

**LEGAL FRAMEWORK OF PUBLIC PRIVATE PARTNERSHIP IN HEALTH CARE
SECTOR**

by

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Abstract

Partnership is a powerful tool for modernizing the public sector of the economy, law and trade. It is increasing the efficiency of public spending through the introduction of market mechanisms to stimulate economic activity in the area of primary responsibility of the state, such as health sector, education, infrastructure and etc. Nowadays developing and developed states is widely used the new form of the relation of public sector and private business, which is the concept of public private partnership (PPP). Moreover, the term has been applied broadly to all types of contracting out of important government services, including such things as schools, prisons, provision of health care and etc. Modern challenges require new development models and mechanisms of interaction between the government and other economic actors, including the provision of public services under limited resources.

Introduction

In many countries getting process in transformation the branches that was controlled by government, which belonged to public relation, is transferring to the private sector. Therefore, quite a long time ago, and now we can say that more or less successfully, a partnership of two sectors has developed - the state and business. The main reason for such transferring is impossibility to provide facilities and conditions from governmental budget. Also, the start of the partnership was caused by a number of reasons, such as the change in the role of the state in the economy, the expansion of the influence of the private sector, the strengthening of the positions of public sector organizations, etc. Currently, many countries are making the transition to an innovative development path. That is why, at present, the interaction between the state and business has become especially in demand in solving national economic problems.

Public-private partnership (PPP) that was emerged as an institution of innovation and that is a modern dynamic mechanism for coordinating the interests of economic entities in the implementation of investment projects. This mechanism is based on certain principles and takes into account the peculiarities of the socio-economic development of a particular system, involves the development and use of appropriate implementation tools and is presented in various forms. PPP is becoming an instrument for solution of problem connected with State's primary responsibility. Nowadays the term PPP is becoming well-spread used in contractual relationship between public and private sector.

This paper will firstly reveal the concept of the public private partnership its understanding from the economical and legal perspective. There will be provided definition from the legal documents and definition from the practice, historical backgrounds, which is also very important in order to understand the concept. Understanding the core definition of the concept is important in order to effective use of this definition by state. Moreover, paper will analyze the positive and negative impact of the public private partnership to one of the governmental services, which is health care system. Since PPP is complex term, that has a lot of specifics and, analyze will also

touch current problems and gaps in public private partnership and its possible improvement in different states.

Chapter I - Complexity of the term of PPP

This chapter will basically address the determination the concept of PPP in the term of definition, historical background and practical use. Since PPP is used in a wide range in public sector in many ways, it is critically need to review the experience of PPP from the different applications. It is important to review the concept and different definitions on PPP in order to find out whether the concept is worth keeping and using for empirical studies. Moreover, nowadays many governments are starting to enter into long term relationship with private sector, which means that PPP is being used for different purposes and in different sectors; definitions of PPPs have been varied. Therefore, it is important to find out the most common and unique application to this term. Historical background also needs to be analyzed since it shows the core purpose of the PPP and its modification throughout the time. Historical background of PPP also shows the gaps and problems that may occur in the introduction of PPP to the public-private relationship in state. Consequently, practical use will show the efficiency of PPP and its positive and negative implications.

General concept of PPP

1.1 Scholarly opinion

PPP has many descriptions in the scientific literature, scholarly opinion and legal documents, however, there is still no single unique determination of PPP. It happened because of the different views and understanding of it. The most basic definition can be found in Cambridge dictionaries, which defines PPP as “an arrangement where a government and a profit-making company invest in and work on an activity together”.¹ It means that PPP is a cooperation of government and private company that is working for profit together. Therefore, from the basic dictionary term PPP is a cooperation of public and private sector. More revealed explanation is given by scholarly opinion. Thus, based on one scholarly opinion definition of PPP can be divided

¹ <https://dictionary.cambridge.org/dictionary/english/public-private-partnership>

into two concepts. Some thinking that PPP is a tool of governance, while others determine it as a language game.²

