

**The Role of the Private Sector in Global Health  
Meeting for STOPAIDS Members  
May 2018**

**Purpose of the meeting:**

Last year the STOPAIDS network had some initial discussions about the type and extent of its engagement with the private sector. It became clear that in order to help STOPAIDS and its members better understand, develop and articulate their approach to the private sector, it would be helpful to have a members meeting that would help answer some key questions. The questions that this meeting will seek to address are as follows:

- How does the private sector currently operate in the field of global health?
- What has the impact of private sector involvement in global health been to date?
- How has Civil Society engaged with the Private Sector to date?
- What principles might guide our engagement?

This following framing narrative attempts to lay some groundwork for the discussion of the above questions.

**How does the private sector currently operate within the field of global health?**

The private sector<sup>1</sup> is massively diverse in its scope and scale. Within the healthcare sector there are numerous types of private providers, including: private health insurance companies; private healthcare providers; private medical practitioners; private vendors of pharmaceuticals; pharmaceutical companies; as well as companies whose products have an impact on health (e.g. alcohol, sugary beverages, tobacco). Private sector involvement in global health is wide ranging, and notwithstanding the arguments for and against its involvement and around the nature of that involvement, the private sector does currently play a significant role in delivering health care to people in both developed and developing countries. In the context of the current global environment, where governments all over the world face many different healthcare challenges, and where healthcare systems are increasingly strained and struggling to expand access and deliver high-quality healthcare, a wide range of private sector actors have gained a large foothold in the global health arena. This is evidenced by the many types of partnerships with the private sector that have emerged over the past couple of decades. These partnerships are numerous and vary in their design and infrastructure. Many civil society organisations partner with the private sector in a range of ways – either agreeing institutional funding partnerships or partnering to deliver services and/or commodities. In some cases, non-profit and private sector organisations formalise their partnerships as Product Development Partnerships<sup>2</sup> (PDPs) such as International Partnership for Microbicides (IPM) and International AIDS Vaccine Initiative (IAVI) (both long-term members of STOPAIDS). Another common model is Public-Private Partnerships<sup>3</sup> (PPPs) which range from the civil society-supported Global PPPs such as Global Alliance for Vaccines and Immunisation (GAVI) and the Global Fund to Fight AIDS, TB and Malaria (GFATM) to the highly contested national PPPs such as Lesotho Public Private healthcare Partnership behind Queen Mamohato Memorial Hospital. The PPP approach has become a widely used model for investing in global health, heavily promoted by institutions like the World Bank Group<sup>4</sup>, and an overarching narrative depicting the private sector as

<sup>1</sup> For the purpose of this paper private sector refers to the commercial or for profit sector.

<sup>2</sup> International Partnership for Microbicides - Product Development Partnership - non-profit organisations manage resources and partnerships across public, private and philanthropic sectors to accelerate the development of new health tools that promise to save millions of lives and advance global development goals <https://www.ipmglobal.org/content/how-we-work>

<sup>3</sup> The World Bank's PPP Knowledge Lab - a PPP as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration, is linked to performance. <http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

<sup>4</sup> Bretton Woods Project - <http://www.brettonwoodsproject.org/wp-content/uploads/2017/04/At-Issue-health-PDF.pdf>

the key stakeholder critical to achieving Universal Health Coverage (UHC), and more broadly the Sustainable Development Goals (SDGs), has become pervasive.

Private sector involvement in global health has been promoted as: a mechanism for overcoming the failures of the state; promoting efficiency in service delivery; supporting access to technological resources; developing expertise in logistics and telecommunications; and leveraging additional (often called 'innovative') financing. Given the skills, experience and resources the private sector has, these partnerships have the potential to achieve transformational improvement in quality and significant improvement in efficiency in healthcare, provided the health objectives are clear and focused, that they are managed effectively and they held to account for what they promise to deliver. However, not all countries have the conditions required to support a successful PPP, and it has been reported that in fact government capacity to manage PPPs is chronically deficient in most countries<sup>5</sup>. A 2015 report by Belgium-based NGO-network Eurodad found that PPPs can be the most expensive way of financing health infrastructure projects and are often coupled with increased public expenditures<sup>6</sup>. Furthermore, while there has been a shift within the PPP model from financing infrastructure towards the delivery of clinical services, the focus has been on delivering for specific areas such as emergency care, diagnostics, speciality care and ancillary care. Not many health PPPs go beyond tertiary care and very few extend to primary care or preventative care<sup>7</sup>, which is highly problematic if the PPP approach continues to be a major model for investing in global health, in the context of delivering Universal Health Coverage (UHC).

