

What are public-private partnerships?

Gavi CSO
Project

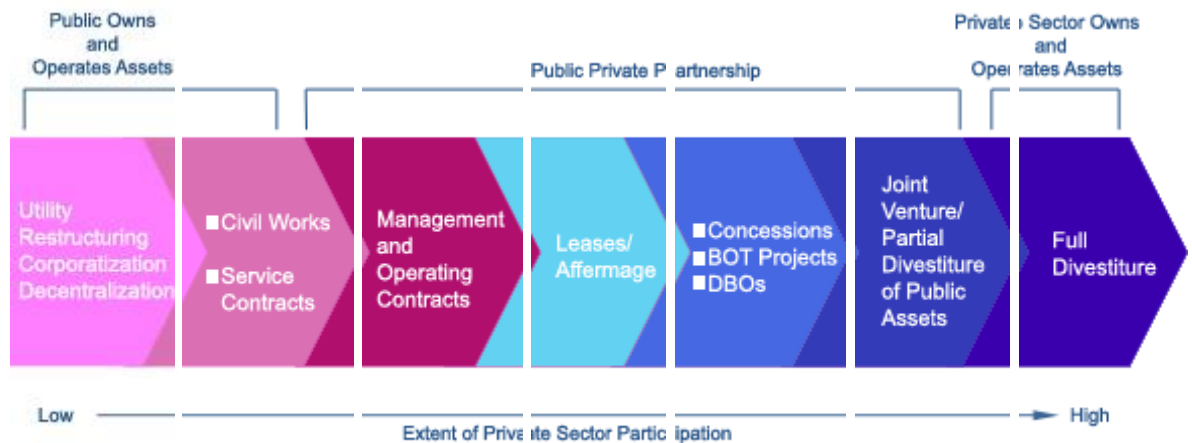
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A public-private partnership (PPP) is a **long-term contract between a private party and a government entity**, in which the private party provides a public asset or service and bears significant risk and management responsibility for the service delivery.

- ❑ Governments leverage the private sectors' knowledge and experience to **improve the volume and quality of basic services** provided to local populations.
- ❑ Governments **transfer some of the risk** to the private party.
- ❑ The private party is paid based on **performance**.

This partnership can take many different forms. No two are alike. Here is a graph from the World Bank that shows the spectrum of PPP arrangements that exist.



Some things that are **NOT** public-private partnerships:

- ✗ Voluntary activities undertaken by private companies, such as **community health or education projects**
- ✗ Private funding to public projects
- ✗ **Private funding to civil society** projects or organisations
- ✗ Government interventions to support private sector development
- ✗ Jointly-run projects for research and innovation
- ✗ Information-sharing mechanisms

What are the benefits of public-private partnerships (PPP)?

Simply put, public-private partnerships (PPP) give **better value for money**, especially in large undertakings like infrastructure development (roads, bridges, etc.). Here are some other advantages:

- ✓ The private sector borrows the money needed, so they – not the government – carry the risk for repayment.

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- ✓ PPPs make projects **affordable**.
- ✓ PPPs maximise the use of private sector **skills**.
- ✓ Private sector takes responsibility for the entire life of the project and outputs.
- ✓ **Risks** are allocated to the party best able to manage or absorb each particular risk.
- ✓ The project budget is set and does not change.
- ✓ The public sector is forced to **focus on outputs and benefits** from the start.
- ✓ The public sector only pays when services are delivered.
- ✓ PPPs encourage the development of specialist skills.

What are the challenges with public-private partnerships (PPP)?

The challenges of a PPP are specific to the country and context. In general, here are the challenges that are more often faced:

- ✗ The private sector may not have sufficient expertise.
- ✗ The public sector may not have sufficient capacity and skills.
- ✗ It is **not always possible to transfer cost risk** for the entire life of the output.
- ✗ Governments still have risk.
- ✗ Governments have less management control.
- ✗ PPP **procurement can be lengthy** and costly.
- ✗ The private party's **loan repayment rate may be higher** than the government's.
- ✗ PPPs are long-term relatively **inflexible** structures.

Why should CSO platforms understand public-private partnerships (PPP)?

It is not uncommon for governments to create PPPs for the support and delivery of health services. This makes the PPP an important aspect of the health system. Private parties can be contracted by the government to:

- Build health facilities and related infrastructure
- Fund health services (e.g. health insurance schemes)
- Develop new vaccines**
- Develop new innovations in laboratory procedures, etc.
- Train health care professionals

Immunization is a particularly costly and complex endeavour, and so there are many PPPs in the industry. **Gavi itself is a public-private partnership.** Other PPPs are the [PATH Malaria Vaccine initiative](#), the [International AIDS Vaccine Initiative](#), the [Aeras Global TB Vaccine Foundation](#), and the [TB Alliance](#).

For more information

- [Video: What is a public-private partnership \(PPP\)?](#) (World Bank)
- [Delivering the PPP promise: A review of PPP issues and activity](#) (Price Waterhouse Coopers)
- [EPEC – The guide to guidance – How to prepare, procure, and deliver PPP projects](#)
- [How to engage with the private sector in public-private partnerships in emerging markets](#)