

## PRIVATE SECTOR ENGAGEMENT

### OVERVIEW

This paper provides an update on private sector engagement in the context of the Global Financing Facility as a regular agenda item for the Investors Group, and requests feedback and discussion on the ongoing work. The paper should be reviewed in conjunction with paper GFF-IG4-9 on Resource Mobilization and paper GFF-IG4-2 Portfolio Update.

### SUMMARY OF FINDINGS

After the GFF's Private Sector Strategy was approved in March 2016, the GFF Secretariat and partners have focused on implementation. This paper outlines the progress made to date on the three main GFF private sector pathways, including details of the engagements underway in the current private sector focus countries of Cameroon, Kenya, Senegal and Uganda.

On the innovative financing agenda, Vietnam and Guatemala have been identified as the first GFF countries in which GFF Trust Fund grants will be used to buy-down their IBRD loans (each US\$100 million) to concessional rates. A landscape analysis is underway to identify the barriers private investors in health face in GFF countries, and the potential instruments GFF partners can leverage to catalyze greater private capital flow into values-driven health investment. The Medical Credit Fund deal, the pilot for such GFF-supported private sector investment, is currently going through the internal approvals process for a US\$1 million GFF first loss grant.

The first GFF partnership between global private sector and countries is being developed around capacity building for governments on effective selection and procurement of health technologies for their needs. This will be done in coordination with the WHO and will leverage the expertise of private medical technology companies in a transparent and non-competitive manner to strengthen government capacity.

The GFF country experiences with the private sector have included private sector integration in large scale reforms in areas such as service delivery and supply chains, as well as in developing innovative solutions to address Investment Case priorities. Governments are demonstrating great leadership in engaging the private sector to develop joint solutions for health priorities in each country. GFF partners such as USAID and UNFPA are playing a key role in supporting private sector engagement.

There are also some early lessons learnt that are emerging from the experiences to date and these have been included here along with potential solutions. The GFF's approach to private sector will integrate these learnings into both its ongoing and future work.

### ACTION REQUESTED

This paper is for information only.

## BACKGROUND

The Global Financing Facility uses the flexibility of its trust fund and the expertise of its facility partners to draw in the financial resources and capacity of the private sector to help countries achieve RMNCAH target outcomes. The GFF's equity-driven approach to private sector engagement is built around facilitating and emphasizing the importance of policy and planning process that are inclusive of the private sector in GFF countries, and by supporting specific mechanisms at the global and country levels to best leverage private sector resources, capacity and innovation for RMNCAH.

The Investors Group approved the GFF's approach to private sector engagement at the second Investors Group meeting in March 2016. The main pathways for private sector engagement agreed upon were:

1. Developing **innovative financing mechanisms** to catalyze private sector capital for Investment Case financing;
2. **Facilitating partnerships** between global private sector and countries;
3. Leveraging private sector capabilities in **countries to deliver on Investment Case objectives**.

All three pathways will require involvement of various GFF partners (including UN agencies, bilateral donors like USAID, multilateral financiers such as Gavi and Global Fund, and World Bank Group institutions such as the IFC) based on the comparative advantage of each institution in working with the private sector.

It was also decided that the Investors Group will retain the Private Sector as a regular item on their agenda and the Secretariat will provide regular updates on the status of the strategic directions above.

## PROGRESS ON GFF PRIVATE SECTOR PATHWAYS FOR 2016

### Pathway 1: Innovative Financing

The GFF has a unique opportunity to leverage its catalytic grant funding and partner expertise to broker impactful financing structures and effective, market based solutions for investments into RMNCAH. With the right incentive structures in place, the GFF could raise additional financing for countries by supporting values-driven private investment in RMNCAH. Some of the key GFF initiatives underway are:

1. Innovative financing landscape analysis:
  - Analytical work is currently underway to identify the key barriers to increased private investment in RMNCAH, as well as potential catalytic instruments GFF trust fund and partners (including the World Bank Group's International Finance Corporation) can use to help "de-risk" greater participation from impact-oriented equity-focused private investors in GFF countries;
  - This study will also identify potential private investors who could form partnerships with the GFF at country/regional/global level for making values-driven health investments in GFF countries;
  - This analysis is expected to be completed in December, with 3-5 potential investment opportunities identified.

## 2. Medical Credit Fund (MCF) deal:

- The GFF Trust Fund is providing US\$1 million as a first-loss grant to MCF to de-risk private for-profit investors and help raise affordable capital for MCF's expansion of financial services;
- By leveraging additional private capital for every dollar of grant, this catalytic financing deal will significantly increase overall financing available for local banks to make loans to small and medium healthcare (SME) providers in Africa, in turn increasing access to quality RMNCAH services.

