USAID | DELIVER PROJECT

Contraceptive Financial Sustainability: A Primer

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Abstract
Consistent and reliable financing is needed to procure contraceptives to ensure they are available when and where needed by health programs and clients. Countries are faced with limited resources and continuing demand for contraceptives. A number of different options can be considered to diversify and increase the sustainability of contraceptive financing.

Cover photo: © 2005 Raharilaza/NY TANINTSIKA, Courtesy of Photoshare. Mandraitsara, a community family planning provider trained by the NGO Ny Tanintsika, displays the family planning methods she provides counseling on at her shop in the village of Ankarefobe, Madagascar.

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Acronyms

ATP	ability to pay
CPR	contraceptive prevalence rate
CS	contraceptive security
CYP	couple year protection
FP	family planning
FSP	financial sustainability plan
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
IUD	intrauterine device
LAC	Latin America and Caribbean
LAPM	long-acting and permanent method
MOH	Ministry of Health
MTEF	medium-term expenditure framework
NGO	nongovernmental organization
PRSP	poverty reduction strategy paper
RH	reproductive health
RHCS	reproductive health commodity security
RHSC	Reproductive Health Supplies Coalition
SPARHCS	Strategic Pathway to Reproductive Health Commodity Security
SWAp	sector-wide approach
UNFPA	U.N. Population Fund
USAID	U.S. Agency for International Development

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Introduction

Many countries are faced with the challenge of finding adequate, sustainable financing for contraceptives. Demand for family planning (FP) is increasing in many countries; at the same time, competing health priorities add to the difficulty in obtaining consistent, long-term financing to ensure the demand for contraceptives can be met now and in the future. A recent analysis carried out by the Reproductive Health Supplies Coalition (RHSC) showed that in 88 developing countries dependent on donor assistance for contraceptives, the number of users of modern contraceptive methods is projected to increase by 49 percent—from 144 million in 2005 to 214 million by 2020. The percentage of married women using modern contraceptives is expected to increase from 33 percent in 2005 to 47 percent by 2020. In terms of cost, the estimated amount needed just from donor funding to eliminate unmet need will have to increase by 80 percent from $230 million to $450 million by 2020 (RHSC 2009).

The purpose of this paper is to provide information on the possible financing options available for contraceptives and also to provide guidance on strategic planning development and implementation for financial sustainability.

The ultimate goal of financial sustainability for contraceptives is to improve and strengthen contraceptive security (CS), which is defined as the ability for every person to choose, obtain, and use quality contraceptives whenever he or she needs them. Financial sustainability planning for contraceptives is closely related to and complements three widely practiced CS activities:

- Reproductive health commodity security (RHCS) assessments (often using the Strategic Pathway to Reproductive Health Commodity Security [SPARHCS] framework and tool)
- CS strategic planning
- Quantifying, forecasting, and procurement planning of contraceptive commodity needs.

A Microsoft Excel–based tool (Microsoft, Redmond, WA) is available for analyzing and planning for increased contraceptive financial sustainability (the tool can be accessed separately here on the USAID | DELIVER PROJECT website). While this paper deals specifically with contraceptives, the tool can be adapted to include a broader set of reproductive health (RH) commodities or other supplies. Because one option will not work for all countries, the tool is intended to be flexible enough to reflect individual country needs and country environments that will influence which financing options to pursue. The primer (and tool) are meant for policymakers (national and international), technical assistance providers, or managers who would like to increase the financial sustainability of contraceptives and learn about potential strategies. The tool can provide practical, qualitative data to determine projected financing needs to inform the planning process.

The experiences from Ghana and Albania underscore the importance of having options that are adapted to country context. In Ghana, the public and social marketing sectors are currently the main providers of contraceptives. The commercial private sector plays a small role in the contraceptive market. Possible phaseout by one donor prompted the country to develop future financing scenarios to take this into consideration. The financing options developed in Ghana reflected strategies to

increase financing within the boundaries of the public sector. Increasing other donor funding sources, procuring contraceptives through alternative sources to achieve lower prices, raising prices of contraceptives sold through social marketing, and adding contraceptives under national health insurance were some of the options included in their financial sustainability plan (FSP). Albania, on the other hand, has a stronger, more active commercial sector that provides one-third of contraceptives used. Social marketing sources and the public sector each provide almost one-third of the remaining market. There was more flexibility in Albania to develop scenarios where the social marketing and commercial sectors could play more of a role in financing contraceptives. Their financing options considered stronger collaboration with the commercial sector to increase availability of resupply methods so that government resources could focus on long-term and permanent methods. Depending on each country's context, different scenarios and financing options will need to be developed.

Organization of Paper

This document has two sections. The first section, "Options for Increasing Financing Sustainability of Contraceptives," describes different options for increasing resources for financing contraceptives, as well as the strengths and limitations of those resources, including country examples. This section includes the following information:

- a description of the types of options for contraceptive financing to increase the sustainability or amount of financing for contraceptives
- examples of countries implementing the various financing options described.

The second section, "Future Strategy Development and Implementation," describes a strategic plan, provides guidance on how to develop a plan, and looks at implementation issues.

A separate, complementary *Contraceptive Financial Sustainability Tool User's Manual* provides guidance on using the Excel-based tool to develop scenarios through analysis of commodity and financing requirements, determining the financing available, and illuminating any subsequent funding gaps. The tool can be used by program managers, financial planners, or managers, as well as by technical assistance providers who are interested in developing different scenarios. The scenarios are the starting point for devising strategic options to fill any gap between need and availability, and to improve financial sustainability.

The *Contraceptive Financial Sustainability Tool User's Manual* includes the following:

- guidance to help users understand a country's current contraceptive financing context
- directions on how to identify and obtain the necessary data to build different financing scenarios
- step-by-step guidance on using the accompanying Excel-based tool to
  - determine different contraceptive growth rates by method
  - project contraceptive commodity unit and financing requirements
  - determine the financing gap
  - understand potential market option scenarios and the financial impact.

Options for Increasing Financial Sustainability of Contraceptives

As countries work toward improving their health status by expanding access to RH services, having sufficient financing to purchase essential commodities such as FP products is a common challenge. Funding constraints and gaps can emerge as a consequence of increasing demand, donor phaseout, decreasing donor funding, or shrinking government budgets. Other aspects that influence contraceptive financing are country procurement practices, the ability of clients to pay, and the commercial sector's ability to play a role in the provision of contraceptives.

This section of the guide helps the user understand:

- the various funding sources that may be available to support sustainable financing of contraceptives
- the government's options to ensure that there is adequate financing of contraceptives so they are available and financially accessible to all
- the strengths and limitations and specific country examples for the various options.

Definition of Financial Sustainability of Contraceptives

Financial sustainability for health systems has been defined as "having enough reliable funding to maintain current FP and health services for a growing population and to cover the costs of raising quality and expanding availability to acceptable levels" (Abt Associates Inc. n.d.). The ultimate goal of financial sustainability specifically for contraceptives is to improve and strengthen CS—defined as *the ability for every person to choose, obtain, and use quality contraceptives whenever he or she needs them* (Hare et al.).

