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OPTIONS II Private Sector Strategy

Draft for Discussion and Comment

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I. Purpose of Strategy

The purpose of this strategy is to provide OPTIONS II staff with a common understanding of the objectives and approaches to our policy work in the private sector. It also provides operating guidelines for the selection, development, monitoring and evaluation of our activities. The strategy is an effort to narrow the scope of our activities so that the project is able to focus on several key private sector policy issues. By establishing this focus, the project adopts the philosophy of "doing a few activities well" as opposed to "doing many things adequately." This approach will increase the potential for effective policy change, and hopefully leave a clear record of how to achieve and measure such change.

II. Definitions and Limitations of OPTIONS Work

Defining The Private Sector

In A.L.D. population assistance work, the private sector is usually divided into two groups. These are the "non-profit" and "for-profit" subsectors. Non-profits are usually referred to as Non-Governmental Organizations (NGOs) and include private voluntary organizations (PVOs) such as local family planning groups, and international groups such as IPPF and FPIA. NGOs are generally financed by charitable contributions, government contributions, donor grants, and some user fees. The "charitable and user fee" categories are usually minor portions of most of these group's incomes making them heavily subsidized by public funds. Because they are principally funded as intermediaries by governments and donors, they are not generally responsive to market incentives nor directly to public constraints. Although neither private or public, NGOs play an important role in a handful of countries.

In contrast, the for-profit private sector is entirely dependent on the marketplace for its income except in those cases where governments or donors have chosen to subsidize certain for-profit activities. On the supply side, the for-profit group consists of medical providers (hospitals, clinics, Mds, midwives, traditional healers), product retailers (pharmacies, drugstores, dispensaries, grocery markets, and small miscellaneous retailers), and product manufacturers and distributors. On the demand side, the group consists of individual consumers who finance their own consumption, and those who provide financing for risk pools of family planning users. The latter include employers, indemnity-type insurance plans, and pre-paid plans (best known as HMOs).

Mixed Public/Private Subsector

Millions of couples in the developing world receive health services from social security organizations. The majority of these are in Latin America where more than 50% of all people are covered (on paper) by social security health services. Social security organizations are governmental entities which theoretically are financed by the private contributions of employers and employees. To the extent that for-profit employers and employees make social security contributions, their health and family planning services are financed by the private sector. However, these contributions are often compulsory making the organizations' financial base more like a tax than like voluntary payments for services. In addition, many social security organizations are subsidized by governments because contributions are not sufficient to cover the costs of services provided, and in part because many employers (especially governments) regularly fail to make their contributions. Nevertheless, because of the Office of Population's division of labor, social security organizations are included in this component of the OPTIONS Project.

OPTIONS Limitations in the Private Sector

The first limitation is the practical matter of funding. Even with some line item flexibility, there are only about 60 person months of effort available under core funding. The RFP envisioned that there would be about 8 country activities supported under this component. (This level of effort could be expanded significantly through buy-ins.)

Second, we are constrained by the contract which specifies that OPTIONS' direct private sector activities "will be limited to entities which finance health care services." In addition, it states that, "assistance will not be provided to entities for which policy change requires follow-up support for establishing service delivery systems." This limitation theoretically confines OPTIONS private sector work to third-party payers such as insurance companies, social security organizations, and other large pre-paid risk pools. The limitation presumably does not rule out working with HMOs to the extent that they do not require follow-up assistance for service delivery.

? { A final limitation has been specified by S&T/POP/PED. OPTIONS is viewed principally as a public sector population policy project. To the extent that OPTIONS undertakes private sector activities, they should flow naturally from an overall country strategy of which private policy work is a component. According to this limitation, the OPTIONS private sector component should not be the 'lead component' in any country. Therefore, much private sector work in OPTIONS may flow through public sector activities.

III. OPTIONS Rationale and Objectives and in the Private Sector

OPTIONS overall goal is to improve public and private population and related policies to obtain more financing for family planning. As noted, the principal thrust of the OPTIONS Project is

with the public sector which presently provides the great majority of family planning services in the Third World. However, in many countries, the private sector (mainly the commercial private sector) is a key source for many contraceptive users. In most DHS-surveyed countries, for example, the for-profit private sector accounts for 10% to 50% of all family planning use. The OPTIONS Project has as a specified objective to promote public and private policies that help expand the provision of family planning through these substantial private sectors.

