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ADB JFPR Japan Fund for Prosperous and Resilient Asia and the Pacific From the People of Japan

ADB Workshop on Capacity Building for Developing Health Sector Public-Private Partnership

Sog'liqni saqlash sektorida davlat-xususiy sheriklikni (DXSh) rivojlantirish bo'yicha OTB-ning salohiyatini oshirish seminari


Health sector PPPs

Tashkent, 22-23 September 2025

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PPPs in Health sector



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What are PPPs: definition

Public-Private Partnership (PPP)

long-term contractual arrangement between public (national, state, provincial, or local) and private entities through which the skills, assets, and/or financial resources of each of the public and private sectors are allocated in a complementary manner, thereby sharing the risks and rewards, to seek to provide optimal service delivery and good value to citizens.

In a PPP, the public sector retains the ultimate responsibility for service delivery, although the private sector may provide some or all of the service for an extended time."

– ADB

Office of Markets Development and Public-Private Partnership

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Different solutions for different needs

Non-clinical Services

Contracting out works and services such as IT equipment and service, cleaning, catering, maintenance, etc.

Country examples:
global

Management Contracts

Management of hospitals or networks of hospitals and/or clinics

Country examples:
Brazil, Lesotho, India

Infrastructure PPP (PFI)

Contracting a private provider to design, build and manage facilities

Country examples:
UK, Spain, Italy, Mexico, South Africa, France, Australia

Clinical Services

Contracting out services such as dialysis, radiotherapy, day surgery etc.

Country examples:
Romania, Peru, UK, India, Bangladesh



Infrastructure and Services PPP

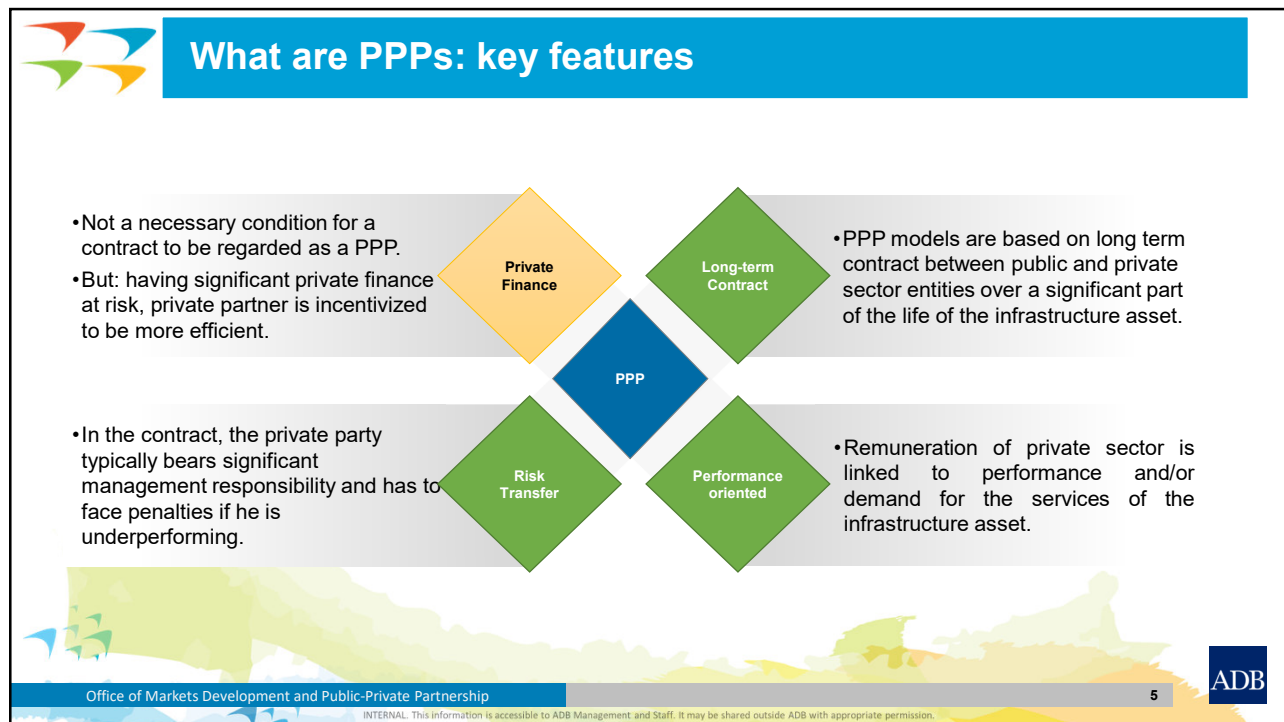
Contracting a private provider to design, build, and manage facilities as well as deliver clinical services

Country examples:
Portugal, Lesotho, Spain, Turks, Caicos, India

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Traditional public procurement vs PPP		
Criteria	Public procurement	PPP
Duration	Short term contracts	Long term (20-30 year) Contracts
Purpose	Design, construction	Design, construction, finance, management, maintenance, operations
Contract specification	Input-based	Output-based
Risks with Public Sector	Financing & Construction risks and risks due to cost overruns	Financing & Construction risk transferred to the private sector incentivizing delivery within time and budget mentioned in contract
Costs to the Public Sector	Paid upfront – from capital budget	Paid as over life of contract after construction has been completed
Link with performance	Maintenance and services post construction are not linked to performance	Payments are linked to performance

