



**International
Finance Corporation**
World Bank Group



Piloting Healthcare PPPs in low income markets - Different solutions for different needs

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Objectives

- ❑ What do we do, how do we operate?
- ❑ Rationale and scope of HANSHEP pilot facility
- ❑ Discuss tangible opportunities to collaborate with DfID-supported health sector programs



IFC is a member of the World Bank Group

-IBRD

-International Bank
for Reconstruction
and Development

Est. 1945

Role: To promote institutional, legal and regulatory reform

Clients: Governments of member countries with per capita income between \$1,025 and \$6,055.

Products:

- Technical assistance
- Loans
- Policy Advice

-IDA

-International
Development
-Association

Est. 1960

To promote institutional, legal and regulatory reform

Governments of poorest countries with per capita income of less than \$1,025

- Technical assistance
- Interest Free Loans
- Policy Advice

-IFC

-International
Finance Corporation

Est. 1956

To promote private sector development

Private companies in 179 member countries

- Equity/Quasi-Equity
- Long-term Loans
- Risk Management
- Advisory Services

-MIGA

-Multilateral
Investment and
Guarantee Agency

Est. 1988

To reduce political investment risk

Foreign investors in member countries

- Political Risk Insurance

← **Shared Mission: To Promote Economic Development and Reduce Poverty** →

Significant experience in private healthcare in emerging markets

- ❑ IFC provides investment services/ access to financing to private providers of healthcare services in emerging markets, significant equity and loan positions - thorough understanding of investor requirements
- ❑ IFC provides advisory services to governments around private provision of healthcare; typically mandated as lead transaction advisors for specific PPPs, more recently role as a global advisor overseeing multiple mandates
 - Strong internal risk management - Internal pre-mandate due diligence; key risks include client commitment, fiscal risks; stronger coordination across WBG and donor community
 - Clients are expected to contribute to the costs of advisory assignments, through combination of retainer/ success fees; balance of costs borne by IFC retained earnings and donor trust funds
 - Strong track record with closings in very difficult environments; realistically, healthcare PPPs in low income countries remain challenging
 - Strategic partnering critical; donors, other advisory firms
 - In-country presence (hubs) in Jo'burg, Nairobi, Dakar, Delhi

IFC Health PPP Transactions

Recently completed

- Lesotho: Referral hospital and clinics
- Brazil: Emergency hospital
- Moldova: Diagnostic imaging center in the national referral hospital
- Romania
 - Dialysis centers (8)
 - Imaging center in public hospital
 - Lab in public hospital
 - Private wing in maternity hospital
- Mexico: secondary care hospitals (2)
- India: Andhra Pradesh - Diagnostic imaging centers
- *South Sudan: feasibility study for pharma supply chain PPP*

Currently active

- Nigeria: Cross River State hospital
- Benin: Replacement hospital and primary care network
- Moldova: Radiotherapy Center
- Macedonia: dialysis centers
- Honduras: diagnostic imaging centers in 5 hospitals
- Brazil: primary care centers (Belo Horizonte); diagnostic imaging centers in 35 hospitals (Bahia)
- Grenada: Replacement hospital
- Egypt: Hospitals (2)
- India: Medical college/teaching hospital, pathology labs outsourcing, diagnostic imaging centers (4), social health insurance
- Lesotho: primary care centers; medical waste disposal PPP

Rationale and scope of HANSHEP pilot facility

- ❑ **Shifting perspective** on the de facto/ appropriate role of non state providers in meeting health care needs, in middle and low income countries
- ❑ Among governments (and donors), pragmatic views on doing things differently, with the objective to ensure better outcomes, more efficiency
- ❑ **No panacea, but broadly positive experience with PPPs** in supporting/ complementing publicly provided care, in **higher/ middle income countries**, mostly PFI models (cost certainty; timeline certainty)
- ❑ **Lack of compelling and tangible evidence** around alternative models for policy makers in **low income countries** - “leap of faith” strategies carry high risks
- ❑ Limited, but growing number of case studies and body of evidence, but **highly contextual transactions**, difficulty to present decision makers with sufficiently standardized models to reduce transaction costs; difficult to institutionalize in absence of pilot transactions
- ❑ Pilot facility **supplements funding** available to IFC to pursue opportunities in low-income settings

