GETTING DOWN TO BUSINESS

EXPANDING *the* PRIVATE COMMERCIAL SECTOR'S ROLE *in* MEETING REPRODUCTIVE HEALTH NEEDS

James E. Rosen and Shanti R. Conly

POPULATION ACTION INTERNATIONAL

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Population Action International (PAI) is dedicated to advancing policies and programs that slow population growth in order to enhance the quality of life for all people.

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To these ends, PAI seeks to increase global political and financial support for effective population policies and programs grounded in individual rights.

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Executive Summary

Governments in developing countries have an important role to play in making reproductive health products and services affordable for the poor and other under-served groups. Accordingly, efforts to improve access to family planning and other reproductive health care have focused primarily on the public sector.

However, the private for-profit sector in these countries also has enormous potential to help meet the increasing demand for good quality reproductive health care. Many developing country households earn enough to bear all or part of their health care costs, and are willing to pay for the better quality and more efficient care offered by private as compared to public health facilities. Encouraging a greater role for the private sector can allow governments to refocus their efforts on reaching the poorest and most remote communities.

Encouraging a greater role for the private sector can allow governments to refocus their efforts on reaching the poorest and most remote communities.

The widening gap between stagnating public funding and the rapidly increasing demand for reproductive health care requires that developing nations move quickly to tap the potential of the private sector. Yet, most countries are not fully utilizing the private sector, either as a source of additional financial resources for reproductive health or as an efficient provider of services and commodities.

This study examines how developing country governments and international donors can stimulate private sector involvement in the reproductive health arena, with a particular emphasis on improving the availability of commodities such as contraceptives, drugs for treatment of sexually transmitted infections (STIs), and nutritional supplements. The report aims to help policymakers in both developing and donor countries better understand the crucial role of private business in expanding access to reproductive health care.

Many policymakers are unaware of the extent to which commercial firms are already involved in the provision of reproductive health care. Indeed, private businesses dominate the manufacture, distribution and marketing of reproductive health commodities. Many consumers obtain both commodities and services directly from the private for-profit sector.

Reliance on the commercial sector, however, varies greatly for different types of reproductive health products and services. Consumers are generally more willing to pay for curative than for preventive care. As such, they are most likely to seek out private sources for delivery and abortion services, as well as for diagnosis and treatment of sexually transmitted infections. In contrast, the commercial sector role in preventive care such as immunizations and nutritional supplementation for pregnant women is relatively insignificant.

For family planning, reliance on the commercial sector varies according to the method of contraception. Almost half of women using temporary methods that require regular resupply of commodities—for example, oral contraceptives—obtain their method from a commercial source. However, the for-profit sector serves fewer than 10 percent of women using longer-acting methods such as sterilization and IUDs.

The role of the commercial sector across countries, moreover, varies enormously, reflecting differences in the business environment that profoundly influence a firm's decision to invest in reproductive health care. Levels of income and urbanization, along with competition from publicly subsidized programs, are among the most important social and economic factors that shape the climate for commercial activity. The size of the market, the demand for reproductive health care and the legal and regulatory framework are also important.

Governments as well as international donors can have substantial influence over the climate for commercial involvement in reproductive health care.

Policymakers generally have little control over many of these demographic and social factors in the short term. However, governments as well as international donors can have substantial influence over the climate for commercial involvement in reproductive health care over the medium and long term. The following are specific strategies that can encourage the commercial sector to expand its role.

STRATEGY #1
TARGET PUBLIC PROGRAMS TO THE POOR AND HARD TO REACH

Governments must reorient public sector programs to those truly in need, so that they complement rather than displace commercial efforts.

There is strong evidence that subsidized programs serve many clients who would otherwise use for-profit sources. Indeed, free or highly subsidized government health programs in many countries continue to help the better-off more than the poor. Redirecting public funds to poor and hard-to-reach communities could stimulate commercial interest in the provision of reproductive health care, while expanding access to under-served groups.

Governments are often reluctant to target public resources for both political and practical reasons. Moreover, there is no simple formula guaranteed to reorient public programs to lower-income clients. Yet, to free up financial resources to serve these populations within budget constraints, governments must seek ways to shift wealthier clients to commercial sources. One solution is to concentrate public programs in low income communities and rural areas, which are least likely to attract commercial interest.

STRATEGY #2
LOWER LEGAL AND REGULATORY BARRIERS

Governments should change laws and regulations as needed to encourage a greater role for the private for-profit sector in reproductive health care.