Reasons to Expand the Role of the Private Sector

There are three main reasons why it is worth governments' and donors' efforts to increase the role of the private sector in family planning. The first is that it seems unlikely that governments alone can meet the growing financial demands for family planning. The private sector, where many people prefer to go for their family planning services, is an obvious place to stimulate additional investments to obtain the necessary coverage. The second reason is that many poor people obtain their family planning services from the private sector. They do this because they prefer it (e.g. more convenient, less time waiting), or they do not have adequate access to public services. It makes sense to devote some effort to improving quality and access for these people who are most in need.

Finally, the survey data show that many higher income couples obtain their family planning services from the public sector. From an economic standpoint, social welfare is not improved if the public sector attracts users who would otherwise pay in the private sector. Welfare improves if government programs attract new users who could not otherwise succeed in using family planning. Unless the private sector has the capacity to absorb public sector users, the better-off users will not want or be able to switch to the private sector.

In short, better government policies which affect the private sector directly and indirectly are needed to help stimulate the expansion of privately provided family planning. Almost as important, private entities that *finance or might finance* family planning need to be motivated to include family planning services as a health or employee benefit.

IV. Key Issues Facing Private Sector Policy Work

This section identifies and discusses the major policy constraints to the expansion of private sector financing of family planning. After identifying the issues, the next section identifies which ones are feasible to address and prioritizes them in the context of the OPTIONS Project.

1. **Lack of Information:** This is a generic issue that will be central to all OPTIONS policy work in the private sector. In most cases, we have a general idea about what some of the key issues might be, but we lack the solid information upon which to design, monitor or evaluate an effective policy subproject. This includes understanding the consequences of current and proposed policies to be addressed by a subproject, marshaling the data to analyze consequences, collecting information on how the activity

What should
be the
research
agenda?

utility of
cross-national
comparisons

is progressing, and analyzing how well the subproject achieved its intended results. Information collection on different levels, therefore, is essential at all points of a subproject and should be incorporated into any activity design. Without such information, subproject activities can be based on conventional wisdom and belief.

2. The Macro- and Micro-economic Environments May Not be Conducive to Private Sector Expansion: Economic conditions have a large impact on the performance of the private sector. Economic prosperity can greatly increase private investments in health services and products that include family planning. Poor economic performance can cause the private sector to contract, reduce per capita income, and discourage any thoughts by entrepreneurs to experiment with new services, products, or financing arrangements. In addition, the high inflation and unfavorable balances of trade that inevitably accompany economic decline makes it difficult for businesses to import low profit commodities such as contraceptives. An unfavorable economic environment, therefore, can severely degrade the best conceived projects (e.g. TIPPS attempts to work with insurance companies in Peru). On the household level, countries with largely rural, poorly educated, low income populations tend to produce less demand for privately provided services.

Is there some
threshold?

3. Governments and Donors are Unaware of How to Utilize the Private Sector to Provide More Family Planning Services: Governments and donors have traditionally channeled most of their population assistance through the public sector. Because family planning was generally viewed as a public, it seemed reasonable that the public sector could fund this socially valuable service. Partly because of the success of family planning programs, prevalence levels are rising along with the costs of providing the services. As a result, there is an increasing pinch on governments' and donors' family planning budgets. These government and donor budget constraints emerged at a time when survey data began to show that the private sector is a large provider in many countries, and that significant proportions of middle and high income users obtain services from the public sector. Despite these trends, governments appear to have little awareness or ability to incorporate private providers into their strategies and programs. Government appreciation for the role of the private sector is an essential ingredient for achieving public policy reforms aimed at stimulating private investments in family planning.

Besides the lack of private sector in government planning, there is also a general lack of appreciation for how the private sector can directly provide services for the public sector. In a few countries, such as Brazil, the government obtains a level of efficiency by having the private sector provide the services. As demand increases, governments may need to become aware of the potential efficiency opportunities of the private delivery of public services.

4. Government and Donor Family Planning Programs Crowd Out the Private Sector: One of the major constraints to A.I.D.'s private sector work in the past six years has been that private projects have had difficulty achieving their objectives because of the

presence of subsidized public programs. In Zimbabwe, about half of the high and middle income insured population targeted by a TIPPS subproject were using heavily subsidized public services in the late 1980s. In the same country, pharmaceutical distributors have virtually given up on importing contraceptives because of the widespread availability of low-cost public commodities. A similar withdrawal of pharmaceutical distributors occurred in Nigeria.

