



BRIEF 1

# PUBLIC-PRIVATE PARTNERSHIPS FOR URBAN HEALTH

A Primer of the Benefits, Challenges,  
and Opportunities

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# ACRONYMS

AVPN	Asian Venture Philanthropy Network
BHC	Building Healthy Cities
CSR	corporate social responsibility
JSI	JSI Research & Training Institute, Inc.
LMIC	low- and middle-income countries
PPP	public-private partnership
USAID	United States Agency for International Development

## Building Healthy Cities

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# INTRODUCTION

The Building Healthy Cities (BHC) project is funded by the United States Agency for International Development (USAID). BHC engages with sectors that contribute directly or indirectly to urban citizens' health (particularly women's and children's health) and quality of life. These sectors include transportation, the environment, sanitation, education, recreation, technology, and the built environment.

BHC has identified three core values through our work that must intersect for any successful programming on urban health. Multisector engagement, the first core value of BHC, aims to provide all sector stakeholders a common understanding of how they contribute to health. The second core value is to strengthen community engagement in municipal decision-making, while the third core value is to support use of data for planning and decision-making.

Through its work to encourage urban planning structures based on these core values, BHC identified a major gap in multisector engagement relating to the private sector. While individual sectors have documented success with developing private-sector relationships, there is a gap in the knowledge base about how to develop private-sector relationships for urban health projects, and multisector projects specifically.

This series of briefs, prepared by BHC partner Urban Institute, explores the use of public-private partnership (PPP) models to address local urban health issues. This brief is designed for local leaders in government, private sector, and civil society. It introduces key concepts and summarizes the benefits, challenges, and opportunities of PPP projects. An accompanying brief provides guidance for local leaders and reviews the PPP landscape in three BHC partner cities: Indore, India; Makassar, Indonesia; and Da Nang, Vietnam.

# BACKGROUND

In addition to access to health care, healthy cities require many other services including affordable housing, water and sanitation, safe streets, and education. Improving these services is central to healthy outcomes for urban inhabitants, but governments often lack the resources and expertise to deliver all of these services effectively and efficiently to all citizens. In some places and sectors, private providers are already delivering a significant percentage of services but quality and access can vary. In order to expand access to quality services and leverage private resources to advance public priorities, some governments are turning to PPPs as an alternative contracting model.

In this brief, we adopt the World Bank's definition of a PPP as “a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance” (World Bank Group 2017). Breaking this down into core elements, in a PPP (1) a government entity contracts a private party to deliver infrastructure and/or services; (2) roles and responsibilities are well-defined in the contract



and there is some degree of risk sharing between the parties; and (3) the private partner's payment is linked, wholly or in part, to performance.

For example, a PPP water project might see a private company receive government approval to build, operate, and maintain a new system. The company would then recoup its investment through tariffs on customers, possibly with some government set price cap or subsidy to ensure equitable access for lower-income households. The World Bank's PPP Legal Resource Center [offers details on the main types of PPP agreements](#).

The PPP model is attractive because it can, if successful, provide a way to procure something of public value, extending the reach of current public budgets compared with direct public delivery of services. However, despite the apparent simplicity of this model, PPP projects are complicated and there are many issues that impact success or failure. PPPs are only suitable in places with sufficient enabling environments including strong governance structures and capacities.

PPPs are distinct from direct private investments such as, for example, private water delivery trucks that typically operate without a formal service contract with the government and sell water directly to residents. PPPs are also different from projects undertaken as part of corporate social responsibility (CSR) efforts, such as a private company gifting water pumps or a new park to a local government. Distinguishing between PPPs and CSR efforts is particularly important because in some contexts, the terms have been used interchangeably. CSR projects are generally short-term, limited charity engagements helping private entities meet CSR requirements or advance reputational and visibility goals. Conversely, PPPs are longer term, commercial engagements which yield potential profits for the private entities while generating infrastructure and/or services that benefit the public.<sup>1</sup>

Of course, PPPs are not the only way for the private sector to support the development and management of health infrastructure and services. Indeed, PPPs are poor options in places with weak enabling environments. It is important to conceptualize PPPs within the broader umbrella of private sector engagement because depending on specific contexts and needs, other forms of engagement may be more appropriate to leverage private resources and capacities. Figure 1 presents the PPP and other models for deriving public outcomes.

