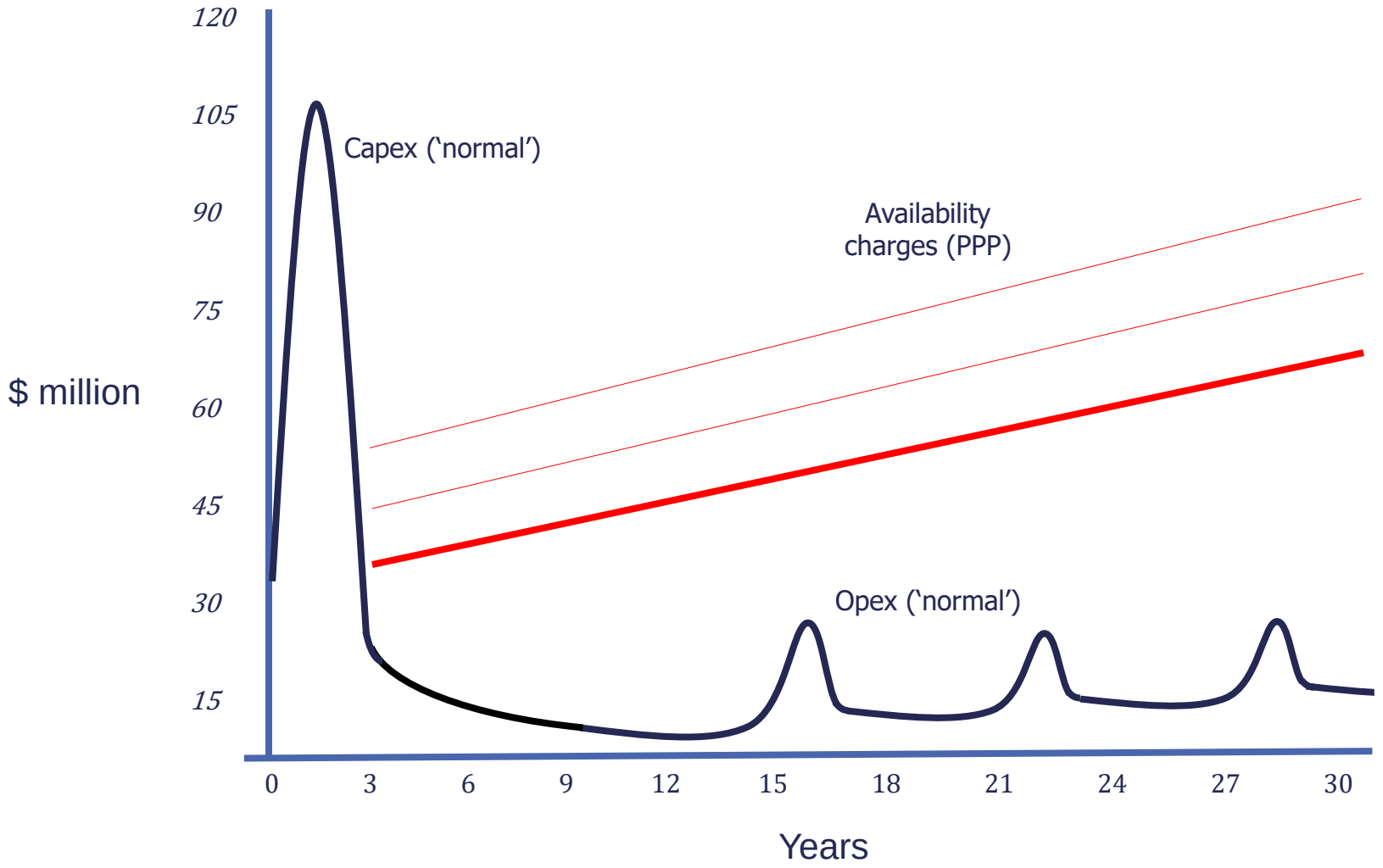




	Type 1.Contracts for infrastructure and related services (PFI)	Type 2. Contracts for services: 'service contracts'	Type 3. Contracts for services: 'entry contracts'
Output orientation	Infrastructure and related services (e.g., hospitals in Aktobe, Atyrau, Karaganda and Taraz in Kazakhstan)	Services (e.g., dialysis centres in Tashkent, Karakalpakistan, and Khorezm in Uzbekistan)	Services (e.g., purchasing PHC and acute care from private sector in Bulgaria, Georgia, and Ukraine)
Basis of contract award	Competitive tenders	Competitive tenders	'Any qualified provider'
Nature of competition involved	…for the market	…for the market	…in the market
Length of contract (years)	15+	3-5	1-3
How service volume is determined	Contract	Contract	Market
Basis of public payment	'Availability charge'	Global budget or Activity-based payment	Activity-based payment
Basis of performance pressure	Private financing, risk-transfer, infra/maintenance 'bundling'	Contract specs., performance-adjusted payment, monitoring	(Regulated) market forces