How can this
job be
addressed?

The result is that government services are so much cheaper or so much more available than private services that it makes no sense for the rational consumer, no matter the income level, to use the private sector. Until consumers are stimulated to use the private sector, prospects will be limited for its expansion. Because government programs have such influence over private markets, it will be difficult to improve the private family planning picture until governments become active collaborators in the effort to switch people from public to private sources.

5. The Regulatory and Tax Environment Inhibits Private Sector Growth: Long-established conventional wisdom points to the regulatory and tariff environment as a major constraint to the expansion of private sector family planning services. Past social marketing and private sector work has shown that indeed regulatory bottlenecks can adversely affect private initiative. However, not much has been documented about what are the principal regulatory issues in countries and regions (see, Charo, 1988), and how much they effect private behavior. This points to a need to distinguish the current impacts of regulation and the potential consequences, if any, of policy changes. The flip side of inhibiting regulation is inadequate regulation of the quality of private care. [This particular issue is expanded upon in the OPTIONS Economic Regulatory strategy.]

6. Private Employers, Providers, Associations and Third Party Payers not Aware of the Benefits of Financing Family Planning: Family planning traditionally has not been viewed by employers, providers and insurers as a preventive health measure. Therefore, it is not surprising that many firms and organizations that could finance family planning are not aware of the positive health and financial benefits that family planning confers on their risk groups. Raising awareness of the benefits of family planning has been a major objective of past ILO and A.I.D. projects, however, much work remains to be done to attract the interest of potential private financiers.

7. Employers, Providers, Associations and Third Party Payers Do Not Have the Organizational or Technical Capability to Design and Manage a Financing Program: Once private groups are convinced that it makes sense to finance family planning services, they must analyze the demand, consider costs and prices, develop delivery packages or contract with providers, and set up evaluation systems. Many firms/organizations do not have the capability to conduct these kinds of assessments and analyses, and need assistance in establishing the appropriate expertise. Without such expertise, these groups will have a difficult time in correctly fixing demand, pricing services, and making the necessary adjustments over time. The inability to correctly price

services has been the main cause of the failures of many LDC pre-payment plans that have ceased operations. Once a decision is made to finance services, provider capacity becomes a key issue (although this is outside the purview of the OPTIONS Project).

8. Public Insurance Programs (Financed Through Private Sector Contributions) could be Providing More Family Planning: Public insurance programs are mainly comprised of social security administrations (though national insurance plans similar to those in Canada and Great Britain are increasingly being discussed in developing countries). Public insurance programs that finance health care are mostly concentrated in Latin America. The coverage of almost all Latin American social security institutes theoretically has increased over the past decade (with the exception of Guatemala). This expansion has placed great financial strain on their financial operations. Despite this expansion, they still provide services principally to middle and upper income city dwellers.

It makes sense, therefore, for several reasons (cost containment being the principal one) that they finance the majority of family planning demand for their beneficiaries. In fact, many of these programs do not feature family planning as a major benefit. Mexico is an outstanding exception with its aggressive social security family planning program. If all other social security administrations in the regions emulated Mexico's program, much of the demand for family planning in Latin America would be financed from private sources.

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V. *Priority Objectives for the OPTIONS Private Sector Work*

This section provides a brief analyses of the above issues. It provides an indication of which are the most important issues that can and should be addressed by OPTIONS. The issue of lack of information underlies all private sector issues and is part and parcel of all of them. The macro- and micro-economic environments are not feasible to address other than as a general constraint or incentive. The priorities of the OPTIONS Project for its private sector component follows. It should be noted that there are some necessary overlaps among the priority issues and other components of the Project.

1. Reduce government competition with private sector. Governments can compete with the private sector in a number of ways. First, as noted they can offer contraceptive services so much cheaper that rational consumers flock to public outlets. Second, government programs may have successful programs that offer contraceptive methods (mainly clinical) not readily available in the private sector. Third, family planning demand may be concentrated in older women who favor methods largely offered by the government. Fourth, precipitous declines in income in some countries may force people to rely on the public sector. And, fifth, the governments programs may have internal incentives that could result in family planning workers capturing clearly motivated users from the private sector.