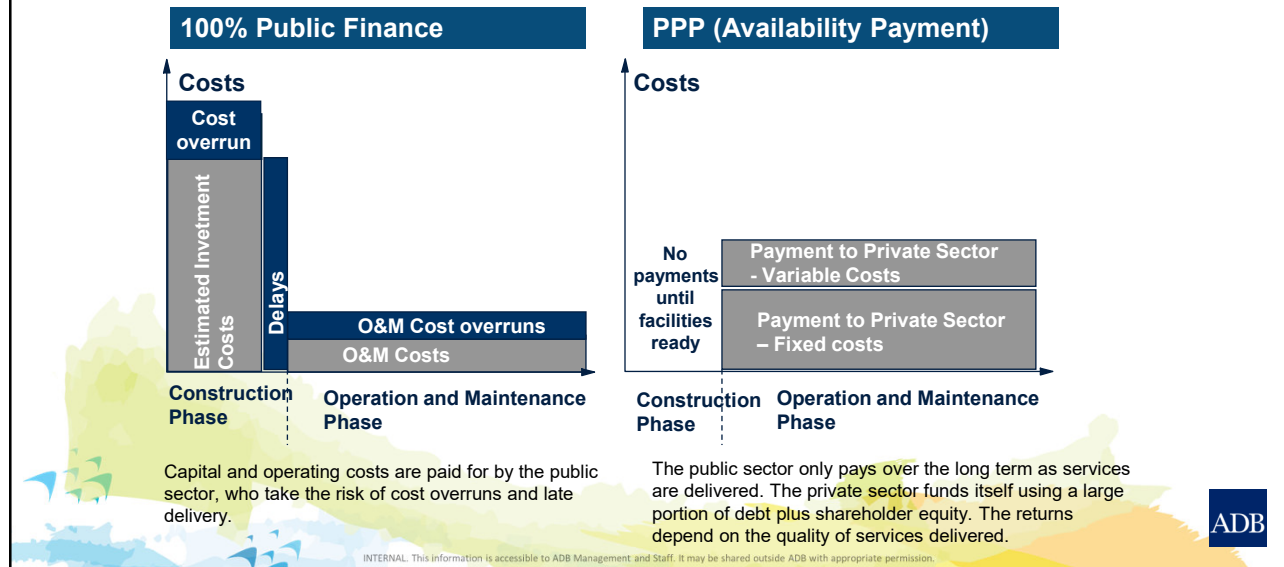
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Different financing strategies for traditional procurement and PPPs



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Key Advantages of PPPs

Improve Services

- New/refurbished infrastructure
- Higher quality service standards
- Access to scarce clinical skills
- Regular maintenance & technology upgrades
- Ongoing training programs

Mobilize capital

- Provide access to new private financing.
- Lower/eliminate subsidies.
- Improve budgetary efficiency.
- Deliver top value for money through competitive bidding & optimal risk allocation.

Increase efficiency

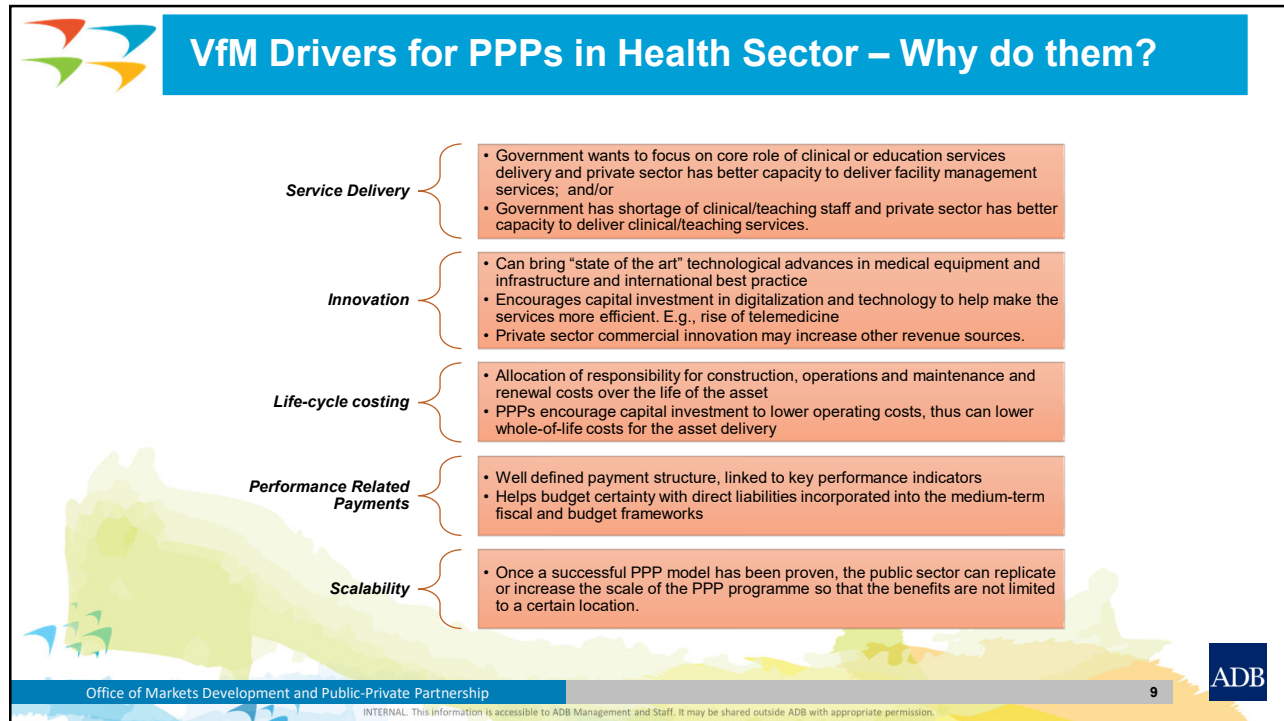
- Better identification & allocation of long-term risks.
- Maintain affordable tariffs.
- Improve building efficiency.
- Ensure predictable budget commitments.
- Provide access to industry best practices & private-sector expertise.