Type 1: Public-private partnerships for infrastructure and related services

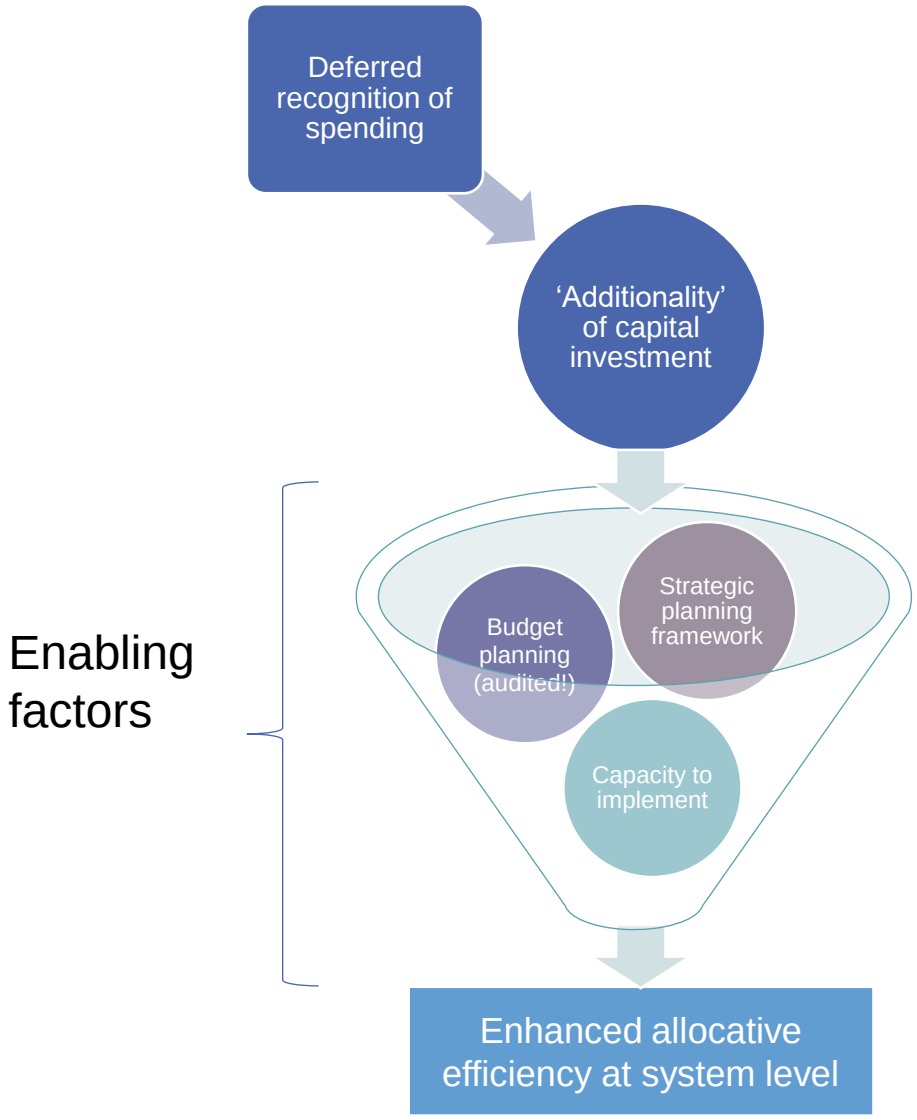


Illustrative nominal cash-flows: ‘normal’ procurement vs. PPP

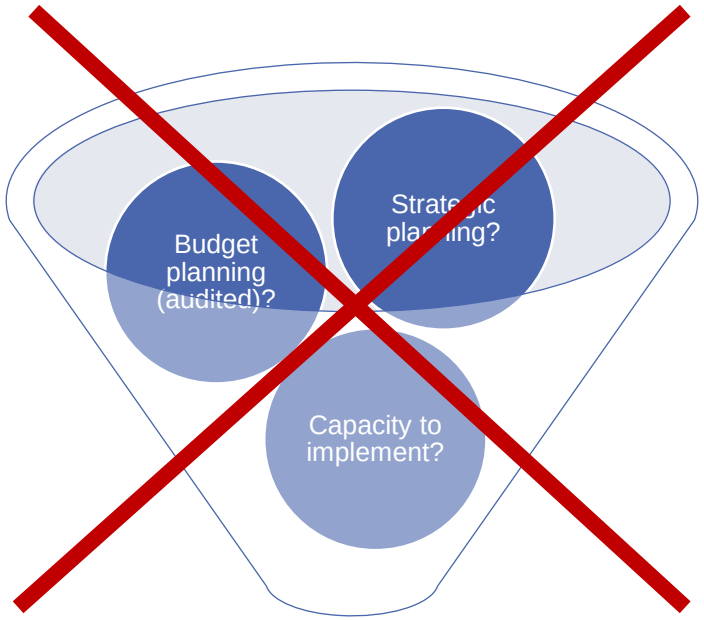


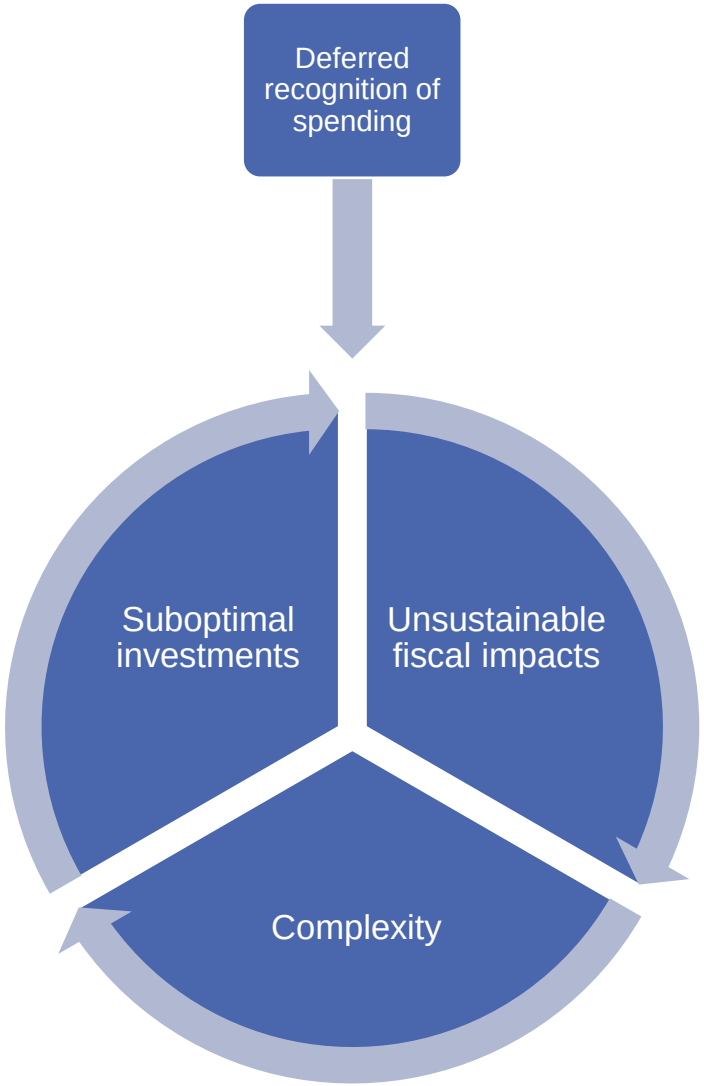
Composition of the ‘availability charge’
Repayment of **debt principal** and interest
Free cash-flow to equity (sufficient to generate the expected rate of return)
Transaction costs – including the cost of financial instruments (e.g., derivatives)
Operational costs – maintenance plus any support services

