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Delivering Social Infrastructure through PPP

The Role of Non-Profit Organisation

Presentation by

Debapriya Bhattacharya

debapriya.bh@gmail.com

and

Mustafizur Rahman

mustafiz@cpd.org.bd



CENTRE FOR POLICY DIALOGUE (CPD)

B A N G L A D E S H

a c i v i l s o c i e t y t h i n k - t a n k



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Introduction

- Though PPPs are common in transportation and utility infrastructure projects, for social infrastructures such as civic buildings, schools, libraries, police departments, courthouses and hospitals PPPs have been slow to materialize, especially at the local level.
- With huge infrastructure deficits, both public and private sectors need to look for cost-effective and timely methods of designing and building social infrastructure. PPPs can be one such method as long as an open and true partnership is developed between the sectors.
- Education and health provide biggest guarantee for social security.
- Government, NGOs and corporates need to accord much greater priority to social infrastructure particularly education and healthcare

- **PPP in health and education sectors are based upon three premises:**
 - ✓ Health and education are critical areas of activity for national development
 - ✓ The “public good” character of health and education and the scale of effort required to meet society’s needs in these two areas call for close cooperation of all stakeholders in both public and private sectors
 - ✓ The current status and future prospects of PPP are contingent upon country specific circumstances.
- **The primary benefits of using PPP to deliver services include:**
 - ✓ Reduced government spending (e.g., eliminating large up-front investments of scarce public funds),
 - ✓ Greater efficiency (e.g., due to private partners’ operational efficiency), or better management (e.g., of hospital services and infrastructure).
 - ✓ Leveraging technical or management expertise (e.g., performance-based monitoring and incentives)
 - ✓ Spurring technology transfer, all of which can lead to quality improvements.
 - ✓ Reduce or better allocate risks (e.g., the private partner may be better able to manage cost and schedule overruns)





Global Experience: India

Scopes of PPP in India

- The inadequacy of the public sector has forced people to seek for private sector services
- It is recognised that PPPs can contribute in delivery and maintenance of hard infrastructure and services, and typically excludes all socio-cultural, policy, and political issues that require much wider reform.
- The Tenth Five-Year Plan (2002-2007) envisioned the need for private sector participation in the delivery of health and education.

PPP initiatives in Education Sector of India

Design–Build	<p>The public sector contracts with a single private provider for both design and construction. In this manner, government often can benefit from economies of scale and transfer design-related risk to the private sector.</p> <p>In Uttarakhand: Voucher system for education—This scheme is being tried out on a pilot basis in two districts in a slum area. Under the scheme, parents of out-of-school children are provided vouchers to send their children to specified private schools.</p>
Design, Build, Operate	<p>The public sector contracts with a private provider to design, build, and operate the capital asset. The public sector remains responsible for raising required capital and retains ownership of the facility.</p> <p>The Computer-Aided Learning Program involves about 1,000 schools and is implemented in partnership with private foundations; found evident in Rajasthan</p>



PPP initiatives in Education Sector of India

<p>Design, Build, Finance, Operate (DBFO)</p>	<p>The public sector contracts with a private provider to design, build, finance, and operate (DBFO) the capital asset. This model typically involves long-term concession agreements. The public sector has the option to retain ownership of the asset or lease the asset to the private sector for a period of time. This type of arrangement is commonly known as a private finance initiative (PFI).</p> <p>In Andhra Pradesh: Improvement of public high schools—The state is proposing partnerships with NGOs and other private entities to improve the hard infrastructure of specific schools under this program.</p>
<p>Design, Build, Own, Operate</p>	<p>A private provider assumes responsibility for all aspects of the project. The ownership of the new facility is transferred to the private provider, either indefinitely or for a fixed period of time. This type of arrangement also falls within the domain of a private finance initiative. This arrangement is also known as “build, operate, own, transfer” or BOOT.</p> <p>Tamil Nadu experience: Integrated Education for the Disabled— This is implemented through NGOs in all state districts. Activities under this program include conducting medical camps, appointment of special teachers, and running resource rooms and/or</p>

