

Public-Private Partnerships in Global Health

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INTRODUCTION

This note aims to stimulate discussion of democratic theory and practice through an examination of the changing world of “partnerships” among different actor groups in global health. To promote discussion, the note provides some background information and then highlights some strategic issues. Workshop participants in the political and health sciences have variable knowledge of and association with these recent world health developments. Several participants, however, have enormously rich insider experiences that can amplify the many issues identified in this paper.

BACKGROUND

The past five years have witnessed the formation of many new “global partnerships.” Newsweek last week featured a cover story on the International AIDS Vaccine Initiative (IAVI), a public-private partnership established to accelerate production of an effective AIDS vaccine for the developing world. Perhaps the largest of these partnerships is the Global Alliance for Vaccines (GAVI), a committee that has pooled more than \$1 billion to help expand basic immunization coverage and add several key new vaccines for children in the developing world. GAVI was launched by a pledge of \$750 million over five years by the Bill and Melinda Gates Foundation. Equally dramatic philanthropy was the spectacular Ted Turner commitment of \$1 billion in support of the United Nations. A new public charity, the UN Foundation (UNF), and a new UN internal coordinating mechanism, the UN Fund for International Partnerships (UNFIP), were established to implement the Turner gift for advancing “UN causes.” Although far more modest financially, the private donation of \$34 million by Ted Turner broke the negotiations deadlock on dues arrears between the US Government and the United Nations General Assembly. The term “partnerships” has been used to describe many cooperative activities, even those without new financial or organizational modalities. Sometimes called a partnership is the “Global Compact,” a set of guidelines based on UN conventions and conferences that is intended to shape the voluntary behavior of private corporations around the world.

Are these new arrangements a path to the future of global governance? In the health field, many are enthusiastic about these initiatives because they represent new ways of moving forward overcoming institutional lethargy in addressing daunting global health challenges. Partnerships, it is argued, can help correct for market failures, address gaps not covered by existing institutions, and harness the energy and capacity of diverse actor groups. But, many also express skepticism. Some have raised questions about democratic governance, organizational sustainability, and the advancement of narrow interest bases. Others see these new arrangements as insufficiently transparent,

imbalanced in the exercise of power, and lacking in public accountability. Rather than strengthening global public systems, these novel arrangements could divert resources and functions away from public systems. In the long-term, such could exert corrosive effects on the functioning and morale of vital global public institutions.

Uncertainty and controversy, therefore, are associated with these new ventures. This is not surprising since the concept is comparatively new, the terms ambiguously defined, and the arrangements generally poorly understood. Both enthusiasts and critics understand little of the actual institutional design and operating structures of these new ventures. Moreover, few of the new initiatives have yet matured for clear judgment about their ultimate efficacy. Stock-taking has thus far not been attempted to glean the lessons learned.

The attached Table 1 and Figures 1,2, and 3 are reproduced from two papers on public-private partnerships by Roy Widdus of the Global Forum for Health Research, an independent research promotion group based in Geneva. The papers scanned more than 70 partnerships that focus on different aspects of global health -- product research and development, service delivery, and policy development. All of the partnerships are international, mostly focused on health problems of the developing world. Three broad actor groups are identified – the public sector of governments and intergovernmental agencies, for-profit organizations, and civil society. In global health, the most relevant actor groups are the UN (WHO, UNICEF, UNAIDS) and the World Bank, multinational pharmaceutical and biotechnology companies, and diverse non-governmental health organizations, including NGOs, academia, and philanthropy.

Noteworthy is the coarse groupings which clusters together into a single cell vastly different organizations, for example philanthropic donors and non-governmental grant recipients. Note also that the nature of governance among the organizations, even within single cells, differs, for example between UN agencies and the World Bank. There is also omission of the press and media, which play critical roles in the public's understanding and perceptions of global health.

Each of the 70 partnerships is unique in terms of actor groups, legal status, governance arrangement, operational management, financing, and strategic goals. At the risk of over-simplification, the papers propose two broad clusters (Figure 3):

International agency operated partnerships -- These are in essence public sector programs that invite private participation. As such, they operate under the administrative and financial control of UN or World Bank staff and systems, and thus ultimately under inter-governmental governance. Private participation is expressed in the form of information, representation, and financing. Some examples are GAVI, Roll Back Malaria, and the Stop TB Initiative.

Independent non-profit entities – These are independently structured non-profit entities with private governance, operations, and financing. Usually these are private legal operating entities incorporated under national law. The role of inter-

governmental agencies is variable -- participation in governance, co-funding, joint activities, and normative endorsement.

To give a flavor of these partnerships, it may be worthwhile to describe several examples in greater depth.