Potential benefits (efficiency at the health system level)…

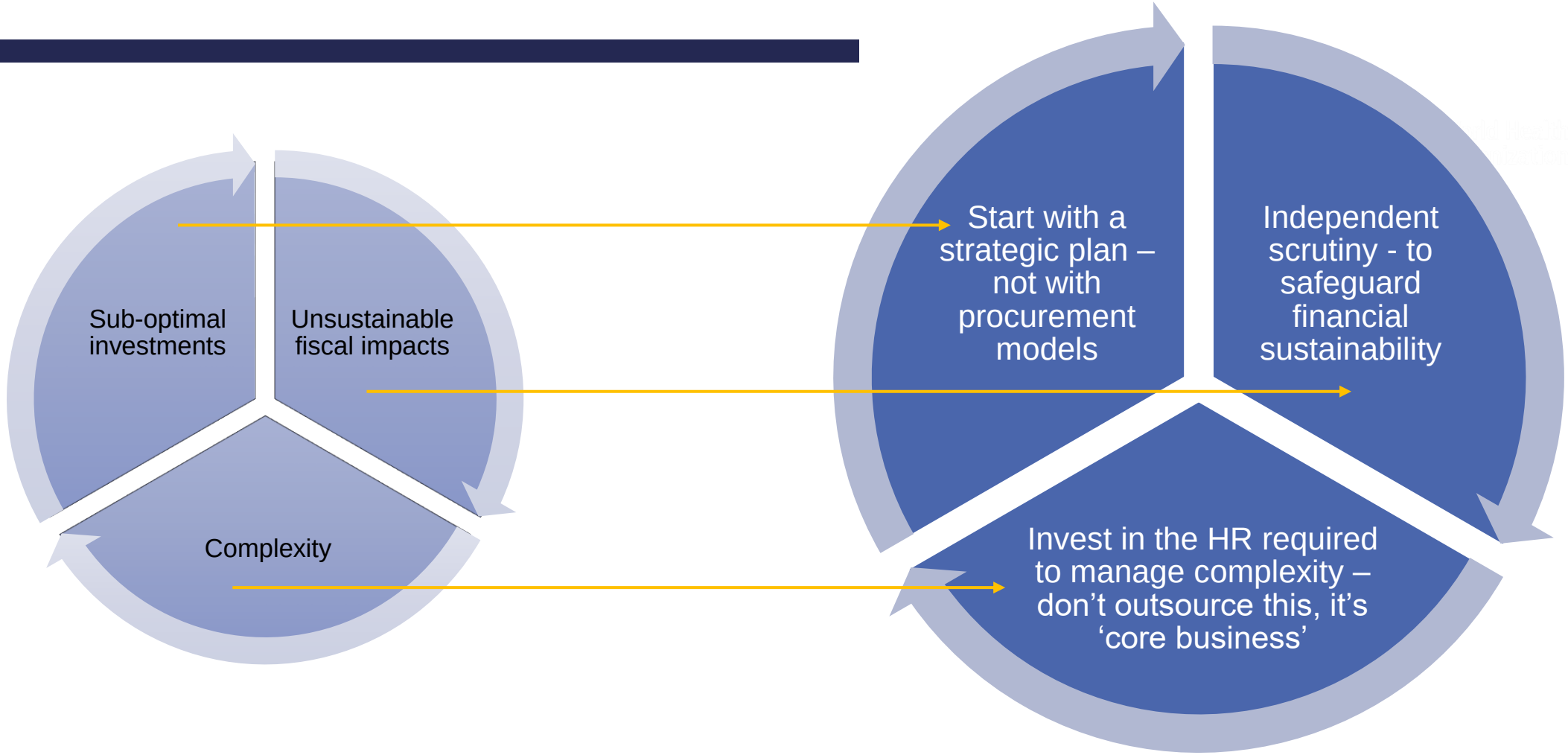


Risks

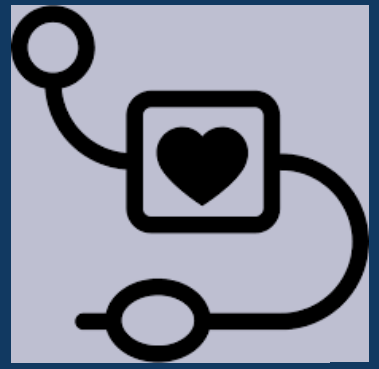

Budget planning (audited)?
Strategic planning?
Capacity to implement?


