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FINANCING CONTRACEPTIVES: A NEW FUNDING ENVIRONMENT

Contraceptive security exists when people are able to choose, obtain, and use high-quality contraceptives and condoms for family planning whenever they want or need them.

US$223 MILLION

The funds for contraceptives in low-income countries provided by donors in 2007.

National governments are taking on increasing responsibility for funding family planning supplies as the demand for modern contraception continues to increase.

In recent years, changes in development assistance have provided opportunities for countries to demonstrate their commitment to family planning through investing their own resources in purchasing contraceptive supplies. National governments are also developing different approaches to expanding access to family planning, including the creation of partnerships with the private sector. This brief introduces policy audiences to some of the changes in development assistance and how they affect funding for contraceptive commodities. It also presents strategies used by contraceptive security advocates to fortify resources for contraceptives, as well as experiences in how the private sector can play a more active role in responding to women's and men's family planning needs.

As Contraceptive Use Increases, So Does the Need for Funding

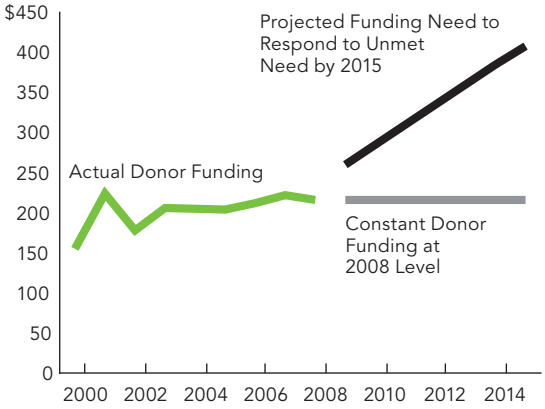
Population growth and increasing use of modern contraceptives are fueling the need for additional funding for family planning. Since 1990, donors have provided more and more funding for contraceptives, increasing from an estimated US$79 million in 1990 to an estimated US$223 million (including World Bank loans and grants) by 2007.[1] In spite of growing donor support, additional funding is necessary to respond to the unmet need for family planning, which could reach as much as US$408 million by 2015, as shown in Figure 1. As countries increasingly use more of their own resources to purchase contraceptives, the donor funding need could decrease. Nevertheless, as the demand for family planning supplies and services increases globally, the total amount of funding needed for contraceptives will also increase.

A Changing Donor Environment—Challenges and Opportunities

For decades, many government family planning programs have relied on donated contraceptives. Through donor support, many family planning programs—both government and private sector—have grown and successfully responded to the needs of the public. Although donors have encouraged these programs to address sustainability, in recent years donor phaseout has made sustainability a global priority.

FIGURE 1

Trends in Donor Funding for Commodities (2000-2008) and Projected Funding Need (2009-2015), in Millions of U.S. Dollars



Source: John Ross, Eva Weissman, and John Stover, *Contraceptive Projections and the Donor Gap: Meeting the Challenge* (Reproductive Health Supplies Coalition, 2009), accessed at www.rhsupplies.org/fileadmin/user_upload/RMA_WG_meetings/RHSC-FundingGap-Final.pdf, on March 10, 2010.

BOX 1

Changes in Development Assistance That Challenge Funding for Family Planning

- Donors transition to more sustainable partnerships with national governments.
- Health sector-wide approaches (SWAPs), through which donors and national governments decide how to spend donor funds directed to the health sector.
- Direct budget support from donors: Funds the national government can spend in whatever way it deems appropriate.
- Special global funds that focus on specific health issues such as HIV/AIDS and malaria.
- National development agendas based on poverty reduction strategies, which may not include family planning.

In the past decade, donors have increasingly been transitioning to sustainable partnerships with national governments. For example, as Indonesia and Mexico transitioned from donor assistance, they developed a sustainable program mix that relied on the public, private, and commercial sectors.[2] As part of a multiple-year phaseout process, family planning stakeholders should develop and implement a transition strategy to ensure that advances in program access and quality are not lost and at the same time shifts the financial responsibility to the country's public and private sectors.