IAVI was initiated in 1996 by the Rockefeller and several other foundations at a time when neither the US National Institute of Health (NIH) nor the private pharmaceutical industry were investing significantly in developing an AIDS vaccine for the developing world. IAVI's purpose is to correct for the "social failure" of public systems (NIH) and "market failure" of private industry (pharmaceutical companies) by pooling private and public funds into a mission-driven non-profit organization that would invest its resources in vaccine research and development (R&D). IAVI does not itself conduct R&D but rather it contracts out the work to carefully crafted partnerships between industry, academia, and developing country groups. Through financing, it is able to negotiate intellectual property protection attempting to ensure ultimate vaccine access by the world's poor. After the Gates Foundation made a series of major gifts, IAVI now commands nearly \$250 million and has sufficient fiscal and organizational capabilities to pursue its mission.

GAVI's goal is to promote the basic immunization of all of the world's children. In several ways, it may be seen as the 21st century successor to the highly successful UNICEF child survival and development program of the 1980s. Established under a representative committee with a rotating chair among WHO and UNICEF, GAVI invites proposals from developing country governments that are funded under an incentive scheme to accelerate national immunization coverage. GAVI itself does not govern or operate field programs. The work is conducted entirely by national programs, backed by GAVI's financing that now approaches \$1.5 billion, mostly from the generous support of the Gates Foundation.

Merck's donation of ivermectin, a drug effective against river blindness (onchocerciasis) is perhaps the best known and most successful of the many corporate drug donation programs. Developed by Merck as a veterinary drug to treat heart worm in dogs, ivermectin has a solid profit-making market in the North. Merck's free donation of the drug for control of river blindness in Africa is operationalized through the Carter Center in Atlanta. The Carter Center distributes the donated drugs and supports the field work of governments and non-governmental organizations. Unlike some other corporate donations, the Merck-ivermectin corporate donation has few of the problems that have been severely criticized – creation of dependency, lack of sustainability, uncovered health infrastructure costs, and corporate conditionality on intellectual property.

STRATEGIC ISSUES

These and other partnerships are raising many questions related to global health governance. Why are partnerships emerging? How are the arrangements negotiated? What is the nature of the relationships among the participating parties? What about

transparency and accountability? How effective are these arrangements in comparison to public systems? And what about the politics of partnerships in terms of global democratic governance? This note concludes with a brief discussion of these questions.

Why are partnerships emerging?

Several hypotheses may be advanced for the recent emergence of public-private partnerships. The first is slowness of public sector institutional adaptability in the face of dynamic changes. Health problems do not remain static. Rather, old problems persist (like diarrhea), intractable problems evolve (like malaria and tuberculosis), and entirely new problems emerge (like AIDS). Major reforms of established international organizations pushed in the 1980s and 1990s have lost their steam, succeeded by gradual evolutionary adaptation of these organizations in the face of changing problems and solutions. Secondly, technological change ushers in institutional change. One of the major opportunities of globalization is connectivity among diverse actor groups unconstrained by time and distance. Horizontal networking as a new mode of organizational development is made possible by the information age. Such opportunities are especially important in fields which demonstrate clear “market failures” (like R&D of products against “orphaned diseases”) and also in “social failures” (like the low priority assigned to an AIDS vaccine by the NIH). Partnership among diverse actors, on the surface, appears to be one of the anticipated institutional developments of the globalization era.

Third, there is some impatience over the intractability of some problems and the comparative lack of impact or results of public systems. Efficacy drives investors toward mission-oriented organizational arrangements that mirror those found in the private commercial sector. Finally, and perhaps the most important reason, is the steady shift in fiscal power between the public and private sectors. Capping the budgets of public agencies has resulted in institutional stagnation or downsizing of national governments as well as their international counterparts. At the same time, private wealth and power have correspondingly grown. Because of unprecedented wealth generation, several large philanthropies and many more medium-sized foundations have emerged. To finance new initiatives, public systems increasingly require private capital. For legitimacy, expertise, and ultimate sustainability, private actor groups like foundations need the endorsement and support of public agencies. In other words, partnership may represent the outcome of shifting fiscal balance of power among the involved parties.

How are the partnerships negotiated?

There is both substance and process in partnerships. The formation process can be initiated from either the public or private sector. Public sector invitation for private participation may originate from the need to mobilize private capacity or resources. The impetus for private initiatives may reflect diverse interests. Non-profit groups like foundations attempt to achieve their missions through effective strategies that generate social impact. Throughout history, private philanthropies have in general been skeptical about the politics and bureaucracy of large inter-governmental systems. The motivation

of for-profit groups like pharmaceutical companies is presumably corporate social responsibility, including maintaining a good public image and positive public relations.

Most partnerships require a process of negotiations among the involved parties. While “neutral party” facilitation would be optimal, few of the participating groups would consider any single convener as entirely interest-free. The consultative and development process moves better after the involved parties are able to achieve a common understanding of mission, capabilities, gaps, and opportunities – even if disagreements about arrangements persist. Because the stakes are high, with perceptions of winners and losers, the success of the process very much depends upon “trust.” Negotiations are expedited if they begin on the basis of previously established trust.

