Appendix 2

Applying PFI to the Infrastructure and Public Service Requirements of Developing Countries

Improving Health Services and Infrastructure through PFI in Developing Countries

The challenge is to implement effectively, efficiently and in a timely fashion a programme of long-term, output-based investments in infrastructure and services in primary, community health and hospital care into one or more developing countries.

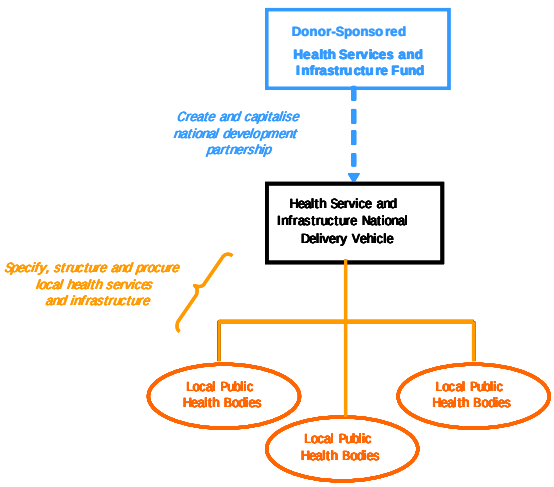
A key aim will be to put in place a sustainable service and infrastructure platform that is a) able to work smoothly with existing health systems and b) capable of surviving the withdrawal of the eventual involvement of private sector partners in the medium term by embedding self-sustainability (perhaps through recruitment, training and development of the indigenous workforce) into the fabric of the concession agreement.

At the national level, a developing country's government might seek to create a formal development relationship with one or more donors able to commit a long-term funding stream to establish a sector fund. This fund would be aimed at supporting investment, through long-term, output-based contracts, in the operation and infrastructure of the health services of that country.

The donor-sponsored fund would be used to do two things. First, to create a centrally organised and professionally resourced delivery capability (a national delivery vehicle or "NDV") to work with local public health bodies to specify, negotiate and deliver projects. Working alongside the governments and perhaps NGOs of developed countries, this donor-sponsored fund would identify and provide professional assistance and offering technical funding to finance both the NDV's own resource requirements and training and developing locally-recruited resource.

The NDV would support local health bodies at the sub-national level to plan, structure, implement and manage investment programmes in primary, community health and hospital services and their associated infrastructure (see **Figure 1**).

Figure 1 – Creating a Transaction Support Capability (NDV)



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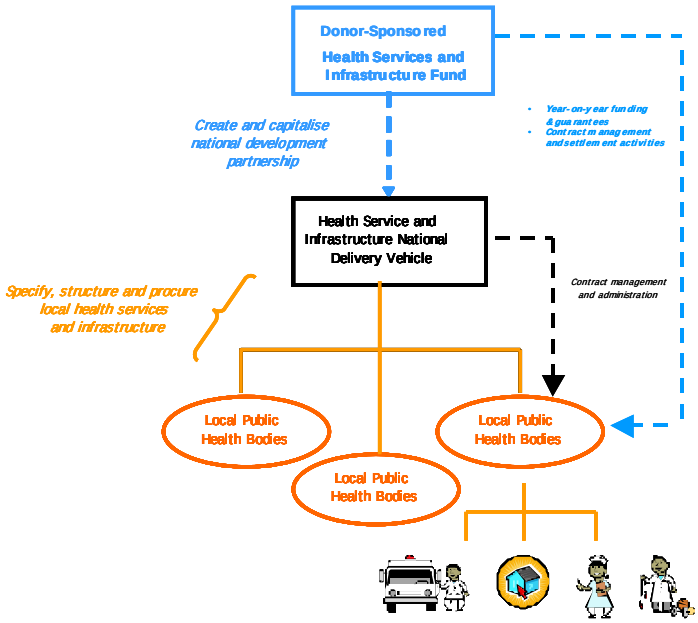
Second, the donor-sponsored fund, acting separately to the NDV, could finance all or some of the year-on-year unitary charge consequences of the health services and associated infrastructure procured (see **Figure 2**).