PPP as a tool of governance. PPP is can be determined as a tool of governance, since the main aim of PPP is transferring the part of governmental services and obligations to the private sector. Authors such as Börzel & Risse (2002)³, Teiseman and Klijn (2002),⁴ and Khanom (2010)⁵ have regarded public private partnership as a tool of governance – as a significant solution to whole variety of problems of governance.⁶ Especially it helps when government cannot fully perform its obligations. Most views of partnerships emphasize that PPPs are established because they can benefit both the public and private sectors.⁷ Definition basically determine PPP as an agreement or cooperation between public and private sector on mutually beneficial basis. Thus, based on the Vaillancourt Rosenau studies⁸ both the public and private sectors have specific qualities, and if those qualities are combined, the end result will be better for all.⁹ It means that PPP is used as a tool of governance in order to gain profit for both sides. Profit cannot be determined as a financial profit, since private sector may get financial income, while governmental sector is getting profit by having certain services in government without spending budget, which is important for government.

Also, some scholars defined public private partnership from a public management perspective as “the formation of cooperative relationships between government, profitmaking

² Hodge, G., & Greve, C. (2007). Public-Private Partnerships: An International Performance Review. *Public Administration Review*, 67(3), p.545-558. Retrieved April 4, 2021, from <http://www.jstor.org/ldj.auca.kg:2048/stable/4624596>

³ Public-Private Partnerships: Effective and Legitimate Tools of International Governance by Tanja A. Börzel and Thomas Risse Prepared for the Edgar Grande/Louis W. Pauly (eds.), *Complex Sovereignty: On the Reconstitution of Political Authority in the 21st Century*, 2002

⁴ Matteo Rossi, Renato Civitillo, Public Private Partnerships: A General Overview in Italy, Volume 109, 2002, p.140-149

⁵ Conceptual Issues in Defining Public Private Partnerships,(PPPs)by N.A.Khanom *International Review of Business Research Papers*, Volume 6. Number 2. July 2010 p.150 -163

⁶ Schäferhoff, M., Campe, S., & Kaan, C. (2009). Transnational Public-Private Partnerships in International Relations: Making Sense of Concepts, Research Frameworks, and Results. *International Studies Review*, 11(3), 451-474. Retrieved April 5, 2021, from <http://www.jstor.org/stable/40389138>

⁷ Ibid

⁸ Rice, Thomas & Rosenau, Pauline & Unruh, Lynn & Barnes, Andrew. (2020). *United States: Health System Review. Health systems in transition* p.1-441.

⁹ Ibid

firms, and non-profit private organizations to fulfil a policy function”¹⁰. It means that in case of concluding contract government shall distinguish the type of the company, but since mostly government is concluding contract with a big corporation usually they are all profitmaking companies.

PPP as a tool of governance may be revealed in the mechanism of mutual leveraging that leads to a blending of public sector and private sector resource. Thus, government may be able to evade some procedural requirements that might restrict its operations, while the private sector may gain government approval and funds for projects that might be difficult to bring to realization without those resources.¹¹ It is also highly connected with the quality of services, since private company is directed of getting profit, it has certain interest to make a high-quality products or service.

More formally, Public private partnership was determined by the Dutch point of view¹² that define PPP through an institutional lens as "cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs, and resources which are connected with these products".¹³ This definition shows that PPP is a long-term contract and emphasize the point of risk sharing as a vital component. This determination gives us one more criterion for understanding the versatility of PPP, one of which is time duration. From the practical point of view almost all PPP contracts are long-term contract, since it is covered global project of state it requires the long-time duration.¹⁴ The reason of having long term duration contract is the workload since the project from government usually are big by their nature.

¹⁰ Linder, Stephen & Rosenau, P. (2000). Public-Private Policy Partnerships. Mapping the Terrain of the Public-Private Policy Partnership. 1-18.

¹¹ Custos, D., & Reitz, J. (2010). Public-Private Partnerships. The American Journal of Comparative Law, 58, 555-584. doi:10.2307/20744554

¹² public management scholars Van Ham and Koppenjan

¹³ Ibid

¹⁴ Ibid

Moreover, based on the article “The Theory of the Firm as Governance Structure”¹⁵ PPP is an agreement in the literature, where the concept of risk sharing is a major consideration for both sectors in combining these qualities. It means that in PPP the important point also is sharing risks and in PPP agreements it is a core point. Therefore, PPP offers the opportunity to capture private sector efficiencies and introduce appropriate risk sharing mechanisms between the public and private sector¹⁶. Therefore, sharing risks is also important factor of using PPP. However, from the legal point of view sharing risks is a ‘weak’ place of law, since most of the contracting disputes also arises because of the risk sharing issue. Therefore, it is very important to have contract that includes right way of separation of risks between government and private sector.