## 3. IBRD loan performance-based buy-downs:

- IBRD raises funds from capital markets for loans that IBRD-eligible GFF countries can take out to finance investments in health systems;
- As a function of meeting agreed upon country-specific performance metrics, borrowing countries receive "buy-down" payments from the GFF Trust Fund to bring the IBRD loan to concessional terms;
- Discussions are underway with Vietnam and Guatemala on designing buy-downs for their IBRD loans (each of which are US\$100 million) using the GFF Trust Fund allocations;

### **Pathway 2: Global Partnerships**

The GFF facilitates partnerships for innovation, global public goods and resource mobilization to match specific needs in country Investment Cases (e.g., technical assistance for supply chain improvement, medical technology procurement, innovative service delivery, etc.). This brings together the resources and expertise of GFF global partners, including private sector, for country needs.

The first such example is around building capacity in GFF countries for more efficient and cost-effective procurement for health technologies:

- Recognizing that GFF countries may require technical support in selecting, procuring/leasing, and introducing the optimal health technologies (both global and local) for their RMNCAH programs, the GFF is facilitating the provision of specialized technical assistance in the form of an initial workshop, combined with follow-up support at country level on priorities identified during the workshop; consultants have been identified to conduct an initial workshop for 2-3 GFF countries that will be selected in the coming weeks based on discussion with governments and priorities outlined in Investment Cases;
- This capacity building work will be done in coordination with WHO, and can leverage a Memorandum of Understanding signed between the World Bank and DITTA<sup>1</sup> for provision of technical expertise in a transparent manner from private sector medical technology companies.

### **Pathway 3: Leveraging private sector in country**

The GFF recognizes that private provider presence in health varies across countries, income groups and types of care, and encourages countries to engage with those private sector actors who are most relevant for their health system, in service delivery and beyond.

<sup>1</sup> Global Diagnostic Imaging, Healthcare IT, and Radiation Therapy Trade Association

The GFF approach relies on country platforms based on the principles of inclusivity and transparency that is responsible for preparing an Investment Case that sets out priorities for RMNCAH, health systems and multi-sectoral programming. These Investment Cases provide an opportunity for government and private sector to design and implement solutions to achieve RMNCAH objectives that harnessing private sector resources, technical expertise, and innovation.

The current focus countries for GFF private sector work are Cameroon, Kenya, Senegal, and Uganda. Highlights of the GFF private sector work underway in each of these are as follows:

## 1. Cameroon

- The private sector has been engaged throughout the Investment Case process and participated in the Country Platform through an existing private sector association;
- Key private sector components in Investment Case include:
  - National scale up of Performance-Based Financing (PBF) for facilities providing maternal and child health services, with for-profit private facilities and faith-based organizations being included;
  - Kangaroo mother care (KMC) was identified in the Investment Case as a priority intervention to scale up, as neonatal mortality is high and KMC is not widely used. Grand Challenges Canada and Social Finance are partnering with the Kangaroo Foundation and the Cameroonian Ministry of Health to prepare a Development Impact Bond (DIB) for KMC that would use private capital to provide the initial financing for the scale-up, with investors being paid back at rates that will vary based on the country's performance in rolling out kangaroo mother care. The World Bank project financed by the GFF Trust Fund and IDA will provide US\$2 million as an outcome payer. The DIB is currently in structuring discussions, following which active private investor outreach will begin.
- The Ministry of Health (MoH) in Cameroon has demonstrated great leadership and taken a very active role in GFF private sector outreach:
  - Minister of Health has sent a letter to major local private sector companies encouraging support to key GFF Investment Case priorities;
  - MoH has initiated early discussions with telecom companies around providing specific support to the Investment Case.

## 2. Kenya

- The private sector was engaged in Investment Framework preparation through the Kenya Healthcare Federation (KHF), an umbrella body for private sector in health;
- The Investment Framework highlights several areas for potential private sector participation to be followed up at county level due to Kenya's devolution context;
- The Kenya World Bank project and GFF grant are providing financing for operationalizing a Joint Health Inspection Checklist (JHIC) developed by the Government of Kenya in collaboration with private sector and support from Health in Africa; the JHIC streamlines and standardizes routine inspections of health facilities across both public and private providers to improve overall quality of care;
- The UNFPA-led Private Sector Health Partnership (PSHP) in 6 high-need counties has private sector companies such as Philips, Huawei, GlaxoSmithKline, MSD for Mothers and Safaricom using their expertise to support for health priorities:
  - Innovative private-sector designed solutions in the PSHP include Huawei and Safaricom's telemedicine linkages for dispensaries and health centers to connect with experts at county and

regional referral hospitals, Huawei’s digital clinics initiative to strengthen the health information management systems of all public facilities in Lamu county, and Philips’ Community Life Center for quality private primary health care.

