

FULLY FUND THE GLOBAL FUND: ENGAGING THE PRIVATE SECTOR



Meeting the 2030 targets and ending HIV/AIDS, TB and Malaria as epidemics will require a surge in investment, as we show in our Fully Fund the Global Fund Report. The higher than ever need estimates have reinvigorated discussions of complementary routes towards 2030 for the Global Fund, including strengthening Private Sector Engagement (PSE), currently guided by the [Framework on Private Sector Engagement](#) released in 2015 and revised in 2019. The Global Fund is a dynamic partnership and GFAN welcomes this approach and the exploration of new avenues of funding and intervention.

We warn however that while evidence suggests some innovative approaches bring with them interesting opportunities, for example Debt2Health schemes, others present major risks. Moreover, no amount of “strengthening engagement”

and innovative financing can replace what is ultimately needed: significant, new investments by the private sector directly to the Global Fund to allow us to achieve our historical targets. This can only be achieved through a combination of renewed commitment by historical donors and the mobilization of new ones. The lesson that COVID-19 should present us with is that significant investments are needed from both the public and private sectors to meet the challenges of pandemics whether they are novel or more familiar, such as HIV/AIDS, TB and malaria. **The private sector must step up and join the fight.**

MAPPING THE PRIVATE SECTOR WITHIN THE GLOBAL FUND

THE PRIVATE SECTOR

“Private sector”, in the context of the Global Fund, covers two distinct groups – private foundations (such as the Bill & Melinda Gates Foundation, the FIFA Foundation and Fondation Chanel), and private companies (such as KN Cam Ranh and Takeda Pharmaceutical).

We will take in this brief a look at the role of the for-profit element of the private sector, i.e. private companies, as it has been the focus of the recent TERG report on private sector engagement¹, and at the center of the resource mobilization conversations.

Private companies have been part of the Global Fund since its founding in 2002. Twenty years on, they are present throughout the partnership’s structure:

- **Governance:** the private sector has a seat at the Global Fund Board, and in some countries members of the Private Sector sit on the Country Coordinating Mechanism (CCM).
- **Procurement:** a large share of Global Fund grants finances the purchasing of products from the private sector; some of which is through the Global Fund pooled procurement mechanism, which was created to help shape markets and obtain negotiated prices from suppliers².
- **Oversight:** As the Global Fund does not have country presence, it relies on Local Fund Agents, most of which are private companies, to oversee and verify implementers’ reports on the progress of grants and make recommendations to the Global Fund for future funding.
- **Grant Implementation:** Around 2% of Global Fund grants are implemented by companies³.

PRIVATE SECTOR FUNDING

The Global Fund reports that around 6% of its funding since its creation has come from the private sector⁴, which would put it on par with the contribution of Canada (around 5%). This number however comes with an important caveat: 77% of all private sector funding to the Global Fund comes from the Bill & Melinda Gates Foundation, and another 15% from the Product (RED) initiative.

The contributions of all other private companies and foundations adds up to 8% of the private contribution, or less than 0.5% of total Global Fund resources.

The small scale of the financial contribution of private companies to the Global Fund is a missed opportunity.

They have as much to gain as anyone in ending ongoing pandemics. As the 7th [Replenishment Investment Case](#) released in February 2022 made clear, the return on investment for dollars contributed and invested by the Fund is high (1:31)⁵ and these health gains and economic returns benefit the private sector just as they do society as a whole. The ongoing HIV, TB and malaria epidemics threaten their employees, their supply chains and their bottom-lines. COVID-19 has made clear the fact that we live in a shared world where profits cannot be isolated from resilient and inclusive health systems.

A number of programs and schemes attempt to leverage Global Fund investments through partnership with for-profit entities:

Blended Finance is a family of instruments that uses public investment to attract private investments. It aims to remove barriers to market creation, whether through redistributing risk, providing seed investments, or transforming incentives⁶. On paper, the leveraging of public investment with private funds would allow for large gains in efficiency for funders, but it is important to remember that such schemes ultimately rely on public monies being invested to allow companies to make a profit, with the risk of failure falling entirely on beneficiaries. From the point of view of key and vulnerable populations, it creates the risk of seeing their plight monetized rather than addressed. Time will tell whether fine-tuning can promote win-win-win situations for donors, companies and beneficiaries, but it is most likely that situations where it is possible will be exceptional. The Global Fund has so far adopted a careful approach by only engaging International and Development Finance Partners (IFIs and DFIs), rather than companies, in blended finance programs and GFAN supports this cautious approach.

Engagement with private health insurance schemes is another route used by the Global Fund⁷ and other funders to raise additional revenues for the healthcare system. This can take the form of voluntary health insurance, employment-based social health insurance, community-based insurance, and digital platforms that facilitate the use of private insurances. The logic behind setting up insurance schemes is to avoid catastrophic health expenditure (by lowering out-of-pocket payments) and to create pooled and predictable revenue sources. However, there are significant concerns with private health insurances which, as noted by the WHO recommendations on health financing⁸ are more likely to hinder Universal Health

Coverage (UHC) than promote it. Even community-based insurances are rarely a viable strategy as they have shown very limited scalability due to adverse selection⁹. WHO recommendations also warn against digital tools that facilitate private payments as they promote a model of health financing that is harmful for UHC¹⁰.