Financing Options

Table 1 outlines some of the possible financial options. Each option, along with its characteristics and limitations, is discussed in more detail later in this section. The options are organized by type of financing source:

- donor
- government
- private
- third party.

There is also a fifth category, commodities, that describes options specific to commodity costs.

In considering potential options, it is important to keep in mind that for every country there will be different potential donors, varying financing mechanisms in place such as a sector-wide approach (SWAp), and different economic environments, impacting the public's ability to pay (ATP) for products and services, for example. All of these and other elements will determine what options are feasible and realistic for future contraceptive financing. Therefore, the options and activities presented are indicative only and need to be adapted to a particular country or programmatic setting. Also, certain activities can impact multiple types of financing. For example, reducing policy barriers on who can dispense FP methods can simultaneously increase commercial sector share and reduce the burden on the public sector. Stakeholders should select from this list which options are applicable and feasible depending on the country context, government structure and organization, policies, laws, regulations, and human resource capacities.

Table 1. Options for Contraceptive Financing

Type of Financing	Indicative Strategies/Activities
Donor Financing	
Existing donors	• Increase funding for contraceptives by existing donors • Garner longer term funding cycles from existing donors • Earmark funds for the procurement of contraceptives
New donors	• Attract new donors to support FP • Advocate for the integration of RH with other health priorities to demonstrate impact on health outcomes (i.e., condom use to reduce HIV and AIDS)
Government Financing	
Budget line/financing	• Initiate or increase government financing of contraceptives • Establish a budget line for contraceptives in the government health budget • Monitor government allocation amounts and trends to ensure that the amount committed is being allocated and that the trend is increasing
SWAp and associated financing mechanisms	• Ensure funds are set aside in a basket funding mechanism specifically for procurement of RH commodities • Link national RH program and achievement of indicators to advocate for funding of contraceptives • Include contraceptives in health sector policy documents
Private Sector Financing	
Cost recovery in the public sector and nongovernmental organizations (NGOs)	• Introduce and implement a cost recovery policy for those who can pay for contraceptives • Review current cost recovery strategies and either increase/decrease prices or revise any waiver system • Review cost recovery system to see if funds can be linked directly to commodity procurement as an additional source of financing for public sector contraceptives
Social marketing and NGOs	• Monitor and revise pricing according to the household's willingness and/or ATP for contraceptives • Introduce cross-subsidization to support contraceptive costs • Identify additional funding support • Address policy barriers that impede social marketing and NGOs
Commercial	• Review policy barriers that impede commercial sector (e.g., price controls or restrictions on advertising)
Better targeting of subsidies	• Analyze current market segmentation to identify overlaps or gaps in targeting • Develop policies to orient those who can pay toward other sectors

Third Party Financing	
Community-based insurance	• Include FP services and supplies in coverage • Extend coverage to more people
Social insurance	
Corporations/commercial sector	• Expand coverage of FP services and supplies in corporate medical services • Ensure FP services and supplies are covered as a benefit
Commodities Financing	
Obtain better prices	• Compare supplier prices to access better prices from "generic" manufacturers • Determine if better prices can be obtained through procurement agents versus national procurement
Procurement strategies	• Explore use of framework contracts • Create conducive procurement policies
Orient users to more cost-effective methods	• Analyze cost-effectiveness of various methods • Promote informed choice and better access to under-utilized or more cost-effective methods
Review policies on import duties/taxes on commodity imports	• Remove import duties/tariffs on commodities

While table 1 provides a summary of possible financial options, the following sections provide more detail of each of these options, as well as their strengths and limitations.

Donor Financing

Existing Donors

The Ministry of Health (MOH) can advocate for an increase of financing toward contraceptives by advocating for more funds from existing donors. In Ghana, for example, the Interagency Coordinating Committee on Contraceptive Security successfully advocated for increased funding from the U.S. Agency for International Development (USAID), the Department for International Development, and the U.N. Population Fund (UNFPA) to fill the contraceptive funding gap. Donors can also increase the amount of donated commodities supplied directly to the government or social marketing programs. Furthermore, they can choose to provide funds that are specifically earmarked for contraceptives.

To help country governments understand their long-term financing needs and plan how they will fill any gaps, it can be useful for donors to make longer term commitments. However, donors also face their own uncertainties regarding the resources available to them beyond one or two years. To help confirm donor commitments, Ghana's FSP included an activity for donors to state their funding commitment and the period of time over which these funds would be available. This helped to determine what the funding gap would be, further allowing the Government of Ghana to seek ways to fill that gap.

New Donors

Identifying new donor sources can help diversify funding. For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) has made significant contributions toward condom financing. During 2005 and 2006, GFATM financed 10 percent of all donated male condoms and 14 percent of female condoms (USAID | DELIVER PROJECT 2008a), with a majority of those supplies directed toward sub-Saharan African countries. Many of these countries also receive USAID and UNFPA donations. GFATM provides condom financing through its Principal Recipients, who, in turn, make commodity allocation decisions in line with their grant agreement with GFATM. If GFATM funds could be used to finance more condom procurements, funds from other donors and national resources could be used to purchase other contraceptives.

GFATM has also recently begun supporting the financing of contraceptives. Countries can ask for GFATM monies to be used for contraceptives. A high increase in contraceptive use from 10 percent to 27 percent between 2005 and 2008 made the urgency of finding additional funding clear to Rwandan policymakers. In its Round 7 proposal, Rwanda proposed to fund contraceptives using GFATM resources. In 2008, the country received a commitment of U.S.$2.4 million of GFATM funds to procure contraceptives to support FP and HIV prevention over three years. These funds will be used by the MOH to complement contraceptives financed by the government and those provided through donations from other donors. The contraceptives procured using GFATM funds are to be distributed through the public sector and used to ensure CS for all Rwandans (not only those infected with HIV). Demonstrating important and valuable linkages to other issues and programs, like the prevention of HIV and AIDS, provides new donors who traditionally have not been considered as a resource for FP with the justification to provide this funding support.

Government Financing

Increasingly, many countries are using their own nationally, internally generated resources, often to complement funding from other sources including donors, to finance and procure contraceptives for the public sector. This money can come from 1) internally generated revenue such as taxes, 2) setting aside funds from SWAp-related funding mechanisms, and/or 3) using World Bank loans or grants. Contributing national resources demonstrates government commitment for CS and can help leverage additional donor funding. In a recent analysis surveying 47 countries, over half used either basket funding or had a dedicated budget line for contraceptive procurement. These were a range of countries from sub-Saharan Africa, Latin America, South and Southeast Asia, and the Middle East. Countries used a combination of internally generated, basket, or World Bank funds to procure contraceptives for the public sector. The percentage covered ranged from a very small amount, less than 1 percent, to fully covering the financing needs with national resources (USAID | DELIVER PROJECT 2008b).

Budget Line

Several countries have created a budget line item in the Ministry of Finance, MOH, or regional government budget for the financing and procurement of contraceptives. For example, the Mexican federal health authorities, recognizing the importance of securing contraceptives for the national FP program, negotiated with the 32 state health authorities to classify contraceptive supplies as a national security item (along with vaccines and other drugs). This was a step toward establishing a budget line item to aid in procurement (DELIVER 2006). A positive side effect of a budget line is

that donors may be more inclined to continue funding or donate commodities if countries are contributing their own funds.