- The Government of Kenya has expressed an interest in expanding their partnerships with the private sector, and have requested additional technical assistance support to increase capacity for private sector engagement; the specifics of this support are currently being discussed.

### 3. Senegal

- The country is in the initial stages of the Investment Case process and the private sector is participating in the Country Platform through the Private Sector Alliance (a local private sector association); the government is taking a leadership role and actively engaging with private sector to jointly identify RMNCAH solutions with a clear private sector contribution.
  - Based on early discussions with the government, a potential priority for inclusion in the Investment Case is national scale up of the Informed Push Model for supply chains; the IPM pilot was funded by Gates Foundation and Merck for Mothers. The model uses private providers to distribute from the district level down to the health posts, demonstrating great success in reducing stock-outs. The Government of Senegal is now interested in exploring GFF support to institutionalize IPM by 2018.
  - Another area of interest in the Investment Case discussions is the contracting of private midwives to support public RMNCAH service delivery as a potential strategy to deal with HRH gaps.

### 4. Uganda

- GFF-USAID funded Private Sector Assessment has been completed and delivered to Ministry of Health to support further policy making around leveraging private sector in key areas of RMNCAH and health systems;
- Key private sector components in Investment Case:
  - Scaling up of results-based financing for both public and private facilities for provision of RMNCAH services;
  - Scaling up of Uganda’s maternal health voucher program, using qualified public and private providers to offer services for vouchers;
  - Merck for Mothers is supporting the exploration of possible solutions using private providers to decongest Kampala’s over-burdened public facilities; a key stakeholder workshop is being planned for mid-November.

## EARLY LESSONS LEARNT FROM GFF COUNTRIES ON PRIVATE SECTOR ENGAGEMENT

Recognizing the GFF is a new mechanism and the complexities of integrating private sector engagement at scale in countries, there has been a deliberate emphasis on “learning by doing” and adapting the GFF private sector pathways for various country contexts and priorities as needed.

From the private sector work underway in current GFF countries, certain key issues and possible solutions for more effective public-private engagement have been identified and are summarized in the following table:

No.	Issues	Potential Solutions
1	Lack of sufficient clarity on various private sector entry points in the stages of the Investment Case process	GFF Secretariat to revise Investment Case (IC) guidance with details on the integration of private sector components into all relevant stages of the IC process
2	Limited data is often available on the role of the private sector in health systems; this may not be sufficient for decision-making in Investment Cases	Data gaps regarding private sector can be identified and addressed in early stages of GFF Investment Case (i.e., during the situational analysis) by commissioning additional research and analysis (e.g., assessing role, composition and extent of private sector in service delivery, supply chains)
3	Governments may not be aware of successful existing private sector solutions; newer innovative private sector proposals may not be backed by data on cost effectiveness, expected impact, etc.	GFF Secretariat will include in the revised IC guidance successful models of leveraging private sector in health systems based on existing evidence and GFF partner initiatives; When private sector stakeholders propose innovative solutions at country level, they are being asked to support this with analysis of comparative cost estimates, expected impact, sustainability, fit with national health policy and regulation, etc. to better support stakeholder decision making around the proposals
4	Private sector in health is often heterogeneous and fragmented; can be difficult to engage effectively through GFF country platforms	The Country Platform guidance is being revised with detail on developing a mechanism for effective private sector participation at country level, by drawing on best practice from developing and OECD country experiences. This includes suggestions such as using umbrella associations to participate in Country Platforms and manage the GFF private sector constituency for the MoH, thus reducing fragmentation of private sector
5	Lack of sufficient trust and public-private dialogue between stakeholders at country level	The GFF partners can continue to support governments to establish or strengthen public-private dialogue to create an enabling environment for effective discussion around GFF priorities; this will build on existing partner initiatives such as World Bank's Health in Africa, USAID SHOPS and UNFPA's Kenya private sector initiative.
6	Limited capacity within governments to manage private sector effectively	The GFF Trust Fund is providing flexible resources to governments for private sector-focused technical assistance alongside capacity building support (training workshops, etc.) to enable greater private sector engagement; this work will also draw on GFF partners with relevant private sector expertise



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