Result-based financing, outcome-based financing and impact bonds are different implementations of a similar idea: a contract through which risk is transferred from the donor to other parties. In short, they are arrangements through which payment from a donor is triggered only if certain targets / outcomes are met; for example, US\$100 for every missing case of TB identified. A diversity of contracts and arrangements can be found under various labels, differentiated by when exactly payment is triggered, whether payment goes to implementers in the case of result or outcome-based financing¹¹, or investors in the case of impact bonds¹². They can be useful schemes for them if funders find willing partners. They have other advantages over classic input-based funding, in particular empowering implementers and removing the need for careful monitoring during the life of a program. They do however present limitations. The first is the cost of finding partners willing to shoulder all the risks. In the case of impact bonds, it means offering attractive rates to investors, potentially negating the efficiencies created by the model. In the case of results and outcomes-based financing, it means contracting exclusively with governments or very large international non-profits, which alone can pay upfront for large-scale programs. A second major limitation is the necessary higher than usual reliance on quantifiable indicators, which have well known issues: they create perverse incentives to target easy-to-reach groups, focus on immediate outputs rather than longer term impact and disregard essential qualitative factors in program implementation.

OUR ASK TO THE PRIVATE SECTOR

OUR ASK

For the 7th Replenishment, GFAN calls on the private sector to become a systemic actor for change by scaling up its investment in ending the three disease through pledges, large scale partnerships in innovative finance schemes that ensure the engagement and communities and civil society, and joining the Debt2Health initiative.

We call on current Private Sector donors to step up their pledge, and other members of the private sector to join them, to ensure that the total value of private sector pledges to the Global Fund (exclusive of the Bill & Melinda Gates Foundation) doubles in 2022, from US\$ 371 million to US\$ 742 million for the 7th Replenishment.

PRIVATE SECTOR ENGAGEMENT IN GRANT IMPLEMENTATION

Two dynamics are at play in the search for greater Private Sector Engagement (PSE): a realization that the private sector provides – and materially benefits from – a large share of health services globally, and a belief that the for-profit private sector is more efficient and dynamic than the public and non-profit sectors.

Globally, a large share of health services are provided by the private sector; this share is higher in low and middle income countries (LMICs)¹³. With regard to the three diseases and key and vulnerable populations, the private sector is often a first point of contact and primary treatment provider. For malaria and TB, the private sector provides a large share of all services, while for HIV the private sector contribution is centered on testing and the distribution of condoms¹⁴. The scale and centrality of the private sector in prevention, diagnosis and care, and the

fact that it is relied upon by the groups and communities that the Global Fund seeks to support makes some form of PSE essential to achieve impact.

Some calls for greater PSE come from a search for greater efficiency and impact in grant implementation. This is grounded in the idea that the incentive structure in the for-profit sector allows actors to achieve greater efficiency than in the non-profit sector or that the private sector has something unique – supply chains or technical expertise for e.g. – to offer. This has led for example to [the Project Last-Mile](#) with the Coca-Cola Company, which has been running since 2010 and aims to improve supply chain management and make medical supply more broadly available for hard-to-reach groups and populations.



PRIVATE SECTOR ENGAGEMENT IN GRANT IMPLEMENTATION

Expertise should be harnessed where it lies, and in a number of technical areas partnership with private sector champions can be beneficial. Assuming however that companies are inherently more efficient and better able to provide results is misguided. The strength of the for-profit private sector is rooted in a set of incentives which, when aligned with public health goals, can lead to greater impact and efficiency. However, these incentives are not well aligned in the case of the fight against the three diseases. If they were, there would be little need for intervention from the public sector.

While the private sector is responsible for a large share of TB and malaria service provision, the quality of services provided, especially to key, vulnerable and marginalized populations, varies enormously. Misdiagnosis, unreliable drug quality, non-respect of treatment guidelines and low case notification are rampant and make the private sector part of the problem as much as part of the solution¹⁵. The same incentives that promote efficiency and impact in the for-profit sector are the ones that create these outcomes. To end the three diseases, we need to fight current market incentives, not lean into them.

GFAN sees value in engaging with the private sector, but warns against engagement grounded in a simplistic understanding of its relative strength. Channeling more resources through the sector that has historically failed to appropriately serve key, vulnerable and marginalized populations is unlikely to bring about different results. More urgency is needed to build resilient community-based and -led systems and fund community monitoring to hold the public and private sectors accountable to their commitments to end the three diseases by 2030.