There is a range of tools and approaches governments can take to encourage private investment generally or in targeted areas such as health. These include, but are not limited to, tax incentives or subsidies, deregulation of certain industries and activities, targeted government co-investments (such as building basic infrastructure), the improvement of business conditions through administrative changes or reforms (e.g., clarification of legal and regulatory requirements or measures to strengthen transparent arbitration), government contracts to private suppliers of goods or services, or the use of

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<sup>1</sup> While PPPs can, and often do, include concessionary components similar to a CSR project (e.g., free or steeply discounted services for very low-income households), these are generally factored into the economic model of the PPP and/or are part of a strategy to secure support for the PPP.



implicit or explicit CSR requirements. Each of these tools has its own benefits and challenges in different contexts but are beyond the scope of this brief.

Urban areas are generally better suited to PPP projects for health than rural ones, due to three main factors: economies of scale, technical and financial capacity, and revenue potential. In cities, particularly rapidly developing ones, significant demand for critical services is often not adequately met despite a large customer base, enabling market opportunities for creative solutions. The density of urban areas can make it more efficient to deliver services at scale (although operating in urban areas can impose their own costs), lowering marginal costs and enabling services tailored to different types of customers. Additionally, the complexity of PPP projects necessitates the presence of an established private sector as well as governments with sufficient financial management capacity. This effectively limits most PPPs to either projects in urban areas or projects with national implications like long-distance road or rail infrastructure where a national ministry or regional government may be the public partner. Finally, the large tax bases and disposable incomes in urban areas create potential for sustainable revenue streams and cross-subsidies for service models.

Figure 1. PPPs and Other Private Sector Engagement Models

	Level of private participation				
	Less				More
	Fully public	Corporate social responsibility	Conventional public procurement	Public-private partnership	Fully private
Health-affecting example	Government-run water utility	Private company gifts park and recreation center	Government buys medical equipment from private company	Private company gets concession to build and operate subway line	Private hospital
Source of initial investment	Public	Private	Public	Private*	Private
Contract	No	No	Yes	Yes	No
Risk borne by	Public	Shared but minimal	Mostly public	Shared	Private
Responsibility for operation and maintenance	Public	Public	Typically public	Typically private (with funding from customers and sometimes public subsidies)	Private (with funding from customers)

\* The main source of financing for most PPP projects is private investment with the government often contributing land, other assets, or permissions for the project.





# WHAT ARE THE PUBLIC BENEFITS OF PPPS?

While PPPs are popular mechanisms for addressing public needs, data on their efficacy in affecting health outcomes is not clear and depends on their design, landscape factors, and the problem they purport to address. Nonetheless, if designed and executed well, PPPs can have specific benefits for governments, including:

- **Additional resources for public priorities and increased service access for vulnerable populations.** Perhaps the most apparent and oft-cited benefit of PPPs is that they enable governments to bridge funding gaps by accessing private capital. Governments rarely have access to sufficient resources to invest in all, or even most, public priorities. While the private sector may have a strong incentive to provide services to customers capable of paying for them, government may be able, by using a PPP model, to encourage private investment while assuring more equitable access to these services. This, in turn, can help secure the public health and labor market externalities that accrue with better overall public health. Ensuring equitable access may mean locating a facility in a lower-income neighborhood, creating subsidies for lower-income residents to access services, or accompanying the facility with service quality standards that improve confidence in service provision and outcomes for service users.
- **Sharing of risks with private partners.** PPPs transfer many project risks from government to private entities while some level of public control is retained. This is particularly important for large, complex, or innovative projects. (Practical Law Finance n.d.). Proponents of PPPs assert that risk sharing allows projects to better align public and private interests in life-of-project success. In contrast, traditional contracting may leave the public sector with a poorly designed or poorly built asset. By sharing risks throughout the life of the asset, the theory is that the private entity's interest and remuneration will lead it to design and deliver a higher quality product. On large, complex projects, contractors may make short-term, difficult-to-observe choices that affect long-term quality. Sharing risks over the duration of a PPP, beyond the initial construction stage, for example, can help ensure that those short-term choices align with the public entity's long-term objectives.
- **Design of stronger and more practical projects.** By harnessing the ideas and analytical capacity of the private sector, PPPs can encourage better designed projects. This can also translate into projects with more realistic assumptions, since parties must agree at the outset on specific forecasts that underpin private investors' financial models. In effect, PPPs can filter out non-viable projects more effectively than public agencies can on their own (World Bank Group 2017).
- **Greater efficiency in management and maintenance.** While PPPs may experience delays at an early stage (e.g., identifying partners and negotiating contracts), they have been found to reduce overall construction time and cost overruns for infrastructure projects compared to traditional public procurement (World Bank Group 2017). In addition, when private partner revenue is generated by user fees, PPP