If there is national commitment for contraceptives, funding can still be guaranteed by the government without a formal budget line, such as in Ecuador. The Solidarity Fund, which finances the Free Maternal Child Health Law, guarantees a minimum amount of U.S.$15 million each year for maternal and child health services, including contraceptive funding (DELIVER 2006).

Through an agreement with UNFPA, the Government of Guatemala set aside funding equivalent to a percentage of the value of donated commodities, increasing each year from 2002 until 2008. In 2008, the government expected to have enough to cover 100 percent of its contraceptive requirements. Similarly, the Government of Nepal committed to increasing the contraceptive procurement budget annually, which grew from 5 percent in 2002 to 88 percent in 2008.

Even with the establishment of a contraceptive budget line, there are issues to be aware of:

- There are instances when funds have not been disbursed on time, resulting in delays and stockouts.
- The level of funding may vary from year to year depending on fluctuations within the overall government budget.
- Additionally, the amount committed during budget planning may not necessarily be the amount ultimately allocated. To reduce the likelihood of this happening, coordinating committees such as an RHCS committee can meet regularly to track allocations and disbursements. For example, because of quarterly budget releases, the MOH in Tanzania has to carefully monitor the amount budgeted and any difference with the actual amount released. The RHCS committee includes a member of the Ministry of Finance to facilitate and increase transparency through the process and help track funding disbursements.

Sector-Wide Approaches

In SWAps, government partners support a government-led sector plan, in this case for the health sector, that sets priorities; establishes harmonized reporting, monitoring, and procurement systems; and then operates under a common budget or medium-term expenditure framework (MTEF). The associated funding mechanism (basket funding, earmarked budget support, or sector budget support) under a SWAp can be considered for contraceptive financing.

SWAps offer a number of challenges but also opportunities for contraceptive financing. Donors who may have previously earmarked funding directly for contraceptive financing now may contribute to a pooled financing mechanism or provide direct budget support where FP and contraceptives must compete for limited resources with numerous programmatic priorities. The challenge is to ensure that FP remains a priority and receives its share of funding. The opportunity is to guarantee real sustainability for CS through funding that will continue even if overall donor funding is reduced or eliminated.

Each of the discussed sources of funding (donor, government) require specific actions, commitment, and followthrough, and FP advocates need to be proactive and adapt to the needs, requirements, and results required by these funding arrangements. For example:

- Countries can establish linkages between national RH and FP programs and the achievement of indicators as an opportunity to obtain financing for contraceptives through these mechanisms.

- Leadership is required by RH stakeholders and RHCS committees to participate in donor coordination meetings to make sure RHCS issues are included in sector policy documents and frameworks such as MTEFs (Ortiz et al. 2008).
- Stakeholders can establish a link between poverty reduction and RH, underlining the need for FP, to help ensure funds are set aside for contraceptives regardless of whether it is through a SWAp, budget line, or basket fund. For example:
  - Linkages can be made by including RH-related indicators into poverty reduction strategy papers (PRSPs). To receive funding, the World Bank requires the inclusion of the contraceptive prevalence rate (CPR) as an indicator in PRSPs (Quijada, Dmytraczenko, and Mensah 2004). This prompts countries to fund needed RH programs, services, and human resources in order to demonstrate improvement of these indicators.
  - Indicators linking progress to Millennium Development Goals can also be another leveraging point to secure additional funding for RH and FP.

The inclusion of contraceptives in national health sector initiatives maintains and highlights the commitment by the government and can be leveraged to attract additional funding from other donors. For more information on SWAp and RHCS, see Ortiz et al. (2008).

Private Sector Financing

The private sector is made up of social marketing, nongovernmental organizations (NGOs), and commercial retailers (for profit). Households finance contraceptives through out-of-pocket payments for FP products and services purchased in the private, commercial, and public sectors. The ability of a household in any country to finance their own contraceptives will greatly depend on the purchasing power and income levels in a country.

Cost Recovery in the Public Sector and Nongovernmental Organizations

Introducing user fees in public facilities and NGOs: This option taps into potential resources from out-of-pocket expenditures. While it may not be an option that can be immediately implemented in all countries due to the socioeconomic status of a country, it can be a long-term goal as per capita incomes increase. Introducing user fees can generate revenues for purchasing contraceptive supplies. Contraceptives wholly or partly financed through user fees frees up funding from other sources. Other benefits can include efficiency, equity, and closer public-private partnerships. Box 1 provides some potential benefits of the introduction of user fees. With the introduction of user fees, specific segments of the population will need to be identified as part of a phased approach to determine who will pay, or not, for their contraceptives. The MOH in Turkey, faced with the phaseout of USAID donations, agreed to develop a strategy that would target scarce public resources to those who needed them the most. The MOH pilot tested a cost-recovery mechanism that would consider allowing the MOH recover some contraceptive procurement costs; it would have the added effect of directing people who can afford paying for contraceptives out of pocket to the private sector (Armand and Cisek 2002; Sine 2002).

Box 1. Rationale for Fee-for-Service FP Programs

1. Increased revenues. Increasing revenues will—
   - supplement financing for contraceptives
   - decrease dependence on donor funds.

2. Efficiency. Strategic pricing of services and supplies can help—
   - direct clients to lower-cost sources (e.g., to pharmacies/shops for resupply methods) while higher-level facilities provide clinical methods to new acceptors
   - bring supply capacity in line with willingness and ATP.

3. Equity. User fees can improve equity if—
   - higher prices are charged to those most able to pay, making it possible to channel FP subsidies to the poor
   - exemptions are implemented for the most destitute.

4. Public-private collaboration. User fees for government services can—
   - foster greater competition between private and public providers and improve the efficiency of both
   - divert demand to private providers, freeing up government resources to improve care for the poor.

(Source: Janowitz, Measham, and West 1999)

The government can collaborate with the private sector to identify where there are specific geographic areas or potential areas for growth of specific contraceptives so that those who can access different markets will do so. In this way, both markets can continue to generate revenue from clients.

Another argument for user fees is its replacement of informal payments, which already occur at some level in many countries, with a formalized system that can generate revenue. In the public sector, a decision will need to be made by the government for user fees that are assessed on contraceptives whether the revenues will be retained at the facility or returned to the central government. Retention of user fees at health facilities builds in incentive to collect those fees and has also shown facilities to perform better than those who returned their fees to the central government (McInnes 1993).

Review current cost recovery strategies

In Ghana, one of the options in the FSP is to consider an increase in prices of contraceptives. If contraceptives are priced relatively low, an increase may not have a large impact on demand or affordability. Programs may also consider linking cost recovery funds directly to commodity procurement. In Nigeria, there is a fee for all contraceptives at all public sector health facilities. A percentage of the fees are kept at the facility partly as incentive for the health worker and to pay for transport and resupply of contraceptives. However, in the case of Nigeria, cost recovery has had mixed results because the low demand for contraceptives prevents enough revenue generation to cover recurring purchases. Local retention of fees can also be directed toward quality improvement,

which can stimulate demand and offset any consequences from changes in price (Janowitz, Measham, and West 1999).

