

PRIVATE SECTOR ENGAGEMENT

OVERVIEW

This paper provides an update to the Investors Group on the implementation of the Global Financing Facility's (GFF) private sector strategy over the first two years, and requests feedback and discussion on the progress and proposed future directions. The paper should be reviewed in conjunction with the following Investors Group papers: Health Financing: Strengthening Financial Protection (GFF-IG7-4), GFF Portfolio Update (GFF-IG7-2), and Nutrition: Fundamental to Delivering on the GFF's Mission (GFF-IG7-5).

SUMMARY OF FINDINGS

The private sector is a key part of the GFF value proposition, and brings financial capital, technical expertise, capacity and innovation that countries can draw on for their RMNCAH-N objectives. There has been significant progress made in the initial years of implementing the GFF private sector strategy, with notable successes including several GFF countries leveraging private capacity to deliver quality essential services and products through contracting at scale, as well as development of new innovative financing instruments to mobilize capital, with a focus on results and equity. In response to strong country demand, GFF has expanded its technical assistance and capacity building support for countries to strategically and systematically engage private sector for Investment Case priorities. This support also equips governments with various policy and financing tools to influence private markets for development and equity objectives. Regarding partnerships, building shared value partnerships around a core priority or thematic area helps align private sector, governments, and development partners. The GFF has used this approach most recently for supply chains, and will be expanding to other areas in the coming months.

In terms of early challenges, the ability to take private sector initiatives to scale has been particularly important, as are the related constraints around transaction cost, limited government capacity to strategically design and manage time-intensive private sector partnerships and contracts, and create enabling regulatory environment, etc. These will need to be mitigated for all stakeholders to come together to successfully deliver on the private sector agenda.

Building on the early implementation experience with the private sector strategy, GFF will focus on three areas for future directions:

- Innovative finance at scale: designing and launching new innovative financing instruments through collaboration with GFF partners, including within the World Bank Group, for a multi-sectoral approach to financing the health and nutrition agenda in GFF countries.
- Strategic engagement with private sector at country level: continue to offer expanded technical assistance and capacity building for GFF countries to make strategic and evidence based decisions on areas of private sector engagement for their Investment Case process.
- Shared value partnerships with global and regional private sector: based on Investment Case priorities across countries, the GFF secretariat will build partnerships with private companies to match their resources (technical, financial, capacity) to benefit GFF countries.

ACTION REQUESTED

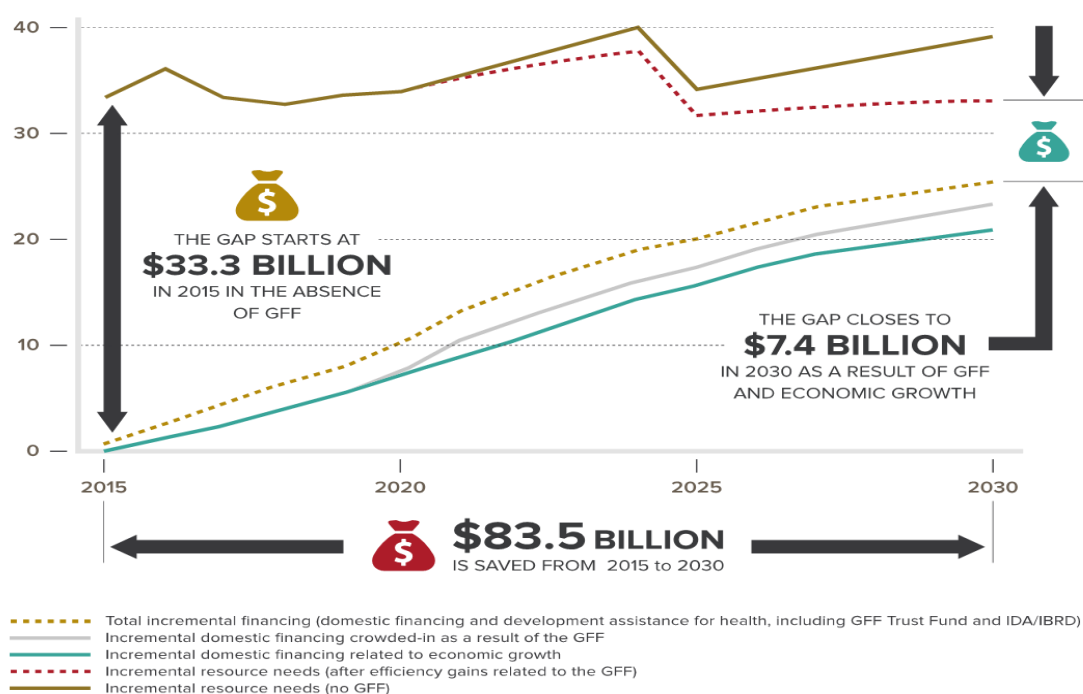
This paper is for feedback.