There is also determination of PPP as a language game. PPP can be used as an ‘umbrella’ in order to cover other term of PPP activity such as privatization. Other scholars¹⁷ believe that PPP is just a language game and must be seen more pejorative terms, such as “contracting out” and “privatization”.¹⁸ It seems fair to say that a number of governments have tried to avoid using the terms "privatization" and "contracting out" in favor of speaking about partnerships. That may be a part of a general trend within public management of needing to renew the buzzwords from time to time, or perhaps it reflects the practice of advancing the same policy but under a different and catchier name.¹⁹ The language question is an issue of some significance. If partnerships are characterized historically to encompass the breadth of past government-business relationships, they bring with them the aura of almost all economic wealth-creating activities. However, as was previously mentioned by the Dutch scholar that the other criteria is the concept of risk sharing. This term is objectively showing that PPP is not only about state and cannot be only determined as a tool of governance. Risk sharing that was mentioned before means sharing responsibilities

¹⁵ Williamson, Óliver. (2002). The Theory of the Firm as Governance Structure: From Choice to Contract. Journal of Economic Perspectives. 16. 171-195. 10.1257/089533002760278776.

¹⁶ Ibid

¹⁷ Thus, Teisman and Klijn (2002), Linder (1999), and Savas (2000)

¹⁸ Hodge, G., & Greve, C. (2007). Public-Private Partnerships: An International Performance Review. Public Administration Review, 67(3), 545-558. Retrieved April 4, 2021, from <http://www.jstor.org/ldj.auca.kg:2048/stable/4624596>

¹⁹ Ibid

between government and private sector, sharing responsibilities means sharing control. Therefore, in PPP is also sharing control, which means that PPP is not only controlled by government but also has an impact from private sector as well. Based on the above, PPP can be determined as relatively long duration cooperation between public and private sector.

1.2. PPP in international framework

In international framework the concept of PPP was revealed in UN Millennium Declaration²⁰, Monterrey Consensus²¹. The main idea about PPP in mentioned international legal documents is providing support by international financial institutions, such as International Monetary Fund, Eurasian Economic Commission, UN, European Union via private investment and on the terms of transferring risks from governmental sector to private.

1.3. Definition of States

In order to see the practical side of application to PPP, there will be reviewed the understanding of PPP term in different state. It is important to compare from different perspective in order to understand the ratio between theory and practice. Thus, under Germany law long-term cooperation between state and private sector during the whole cycle of public infrastructural construction.²² It means that PPP is alive until the project alive. It is suitable for Dutch scholar's explanation about the time duration of contact.

US defines PPP via Government accountability office that broadly defines PPP as a "contractual agreement formed between public and private sector partners, which allows more private sector participation than is traditional²³. From the GAO's definition, two main ideas may be drawn. First, a PPP is a specific form of government contract, a method of procurement. As a procurement contract, a PPP articulates the terms and conditions under which, in agreement with a government agency, a private party finances, designs, builds, operates, maintains, or manages a

²⁰²⁰ United Nation Millennium Declaration, 2000

²¹ Monterrey Consensus, 2002, Mexico, <https://www.un.org/en/events/pastevents/pdfs/MonterreyConsensus.pdf>

²² Decision of Federal government, 2004, Neuhausen

²³ sector for the provision of commercial services. See infra Section IIA. 12. GAO, Public-Private Partnerships: Terms Related to Building and Facility Partnerships, GAO/GGD-99-71, April 1, 1999 (expanded version of glossary), available at <http://www.gao.gov/archive/1999/gg99071.pdf>

facility or a service. Second, due to the actual combination of responsibilities assumed by the private partner, a PPP appears to be an umbrella-concept, which encompasses a wide range of contractual arrangements.

