

# PROFIT

Promoting Financial Investments and Transfers  
to Involve the Commercial Sector in Family Planning

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***The PROFIT Project***  
A Compendium  
of Experience and Findings

**Involvement of the Commercial  
Sector in Family Planning Services**

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### Involvement of the Commercial Sector in Family Planning Services

Demand for family planning services in developing countries is increasing rapidly. The number of couples of reproductive age is growing, as is the proportion of those couples who seek modern methods. Because public sector institutions have neither the resources nor the staffs to provide those services, there is considerable interest in increasing the involvement of the commercial sector in delivering family planning services.

This paper provides an overview of the current role of the commercial sector in family planning services in developing countries. It describes some of the major constraints to broader commercial sector involvement and describes some approaches that have been used to overcome those obstacles.

#### Commercial Sector Involvement

The commercial sector plays a significant role in providing family planning services in developing countries. The most recent Demographic and Health Surveys (DHSs) from 55 developing countries indicate that approximately 7 percent of married women of reproductive age (MWRA) —aged 15 to 49 — receive modern contraceptive methods from commercial sources.<sup>1</sup> This represents approximately one-fifth of all women in developing countries who use modern contraceptive methods.

As Figure 1 demonstrates, the involvement of the commercial sector in family planning services varies widely across developing countries. In 10 of the 55 countries, the commercial

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<sup>1</sup>These data are analyzed in detail in Paul Hopstock, Ann Sherpick, and Carla Briceno, *Providers and Consumers of Commercial Sector Family Planning Services in Developing Countries* (Arlington, VA: PROFIT Project, September 1997).

## **The Commercial Sector Role in Family Planning in Developing Countries**

sector served more than 10 percent of MWRA, while in about half the countries (28), the commercial sector served 2 percent or fewer of MWRA. (Note that, because the DHS does not systematically differentiate between private, nonprofit and private, commercial providers, Figure 1 is assumed to include private pharmacies, shops, private doctors, nurses and midwives, and other traditional practitioners.)

The most common commercial providers include pharmacists (4.0 percent of MWRA), doctors (1.4 percent), midwives (0.7 percent), and shops and markets (0.6 percent). Commercial providers are more likely to provide pills, condoms, and injectables than are other providers, and they are much less likely to provide female sterilization services. They are also more likely to provide services to clients in higher socioeconomic groups, who have more education, fewer children, and live in urban areas.

## **The Family Planning Service Delivery System**

To understand the role of the commercial sector, it is important to define the key components in the delivery system for family planning services. Figure 2 presents a simplified model of this system. The model distinguishes between family planning counseling and medical services, on one hand, and distribution and sales of contraceptive products, on the other. At the same time, the model emphasizes the relationships between these two major parts of the system.

Three components of the system involve distributing and selling contraceptive products: manufacturing, distribution, and retail marketing and sales. Two key components involve delivery of family planning counseling and medical services: training of providers and provision of counseling/medical services. Two components — promotion and financing — affect the demand and supply of both products and services.

The activities within each component of the delivery system may be provided by a range of public, private nonprofit, and commercial entities. Figure 3 provides examples of how the types of organizations are involved in family planning service provision. It is important to note that no component of the system is handled solely by one sector and that the commercial sector is involved in all components. For example, distribution and retail sales of contraceptive products often involve a combination of public health clinics and/or pharmacies, private nonprofit organizations, and commercial pharmacies. Insurance programs that cover family planning may be administered by public agencies through social security systems or by private insurance companies and individual employers.