A country's legal and regulatory framework deeply affects the commercial sector's involvement in health. While government regulation is important to protect consumers, all too often laws and regulations place unnecessary limits on the for-profit sector that raise the costs or suppress sales of reproductive health products. Bans on certain products or services, medically unnecessary prescription requirements, and restrictions on where and by whom products can be sold are among the barriers that most affect the for-profit sector. Other inhibiting factors include excessive delays in product registration, tax policies and import duties, and restrictions on brand name advertising and promotion.

Some countries have successfully removed such barriers, often through the efforts of nongovernmental organizations (NGO) and international donors. In most countries, to move such efforts forward, it is essential to involve key actors outside the health sector, such as Ministry of Finance officials and business associations.

STRATEGY #3
INITIATE A DIALOGUE BETWEEN THE PUBLIC AND PRIVATE SECTORS

Governments and international donors need to better analyze the impacts of public policies on the commercial sector and include representatives of private businesses in health care planning and decision making.

Most governments and donors lack understanding of the for-profit sector's contribution to reproductive health, and are largely unaware of how their own policies and programs affect the commercial sector's interest in this area. Government and donor officials rarely include commercial sector representatives in discussions of population and health policy or in making major program decisions. Such lack of understanding is compounded by a dearth of reliable information about market conditions.

To better understand how policy decisions affect the commercial sector, governments must maintain a continuing dialogue with private businesses. It is particularly important that government actions intended to solve public health problems

do not supplant for-profit activities that are emerging on their own. Different donor agencies need to agree on the types of assistance required in a given country, and coordinate their efforts so they do not work at cross-purposes.

STRATEGY #4
CREATE DEMAND FOR REPRODUCTIVE HEALTH CARE

Governments and donors must support broad public education efforts that aim to increase demand for reproductive health products and services.

In many countries, low levels of demand for reproductive health care inhibit the interest of commercial enterprises. For most businesses, the costs and risks associated with expanding markets for reproductive health products are prohibitively high. Such products typically account for a small portion of drug company sales, and have limited potential to generate substantial profits.

For these reasons, the public sector must take the lead in funding activities to stimulate use of reproductive health care and thus encourage greater private sector involvement. Many developing countries have successfully used national communication campaigns to significantly increase knowledge and use of family planning, HIV/AIDS and other reproductive health services. Governments can undertake promotional campaigns that broadcast messages in support of broad public health goals, as well as the use of products and services available through the commercial sector. To enable businesses to expand their own promotional campaigns, governments also need to ease restrictions on advertising of reproductive health products.

STRATEGY #5
BUILD COMMERCIAL MARKETS THROUGH SUSTAINABLE PUBLIC-PRIVATE PARTNERSHIPS

Governments and donors can use a variety of mechanisms to undertake partnerships with the for-profit sector that share the risks of expanding commercial markets for reproductive health products.

Moving beyond their fundamental responsibility for creating a business climate in which commercial markets can flourish, some governments and donors have actively helped to build commercial markets through partnership arrangements with private businesses. Many of these efforts build on the social marketing approach, in which subsidized products are sold through commercial channels. In a number of instances, for example, donor agencies have supported promotional activities in order to encourage commercial firms to introduce new reproductive health products. The commercial partnership model focused initially on expanding markets for contraceptives, but is increasingly being applied to a broader range of reproductive health products.

Social marketing is an important mechanism for serving consumers unable to pay the full market price of reproductive health products, while still recovering at least partial costs. As such, this approach merits continued support from governments and donors. In many settings, governments and donors can begin to move social marketing programs in the direction of eventual

financial self-sufficiency. The parties to such efforts need to work together to further refine the transition from a subsidized to a fully self-sustaining effort.

FORGING A NEW RELATIONSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS

To be successful, the strategies described above require a change in how governments, international donors and the private commercial sector view each other. A new alliance based on openness and recognition of the benefits of interdependence must replace a legacy of mutual distrust and misunderstanding. Developing country governments and international donors must assume much of the burden for removing the constraints to closer collaboration and overcoming long-standing biases and negative attitudes about the private sector.