How?
 Research has suggested that this "crowding out" of the private sector may be the single most serious issue affecting the growth of the sector. OPTIONS, therefore, will assist governments in the appropriate countries to limit the potential negative impacts of their programs on the private sector.

Example
 2. **Increase governments' awareness of how to utilize private sector.** Only a few governments have a full grasp of the scope of the private sector, and actively incorporate the private sector into its overall strategy (Indonesia is perhaps the best case). Governments that are aware of the potential contribution of the private sector will help promote policies and regulations that encourage, or at least do not inhibit private family planning markets. Similarly, they are not likely to undertake programs that directly compete with private providers.

The OPTIONS Project can make a major contribution by helping governments to understand the benefits of the private sector as a partner in an overall country strategy.

3. **Eliminate regulatory and legal barriers to private growth.** Research suggests that a restrictive regulatory environment can inhibit the growth of private sector family planning. Regulations dealing with the price and availability of contraceptives are especially important to potential expansion of the private sector. As long as there are duties, complicated licensing procedures, or value-added taxes, the private sector will be limited in its desire to provide more family planning. Similarly, if private practitioners, pharmacies, clinics, or third-party payers are restricted from providing certain kinds of contraceptive services (e.g. sterilizations), the private sector will not grow.

As a part of its overall country strategies, OPTIONS will focus attention on regulatory and legal issues. In the majority of these countries, these regulations and laws affect the private sector. Therefore, OPTIONS will provide assistance to help governments and private groups to evaluate and reform regulatory and tax policies that act as disincentives to private services.

4. **Encourage public insurance programs to finance and/or provide more family planning.** The rationale for this priority has been discussed. Suffice it to say that public insurance schemes deserve OPTIONS' attention because of the magnitude of current and potential users, and because in some cases, greater use of social security for family planning could result in the switching of clients from ministries of health to a source financed by users themselves. Another reason to work with social security organizations is to promote them as a financier of privately provided family planning services.

5. **Increase private sector awareness of the benefits of family planning; improve organizational or technical capabilities of private groups to design financing programs.** There are literally thousands of opportunities to promote the financing of family planning services through insurance providers in developing countries. To the extent that the OPTIONS Project undertakes these activities directly with private sector entities, it will

Is this true? Can we say more about magnitude

work in organizational settings that will have major impacts on large number of beneficiaries. This means working with large insurance companies, HMOs, or cooperatives that can set standards in their industries and affect a substantial share of the private family planning market. This is one area that potentially overlaps with the Office of Population's other private sector project - the PROFIT project. However, PROFIT will concentrate its work in about 8 large countries. OPTIONS will avoid direct private sector policy work in these countries, and thus avoid any potential duplication of effort.

VI. Approaches to Key Private Sector Policy Issues

Selecting an Approach

Before designing a specific subproject or country activity, the OPTIONS country leader needs to select the approach most suitable to the country setting. The decision on approach to private sector activities will arise out of the country strategy and other considerations (e.g. PROFIT activities, targets of opportunity, availability of funds, staff, etc.). Of course, the first decision is whether to work in the private sector at all. This decision depends on factors such as the potential role of the private sector in a given country, and the interest of the government in expanding private sector coverage. Once it is concluded that there will be a private sector component in a country program, the following criteria should be employed for selecting the particular approach:

Can we suggest criteria?

1. Clearly identified policy barriers to private sector expansion either in the public or private sectors.
2. An analysis of the feasibility of removing policy barriers or improving existing policies.
3. An analysis demonstrating the potential impact of the desired policy improvement. (This may be one of the subproject outcomes, but some quantitative indication of impact must be argued during the design process.)
4. An assessment of why this particular approach is more effective than alternative approaches.
5. Measurable performance indicators, or a specified policy framework to judge progress and evaluate the achievement of activity objectives.
6. Opportunities to link with other similar project activities (e.g. Health Financing and Sustainability Project, World Bank loan activities) that would result in large benefits for minimal investment.

7. Evidence that the activity is consistent with the USAID Mission strategy, and the overall OPTIONS strategy.
8. The availability of OPTIONS staff, consultants, or local collaborators to carry out the work. For local collaborators, some evaluation of their capacity to perform their tasks.
9. An estimate of reasonable costs and an achievable timeframe.