Deferred recognition of spending
Suboptimal investments
Unsustainable fiscal impacts
Complexity

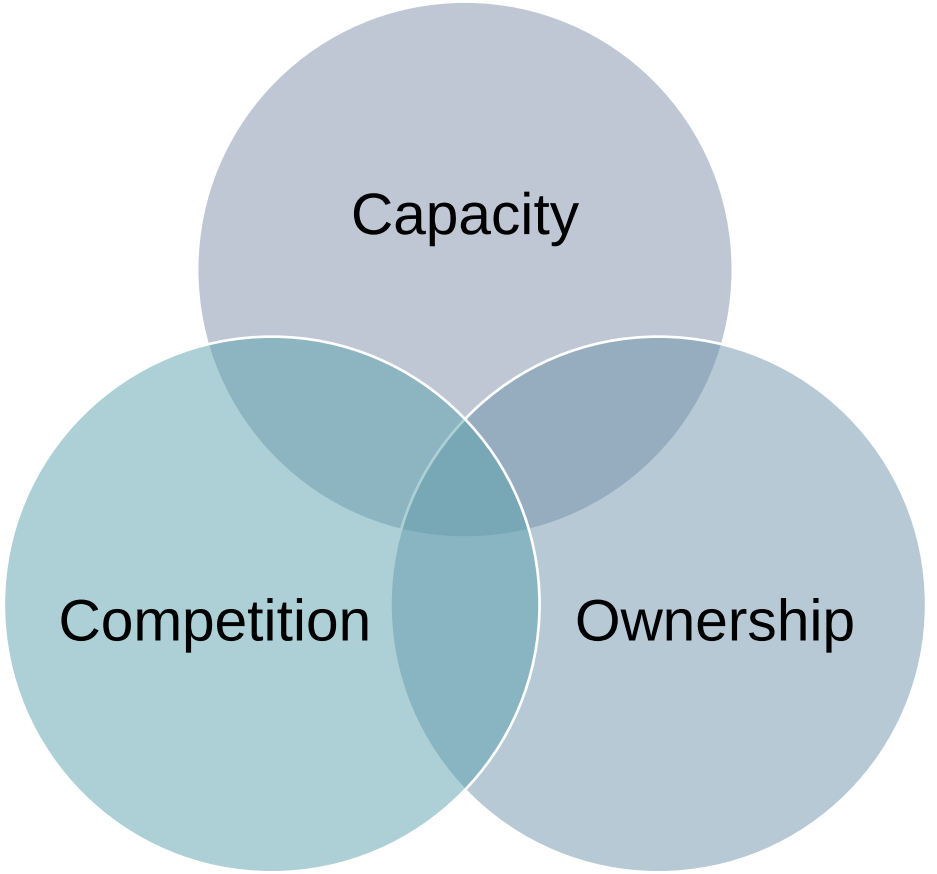
Mitigating risks



Type 2: Public-private partnerships for services ('service contracts' and 'entry contracts')