Rationale and scope of HANSHEP pilot facility (ctd)

- **Upstream advisory support - other development partners with a comparative advantage in the policy/ institutional space (IDA, HiA, others)**
 - Healthcare policy development, reviewing sector priorities
 - Help in screening possible projects for suitability as a PPP
 - Is project aligned with policy priorities? Buying services not inputs...
 - Readiness/ “doability”
 - Outputs capable of clear specification and opportunities for appropriate risk transfer
 - Fiscal affordability
 - Market capability and appetite— initial market sounding with potential investors



Rationale and scope of HANSHEP pilot facility (ctd)

- ❑ **Transaction advisory support towards implementing pilot transactions (DAC 1 and 2, low income states in India)**
 - Detailed financial, technical, legal due diligence, retaining specialized technical advisors
 - Assessing the viability of proposed project/ likely need for (explicit/ implicit) fiscal support; validating integration with sector policies (e.g. referral flows); identify key risks, allocation to parties
 - Engage with prospective bidders, assess comfort level with key risks
 - Facilitate “competitive dialogue” between government and prospective bidders to define transaction structure, draft relevant bid documents/ contracts
 - Define bid process, based on local procurement law/ good international practice; assistance with bid process, evaluation of bids
 - Assistance with limited negotiations, financial close

- ❑ **Contract implementation support (Lesotho request)**

Rationale and scope of HANSHEP pilot facility (ctd)

- ❑ Evaluation around PPPs/ knowledge management/ dissemination
 - From anecdotal success stories towards comprehensive capturing of findings, incl. failures, need to translate academic findings for policy makers
 - Sound evaluation frameworks with defined metrics around equity/ access, cost/ efficiency, collection of baseline information; difficult to pull together ex post
 - Document good practice on specific aspects of PPPs, e.g. targeting of low income groups; coordination of care in networks, aspects of structuring and tender process, post award contract management
 - From “seminar circuit” to community of practice - leverage of existing KM platforms in this space, eg. WBI, UNECE PPP networks; Health Market Innovations platform; Joint Learning Network; collaboration with others where possible
 - Mix of targeted, technical seminars and broader sector/ industry events (Dakar, Mumbai, Lesotho); public/ private dialogue events (HiA)

Opportunities to collaborate

- ❑ Our recent experience with deeper integration across WBG
 - ❑ Internal knowledge management/ training opportunities to build team relationships
 - ❑ Early involvement in programming discussions
 - ❑ Address incentives/ “ownership”
 - ❑ Value of open peer-to-peer exchange vs. centralized/ highly moderated KM platforms; Facebook/ LinkedIn vs. old school.
- ❑ Deepening collaboration with DfID programs
 - ❑ India - good level of interaction/ exchange - helps to have central contact; collaboration on KM events; need to finetune IFC mandate model to function alongside DfID TA
 - ❑ Africa - false start in S. Sudan (?) - better communication; Rwanda - good early discussions and coordination, but not clear that proposed project is suitable for PPP, next steps?



PPP definitions...

- ❑ *A long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility; this definition encompasses PPPs that provide new assets and services, and those for existing assets and services. It can include PPPs in which the private party is paid entirely by service users, and those in which a government agency makes some or all of the payments*

- ❑ *PPPs differ from traditional public procurement:*
 - ✓ Rather than buying buildings, equipment or supplies, PPPs are long-term contracts for governments to buy a bundled service (facility, staff, supplies, equipment)
 - ✓ PPPs involve annual payments over long-term after facility commissioning
 - ✓ Payment is tied to performance and demand, not inputs/milestones
 - ✓ Private party is typically responsible for all or part of the capital financing

Public Private Partnerships options in health

- Under a PPP, a government or national health insurer contracts with a private partner (for-profit or not-for-profit) for a health care service and/or facility
- Governments can select from a wide range of options depending on their needs

