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PPP: **French Snapshot**



World Health
Organization

Something's stirring up

- Traditional PPPs encompass lease, concession, provision of services
- PPP have long been involved in health services delivery
 - Delegation of responsibility : Lease (DBO) model
 - Concession (delivery of health care with charges levied on users)
 - Purely private health services delivery with HIF reimbursements
- BOOT / DBFO model has been copied and pasted for just above 13 years



Public sector prominent role

Public sector is not an average contractor... case law said for 200 years

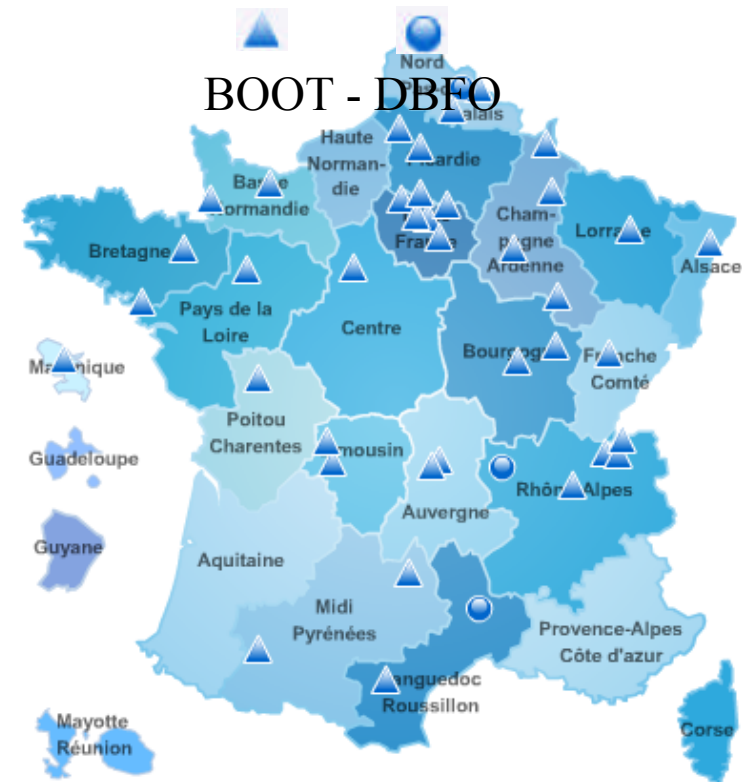
- Uncertainty
- Power of terminating the contract
- Power of substantially changing the contract
- Complex tender process



Public sector benefits from dedicated PPP units

How well does it work ?

- Once mistrust is overcome and risk assessment better managed, sweating the asset yields positive results
- 76 Signed BOOT and DBFO) up to date (September 2016)
 - Energy Unit – Roanne hospital
 - Provision and delivery of energy and water – Ales hospital
 - New elderly care & housing facility – Douai hospital
 - Technical support centre – Nancy Regional teaching hospital



Findings

- Tender notices generate between 5 and 8 EOI with on average 3 candidates shortlisted
- For two projects above 50 000 sq. meters, competition is more limited: only the major building companies have the capacity to apply
- Advisory services (technical/financial/legal) should be more often required. Length of selection and finalisation is partly due to lack of expertise

Advisory services requested	% of projects
Legal council only	20%
Technical and legal councils only	40%
Technical, financial and legal councils	40%

Findings - 3

Daunting negotiations

- Negotiation phases range from 7 to 18 months while finalisation can lead to close to 24 month overall bidding process !
- A project has a 6-month finalisation phase meaning that specs were lacking clarity (on financial issues mainly)



Lack of anticipation

- Only 70% BOOT projects have contracts which provision the possibility of transferring asset/ capital, sale !
- 20% projects have no provisions regarding M&E nor supervision during conception/implementation phases
- Only 50% have provision re regular feedback from contractors during construction phase
- 20% have no provisions re...the ending of the contract



Cost structures - samples

Costs	%
Construction	74%
Conception	12%
Taxes	1%
Fees & insurance	13%
Total	100%

Costs	%
Construction	79,1%
Conception	13,6%
Insurances	2,8%
Management fees	2,1%
Price adjustment provision	2,4%
Total	100%

- 10% project do not provide information as to whether prices are w/o VAT
- 10% project amount to 100% without providing an amount for insurances
- Prices and costs can lack sufficient details

Said behind their backs....

Public about private

- Members of consortia lack internal coherence
- Finalisation phase can prove to be problematic when candidates want an opportunity to renegotiate conditions
- Lenders change their conditions given the length of the bidding process and details provided during finalisation

Private about public

- ToR are rigid and don't fit PPP purpose (merely provision of goods)
- 40% say environmental considerations have not been seriously taken into account by public sector
- Bidding process with competitive dialogue is too long, exchanges too poor, public partners too many and sometimes irrelevant



Prospect

- Diversification of PPP areas (drug, elderly care, delivery of ancillary and health services as well, energy and environmental norms – more synergies)
- More effective competitive dialogue going on – fostering innovation
- More private stakeholders meaning more diverse contract/services offer
- Legal framework is also adapting and learning