The introduction of user fees is very much dependent on country priorities and environment. For example, in Rwanda, where income levels are low and FP is a national priority, the policy is that all contraceptives are provided free of charge in the public sector. For the short- and medium-term, this policy is unlikely to change (Boulenger and Dowling 2007).

Social Marketing and Nongovernmental Organizations

Social marketing sectors and NGOs play an important role in CS, giving consumers an alternative choice to products and services provided by the public and commercial sectors. Ideally, social marketing programs can attract consumers willing to pay for contraceptives, generating adequate revenue to purchase additional contraceptives and thereby easing some of the financial burden on the government and donors. In order to increase the sustainability of social marketing programs, there is a need to make them more financially viable. While increased donor support can increase revenues through greater subsidies, there are also options to increase revenues through cost recovery. Similarly, some NGOs introduce fees for FP services and/or supplies. When social marketing sources and NGO programs are fully or partially financially self-sufficient, donor and government resources can be allocated elsewhere and possibly phased out. The following are some financing options for social marketing and NGO programs (see table 2).

Increase prices:

There may be opportunities to increase prices for certain segments or products. For example, a willingness to pay study in Ghana revealed that more than 70 percent of injectable contraceptive and pill users were willing to pay twice as much for contraceptives as what they currently pay at MOH or Planned Parenthood facilities (Winfrey 2002). One of the objectives for social marketing and NGO programs is to maximize access and use as opposed to profits or revenues. Therefore, prices need to be carefully balanced with willingness to pay to ensure any increases do not negatively impact accessibility and use. Some recommendations based on country context to increase social marketing financial sustainability are provided in table 2.

Cross-subsidization:

Social marketing and NGO entities can introduce new products or new brands at higher prices, targeting higher end consumers who can pay more. Revenue from these products and brands can be effectively used to subsidize products targeted to lower income and/or vulnerable groups. For example, DKT in Ethiopia markets a full cost recovery triphasic oral contraceptive pill, and the Ghana Social Marketing Foundation markets several condom brands at higher price points. Both groups use the profit to subsidize their lower priced products. These higher priced products leverage the existing sales platform. As a result, while they add little in terms of overall cost, they serve to increase revenues as well as to increase customer satisfaction as some consumers may want to pay more for a perceived superior product. Marie Stopes International has used the revenues from more profitable health services offered to subsidize FP services and products.

Locating additional support:

Generally, for social marketing and NGO programs some level of subsidization from donors and government assistance may be needed. Diversifying funding sources is one way to continue generation of revenue and sustainability. For low-income countries where donor presence is high,

future funding from donors may not be a major concern because a social marketing program will have a stronger health or social mandate and offer products geared toward lower income groups (Armand 2003). Donor assistance in Bangladesh has allowed the social marketing program that supplies 31 percent of the modern method market share to provide subsidized oral pills and injectables to mostly low-income groups (Karim 2007). In Albania, however, donor assistance is more limited. While donor funds provide funding for a proportion of operating costs of the local social marketing NGO, NESMARK, sales revenues are also expected to significantly contribute to these costs. NESMARK is exploring the possibility of securing additional funding assistance from the MOH and is contracting with UNFPA to access lower product prices and to expand their product line with a new midpriced oral pill brand to fill a current gap in the market. NGOs can decrease donor dependency through fundraising, applying for international grants, and developing income-generating activities.

Table 2. Social Marketing Financing Strategies

Income Level/Market Size	Description of Context	Financial Sustainability Strategy	Country Examples
Low income/high market potential	High market potential may be the result of population size, limited public sector services, and/or longstanding level of effort in promoting contraceptive use. Low-income status is likely to attract a variety of donors interested in improving access.	Programs should focus on maximizing product access, which may require price subsidies, and monitoring changes in willingness to pay over time. Opportunities for cross-subsidy activities are likely to be limited, but not impossible, for social marketing programs with high technical/operational capacity.	Bangladesh India Nigeria Pakistan Vietnam
Low income/low market potential	Low market potential may result from cultural or religious opposition to contraceptives and/or small population size. Donor funding is likely to be available for both demand- and supply-side activities.	Partial cost recovery can be achieved, but true economies of scale may take years to build. Context is not favorable for commercially sustainable brands. Opportunities for cross-subsidy activities are likely to be limited by market size. Supply and demand activities should be coordinated and focused on specific target groups. Social marketing programs should monitor changes in demand and ATP over time.	Burkina Faso Cambodia Madagascar Mozambique Myanmar Rwanda Senegal

Source: Armand 2003

Policy environment:

There are policies and regulations that not only apply to the social marketing and NGO programs but also to the ability of the commercial sector to develop. Restrictions on advertising, price controls, and procurement regulations are some examples that may hinder development. In Tanzania, there are restrictions against the advertisement of oral pills, which hampers increased awareness and demand. In Albania, the government sets price controls on pharmaceuticals including contraceptives. Social marketing programs must abide by these price controls, which set margins at 18 percent for distributors and 33 percent for retailers. The social marketing program can procure products at low price points internationally—far lower than commercial entities—but because of the low margins allowed, the program does not generate sufficient revenue. Margins as a fixed percent of purchase price may actually act as a disincentive to suppliers obtaining lower prices as the margins reduce the suppliers' per unit margin. In many countries, restrictions are placed on the types of outlets that can distribute products (e.g., in many countries, injections cannot be sold through drug outlets, in others they cannot even be sold through pharmacies); these restrictions greatly hamper access to these products.

Commercial sector:

In theory, the need for government and donor financing of contraceptives could be reduced if more individuals are able to obtain FP products and services through the commercial sector. Some countries may not be at a stage where the economic environment can support an active commercial sector. However, one-third of women in the developing world already obtain their contraceptives in the private sector (Rosen and Conly 1999). Collaborating with the private sector can help absorb some of the financing of contraceptives by serving the needs of those with higher incomes who can afford to pay commercial sector prices and by targeting subsidized contraceptives to other segments (i.e., income groups or geographic regions). In Bangladesh, close public-private partnerships have shown that public sector clients in the richest quintile have gradually shifted to the private sector, while the public sector has been able to expand its services to the poor. In conjunction, the private sector is also becoming a larger source for injectables, and social marketing is the main source of condoms and a major supplier of oral pills (Sarley, Rao et al. 2006). As a result, government resources can focus more on vulnerable, poor, or hard to reach populations. The commercial sector can also expand the number of access points for consumers.

There are factors, though, that can affect the ability of the commercial sector to enter and expand into the contraceptive market. Those factors include the following:

- Enough demand for contraceptives must be in place to attract commercial sector providers to enter the market and generate enough volume to be sustainable.
- In many country settings, most contraceptives are either free or highly subsidized. This "crowding out" can make it difficult for the commercial sector to be competitive.
- Restrictive regulations, registration processes, and procurement laws may hinder the commercial sector.