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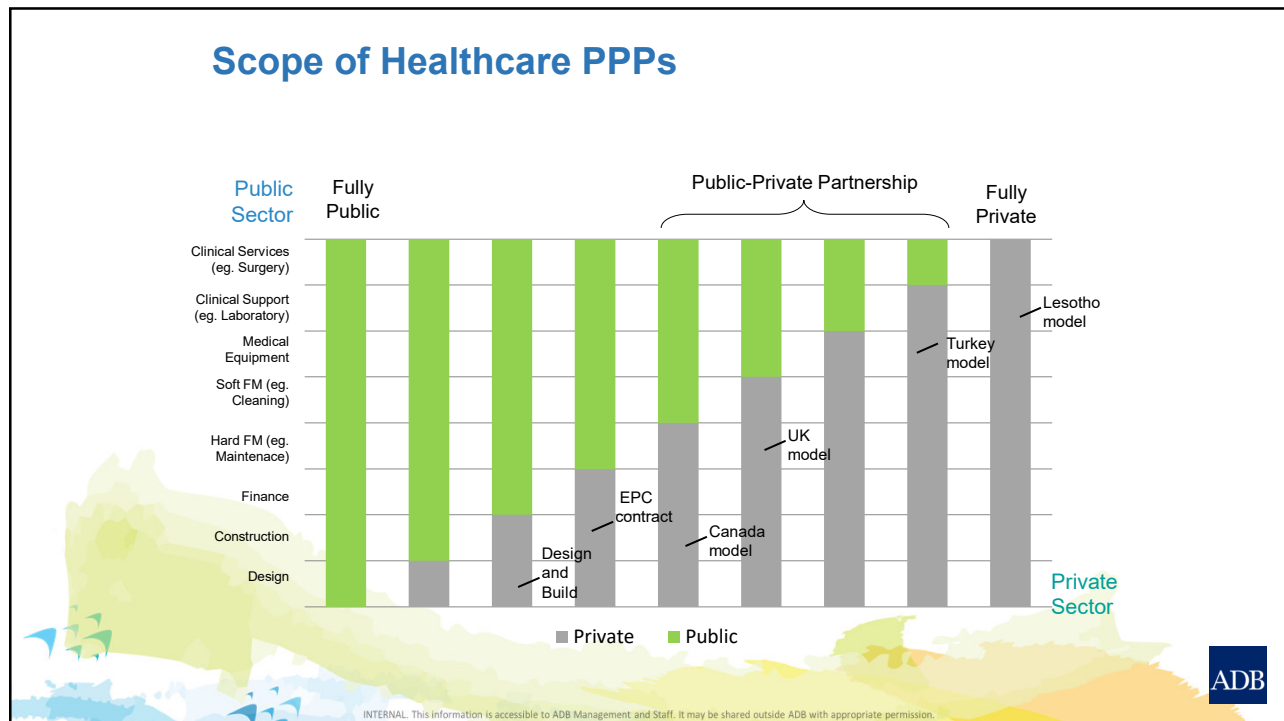
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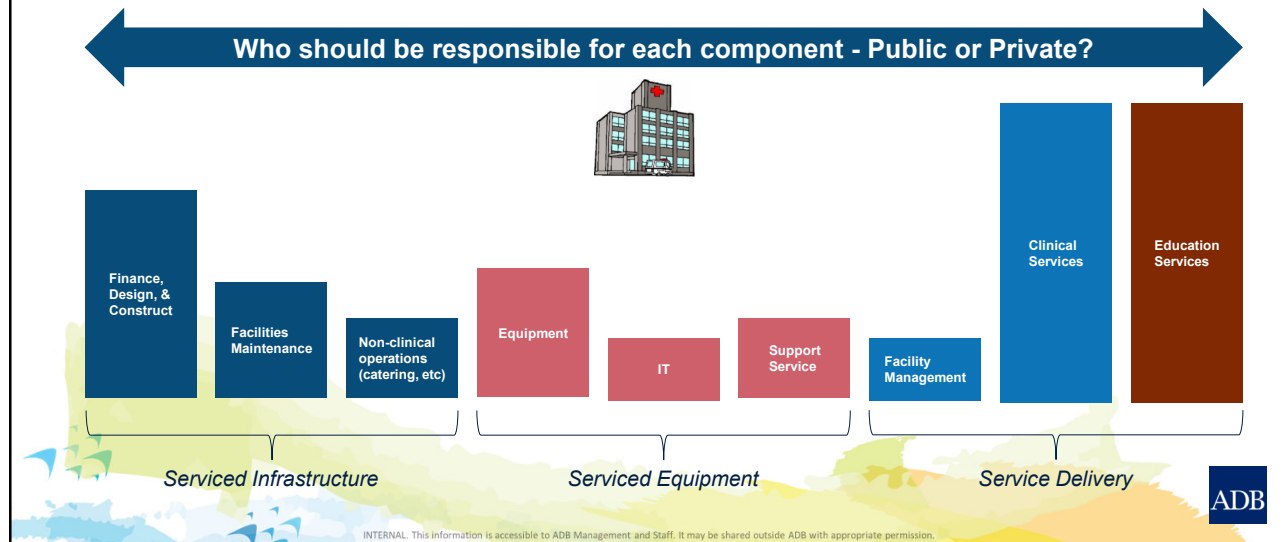
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Defining the Scope of a project