Korea defines a public-private partnership project as a project to build and operate infrastructure such as roads, ports, railways, schools and environmental facilities – which have traditionally been constructed and run by government funding – with private capital, thus tapping the creativity and efficiency of private sector.²⁴ It means that Korea used the term of PPP in its traditional way.

South Africa defines a public-private partnership as a commercial transaction between a government institution and a private partner in which the private party either performs an institutional function on behalf of the institution for a specified or indefinite period, or acquires the use of state property for its own commercial purposes for a specified or indefinite period. The private party receives a benefit for performing the function or by utilizing state property, either by way of compensation from a revenue fund, charges or fees collected by the private party from users or customers of a service provided to them, or a combination of such compensation and such charges or fees.²⁵

The United Kingdom defines a public-private partnership as “arrangements typified by joint working between the public and private sectors. In their broadest sense, they can cover all types of collaboration across the private-public sector interface involving collaborative working together and risk sharing to deliver policies, services and infrastructure.” (HMT, Infrastructure Procurement: Delivering Long-Term Value, March 2008). The most common type of PPP in the United Kingdom is the Private Finance Initiative. A Private Finance Initiative is an arrangement

²⁴ OECD (2012), Recommendation on Principles for Public Governance of Public-Private Partnerships, www.oecd.org/governance/budgeting/PPP-Recommendation.pdf

²⁵ Ibid

whereby the public sector contracts to purchase services, usually derived from an investment in assets, from the private sector on a long-term basis, often between 15 to 30 years

According to the International Monetary Fund (IMF, 2006 and 2004), public-private partnerships (PPPs) refer to arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: there is an emphasis on service provision, as well as investment, by the private sector; and significant risk is transferred from the government to the private sector. PPPs are involved in a wide range of social and economic infrastructure projects, but they are mainly used to build and operate hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control systems, and water and sanitation plants.

For the European Commission the term “public-private partnership” is not defined at Community level. In general, the term refers to forms of co-operation between public authorities and the world of business, which aim to ensure the funding, construction, renovation, management and maintenance of an infrastructure of the provision of a service.

Under US understanding, in the report of Ministry of transportation stated that “State leadership is a critical factor for PPP, both at the stage of project approval and during its implementation. Political problems are inherent in expensive infrastructure projects, and especially PPP projects. The direction and intensity of government regulation may change with the arrival of a new administration. Risks are subject to change depending on political reasons”²⁶. It means that the role of government in PPP is a crucial and has a political effect. It shows that existence and efficiency of PPP in US is also depend on the political side.

²⁶ Report to Congress on Public-Private Partnerships / United States Department of Transportation. –Washington (DC, USA), 2004. p. 77

2. Historical backgrounds

For the first time, the idea of PPP appeared in the UK in the early 1990s, where the state decided to involve business in the construction of highways, which was traditionally the responsibility of the state. Over the following years, the PPP model was adopted by many countries. If at first the states used PPP, mainly for the development of transport infrastructure, then later the scope of its application began to include the construction and operation of power facilities, heat and water supply, health care, education, culture, recreational and sports facilities and other socially significant facilities. In the mid-nineties, PPP was used by only a few countries, today PPP is used on almost all continents.²⁷

2.1 Historical development of PPP in Germany

Even Germany is considered as a state with strong governmental power, it starting to provide PPP comparably late, since 2003 it is well developed. In Germany firstly, the idea of developing PPP was initiated in cooperative construction. The first commercial building communities were created on the basis of private investment in the XXth century. As a result of cooperation between non-profit companies and the public sector, these companies were forced to impose some restrictions on their own business and profit-making policies.²⁸ As an example of successful cooperation of interest between public interest and private sector can be considered a project of reconstruction of largest airport in Frankfurt, Germany.

2.2. Historical development of PPP in US

The practice of partnerships between the government and the business community in the United States has a long history. The first examples of such interaction appeared more than two hundred years ago during the formation of statehood in America. Business representatives were initially involved in road construction in the United States. Therefore, PPP is used for public policy

²⁷ Report of the World Economic Forum "Global Competitiveness Index 2009-2010"

and as was previously mentioned it depends on the political view as well. Thus, PPP was well-developed during the R. Reagan's presidency. Economic policy of the period of the 80th of XX century called Reigonomics. During this historical period, the status of infrastructure enterprises in the country gradually began to change. Previously, most of them were formed either as state, at the country or state level, such as electricity, gas supply, airports, roads, or as municipal enterprises, with public ownership of them such as water supply, sewerage, urban economy. US is a good example of broadly showing the area of using the PPP in practice.

