

Is contracting a form of privatization?

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Abstract Contracting is often seen as a form of privatization, with contracts functioning as the tool that makes privatization possible. But contracting is also viewed by some as a means for the private sector to expand in a covert way its presence within the health sector.

This article discusses the wider meaning of the term privatization in the health sector and the ways in which it is achieved. Privatization is seen here not simply as an action that leads to a new situation but also as one that leads to a change in behaviour. It is proposed that privatization may be assessed by looking at the ownership, management, and mission or objectives of the entity being privatized. Discussed also is the use of contracting by the state as a tool for state interventionism that is not based on authoritarian regulation.

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يمكن الاطلاع على الملخص بالعربية في صفحة 911.

It is common for contracting to be seen as a form of privatization. When it ceases to provide health services, the state contributes instead to the privatization of the health sector. Contracts are generally seen as the tool that makes privatization possible. Others take the more subtle view that unwillingness to declare the objective of direct privatization accounts for the use, at least initially, of contracting, which enables the private sector to expand its presence within the health sector. By these means (like the Trojan horse), after some time has passed, the private sector will end up occupying the field.

But what is privatization? In its accepted meaning, privatization involves a transfer of legal ownership from a public-sector entity to the private sector. Privatization is thus an institutional arrangement rather than a contractual one. However, in the specialized literature on the reform of the state, the concept of privatization has taken on a wider meaning: privatization also encompasses the adoption of a management model that draws on the rules of the market. If we apply the rationale developed by Rondinelli & Iacono,¹ privatization of this sort may be achieved in several ways, as described below.

- *By transferring ownership:* this involves transfer of the ownership of certain public entities (such as hospitals, health centres, laboratories and drug distribution services) to the private sector. This is described by some authors as state “disinvestment.”²
- *While preserving public ownership, ensuring that public entities adopt the managerial practices of the private sector:* this involves suppression of arbitrary subsidies and public monopoly status, adoption of a status granting autonomy to the entity, the possibility of outsourcing certain non-essential tasks and the use of non-public-sector work contracts. The basis for this approach is the assertion that the administration may no longer be considered as a whole, but that it comprises specific entities which must be able to act independently.
- *While preserving public-sector ownership, entrusting the management of public entities to the private sector:* this is known as delegated management. In such cases it is necessary to address the question of the preservation of the public service mission.
- *While preserving control over public funding, purchasing services from private providers, regardless of whether they operate from health facilities:* the private provider becomes a service

provider and is paid for acting as such and for providing the product defined in the contract.

- *Persuading the private sector to take the place of the public sector:* in this case, ownership is and remains private, but the private entity takes the place of the public actor which previously performed the activity.

We can thus say that in each of the above situations, the health system will be increasingly privatized because it will operate more in line with the rules of the market. However, the concept of privatization is clearly far more complex than its commonly accepted meaning would imply. It is not simply an action that leads to a new situation, but also an action that leads to a change in behaviour.

There are thus three factors that allow us to assess privatization:

- *Ownership of the entity:* this is generally understood to involve transfer of the ownership of the entity from the public to the private sector.
- *Management of the entity:* the entity is managed in accordance with the rules of the market and of the private sector. In other words: users are considered as clients; services are defined on the basis of demand from clients; the production process is determined by

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this demand; and production costs must be controlled.

- *The entity's mission or objectives*: this involves determining whether there are no constraints affecting the providers' mission (*laissez-faire*) or whether the state intervenes to define their mission (through contractual arrangements or regulation), and consequently influences the definition of the products.

If privatization of a health system is more advanced, responsibility for the effects of privatization should not be ascribed to contracting, but rather to the reforms undertaken. At the most, we may acknowledge that contracting has proved to be a valuable tool for implementing those reforms and has thus helped to attain a greater degree of privatization.