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Different solutions for different needs

Broadly PPPs in health sector can be classified in three categories:

1. **Health infrastructure PPP** – private sector is engaged for creating and maintaining infrastructure; often clubbed with non-clinical operations.
2. **Clinical services PPP** – private sector is primarily engaged for providing clinical services; often clubbed with developing infrastructure too.
3. **Health continuum PPP** – private sector is made responsible for the health (including prevention) of a defined population.



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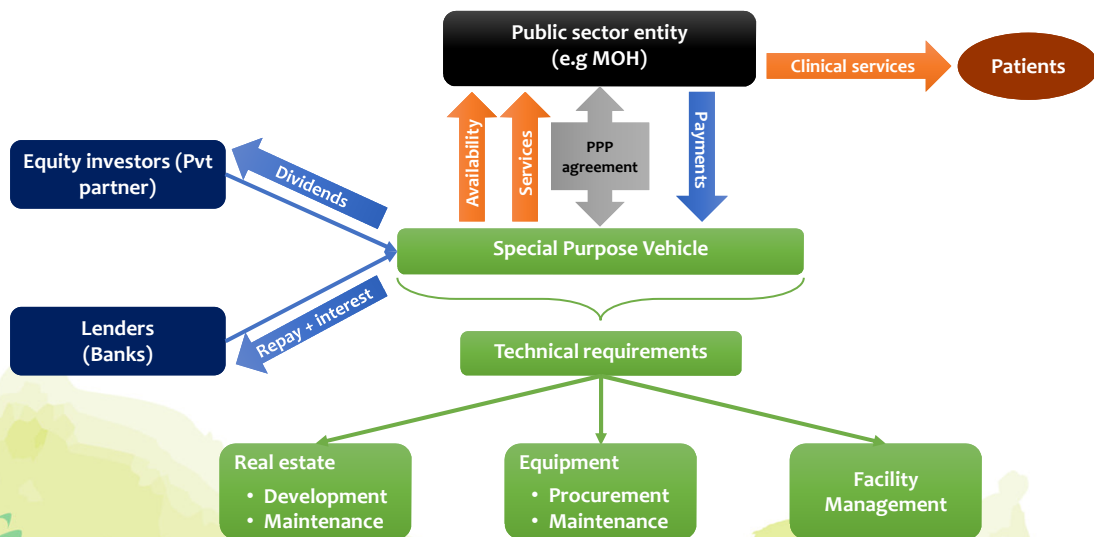
Health Infrastructure PPP

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Health Infrastructure PPP



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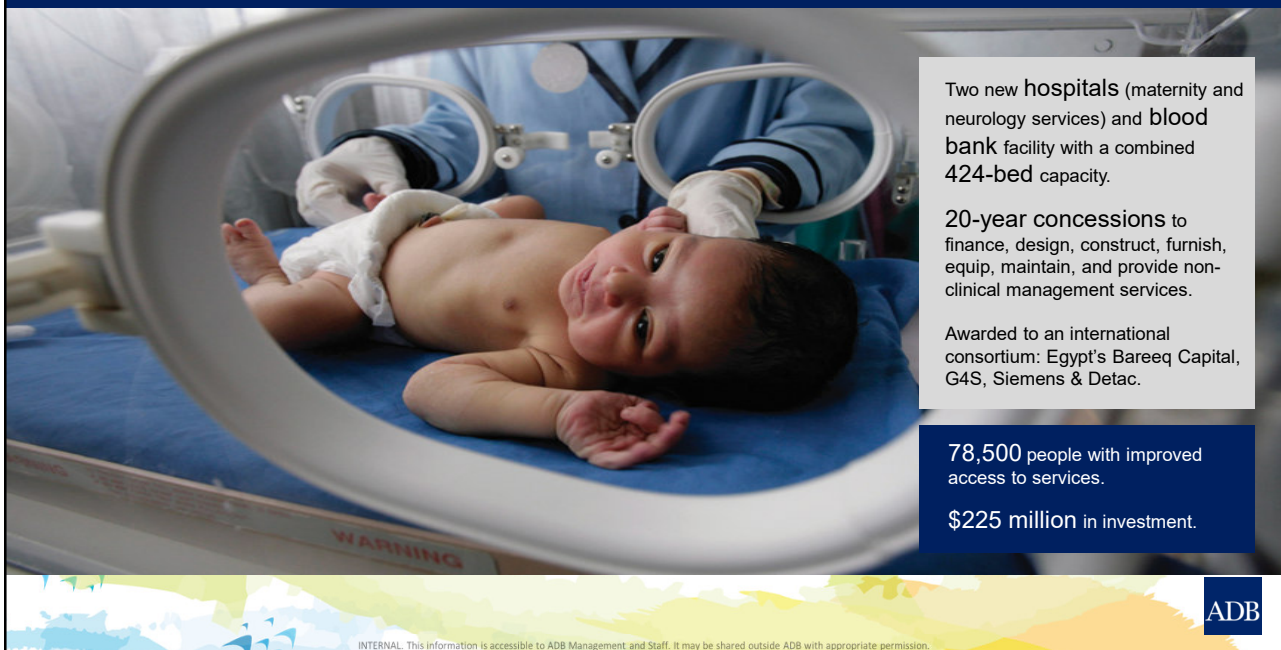
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Turkey: Adana health campus