The government sector can create a more enabling environment for the commercial sector, as well as for social marketing and NGO programs, through the following strategies:

- reducing legal and regulatory barriers to private sector participation by exempting contraceptive imports from tariffs and duties

- relaxing price controls on commodities
- allowing commercial product promotion and distribution channels to sell contraceptives
- reviewing the practice of issuing annual import licenses
- examining laws governing the advertising of contraceptives
- easing product registration procedures and adding contraceptives to essential medicine lists to facilitate importation and procurement of contraceptives (Bulatao 2002; POLICY Project 2004).

Obviously, factors that restrict the commercial sector also impact other sectors. Initiatives to alleviate them can positively impact both commercial and social marketing sectors (see "Policy environment" in the "Social Marketing Sources and Nongovernmental Organizations" section for examples).

Working with the commercial sector will require long-term commitment by the government to create and maintain an effective partnership. Strategies to change policies and build trust in the sector will help advance the ability of the commercial sector to contribute toward the financing of contraceptives.

Better Targeting of Subsidies

As stakeholders work to maximize scarce financial resources, another strategy to consider for freeing up public sector funds is better targeting of those resources. A strategy in some countries is to provide contraceptives at no cost or at a subsidized rate for those in the lowest income quintiles and/or vulnerable populations, while consumers who are able to pay more should be encouraged to seek contraceptives outside of the public sector.

Market segmentation:

Market segmentation can help stakeholders target resources for more efficient and effective use of financial resources. A market segmentation analysis involves dividing a country's population into different subgroups to reflect varying socioeconomic, demographic, or FP characteristics, and highlighting the different needs and preferences of those subgroups. The analysis serves as a starting point for strategic thinking to develop different interventions to better target those requiring public resources and to identify opportunities for social marketing and commercial sector participation. One of the outcomes of a market segmentation analysis is identifying those who have the ability and willingness to pay out-of-pocket and developing strategies to shift these consumers over to the private sector. The analysis can also show where the private sector can be used to reach the urban and other accessible markets while public sector resources are reserved for the more hard to reach areas.

In Romania, where donor support is decreasing and public sector contraceptives have been increasingly funded from a national budget line item, a market segmentation analysis suggested that free public supplies should be targeted at the new rural FP clinics and some specific depressed urban centers, and that other urban centers should continue to be supplied by the private sector (JSI/DELIVER 2006). Market segmentation results can be used to prompt countries to take action. In Bolivia and Nicaragua, the MOHs, NGOs, and social security institutes are focusing on specific geographic areas and method mix as a result of the findings. Furthermore, in Nicaragua, the CS subcommittee was working with stakeholders to identify how the government can provide

contraceptives through an essential health package while allowing NGOs, private not-for-profit, and the commercial sector sell "differentiated products" for those with the ATP (DELIVER 2006).

Ability to pay:

An ATP analysis can also help identify population segments who can afford to pay higher prices for contraceptives. This can help target marketing efforts and resources to influence those with higher incomes to buy their contraceptives rather than accessing the free or subsidized contraceptives provided by the public sector and through social marketing. To measure the ATP, a nominal per capita income level for various segments is compared with the couple year protection (CYP) cost of different methods, brands, and sources. This provides a way to measure affordability and potential access to contraceptives based on income.

ATP is a somewhat theoretical concept as the determination of what somebody is *able to pay* is subjective. One study analyzed the relationship between prices expressed as a percentage of per capita gross national product and per capita sales of condoms in 24 social marketing programs. Findings indicated a strong negative correlation between prices and sales for condoms; in other words, as prices increased, sales decreased. The conclusion was that prices need to be set low—well below a threshold of 1 percent of per capita gross national product for a year's supply. As out-of-pocket expenditures on contraceptives become greater than 1 percent, users are less likely or may become unable to pay for them (Harvey 1994). Other possible comparisons such as comparing prices to per capita income levels or to a fixed point (e.g., minimum wage as annual income) may also be useful and may be more readily understandable to stakeholders. Another useful comparison for pricing discussions is to compare the cost of contraceptives to that of common consumer items like foodstuffs, drinks, cigarettes, etc.

An ATP study showed which brands and methods are affordable for different income groups. This helps to identify market niches, or specific brands, that serve certain segments of the population based on income. The ATP study provided insight into where there may be opportunities in the market, indicating potential market opportunities for contraceptives at lower or even higher prices. The ATP study can be a useful starting point for pricing discussions. In Ghana, an ATP analysis led the social marketing program to identify a niche for oral pills and injectables at prices below the commercial sector. Also as a result of the findings, the Ghana MOH has begun looking into raising unit prices of public sector contraceptives (DELIVER 2006). However, the findings are limited in that they do not provide insight into what consumers are *willing to pay*.

Willingness to pay:

A willingness to pay analysis surveys consumers to determine how much they would be willing to pay for products or services. As compared to an ATP study, this analysis is far more useful in determining if prices can be changed or if opportunities exist to introduce new products targeting higher end consumers.

Third Parties

Typically, the main non-donor third parties involved in provision of contraceptive products and services are insurers and private organizations. Insurers can include community-based insurance schemes, national health insurance bodies, or private for profit insurers. Insurers can contribute some or all costs of services and supplies for their members through reimbursements or upfront payments. For example, in Rwanda, contraceptives are included as part of a package of services

available through *mutuelles*, community-based insurers. In Sudan, CS stakeholders identified inclusion of FP in the list of benefits covered by the insurance scheme available to public sector employees as a priority for their CS strategy. In Ghana, efforts are underway to advocate for the inclusion of FP products under the national health insurance plan as part of the country's implementation of the FSP for contraceptives. In many cases, FP is not covered by insurance for various reasons, including the fact that associated services and supplies can be recurring costs, that they are considered preventive, or that FP is considered an "elective" service (Boulenger, Dmytraczenko, and Scribner 2006). Private organizations providing FP products and services include employers who may provide a range of health care services to their employees.

In many countries, different forms of insurance, private, social, or community-based, are being offered more frequently. Insurance is financed by household or employer contributions, which are paid directly to the risk-pooling entity. Mutual health organizations in Senegal and Mali cover RH services, including FP. Advocacy for FP that is to be bundled under RH services may increase the chance of its inclusion in a health benefit package. Many RH services, such as FP and prenatal and postnatal care, are seen as preventive and may not be covered unless they are under a broader health service plan (Boulenger, Dmytraczenko, and Scribner 2006). Expanding these benefit packages to include contraceptives is another opportunity to diversify how contraceptives are financed.

Commodities

Commodities can be procured through a number of different procurement mechanisms resulting in different prices. There are a range of options that can influence the unit price of the commodity purchased by the MOH, donor, or a social marketing program. For the MOH and donors, obtaining contraceptives at lower prices reduces the total envelope for financing contraceptives.

Obtain Better Prices

Countries and programs can reduce their financial burden by decreasing the prices they pay for contraceptives. The following sections look at different options that can affect commodity costs.