The private sector has a substantial stake in many of the larger global health institutions or Global Public-Private Partnership (GPPPs), which are critical components of global health architecture. For example, the private sector has made substantial financial contributions to the Global Fund to Fight AIDS, TB and Malaria (US\$2.2 billion as of January 2018) and also contributes to decision-making through the private sector constituency on the Global Fund Board<sup>8</sup>.

With this increased prominence of the private sector's role in global health comes a concern with a greater influence of private sector voices in global health policy decision-making and questions around equitable access to health services.

### **What are the advantages of private sector involvement in global health? What supports the case for increased involvement?**

The case for increased private sector involvement in international development more broadly has been gaining traction for many years. There have been substantial efforts to increase private sector involvement (and investment) in addressing climate change for example. Huge efforts have been made to mobilize private financial resources, technical capabilities and to develop innovative technologies to address climate change. According to a recent OECD report on Private Sector Engagement to Address Climate Change and Promote Green Growth, 'the private sector will be a critical partner in delivering effective development co-operation on environmental issues in partner countries'.<sup>9</sup> Along a similar vein there are prominent voices within the global health space that are either advocating for increased engagement with the private sector and/or exploring new ways to engage with the private sector on global health issues. The growing consensus from influential stakeholders in this discourse is that the private sector can add unique value and perform a specific role that other stakeholders cannot. Bill Gates, whose foundation in 2016 was the largest single

<sup>5</sup> Global Health Group - Public Private Partnerships in Health: Responding to Country Needs and the Universal Health Coverage Agenda, Sir Richard Feachem, Director, Global Health Group at University of California <https://www.cgdev.org/event/public-private-partnerships-health>

<sup>6</sup> Eurodad - <http://www.eurodad.org/files/pdf/55cb59060d9d4.pdf>

<sup>7</sup> Centre for Global Development - Public Private Partnerships in Health: Responding to Country Needs and the Universal Health Coverage Agenda

<sup>8</sup> The Global Fund to fight AIDS, TB & Malaria - <https://www.theglobalfund.org/en/private-ngo-partners/>

<sup>9</sup> OECD - <https://www.oecd.org/dac/peer-reviews/Policy-Brief-4-Private-Sector-Engagement-to-Address-Climate-Change-and-Promote-Green-Growth.pdf>

private contributor of Development Assistance for Health (DAH), donating 7.8% of total DAH<sup>10</sup>, argues that global health needs the private sector, and in turn the 'private sector has much to gain from pursuing breakthroughs in global health'<sup>11</sup>. Gates said in January 2018 that there 'is a growing convergence between philanthropy and industry in developing solutions for diseases in rich countries as well as poor countries... If the goal is to get medicines and vaccines out to everybody who needs them, it is industry that has the skills, experience and capacity necessary to turn discoveries into commercially viable products'<sup>12</sup>.

In 2016 the World Health Organisation (WHO) developed a Framework of Engagement with Non-State Actors (FENSA), and in part this was a response to help manage and engage with the requests for partnerships from private sector entities. The Framework endeavours to strengthen WHO's engagement with non-State actors while protecting its work from potential risks such as conflict of interest, reputational risks, and undue influence. In April 2017 WHO released a report on integrated control of neglected tropical diseases. The report observed that much of the record-high treatment was accomplished through mass-drug administration with drugs donated from pharmaceutical companies in partnership with WHO. Former WHO Director General Margaret Chan noted that 'all of these diseases have poorly understood burdens, lack optimal control tools, receive insufficient R&D investment, and affect the poorest of the poor. However, this situation has begun to change with the advent of new technical tools, supported by an increasing number of public-private partnerships for product development, which brings the best science to bear on the most neglected diseases'<sup>13</sup>. The WHO report also stated that the SDGs 'can be realized only' through 'strong commitments' to global partnerships between governments, the private sector, and civil society<sup>14</sup>.