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Egypt: Alexandria University Hospitals



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Mexico: Toluca & Tlanepantla Hospitals



Two new 120-bed hospitals.


25-year PPP to design, finance, construct, equip, maintain, and provide dialysis, imaging, and lab services.

Awarded to Prodemex (Toluca) and Marhnos (Tlanepantla).

20,000 people with improved access to services

\$120 million in investment

33% decrease in operational costs.




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UK's experience of using PFI in health sector

- By March 2012, 118 PFI projects in health sector
- Capital costs of the projects about £11.6 billion
- PFI projects appeared to do better in the delivery and quality of output/outcomes.
- The projects did reap benefits from private sector's project management skills, innovation and risk management expertise.
- Assets created as part of PFI projects were maintained to higher standards than those by a more conventional procurement process
- Estimated overall payments to private partners in nominal, non-discounted terms, for the projects would amount to £79.15 billion until the financial year 2049-50
 - The difference between capital costs and payments is due the non-clinical operational costs built into the contracts and time value of money

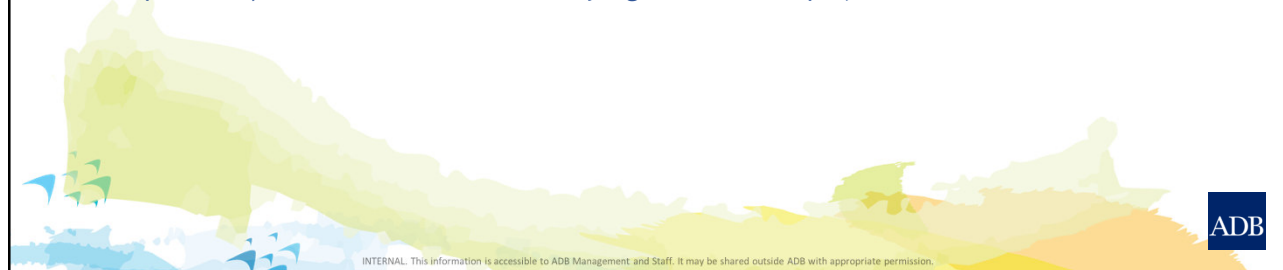


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UK's experience of using PFI in health sector

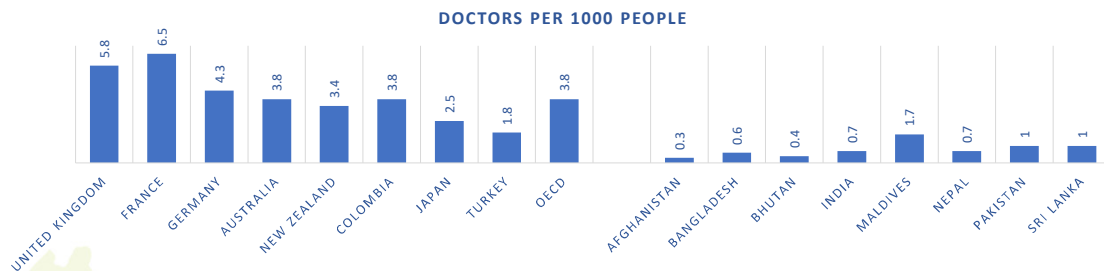
- However, there have been challenges:
 - There is a general perception that PFIs are more expensive than traditionally procured projects, mainly because:
 - Private equity is more expensive than public debt
 - Extra costs due to time delays coming from long procurement process in a PFI, primarily during bid evaluation stage
 - Lack of government capacity in contract management for PFI contracts
 - Perception that private sector is being compensated for risks not taken
 - There has been heavy criticism on accounting treatment of PFI projects
- The PPP space in UK has evolved from PFI (only infrastructure) to PF2 (with some non-clinical operations) to service PPPs more recently e.g. PET scan PPP project.