BACKGROUND

Considerable progress has been made over the past 25 years in improving the health and well-being of women, children, and adolescents. Rates of preventable death have dropped significantly in many countries and improvements have been seen across a range of key measures of health and well-being. But the progress has not been enough: too many women, children, and adolescents have been left behind, dying and suffering from preventable conditions, in large part because of a substantial financing gap, estimated at US\$33 billion annually.

The Global Financing Facility (GFF) was launched at the Financing for Development Conference in Addis Ababa in July 2015 as part of global concerns about how to finance the Sustainable Development Goals (SDGs), which requires a shift from thinking about billions of dollars to recognizing that we need trillions to achieve the ambitious targets that we have agreed upon. This shift is only possible through new approaches to financing that recognize that countries themselves are the engines of progress and that the role of external assistance is to support countries both to get more results from the existing resources and to increase the total volume of financing, including from domestic and private sector resources (Figure 1).

Figure 1: Bridging the funding gap for women, adolescent, and child health and nutrition



Over the past two years, the GFF has applied a new model of catalytic financing with countries in the driver's seat that brings together multiple sources of financing in a synergistic way to support national priorities. A key element of this model is drawing on the contributions of other sectors besides health that influence health and nutrition outcomes, such as education, water and sanitation, and social protection.

ROLE OF PRIVATE SECTOR IN THE GLOBAL FINANCING FACILITY

Development assistance is at record high levels but has been relatively stable over time (Figure 2). On the other hand, private sector financial flows such as foreign direct investment, remittances and private debt and equity are all growing and are also much larger in magnitude. This makes private sector financing an important resource for closing the financial gap financing for reproductive, maternal, newborn, child, and adolescent health and nutrition (RMNCAH-N) outcomes. In addition to financing, private sector has an important role in delivering essential health services and products to women and children across GFF countries (Figure 3). Private sector is also often a source of innovation, bringing new models of delivering services and products that can support countries to achieve their development outcomes.

Therefore, a critical element of the GFF financing for development agenda is leveraging private sector in three areas:

- Mobilizing private capital e.g., innovative financing instruments to draw in private investment for RMNCAH-N;
- Scaling disruptive innovation e.g., new models of delivering health services and products;
- Complementing government role in RMNCAH-N with private sector capacity and expertise e.g., enabling contracting public and private providers together at scale for essential health service delivery in GFF countries.

Figure 2: Resource Flows to Developing Countries¹

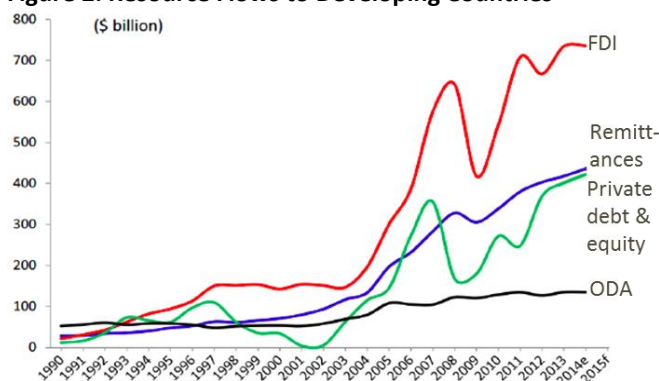
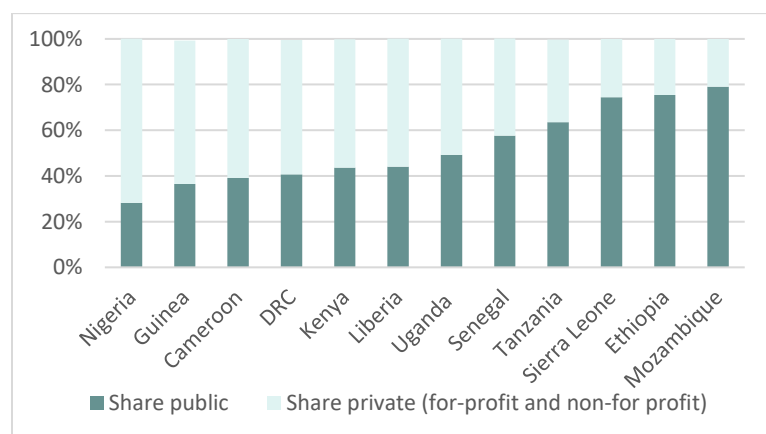