CHANGING GOVERNMENT ATTITUDES ABOUT THE COMMERCIAL SECTOR

In some countries where the state has tightly controlled the economy, many public officials view private sector activity of any type with suspicion. In many countries, public health officials remain concerned that expanding the role of the commercial sector in the health sector may increase costs and lower the quality of care. Many public officials also worry that plans to shift clients from public to commercial sources—which often involve the introduction of user fees for formerly free public services—may reduce rather than improve access to health care for the poor. Meanwhile, many government officials tend to overestimate the potential interest of the commercial sector in expanding or entering the market for reproductive health.

A new public-private alliance recognizing the benefits of interdependence must replace a legacy of mutual distrust and misunderstanding.

As reproductive health needs mount and public funding stagnates, governments must put aside their biases and actively enlist the commercial sector's help in achieving public health goals. Governments should moreover be able to allay concerns about the cost and quality of private care by strengthening their appropriate regulatory role and addressing specific problems in the private provision of health care.

INCREASING DONOR AWARENESS OF AND SUPPORT FOR THE COMMERCIAL SECTOR

The United States, with its largely private for-profit health system, has been a leader in promoting models for commercial sector involvement in reproductive health in developing countries. The United Kingdom and Germany are the only other bilateral donors with a significant commitment to such initiatives.

Donor agency officials in these and other countries must also overcome biases against private sector involvement. Many donor officials, themselves civil servants, view the government role in health financing and services as essential and lack an understanding of commercial sector interests. The World Bank and United Nations Population Fund, the major multilateral donors in reproductive health, generally work through developing country governments and thus find it more difficult to support commercial sector programs.

The major donor agencies in reproductive health are showing a growing interest in commercial sector initiatives. Still, the donors could do much more to encourage a more positive attitude to the private sector by developing countries. As a first step, donors should ensure that their commodity support nurtures rather than undermines healthy commercial markets. Donors should also use their influence with governments to promote fundamental changes in health policy, such as reorientation of government health services towards the poor. By promoting more efficient and equitable health systems, such actions will ultimately benefit the growth of commercial markets. Donors can also help to bridge the information gap by supporting research on markets and demand for reproductive health care and sharing this information with governments and the business community.

The major donor agencies in reproductive health are showing a growing interest in commercial sector initiatives.

LOOKING TO THE FUTURE

There is no quick and simple solution to increasing the role of the private commercial sector in reproductive health care. To achieve this end, fundamental changes are needed in policies relating to the role and responsibilities of governments in paying for and providing reproductive health care.

To be effective, the strategies described above must also be part of a comprehensive approach to making the best use of scarce public funds. This effort should clarify public and private sector roles in meeting the reproductive health needs of different economic and social groups within each unique national context.

Fortunately, both government and businesses are beginning to recognize the benefits of closer collaboration. The public sector must build on these evolving attitudes and take the actions needed to harness the commercial sector's full potential to improve reproductive health and slow world population growth.

To improve reproductive health and slow world population growth, the public sector must take the actions needed to harness the commercial sector's full potential.

CHAPTER 1

Improving Reproductive Health: The Importance of the Private Sector

INTRODUCTION

Around the world, there is an emerging consensus that private enterprise is the engine of economic growth and development. Market forces are widely accepted as the most dynamic and efficient mechanisms for meeting society's demands for goods and services, especially in the productive economic sectors such as agriculture and industry. Even in the social sectors, where governments have traditionally played a greater role, there is growing recognition that the private for-profit sector can help meet the public's demand for education and health care.

In reproductive health, as in other areas of health care, the private sector's potential importance lies in the inadequacy of public funding relative to growing needs. New and innovative approaches involving the private sector are required to bridge this gap between stagnating financial resources and the rapidly increasing demand for reproductive health care.

Yet in most developing countries, the private sector is not fulfilling its potential to help meet reproductive health needs, often because governments have not created a sufficiently supportive environment. Developing country governments and international donor agencies do not adequately appreciate the private sector's contribution to reproductive health. Most governments and donors lack awareness of how their own policies and programs either encourage or deter the private sector from playing a larger role in reproductive health.

THE PRIVATE SECTOR'S POTENTIAL CONTRIBUTION

The private sector can help expand access to good quality reproductive health care in a variety of ways.

- **Private households represent a largely untapped source of additional funding for reproductive health.** Payments by consumers of health services and products already represent a major source of health care financing in both the industrialized and developing world. For reproductive health care too, many families are willing to pay all or part of the costs. At present, most consumer expenditures on health care pay for care obtained from private sources. However, many government health systems in the developing world are also introducing user fees, based on this consumer willingness to pay.