In addition, the donor environment has changed in other ways (see Box 1). With increasing frequency, donors are supporting a health sector-wide approach (SWAP) and direct budget support for providing assistance to national governments. In addition, the creation of global funds that address specific health concerns, such as the Global Fund to Fight AIDS, TB, and Malaria; the Global Alliance for Vaccines and Immunizations (GAVI); Roll Back Malaria; and the Joint United Nations Program on HIV/AIDS (UNAIDS) has shifted attention to disease-specific priorities that may hinder funding for contraceptive commodities. The renewed focus on poverty reduction and development strategies and the importance of poverty reduction strategy papers (PRSPs) pose further challenges to ensuring adequate funding for contraceptives because these efforts tend to use broad impact indicators, such as "good health," "literacy," "security," and "empowerment," to measure performance and guide disbursement of loans and other development assistance.[3]

These changes in development assistance have prompted a concern that family planning programs will be adversely affected because of insufficient funding for contraceptives. However, these newer mechanisms also provide advocates with opportunities to bring family planning and contraceptive security into the discussion of national priorities. For example, the development of poverty reduction strategies, which establish a country's development priorities, are designed to include the participation of a wide range of actors, including civil society groups. These groups can advocate for the specific mention of family planning and contraceptive security as priorities for inclusion in the poverty reduction strategy.[4] Some successful efforts have led to the inclusion of family planning in national poverty reduction strategies such as in Madagascar, Ghana, Zambia, Mali, and Bangladesh (see Box 2).[5] Yet, including family planning and contraceptive security in the strategy represents only a first step; advocates must then work to ensure that the process remains open and that family planning obtains adequate funding among the competing priorities.

Governments Use Their Own Resources to Purchase Contraceptives

In response to changes in development assistance, many governments have become more active in supporting family planning efforts. A recent study of 47 countries found that many are using their own funds (either internally generated funds, programmable support from donors, or World Bank loans and credits) to cover a significant portion of the cost of contraceptives provided through public-sector programs.[6] Of the 47 countries included in the study, six reported financing 100 percent of the contraceptives provided by the public sector, and another 14 were covering more than 50 percent of the cost with national resources. On the other hand, 18 of the 47 did not use any national funds to cover the cost of contraceptives. These findings suggest that many countries are providing substantial

BOX 2

Family Planning as a Development Strategy in Madagascar

In 2006, Madagascar's ministry of health and family planning began to reposition family planning in view of the country's development plan, the Madagascar Action Plan (MAP). The ministry introduced the *Plan Sectoriel en Planning Familial 2007-2012* (Sectoral Plan for Family Planning) to achieve the MAP's objectives through increased family planning. These efforts focus attention on contraceptive security and help mobilize funds for family planning by incorporating it into development strategies.

Source: Margot Fahnestock, USAID | Health Policy Initiative, personal communication, Aug. 3, 2009.

financial support for contraceptive commodities. However, the study also indicates that, although national governments may be funding contraceptives for public-sector programs, the level of funding is insufficient to respond to the unmet need for family planning.

Incorporating Contraceptive Security Into Budgets and Programs

Obtaining adequate funding for contraceptives is challenging for a number of reasons, especially as countries deal with donor phaseout and the general low priority of the health sector in many countries. To help ensure sufficient funding for contraceptives, family planning advocates have developed several successful strategies that include:

- **Budget line items for contraceptives.** The creation of budget line items for contraceptives has become a relatively common strategy in recent years to help ensure funding for family planning in national budgets. It is often one of the first objectives identified by many contraceptive security advocates. However, having a budget line item is only a first step; advocates must also work to ensure that the line is adequately funded each year.
- **Including contraceptives on essential drug lists and designating them as "essential commodities."** Contraceptives have been included on the essential drug list (EDL) in many countries, which means that they can be purchased with public funds. However, the range of commodities included on the EDL may be quite limited. For example, in 2006, Costa Rica's list included only two formularies of pills, a three-month injectable, normal and extra-strong condoms, and the Copper-T IUD. No other contraceptive commodities could be purchased with public funds.[7] This mix of contraceptives responds to the needs of many users, but may not adequately address the needs of all users. Inclusion of contraceptives on the EDL does not necessarily mean that the product is purchased at all or in sufficient quantities to respond to national needs. Limited pharmaceutical budgets may prioritize vaccines and drugs used for treating illness, with the result that insufficient funds are available to purchase contraceptives. Advocates should be aware of how restrictive the government's EDL is and the extent to which contraceptives can be purchased with public funds. Efforts to include contraceptives on these lists have proved effective in advancing efforts to achieve contraceptive security.
- **Incorporating family planning into national social insurance programs and basic health benefit packages.** A third strategy for advancing contraceptive security is the inclusion of family planning in a broad range of social insurance and public health programs. Although maternal health and reproductive health programs typically include family planning, commodities and services may not reach the women who are most in need. To address this concern, some countries have established priority primary care programs that create better access to services and ensure adequate funding for family planning, as described in Box 3.