By the late 1980s, states were increasingly considering partnerships with private companies in road construction to implement federal road programs.²⁹ There are now thousands of examples of PPPs in the US between federal, municipal and private companies. The most attractive areas are infrastructure modernization, transport system development, economical use of water resources, utilization of household waste, etc. According to the National Institute for Public-Private Partnerships, more than 30% of municipal services operate in the PPP format.³⁰

Therefore, the use of public-private partnerships for the implementation of significant projects, for the creation and implementation of new technologies, for the joint use of results allowed the United States to take a leading position in the world in this direction.

Conclusion for Chapter I

PPP is not well spread concept among the states. Some states are starting to use it very early, others not long time ago. It has different impact, therefore there are different understanding of this term. Consequently, there is no one unique and exact definitions on that. Moreover, since in PPP the role of government is crucial it has a very slight status of being politisized. Even though, some consider that PPP has a bif amount of political issue and it can be changed depends on the

²⁹ Report to Congress on Public-Private Partnerships / United States Department of Transportation. –Washington (DC, USA), p.14

³⁰ Volkova E.M. The historical aspect of the functioning of public-private partnerships in the United States / E.M. Volkova // World Economy and International Economic Relations. - M., 2012, p. 155

one's policy, it is debatable to state that PPP is fully politysezed. The fact that private sector is also involved in controlling and sharing income means that it is restraining tool for government. However, the ambiguity of definition is lead to the different enforcement of this term and impact to the governmental sector.

Chapter II Application of Public private partnership in health care sector

A public-private partnership in health is more complex than other PPPs as it goes further than funding, construction and operate (as the case of infrastructure PPPs would be) but also because it assumes another way to part the liabilities between the public and private partners.

In 2020, the world faced a pandemic of coronavirus infection, which in its scale caused damage to the world economy comparable to the consequences of World War II. It should be noted that COVID-19 has created the premises for changes not only in human activities, but also in behavioral habits, which will undoubtedly affect their economic behavior and, consequently, the structure of the economy.

In this regard, on the agenda of many Governments is the issue of health care system reform and the search for effective principles of health care facilities management and attraction of investments in this sphere. In this regard, the instrument of Public-Private Partnership can become a key tool in the restructuring of the health care system.

1. Necessity of applying PPP in health care sector

Currently, the health care system in many states is going through difficult times. COVID-19 has amended not only the daily life of medical institutions and the system of budget financing in general, but also the entire program of modernization and development of Russian health care. All forces and financial resources have been primarily focused on the fight against the pandemic.

At the same time the "pandemic" crisis has aggravated the problems of development, improvement of accessibility and quality of medical care in such important areas of medicine as oncology, neurology and cardiology. The need for additional financing of the healthcare system in this regard has become acute. And in this situation, PPP projects in healthcare are becoming increasingly relevant and become one of the most effective tools for the development of quality and affordable medical care.

Technology is changing every day, new technologies, drugs and treatment methods appear on the market at an accelerated pace. Everything new requires significant investments. The state does not always manage to keep up with them, because it has more priority tasks.

On one hand, participation of the state in such projects means accelerated development of affordable medical care and equipment upgrades. The quality of medical care also improves, because private business, in the face of high competition from state institutions, is forced to work more efficiently: to attract the most modern and in-demand diagnostic and treatment methods and to allocate resources efficiently. On the other hand, the business is interested in guarantees of return on investment with an acceptable level of profitability. All obligations of the parties are documented. For us, participation in PPP is a guarantee that the huge costs that we incur in terms of utility costs, payroll, procurement of equipment and services, guaranteed to return at the expense of CMI funds and our centers will not be idle. Every year the share of private medicine in the general health care system is growing, and although today it is still small, the dynamics are clear.