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Challenges in developing countries for using Infrastructure only PPPs

- Lack of public entity capacity to provide clinical services – mainly due to shortage of clinical staff and/or inability to retain clinical staff in public service
 - This has led to creation of 'white elephants' i.e. large and well-maintained hospitals but highly underutilized



- PFIs in developing countries are more expensive in comparison to the developed world. Main reasons for this are:
 - Cost of private debt and equity are higher in developing countries
 - PFIs in developed world are heavily leveraged i.e. high proportion of debt (e.g. 90% in UK). However, in developing world lenders perceive high proportion of debt as too risky – typical debt is 70% of capital costs.
 - Governments in developing countries have lower credit rating than in developed countries – thus PFIs are considered to have higher risk and thus higher returns are expected from investors.

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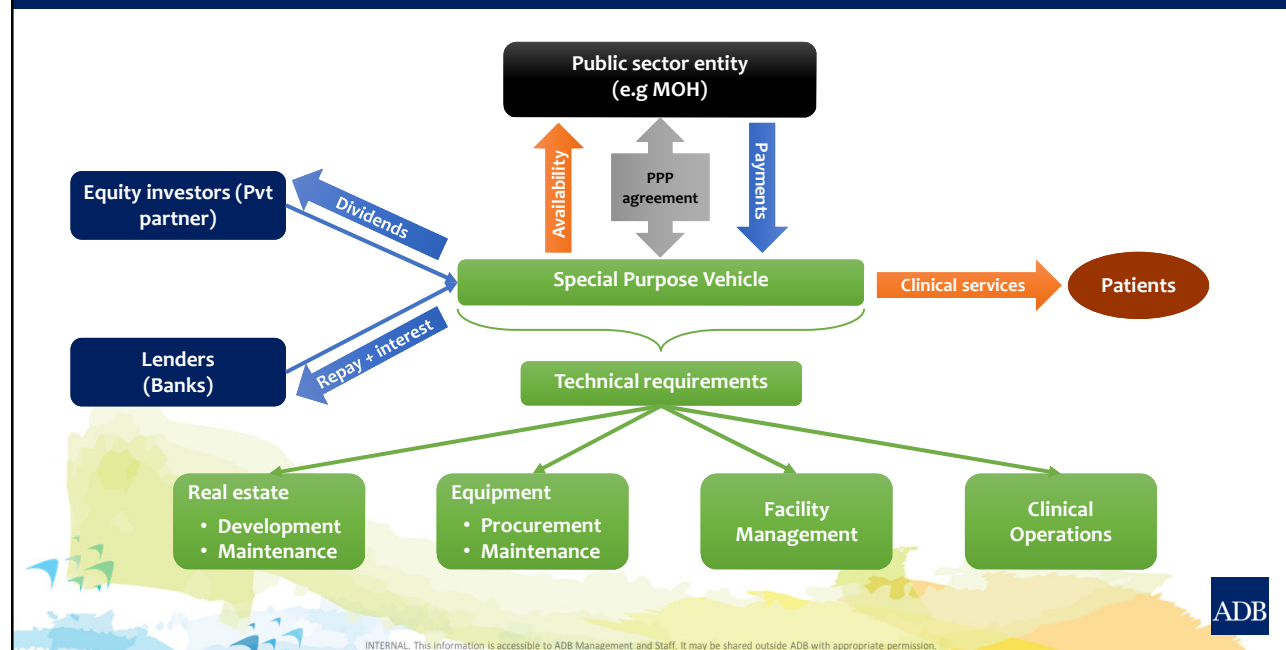
Clinical Services PPP