However, contracting may also be understood as a tool for regulation by the state. By making judicious use of this tool, the state is able better to regulate the health system through interventionism that is flexible, reflective and responsive, and no longer based on authoritarian regulation. The modern state is one that no longer issues orders from on high, but agrees to negotiate with its societal environment; contracting is one tool used by states that take this approach.

Without departing from its role as guarantor of the general interest, the state must define public-service missions, organize the operators who will then be responsible for performing those missions and then monitor and evaluate their practices. In this case, the state itself need not be an operator to achieve its ends. The state may withdraw from

management without withdrawing from what is essential; in other words it may preserve the possibility of directing the missions of health facilities or of operators. However, this calls for a strong state fully capable of performing these roles. It will require appropriate technical skills; and, to be realistic, it will also need to possess adequate financial resources to tip the scales in favour of its views.

Similarly, contracting calls for an honest state. If the state is beset by corruption, contracting will provide a means of rewarding private interests and will have been the means of privatizing financial resources and power. ■

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Résumé

La contractualisation est-elle une forme de privatisation ?

La contractualisation est souvent considérée comme une forme de privatisation, les contrats fonctionnant comme des outils qui la rendent possible. Certaines personnes la voient également comme un moyen pour le secteur privé d'étendre discrètement sa présence dans le secteur de la santé.

Le présent article analyse dans un sens plus large la notion de privatisation du secteur de la santé et les modalités selon lesquelles elle s'effectue. La privatisation n'est pas ici considérée

uniquement comme une action conduisant à une situation nouvelle, mais aussi comme une intervention débouchant sur une modification des comportements. L'article propose d'évaluer la privatisation en examinant l'appropriation, la gestion et la mission ou les objectifs de l'entité à privatiser. Il examine aussi le recours à l'externalisation par les États comme outil d'interventionnisme étatique sans base réglementaire fortement contraignante.

Resumen

La contratación: ¿una forma de privatización?

La contratación se considera a menudo una forma de privatización, en la que los contratos vendrían a ser el instrumento que hace posible la privatización. Sin embargo, algunos ven también en la contratación un mecanismo por el que el sector privado amplía de manera encubierta su presencia en el sector de la salud.

En este artículo se analiza el significado amplio del término privatización en el sector de la salud, y las distintas formas en que

se concreta. La privatización se considera aquí no sólo como una medida que conduce a una nueva situación, sino también como una medida que propicia otra manera de actuar. Se propone evaluar la privatización teniendo en cuenta la implicación, la gestión, la misión y los objetivos de la entidad privatizada. Se analiza asimismo el uso de la contratación por los poderes públicos como herramienta de un intervencionismo estatal no basado en una regulación autoritaria.

ملخص

هل التعاقد أحد أشكال الخصخصة (الخصوصية)؟

مجرد عمل يقود إلى وضع جديد، بل إنها عمل يؤدي إلى تغيير السلوك. ومن المفترض أن تُقِيم الخصخصة (الخصوصية) وفقاً للملكية، والإدارة، والرسالة، والمرامي التي تتوخى الخصخصة (الخصوصية) تحقيقها. كما تتعرض المناقشة لاستعمال الدولة للتعاقدات كأداة للسياسة التدخلية التي لا تركز على التشريع السلطوي.

لا يزال الناس ينظرون في غالب الأحيان إلى التعاقد على أنه أحد أشكال الخصخصة (الخصوصية)، وإلى أن العقود تحمل وظيفة الأدوات التي تفسح الطريق للخصخصة (الخصوصية). إلا أن البعض ينظرون إلى التعاقد كأحد وسائل القطاع الخاص للتوسع المقنع في احتلال ساحة القطاع الصحي. وتناقش هذه المقالة المعنى الواسع لمصطلح الخصخصة (الخصوصية) في القطاع الصحي والطرق التي تُتبع لتحقيقها، إذ يرى البعض أنها ليست

References

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2. Savas ES. A taxonomy of privatization strategies. *Policy Stud J* 1989; 18:343-55.