BOX 3

Funding for Family Planning Through Basic Primary Health Care Programs

In many parts of eastern Europe and Eurasia, changes in the health sector have led to family planning being incorporated into primary health care programs. Family planning had been offered only by obstetricians and gynecologists, but by changing policies and building the capacity of family doctors, general practitioners, midwives, and nurses, family planning became much more accessible. As part of basic health benefits, family planning is provided free of charge. Costs are covered under the general primary health care program. These basic health benefits packages typically allow users to obtain services in the public or private sector without having to pay any out-of-pocket charges (as is the case in Romania) or to purchase discounted drugs in private pharmacies (as is the case in Kyrgyzstan).

Sources: "Family Planning Situation Analysis 2007: Executive Summary" (Arlington, VA: John Snow, Inc./Europe and Eurasia Regional Family Planning Activity for the U.S. Agency for International Development, 2007); and PSP-One, "Ten Best Public and Private Sector Practices in Reproductive Health and Family Planning in the Europe and Eurasia Region" (Bethesda, MD: Abt Associates, Inc., 2008).

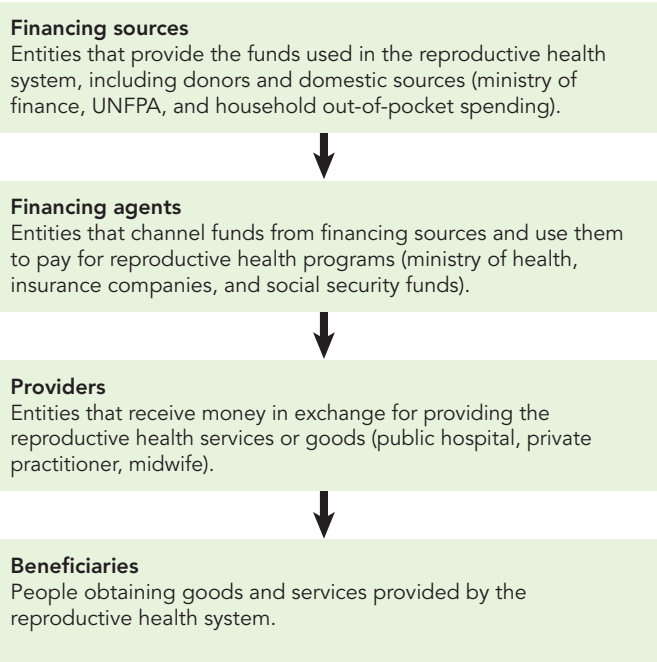
Understanding Sources and Uses of Funding for Family Planning

National health accounts and reproductive health subaccounts are additional tools that many contraceptive security advocates are supporting to better understand funding for family planning. National health accounts and reproductive health subaccounts measure the amounts and flows of health expenditures between financing sources that originate funds for the health sector (including donors, ministries of finance, and households), financing agents that manage funds (such as ministries of health and insurance programs), providers that deliver services (such as pharmacies and hospitals), and the beneficiaries who use the services and products provided by the health system (see Figure 2).[8] National health accounts include data on spending in the public and private sectors and out-of-pocket expenditures. When reproductive health subaccounts are included in the process—as they have been in Rwanda and Jordan—policymakers and advocates obtain information on total expenditures on reproductive health and its share of total health expenditures. These subaccounts also provide information about:

- The reliance on donors for services and commodities.
- The financial burden on households to pay for reproductive health care.
- The proportion of out-of-pocket expenditures with respect to other private expenditures.
- The degree to which expenditures are in line with national plans for resource needs for reproductive health.[9]

FIGURE 2

Flow of Funds and Services in Reproductive Health Subaccounts



Source: Health Systems 2020, *National Health Accounts and Public Expenditure Reviews: Redundant or Complementary Tools?* (Bethesda, MD: Abt Associates, 2009).

BOX 4

Collaborative Public-Private Interventions Help Achieve Contraceptive Security

- Contracting out: government contracts with private sector to provide health services.
- Provider networks and franchises: brings together group providers under an umbrella organization.
- Social marketing programs: offer subsidized products based on commercial marketing techniques.
- Vouchers: subsidize the price of health services to a targeted population so that services are more affordable and more likely to be used.
- Insurance: pool financial risk of providing health services across large population groups.
- Training: continuous FP/RH education to private health providers and pharmacists.
- Regulation: updating laws, policies and regulations to authorize provision of services by certain health professionals.
- Public-private partnerships: private businesses and providers work with governments to address social needs.

Source: Barbara O'Hanlon, "The Vital Role of the Private Sector in Reproductive Health," *PSP-One Policy Brief* (Bethesda, MD: Abt Associates, 2009).

