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Analysis of the Factors Influencing the Implementation of the Public-Private Partnership (PPP) Model in the Healthcare Sector in Vietnam

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Abstract

The Public-Private Partnership (PPP) model has been implemented in Vietnam primarily in key sectors such as transportation, energy, clean water supply, and wastewater treatment. Some sectors are regulated but have not yet been implemented or have seen limited success, such as agriculture, healthcare, education, culture, sports, and

infrastructure in economic zones. This article analyzes the factors influencing the implementation of PPP projects in the healthcare sector in Vietnam today, while also proposing some implications to promote and enhance the effectiveness of this model in the near future.

Keywords: PPP, Healthcare, Vietnam, Factors Influencing

Introduction

If designed and implemented effectively, the Public-Private Partnership (PPP) model can address issues related to the scarcity of investment capital, expertise, and risk-sharing. In Vietnam, PPP has already addressed capital issues in traditional infrastructure sectors such as transportation, water, and energy. In the future, PPP methods will be increasingly applied in social infrastructure sectors, particularly in the provision of healthcare infrastructure and services. According to the World Bank, PPP is currently an important factor in addressing healthcare issues in low-middle-income countries. In addition to the benefits in terms of efficiency and quality that the healthcare sector can achieve through PPP, ensuring that the poor and vulnerable groups can access healthcare services, PPP can also be leveraged as a tool to promote equality advocacy. This is especially relevant in the context of Vietnam's efforts to improve access to quality healthcare services for its people.

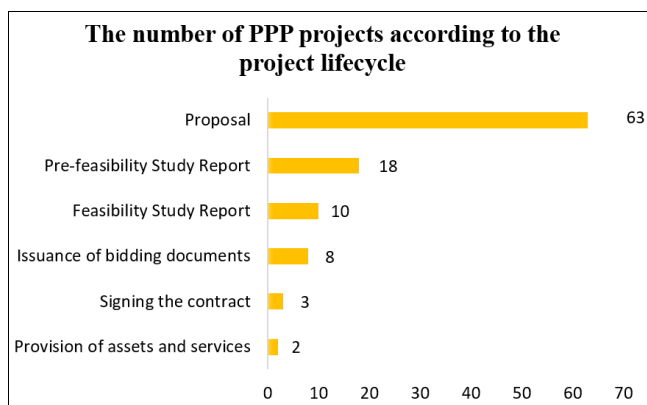
The Vietnamese government has started considering the use of PPP as a solution to healthcare infrastructure issues. However, challenges remain in the design and implementation of such models. Healthcare facilities have been identified as one of the pilot sectors for investment through the public-private partnership model under Decision No. 71/2010/QĐ-TTg of the Prime Minister. Nevertheless, the list of PPP investment projects in the healthcare sector remains limited. Research on PPP primarily focuses on transportation infrastructure, and the application of PPP in the healthcare sector has not been thoroughly researched and analyzed. The 2020 PPP Investment Law further underscores the need for in-depth research on PPP in the healthcare sector. This study highlights the factors influencing the implementation of the PPP model in the healthcare sector in Vietnam.

Current Situation of PPP Healthcare Projects in Vietnam

According to statistics from the World Bank, as of 2020, there are 63 projects listed under the PPP model in the healthcare sector in Vietnam. Very few of these projects have reached the bidding and implementation stages. Of the 8 projects that have entered the bidding phase, 4 were awarded to investors through the direct appointment method, 1 project was stalled due to having only one bidder in the competitive bidding process, and only 3 projects have signed contracts. The signed projects include one Build-Transfer (BT) project for the construction of Hanoi University of Public Health, which has been completed, one Build-Operate-Transfer (BOT) project for a 200-bed hospital in Ca Mau, which is operational but shows poor financial performance, and one Build-Own-Operate (BOO) project for the Cam Pha General Hospital in Quang Ninh, which has been cancelled. Of the 3 projects that signed contracts, only two have actually handed over assets or services as per the contract. The healthcare PPP projects have not attracted many private investors, mainly because private investors lack access to information, possibly due to the lack of transparency or information disclosure in the projects; the proposed bidding projects are not

financially or technically attractive; and the requirements for contractors are either inappropriate or unfeasible.