- **Private health facilities generally offer higher quality care and operate more efficiently than their public sector counterparts.** Quality is an important reason cited by consumers for seeking reproductive health care from private sources; higher quality facilities are also more likely to retain their clients. Access to private care gives consumers an alternative to often unreliable or poor quality public sector health facilities, expanding consumer choices and the number of sources from which consumers can obtain care. The private sector's greater efficiency also means it can potentially serve more clients for the same cost.

- **Expanding the role of the private sector, together with targeting of limited public funds, can help increase overall access to reproductive health care.** In virtually every developing country, government health budgets remain inadequate to provide good quality reproductive health care to the entire population, let alone keep pace with the rapid increase in couples of childbearing age. Yet currently, in many countries, large numbers of relatively well-off consumers obtain reproductive health care free or at subsidized prices from public sources, while many poor people have little or no access to care. By encouraging wealthier clients to use unsubsidized sources of care, governments can more easily focus their own funds on the poorest and most remote communities.

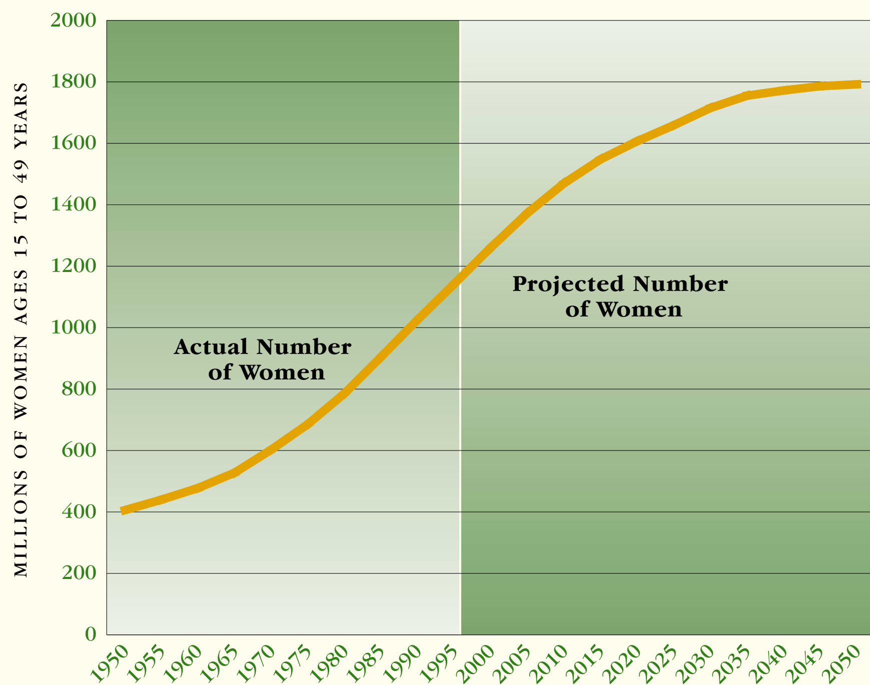
Private households represent a largely untapped source of additional funding for reproductive health.

Figure 1

THE GROWING NEED *for* REPRODUCTIVE HEALTH CARE

Current and Projected Number of Women of Reproductive Age in the Developing World (UN medium projection)

Source: United Nations. *World Population Prospects: The 1998 Revision.* New York: UN, 1998.



THE SHORTFALL IN PUBLIC FUNDING

Public funding for reproductive health from developing country and donor governments remains far short of the funding needs identified at the International Conference on Population and Development (ICPD), held in Cairo in 1994. For 1996, total expenditures on basic reproductive health care in developing countries are estimated at roughly $10 billion, compared to an estimated $17 billion needed by the year 2000. Developing countries provided almost four-fifths of this amount—with governments contributing about $7 billion and private households an estimated $1 billion. Donor governments provided $1.4 billion in grant aid, compared to an estimated $5.7 billion needed in the year 2000.

Prospects for future increases in public funding are uncertain. While some donor countries have increased funding for population and reproductive health programs, others provide only negligible assistance. Many developing countries experiencing economic problems have cut their health budgets, including the Asian nations which account for the bulk of domestic reproductive health spending in the developing regions. The poorest countries in Africa have the greatest needs but limited ability to increase their health budgets. While developing and donor country governments need to boost their lagging spending, alternative strategies are clearly needed to make the ICPD goals a reality.