In doing this, the fund might also create capabilities that would allow it (or, perhaps more feasibly, the NDV) to assume some of the contract management obligations that fall to the public body in PFI-type contracts. These might include operational tasks such as measuring performance, determining the level of payment based on performance levels achieved through the operation of the PFI payment mechanism, settling month-on-month invoices, completing periodic market testing, managing variations to the contract and resolving any contractual disputes that may arise.

Figure 2 – Funding the Unitary Charge Consequences of PFI Investment



Investors in the fund could be expanded to introduce other, less co-ordinated streams of donor-based finance. One example might be emigrants seeking to introduce a structured flow of inward investment to their countries of birth in such a way that improvements in social infrastructure are a direct consequence.

As well as new sources of finance for the developing country's donor-sponsored fund, the functions of the NDV themselves could be broadened so that, as well as supporting the introduction of new "tangibles", such as health services and associated infrastructure in developing countries, it might also support investment in "intangibles" (see **Figure 3**). These might include sponsoring "upstream" activities like paying for medical and nurse education programmes (perhaps fostering relationships between a developing country and overseas medical or nursing colleges), or public health education and illness prevention programmes (such as inoculation).

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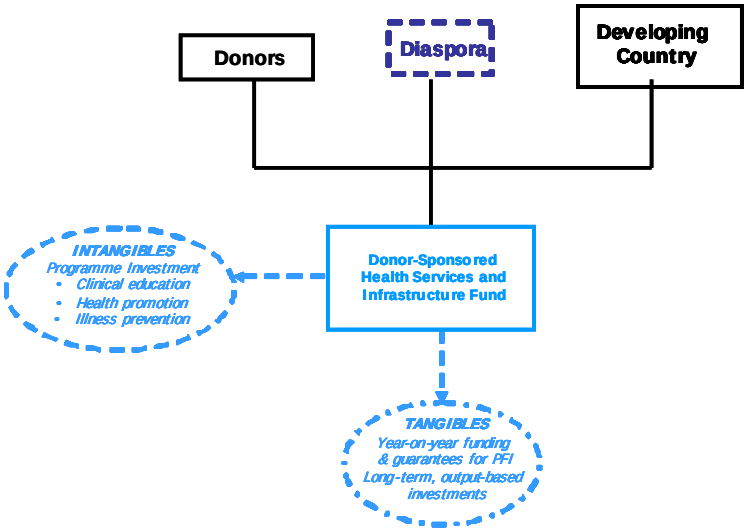
Figure 3 – Expanded Scope of Sector Fund Investments



The capabilities that the NDV would introduce would include:

- Health service and investment planning expertise;
- Commercial, contracting and negotiating expertise, principally (bit not solely) for long-term, output-based contracts;
- Contract administration and operational management expertise.

The organisational relationship with local bodies would, as far as possible, be common from region to region. However, the scope, scale and nature of the services and/or infrastructure to be procured alongside different local bodies is likely to differ between regions.

Health planning would be undertaken on a needs basis for a defined local population. Investment in health services and infrastructure would be optimised by developing the three main delivery channels of primary, community and hospital care in tandem, taking proper account of legacy services and infrastructure. The menu of health services and associated infrastructure that might be required and procured, depending on local circumstances, includes:

- Secondary hospital services, including A&E and emergency admitting facilities and outpatient services;
- In-hours and out-of-hours community doctoring, nurse and therapy services;
- Community health clinics, incorporating accommodation for GPs, nurses and physical and mental health therapists;
- Drug dispensaries;
- Logistics services, including patient and specimen (blood and tissue) transport;

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- Community hospitals.

In this model, the NDV and local heath bodies in each region would work together to undertake the following:

- To clarify and describe their local primary, community health and hospital care requirements, in terms of both services and associated infrastructure (taking into account existing supply);

- To define the (ethical, commercial and contractual) basis upon which private sector partners are to be invited to engage, typically where infrastructure is involved, through PFI-type structures and, for front-line public services, through structured output-based service contracts;

- To work with local health bodies to undertake the process by which private sector partners are identified and contractually engaged;

- To establish the operational arrangements, including payment arrangements, that will govern the operational period of the contract.