

Leveraging Private Sector Capacity for Stronger and more Sustainable Public Health Systems

A Private Sector Engagement Perspective

by Joseph Roussel



Insights from the first five years: After joining VillageReach in 2017 as Private Sector Engagement lead, even with my 25 years of private sector experience, I quickly learned that integrating private sector capacity into public health systems is not easy. In this article, I share some key takeaways on what is needed to accelerate private sector engagement and integrate the private sector capacity needed for strong and sustainable public health systems in low- and middle-income countries.

Why is Private Sector Engagement important?

In many low- and middle-income countries (LMICs) there are limited public sector resources to provide the health care required for everyone to thrive. Governments need to utilize all available resources, including private sector resources, to achieve Universal Health Care (UHC) by 2030. The private sector has financial resources, specialized skills, physical assets and technologies needed by government. Leveraging these various resources to meet specific health needs requires a mastery of the disciplines of private sector engagement.

Private Sector Engagement options

What exactly is the private sector and how can the private sector be engaged in public health? The private sector is made up of different types of organizations. For the purposes of this paper, we are focused on commercial enterprises. Although the definition of commercial enterprise is typically limited to for-profits, we also include those not-for-profits that fund their operational and capital expenditure by selling products and services.

There are several ways government and the private sector can engage with each other as shown in Figure 1:



Figure 1: Range of Private Sector Engagement Options

- **Ecosystem Servicesⁱ and Products** allows government to leverage the private sector assets and expertise needed to operate public health systems. Examples include services and products related to digital solutions, data analytics, medicine transport and warehousing, professional education, and cold chain maintenance.

- **Health Service Delivery and Health Products** includes the provision of health care services, medical insurance, the production and dispensing of health products (i.e., medicines, vaccines, supplies and equipment), and medicine wholesalers and distributors. Most governments rely on the private sector for the products and/or services needed to achieve their UHC goals.
- **Funding and Technical Assistance** is often the priority of multilateral donors' private sector engagement teams who secure contributions from companies and foundations to fund the supply of medicines and health systems strengthening. VillageReach, like many NGOs, benefits from this type of PSE, which can also include free or reduced price services and free technical assistance (TA).

The COVID-19 pandemic has increased the volume of PSE as well as government demand. In addition to a well-publicized increase in *Funding and Technical Assistance* for the supply of vaccines, there has been a focus on stronger *Health Service Delivery and Health Products* with the December 2021 launch of the WHO [Country Connector On Private Sector In Health](#), a platform to support countries to manage the private sector's contribution to the pandemic response consistent with national health priorities. *Ecosystem Services and Products* has also increased as governments needed to rapidly ramp-up cold chain storage and transport for vaccines during the pandemic and make quality health information on COVID-19 more accessible to citizens. A good example for health information is the [719 COVID-19 Call Center](#) powered by Safaricom in Kenya. If sustained, this growing interest in PSE has the potential to help create stronger and more sustainable public health systems.

THE VILLAGEREACH PSE FOCUS

Ecosystem Services and Products is the primary PSE focus at VillageReach in support of our mission in transforming health care delivery to reach everyone. We bring together governments and private sector partners to collaborate in the design, development and operation of solutions in two primary areas. These solutions are mostly donor-funded although government led and managed. The first area [Tech-enabled pathways to primary health care](#) which focuses on health information and data, includes solutions such as [Health Center by Phone](#) to ensure everyone gets health information, and [Electronic Immunization Registries](#) (EIR) that support the electronic tracking of immunization records to ensure all children get the vaccines they need. For these solutions, private companies such as mobile operators and technology firms are key as they provide health worker apps, messaging, consumer marketing, call center expertise and network connectivity. In Côte d'Ivoire, we are working with the Ministry of Health and Orange Côte d'Ivoire on deploying [M-Vaccin](#), an EIR solution.

The second area is [Products to people](#) which focuses on the delivery of health products and lab samples through robust supply chain systems. For these supply chain solutions, key players include logistics firms, such as transportation and warehouse providers and drone operators, as well as companies providing enabling technology such as proof of delivery systems. For example, in Mozambique, Bolloré Transport & Logistics is managing a network of local transporters who ensure medicines and vaccines reach health facilities across the country each month, and in the Democratic Republic of Congo (DRC) we are working with Swoop Aero to routinely transport vaccines and lab samples.