Breakdown of negotiations is common. When IAVI was started, it received little public agency support. The scientific committee of the NIH considered IAVI’s mission premature because the “science base” for vaccine development had not yet matured -- despite the historical demonstration that neither Jenner nor Salk understood the basic sciences of the smallpox and polio vaccines, respectively. Relevant UN agencies viewed IAVI as usurping its public prerogatives -- despite the fact that donors and foundations had supported non-productive vaccine work in the UN for over a decade. Negotiations over GAVI and the TB Drug Alliance broke down nearly completely; both initiatives had to be pulled back from the precipice. Only public opinion and institutional reputation prevented final collapse. Underlying negotiations, therefore, is the struggle over control of money, prestige, jobs, and resources – let alone credit if the enterprise is ultimately successful.

What about transparency, accountability, sustainability?

Systems of transparency and accountability for partnerships under the control of public agencies with private participation follow well established public procedures. While this may seem routine on the surface, it is hardly so, because most inter-governmental agencies are governed by unwieldy assemblies consisting of national governmental departments. The global public is neither directly represented nor fully informed. Non-governmental advocacy organizations play some role, mostly through publicizing their views through an open press. The complex procedures for decision-making in international agencies translate into limited public information and understanding.

Partnerships that establish a new private entity break with the predominant mode of public systems. These initiatives face major challenges in terms of transparency, accountability, and sustainability. An early hurdle is why a private entity is required in the first place, since public agencies usually consider all tasks in a given field as under its legitimate purview. There is little debate that public sector agencies have the prerogative of establishing norms and standards, requiring thus staff and systems of high quality technical expertise. The contentious arena relates to direct operation by public agencies, which is usually supported by restricted funds. With core resources capped, inter-governmental agencies must mobilize sufficient earmarked capital to maintain their

health and to fulfill their mandates. Creation of independent entities, thus, may be viewed as diverting support away from global public systems.

Private entities achieve legitimacy by full information sharing and strong systems of independent governance. Private foundations suffer from severe market failure, because of extremely limited supply and unlimited demand, without price signals or metrics of performance. As private entities, foundations have mixed patterns of transparency and accountability. As their endowments were established by tax avoidance, foundations theoretically are accountable to the general public through an independent governing board. In selecting their work priorities, foundations employ different strategies. Public perception of legitimacy may also differ among foundations operated by the wealth creator, like Gates, in comparison to older foundations, like Rockefeller, which long-ago became de-linked from its original benefactor. If a founding philanthropist wishes to invest in obscure causes, like pets, public tolerance is higher than if a de-linked foundation were to do so. This disjuncture erupted vividly when Henry Ford III resigned from the board of the Ford Foundation, accusing the philanthropy of “biting the hand” (capitalism) that fed it!

Noteworthy is the fact that few of the public-private partnerships are fully sustainable without ultimate public support, including public financing. Foundations are able to “prime the pump” but rarely are in a position to absorb the full costs (with perhaps the exception of the Gates Foundation). Development of a new vaccine or drug is estimated to cost \$300-500 million. Direct delivery of services would require many fold greater financing. The Rockefeller Foundation’s annual budget for all health activities is under \$50 million. Even if financing were adequate from private sources, partnerships over the long-run will require support and cooperation of public systems, for example in ensuring intellectual property access to products of benefit to the world’s poor.

What about the global politics of partnerships?

Fundamentally, the creation and operations of public-private partnerships are political. New institutional arrangements are political because they generate perceived winners and losers and because they are based upon the relationship between the involved actors. Take as an example the recent debate about AIDS drugs in Africa. In June the UN General Assembly will conduct a special session on AIDS at which Secretary-General Kofi Annan will announce the establishment of a Global AIDS and Health Fund. The idea of a global fund actually had surfaced at the G8 Okinawa meeting in July 2000, and over the course of the past year, several bilateral governments had urged the establishment of such a fund – UK White Paper and Canada’s proposal for an Ottawa Fund.

The proposed Fund will pool public and private monies in a global partnership to control AIDS and other major infectious diseases. The US Government pledged \$200 million and the Labor Party in the UK in its election campaign pledged 75 million pounds. Recently, the Gates Foundation pledged \$100 million. There are expectations that other private actors like pharmaceutical companies will also join to enhance their

public image. More than 100 scientists at Harvard signed a declaration urging the establishment of such a fund.

There are many issues associated with the proposed Fund – ranging from source and amount of funding and donor conditionality to ownership and control by recipients and ultimately effectiveness. With institutional pluralism, the diverse interests of many actor groups will have to be accommodated in establishing and operationalizing the Fund. With all of the media attention focused on contributions into the Fund, it is remarkable that so little has been articulated about how the resources would be used to actually control AIDS!

Many questions are stimulated by new partnerships. What are the interests, aims, and power of the diverse actor groups? Will partnerships drive the long-term step-by-step change of global institutions? Are we moving slowly and haphazardly towards a new global architecture in world health? What are the public's perceptions of these efforts? Will these efforts strengthen or weaken global democratic theory and practice?