The ICPD *Programme of Action* expressly acknowledges the importance of the private sector in meeting reproductive health goals. The document recognizes that private as well as public

sector participation will be necessary to realize universal access to good quality reproductive health care by the year 2015, as part of the broader conference goal of improving living standards and slowing population growth. It calls for efforts to promote the role of the private sector "in service delivery and in the production and distribution…of high-quality reproductive health and family-planning commodities and contraceptives…"

THE GROWING NEEDS

The shortfall in funding is especially acute because, while many countries have made some progress in expanding access to reproductive health care, needs in this area continue to grow rapidly.

- The number of women of childbearing age is increasing by almost 24 million a year. These women, together with their male partners, represent the key consumers of reproductive health care, including family planning, prenatal care and safe delivery, and prevention and management of HIV/AIDS and other sexually transmitted infections (STIs).

- More than 100 million married women in developing countries already have an unmet need for family planning, contributing to some 36 million abortions each year. In addition, a growing number of couples want modern contraception in order to achieve a smaller family size. To meet this growing demand, family planning programs will need to reach an additional 250 million couples by 2015.

- Meanwhile, maternal death rates remain high; about 600,000 women die each year in pregnancy or childbirth, including 80,000 from unsafe abortion. Yet many women still lack access to prenatal care and safe delivery. Unless economic and health conditions and access to dietary supplements improve, the number of women with anemia and other nutritional deficiencies which contribute to maternal illness and deaths could grow from 500 million to 700 million by 2015.

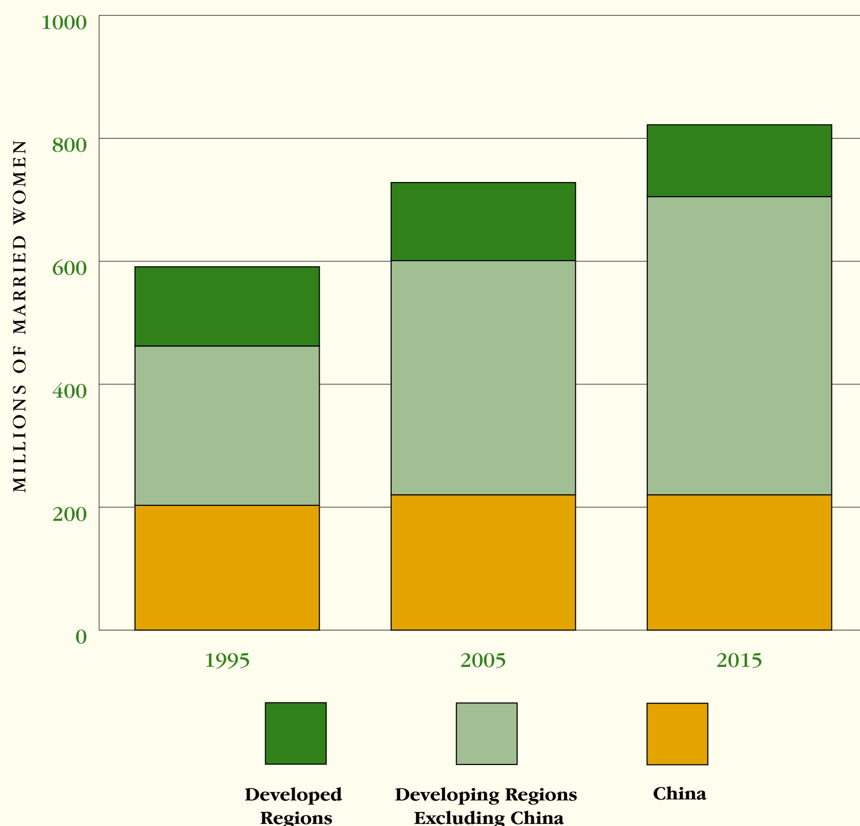
- The AIDS epidemic is spreading rapidly; some 6 million individuals each year are infected with HIV. Another 300 million men and women annually acquire a curable STI—a number likely to increase to over 400 million by 2015. More aggressive efforts are needed to prevent HIV and other STIs, and to diagnose and treat curable STIs.

The shortfall in funding is especially acute because reproductive health needs continue to grow rapidly.

Figure 2

PROJECTED TRENDS *in* USE *of* CONTRACEPTION
1995, 2005 and 2015

Sources: United Nations. *Levels and Trends of Contraceptive Use as Assessed in 1994.* New York: UN, 1996; United Nations. *World Population Prospects: The 1998 Revision.* New York: UN, 1998.



