

## CLOSING THE DIGITAL DIVIDE:

# MORE AND BETTER FUNDING FOR THE DIGITAL TRANSFORMATION OF HEALTH

## The role of the private sector

The world's health systems are changing rapidly, driven by the introduction of digital technologies, artificial intelligence and the use of large data sets. The digital transformation has the potential to expand access to health care and accelerate progress towards the Sustainable Development Goal target of reaching universal health coverage (UHC) by 2030. We have reached a stage in the digital health journey where we need to think beyond enhancing health systems through the introduction of individual digital technologies to instead consider the digital transformation of health systems in its broader sense.

While governments must be in the lead, the private sector has a critical role to play in driving more equitable, inclusive and sustainable digital transformation of health systems in low- and lower-middle-income countries (LMICs). Unless communities thrive, businesses cannot thrive. By working together towards common goals and shared values, the private sector, governments and other partners can have greater collective impact. Based on Transform Health's report, [Closing the digital divide: More and better funding for the digital transformation of health](#),<sup>1</sup> this policy brief explores the role of the private sector, with recommendations to guide their investments and action towards health for all in the digital age.

### **The private sector's contribution to the digital transformation of health**

Across the world, public sector bodies responsible for health already depend on the private sector for their expertise, investment and innovative approaches to health service delivery. The private sector's potential to help address health

equity challenges is even more pronounced in the digital sphere, where digital health sits at the juncture between two large industries: health and technology.

Diverse private sector entities contribute to the digital transformation of health in many ways, including driving innovation, increasing productivity and scaling up viable solutions. Businesses can also contribute their exper-

<sup>1</sup> Transform Health. Closing the digital divide: More and better funding for the digital transformation of health. Basel: Transform Health; 2022. [bit.ly/digital-health-funding](https://bit.ly/digital-health-funding)

tise and knowledge across a range of areas, including logistics, management, business modelling, knowledge sharing and technical support. Within the health sector, there are companies focusing on insurance, pharmaceuticals, medical technology, healthcare providers and device and diagnostic manufacturers. The tech sector includes hardware, software, cloud, connectivity and a multiplicity of data technology companies. Local small and medium enterprises (SMEs) play a pivotal role in healthcare delivery and are often drivers of innovation and digital adoption.

A growing number of larger commercial players that have not traditionally focused on health are entering the sector, such as Meta, Google, Amazon and Microsoft, for example. In addition to investing in healthcare, many are making significant investments in digital infrastructure development and connectivity, start-ups, digital skills training and technologies.

Private sector engagement will be an important funding source for the digital transformation of health systems, complementing domestic investments, as well as those of donors and development partners. With private capital often exceeding other potential funding sources for health in LMICs, leveraging private sources of investment offers a huge opportunity to help close current funding gaps. It is vital that private investments in digital health are guided by and aligned with national digital health strategies and investment roadmaps and that funding prioritises and supports an equitable, inclusive and sustainable transformation.

Moreover, with the growth and increasing complexity of the digital health ecosystem, governments must ensure a strong regulatory and governance environment to ensure all stakeholders contribute to public health goals and do not undermine individual rights or increase inequalities.

## Challenges and opportunities for private sector investment

The market for consumer-focused digital health products and services in low- and lower-middle-income countries has traditionally been seen as too small for companies to invest in. Instead, private sector investment and engagement in these countries has mostly relied on developing technologies funded by donors. However, this situation is changing rapidly.

As countries progress in their digital maturity, much of the digital transformation of the health sector is likely to be delivered by the private sector, either as a supplier to public entities of software and hardware solutions or as a provider of ICT infrastructure and services. Where there are viable markets or incentives to create such markets, the private sector will continue to be a crucial source of innovation and new solutions.

Despite the growing investment opportunities in digital health in low- and lower-middle-income countries, challenges remain for private sector engagement. These include well-known macro-level risks of doing business in LMICs such as unstable investment environments, high transaction costs and currency risks, as well as sector-specific risks including gaps in health financing, internet coverage gaps, weak digital health regulation and a general lack of expertise and capacity on digital health sector investments and financing.

Private sector risk reduction mechanisms, such as credit at concessional rates by public entities have shown to be effective in encouraging investment in LMICs. Blended development finance and philanthropic funds have often been used to mobilise private capital flows into emerging markets<sup>2</sup>. This can both lower underlying risks and offer better investment returns to private investors. When determining return on investments (ROIs), investors should go beyond

<sup>2</sup> USAID's Center for Innovation and Impact (CII). Unleashing Private Capital for Global Health Innovation: Innovator and Investor Support Opportunities. USAID; 2022. [https://www.usaid.gov/sites/default/files/2022-05/USAID\\_Private\\_Capital\\_508.pdf](https://www.usaid.gov/sites/default/files/2022-05/USAID_Private_Capital_508.pdf)

immediate financial returns to also consider how investments can yield maximum population health benefits from stronger health systems. Through investments in digital transformations of health, larger corporations and Big Tech actors in particular have an opportunity to deliver significant public health impact whilst also generating long-term profits.