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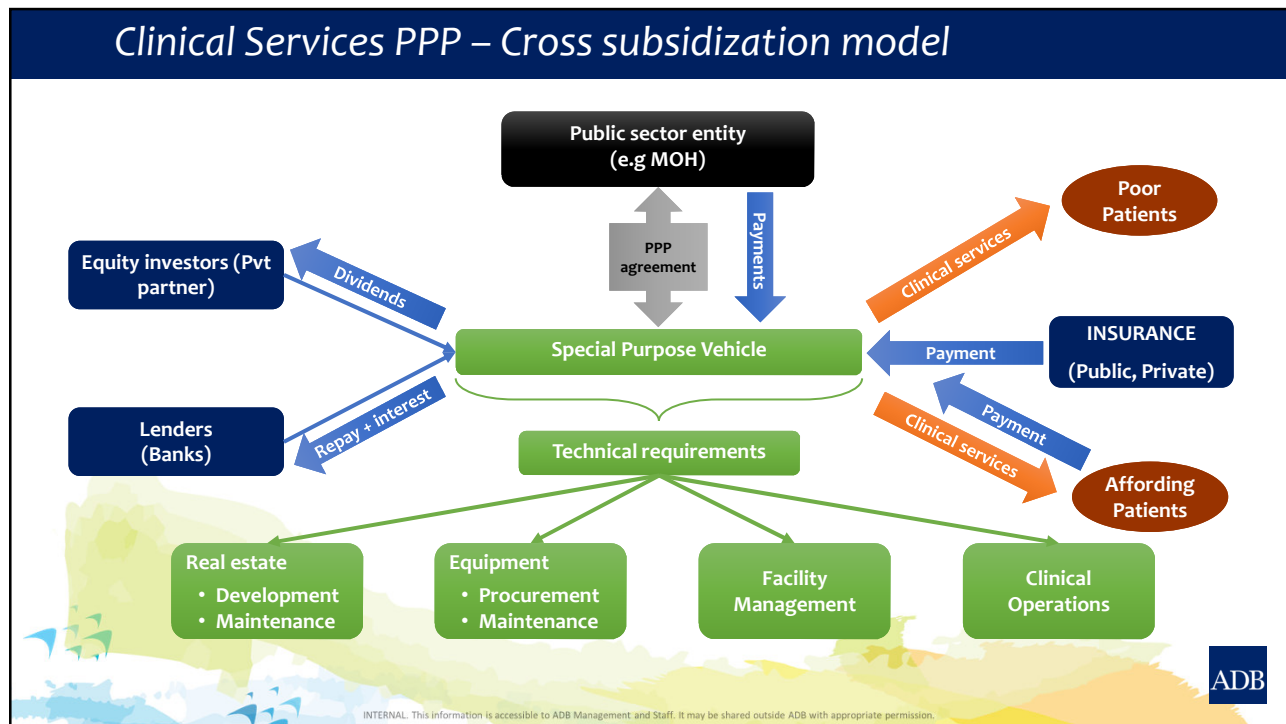
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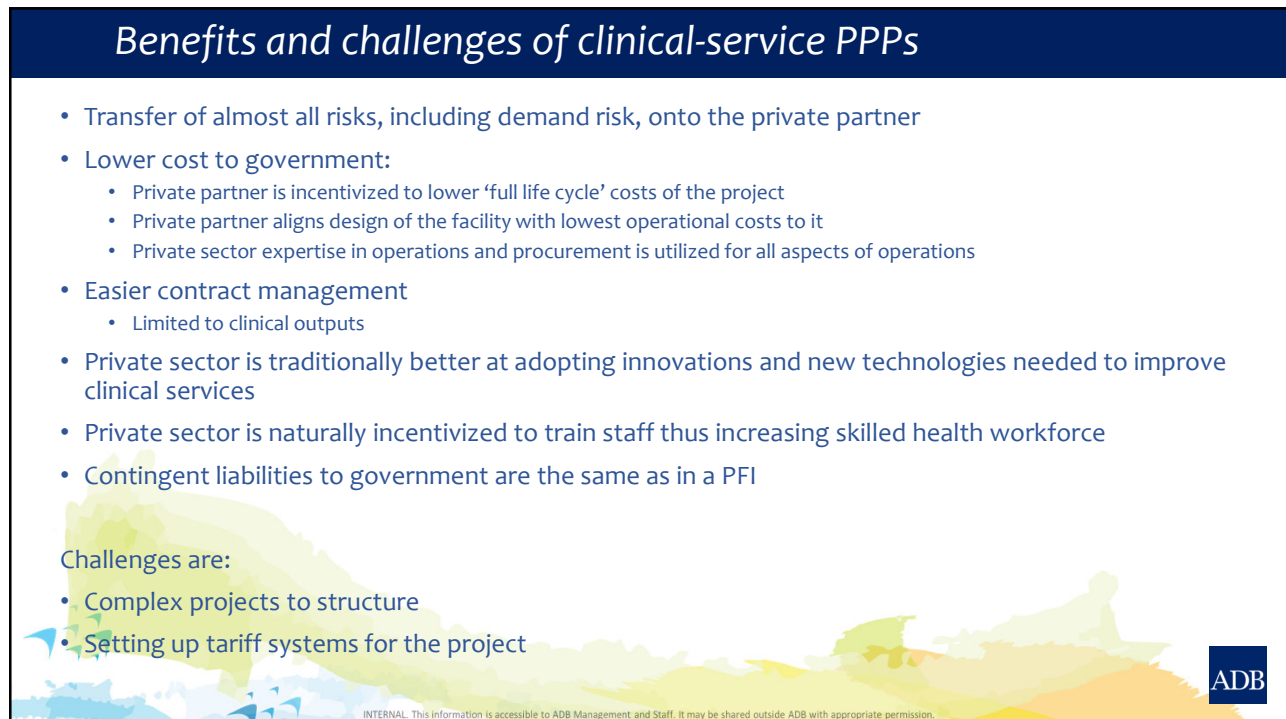
Clinical Services PPP – Government payment model



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Brazil: Hospital do Subúrbio



New 298-bed emergency hospital in Periperi district of Salvador, Bahia.

10-year concession to equip, maintain, and operate both clinical and non-clinical services.

Awarded to Promedica and Dalkia.

400,000 people with improved access to services

\$50 million in investment

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India: Shillong Medical College



New hospital and medical college facilities.

99-year concession to build and operate the Shillong medical college and associated 500-bed training hospital.

Awarded to KPC Medical College and Hospital, Jadhavpur.

240,000 people with improved access to services

\$30 million in investment

100 trained doctors per year

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Romania: Outpatient Dialysis Services



Four 4-year contracts to refurbish, operate, and manage dialysis centers at 8 hospitals around the country.

Awarded to local operators for B. Braun, Fresenius (Germany), Baxter (USA), and Gambro (Sweden).