projects can incentivize a focus on customer service and maintenance that may increase demand for the service or encourage payment of user fees (Eggers and Startup 2006).

- **Enhanced accountability for results.** Well-designed PPP contracts set clear expectations for outputs, costs, and timelines, and incentivize private entities to deliver against these expectations. While both direct government delivery of services and traditional contracting can be structured in ways that bolster accountability, PPP contracts are more likely to set specific service standards and explicitly or implicitly tie financial incentives to results. For instance, a provider running a clinic under a PPP funding model, rather than in a state managed facility, may have two influential incentives to maintain quality: patients (customers) could seek care elsewhere and the government could withhold payments or revoke the concession. In addition, the longer timeframe of most PPPs increases the importance of thinking ahead, identifying a wider range of potential project risks, and sharing these risks as appropriate.
- **Support for more sustainable financing for development.** By tapping private resources and structuring a project around a workable financial model, the PPP model could offer governments a more sustainable way to advance certain development projects, especially compared with alternatives such as debt-financed development (Ray 2020). However, in order for this to be true, careful attention must be paid to assessing the public value-for-money of each potential project including rigorously assessing the feasibility of the project (e.g., does the project's financial model make reasonable assumptions and are risks appropriately budgeted?) (Turley and Semple 2013).

Concrete evidence of the benefits of PPPs is generally limited to studies of individual projects and most relate to large infrastructure projects such as roads. For instance, a study of power plants in Indonesia built through PPP models suggests that they outperformed traditionally procured power plants in terms of construction time and operation (Atmo et al. 2017). Similarly, the construction of the East Coast Road in Tamil Nadu, India, built through a PPP, was found to reduce costs compared with a conventional model (Kang et al. 2019).

However, these benefits are largely anecdotal and remain speculative without large studies comparing many PPPs with robust counterfactuals. In practice, positive impacts likely depend on context, the quality of individual contracts, and the extent to which projects can avoid or mitigate common barriers.



# WHAT ARE COMMON OBSTACLES TO PPPS?

Setting aside common critiques of PPPs (see Box 1), several practical challenges have limited the wider adoption of PPPs and can undermine the quality of PPP projects that are pursued. Common barriers<sup>2</sup> to launching or successfully implementing PPP projects include:

- **High transaction costs.** Preparing projects for PPP funding and negotiating contracts take significant time and money for both public and private partners. Steps include securing necessary legal, technical, and financial expertise to design the project and conducting due diligence to ensure feasibility and identify risks. Reasonably estimating risks and building sufficient risk-mitigating measures into contracts and project design are critical but time intensive. For small projects, these transaction costs can represent a prohibitively high percentage of the overall project value, effectively limiting PPP feasibility to larger projects. Public opposition to PPP projects, including concern about conferring a public asset (such as seized land) to private interests can also add significant costs and delays not contemplated by the parties and thus not priced into contract terms.
- **Commercial non-viability.** For a PPP project to be structurally viable, there must be potential to generate revenue for the private partner through customer fees and/or government subsidies. Without this profit potential, there is little incentive for the private sector to engage.<sup>3</sup> The prospect of future government policy changes that affect the revenue stream can create additional hurdles to a PPP; if they materialize, they can jeopardize the viability of an existing PPP.
- **Inability to accurately estimate project costs and benefits.** Even if a project is deemed viable in theory, overly optimistic or simplistic financial models may complicate practical viability and management. This may be due to political pressure or unrealistic hopes or expectations. Technical factors, including the failure to anticipate or plan for external or project-specific issues such as changing economic conditions in the locality or sharp increases in the cost of key project inputs can also impact financial modeling. In addition, some project startup costs such as land acquisition may encounter legal or practical hurdles which can delay the start of a project and thus increase costs. Cost estimates should include data based on experience with similar existing projects, sound revenue assumptions such as the willingness of customers to pay a target tariff, ranges of uncertainty around estimated costs and outcomes, and should be constructed or validated by independent experts less encumbered by political pressure or conflicts of interest.
- **Nonexistent, weak, or inefficient regulatory frameworks.** Quality institutions and legal frameworks in the country or jurisdiction where the PPP is to take place are key to PPP

<sup>2</sup> These barriers are not mutually exclusive and some relate to, or reinforce, each other.

<sup>3</sup> One motivation for private partners to enter a PPP project is to gain favor with government officials and benefit from the potentially positive press of participating in a high visibility project. However, if those were the sole motivations, private partners would be more likely to engage in CSR or corporate philanthropy.





success (Khetrapal et al. 2019; Nguyen et al. 2018). To the extent that the enabling environment makes it difficult to enforce traditional contracts or to bid on regular government procurement, it is reasonable to expect the same issues to arise in the PPP context. These issues can contribute to the necessary risk premium that the private partner will require to participate in the project, raising the project's public cost.

- Misalignment of interests.** While a key selling point of PPP projects is that they better align public and private interests, both parties' motivations are not always transparent or static, leading to divergence over time which can be difficult to manage. While private partners may be largely motivated by the potential for profit and public visibility, the diverse interests of public partners may include meeting public needs, responding to exogenous pressures such as from the central government, rewarding various constituencies, or creating visible monuments to their tenure. These two sets of motivations can cause conflict if not effectively managed. For example, private partners might not share information about cost overruns early enough, hoping to revise contract terms later. Private partners may also neglect aspects of service quality that are hard to measure or defer maintenance and thus erode the asset value. Public partners may insist on unsustainable tariff rates or ignore pleas by private partners to renegotiate rates to address issues not addressed in the contract. It is worth noting that public officials themselves often face shifting public demands, either due to changes in the overall economic environment, changes in political leadership, or pressure from various commercial interests with a stake in how a project is implemented.

**Knowledge and power asymmetries undermine trust.** There are often significant asymmetries in power, resources, and knowledge between the two that may undermine trust and impair the ability of either party to accurately estimate risk and project feasibility. The public sector knows more about the direction of policy and has discretion to affect, or not, the ecosystem within which the PPP will operate. It is difficult for the private partner to estimate the value of assurances on facility revenue or promised access to land when the public partner may lack control over land allocation, or rate-setting decisions. On the other hand, the private party may know much more about the actual costs of design choices, or costs of various operating options that affect the pricing of a PPP. These asymmetries may undermine the willingness of partners to participate, skew contract terms to protect other interests, lead to poor or unfair assignment of risk, or enshrine unrealistic expectations in the contract terms.

- Unsustainable financial liability to government.** PPPs are often called “off-balance sheet” financing because private investment, rather than public funding, is used. It is important to note however that while a PPP may not increase public debt, it still may create a “long-term commitment of public payments (explicit or implicit as contingent liabilities) which affect the government's long-term fiscal position” (APMG n.d.). Indeed, as projects mature, long-term costs may actually exceed short-term savings (Colverson et al. 2011) and governments may be less capable at (or have less incentive to) estimating long term costs than private partners, putting them at a



negotiating disadvantage. In addition, in projects where the government partner bears responsibility for project failure (e.g., failing to build a transmission line connecting a PPP-built power plant with consumers), the government may be required to make payments to the private partner due to contract termination clauses (Madan 2020). Importantly, these potential long-term liabilities should be balanced against the potential public health outcomes which could mean the project is still cost-effective. The key question is: with (nearly) all current and future public costs and benefits considered, is the project worthwhile?