## The Commercial Sector Role in Family Planning in Developing Countries

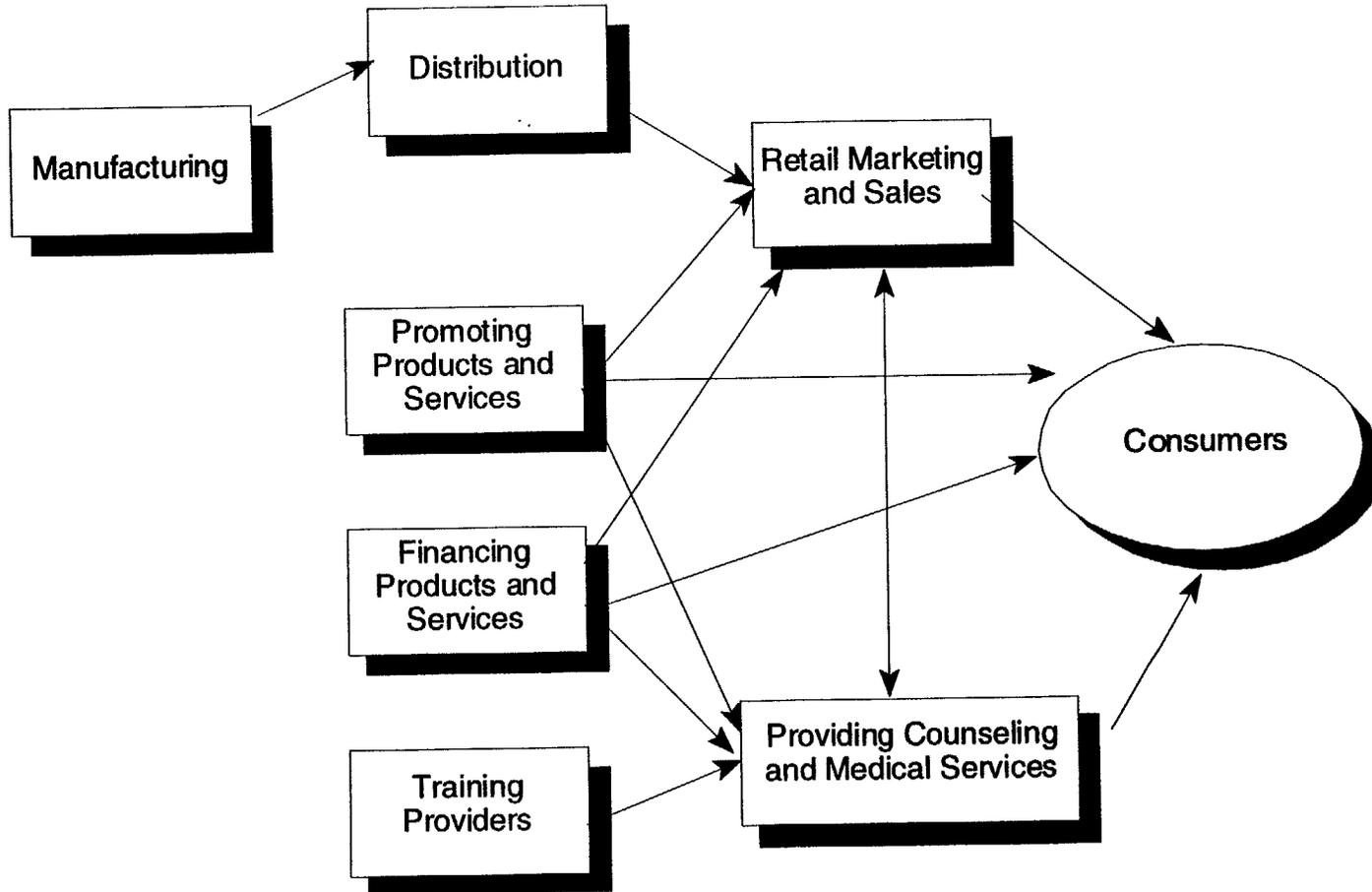
FIGURE 1			
The Proportion of Contraception Provided by the Commercial Sector in Various Countries			
Country (Year of Demographic and Health Survey)	Married Women of Reproductive Age Obtaining Contraception from the Commercial Sector* (percent of total)	Country (Year of Demographic and Health Survey)	Married Women of Reproductive Age Obtaining Contraception from the Commercial Sector* (percent of total)
Dominican Republic (1991)	27.3	Pakistan (1990/91)	2.0
Brazil (1996)	26.0	Yemen (1991/92)	2.0
Egypt (1995)	21.8	Cote d'Ivoire (1994)	2.0
Colombia (1995)	21.7	Sudan (1989/90)	1.8
Trinidad & Tobago (1987)	18.0	Tanzania (1996)	1.8
Paraguay (1990)	17.3	Cameroon (1991)	1.6
Morocco (1995)	14.5	Botswana (1988)	1.5
Ecuador (1987)	14.3	Namibia (1992)	1.5
Turkey (1993)	13.9	Nepal (1996)	1.4
Indonesia (1994)	12.2	Kenya (1993)	1.1
Jordan (1990)	9.4	Mali (1995/96)	1.1
Tunisia (1988)	9.1	Madagascar (1992)	1.0
Mexico (1987)	8.9	Benin (1996)	1.0
Romania (1993)	8.2	Togo (1988)	1.0
Peru (1996)	7.7	Liberia (1986)	1.0
Bolivia (1994)	7.5	Uganda (1995)	0.9
El Salvador (1993)	6.6	Comoros (1996)	0.9
Bangladesh (1993/4)	5.6	Central Africa (1994/95)	0.8
Ghana (1993)	4.9	Senegal (1992)	0.8
Thailand (1987)	4.7	Kazakstan (1995)	0.7
Haiti (1994/5)	3.8	Nigeria (1990)	0.6
Guatemala (1995)	3.6	Malawi (1992)	0.5
Sri Lanka (1987)	3.1	Burkina Faso (1993)	0.4
Zimbabwe (1994)	3.0	Guinea (1992)	0.3
India (1992/3)	2.7	Rwanda (1992)	0.2
Philippines (1993)	2.5	Uzbekistan (1996)	0.1
Zambia (1996)	2.3	Niger (1992)	0.1
		Burundi (1987)	0.0

