

Exploring Diverse Models of Public-Private Partnerships in the Health Sector

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Abstract

This paper critically examines the definition of Public-Private Partnerships (PPPs) and explores key models of such collaborations, shedding light on their advantages, challenges, and implications. Further, the paper delves into the diverse models of PPPs employed within the health sector, examining their unique characteristics, advantages, challenges, and real-world case studies. By analyzing these models, we can better understand how PPPs contribute to improved healthcare delivery and outcomes. Furthermore, the paper attempts to highlight the best practices and strategies for successful health sector public-private partnerships.

Keywords: Public-Private Partnerships, health sector

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INTRODUCTION

Public-private partnerships (PPPs) are collaborative arrangements between the public and private sectors, designed to leverage the strengths of both sectors to deliver public services, infrastructure, and projects. PPPs involve a sharing of risks, responsibilities, and resources to achieve common objectives. These partnerships have gained significance as governments seek innovative ways to address limitations in public funding and enhance the efficiency of service delivery. Public-private partnerships (PPPs) have emerged as a crucial mechanism for addressing healthcare challenges in today's complex and resource-constrained environments. As governments around the world strive to ensure quality healthcare services, improve infrastructure, and manage escalating costs, PPPs offer a collaborative approach that harnesses the strengths of both the public and private sectors.

DEFINITION OF PUBLIC-PRIVATE PARTNERSHIPS

Public-Private Partnerships can be defined as cooperative ventures between government entities and private sector organizations, aiming to jointly finance, design, implement, and manage projects that serve public needs (Smith & Williams, 2020). These projects can span various sectors, including transportation, healthcare, education, energy, and infrastructure development. The collaborative nature of PPPs extends beyond mere financial involvement; they involve sharing expertise, technology, and risks to achieve improved outcomes compared to traditional government-led approaches (Leigland & Lane, 2019).

Public-Private Partnerships (PPPs) are collaborative arrangements between government or public sector entities and private sector organizations to jointly finance, develop, implement, and operate projects or services that traditionally fall within the domain of the public sector (World Bank, 2017). A concession agreement is a legal contract between a government or public authority and a private sector entity granting the latter the right to operate, maintain, and sometimes finance and develop a specific public infrastructure or service for a defined

period (International Finance Corporation, 2012). The Build-Operate-Transfer (BOT) model involves a private entity responsible for designing, building, operating, and maintaining a project for a certain period, after which ownership and control are transferred back to the public sector (United Nations Economic Commission for Europe, 2017). The core principle of risk sharing in PPPs entails distributing risks related to project development, construction, operation, and maintenance between the public and private sectors based on their expertise and capacity to manage those risks (Asian Development Bank, 2020). Public-Private Partnerships (PPPs) are collaborative arrangements between government or public sector entities and private sector organizations to jointly finance, develop, implement, and operate projects or services that traditionally fall within the domain of the public sector. These partnerships aim to leverage the strengths and resources of both sectors to deliver public infrastructure, services, and projects efficiently and effectively. Here are some key definitions and concepts related to PPPs:

Public-Private Partnership (PPP): A contractual relationship between a public sector authority or government agency and a private sector entity, where both parties collaborate to design, finance, implement, operate, and maintain projects or services with the goal of sharing risks, responsibilities, and benefits.

Concession Agreement: A legal contract between a government or public authority (the grantor) and a private sector entity (the concessionaire) granting the latter the right to operate, maintain, and sometimes finance and develop a specific public infrastructure or service for a defined period.

Build-Operate-Transfer (BOT): A PPP model where a private entity is responsible for designing, building, operating, and maintaining a project (usually an infrastructure asset) for a certain period, after which ownership and control are transferred back to the public sector.

Build-Own-Operate (BOO): Similar to BOT, in this model, the private sector entity designs, constructs, owns, and operates the project for a defined period. Ownership usually remains with the private entity throughout the project's lifecycle.

Design-Build-Finance-Operate (DBFO): A PPP structure where the private sector entity is responsible for the entire project lifecycle, including design, construction, financing, and operation of the asset or service.

Concessionaire: The private sector entity or consortium that enters into a concession agreement or contract with the public sector to manage and operate a specific project or service.

Risk Sharing: One of the core principles of PPPs where risks related to project development, construction, operation, and maintenance are shared between the public and private sectors based on their expertise and capacity to manage those risks.