PPP initiatives in Health Sector of India

- **Mobile Clinics:**
 - ✓ In Rajsthan and Uttarkhand, Mobile clinics are under consideration. Joint participation between the state government and the private sector is envisaged.
- **Diagnostic Services**
 - ✓ In Rajsthan, Orissa and Tamil Nadu, diagnostic services and equipment in hospitals are built by private sector. Once equipment is in place, doctors are required to refer patients to these centers for treatment.
- **Facility outsourcing**
 - ✓ Contracting out catering, security, laundry, sanitation and waste manage services in Andhra Pradesh, Uttarkhand and Tamil Nadu



- **Ambulance and motor operations**
 - ✓ The state owned ambulances maintained and operated by NGOs in Tamil Nadu
 - ✓ “108” emergency and/ or ambulance services—operated by an ICT firm in Andhra Pradesh.
- **Rural/ Community Health Care**
 - ✓ In Tamil Nadu, rural primary health care centers were adopted by NGOs for corporate social responsibility action on a not-for-profit basis.
 - ✓ In Orissa, the state has outsourced the management of 20 PHCs to various NGOs in the state. The state government contributes the existing buildings and other hard infrastructure, drugs, and 90% of the operating costs while the NGO and/or private sector partner covers the remaining 10% of the operating expense.
- **Health Advice**
 - ✓ “104” helpline service is in partnership with Satyam Computers, provides health advice, health information, counseling, and health service-related grievance redressal via telephone.

PPP Experience in Indian Social Sector

- In India, since the formal for-profit sector has the most diverse group of facilities and practitioners, the future strategies to improve public health should take into account of the strengths of the private sector (World Bank 2004).

Pros and Cons of collaborating with the Private Sector in Health

Sub- sector		Pros	Cons
Informal		Accessible Client-oriented Low cost	Poor quality care Difficult to mainstream Poorly educated
Formal	Non-Profit	High quality Targeted to the poor Low cost Involves the community	Small coverage Lack of resources Cannot be scaled-up Ad hoc interventions
	For profit	High quality (in select disciplines) Huge outreach / coverage Innovative Efficient	Ad hoc interventions High Cost Variable quality Clustered in cities

Source: World Bank, 2004





The Case of Bangladesh

- In the Budget FY2009-10, PPP component was a new initiative for Bangladesh with high expectation.
- However, realizing PPP implementation has made sluggish progress.
- On 02 August 2010, **Policy and Strategy for Public-Private Partnership (PPP), 2010** was published as a gazette.
- Social infrastructure e.g. health, education, human resource development, research and development, and cultural facilities, (ISIC 85-88) has been one of the 18 categories identified.
- GoB (2009) estimated that USD 37 billion is required for attain MDGs 2, 4, 5 and 6 in Bangladesh between 2009-2015 – reflects the potential resource gap.
- Out of the 23 projects identified for PPP in budget for FY2010-11, 8 belongs to health sector related social infrastructure category

- **In the social sector of Bangladesh the following key features of the partnership identified:**
- In the total national effort to provide for social services, the government's role is inadequate in terms of the total health expenditures and peoples' utilization of services, contrary to general impressions
- It is evident that non-governmental organizations active in health and education sector have been engaged in:
 - ✓ a major collaborative relationship with the public sector services; or
 - ✓ have run their own complementary programs.
- **Bangladesh has a very rich experience on PPP, especially in respect of the scope and diversity of Non-Government Organization (NGO) activities in social services**
- Social services provided by NGOs are generally regarded as:
 - ✓ more effective
 - ✓ more client-friendly and
 - ✓ utilized more frequently than public facilities

Informal PPP: BRAC's Support to Formal Education

- Partnership with formal primary schools (PPS)
 - ✓ Training for Teachers
 - ✓ Arranging monthly parents meeting
 - ✓ Dialogue with the Upazila Education Committee (UEC)
- Post-primary Basic Education (PACE)
 - ✓ Support students of Grade X in English and Mathematics by providing additional practice materials and model questions.
 - ✓ Computer Aided Learning (CAL) Programme
 - ✓ Enhance the capacity of nongovernment rural secondary school teachers in core subjects
- Mentoring programme named *Chhatrabandhu*
 - ✓ Mentors provide free full-tuition support and educational guidance
- *Medhabikash*
 - ✓ Students with financial pressures and challenges and high probabilities of dropping out of school receive financial support to pay their college tuition fees, as well as are receiving capacity-building assistance through specially designed training modules in English and computer operation