Private business is interested in running the institution as efficiently as possible. For example, if we take radionuclide diagnostics, our centers perform about 30-35 tests per day with the same type of equipment, while the state centers perform 10-15. Increasing the capacity of the center leads to a decrease in the cost of tests due to the reduction of fixed costs: service of medical equipment, rental of premises and other things. The remaining funds can be used by the medical institution to improve the qualifications of medical specialists and their working conditions.

2. Financing of Health care system

Health care in the world is financed from three sources: the budget, employers' funds and the population's funds, the ratio of which determines the model of financing the industry.

The most common model is the budget-insurance model. Health care is financed by earmarked contributions from employers, employees and the budget.³¹ This model is used in Germany, France, Sweden, Italy and many other countries.

Another option is the budgetary model of financing, when the main source of funds for the industry is the budget. The United Kingdom is a prime example of this model.

In the entrepreneurial model, health care is financed either through direct sales of medical services to the population by medical organizations, or through the funds of voluntary health insurance funds. This model is used, for example, in the United States.

The process of reforming healthcare, which involves improving diagnostics and treatment, the material and technical equipment of medical institutions, and improving the quality of medical care, is impossible today without attracting private investment. The possibilities of the state budget do not meet the growing needs of society for medical services, the availability of which is the responsibility of the state. As a result, alternative to the state forms of medical organizations appear and develop, and along with them, the possibilities of providing paid medical services are expanding.

In the established international practice about 60% of projects in health care are implemented in the format of PPP, at that about 10% of state resources are saved.³² Predominantly attracted funds are directed to the construction and operation of health facilities, implementation of information technologies, development and production of innovative medical equipment.

3. Models of PPP

³¹ Vaillancourt-Rosenau, Pauline, ed. (2000), Public-Private Policy Partnerships. Cambridge, Mass.: The MIT Press

³² S.Rezouki, J.Hassan, Civil Engineering Journal “An Evaluation of Barriers obstructing the Applicability of

The most frequently used PPP models³³ in healthcare (especially in the construction and operation of hospitals) include:

- BTO (build, transfer, operate) - the private party builds or reconstructs a facility, then transfers it to the public partner, but operates the facility and receives income from it;
- DBFO (design, build, finance, operate) - the private party designs, builds or reconstructs the facility, which is then transferred to the ownership of the public party for a fee;
- BOO (build, own, operate) - The private party designs, builds or reconstructs the facility, then operates the facility for a period of time agreed upon with the public partner and receives income from it;
- BOOT (build, own, operate, transfer) - The private party designs, builds or reconstructs the facility, then operates the facility for a period of time agreed upon with the public partner and earns income from it, transfers the facility to the state at the end of the period;
- BOLB (buy, own, lease back) - the private party designs, builds or reconstructs the facility, then transfers ownership of the facility to the public partner, who then transfers the facility to the investor for management.

In Australia, a typical management situation is the construction of a hospital using funds from a private investor and then transferring 25% of the bed stock to him for up to 40 years. As a result of the reform, the state's costs for the construction of medical facilities decreased by 20%, while the number of patients served increased by 30%.³⁴ In Germany, under the PPP, medical organizations are sold to private companies for a small sum in exchange for investment and an obligation to serve patients on state orders.

³³ Ibid

³⁴ S.Rezouki, J.Hassan, Civil Engineering Journal "An Evaluation of Barriers obstructing the Applicability of Public Private Partnership (PPP) in Infrastructure Development", Vol. 5, No.12, December, 2019 2643

An interesting example of PPP is the "Alzira" model³⁵, named after the city in Spain where La Ribera Hospital operates, organized in 1999:

1) public ownership: the hospital is publicly owned, built on a plot of land owned by the state, and is part of the public health system;

2) Health care is provided by a private company: Patients are served by a private concessionaire with whom the State signs an agreement for a fixed period (20 years in the case of LaRibera Hospital) and the company undertakes to provide high standards of care;

3) State financing: The hospital operates according to a per capita financing model for the specific population living in the area served by the hospital; the per capita financing standard is negotiated in advance and varies no more frequently than once a year;

4) Control by the State: The public authorities have the power to inspect the hospital in order to monitor the quality of services provided and to levy fines for non-compliance with State requirements.