Figure 3: Care-seeking for pediatric curative services for lowest income quintile²



¹ World Bank, Migration and Remittances Factbook, 2016. Note: Remittances are based on International Monetary Fund (IMF) Balance of Payments and International Investment Position Manual, Sixth Edition. Private debt includes only medium- and long-term debt. FDI = foreign direct investment; ODA = official development assistance

² DHS data, GFF analysis

The Global Financing Facility uses the flexibility of its Trust Fund and the expertise of its facility partners to draw in private sector to help countries achieve RMNCAH-N target outcomes. The GFF's equity-focused approach to private sector engagement is built around facilitating and emphasizing the importance of a strategic, systematic analytical and policy process that reflects the mixed health system in GFF countries, and by supporting specific mechanisms at the global, regional and country levels to best leverage private sector resources, capacity and innovation for RMNCAH-N.

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 on were:

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

It was also agreed that the GFF would use a broad definition of private sector actors for health, and include both for profit and not-for-profit organizations across a range of sectors. Reflecting the heterogeneity of private sector actors in health systems at country, regional and global level, examples of private actors relevant for GFF include:

- Service providers (e.g., private doctors/clinics/hospitals/diagnostics facilities);
- Pharmaceutical manufacturers;
- Medical technology companies;
- Financial sector:
 - National (e.g., banks, financial institutions, investors);
 - International/regional (e.g., private investors in International Bank of Reconstruction and Development (IBRD)³ or International Finance Corporation (IFC)⁴ bonds, private equity firms investing in healthcare companies);
- Private insurers: purchasing technical services for government sponsored health insurance schemes;
- Management and logistics:
 - Supply chain/distribution companies;
 - Management consulting firms supporting development of management capacity (Technical Support Units);
- Information and communications technology firms (e.g., mHealth companies, tech firms working on big data, such as in the context of civil registration and vital statistics [CRVS]);
- Private training institutions that produce human resources for health;
- Key business actors in other sectors that relates to health (e.g., energy firms that can supply electricity to remote health facilities, companies working on water and sanitation).

The objective of this paper is to provide a status update on the development and early implementation of the Global Financing Facility's private sector strategy, with lessons learned and future directions of the GFF private sector work.

³ The International Development Association (IDA) and the IBRD are the two main lending arms of the World Bank Group. IDA focuses on lower income and/or debt-distressed countries, while IBRD lends primarily to middle-income countries.

⁴ The IFC is the private sector arm of the World Bank Group.

PROGRESS ON GFF PRIVATE SECTOR PATHWAYS

The first two years of implementation of the GFF private sector strategy have demonstrated several innovative examples of leveraging private sector across GFF countries. In many instances across the private sector pathways, GFF has played a key role as a convening and financing platform at global and country level, enabling governments, private sector and other stakeholders to partner in innovative ways to improve RMNCAH-N. This initial implementation has generated significant learning that will inform GFF's future private sector engagement. Select examples are highlighted below for each pathway.

GFF Pathway: Leveraging private sector in country for Investment Cases

The heterogeneity of GFF country contexts and the different roles of private sector actor in each health system are expressed in the multitude of ways in which GFF country governments have partnered with private sector to leverage their resources, capacity and innovation for RMNCAH-N results. Examples include:

1. Service delivery contracting: A number of GFF countries are using performance-based financing (PBF) contracts with both for-profit and not-for-profit private sector to deliver RMNCAH-N services, often at a national or multi-state scale. This has been particularly valuable in fragile and conflict affected areas (such as **Northwest Cameroon, Northeast Nigeria, and Democratic Republic of Congo**) where public infrastructure alone is insufficient or otherwise unable to adequately serve basic health and nutrition needs of women and children. Several other GFF countries including Uganda and Liberia are using private sector capacity and technical assistance for results-based financing projects to deliver essential health and nutrition services. Across the five countries, with approximately US\$733 million in support from GFF Trust Fund and co-financiers and the participation of the private sector, these projects are expected to have an expected reach of over 31 million beneficiaries.