With this information, policymakers and contraceptive security advocates can better identify strategies that address financing of family planning commodities and services. This information is also useful for indentifying trends over time in a country, as well as for comparing similar countries.

Expanding the Role of the Private Sector

An important aspect of contraceptive security program efforts is engaging the full range of appropriate stakeholders. Because of limited availability of government funding for family planning, the private sector—NGOs, social marketing, and the commercial sector—must also be involved in meeting the needs of clients. (See Box 4 for examples of public-private interventions to support family planning efforts.) This strategy, referred to as a "whole market approach," engages all sectors as much as possible, with each sector filling a rational, complementary role.[10] The approach is based on each part of the private sector serving its appropriate audience:

- The commercial sector serves more-affluent people who can afford commercial prices.
- Social marketing programs serve less-affluent groups that have the means to pay a subsidized price for contraceptives.
- NGOs serve a key role in reaching the underserved and low-income groups, although it is critical that NGOs do not undermine the commercial market.

The whole market approach shifts the responsibility for addressing family planning needs to a larger set of provider organizations so that the financial responsibility does not rest entirely with the public sector. For the approach to work effectively, it requires coordination among the sectors, well-developed communication strategies, and monitoring market trends.[11] In Romania, the whole market approach successfully incorporated the public, private, and nongovernmental sectors into a program that focused government subsidies in poor, rural areas and stimulated demand for family planning among women in these areas. By focusing public-sector efforts on these women, the process also created a more vibrant role for the private sector in serving more-affluent urban women.[12]

Targeting Public-Sector Funding and Services to Vulnerable Groups

As the demand for public-sector programs increases, an ongoing challenge is how to use the limited government funding available to reach underserved groups. It is not unusual for governments to make health services available to the entire public, without regard for the users' ability to pay. In these situations, the wealthy tend to benefit more than less-affluent groups.[13] The idea of "targeting" limited public-sector resources for specific disadvantaged groups is a way to address these equity concerns.

Introducing a targeting strategy may require political maneuvering. Implementing a targeting strategy first requires that policymakers identify specific vulnerable groups that face physical, social, or financial barriers to family planning services. These target groups may be identified by a specific characteristic (such as living in a rural area, belonging to a specific age or ethnic group, or having a serious health condition, such as HIV) or by an individual characteristic (such as unemployment, poverty, or inability to pay fees).[14]

Reaching consensus on the target groups and approaches to be used may be a first hurdle in developing a targeting strategy. Successful targeting efforts require a well-functioning family planning program, but may require expanding targeting programmatic changes, such as new administrative systems, retraining of staff, and efforts to ensure that alternative, private-sector sources are in place and able to serve the untargeted population. In spite of its challenges, targeting can be an effective way to use limited public-sector funds by focusing those services to specific groups—often the poor, people in rural areas, or ethnic groups.

Next Steps

Creative efforts to achieve contraceptive security are developing in response to a changing development assistance environment. National governments are taking on increasing responsibility for funding family planning supplies as the demand for modern contraception continues to increase. To ensure adequate funding for family planning, stakeholders need to:

- Advocate to include family planning in development and poverty reduction strategies as a way of ensuring that contraceptive security remains on the national agenda.
- Advocate with government officials to include budget line items for contraceptive commodities. In countries that already have a budget line item, work to ensure that adequate funds are allocated and spent on contraceptives. In addition, advocate for laws that protect funding for needed contraceptive supplies and program support.
- Include a wide range of contraceptives in essential drug lists so that public funds can better support the reproductive health needs of women and men.
- Incorporate family planning into social insurance programs and basic health care programs so that it is effectively promoted and integrated into health services that reach people most in need.
- Involve other stakeholders—especially from the NGO, social marketing, and commercial sectors—in implementing a whole market approach that focuses each sector's program on specific audiences.
- Support the implementation of national health accounts and reproductive health subaccounts as a strategy for making evidence-based policy decisions, and to ensure that the findings are used to support contraceptive security efforts.

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Contraceptive Security: A Toolkit for Policy Audiences

A seven-part series of briefs designed to explain different aspects of contraceptive security to policymakers, program managers, media, and civil society. The topics included in the toolkit are:

- Contraceptive Security for Policy Audiences: An Overview
- Planning for Contraceptive Security: Start With SPARHCS
- Financing Contraceptives: A New Funding Environment
- Procuring Contraceptives: Options for Countries
- Supply Chain: Getting Contraceptives to Users
- Policy Environment: Understanding the Context for Contraceptive Security
- Priority Actions and Recommendations for Contraceptive Security

Each section of the toolkit may be accessed at www.prb.org.

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For More Information

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