While our primary focus is *Ecosystem Services and Products*, we are also working on **Health Service Delivery and Health Products** through our work in the DRC on increasing the participation of private pharmaceutical distributors who can manage procurement, storage and transport of medicines to supply both public and private health facilities.

Insights on Ecosystem Services and Products

INSIGHT #1: ALL PRIVATE SECTOR FIRMS ARE NOT THE SAME

Governments and donors may consider all private sector firms as similar but when engaging firms for Ecosystem Services and Products, they need to go deeper in their analysis. Governments and donors should ask the following questions about each firm:

- Are they only donor-funded or are they commercial firms that generate revenue from selling goods and services to meet their cost and investment needs?
- If they are commercial firms, are they for-profit or not-for-profit?
- Are they only focused on public health, or do they serve multiple customer market segments?

For-profit commercial firms that serve multiple market segments typically have a greater ability to fund their working capital needs and invest in their operations versus donor funded not-for-profit firms. Private sector for-profit firms are more likely to be expert in cost reduction since this is a major lever to increase their profitability. However, in our work implementing medicines supply chains, we often see not-for-profit donor-funded firms transporting medicines. When engaged by donors, for-profit firms are rarely incentivized to find efficiencies and reduce costs. We believe that a deeper understanding of the dynamics of different firms can help both to increase involvement of for-profit firms in the public health system and lead to contracts that motivate for-profit firms to achieve on-going cost improvements.

INSIGHT #2: A GOVERNMENT PARTNER STRATEGY IS A PRE-REQUISITE FOR PSE

It is difficult to engage the private sector for a given solution without a government partner strategy. A partner strategy describes which organization (government, for-profit firms, not-for-profit firms) will conduct which activities for a given solution. Government will always do “govern” activities (e.g., set key rules and standards) but can delegate “manage” (e.g., manage information systems, people and suppliers) and “operate” (e.g., execute day-to-day operations) activities to partners.

We are currently working with a Ministry of Health in Africa on a partner strategy related to national health hotlines. This country has multiple independent health hotlines run by different not-for-profit firms, each with its own processes and IT tools. This environment is difficult to maintain and will not attract private firms due to lack of market potential. We believe a partner strategy will help this Ministry of Health understand how different options for partner involvement can affect solution performance, affordability and sustainability, thereby providing the basis for a more robust national health hotline.

INSIGHT #3: LEVERAGE EXISTING LOCAL PRIVATE SECTOR CAPACITY AS THE STARTING POINT

Some countries may have a gap that can only be filled by an international firm entering the market, but in many countries, there is a vibrant private sector that offers services including telecommunications, transportation, education and data analytics. This local private sector, which can include local subsidiaries of international firms, already knows how to operate in the country context, but these firms may not be well-known by international donors or have experience working with government.

In our work on increasing PSE, we find that engaging with national trade associations, and their relevant sub-groups, is a critical point of leverage and should be done in parallel to discussions with individual firms. Trade associations provide an excellent platform to present public health as a viable market, educate firms on requirements and stimulate public-private dialogue. We are actively pursuing this approach in multiple countries, including in DRC, where we are working with the Fédération des Entreprises Congolaises (FEC) and in Mozambique where we are working with the

Confederação das Associações Económicas de Moçambique (CTA). In both countries, we are stimulating participation of private firms as providers of ecosystem services to public health and increasing visibility of local firms by developing directories of firms that are qualified to work with the public health sector.

INSIGHT #4: A STRUCTURED APPROACH TO PUBLIC-PRIVATE COLLABORATION IS NEEDED

Private sector engagement is a multi-year process and requires significant public-private sector dialogue. As can be seen in Figure 2 below, it requires a number of steps, starting with defining company-level and national PSE strategies, where government identifies the need for PSE to meet a specific gap in the public health system. Legal and regulatory frameworks also need to be in place that specify the role of the private sector and any compliance requirements. Governments will then need to find the right private sector partners, and once those partners are identified and agreements are in place, the public and private sectors can collaborate to define and deliver a solution that meets the identified need. Success will require on-going coordination of all in-country stakeholders.