\*Commercial sector sources include private pharmacies, shops, doctors, nurses and midwives, and other traditional practitioners.

Source: Paul Hopstock, Ann Sherpick, and Carla Brisceno, *Providers and Consumers of Commercial Sector Family Planning Services in Developing Countries* (Arlington, VA: PROFIT Project, September 1997).

**Figure 2**  
**Key Components of Family Planning Service Delivery**

**Distribution  
and Sales of  
Contraceptive  
Products**



**Family Planning  
Counseling and  
Medical Services**

## Involvement of the Commercial Sector in Family Planning

<b>FIGURE 3</b>			
<b>Examples of Public, Private Nonprofit, and Commercial Involvement in Family Planning</b>			
Component of Family Planning Delivery	Type of Organization		
	Public	Private Nonprofit	Commercial
Manufacturing	Government-owned manufacturing facilities		Contraceptive manufacturing by private companies
Distribution	Government warehouses	Warehouses of nonprofit organizations	Pharmaceutical distribution companies
Retail Sales	Public pharmacies; community-based distribution through government channels	Community-based distribution by nonprofit organizations	Private pharmacies
Promotion of Products and Services	Government-sponsored education campaigns	Public service announcements for nonprofit service providers; social marketing through NGOs	Advertising of commercial and social marketing products
Financing of Products and Services	Social security systems	Medical aid societies	For-profit health insurance plans; health coverage and provision by employers; consumers' out-of-pocket expenditures
Training of Providers	Public universities	Private universities	Commercial training institutions
Provision of Counseling and Medical Services	Public health clinics, public hospitals	Clinics run by nonprofit organizations; private hospitals	Private doctors, nurses, midwives

## **Involvement of the Commercial Sector in Family Planning**

### **Limitations on Commercial Sector Involvement**

There are a number of conditions in developing countries that inhibit the development and growth of commercial sector involvement in family planning services. These conditions fall into three major categories:

- ◆ policy, trade, and regulatory barriers to commercial sector activities
- ◆ a general business environment that weakens the commercial sector
- ◆ factors that limit the demand for family planning services.

#### ***Policy, Trade, and Regulatory Barriers***

When asked how best to facilitate commercial sector development, most business people respond that the government “should get out of the way.” By this they mean that the government should seek to ensure that the broad range of policies and trade and regulatory activities it undertakes should not have a negative effect on the commercial environment. These activities include, for example:

- ◆ government provision of free or very inexpensive family planning services and products, even for those who can afford them, which cripples the commercial sector market
- ◆ high tariffs on contraceptive supplies imported into the country
- ◆ high taxes on commercially provided family planning services and contraceptive products
- ◆ bans on the sale or usage of particular contraceptive products
- ◆ unreasonably difficult licensing requirements for specific contraceptive products
- ◆ restrictions on who can provide family planning services and products
- ◆ unreasonable certification or licensing requirements for commercial sector providers of family planning services and products.

## **Involvement of the Commercial Sector in Family Planning**

### ***The General Business Environment***

The general nature of the business environment can limit the development of the commercial sector, including:

- ◆ the unavailability of credit for capital investments
- ◆ absence of commercial codes that facilitate business transactions
- ◆ failure of health insurance plans to reimburse for family planning services
- ◆ lack of entrepreneurial knowledge, skills, and attitudes
- ◆ a generally weak commercial sector
- ◆ negative views toward business, commerce, and profit-making among the population.