Of course, several of these challenges apply to other local development efforts. The policy and governance ecosystem that may undermine a proposed PPP may also undermine other forms of private sector engagement in public service provision. Because the success of PPPs depends on many of the same government capacities, institutions, and enabling environments needed for other forms of public procurement, the country context is an important consideration in evaluating PPP feasibility.

PPPs will only be successful in places with a strong enabling environment and strong governance structures and capacities. As one review notes: “Weak governments cannot rely on private agents to overcome their weaknesses nor can they expect to make the best possible bargains for the public they represent” (Ahluwalia et al. 2016).

#### BOX 1. COMMON CRITIQUES OF THE PPP MODEL

There have been some persistent criticisms of the PPP model in the literature. These critiques, whether ideological, evidence-based, or both, question whether the model is capable of living up to its promises or whether it is an unnecessarily expensive way for the public to procure services.

Many critics, particularly in civil society, have questioned the value of using limited public resources to facilitate private profits instead of making direct public investments in services. For instance, there is a debate as to whether the operational performance benefits of private partners translates into improved cost efficiency (Hodge, Greve, and Biygaytane 2018). In addition, although PPP projects are premised as ways to unlock large pools of private resources with minimal public investment, one review of projects found that a quarter of PPP funding came from public sources (Chao et al. 2016) and that public sector liabilities of PPPs can be “substantial” (Romero et al. 2017). Spreading payments across longer time periods (e.g., 20-30 years) “reduces the pressure to optimize the project scope in accordance to the real needs and therefore increases the risk of public entities entering into bigger infrastructure projects than are needed or they would otherwise be able to afford,” creating an “affordability illusion” (Herics et al. 2018). For example, a report from Oxfam calculated that a PPP hospital project in Lesotho cost half of the country’s annual health budget – three times more expensive than the hospital it replaced (Marriott 2014). Even in the United States, where state and local governments have relatively strong capabilities to structure, design, and bid PPP deals, a number of projects have turned out to be bad deals for the government partner (Holeywell 2013). Further, some hold that the PPP model is incompatible with “protecting the environment and ensuring universal access to quality public services” because it entrusts public priorities to profit-maximizing companies (Hall 2015).



# HOW CAN PPPS BE USED TO ADDRESS URBAN HEALTH?

Improving urban public health is a priority for governments and civic leaders throughout the world. Rapid urbanization in many low- and middle-income countries (LMIC), the spread of communicable diseases accelerated by globalization, and the growing urgency to address noncommunicable diseases mean that improving urban health will only continue to grow as a priority.

Globally, significant investments in the health care sector beyond the resources publicly available are needed. In 2017, the World Health Organization estimated that reaching health-related targets under the Sustainable Development Goals between 2016-2030 in LMICs would cost between US\$134-371 billion per year above and beyond current health spending (Stenberg et al. 2017). The sheer cost of these investments, together with the complexity of many health care service and infrastructure projects, has led some governments to explore the use of the PPP model. Such financing could be used to invest in infrastructure or equipment; fund the delivery of clinical services; ensure facility management, equipment maintenance, and logistical support; or, in integrated PPPs, provide both infrastructure and clinical services (Abuzaine et al. 2018).

## BOX 2. REVENUE FOR HEALTH CARE PPP PROJECTS

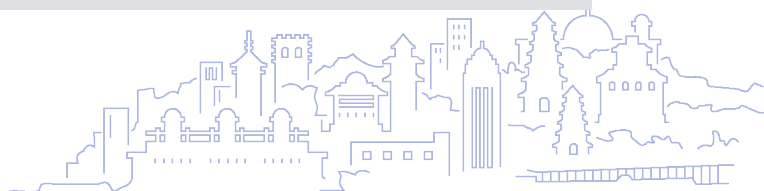
Health care PPP revenue is often generated by a combination of user fees and public payments, particularly for projects that deliver a service directly to users. Both sources of revenue are tied to one or more measures of performance, creating risk for private partners and incentive to provide the service at the standard agreed to in the PPP contract.