In middle income countries like **Vietnam**, the government's capacity to effectively manage and negotiate complex contracts with private sector needs to be strengthened. Public-private partnerships (PPPs) in the health sector are currently geared towards joint venture models which focus more on revenue-generation for public providers rather than focusing on equity objectives protecting patients from excessive health spending. The GFF is supporting the Government of Vietnam to "do PPPs better" through technical assistance to the Ministry of Health and other relevant government agencies in the process of policy-making, planning, identification, selection, structuring, tendering and implementation of health PPPs in a manner consistent with public health objectives, i.e. improving access to care and providing financial protection from out-of-pocket spending with a particular focus on RMNCAH-N and low income populations. The GFF-funded pilot PPP will serve as a model to build government experience to improve maternal and child health outcomes through partnering with private sector to bridge the equity gap.

2. Private sector provision quality improvement: Apart from private sector contracting in service delivery, GFF Investment Cases are also financing quality improvement and regulatory tools to ensure private sector services meet required standards.
 - a. In **Kenya**, the GFF Trust Fund-supported project has a significant focus on improving quality of care across public and private sector. Activities include supporting the Department of Health Standards, Quality Assurance and Regulations as well as the Health

Regulatory Boards to (i) strengthen routine inspections of both private and public health facilities, and (ii) institutionalize quality assurance towards certification. The Joint Health Inspection Checklist (JHIC) for both public and private facilities was developed by the Kenyan government's regulatory authority working closely with the private sector health, supported by the World Bank Group's Health in Africa initiative. Through financing implementation of the Joint Health Inspection Checklist, the project supports government to ensure that public and private health facilities are accountable to the same standards, where health facilities are inspected prior to licensing (private facility) or gazettment (public facility) in order to operate. A minimum standard must be met for renewal of licenses or retention of gazettment. The JHIC introduced reforms to integrate the multiple processes of inspection into one comprehensive step with more transparency to ensure minimum quality and safety standards. The project will support training inspectors to undertake county-wide inspection of all health care providers using the JHIC; and training county quality improvement teams (QITs) on the JHIC who can support PHC facilities in each county to achieve higher levels of quality and be 'inspection ready'. These regulatory reforms support quality improvement for delivery of care, while also ensuring private sector can operate in a fair enabling environment. In addition, in Kenya the GFF is also supporting the United Nations-led multi-stakeholder SDG platform that seeks to support counties to scale up private sector engagement in health.

- b. In **Uganda**, alongside the results-based financing (RBF) service delivery project with both public and private sector providers, the GFF is financing activities to build capacity of private service providers (alongside public) to deliver health RMNCAH services through: (a) Training to deliver RMNCAH services, (b) Training to manage an RBF program at the facility, (c) Annual assessment of quality; and (d) Support to develop and implement quality improvement plans. These private sector capacity building activities also receive complementary financing from the Health in Africa initiative. The GFF is also in discussions with the government alongside Health in Africa initiative to fund technical assistance to improve regulation of private providers, through automation of registration and licensing for private health providers and clinics, which streamlines the existing process.
3. Supply chain: Many GFF-supported countries face bottle necks in their supply chains for RMNCAH-N commodities, impacting their ability to improve health outcomes⁵. Private sector can play a key role in innovative supply chain solutions, such as the data-driven Informed Push Model in Senegal that uses private logistics providers for last mile delivery. The pilot funded by Bill and Melinda Gates Foundation (BMGF) and MSD for Mothers showed a marked improvement in stock-out rates, and the government of Senegal is currently in the process of institutionalizing the nation-wide scale up of the model. The GFF in collaboration with other partners are in discussion with the government on various options for transition support to the scale up, including financing and technical assistance.