Global health security is an area where the private sector can play a valuable role. The private sector has the resources to scale up efforts in response to crises and many private sector industries have a presence in regions most vulnerable to health threats. The private sector can leverage proven interventions from other regions where they operate, in a way that may be more challenging for individual countries to do alone.<sup>15</sup> For example, the private sector played an important role in the response to the Ebola outbreak in 2014. The Ebola Private Sector Mobilisation Group (EPSMG), a coalition of more than 48 companies with major assets and operations in West Africa was formed in early August 2014 and, according to Oxfam, provided critical support in managing the crisis. Members of the EPSMG provided direct support through donating funding, personnel, equipment, and through building infrastructure, as well as lending expertise in construction, logistics, and distribution services.<sup>16</sup>

Partnerships with the private sector are a key engagement mechanism that helps to scale up interventions. The Global Fund, for example, has a number of partnerships with different companies including Chevron, Coca-Cola, Standard Bank and Unilever: Coca-Cola provide their expertise in distribution and supply management; their partnership with Chevron's focuses on capacity development initiatives, joint advocacy and communications campaigns; Standard Bank provides support in improving the financial and management skills of Global Fund implementing partners; and the partnership with Unilever focuses on supply chain-strengthening initiatives to build in-country capacity and more effective distribution networks and designing more patient-centric programs<sup>17</sup>. There are many similar partnerships between the private sector and NGOs: Save the Children has a

<sup>10</sup> The Institute for Health Metrics and Evaluation - [http://www.healthdata.org/sites/default/files/files/infographics/Infographic\\_FGH2016.pdf](http://www.healthdata.org/sites/default/files/files/infographics/Infographic_FGH2016.pdf)

<sup>11</sup> The Gates Foundation - <https://www.gatesfoundation.org/Media-Center/Speeches/2018/01/IP-Morgan-Healthcare-Conference>

<sup>12</sup> The Gates Foundation - <https://www.gatesfoundation.org/Media-Center/Speeches/2018/01/IP-Morgan-Healthcare-Conference>

<sup>13</sup> World Health Organisation - Integrating neglected tropical diseases in global health and development Fourth WHO report on neglected tropical diseases

<http://apps.who.int/iris/bitstream/handle/10665/255011/9789241565448-eng.pdf;jsessionid=4E249A289B66EE684106CEF4B5032321?sequence=1>

<sup>14</sup> World Health Organisation - Integrating neglected tropical diseases in global health and development Fourth WHO report on neglected tropical diseases

<http://apps.who.int/iris/bitstream/handle/10665/255011/9789241565448-eng.pdf;jsessionid=4E249A289B66EE684106CEF4B5032321?sequence=1>

<sup>15</sup> Rabin Martin - <http://rabinmartin.com/insight/private-sectors-role-ensuring-global-health-security/>

<sup>16</sup> Oxfam Ebola and the Private Sector - <https://policy-practice.oxfam.org.uk/publications/ebola-and-the-private-sector-bolstering-the-response-and-west-african-economies-336916>

<sup>17</sup> The Global Fund to fight AIDS, TB & Malaria - <https://www.theglobalfund.org/en/private-ngo-partners/>

strategic partnership with GSK; UNICEF as a partnership with Unilever to expand access to clean drinking water in African countries; Oxfam has partnerships with Unilever and Visa; and Stella Artois is currently working with Water.org. Most multilateral organisations and medium to large NGOs have a team or department devoted to creating partnerships with the private sector.

In February 2018 the International Development Secretary announced extra support to international development organisations to allow them to work more closely with the private sector to tackle global challenges. Speaking at the 2018 Bond Conference, the International Development Secretary stressed that we need ‘the humility to recognise what others can bring will multiply our efforts’<sup>18</sup>. The value of the private sector’s role in global health is clearly recognised by many stakeholders and its engagement and support is pursued by governments, multilateral organisations and NGOs alike.

The increased financial investment that the private sector can offer is a big incentive for increased private sector involvement in global health. Across the globe government spend on health as a percentage of GDP is growing at a rate that is unsustainable and so countries are seeking different models for the financing and delivery of healthcare<sup>19</sup>. Developing countries are struggling to address public health challenges with limited resources. Current trends in health financing suggest that existing levels of funding will not be sufficient to achieve global goals and that new sources of financing are across each of the key priority areas in global health (maternal and child health, malaria, HIV & TB) will not be met through traditional means. Innovative finance (better termed ‘additional private finance’) is increasingly being recognised as a solution to filling the funding shortfall<sup>20</sup>, and according to a report by the Kaiser Family Foundation ‘while not expected to serve as a replacement for traditional health financing, such mechanisms may help to supplement existing funding, increase its effectiveness, and incentivize innovation in targeted areas’.<sup>21</sup>

More and more companies are becoming aware of sustainability issues and their human rights obligations, and with this there is an increased interest and incentive to engage with and contribute to the global goals. Partnerships with the non-profit sector provide companies with opportunities for their employees to engage with social issues in a structured way. Companies are very aware of their public image and a successful company with a social good is a strong business model to aspire to; it significantly helps companies to attract and retain employees, customers and investors<sup>22</sup>. Engaging with the private sector also provides an opportunity to positively influence its behaviour. For example Oxfam’s work with the private sector focuses on changing policies, practices, and core business operations in three key global sectors to maximise poverty reduction: finance, agriculture, and climate change<sup>23</sup>.