SCOPE OF THE REPORT

The private sector encompasses many different elements, including both non-profit and for-profit entities. Within the for-profit sector, the private commercial sector—i.e., private business and industry—plays a key role in the manufacture, distribution and retail sales of reproductive health *commodities.* Private clinics and practitioners are engaged in the direct provision of *services.* In addition, private health insurance schemes and employer-sponsored health programs are involved in the *financing* of reproductive health care.

This report seeks to enhance understanding of how the private commercial sector can help expand access to reproductive health care, with a special focus on its role in making commodities such as contraceptives, STI drugs and nutritional supplements more widely available. The report analyzes the scope of the for-profit sector's current involvement in reproductive health, and the major factors that influence private investment in this area. It goes on to look more specifically at the role of private business in the supply of reproductive health commodities, and identifies strategies developing country governments and international donors can adopt to encourage the private commercial sector to play an expanded role in this area.

The limited focus of this report is not to deny the private sector's other important and complementary roles, which are also worthy of research and analysis. It would be difficult, however, to do justice to the full range of private sector activities in a single report. Moreover, many of the strategies recommended in this report are relevant to efforts to stimulate the private provision and financing of reproductive health care.

There are also several reasons to focus on the *commercial sector,* i.e. the role of private business in the supply of reproductive health commodities.

- Commodities are the lifeblood of reproductive health programs (especially for family planning and STI treatment.) Depending on the type of care, they may account for a significant share of the costs of these activities.

- The private commercial sector plays an especially significant role in the supply of some reproductive health products. For example, it is the leading source from which consumers obtain oral contraceptives, condoms and some other commodities.

- In an increasingly integrated or globalized world economy, new opportunities exist for the handful of transnational companies involved in the manufacture and distribution of reproductive health products to tap into markets in the developing world.

Public funds should complement rather than substitute for the private sector.

While this report emphasizes the potential role of private business, it also acknowledges the importance of the state. Governments have a crucial role to play in helping to make services affordable for the poor and other under-served groups, and in ensuring access to services when private markets fail to provide adequate care. Moreover, in many countries, there are legitimate concerns regarding the quality and cost of health care provided by the private sector. Governments bear a responsibility to regulate the private sector's involvement in reproductive health—as in health care more generally. Public funds, however, should complement rather than substitute for the private sector.

WHAT DISTINGUISHES THE PRIVATE SECTOR?

The formulation of strategies to encourage commercial involvement in reproductive health care requires an understanding of the differences between the private sector and the nongovernmental and public sectors. A key distinction is the character of ownership and the motivations of owners:

- *Private businesses* are owned by individuals or share holders and exist to earn a profit that is distributed among the owners.
- *Nongovernmental organizations* or non-profits are also private, but define their mission in terms of achieving some social or public health goal rather than securing profits.
- *Public sector* organizations such as health ministries are instruments of the state established to achieve the political and social objectives of the government, usually including goals for improving public health.

Each sector, while distinct in ownership and motivation, may draw upon both public and private funds. Commercial suppliers, manufacturers, and distributors sell to other private firms or to governments and international donor agencies. Nongovernmental organizations have traditionally received funding from public sources (donor and developing country governments) and charitable contributions, but often rely on payments from clients to at least partially cover costs. Government programs, customarily funded from general tax revenues and international grants and loans, are increasingly seeking to recover at least some of their costs through user fees.

The lines between the sectors—never completely clear as shown by the examples above—are blurring even further:

- Nongovernmental organizations are increasingly becoming "social enterprises" earning profits which they plow back into activities to support their social goals, rather than distributing them to owners or shareholders like a commercial firm. A number of national family planning associations in Latin America now operate in this mold.
- Physicians and other health workers in private practice often see themselves as promoting public health goals as well as operating as for-profit businesses.
- Joint government-private ownership, particularly of manufacturing facilities for reproductive health products, is another arrangement which cuts across definitional lines.
- Finally, there is a growing trend for commercial firms to assume management of publicly owned facilities in order to promote more efficient operation.

The Private For-Profit Sector's Current Contribution to Reproductive Health Care

Reproductive health care is a multibillion dollar worldwide industry, with sales of contraceptives alone generating some $3 billion in revenues each year. The private commercial sector is deeply involved at all points along the chain of supply that links the producers of reproductive health products and services to consumers.