Building on the experience of innovative private sector solutions as in Senegal and the broad interest across GFF countries on supply chain innovation, the GFF is launching a partnership together with BMGF and MSD for Mothers to support countries with private sector supply chain solutions for an integrated approach to delivery of essential medicines and commodities products to the last mile. This leverages the comparative advantage of private sector in the distribution and

⁵ This is a key area of most GFF investment cases and there is a strong country demand for support in this area

warehousing components of supply chains, and brings private sector innovation and expertise to enabling governments to resolve key bottlenecks in country supply chains through technical assistance, capacity building and strategic support.

4. Learning and capacity building: As part of the systematic approach to private sector engagement, the GFF secretariat is supporting interested countries to conduct private sector assessments, and participate in learning and knowledge sharing opportunities specifically on leveraging private sector in health systems.

GFF countries like Uganda and Democratic Republic of Congo have led the way with their decision to use high quality and comprehensive private sector assessments to identify opportunities to leverage private capacity and expertise in their health system. More countries are currently exploring the assessment tool, which can be customized in breadth and depth of analytical scope.

Private sector has been integrated in country teams participating in GFF country workshops in Kenya, Washington DC and Ghana over the last two years, and most recently in the private sector-focused workshop in Dakar. In response to growing country demand, GFF has developed private sector learning opportunities for countries, the first of which was the *Managed Markets for Health (MM4H)* online and face to face training held from March-April 2018 in English and French. This training introduced participants to the Managed Markets for Health approach for systematically analyzing the domains within a mixed delivery system, to identify opportunities and to formulate and test policies to steer private actors to contribute to sustained health and equity outcomes, with a focus on private sector in service delivery and supply chains solutions.

In the online course that was accessible as a free and open-access course, faculty guided participants through case studies and individual/group exercises that highlighted the challenges of implementing policies to bring about changes in a health “market” of private sector actors, and the various policy and financing tools governments have available to influence private markets to benefit development and equity objectives. In its first iteration, over 400 participants participated in the GFF MM4H online course from across the globe.

The online course was followed by a face to face workshop in Senegal for eight GFF countries that expressed a strong interest in partnering with private sector, where multi-stakeholder teams from Ministry of Health, Ministry of Finance, and supply chain units/central medical stores were guided to put the learning from the online modules to practical use to define private sector engagement best suited to RMNCAH-N in their country context. This supports countries to make strategic systematic data-driven decisions on how and where in the health system they engage with private sector. Supply chain strengthening was also included as a module in the private sector MM4H course in Dakar, as part of the GFF’s integrated approach to strengthening access to essential health and nutrition services and products. The Senegal workshop also offered other countries an opportunity to observe the supply chain innovation under implementation and to meet with Senegalese counterparts leading the efforts, and examine the benefits and challenges that accompany such supply chain reforms. During the Dakar workshop the country teams drafted action plans for their country’s private sector engagement in RMNCAH-N, which will then go through a validation process with key stakeholders at the country level to create a pipeline of opportunities that can be supported through development and implementation stages.

GFF Pathway: Global Partnerships

The GFF facilitates partnerships to match global private sector resources, expertise and innovation to specific priorities 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 and regional private sector partners to tackle key bottlenecks to achieving RMNCAH-N targets at country level. Partnerships to date have included:

1. Merck for Mothers: In January 2017, Merck for Mothers became the first private sector contributor to the GFF Trust Fund, with a US\$10 million commitment to improve maternal and child health in low- and lower-middle-income countries worldwide through its MSD for Mothers initiative. The contribution is being used for GFF's innovative financing, public-private partnerships and country engagement to scale up high-impact interventions to help women and children to survive and thrive through critical periods of life: birth, the early years and adolescence. In addition to financial support, MSD has provided their business expertise to strengthen the GFF multi-stakeholder partnership, particularly in the areas private sector strategy and supply chain solutions. MSD have also been a champion for the RMNCAH-N agenda at several high-level advocacy events, highlighting the role private sector can play in supporting countries to deliver on their priorities for women, children and adolescents.
2. Medical technology partnership: 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 partnered with the medical technology trade association DITTA⁶ and PATH to facilitate 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. Ministry of Health teams from Kenya, Tanzania and Uganda participated in the workshop in Nairobi in March 2017, and PATH has conducted follow up visits around specific medical technology needs for each country. This workshop was conducted in coordination with WHO, and leveraged a Memorandum of Understanding signed between the World Bank and DITTA for provision of technical expertise in a transparent manner from private sector medical technology companies.