### **What are the challenges of private sector involvement in global health? What has civil society expressed concerns about?**

As civil society part of our role is to protect our space and challenge powerful institutions that have a disproportionate or negative influence in global affairs. So in spite of a growing consensus from some actors that increased private sector involvement is critical to delivering global health goals, we can challenge this and must ask a key question: are the motives of the private sector, which are primarily profit making, fundamentally incompatible with the aims of global health? If not, what are the principles that must guide private sector engagement to ensure delivery of global health goals? Although the private sector is very diverse in its goals and how it operates, as a general rule a company’s primary motive and interest is profit. Conflicts of interest are fundamental drivers of

<sup>18</sup> Department for International Development - <https://www.gov.uk/government/news/new-partnership-with-uk-charities-to-tackle-global-challenges>

<sup>19</sup> Centre for Global Development - Public Private Partnerships in Health: Responding to Country Needs and the Universal Health Coverage Agenda

<sup>20</sup> USAID - <https://www.usaid.gov/sites/default/files/documents/1864/investing-for-impact-aug2017-508.pdf>

<sup>21</sup> Kaiser Family Foundation - <https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8247.pdf>

<sup>22</sup> The Business Commission - <http://report.businesscommission.org/report>

<sup>23</sup> Oxfam - <https://policy-practice.oxfam.org.uk/our-approach/private-sector#1365004d-2e1c-4e44-82eb-e69f82bfcf8a>

behaviour and can explain or predict industry responses and behaviours. In light of this, when looking to engage with the private sector it's important to access the pros and cons of each interaction with industry carefully and be clear about the global health goals being pursued. These conflicts of interest should help to guide the way in which we engage with the private sector. Nowhere is this conflict of the interest more exemplified than by the pharmaceutical industry's role in global health.

This role of the private sector in global health is particularly problematic when it comes to the research and development of new drugs. On the one hand pharmaceutical companies have an important role in producing lifesaving medicines that we need. However their core business is making profit from manufacturing and selling medicines and this skewed incentive leads to two major problems 1) a lack of innovation where it is most needed and 2) unaffordable medicines. In regard to the first problem with profit as the primary driver, pharmaceutical companies tend to develop products where there is a lucrative market. This means that diseases which effect poorer populations (e.g. neglected tropical diseases) are largely ignored, as are unprofitable markets like new antibiotics. Instead companies spend most of their time making tweaks to existing treatments for richer markets resulting in a medical market that is flooded with similar medicines. In terms of the second problem pharmaceutical companies can get away with charging extortionately high prices for medicines because people desperately need them. These high prices are then sustained by the fact that pharmaceutical companies are awarded market exclusivities for their products (in the form of a 20 year patent) which gets rid of any competition that would drive the price down. The World Health Organisation estimates that high prices for healthcare leads to an additional 100 million people every year being pushed under the poverty line<sup>24</sup>. This, in turn, can lead to further health challenges making it harder for people to free themselves from the cycle of poverty. The current system for developing medicines is essentially flawed because it allows private companies to operate in a way where profit takes precedent over public health needs at the expense of people's lives. Health is a human right and the responsibility for safeguarding this needs to be in the hands of governments, the duty bearers of human rights, and not the private sector who's primary interest is in making profit.

Health financing is also a problematic area. The Institute for Health Metrics and Evaluation produced a Financing Global Health 2016 report that looked at the sources of health financing, and globally governments provided 59.2% of health spending, while 17.4% of total health financing was prepaid private, 22.8% was out-of-pocket spending (OOP), and 0.6% was DAH<sup>25</sup>. The report found that sources of funding countries use to finance health follow a general trend: low-income countries tend to finance most health spending from out-of-pocket and development assistance funds, whereas high-income countries tend to finance health with government spending, which includes social health insurance. The report concluded that OOP, which is a large portion of health spending at both low and middle development levels, 'can deter access to health care, leading to catastrophic health expenditures and medical impoverishment'<sup>26</sup>. The Lancet's series on the private sector and UHC reports that where the private sector dominates the healthcare system the poor struggle to access fee for service care (which is generally of low quality), and that 'an insurance funded private sector at the top of a stratified system reinforces inequality'<sup>27</sup>. According to a report issued by Bretton Woods Project in April 2017 (analysing the World Bank's promotion of healthcare privatisation), 'universal healthcare services funded through taxation and free at the point of access are the most effective ways of funding and delivering public health services... while the privatisation of healthcare services draws resources away from the public healthcare system.'<sup>28</sup> It is however