Specific Approaches by Objective

This section discusses approaches to the private sector in each of the priority objectives identified above. For each objective, one or more approaches are identified, policy activities are suggested, and examples provided. Each of the suggested objectives/approaches are followed by guidelines for project selection and development. OPTIONS staff members, consultants, or host country policy analysts can use these simple formats as a guides for the private sector elements of country strategies.

Objective 1: Reduce Government Competition with Private Sector

Objective	Policy Support Activity	Examples
Identify areas of competition	Review of government programs; analysis of who receives what services from whom; demand/supply analysis.	USAID/Lima Population Strategy, 1986 (Cross, Foreit, Yamashita).
Identify key government activities inhibiting private sector	Analysis of specific impacts of govt. activities (e.g. types of public sector users, price differentials, structure of govt. incentives).	Akin and Schwartz study of Thailand and Indonesia (1988); Kenney and Lewis analysis of contraceptive source (1988).
Identify program changes that would promote private sector; eliminate subsidies to higher income groups	Policy analyses of changes in program emphasis, proposals to target better public subsidies (govt. and donor); proposals to affect demand through user charges; revisions of overall govt. population strategy.	Cole and Ravenholt Assessment of Private Sector Expansion in Indonesia (1988); studies of user fees and use in Thailand; potential policy work through A.I.D. or World Bank non-project assistance.
Develop consensus for policy and program reforms	Presentation of results to senior govt. managers; workshops for program managers; various dissemination activities.	Various OPTIONS dissemination activities over past years.

Guidelines:

1. The government and local donors should be interested in improving the efficiency of their programs by targeting better their resources to those most in need.
2. The government needs to guarantee the policy analyst undertaking the work access to information about the government program. This includes any information base on services statistics, contraceptives disbursed, consumed, personnel allocations, facility locations, etc.
3. Donors need to be willing to reveal details on their activities including characteristics of users, and financial inputs.
4. There should be a database (i.e. DHS or other population-based survey) that allows for estimates of demand and use of contraceptives.
5. Depending on the analysis chosen, there must be adequate information available or relatively easily obtainable to undertake the analysis. If the analysis is a price study, then price series must be available or a feasible plan proposed to obtain them.
6. The political feasibility of affecting policy or program improvements should be demonstrated.
7. There should be some identifiable capacity in the private sector to meet family planning demand.
8. Make sure that activities are coordinated with other donors that may be working on similar objectives through different means (e.g. World Bank loan development).

Objective 2: Increase Governments' Awareness of How to Utilize the Private Sector

Objective	Policy Support Activity	Examples
Promote govt. awareness and desire to define and use private sector	Analyze role of private sector (size, number and characteristics of clients served); assess potential for expansion; make projections of use under alternative policy and program options.	RAPID/TIPPS-type presentations which develop arguments for policy change. Work with Population Unit or MCH/FP dept. to produce report and disseminate results.
Promote awareness about the barriers to private sector growth	Analyze all potential barriers to private expansion; make assessment of which have greatest negative impact; examine effects of removing barriers.	Cole and Ravenholt analysis in Indonesia (1988).
Assist govts. to develop a private sector strategy as part of overall strategy	Work with govt. to conceptualize, draft and adopt a private sector strategy.	
Disseminate strategy to private sector providers and producers	Sponsor meetings with donors, private providers and producers to seek support for strategy; produce and distribute copies.	
Seek opportunities to privatize select government services; develop reimbursement or voucher systems for private use	Assist govt. to identify certain services more efficiently provided by private sector; conduct analyses showing benefits; help define terms of privatization or reimbursement scheme.	IUDs and sterilizations in Taiwan; Sterling in Nigeria distributed donated commodities through commercial outlets. Brazil's INAMPS reimburses for family planning services.

Guidelines:

1. Government should have interest in expanding coverage of family planning services and in spending their resources more effectively.
2. There should be available data for assessing the current and future participation of the private sector.
3. Alternative policy/program proposals must be politically and administratively feasible.
4. Government should have an overall strategy for implementing its population program.
5. Donors and private producers, distributors, and providers must be willing to cooperate with government program.
6. Concept of privatization or vouchers must be politically acceptable and administratively feasible.