Challenges for Implementations



- A number of inconveniences can be highlighted associated with **private-for-profit** involved PPP:
 - ✓ Use of illegitimate or unethical means to maximise profit
 - ✓ Less concern towards public health goals
 - ✓ Lack of interest in sharing clinical information
 - ✓ Creating brain drain among public sector health staff
 - ✓ Lack of regulatory control over their practices.
 - ✓ Unwilling or unable to take on social sector projects if return is not attractive.
 - ✓ Limited grassroots level outreach
- The private (for profit) sector would collaborate with the government **only if there are monetary benefits without having to face any risk**. The non-profit organisations, on the other hand, are **popularly perceived as givers** and therefore this image is advantageous for them.

Challenges Associated with “Private-Not-For-Profit” Organisations (NGOs)

- Though not-for-profit NGOs may be easier to engage as partners, concerns have been raised about the difficulties of NGOs working with the government (Mukhopadhyay 2000) and the financial (survival) motives of the NGOs (Ahmed 2000)
- ***Volatility in non-profit organisations*** in terms of size, expertise level and geographical spread
 - ✓ *hard for the public sector to pick up the best partner*
- ***Limitations of funds*** leads most NPOs clustered only in charitable clinics or hospitals
 - ✓ *have a grass-root level presence and devoted working volunteers.*
- ***Dependency on philanthropic donations or external funding*** result in their interventions being ad hoc, and up-scalability being doubtful
 - ✓ *However, they can provide good quality care, need little regulation or oversight from government.*

- Mainstreaming the already existed informal PPP programmes in health and education sector will be a foremost challenge.
- It is reckoned that a decent approach would be to start with reasonably small PPP projects. The Indian experience and the projects so far selected for Bangladesh suggest that social sector related PPP projects tend to be small in size. If that be the usual case, the line ministries, responsible for small PPP projects, should take necessary preparation.
- Pricing of products could be one of the decisive factors for PPP. Transparency and technical capacity will be the key for a win-win outcome in regard to pricing of the products.
- In many countries, legal and political considerations create obstacles for any partnership with the private commercial sector.
- Partnership with the private sector could be misinterpreted as an attempt at privatisation.

- Risks originating from inadequate regulatory framework or low institutional capacity needs to be addressed either through special provisions built into the contract or through separate reforms undertaken by the government (e.g., enhancing accreditation systems, updating patient rights policies, enabling transparency in health providers' performance)
- PPPs need facilitative environment of independent regulatory authorities that help resolve conflicts among stakeholders.
- Leveraging partnerships and collaboration with the private sector to address the challenges governments face in healthcare today may not be easy.
 - ✓ PPPs may take a long time to establish and bring to fruition
 - ✓ In many cases may not be the most effective or efficient option available.
- There is no uniform pattern to suggest what type of services are to be provided through partnership and what type of services should be off-limits to the private sector.

- There is no pattern to indicate whether the PPP as a policy option was guided by donor agencies or due to compulsions of resource constraints or due to competitive bureaucracy.
- One of the critical issues in public-private partnerships throughout the world is the timely release of grants or reimbursements to the private partner.
- For success of PPP models it is necessary that public capital (coming as it does, tied-in with government control) and private capital (tied-up with private sector efficiencies and incentives) have to be utilised in most effective manner with minimum of red-tapism or adhocism (Chatterjee, 2006).
- Careful evaluation of the conditions for success and sustainability is required on a case-by-case basis so as to assess the costs and benefits and the likelihood of success of such an approach.
- Cautious review of the allocation of financial risks and rewards, decision-making mechanisms and responsibilities, and the applicable regulatory and contractual framework.
- An accurate up-front evaluation of the likely trade-offs and benefits is key to appropriately designing and pro-actively managing a PPP.



THANK YOU