<sup>24</sup> World Health Organisation - <http://www.who.int/mediacentre/factsheets/fs323/en/>

<sup>25</sup> The Institute for Health Metrics and Evaluation - [http://www.healthdata.org/sites/default/files/files/policy\\_report/2017/IHME\\_FGH\\_2016\\_Technical-Report.pdf](http://www.healthdata.org/sites/default/files/files/policy_report/2017/IHME_FGH_2016_Technical-Report.pdf)

<sup>26</sup> The Institute for Health Metrics and Evaluation - [http://www.healthdata.org/sites/default/files/files/policy\\_report/2017/IHME\\_FGH\\_2016\\_Technical-Report.pdf](http://www.healthdata.org/sites/default/files/files/policy_report/2017/IHME_FGH_2016_Technical-Report.pdf)

<sup>27</sup> The Lancet - <http://www.thelancet.com/series/private-sector-health>

<sup>28</sup> Bretton Woods Project - <http://www.brettonwoodsproject.org/wp-content/uploads/2017/04/At-Issue-health-PDF.pdf>

important to differentiate between health financing and service provision. If it is the case that compulsory public financing (e.g. tax financing, compulsory SHI) is far superior to private voluntary financing (e.g. user fees and private insurance), it is not as clear when it comes to private providers of services. In the UK for example, services such as dentistry, optical care and pharmacy have been provided by the private sector for many years and most GP practices are private partnerships<sup>29</sup>.

### **How should civil society engage with the private sector and what principles might guide our engagement?**

Given the extent to which the private sector is currently involved in global health it is likely it will carry on playing a significant role. While we should build on the discussion above to better articulate what role we believe the private sector should play in global health, we will also need to decide what type of relationship we should have with the private sector. How do we make sure that our engagement (in whatever form that takes) with the private sector is as good as possible? What safeguards can we put in place?

In May 2016 at the 69th World Health Assembly WHO adopted the 'Framework of engagement with non-State actors' (FENSA). The framework outlines the policies governing the different engagements with non-State actors including nongovernmental organizations, academic institutions, philanthropic organizations, and the private sector. A core issue debated by the World Health Assembly about the FENSA framework was about avoiding conflicts of interest. The framework includes detailed steps on managing and avoiding conflict of interest and other risks of engagement, and has comprehensive policies on due diligence & risk assessment and transparency. It also contains specific provisions on industries it will not engage with, for example, 'WHO does not engage with the tobacco industry or non-State actors that work to further the interests of the tobacco industry. WHO also does not engage with the arms industry', and on engagement where particular caution should be exercised 'WHO will exercise particular caution, especially while conducting due diligence, risk assessment and risk management, when engaging with private sector entities and other non-State actors whose policies or activities are negatively affecting human health and are not in line with WHO's policies, norms and standards, in particular those related to noncommunicable diseases and their determinants.'<sup>30</sup> In her address to the Seventieth World Health Assembly in May 2017 Margaret Chan stressed the importance of safeguarding WHO's integrity in all stakeholder engagements, and that FENSA is a prime instrument for doing so. She also stated that many other UN agencies are following WHO's lead with the framework.

This is one example of a framework that sets out guidelines and policies that we can draw from to help guide our thinking and approach to engaging with the private sector. However it is also important to note that FENSA has had its share of critics with some voicing concern that it will increase 'problematic entanglements between WHO and powerful private sector actors'<sup>31</sup>. What other policies can we draw on? As a network we need to decide what principles should guide us and how we as civil society should engage with the private sector.

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<sup>29</sup> The King's Fund - <https://www.kingsfund.org.uk/publications/articles/big-election-questions-nhs-privatised>

<sup>30</sup> World Health Organisation - [http://www.who.int/about/collaborations/non-state-actors/A69\\_R10-FENSA-en.pdf](http://www.who.int/about/collaborations/non-state-actors/A69_R10-FENSA-en.pdf)

<sup>31</sup> <http://www.policyforum.net/whose-health/>