Switching to generics:

One of the options for governments procuring their own contraceptives is to switch to generic products. Quality generic products are available at internationally competitive prices. When considering the purchase of generics, ensuring quality is essential. Countries can choose among prequalified manufacturers who have met international standards and requirements to guarantee the quality of their products. The World Health Organization implements an initiative to prequalify contraceptive manufacturers; UNFPA has prequalified several manufacturers of condoms and intrauterine devices (IUDs).[1] A pricing study conducted in the Latin America and Caribbean (LAC) region revealed substantial savings for several countries who procured generics through UNFPA. El Salvador was able to save an estimated U.S.$3 million per year in 2004 and 2005 by purchasing generics (Sarley, Rao et al. 2006).

[1] See the World Health Organization Prequalification homepage at http://apps.who.int/prequal/ and the UNFPA procurement homepage at http://www.unfpa.org/public/procurement/

Using a procurement agent versus national procurement:

Countries have several options for the procurement of contraceptives. Specifically, they can elect to procure using their own procurement entity or they can outsource this function to procurement agents. In some cases, using procurement agents may be more cost-effective for countries. Agents may be able to pool orders to obtain better prices, may have a better ability to negotiate prices with suppliers, and—despite charging a fee—may still be cheaper than countries doing their own procurement. For example, UNFPA acts as a procurement agent for many developing countries and can negotiate favorable prices due to their volumes.

Bulk procurement:

Another approach is looking at the possibility of bulk procurement either within one country or among a group of countries. In Bangladesh, the government earmarked U.S.$690,000 for the first time in 2004 specifically for contraceptives to help fill the funding gap. The Directorate General of Family Planning "pooled" these resources with additional contributions and funding from the World Bank-sponsored SWAp, social marketing, and other bilateral project donations, which allowed them to procure large volumes of condoms and pills from an Indian supplier with unit prices much lower than international reference prices. By maximizing the economies of scale, the government was able to save an estimated U.S.$17.2 million (Sarley, Rao et al. 2006).

Within a country, centralized procurement in a decentralized setting also allows countries to take advantage of economies of scale by pooling the procurement for several commodities, including contraceptives, together for the entire country rather than for each region or district.

At the regional level between countries, bulk procurement tends to be more difficult and complicated to organize. However, simply sharing price information may help countries access better prices. The coordinated information buying mechanism in West Africa allows countries to exchange product and transaction information such as pricing on commodities, shipment, quality, pharmaceutical, and performance of suppliers within their regions without having to commit to pooled procurement (Rao 2005).

Procurement Strategies

Having facilitative procurement policies in place can have positive effects on the unit prices paid by many countries resulting in large savings.

Framework contracts:

Framework contracts are multiple year contracts where terms, conditions, time periods, and other specifications are negotiated ahead of time (Box 2). By developing these multi-year contracts, countries are often able to receive lower unit prices as suppliers are better able to anticipate and plan longer term demand requirements. In addition, framework contracts can eliminate the time it takes to negotiate otherwise one-off contracts, which ultimately reduces lead times and administrative costs.

Box 2. Benefits of Framework Contracts

- Supplier stock control: The supplier is better able to plan stock levels, thereby reducing costs, which can often translate to lower prices to the purchaser.
- Competitive pricing: The initial bidding process generates price competition.
- In many framework contracts, there is no defined commitment for the purchaser, while the supplier commits to supply goods under the defined terms and conditions of the contract.
- Reduced administration: Only one bidding exercise needs to be conducted.
- Assures product quality: The quality assurance requirements for the product are included in the contract.
- Delivery of goods: The supplier will generally hold goods in the agreed range, which means delivery times are usually reduced and the requirement of the purchaser to hold excess stock is eliminated.
- Improved relationship: A framework contract establishes a long-term relationship between the purchaser and supplier, which can improve the supplier's willingness to be flexible and cooperative in addressing a purchaser's needs.

(Source: Health Policy Initiative and USAID | DELIVER PROJECT 2008)

National procurement:

Some countries have been able to obtain lower prices on the international market using their own procurement unit. Nepal switched from donor-procured contraceptives to MOH-procured contraceptives funded by donors (Sarley, Rao et al. 2006). The country took advantage of the growing South and South-East Asian manufacturing market to secure lower-priced, quality contraceptives, which resulted in savings. The switch also increased the MOH's procurement capacity and freed up funds for additional procurement.

Revising restrictive national procurement policies:

Some countries have restrictive procurement policies preventing more efficient, transparent, and flexible practices impacting the price of procured contraceptives. For example, some LAC countries have national procurement laws dictating that all government procurements go through local agents. Such a policy limits "free trade" and the ability to buy at lower prices that are often available in less restrictive markets. The procurement restrictions have created a monopoly for some manufacturers and driven up the price of oral pills to U.S.$2 (JSI/DELIVER 2005).

Procurement procedures:

Where countries follow World Bank procurement procedures, a "no objection" must be obtained before approval for procurement can be given. There are processes, rules, and requirements that countries must meet which can cause delays as countries adhere to these guidelines. Working closely with the World Bank early on in the process can help avoid issues and interruptions in the procurement process.

Cost-Effective Methods

Informed choice, ensuring that users are informed of their FP choices and given accurate information to help them choose the method that best suits their FP needs, is a cornerstone of CS. Service providers should be able to counsel the client so the client can make an informed choice and feel comfortable in his or her ability to use the chosen method correctly. In the effort to expand

lesser used methods, country programs are focusing resources on long-acting and permanent methods (LAPMs) such as IUDs and implants. These methods provide more protection or CYP at a lower cost when compared to other methods. Freeing up resources from financing resupply methods and purchasing more LAPMs can be more cost effective. Ultimately, however, policies to direct users toward more cost-effective methods need to be subordinate to informed choice and allow users to choose the method most convenient and appropriate to them. Although the upfront costs for long-term methods are higher than resupply methods, advocacy may be needed to raise awareness on the long-term benefits of LAPMs to ensure funding is available to procure these methods.

Policies on Import Duties/Taxes on Commodity Imports

The legal and regulatory conditions in a country can also influence the price of contraceptives. Duties and taxes assessed on imported contraceptives make them more expensive and also discourage the private sector from entering the market. Exemptions on contraceptives and essential medicines should be considered. Ensuring that contraceptives and condoms are part of the national essential medicine list may exempt these products from taxes and duties and can also facilitate a quicker importation and registration process.

Conclusion

The options provided in this report are an illustrative list to help begin the process of developing and implementing interventions to increase financial sustainability for contraceptives. Whether these options are applied individually or as part of a strategy, continuous leadership and support will be needed by RH stakeholders. The environment within which these governments and donors work in is dynamic, requiring flexibility, close collaboration, and engagement with all of the sectors in the contraceptive market to maximize the options and opportunities for financing. This section has provided options to address the financing requirements and financing gaps. The guide on using the financial sustainability tool provided in the next section of this paper will help the stakeholder develop the financing requirements and gaps.