Objective 3: Eliminate Regulatory and Legal Barriers to Private Growth

Objective	Policy Support Activity	Examples
Improve incentives to private providers	Policy analyses of tax, regulatory and foreign exchange incentives on local providers; project effects of alternative incentives.	Orals placed on essential drug list in Sudan; tax exemptions to large employers in Korea; potential NPA benchmark analyses.
Reduce disincentives to private providers	Policy analyses of pricing, tax, regulatory, exchange, advertising, certification, practice disincentives; estimate effects of eliminating disincentives.	OPTIONS policy analyses in Morocco examining effect of removing tax disincentives; potential policy work through A.I.D. or Bank (NPA).
Strengthen lobbying capabilities of private associations and providers	Build capacity in local entity (industrial assoc., insurance assoc., medical assoc. etc.) to carry out and present policy analyses to achieve tariff, tax and regulatory concessions for F.P.	Virtually all U.S. industrial and professional associations.

Guidelines:

1. To effect legal and regulatory changes, which often requires cooperation across sectors, a strong government population policy or commitment is generally required.
2. The government needs to have an overall population/family planning strategy that has expanded private use as one of its objectives.
3. In the absence of active government support, there should be some other incentive mechanism (i.e. NPA benchmarks, pending Bank loan) to induce policy improvements.
4. There needs to be enough information or data available to carry out policy analyses (e.g. for a tax analysis one needs, for example, volume of imports or sales, effects of tax on final price, estimates of elasticity of demand for commodity, demand for commodity, etc.).
5. For potential sponsorship of local policy dialogue activities (i.e. lobbying), there should be a local institution which has the ability and experience to represent its position to the government.

Objective 4: Encourage Public Insurance Programs to Finance More Family Planning

Objective	Policy Support Activity	Examples
Promote greater provision of family planning services by social security organizations	Financial and budget analyses; health benefits analysis; planning and programming for country soc. sec. organization.	OPTIONS/TIPPS work in Bolivia and Peru.
Generate support for social security provided family planning	Dissemination of results from country cases to managers of other country soc. sec. organizations. Presentation of results to other entities (e.g. Min. of Fin.) within country.	OPTIONS social security conference in Central America; potential work with social security associations, or ILO.
Provide public facilities for private practice	Policy dialogue; feasibility analyses; tech. assist. in financial planning.	Khartoum Health Commission opens public clinics for private practice in afternoons.
Provide access to loan or grant capital	Identify and assess feasibility of publicly sponsored loan or grant fund.	Special development fund for health activities in Belize.

Guidelines:

1. There needs to be available data on the characteristics of social security beneficiaries (demand for F.P., current prevalence, method mix, current source, etc.). Social security health schemes whose beneficiaries have high modern method prevalence and who rely on the private sector should not be candidates for this project component. If this data is not available, then data suitable for estimating characteristics (e.g. DHS) should be.
2. Preferably, the social security organization covers some portion of lower income workers and their dependents.
3. The issue of equity needs to be addressed before taking on a social security activity. In what way will this activity achieve direct or indirect benefits for poorer members of society? Project designers must take care that the activity is not just providing better benefits to higher income groups, but that there is some equity pay-off (e.g. efficiencies gained will allow govt. to target better scarce resources). These justifications need to be agreed upon by participating organizations.
4. Social security organizations must be interested in cost-containment and in improving efficiency, and they need to demonstrate a commitment to increase resource allocations based on project findings.
5. For the private use of public facilities, governments need to recognize that health facilities are underutilized; political and administrative feasibility must be demonstrated.
6. For loan or grant fund, the government must recognize the utility of promoting private growth, and must have available funds (either internally or from donors).
7. The last two activities might be best undertaken in conjunction with health financing work either by other AID project or the Bank.

**Objective 5: Increase Private Sector Awareness,
Improve Capability of Private Groups to Finance
Family Planning**

Objective	Policy Support Activity	Examples
Promote private insurance, HMO, and other third party payers coverage of family planning	Develop decision-making information; demand and financial analyses.	TIPPS work with Medical Aid Societies in Zimbabwe; Women's credit unions in the D.R.; Credit unions in Ecuador; Chamber of Commerce in Belize
Develop financial and pricing structures for groups that finance or could finance private family planning.	Prepare financial and market analyses; develop pricing and service packages; policy dialogue with providers to set prices, schemes, etc.	TIPPS work in Zimbabwe; Possible work with HMOs in Dom. Rep. and with cooperatives in Ecuador; community financing schemes in various countries.
Promote business contributions to family planning activities	Presentations to senior management and Boards of Directors of large national and international firms.	TIPPS presentations to Chevron Corp.