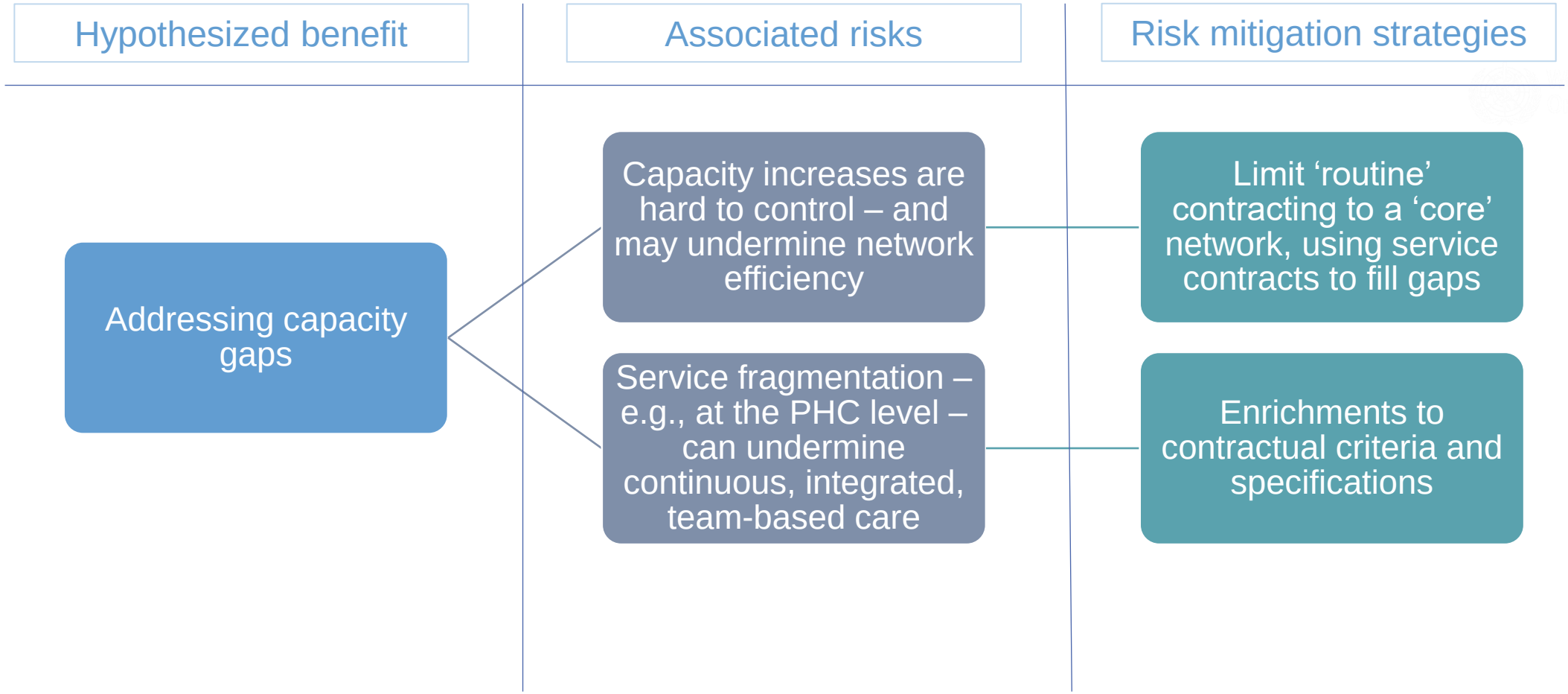


To include or not include…three potential benefits



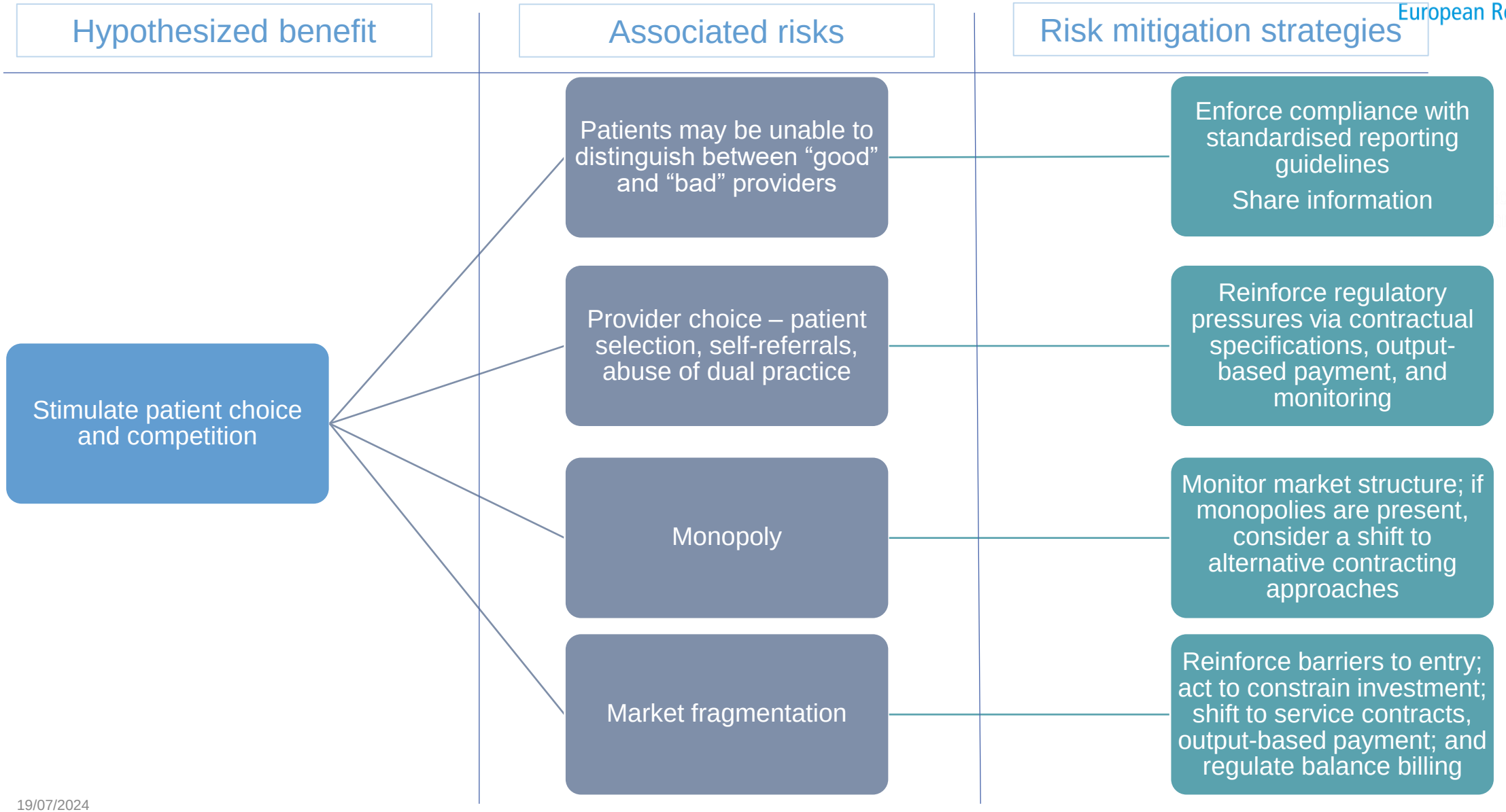
Benefits, risks, and risk mitigation strategies (1)

Impacts on service delivery structure and capacity



Benefits, risks, and risk mitigation strategies (2)

Impacts on patient choice and provider incentives



Benefits, risks, and risk mitigation strategies (3)