**User fee** rates are determined primarily by service and financing costs, user demand and capacity to pay, and caps often set in the PPP contract.

Public partners may also make **payments**, sometimes considered subsidies, to private providers. These payments are typically conditional on reaching specific metrics. If well-defined and monitored, such payments can be useful to ensure prioritized public benefits such as serving lower-income patients, securing the availability of in-demand technologies, or ensuring facilities are well maintained.

Common payment methods include:

- **Installments.** Payments are made when defined milestones are met, incentivizing delivery (e.g., completion of construction) but potentially underemphasizing usage and the variable costs of service delivery.
- **Availability payments.** Payments are linked to the availability of assets as defined in the contract, irrespective of demand. This payment structure can limit public obligations as well as private profit and may be appropriate for projects that are not feasible through a user-fee structure.
- **Service fees.** Variable payments made in relation to delivering specific services, reflecting variable usage and provider costs but potentially incentivizing over-provision of services.



- **Capitation fees.** Payments are made as a fixed amount in relation to a specified number of patients served. This structure incentivizes provider efficiency but can, without quality assurance mechanisms, lead to lower standards of care or an increase in unnecessary referrals to other, specialist providers.

Most PPP contracts specify a single payment mechanism, although sometimes multiple payment streams are used for projects with both infrastructure and services. There may be reductions or delays in payment if contract terms are not met (Abuzaine et al. 2018).

Notes: See Dochia and Parker 2009 and Cusumano et al. 2018

The World Bank Group PPP Knowledge Lab notes that PPP projects can improve the delivery of health care services by facilitating the development of health facility infrastructure, increasing service quality through defined standards, expanding capacity by attracting new staff, and increasing quality of care through improved maintenance and technology. The previous discussion of potential public benefits from PPPs are also applicable to the health sector.

For these reasons, the use of PPPs for health has become increasingly common in both high-income countries and LMICs (Le et al. 2020). Despite this, there is limited evidence to support their effectiveness (Parker et al. 2019). In addition, there are several issues governments and their partners should keep in mind when considering using the PPP model for health. The complex, technical nature of many health care projects can cause costs to balloon without sufficient controls in place (Marriott 2014). Further, governments may be poorly positioned to assess the technical requirements of complex health projects, leading to poor allocation of risk, insufficient quality controls, and higher public financial liabilities than appropriate. Finally, even well designed and executed PPP projects will face the same health systems constraints as publicly funded projects (Kantur et al. 2019). As such, these projects are no substitute for necessary systemic health sector reforms.

In urban settings, the public partner may be aided in its oversight of the private partner's quality of service provision by the density and nature of urban markets. Users of health services in urban areas will usually have options to use other public facilities, and in some countries, extensive networks of private competitors. In India, for example, there is evidence that even the lowest-income patients often prefer the service of private providers where lines are not long, medical professional show up for work, and the quality of care is often better (Das et al. 2015). Faced with such competitive pressure, a private partner in a public facility whose revenue depends on delivering actual care will have a clear financial incentive to attract and retain patients. This incentive would distinguish it from wholly public facilities where performance accountability ecosystems may be more complex and less effective. Such heightened attention to quality in an urban PPP facility can also allow benchmark competition with other public facilities, as patients observe various kinds of performance improvements – short lines, or more responsive care, for example – and make their preferences known through public accountability channels as well. Such incentives are not entirely absent in rural settings, but considerably less concentrated as residents face higher search and usage costs to locate and attend far-away service providers.



Urban areas are also more likely to be able to support specialist services such as diagnostic facilities, cancer care, or tuberculosis treatment, where the network of referring health providers may be an effective quality check in addition to the performance mechanisms contained in the PPP contract. That said, evidence is lacking to document such potential systems level effects from PPPs on health provision in urban settings.