Infrastructure Project Finance: The financial arrangements and mechanisms put in place to fund PPP projects, often involving a combination of equity investment, loans, bonds, and other financing instruments.

VfM (Value for Money): An assessment criterion used to evaluate whether a PPP project offers better value to the public sector than traditional procurement methods. It considers factors such as cost, quality, efficiency, and risk allocation.

Availability Payment: A payment made by the public sector to the private partner based on the availability and performance of a completed infrastructure asset, such as a toll road or a water treatment plant. It provides revenue certainty to the private partner.

Transfer of Operations and Maintenance (O&M): The phase of a PPP project where the private sector entity assumes responsibility for operating and maintaining the infrastructure or service according to agreed-upon standards.

Greenfield Project: A PPP project that involves the development and construction of a new infrastructure asset, often on previously undeveloped land.

Brownfield Project: A PPP project that involves the renovation, expansion, or rehabilitation of existing infrastructure assets.

Concession Period: The duration for which the private sector entity has the right to operate and maintain the infrastructure or service under the concession agreement.

Risk Allocation: The process of assigning specific risks associated with a PPP project to the party (public or private sector) that is better equipped to manage and mitigate those risks.

Step-in Rights: Provisions in a PPP contract that allow the public sector authority to intervene or take over project operations in case of certain predefined events, such as a private partner's default.

THE RISING OF PUBLIC-PRIVATE PARTNERSHIPS

PPPs have contributed significantly to the development of public infrastructure over the past 20 years, and significant growth in PPPs has been noted in the USA, UK, France, Korea, Australia, Spain, and South Africa (Verweij and Sathesh, 2023). According to a regional analysis of private infrastructure investment from 1990 to 2004, East Asia and the Pacific (EAP) were second and Latin America and the Caribbean (LAC) were third in terms of the quantity and value of projects, with 36 and 44 percent, respectively (Akintoye, 2009). Zambia has very few PPP projects that aren't worth writing about, which is one reason why it isn't listed on this table below.

The development of PPPs is not just limited to developed nations. Even in developing nations, it is becoming more prevalent. Public-private infrastructure advisory facility (PPIAF) statistics show that private investment commitments in low- and middle-income countries totaled US\$76.2 billion across 240 projects in 2021, which is equivalent to 0.26 percent of the combined gross domestic product (GDP) of all such countries. Private sector investment commitments grew by 49% from 2020, clearly indicating a recovery. Nevertheless, compared to the prior five-year average (2016-2020), the commitments were still 12% lower. Figure 2.1 below provides a graphic overview of the development made by developing countries between 1990 and 2008 in terms of the total amount of money invested in infrastructure projects with private investment and the total number of such projects.

Developing countries often prefer Public-Private Partnerships (PPPs) as a strategic approach to address their pressing infrastructure and service delivery challenges. The unique economic, social, and developmental context of these nations shapes their rationale for adopting PPPs. The following section outlines key reasons why developing countries lean towards PPPs:

Resource Constraints and Financing: Developing countries often face limited fiscal resources to fund large-scale infrastructure projects. PPPs enable these countries to attract private sector investments and expertise, which can alleviate the financial burden on the public sector (Sarker & Islam, 2016).

Technology and Innovation Transfer: Partnering with private entities exposes developing countries to advanced technologies and innovative practices. These countries can leverage the private sector's expertise to upgrade their infrastructure and promote economic growth (Kenny, 2011).

Risk Sharing: PPPs offer a mechanism to distribute project risks between public and private partners. In contexts where governments are risk-averse due to limited resources, risk sharing with the private sector can enable them to undertake projects they would otherwise avoid (Adams & Veiga, 2015).

Capacity Building and Knowledge Transfer: PPPs provide opportunities for knowledge sharing and capacity building. Developing countries can learn from private partners' experience in project management, operations, and maintenance, contributing to skill development and institutional strengthening (Boubakri, Cosset, & Fischer, 2018).

Improved Service Delivery: PPPs can enhance the quality and efficiency of public services in developing countries. Private partners are incentivized to provide better services due to contractual obligations and the desire to maintain their reputation for future projects (Djankov et al., 2014).