The Alzira model operates on the principle of "money follows the patient". The contract between the private company and the state clearly states that the clinic serves patients from the county where it is located (about 245,000 people).³⁶ When a patient goes to another clinic, LaRibera finances his treatment at the rate of 100% of the amount of the check. When outside patients come to LaRibera, the government pays only 80% of the total cost of the service. This arrangement ensures that the hospital has a vested interest in serving patients from its county.

4. SWOT-analysis of PPP in healthcare

Strengths	Weakness
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³⁵ Moszoro, Marian. (2010), "Efficient Public-Private Partnerships," IESE Business School Working Paper No. 884. SSRN eLibrary

³⁶ Ibid

<p>1. Attraction of private investments to the economy</p> <p>2. Savings of state resources.</p> <p>3. Construction and rehabilitation health care facilities, development of sector infrastructure development</p>	<p>1. The complexity of the procedure for concluding and approving a PPP system.</p> <p>2. Necessity in additional organizational support of projects by qualified specialists.</p> <p>3. The payback period of projects for investors can be counted in decades.</p> <p>4. Restrictions on service of patients, imposed by conditions of the state order</p>
Opportunities	Threats
<p>1. The authorities' provision of access to medical care.</p> <p>2. Improving the quality of medical services.</p> <p>3. Introduction of information technologies.</p> <p>4. Development and production of innovative medical equipment, products, medicines.</p>	<p>1. Loss of state property, sale of state medical organizations for a small amount of money to private companies.</p> <p>2. The transfer of an "unused" facility to a private</p> <p>To a private investor will lead to the disruption of the functioning of the medical organization or to violations in the</p> <p>phased delivery of medical care.</p> <p>3. Attracting private sector investment in the pharmaceutical industry will be able to provide an incentive for development, increase the share of the domestic manufacturer and will improve its competitiveness on the domestic</p>

	<p>market, but will not be able to provide a product of interest on the domestic market.</p> <p>4. The pharmaceutical industry can provide an impetus for development, increase the share of the domestic manufacturer and make it more competitive on the domestic market to the world market</p>
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Conclusion

Public private partnership is a good platform to perform obligation of state in fields of providing services. It gives an optimal opportunity for state to perform its obligation without spending budget, which is a main privilege of PPP. Despite the helpfulness of PPP, it has a complex structure that has to be analyzed and researched carefully before going to contract as PPP. First of all, there shall be clearly understood what is purpose of concluding PPP. Whether it is used as a private company for getting profit and for government to perform its obligation or whether it is an umbrella-effect. Second, conclusion of contract shall be in correct way with having all the concept of risk sharing. Third, it is important to analyze the practice and historical development of other states, since for most of the states it is a mutually beneficial agreement between public and private sector, it has to be certain common criteria for private companies.

Currently, due to the change in the structure of the economy and the economic behavior of people, Public private partnership is an effective tool in the implementation of infrastructural projects (roads, hospital schools). In the context of the global economic crisis, due to the pandemic, it will be necessary to significantly increase government spending (as was the case during the 2008 crisis and the Great Depression of the 1930s (the scale of COVID is comparable). Public private partnership has a mutually beneficial effect, such as for the government, solving problems with financing, while for business this guarantees that the project will pay off and for the population it is better and more numerous social services. A large number of implemented infrastructure projects have a multiplier effect (jobs, an increase in capital intensive investments)

However, there are risks as well. The first is the long-term nature of Public private partnership projects can create problems with business interest. The second risk is related to the “principal agent” problem when a project executor can perform poorly. Another problem may arise in the distribution of risks and the division of losses between business and the state (legal affairs,

when risks and responsibilities are not clearly spelled out and distributed in the contract). Taking into account market approaches, services can be more expensive, but also high-quality.

Therefore, Public private partnership has a good base to work with government if there will be a good elaboration of issues on the conclusion of contracts and its performing by both sides. The other important fundament of having working PPP is a preservation to principles of international, such as principle of good faith. Anyway, Public private partnership is a optimal tool for state to perform its obligation and for private company to get a mutual benefit from its performing. Therefore, institute of Public private partnership shall develop in developing states, where there is an issue with budget.

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