Future Strategy Development and Implementation

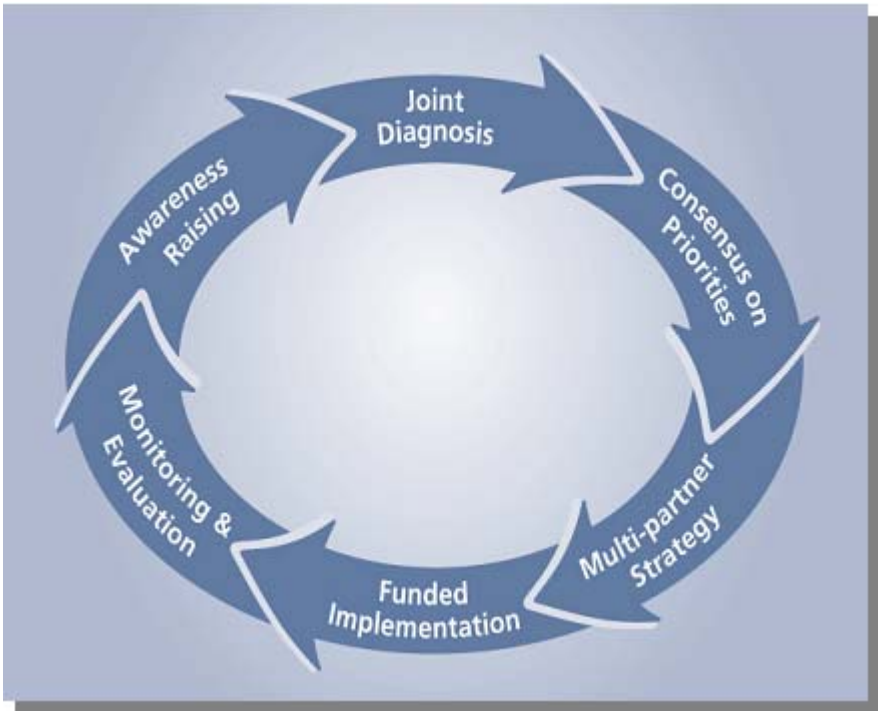
This section outlines what a strategic plan for contraceptive financing can look like, provides guidance on how to develop it, and looks at implementation issues. The information below is summarized from *The SPARHCS Process Guide: A Planning Resource to Improve Reproductive Health Commodity Security* (Rao et al. 2008), which details the process, actions, components, and important steps in developing and implementing a strategic plan.

Because financial sustainability is only one factor in RHCS, its strategic plan can be integrated into an overall RHCS or CS strategic plan or can be written as a separate addendum or substrategy of a larger, overarching plan. In Albania, some of the key recommendations and elements of the FSP will be integrated into the existing CS strategy and ultimately incorporated into the new RH strategy. Other countries may choose to have a stand-alone strategy to increase the attention for contraceptive financing issues. This is the case in Ghana, where the FSP is a separate document from the Ghana RHCS strategy but supports the financing objectives in the strategy. The Ghana FSP serves as a roadmap, identifying options and interventions to strengthen financial sustainability in that country. Appendix 1 provides a case study on translating costing scenarios to strategy development.

Financial Sustainability Strategy Process

Developing an FSP should be seen as a component of an overall effort to strengthen RHCS. Financial sustainability planning in the context of RHCS should be seen as a process (see figure 1), where the order of steps will depend on the country context. Generally, one of the essential steps is to generate awareness for contraceptive financial sustainability among stakeholders, policymakers, and donors to take action. This may have already happened if a SPARHCS or RHCS assessment has taken place in the country, and it was recognized that more attention is needed to address financial sustainability.

Figure 1. The Financial Sustainability Planning Process



The next step in the process is to assess the situation. For financial sustainability, this means understanding the financing environment and identifying the existing sources to finance contraceptives and future costs. Following this is where the development of the financing scenarios and consensus on the selection of scenario and financing options are agreed on. A meeting can be called to bring together the stakeholders to discuss the scenarios and gain commitment on the financing options. Based on the agreed on options, the next step is drafting the strategic plan to identify priorities, develop objectives, and develop action points to carry out the financing options. Implementation is one of the most difficult phases of the entire process. This is where the activities and actions of the strategic FSP should be linked to program activities through a workplan. It ensures that the actions of the strategic plan are integrated with implementers and their objectives. Developing a monitoring and evaluation plan with indicators as part of the strategic plan also ensures accountability as well as tracking the plan's progress.

Strategic Planning

A strategic plan is important because it helps to clarify and identify not just an overall goal, in this case making sure there is long-term financing for contraceptives, but a road map of how this goal will be achieved. It brings together a number of partners and outlines what their responsibilities are. A strategic plan makes financing for contraceptives into an achievable accomplishment through a number of detailed, realistic steps that are set against a timeline. The strategic plan is composed of several components as shown in the figure 2.

Table 3. The Strategic Planning Process for RH in Commodity Security

The Strategic Planning Process for Reproductive Health Commodity Security

Goal (sample): Increased ability of people to choose, obtain, and use quality RH products when they need them

Priority Issues	Strategic Objectives	Actions	Subactions	Coordinating Agency	Implementing Agencies	Estimated Budget	Output Indicators	Outcomes

Source:
Rao et al. 2008

The *goal* is an overarching statement that captures the long-term goal of financial sustainability. The goal stated in figure 2 could be amended to say, "To ensure the ability of people to choose, obtain, and use contraceptive products through sufficient, long-term sustainable financing."

The *priority issues* can come from the financial assessment as well as from the issues surrounding the implementation of the selected financing options. There are most likely key barriers and problems that make financing difficult. These should be prioritized among the partners to ensure they can be addressed among the stakeholders developing the strategic plan.

Strategic objectives support the goal of the strategic plan. They state "what will be achieved at the end of the time period covered by the strategic plan" to meet financial sustainability. An example could be "continued advocacy for additional funds and sources of financing for contraceptives within the MOH and donors."

Actions and *subactions* detail how the strategic objections will be carried out. For social marketing, to advocate for additional funds one of the actions could be "to identify new sources of funding for contraceptives." Subactivities could include "lobby for funds to be earmarked for contraceptive procurement in the SWAp" and "Determine at next RCHS committee meeting how to request funds to be set aside for contraceptives, the amount to be requested, and timing of the request."

Identifying the *coordinating agency* and *implementing agency(ies)* is vital as part of gaining commitment and discussing would be the most appropriate entity to implement the activities in the strategic plan.

An *estimated budget* notes how much it will cost to carry out the actions and subactions in the plan. This also helps to ensure the activities developed in the plan are realistic.

A method to monitor and evaluate the progress of the strategic plan should be built in through developing *output indicators* and *outcomes*. Output indicators are the direct result of the action and subactions and answer the question "how many or how much?" Outcomes are the programmatic benefits of the outputs and answer the question "How do you know [the output happened]?" Continuing the example of increased funding for contraceptives, an output may be "10 percent in MOH budget toward contraceptive procurement by 2013," while the outcome could be "more consistent funding from MOH for contraceptive financing."

Implementation

Strong, consistent leadership is essential to the successful implementation of the strategic FSP. Monitoring the implementation of the strategy can be facilitated through a series of donor roundtables or RHCS committees. Leadership to organize these meetings can come from within the MOH or in a co-leadership role from a subcommittee of an RHCS coordinating committee. Having regular meetings with stakeholders will help maintain the momentum after completion of the strategic plan and also to follow up on its progress, making any necessary changes as activities are implemented. Implementation of the plan will also be more successful if its activities are incorporated with national strategies and policies and in annual workplans, and harmonized with budget planning processes such as SWAps and globally funded proposal cycles.

