

How far can public-private partnerships help government meet health sector challenges?

They've become the most talked about 'solution' by politicians. But how do PPPs work? Maurice Diamond reports



Africa shoulders the lion's share of the global disease burden – the continent has only 11% of the world's population, but according to the World Health Organization (WHO) it endures over 50% of maternal and under-5 child deaths and over 60% of global HIV/AIDS cases.

Despite financial commitments made in the 2001 Abuja Declaration, African countries still struggle to increase health spending to 15% of national budgets and most African states spend less than the WHO recommended minimum spending of US\$40 per person on health. It is therefore particularly important for African governments to ensure that limited resources are spent efficiently, minimising duplication and wastage. This is easier said than done in countries that suffer significant challenges such as poor infrastructure and human resource capacity, political instability, and low levels of health education.

We are increasingly seeing governments turn to the private sector to provide support in the delivery of public services due to its perceived efficiency, discipline, and economies of scale. Advocacy for public-private partnerships (PPPs) in particular has been gathering significant momentum in recent years, but with each country possessing specific and sometimes unique challenges, how far can PPPs help African governments to meet these challenges and improve health services and outcomes?

Sustainability is the key to the success of any type of PPP, whether it is an investment partnership for commercial return or a partnership between the public sector and NGOs or private sector companies to jointly deliver development outcomes with limited or no financial gains.

Before a PPP is contracted, an analysis is needed to determine the suitability of the local environment in terms of legislation, ability to provide loans to private sector funders, availability of local service providers, strength of the local economy, and public sector commitment.

For a PPP to succeed, it is crucial for the public and private sectors to have aligned and complementary, if not shared, objectives and for effective structures

to be in place including coordinated oversight and governance, continual investment in training, and best practice.

Historically, NGOs and faith-based organisations have helped to fill gaps in government health services, but more recently they are working together with governments to strengthen health systems. For low-income countries this approach, known as developmental PPP, is likely to continue, while other countries should draw upon their own resources to pay for more commercially based PPPs.

While service specifications for PPP health schemes should be output based, essential inputs should be precisely specified to private sector partners. The public sector may have to bear some of the design and delivery risks, heightening the need for suppliers with relevant expertise and a solid track record. A common mistake is for the public sector to select private sector partners with limited expertise or commitment to the health sector and to fail to establish effective risk sharing.

Governments can select multiple health suppliers under multiple contracts under the 'best of breed' model or fewer providers to deliver multiple services allowing for lower overall borrowing costs and reduced



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charges under the 'end-to-end' model.

The 'best of breed' approach is costly and requires strong contract management and governance, but it enables the public sector to obtain health-related services under layered contracts of varying lengths, allowing for more transparency and control.

Under the 'incremental model', governments can strengthen existing health services while minimising their exposure to risk in delivery by bringing in a third-party manager on a risk-reward contract. A manager with health sector expertise can: ensure value for money by letting contracts to an outsourced team to select the best contracts; manage services directly when risks are too high; secure funding on better terms for individual schemes based on their own standing; and fulfil other public sector objectives like local capacity building.

The public sector may later consider alternative operating models for its health-related services such as bringing the government, private sector, management and local staff together in a not-for-profit social enterprise model.

Crown Agents works with several African governments to research, analyse and design PPPs – particularly to manage central medical stores. Our partnership with Zambia has transformed its medical stores into an efficient and demand-led organisation that is being emulated in other African countries. We utilise proven methodologies to bring together the best in public and

private sector experience to achieve effective service delivery.

PPPs can help governments to meet health sector goals, but they need to be tailored to the local environment. They will only succeed if suppliers have aligned interests with the public sector and strong governance and management structures are established. Governments need strong commercial skills to ensure that they continue to achieve value for money throughout the life of the partnership. PPP health projects are progressing, but more innovation, acceptance of lower returns and secure private sector financiers and guarantors are required to meet health sector challenges.



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