### ***Limited Demand for Family Planning***

Commercial sector involvement in family planning can be constrained by factors that limit the demand for family planning services, including:

- ◆ governmental, cultural, and/or religious opposition to family planning
- ◆ a lack of knowledge about family planning options
- ◆ high levels of poverty and the absence of a cash economy.

## **Approaches for Developing the Commercial Sector**

The U.S. Agency for International Development and other donor agencies have supported a number of efforts to expand commercial sector involvement in family planning services in developing countries. These projects can be categorized by the major emphasis or approach (which are summarized in Figure 4):

- ◆ Stimulating demand for family planning by explicitly promoting commercial sector providers: Social marketing is a common approach for creating demand. Social marketing projects negotiate with manufacturers of contraceptives to sell quality products at affordable prices. The sales of those products are then promoted through the use of project-related brand identification and project-supported advertising. Another approach to demand creation has involved the use of information,

## **Involvement of the Commercial Sector in Family Planning**

education, and communications (IEC) campaigns that specifically promote commercial sector providers of family planning services.

- ◆ **Increasing the supply and quality of commercial sector providers:** The most common approach has involved training doctors, nurses, midwives, and pharmacists in the commercial sector to enable them to begin or expand family planning services. Doctors and midwives also have been provided grants and loans to help them expand and improve their practices.
- ◆ **Increasing the supply of contraceptives available through commercial sources:** Among the approaches that have been employed are providing financing (grants, loans, or equity investment) to establish or expand contraceptive manufacturing and distribution companies and encouraging manufacturers and distributors to introduce their products into new outlets and markets.
- ◆ **Promoting commercial sector financing of family planning services:** The most common strategy has been to encourage large employers to include family planning in the package of health services offered to employees by providing technical and other assistance. Another approach has been to facilitate and support private health insurance plans that include family planning in their packages of health services.
- ◆ **Eliminating policy, trade, and regulatory barriers to commercial provision of family planning services:** The most common approaches include conducting research on the impact of policy, trade, and regulatory barriers and convening and facilitating meetings to discuss how to overcome those barriers.

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FIGURE 4 Approaches to Developing the Commercial Sector Role in Family Planning	
1. Stimulating demand for family planning by promoting commercial sector providers	<ul style="list-style-type: none"><li>◆ social marketing projects</li><li>◆ information, education, and communications (IEC) campaigns</li></ul>
2. Increasing the supply and quality of commercial sector providers	<ul style="list-style-type: none"><li>◆ training programs</li><li>◆ grants and loans to providers</li></ul>
3. Increasing the supply of contraceptives available through commercial sources	<ul style="list-style-type: none"><li>◆ financing manufacturing and distribution companies</li><li>◆ encouraging manufacturers and distributors to expand markets</li></ul>
4. Promoting commercial sector financing of family planning services	<ul style="list-style-type: none"><li>◆ encouraging and supporting large employers to provide services</li><li>◆ supporting private insurance plans including family planning</li></ul>
5. Eliminating policy, trade, and regulatory barriers to commercial provision of family planning services	<ul style="list-style-type: none"><li>◆ researching the impact of barriers</li><li>◆ facilitating meetings to discuss how to overcome barriers</li></ul>

## Conclusions

The demand for family planning services in developing countries is increasing rapidly, and public sector institutions have neither the resources nor the staffs to meet the demand. In response, a number of efforts have focused on increasing the involvement of commercial sector organizations in delivering family planning services.

There is wide variation among developing countries in the role played by the commercial sector in providing family planning services and products. The commercial sector plays a major role in a few developing countries and a significant role in many others. Commercial sector organizations are involved in all of the major components of the family planning service delivery system.

Further development of commercial sector involvement is constrained by policy, trade, and regulatory barriers to commercial sector activities; business environments that weaken commercial sector development; and factors that limit the demand for family planning services.

## **Involvement of the Commercial Sector in Family Planning**

Efforts to expand commercial sector involvement and overcome these barriers have generally fallen in one of five approaches:

- ◆ stimulating demand for family planning by promoting commercial sector providers
- ◆ increasing the supply and quality of commercial sector providers
- ◆ increasing the supply of contraceptives available through commercial sources
- ◆ promoting commercial sector financing of family planning services
- ◆ eliminating policy, trade, and regulatory barriers to commercial provision of family planning services.