In Vietnam, most healthcare projects are prepared as voluntary proposals from the private sector. Of the 18 projects, only 4 are funded by the government, while the remaining 13 originate from the private sector. Ho Chi Minh City plays the most important role in healthcare PPP projects in terms of both the number of projects and total investment value. Among the 18 projects, 9 are located in Ho Chi Minh City, accounting for 76.1% of the total investment value. The first healthcare PPP contract was a BOT hospital project signed by the People's Committee of Ca Mau province in 2014, and the second was a Build-Own-Operate (BOO) hospital project signed by the People's Committee of Quang Ninh province in 2015. Most healthcare PPP projects have large investments in infrastructure (equipment and facilities), although 8 projects integrate clinical services delivery. Overall, in Vietnam, the BT contract model is more commonly used by the private sector as it involves lower risk for them and payment is not tied to the project's performance. Among the projects that are not BT, only BOT projects have made significant progress, while projects under other models have either concluded prematurely or are stalled at the pre-feasibility stage.



Identifying the Factors Affecting the Implementation of the Public-Private Partnership (PPP) Model in the Healthcare Sector in Vietnam

a) Policies and Regulations on PPP

PPP must be supported by a sound policy framework, institutional setup, and regulations. Most countries that have successfully implemented healthcare PPP projects have relied on a well-structured PPP framework, which includes policies, procedures, institutions, and rules consolidated into a mechanism to identify, assess, select, prioritize, budget, procure, monitor, and account for PPP projects, as well as to allocate responsibilities for carrying out these tasks.

The government can supplement specific regulations and guidelines for the healthcare sector as they begin to implement important healthcare PPP programs. The United Kingdom had to enact the National Health Service (Private Finance) Act in 1997 to define the characteristics and types of healthcare PPPs for Trust Funds participating in the Private Finance Initiative (PFI) agreements. Turkey passed Law No. 6428 (known as the Build-Transfer-Operate, or BOT Law 2013) to allow the use of BOT contracts in healthcare. The legal and institutional framework must also ensure the harmonization of laws and regulations across sectors. Equally important for the success of PPPs is

ensuring that the national PPP policy framework aligns well with healthcare policies and strategies, as well as with the relevant sectoral reform plans.

In addition to establishing linkages between the overall healthcare policies and PPPs, it is crucial to ensure that the basic elements of the healthcare support system (such as financing, healthcare personnel, drug supply, etc.) play a foundational role in driving PPPs. Without these elements, it is unlikely that a healthcare PPP project will succeed.

In Vietnam, PPPs have not yet been integrated into the policy framework, and healthcare PPP regulations have not been aligned with the relevant policies and regulations in the healthcare sector, which affects the use of the PPP model to develop infrastructure and improve service quality in this area. The most important healthcare policies issued at the central government level, including the National Strategy for the Protection, Care, and Enhancement of Public Health, do not specifically address the healthcare PPP model. Healthcare PPP projects in Vietnam fall under the regulations of the healthcare sector as well as general PPP regulations. Therefore, due to unresolved regulatory issues related to healthcare PPPs, stakeholders lack a clear understanding of the preparation process, organizational structure, and implementation of a healthcare project under the PPP model. The legal framework for PPPs has not been fully developed or harmonized, and there are many conflicting and unclear provisions, creating significant barriers to the implementation of healthcare PPP projects.

b) Organizational Structure for Implementing Healthcare PPPs

International experience shows that if a PPP project is led by an entity with sufficient capacity to manage the projects and make appropriate decisions during the project selection, bidding, and negotiation processes, it will be the key to ensuring the success of PPP programs. Vietnam is still in the process of improving its organizational structure to support the implementation of the PPP program.

Currently, the Ministry of Planning and Investment is the main agency responsible for implementing PPPs. It is tasked with providing stakeholders, especially in the public sector, with the legal regulations, specific management skills, and technical knowledge needed to oversee and complete each step and procedure in the PPP project implementation process. This includes project identification and selection, risk allocation analysis and structuring, bidding, monitoring implementation, and contract management. However, the Ministry's role is limited to coordinating and advising on overall PPP policies. Therefore, no ministry-level agency has been specifically assigned the task of supervising and guiding local governments, while also coordinating with other ministries and local authorities to promote the development of healthcare PPP projects.

To date, at the central government level, only the Ministry of Transport has established a PPP unit to oversee PPP projects. The Ministry of Health has assigned the Department of Planning and Finance to manage PPP projects and programs in the healthcare sector at the national level. However, the Department of Planning and Finance is also responsible for many other tasks within the Ministry's investment scope, so it cannot exclusively handle healthcare PPP projects. At the provincial level, the Department of Planning and Investment plays a similar role to the Department of Planning and Finance for healthcare PPP projects at the provincial level.

c) Management Capacity for Healthcare PPPs

In practice, the most limiting factor in implementing healthcare PPPs in Vietnam may not be the legal framework and regulations, but rather the severe shortage of management and oversight capacity for complex PPP projects. A study by Lee *et al.* (2020) found that the percentage of public healthcare managers who self-assess as "weak" in managing PPP projects ranges from 32% to 41% in planning skills, 32% to 39% in financial management skills, 24% to 33% in legal and procurement skills, 26% to 32% in technical skills, and 15% to 20% in contract management skills.

d) Financial Resources

In general, healthcare PPP projects lack financial support mechanisms from the government. Although Decree 63/2018/ND-CP outlines some public financial options for PPP projects, in practice, Vietnam has not yet established a Project Development Fund, a Financial Compensation Fund, payment mechanisms based on available items, or government guarantees.