GFF Pathway: Innovative Financing

Given the magnitude of private financing flows, the GFF has been exploring multiple ways to mobilize private capital for women's, children's and adolescents' health and nutrition. The GFF is well-positioned to develop and implement innovative financing instruments to close the existing financing gap, with the combination of flexible grant funding of the GFF Trust Fund and the capacity and financing and technical expertise available within the World Bank Group and among GFF partners. Each of the areas below are in various stages of design and implementation, progress to date includes:

1. IBRD performance-based loan buy-downs:
In many lower middle-income countries (IBRD and Blend) eligible for GFF support, there is a large gap in equitable access to health services provision, and still a need for progress on improving health and nutrition outcomes for women, children and adolescents, particularly amongst the

⁶ Global Diagnostic Imaging, Healthcare IT, and Radiation Therapy Trade Association

poorest and neglected populations. For example, Nigeria and Pakistan together account for over 15% of overall maternal and child deaths globally⁷. Countries are often reluctant to borrow on IBRD terms for social sectors such as health. World Bank Treasury raises capital from private sector and GFF enables IBRD and Blend countries to access loans from this pool of funds on more concessional terms through a performance-based loan buydown grant when agreed upon results are achieved. This brings in an equity focus for resources to be channeled to the unfinished health and nutrition agenda in the poorest quintiles, specifically to minority (e.g., Vietnam) and indigenous (e.g., Guatemala) populations who might otherwise be missed, with GFF financing tied to clear outcomes.

In March 2017 the first GFF buy-down in Guatemala's US\$100 million IBRD loan package was approved by the World Bank Board of Directors to improve health and nutrition practices, services, and behaviors that are key to curbing chronic malnutrition in Guatemala, with emphasis being placed on the first 1,000 days of life. While the malnutrition rate in Guatemala has fallen from 55 percent in 1995 to 46.5 percent in 2014/2015, it remains the highest in Latin America and the Caribbean and one of the highest in the world. A \$9 million grant from the GFF Trust Fund will enable the government to access financing from the IBRD at more concessional rates through a performance-based "buy-down" of the interest and loan charges. The government of Guatemala has committed to using the resources that are freed up from debt payments and matching them with domestic resources. Thus, they will reinvest the combined amount of \$18 million towards the conditional cash transfer (CCT) program that aims to improve the health and nutrition status of families, with a focus on indigenous populations with particularly high malnutrition rates.

Apart from incentivizing results, deploying grant funds through a loan buy-down allows countries to access greater resources than a traditional grant, which is of particular importance in transitioning countries to sustain financing for RMNCAH-N. A second GFF buy-down is currently in discussion with Vietnam for US\$80 million loan.

2. GFF catalytic financing to mobilize private investment:

To bridge the financing gap for RMNCAH-N, it will be necessary to draw in private capital on a large scale from investors with a focus on socially impactful solutions. These "impact investments" are often beyond the reach of commercial investors due to the high risk, transaction cost, difficulty to scale, and cost of funding involved, leading to a financing gap for borrowers.

The GFF has conducted a detailed analysis of private investor risks in the health sector, and identified several priority risks that impact investors' ability to reach low income women and children in GFF countries. To overcome these investor challenges, GFF will use catalytic grant funds to reduce risk and "crowd in" private capital from impact investors (such as the International Finance Corporation, other development finance institutions, and private investors) focused on improving access to affordable quality RMNCAH-N health services and products for key target populations, particularly the most disadvantaged women, children, and adolescents in GFF countries. GFF Trust Fund financing can be deployed through a range of World Bank and IFC instruments to match the investor risks (grant, guarantees, blended finance loan, etc.).

The first potential GFF investment is currently in final negotiations, with GFF providing US\$1 million as "first loss" to de-risk ~US\$15 million from various private investors (including US\$4

⁷ GFF analysis based on data from WHO, UNICEF, UNFPA, World Bank Group and UNPD (MMEIG) - November 2015

million loan from IFC) into a non-profit that works with local banks to improve access to finance for small and medium enterprises in healthcare in five African countries. Improved access to finance enables health providers to increase the quality and range of services they offer women and children.