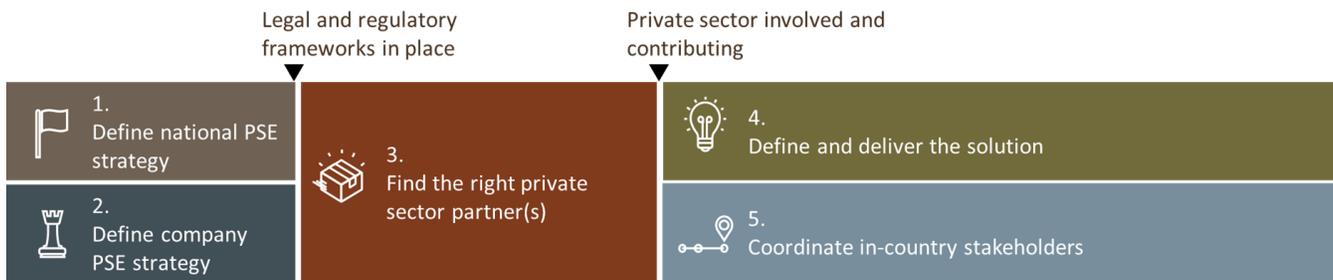


Figure 2: PSE Major Steps

Many efforts for PSE don't continue beyond an initial phase of investigation due to barriers such as:

- missing legal prerequisites;
- negative perceptions on whether private sector services are fairly priced;
- private sector concerns about payment;
- difficulty finding the right partner(s).

VillageReach has found that applying the structured approach can help navigate challenges and overcome the many barriers to success. Government and private sector firms also need to have people with PSE competencies and tools. The [Africa Resource Centre \(ARC\)](#) has developed an [Outsourcing Toolkit \(OSTK\)](#) that contains several useful tools for collaboration.

INSIGHT #5: COST MANAGEMENT IS NEEDED FOR SUSTAINABILITY

Cost management provides an understanding of the actual costs of a specific solution like Outsourced Transport or Health Center by Phone, and then helps determine actionable steps to meet target costs. Key activities include cost model development, actual costing, cost estimation and cost comparison, which help address the critical concerns of affordability and sustainability. Public health professionals are often more familiar with cost benefit studies and cost evaluations than with cost management. This is a problem as governments often perceive the private sector as “too expensive” and, without applying cost management, there is a high risk that efforts will stall. VillageReach considers cost management critical and has a Solution Cost Analyst staff position based in Africa who works with government staff to understand the impact of design choices on solution costs and to find cost efficiencies.

INSIGHT #6: COLLABORATION SKILLS ARE AS IMPORTANT AS GOOD CONTRACTS

Different types of PSE require different skills in government teams and in private sector firms. *Funding and Technical Assistance* requires strong donor management skills. *Health Service Delivery and Health Products* requires strong contract management, procurement and cost management skills. Integrating private sector capacity for *Ecosystem Services and Products* requires all these skills plus collaboration skills. Collaboration skills are both technical and managerial and include the ability to co-design mutually beneficial ways of working, and to jointly define and manage action plans to improve solution cost and quality.

Government often considers their relationship with private sector firms as mostly about contract management and are rarely familiar with collaborative management practices. Without collaboration practices and tools, the needed joint decision-making and activities don't happen and the benefits of using private sector firms are greatly reduced. Fortunately, there are proven collaboration tools and approaches available that can help improve the quality and reduce the cost of private sector services. In Mozambique, VillageReach is training government staff and logistics firms on the use of Service Level Agreementsⁱⁱ to enable collaboration between government departments and private sector firms at both the national and provincial levels. We will use similar tools in DRC as part our work on increasing the participation of private for-profit commercial pharmaceutical distributors in the public health system.

Looking forward

VillageReach has committed resources to make sure that PSE is infused in our solutions. In addition to appointing PSE Leads in each of our core countries (Malawi, Mozambique and DRC), we have launched a number of efforts focused on sustainable private sector engagement, such as the [Outsourced Transport Resource Center](#) based in Mozambique, work on private distributors in DRC and development of drone capacity in all three countries. As we continue to learn, we look forward to sharing our PSE experiences with other stakeholders as we collaborate to strengthen public health systems and ensure health services are available for everyone, everywhere.

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ⁱ The author thanks Ed Llewellyn for suggesting the term Ecosystem Services

ⁱⁱ Service Level Agreements (SLAs) are collaborative agreements between organizations aimed at formalizing their working relationship and supporting continuous improvement. SLAs are consistent with but do not replace commercial contracts. They typically contain performance requirements, roles & responsibilities, performance goals, review mechanisms and joint improvement planning.