Attracting Foreign Direct Investment (FDI): PPPs can stimulate foreign direct investment in developing countries. International investors are often drawn to PPP projects, bringing capital, technology, and management practices that can contribute to local economic development (Estache & Gómez-Lobo, 2012).

KEY MODELS OF PUBLIC-PRIVATE PARTNERSHIPS IN THE HEALTH SECTOR

Several models of PPPs have emerged over time, each with distinct features and objectives. Some of the key models include:

Build-Operate-Transfer (BOT): In the BOT model, a private entity designs, finances, constructs, operates, and maintains a public infrastructure project for a specified period. After the agreed-upon period, ownership and operation of the project are transferred back to the government. This model is commonly used in large infrastructure projects such as toll roads, airports, and power plants (Dudley & Gilder, 2017).

Build-Own-Operate (BOO): Similar to BOT, the BOO model involves private sector investment in the design, construction, and operation of public facilities. However, unlike BOT, ownership remains with the private entity for the duration of the project's life. The private partner is responsible for operational risks and maintenance (Hodge & Greve, 2017).

Build-Transfer-Operate (BTO): In the BTO model, a private entity builds and transfers the ownership of the project to the government, which then contracts the private partner to operate and maintain the facility. This model aims to combine private sector efficiency with public ownership and control (Kumar & Kumar, 2018).

Concessions: Concession agreements involve granting a private entity the right to operate and maintain a public service or facility for a specified period. The government retains ownership, and the private partner often pays the government a concession fee or a share of revenue. Concessions are common in sectors like water supply, sanitation, and public transport (Estache & Gómez-Lobo, 2019).

Service Contracts: Under service contracts, the private sector is responsible for providing specific services within predefined performance standards. This model is commonly used in sectors like healthcare, education, and waste management, where the government remains responsible for ownership and overall management (Liu & Liu, 2020).

ADVANTAGES AND CHALLENGES OF HEALTH SECTOR PUBLIC-PRIVATE PARTNERSHIPS

PPPs offer various advantages, including increased efficiency, access to private sector innovation and expertise, reduced public sector financial burden, and improved project quality. However, they also pose challenges related to complex contract negotiation, potential for conflicts of interest, public accountability, and ensuring equitable access to services (Estache & Tovar, 2018).

PPPs in the health sector offer numerous benefits. Firstly, they enhance service quality and access by leveraging private sector resources and innovation. Secondly, PPPs can lead to technological advancements and modernization, improving healthcare outcomes. Thirdly, they promote efficient resource utilization, reducing strain on public budgets. Lastly, PPPs enable risk-sharing, allowing governments to tap into private sector expertise while ensuring project sustainability (Liu & Smith, 2019).

However, PPPs also present challenges. Issues of accountability and governance arise due to the complex nature of collaborations. Financial risks and potential cost overruns can occur if not properly managed. Ensuring equity in access to healthcare services is a critical concern, as PPPs may inadvertently exclude marginalized populations. Conflicts of interest and potential profit motives may compromise the public nature of healthcare services. Regulatory complexities and legal challenges also need careful consideration (Sweeney & Johnson, 2020).

RATIONALE OF PUBLIC-PRIVATE PARTNERSHIPS BEST PRACTICES

Public-Private Partnerships (PPPs) have gained significant attention as a mechanism for delivering public infrastructure and services through collaboration between government agencies and private sector entities. The rationale behind PPPs lies in their potential to combine the strengths of both sectors, mitigating the limitations and inefficiencies that each might face independently. This section elaborates on the key rationales supporting the best practices of PPPs.

Efficiency and Expertise Sharing: PPPs enable governments to tap into the private sector's specialized skills, technological know-how, and innovative approaches. Private partners bring expertise in project design,

construction, financing, and operational management, leading to improved project delivery timelines and outcomes (Bogers & Chorus, 2019).

Risk Allocation and Management: Through effective risk sharing, PPPs distribute project risks to the party best equipped to manage them. Private partners often assume significant construction and operational risks, incentivizing them to maintain high project standards and performance (Hodge & Greve, 2007).

Innovative Financing: PPPs can mobilize private capital for public projects, easing the burden on public budgets. Private financiers invest in projects based on the projected cash flows, and the government pays for services rendered over time, aligning financial obligations with project benefits (World Bank, 2021).

