PPP:
French Snapshot

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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.

<table>
<thead>
<tr>
<th>Advisory services requested</th>
<th>% of projects</th>
</tr>
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<tbody>
<tr>
<td>Legal council only</td>
<td>20%</td>
</tr>
<tr>
<td>Technical and legal councils only</td>
<td>40%</td>
</tr>
<tr>
<td>Technical, financial and legal councils</td>
<td>40%</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Costs</th>
<th>%</th>
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<tbody>
<tr>
<td>Construction</td>
<td>74%</td>
</tr>
<tr>
<td>Conception</td>
<td>12%</td>
</tr>
<tr>
<td>Taxes</td>
<td>1%</td>
</tr>
<tr>
<td>Fees &amp; insurance</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>79,1%</td>
</tr>
<tr>
<td>Conception</td>
<td>13,6%</td>
</tr>
<tr>
<td>Insurances</td>
<td>2,8%</td>
</tr>
<tr>
<td>Management fees</td>
<td>2,1%</td>
</tr>
<tr>
<td>Price adjustment provision</td>
<td>2,4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
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</table>

- 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