It is worth noting that the direct delivery of health care infrastructure, services, or projects that support public service delivery (e.g., supply chain management) are not the only opportunities to use the PPP model to support urban health. Other investments that have the potential to improve urban health outcomes while structured through a PPP model include solid waste management, green energy, clean water, public and active transportation such as biking and walking, and public housing. Indeed, infrastructure projects (e.g., constructing and operating a wastewater facility) can benefit from the significant body of evidence and good practices on, and institutional supports (e.g., national viability gap funds) often designed for, such PPP infrastructure projects. Government partners may wish to explicitly emphasize public health impacts by tying some contractual performance measures to public health outcomes.

Table 1. Examples of PPP Projects that Promote Public Health

Project	Location	PPP Structure	Financing	Outcomes
<b>Wastewater treatment plant</b> (International Finance Cooperation 2017a)	New Cairo, Egypt	Design, finance, construct, operate, and maintain (20 year concession)	US\$150-200 million planned private investment with government paying sewage treatment and energy costs	Improves sanitation and health for one million people and produces wastewater and fertilizer for agriculture
<b>Network of radiology and pathology diagnostic centers</b> (International Finance Cooperation 2017b)	Jharkhand, India	Build, operate, transfer (10 year concession)	US\$12 million private investment with US\$400,000 in annual state government subsidies for lower-income patients	Provides 3.5 million patients access to affordable primary and preventive health care
<b>Redevelopment of Lautoka and Ba hospitals</b> (Kantur et al. 2019)	Fiji	Finance, upgrade, equip, staff, operate, maintain, and deliver all services (23 year concession)	US\$80 million private investment with annuity payment and tariff components	Provides free health services for an estimated 240,000 Fijians





Table 1 provides examples of existing PPP projects that directly or indirectly affect urban health. As with all PPPs, these projects require a revenue stream for private partners which can be created by user fees, government subsidies such as public insurance, or some combination (e.g., government capping the amount lower-income patients have to pay at a clinic and then covering the remainder up to a certain upper limit). When coupled with equity-enhancing measures in contracts and government subsidies to ensure access for lower-income consumers, PPP projects can promote health equity by expanding access to efficient, quality services (Le et al. 2020). Given the highly politicized nature of health care and health outcomes, PPPs that promote health “rely heavily on political support and require a great deal of interdependence between the government and private [operators]” (World Bank Group PPP Knowledge Lab, n.d.).

## CONCLUSION

Rising demand for services that support urban public health are driving public and private investments and creating opportunities for creative funding models, such as PPPs. Urban health investments may be strong candidates for the PPP funding model due to their complexity, high upfront and ongoing costs, potential for societal externalities, and significant service demand and revenue stream potential. The density of urban areas and the unique conditions this creates (e.g., competitive incentives for performance) also opens opportunities for PPP solutions. The PPP model is attractive because it leverages private resources to advance public priorities and facilitates risk and cost sharing with private partners, enabling resource constrained government to extend its impact. PPP projects can, if well designed and implemented, lead to a range of beneficial outcomes, boosting equitable and efficient access to quality public health services. However, none of these benefits are guaranteed, and realizing them depends on many factors including strong public procurement and management systems as well as transparent and well-functioning dispute resolution processes. Other barriers that may prevent or undermine the use of PPPs include knowledge asymmetries and trust deficits between public and private partners, high transaction costs, and incomplete or unreliable data to accurately estimate project costs and benefits.

The unique challenges of the health sector (e.g., service quality consequences) and limited data on the performance of existing health PPPs underscores the need to approach PPPs carefully. PPPs should be viewed as complex instruments for complex problems, which must be set up and managed with diligence and care in order to achieve intended outcomes. Other opportunities to engage the private sector, such as CSR, traditional procurement, and policies to encourage private investment may be more appropriate depending on local contexts and needs. Our accompanying brief offers guidance and resources for local leaders considering the use of PPPs to improve public health outcomes.



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