GFF is currently working with the IFC Health Investments team to build a pipeline of suitable deals across GFF countries that match the priorities for RMNCAH-N outlined in Investment Cases. Based on Investment Cases to date, potential investment deals in GFF countries could be in areas such as food fortification, supply chain logistics, quality basic surgical care such as Caesarean sections, etc., with a focus on reaching low income populations. For its catalytic financing deals, GFF is seeking similar ratio of grant/returnable capital to private sector financing as it does with IDA/IBRD linkage.

3. Innovative Financing in partnership with GFF country governments:

In response to increasing interest from governments to explore non-traditional sources and mechanisms of funding health investments, the GFF is providing support to develop country-level innovative mechanisms to draw in additional private capital for financing health and wellbeing of women, children and adolescents. These vary from country to country, and are tailored to the specific context and priorities of each context. In Haiti for example, where remittances are a very significant proportion of overall GDP, GFF is supporting the government to explore how to channel remittance funding towards health and nutrition. The Development Impact Bond in Cameroon is another example, where the GFF is an outcomes payer through the government if targeted results are achieved.

LESSONS LEARNED FROM GFF PRIVATE SECTOR ENGAGEMENT

The private sector is a key part of the value proposition of the GFF, and a valuable partner for countries to meet their RMNCAH-N goals. As it has now been two years since the approval of the GFF private sector strategy, this is an opportune moment to reflect on the progress that was made and the challenges that countries experienced. The objectives of the first GFF private sector strategy have been mostly accomplished, with some of the key successes and challenges outlined below.

Some of the early successes have been in the following areas:

- GFF grant funding and deep experience with pay for performance has provided an opportunity to focus private capital financing on clear results (buy-down, impact bond) and leverage grant funding to target poor people through various mechanisms (performance based contracting), enabling both middle income (e.g., Guatemala) and low income (e.g., Cameroon) countries to apply an equity focus to their resources.
- Another area of success has been the strong demand from GFF countries to be able to expand their private sector engagement, as they recognize the value of partnering with private sector with more strategic design and implementation with an equity focus. There was tremendous response to the first GFF online course on private sector, and the face-to-face workshop on practical application has received requests for follow-up training in country so that more teams from their ministries of health and planning can learn the tools and frameworks to manage engagement with private sector.
- Several GFF projects and partners have resources dedicated to building the capacity of the ministries of health and planning to manage contracts with private sector and pay for

performance. In many countries, various forms of results-based financing projects are some of the earliest experience governments have of formally contracting not-for-profit and for-profit private providers, and strengthening the monitoring units that manage this implementation enables these governments to build and expand the quality of their future private sector partnership opportunities to serve the poorest and most vulnerable

- Private sector partners are increasingly interested in “shared value” partnerships around sustainable business models with government and development partners, whether at country, regional or global level. From the first phase, it is clear that GFF Investment Cases can provide a good tool for governments to have a structured dialogue with private sector at country level around a clear set of common priorities. The support that GFF partners provide to capacity building, technical assistance and financing provide the right environment for this to be successful. The development of global partnerships with private sector around an area of strong country demand (e.g., supply chain) has enabled diverse private sector partners to draw from a range of expertise across their companies to match country needs through the GFF platform.

There have also been some challenges to delivering on the GFF private sector agenda:

- Reaching scale and therefore corresponding size of impact is part of the GFF ambition with its private sector initiatives. There are a variety of challenges for reaching scale in private sector engagement, for example the high transaction cost for innovative financing instruments such as development impact bonds, or effectively bringing together fragmented private sector actors through country platforms. Innovations too require curation, piloting and rigorous evaluation before they can be scaled with government and GFF support. To succeed, GFF will need to be able to reduce transactions costs of private sector partnerships for governments, development partners, and private actors themselves.
- Enabling environment and government capacity to engage: Another key challenge for GFF private sector engagement has been the diversity in enabling environment across GFF countries, and the government’s ability to leverage private sector resources and capacity. Regulatory constraints can be a bottleneck to exploring opportunities and take significant time to be resolved, and GFF country governments have varied in their capacity to make strategic decisions on areas of partnering with private sector as well as managing implementation. Private sector’s heterogeneous and fragmented nature in many GFF countries can mean there is sometimes no natural counterpart for governments to engage private sector in discussion for GFF Investment Case priorities in GFF country platforms.
- Finally, private sector partnerships can often be time-intensive and take longer to define and develop compared to Investment Case timelines, and government capacity can be a binding constraint, which has limited their use in the first phase. Having more targeted outreach to private sector around a very focused RMNCAH-N priority area could work more effectively, rather than a broad engagement. For example, in Nigeria, the government partnered with private umbrella associations as their main private sector counterpart for the Innovation Challenge, rather than engage on their own with many actors. This reduced their transaction cost and enabled the federations to develop a constituency with their members and channel innovations for Investment Case priorities.