Guidelines:

1. There must be a fairly low-cost, quality source of private family planning providers for reimbursement schemes to be successful.
2. The risk pool should have a substantial proportion of females and children if a financial benefit is likely to be shown.
3. There should be adequate secondary information (DES), existing primary information, or an efficient way to collect new data (e.g. through an already planned survey).
4. It must be determined either by direct or indirect estimates, preferably in advance, where current users in the risk pool are obtaining family planning services.
5. Broad government policies and/or specific regulations should permit or encourage private entities to finance preventive health care.
6. The collaborating insurance company, cooperative, HMO must be willing to "open up its books" for any analysis or follow-up monitoring.
7. The collaborating firms ideally should be profit-making.
8. The macroeconomic environment should be positive for the collaborating business sector.

The guidelines are meant as criteria for subproject selection and development. The staff member should collect information related to the guidelines in formulating the activity. The information will feed easily into the country strategy for the private sector component of the program. Successfully followed guidelines should enhance the chances that the activity will achieve its objectives. In cases, the guidelines will provide early indications that the project may not be viable and should not be pursued. Finally, these guidelines will provide project and A.I.D. managers with a checklist with which to evaluate proposed activities.

Project Strategy for Private Sector

The OPTIONS Project strategy in the private sector *for core funded activities* is largely shaped by the limitations that are imposed on its scope by the contract, level of effort, and technical directions from S&T/POP/PED. These qualifications suggest that the majority of OPTIONS work on private sector will be focused on government policies which influence how private resources are invested in family planning. This means that much of the activity on project element 5 will be channeled through OPTIONS' public sector work. Since a portion of this public sector work is also funded under other project elements, there will be some central resources available for direct work with private sector organizations.

Using central funds, OPTIONS will endeavor to develop at least four policy activities with private sector groups such as insurance companies, cooperatives, or HMOs. These will be identified by core staff based upon explorations and inquiries in Washington, D.C., and through fieldwork on other OPTIONS activities. The mechanism for identifying and approving these private initiatives will be the OPTIONS Private Sector Working Group using the selection criteria stipulated in Section VI. The additional criterium applied to the selection of private sector subprojects will be that the activity provide critical information on a major private sector policy issue, or furnish a key demonstration of a private sector policy breakthrough.

Given the objectives outlined in the previous section (See Objective 5), examples of these issues might be: can HMOs finance low-cost contraceptive services while keeping capitation fees constant? Are cooperatives which finance their own health care viable providers of family planning? What is the feasibility of incorporating family planning into community health financing schemes? And, will indemnity insurance plans in developing countries cover family planning services, and under what circumstances? One possibility for addressing some of these issues, should they emerge as key areas for work, would be to identify and evaluate existing activities rather than taking a demonstration approach. That is, rather than promoting the introduction of reimbursement for family planning into a large insurance company, find a firm that already is reimbursing and conduct the appropriate policy analysis and evaluation. This latter approach would be more cost effective, and would result in the same kinds of information that would be used to convince industrial and professional associations, governments and donors of the utility and means of generating private investments in family planning.

The OPTIONS' *for buy-in funded activities* will be guided by the principles in this strategy. Because these funds are usually bilateral in origin, the Mission and host country government will

have major inputs into the types of activities to be undertaken. In the best of all possible worlds, Missions would fund all of the types of activities outlined in this strategy for which there is experience and knowledge already in hand. The Project's scarce central funds would be allocated to innovative subprojects which have the potential to: a) have a major impact on private investments in family planning; b) develop a promising new area of private sector involvement; or c) test the feasibility of new approaches and document their outcomes.

VII. Monitoring and Evaluation

One of the major shortcomings of previous private sector policy work has been the paucity of any evaluation of project progress or outcomes. For example, both the Enterprise and TIPPS projects stimulated companies to provide more family planning services. Yet, because there were few evaluation components in their combined 70+ subprojects, very little is known about whether or not these efforts achieved their intended results (e.g. attracting new users, attracting public sector users, or providing more effective services). Similarly, despite the nearly universal references to regulatory and tax constraints in analyses of private sector family planning, one is hard-pressed to find any study of the actual effects on supply or demand resulting from policy changes in this area. Therefore, the OPTIONS Project will make a substantial contribution to progress in increasing the private provision of family planning services if (at a minimum) modest evaluation plans are incorporated into subprojects.