224,640 people with improved access to service

\$40 million in private investment


Over €2.9 million in fiscal benefits

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Moldova: Radiology and Diagnostic Imaging



12-year concession to construct, equip and operate a new diagnostic imaging and radiology center.

First PPP in Moldova.

Awarded to Magnific a Moldovan health care services provider.

Over 100,000 people with improved access to service

\$7 million in private investment

5% of annual revenues returned by operator to Republican Hospital

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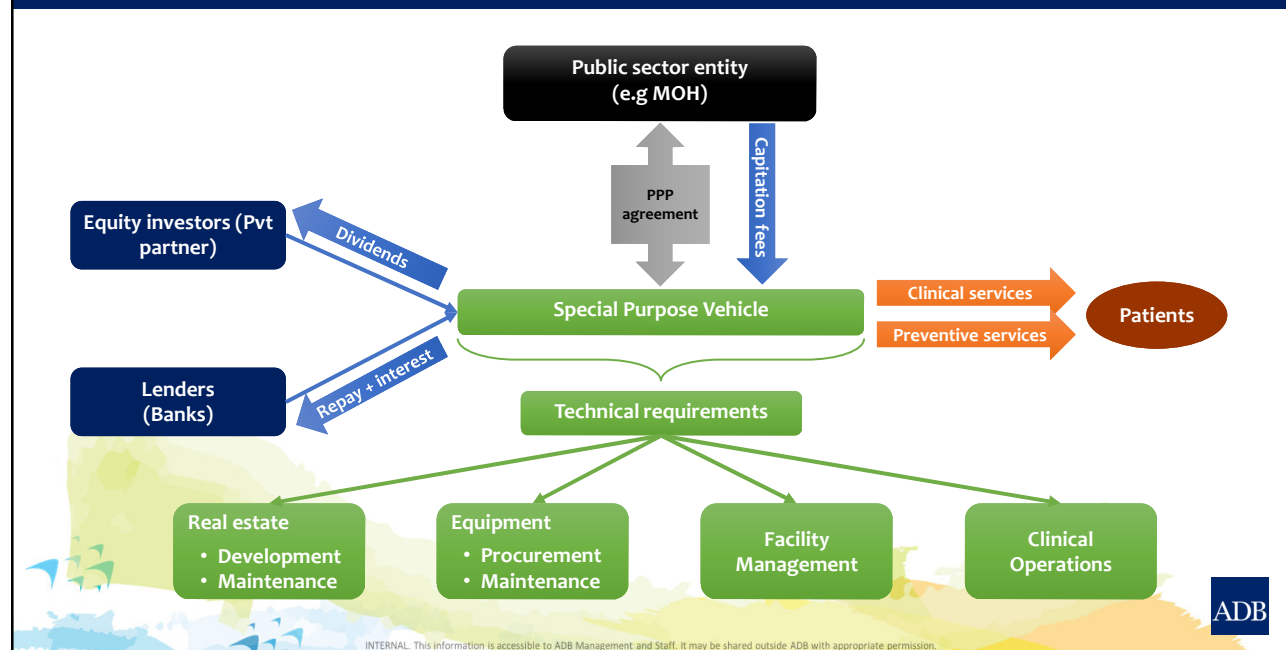
Health Continuum PPP

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Health Continuum PPP



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Spain: Alzira healthcare PPP



Includes 300-bed La Ribera Hospital, four integrated healthcare centers, and 46 public primary care centers, covering 250,000 people in the Alzira region.

15-year concession with 5-year extension option and an increased capitation payment for facilities management, as well as delivery of clinical services.

Resulted in increased efficiency, lower average length of stay and more surgeries per theatre per day compared to similar hospitals.

91% patient satisfaction

Shorter wait times for patients

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Benefits & challenges of Health continuum PPP

- Transfer of all risks onto the private partner while still achieving government goals
- Private partner is paid a fixed 'capitation fee' for each person in the catchment population. In a way the hospital adopts a given set of patients and is responsible for all health requirements of those patients
- Private sector is incentivized to actively promote prevention in order to avoid costs arising due to treatment of a patient that falls ill
- Patients have the option to get treatment at other hospitals too
- Least contract management requirements
- Contingent liabilities to government are the same as in a PFI or service PPP

However, this model can only be adopted only where:

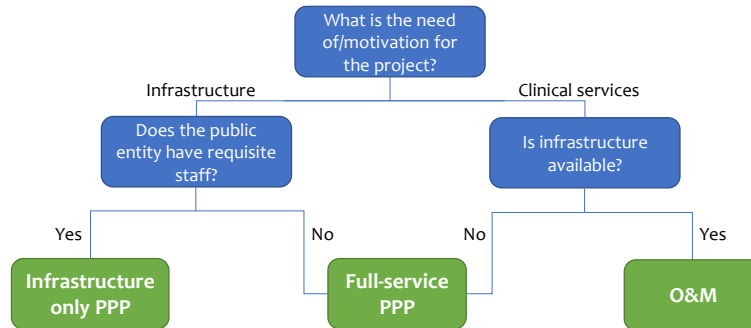
- The country has a health system where all hospitals, public or private, participate in this arrangement
- Every citizen of the country can be identified

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Which one is the right model?



Basic question: *Will the PPP project be able to provide intended services?*

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