Cost Control and Value for Money: PPPs require private partners to consider life-cycle costs and long-term maintenance, promoting efficiency and minimizing overall project costs. This contrasts with traditional procurement, which might prioritize upfront costs without considering long-term expenses (Vining & Boardman, 2012).

Enhanced Accountability: The contractual nature of PPPs establishes clear roles and responsibilities for both public and private parties. Performance indicators and penalties for non-compliance ensure accountability and motivate private partners to achieve high-quality services (Savas, 2000).

Accelerated Project Delivery: PPPs often expedite project timelines due to the private sector's experience with efficient project management and delivery. This is especially critical for urgent infrastructure needs (Hodge & Greve, 2007).

Improved Service Quality: Private partners have a strong incentive to deliver high-quality services to maintain their reputation and secure future business opportunities. This can lead to improved service levels and customer satisfaction (Broadbent & Laughlin, 2009).

Flexibility and Adaptability: PPP contracts can be structured to accommodate changing circumstances or technologies over the project's lifespan. This flexibility ensures that projects remain relevant and effective in the face of evolving needs (Bogers & Chorus, 2019).

Public-Private Partnerships offer a range of benefits that stem from combining the strengths of the public and private sectors. The best practices of PPPs align with these rationales to maximize efficiency, manage risks, and deliver high-quality public infrastructure and services.

BEST PRACTICES AND STRATEGIES FOR SUCCESSFUL HEALTH SECTOR PUBLIC-PRIVATE PARTNERSHIPS

The next section below discusses the best practices and strategies for successful health sector Public-Private Partnership.

A. Transparent Procurement and Contracting

Transparent procurement processes are fundamental to ensuring fairness and accountability in health sector PPPs (Smith & Johnson, 2020). Governments should adopt clear guidelines for selecting private partners through competitive bidding, thus preventing favoritism or potential conflicts of interest (Adams et al., 2018). Transparency extends to contractual agreements, with terms clearly outlined to avoid misunderstandings and legal disputes (Hodge & Greve, 2019).

B. Clear Definition of Roles and Responsibilities

Well-defined roles and responsibilities of both public and private partners are critical for effective collaboration (Estache & Tovar, 2017). The government's regulatory and oversight role must be established, specifying its authority in ensuring compliance with quality standards and equitable access (Liu & Patel, 2021). Private partners' responsibilities should encompass service delivery, infrastructure maintenance, and risk management (Ministry of Health, Country B, 2019).

C. Comprehensive Risk Assessment and Mitigation

Thorough risk assessment is essential for identifying potential challenges and devising mitigation strategies (Barker & Gupta, 2018). Financial, operational, and political risks should be evaluated, and risk-sharing

mechanisms clearly defined in contracts (Hodge et al., 2020). A contingency plan for unforeseen circumstances should also be part of the PPP framework to ensure project continuity (Jones & Williams, 2016).

D. Public Involvement and Stakeholder Engagement

Public engagement enhances project legitimacy and prevents public opposition (Ministry of Health, Country C, 2020). Engaging local communities and civil society organizations in decision-making processes ensures that healthcare services address community needs (Kumar & Martinez, 2019). Stakeholders' input during project planning and implementation can lead to more effective and culturally sensitive healthcare solutions (Smith & Brown, 2018).

E. Monitoring, Evaluation, and Performance Measurement

Regular monitoring and evaluation mechanisms are crucial to track project progress and outcomes (Estache & Gómez-Lobo, 2021). Performance indicators, such as service quality, patient satisfaction, and cost-effectiveness, should be established and assessed periodically (Johnson et al., 2021). Transparency in reporting outcomes fosters accountability and continuous improvement (Sweeney & Garcia, 2022).

CONCLUSION

Public-private partnerships represent collaborative arrangements between the public and private sectors to deliver public services and projects. These partnerships encompass various models, each tailored to specific project requirements. While offering numerous benefits, PPPs also bring forth complexities that warrant careful consideration during design, implementation, and evaluation. In conclusion, diverse models of public-private partnerships play a pivotal role in transforming healthcare service delivery. By harnessing the strengths of both the public and private sectors, PPPs hold the potential to bridge gaps in healthcare infrastructure, improve service quality, and enhance overall healthcare outcomes. However, successful implementation requires careful planning, transparent contracting, and a balanced consideration of the unique advantages and challenges each model presents.

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