FUTURE DIRECTIONS

Reflecting on the initial experiences of GFF countries, there are several clear areas of growth and opportunity for the GFF’s private sector strategy:

- Innovative finance at scale:

The GFF as a financing and operational platform is well placed to design and launch new innovative financing mechanisms in the coming year, through collaboration with IFC and World Bank Treasury. This will continue to be a focus area for the GFF private sector agenda, given GFF's role as a pathfinder for sustainable financing in the SDG era. Leveraging expertise across GFF partners enables reduced transaction costs by drawing on expertise and experience across teams, and help create more effective instruments for private capital to be mobilized at scale.

In addition to new instruments, GFF will outline thematic investment areas for its partnership with IFC to enable private sector investment in health and multi-sectoral areas, building on the breadth of Investment Case priorities available across GFF countries, and focusing on the needs of low income women, children and adolescents. Additional collaboration is being explored with GFF partners who have expertise and resources to support the GFF's innovative financing agenda.

There is also growing interest from GFF country governments on developing innovative financing instruments to support domestic resource mobilization efforts. Although these country-level innovative instruments can sometimes have higher transaction cost and smaller scale than regional or global ones, the GFF is assessing how to best support sovereign-led efforts to tap into non-traditional financing sources with the design and implementation of country context-specific financing mechanisms.

The GFF secretariat will provide a more detailed update on the innovative financing agenda at the next Investors Group meeting.

- Partnering with global and regional private sector:

Building on the experience with global private sector partnerships to date, the GFF secretariat will identify thematic priority areas to serve as entry points for private sector companies to match their resources to benefit GFF countries' priorities. An early example of this is the GFF partnership for private sector solutions in supply chains, which can be replicated in other areas such as frontline services which are a priority across several countries. In the coming months the GFF secretariat will draw on Investment Cases to develop an expanded strategy for global and regional private sector partnerships in RMNCAH-N, followed by active outreach to leading companies supporting SDG priorities through financing, technical expertise and capacity.

- Strategic engagement with private sector at country level:

In the next phase, the GFF will continue to provide support to countries to enable them to strategically and systematically make evidence-based decisions on partnering with private sector for Investment Cases. This includes additional support in the form of:

- learning resources such as training courses and capacity building workshops
- data collection and analytical tools such as private sector assessments that outline role of private sector actors in each country's health system and help identify opportunities
- decision-making frameworks such as the Managed Markets for Health course that enable critical analysis of root causes, potential for private sector to contribute, various policy and financing tools available to shape private sector engagement, and measurement frameworks to monitor results and impact of interventions
- intensive technical assistance from GFF partners will be provided to countries that demonstrate a strong interest in strategic financing and policy engagement with private sector for RMNCAH-N

These private sector-focused resources will equip GFF policymakers with the necessary skills and data to become better stewards of mixed health systems, and enable a more systematic approach to matching government priorities in engaging private sector with necessary technical assistance and resources from development partners such as GFF. Having clear frameworks for engagement also enables private sector to deliver on its commitment to governments.

Based on the experience and feedback from countries on the first GFF MM4H private sector online course and workshop in Dakar, the GFF will tailor future iterations of training courses and other capacity building efforts, with a focus on specific thematic areas (e.g., service delivery, supply chains, etc.) where countries can share their experiences of using various policy and financing tools to engage private sector. With the GFF supporting a multitude of service delivery and health financing reforms across countries, there could also be opportunities for deeper engagement on building government capacity for linkages between the two through strategic purchasing of services, as well as integrating and scaling proven innovations. This will be further explored together with GFF partners who are also currently engaged in these efforts.

Finally, to measure the impact of the above, GFF will work systematically with countries to think through the “pathway to impact” for their chosen private sector intervention, and select appropriate performance indicators to better capture the effects of complex systemic reforms related to private sector. The GFF secretariat is also currently reviewing the private sector indicators in its results framework across the three pathways to ensure they can match the current directions of the GFF private sector strategy as it evolves.