Conclusion

Many governments are progressively taking steps to increase their commitment in the effort to improve the status of RH in their country. One way to do this is by ensuring the availability of quality contraceptives. Adequate and sustainable financing is required in order to purchase sufficient commodities. As countries seek ways to become more self-sufficient and use the resources they have more efficiently, having different financing options to consider can help guide countries make more informed decisions. Increasingly, countries are not only putting forth more government resources to procure RH commodities, they are looking at ways to work with the private sector to increase the availability of resources. As governments consider some of the alternative options to increase contraceptive availability, the cost of contraceptives and the cost to households, which are factors that influence the financing of contraceptives, must be taken into consideration. The Contraceptive Financial Sustainability Tool gives countries the ability to examine the impact different modes of financing might have on each sector and to select the best options for the country program, making it extremely useful for planning purposes.

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Appendix A:

Fictitious Case Study—Translating Costing Results into Strategy

Introduction

Modern contraceptive use in Nayabel continued to grow at a steady and rapid pace with the CPR for modern methods at 8 percent in 2005 and increasing to 15 percent in 2007. Modern methods made up the largest increase between 2005 and 2007, with traditional methods falling correspondingly from 67 percent to 38 percent. It is anticipated that modern method use will continue to grow, especially for condoms, oral pills, and injectables. The 2008 National Contraceptive Security Strategy emphasizes and highlights the importance of the availability of contraceptives. The MOH has demonstrated a commitment toward the provision of family planning products by setting a goal to achieve contraceptive independence by 2015, when all public sector contraceptives will be financed 100 percent by the Government of Nayabel. Currently, only one donor is providing contraceptives in Nayabel; as 2015 approaches, that donor's role will shift over to act as the procurement agent for the MOH.

Background

As the use of modern contraceptives grows and as a large segment of a growing population reaches their reproductive age, more financial resources are needed to meet demand. To achieve contraceptive independence, the country is looking beyond the public sector toward the private sector, which is made up of social marketing and commercial providers, to be partners in the provision and financing of contraceptives in Nayabel. The private sector already plays a major role in the procurement and distribution of contraceptives. SOMA, the only social marketing organization providing contraceptives in Nayabel, makes up 36 percent of the market in terms of CYP coverage, the commercial market provides 30 percent, and the public sector provides 34 percent.

Looking at Different Financing Scenarios

To understand the contraceptive financing in Nayabel, the country undertook a financial sustainability analysis, using the financial sustainability tool, to look at current demand and project future needs, develop various scenarios, and estimate their costs for all sectors. Using the tool allowed the country to look at a number of possible contraceptive scenarios to

determine what different changes in demand for modern methods for 2009 to 2013 would imply for financing the program. This first step was done by a smaller financial sustainability technical working group made up of staff from the MOH. The modern methods included in this analysis were three resupply methods: condoms, oral contraceptives, and injectables; and one LAPM, IUDs. After the group entered the required data in the input sheets, three different scenarios were created to reflect possible changes in CPR growth in the country: slow, medium, and aggressive. Consumption data from the Institute of Public Health, social marketing, and commercial sectors were used as the contraceptive baseline for the projections. From these results, one scenario was chosen as the financial sustainability model that the group agreed would be the most realistic and feasible to implement.

Scenario 3, with aggressive CPR growth, was chosen as the most likely scenario for financial sustainability to occur; the demand for modern methods would increase from 22 percent to 37 percent with more aggressive growth in resupply methods and modest growth in IUDs by 2013. The cumulative five-year financial cost (inclusive of the public sector, social marketing, and commercial sector) of this scenario would be U.S.$8.46 million. It would cost the public sector U.S.$506,500 in the absence of any market or unit cost changes over a five-year period. The total financial costs for the other two scenarios would be U.S.$7.06 million and U.S.$8.50 million.

Changing Market Share and the Impact on Financing

The government wants to focus more of its financial resources on long-term methods rather than resupply methods. The MOH would also like to continue the provision of free contraceptives for those unable to pay, especially those residing in rural areas. The next step in the analysis was looking at how making adjustments reflecting desired changes in the market (by the MOH) in each of the sectors in their provision of certain methods would impact costs through 2013. The Market Share worksheet was used to estimate the impact of increasing the public share of long-term methods while also increasing the private sector's share of resupply methods (by shifting the public sectors share of resupply methods to the private sector).

The following changes were made to the current market share:

- Condoms:
  - The public sector would maintain the current share of 11 percent of condoms through 2013.
  - The commercial sector's condom market increases from 31 percent to 50 percent to meet both the increasing demand for contraceptives and the preference by users to easily access these methods at numerous retail sites
- Oral pills: The public sector would decrease their provision of oral pills from 30 percent to 25 percent. To balance this reduction, social marketing's share of oral pills is increased from 21 percent to 40 percent by 2013, mainly through the suggested introduction of a new oral pill priced between *Femna* and *Microgyon. Femna* is the least expensive and only affordable oral pill on the market for all income quintiles. *Microgynon*, the second most expensive pill, is affordable to just 20 percent of couples.

- Injectables: The private sector share of injectables is increased from 0 percent to 10 percent. Injectables would be more accessible if the commercial sector is encouraged to begin offering this method to those willing to pay higher costs and diversify the source of injectables from the public sector, who provide nearly 70 percent of this method at the moment.
- IUDs: To help expand the use of LAPMs, IUDs could be introduced and sold through the commercial sector so their share is increased from 8 percent to 13 percent. Currently, over 90 percent of IUDs are only accessible at public sector health facilities. This is to provide more sources for users and to give those who can afford commercial sector prices a choice in buying this method from the private sector.

After these adjustments were made, the cost to the public sector cost from 2009 to 2013 would be U.S.$471,000, which is a reduction from U.S.$506,465. The reduction is due to the following:

- The provision of condoms and injectables in the public sector do not increase and a decrease was made in the amount of orals pills to be offered by the public sector.
- The public sector continues to provide IUDs and injectables, which are lower cost resupply methods per CYP than pills and condoms. Additionally, the MOH can obtain these at significantly lower costs than other sectors because of their purchase through the procurement agent. IUDs are the most affordable among all modern methods when viewed over a long-term perspective.
- The shift of condoms and pills to the social marketing commercial sector also decreases the overall financing of the public sector.

In order to obtain buy-in from public and private sector stakeholders, a stakeholder workshop was held to discuss the results and recommendations for implementing the changes, increasing the public sector's provision of longer term methods and shifting more of the provision of resupply methods to the private sectors. An FSP was then developed based on the feedback and recommendations received at the stakeholder workshop. The recommendations to achieve financial sustainability included relaxing regulations to allow more private sector organizations to sell contraceptives and to have private practices for clients who prefer to obtain their contraceptives from this sector. Another recommendation was changing the regulatory policy to exempt condoms and pills from being taxed, thereby encouraging more pharmacies to have these products available for clients. The financial sustainability implementation plan offered a number of other steps and actions for the Contraceptive Security Technical Working Group to improve contraceptive financial sustainability in Nayabel.

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