Financial constraints are a barrier to the effective management of PPP projects in this sector. Research by Lee and colleagues also indicates that half of the public healthcare managers believe their organizations always face financial difficulties when carrying out steps in the implementation of PPP projects.

e) Barriers in the Private Sector

First, the shortage of highly qualified healthcare personnel in the private sector

The lack of well-trained healthcare personnel in the private sector is a barrier that limits the ability of private enterprises to collaborate with the government in the public healthcare sector, particularly in providing clinical services. As a result, most public-private partnership (PPP) activities in healthcare in Vietnam rely on human resources recruited from public healthcare service providers. In addition to salaries and bonuses from public institutions, public hospital doctors can also earn extra income from private work outside of official hours, which is still permitted within the Vietnamese healthcare system. This situation makes it difficult for PPP hospitals to compete. PPP hospitals must also compete with large international private hospitals to attract skilled doctors. As a result, PPP projects in this sector often face severe shortages of healthcare personnel, and some projects have failed for this reason.

Second, large domestic healthcare chains are less interested in healthcare PPPs

Vietnam has many private enterprises that could participate in all functions of a healthcare project, from finance, design, construction, maintenance, and operations to service delivery. In terms of healthcare infrastructure development, the private sector has demonstrated the financial and technical resources necessary to effectively partner with the public sector in PPP projects. In service delivery, there are about 20 healthcare chains across the country, some of which were established and developed through participation in public sector collaboration projects. Surprisingly, however, large domestic healthcare chains show little interest in partnering with the government through the PPP model. While many chains have no plans to establish any PPPs, some chains have halted projects where they had co-invested with the government. Some foreign investors and international healthcare chains (Hoan My Hospital chain by

the Clermont Group and the ICON Group) are more interested in the healthcare PPP market, but have still not succeeded in any healthcare PPP projects.

Third, there is no financial support from the government for PPP projects

The primary objective of implementing PPP projects is to mobilize financial resources from the private sector (given the constraints on public budgets). As a result, the Vietnamese government does not typically allocate funds to support PPP projects, even in cases where subsidies are needed to cover healthcare costs for the poor. According to estimates, revenue from healthcare PPP projects will primarily come from service fees paid by patients, which may impact the ability of the poor to access these services.

Moreover, the private sector seems to lack full confidence in the government's guarantee mechanisms and other forms of assurance for private investment. In the past, the Vietnamese government has applied guarantee mechanisms for projects in the energy and transport sectors. However, such government guarantees are unlikely to be extended to healthcare projects due to the high public debt ceiling and other pressing government priorities. Without a revenue guarantee mechanism, payment assurances, foreign exchange rates, or foreign exchange reserves, foreign credit institutions are unwilling to accept the financial risks of healthcare PPP projects in Vietnam, given the unresolved risks.

Some policy implications

To promote public-private partnership (PPP) investments in the healthcare sector, contributing to the goal of improving healthcare infrastructure and services, ensuring equity and efficiency for the national healthcare system, the following policies and solutions should be focused on:

First, improve the legal framework for the PPP investment model in healthcare. The Ministry of Health should develop a circular to guide the screening, preparation, implementation, monitoring, and evaluation of healthcare PPP projects based on the principles of equity and efficiency. Additionally, a government agency should be established to manage healthcare PPP investments, serving as a coordinating and supervising body nationwide.

Second, establish strategic planning and select suitable PPP projects. Clear identification of priority areas and regions for implementing PPP investments should be based on actual needs and resource capacity.

Third, enhance the capacity for project preparation and implementation. Training dedicated human resources in negotiating and managing healthcare PPP contracts is essential.

Conclusion

The implementation of the public-private partnership (PPP) model in the healthcare sector in Vietnam faces numerous influencing factors, including the legal framework, financial risks, and sector-specific characteristics of healthcare. However, with improvements in legal frameworks, policies, and management, as well as the establishment of a sustainable collaborative relationship between the public and private sectors, the PPP model can become an effective solution for the development of the healthcare system in Vietnam.

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