National governments are also responsible for providing structural finance for a healthcare system and providing a regulatory and policy framework that creates an ease of doing business and a predictable operating environment. Developing a robust regulatory framework and policy environment is also essential to manage challenges as they emerge and to ensure that patient data stay under patient or care provider governance. There is a need for the private sector to be guided and enabled in the right way to ensure equity in digital health transformations and to avoid fragmented digital health investment and projects.

## Closing the funding gap

*Closing the digital divide: More and better funding for the digital transformation of health* estimates that an investment of US\$ 12.5 billion is needed to support the digital transformation of health systems in low- and lower-middle-income countries over the next five years, or an average of US\$ 2.5 billion a year. This is based on funding for nine priority digital health investment areas in these countries. The true investment requirement will ultimately be determined country by country, based on costed plans and the overall funding gap for UHC. Investments in digital health will need to

be complemented by additional investment to increase digital connectivity and usage among the population, as well as investments to address the wider enabling environment. While domestic sources will play an important role in covering the funding gap, bilateral and multilateral donors, development banks, existing global funding mechanisms, and the private sector will also play a significant role.

Coordination of private sector resources, and alignment with country needs, priorities and strategies will be crucial to optimise the potential impact of private sector investments and to fully leverage and complement existing government, donor and civil society efforts. The private sector should work together with national governments, and development partners, to identify the crucial elements and coordination and to identify potential investment pathways, with governments retaining policy and funding discretion. This should be driven by a focus on ensuring an equitable, inclusive and sustainable digital transformation of health systems.

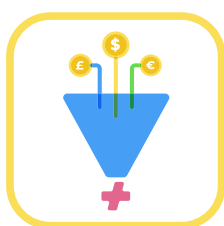
Whilst private sector investment in digital health transformation is important to bridge funding gaps, reach underserved populations and keep pace with innovation, proper coordination and oversight are essential to avoid fragmentation, inconsistent standards and interoperability challenges. To capitalise on the diverse offerings of the private sector while safeguarding the privacy and human rights of their populations, governments must ensure robust legislation and governance mechanisms to guide how the collaboration and engagement should work, emphasising the public good.

## Recommendations for the private sector

*Closing the digital divide: More and better funding for the digital transformation of health* outlines the amount, focus and nature of the investments needed to support the equitable, inclusive and sustainable digital transformation of health systems in low- and lower-middle-income countries. It calls on the private sector to deliver a digital health transformation that addresses a country's specific digital health needs and priorities and optimises shared value and collective impact.

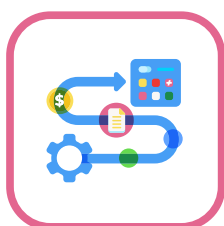


**Recommendation 1 - More investment.** The private sector, along with all health actors, must increase its investments in digital health in order to overcome funding gaps and accelerate progress towards UHC. Future private sector investments should be designed to contribute to a digital health transformation that is equitable, inclusive, sustainable, and protective of people's interests, their right to health care and their privacy.



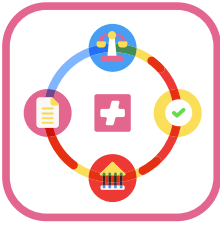
**Recommendation 2 - Better coordinated and aligned investments.**

The private sector must ensure that its investments complement public and other investments and are coordinated and aligned with national priorities, particularly national digital health strategies. This should include identifying and strengthening systems and processes that improve the coordination of funding, as well as adopting and adhering to the [Principles of Donor Alignment for Digital Health](#).<sup>3</sup> Furthermore, businesses should engage with governments so that private sector innovations and best practices are reflected in national strategies and approaches.



**Recommendation 3 - A costed digital health strategy and investment road map.** On the invitation of governments, the private sector should engage in strategy-planning processes, the costing of activities and the development of digital health investment road maps. They should support governments by bringing their industry expertise into these processes while ensuring that governments remain in the driver's seat in the development of such plans.

<sup>3</sup> Digital Investment Principles | Donor Alignment Principles in Digital Health, <https://digitalinvestmentprinciples.org/>.



**Recommendation 4 - A robust regulatory framework and policy environment.**

National governments must prioritise establishing a regulatory framework and the necessary policies to guide the digital transformation of their health system so that it is inclusive, equitable and sustainable, which will increase planning and investment certainty for the private sector, as well as donors while clarifying incentives and expectations. The private sector should be supportive of such processes.



**Recommendation 5 - Mechanisms for meaningful multistakeholder engagement.**

For a digital transformation to be effective in improving health outcomes and accelerating progress towards universal health coverage, civil society (including young people, women, older persons, persons with disabilities and marginalised and hard-to-reach communities) needs to be involved at all levels of planning, strategy, execution and monitoring of the transformation. The private sector should ensure that these groups are meaningfully engaged in relevant activities and processes as they support digital transformation.



**Recommendation 6 - Improved digital connectivity.**

The private sector should prioritise working with the public sector on strategic, targeted and coordinated actions to close divides in digital access, including addressing coverage gaps, reducing financial barriers to connectivity and increasing digital literacy among underserved communities, all prerequisites for increased and equitable adoption of technology-enabled health services.