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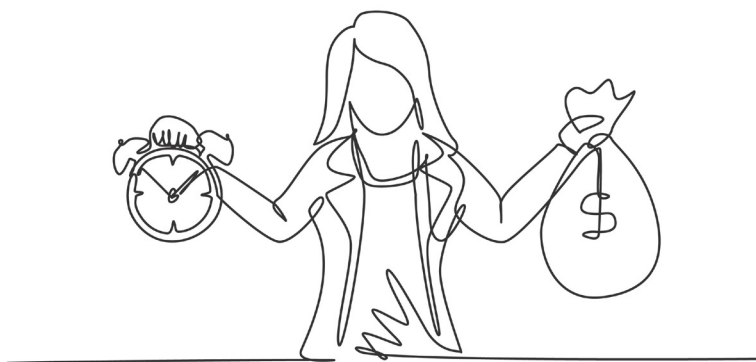
GFAN Speaker **Anton Basenko** was one of the first patients of **Global Fund**-financed opioid substitution therapy in Ukraine. He is now a **vocal advocate** for people living with HIV & people who use drugs.

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OUR ASK ON PRIVATE SECTOR ENGAGEMENT BY THE GLOBAL FUND SECRETARIAT

GFAN sees value in engaging with the private sector, but warns against engagement grounded in a simplistic understanding of its relative strength.

- **The role of the private sector in grant implementation needs to be limited to areas where its unique expertise is a requirement for success.** As a rule, channeling more resources through a sector that has historically failed to appropriately serve key, vulnerable and marginalized populations is unlikely to bring about different results.
- The priority of the Global Fund must remain to build resilient community-based and -led systems and fund community monitoring to hold the public and private sectors accountable to their commitments to end the three diseases by 2030, rather than pursuing elusive efficiency gains.



The mounting needs of the fight against the three diseases, created by the compounding effect of systemic underinvestment and the COVID-19 pandemic, bring renewed interest for new approaches in health investment and funding. The Global Fund is a dynamic partnership willing to explore ways to improve efficiency and complement classical grants – in particular, through Private Sector Engagement and Innovative Financing.

GFAN warns against placing too much hope in these alternative models; not out of a rejection of innovation, but out of the realization that for all their flaws, current “classical” grants have **a proven record of impact at scale**. The best way to keep our commitments and reach the 2030 targets is not to hope for short-cuts, but for both public and private sector donors to fully fund the Global Fund.

END NOTES

- 1 See Global Fund, [Thematic Review on the Role of the Private Sector in Program Delivery in 2020](#)
- 2 For more detail on the pooled procurement mechanism see: <https://www.theglobalfund.org/en/sourcing-management/procurement-tools/>
- 3 See Tchiombiano 2019, Public health, private approach: The Global Fund and the involvement of private actors in global health
- 4 See the [Global Fund Financial reports](#)
- 5 Global Fund, [2021 Results Report](#).
- 6 USAID, 2019, [Greater than the Sum of its Parts: Blended Finance Roadmap for Global Health](#)
- 7 See Global Fund, [Thematic Review on the Role of the Private Sector in Program Delivery in 2020](#)
- 8 World Health Organization (2020). [Assessing country health financing systems: the health financing progress matrix](#)
- 9 World Health Organization (2019). [Financing for universal health coverage: dos and don'ts. Health financing guidance note, \(9\), 2019-09](#)
- 10 World Health Organization (2021). [Digital technologies for health financing: what are the benefits and risks for UHC? Some initial reflections](#). Health financing working paper no. 19
- 11 Center for Global Development, 2014, [An Introduction to Cash On Delivery Aid For Funders](#), Grittner, Amanda Melina, 2013, [Results-based financing: evidence from performance-based financing in the health sector](#).
- 12 See OECD Working Paper, 2016, [Understanding Social Impact Bonds](#), as well as Berndt & Wirth, 2018, [Market, metrics, morals: The Social Impact Bond as an emerging social policy instrument](#).
- 13 Numbers vary but the [Thematic Review on the Role of the Private Sector in Program Delivery in 2020](#), published by the Global Fund uses recent WHO data estimating the share of private sector in health services between 40% and 65% in a diversity of LMICs (on p.8. of the report).
- 14 Global Fund, [Thematic Review on the Role of the Private Sector in Program Delivery in 2020](#), section 2.3
- 15 Global Fund, [Thematic Review on the Role of the Private Sector in Program Delivery in 2020](#)

CREDITS

PROJECT LEAD:

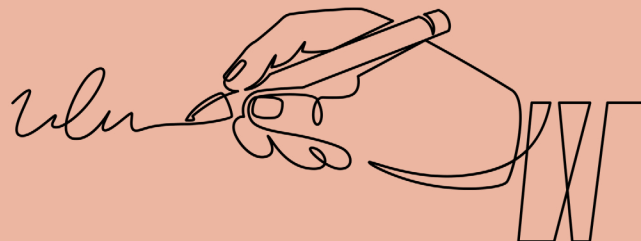
Katy Kydd Wright

WRITING & EDITING:

Quentin Batréau

Layout:

Tara Hogeterp



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