Managing the opportunities and challenges of private ownership

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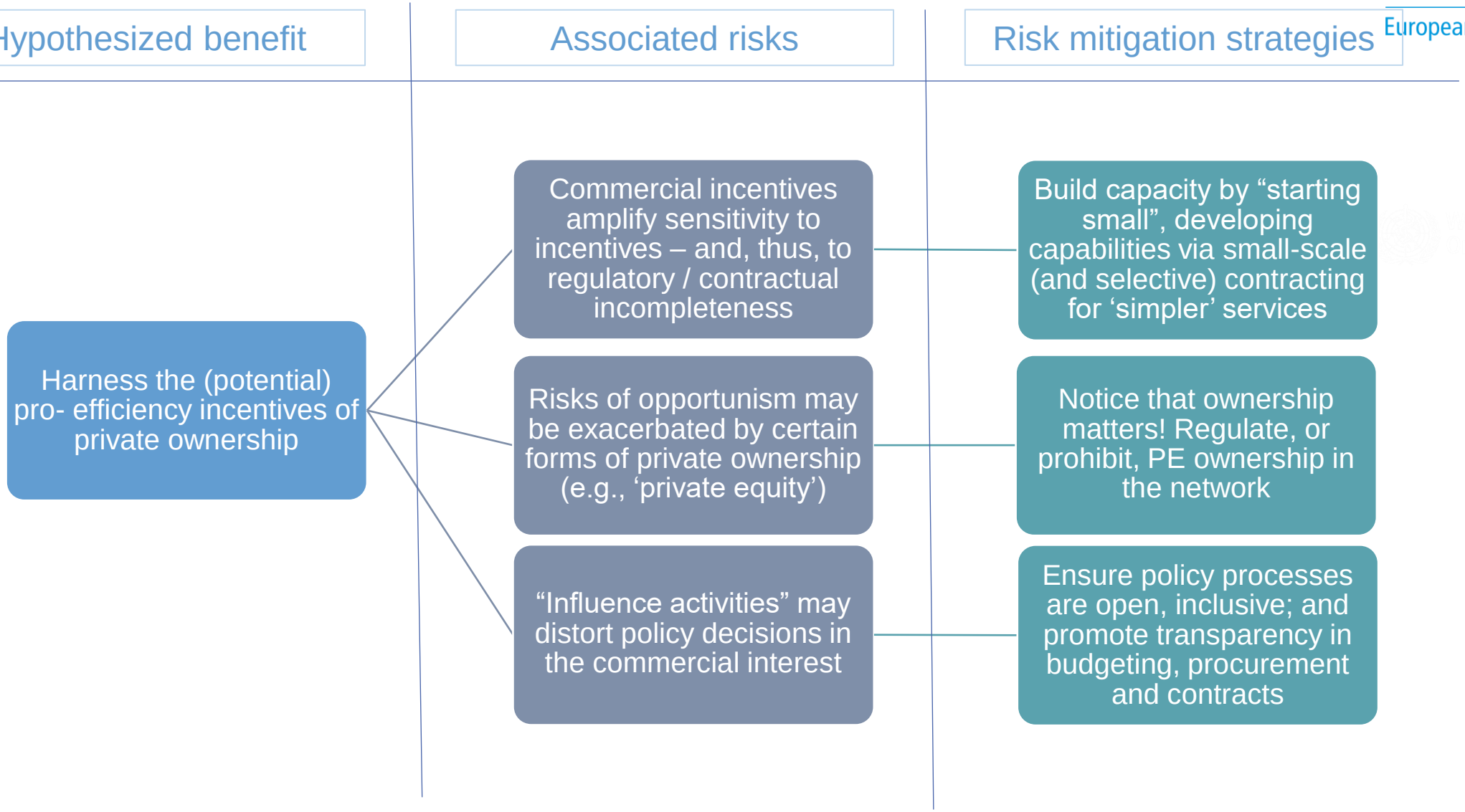

Conclusions