THE PRIVATE SECTOR ROLE IN MANUFACTURING AND DISTRIBUTION

The *manufacture* of commodities such as contraceptives, drugs for treatment of sexually transmitted infections, iron supplements and the medical supplies used in reproductive health programs is overwhelmingly an activity involving private for-profit firms. Production of contraceptives in particular is dominated by a relatively small number of large transnational companies. China, India and some other developing countries still operate state-owned production facilities, many of which were built with financing from international donors (see box on page 20), but even these are increasingly being run as profit-oriented businesses.

Production of contraceptives is dominated by a relatively small number of large transnational companies.

Private, commercial firms have a similarly important role in the *distribution and marketing* of reproductive health commodities. Large, multinational drug and medical supply firms either use their own distribution and marketing channels or contract with independent commercial agents to distribute and sell their products. In the past, many public sector programs have purchased commodities directly from manufacturers or wholesalers and used their own distribution systems to deliver these commodities to clinics and hospitals. Governments are, however, increasingly turning to commercial firms or nonprofit organizations to handle distribution of commodities, again in the interests of greater efficiency.

A CHANGING CLIMATE FOR LOCAL MANUFACTURE OF CONTRACEPTIVES

In the 1970s and 1980s, the international population community encouraged the manufacture of contraceptives in developing countries as a way to lower the cost of contraceptive commodities and increase local self-reliance. More recently, however, donor agencies have been reconsidering support for the local manufacture of contraceptives.

First, many larger developing countries already have sufficient capacity to meet their own needs; some are also emerging as major exporters of contraceptives. Second, donor support for the local manufacture of contraceptives has gone almost entirely to state-owned and operated entities, many of which have foundered as a result of financial and managerial shortcomings. Third, experience has shown that investing in local production does not ensure consistent availability nor guarantee low prices or high quality to consumers.

Difficulty in maintaining standards has further hampered local production. While some developing countries have been able to produce high quality, affordable contraceptives, many others have experienced quality control problems in the manufacture of both contraceptives and other health products. Commercial investment in local production has also diminished, largely because many developing countries have lowered trade barriers to drug imports. Most governments no longer require that drug companies build local manufacturing plants in order to sell products in their countries.

Partly because of large donor investments in the 1980s, by the early 1990s world capacity for manufacturing contraceptives exceeded demand. In most countries with markets large enough to support local production, existing facilities should be able to meet the bulk of projected future needs. There may be some countries, however, where the growing population able to pay commercial prices may create a sufficiently large market to warrant expansion of local production. In addition, a gap remains between total needs and available supplies given the inability of many potential contraceptive users to pay the full private sector price for their supplies.

In this climate, donors are being judicious in supporting the construction of new manufacturing facilities. Some donors are focusing their efforts on helping developing country governments improve their ability to procure commodities at favorable prices on international markets. Donors are also supporting improvements in product quality and marketing, as well as strengthening the viability of established production facilities—a trend already emerging in commercial circles. For example, the London International Group, one of the world's largest producers of condoms, recently entered into an agreement to upgrade a previously idle, state-owned condom factory in China, and produce condoms for both the domestic and international market.

Figure 3

DEVELOPING COUNTRIES THAT MANUFACTURE CONTRACEPTIVES

By Method, Mid-1990s

Source: Program for Appropriate Technology in Health (PATH). *Contraceptive Manufacturing Overview.* Washington, DC: World Bank, September 1995.

Country	Oral Contraceptives	Injectables	IUDs	Condoms
Bangladesh	x			
Brazil	x	x		x
China	x	x	x	x
Colombia	x	x		
Egypt	x			
India	x		x	x
Indonesia	x	x	x	x
Mexico	x	x	x	x
Pakistan	x	x		
Philippines	x			
Thailand	x	x		x
Turkey	x			
Vietnam				x

RELIANCE ON PRIVATE SECTOR SOURCES OF REPRODUCTIVE HEALTH CARE

In the small towns and cities of virtually every developing country, consumers who can afford to pay have the option of seeking reproductive health care from clinics, pharmacies and retail stores that operate for profit. People "shop around" for reproductive health care as they do for other goods, deciding to use public, NGO or for-profit sources after taking into account factors such as price, quality, travel costs and waiting time.

Surveys and other studies suggest that many people look to the private sector for reproductive health care. However, the quality and completeness of information on the private sector varies widely. Although national surveys in many developing countries typically report detailed information on where women obtain family planning, definitions of the private sector are not consistent across countries or between one survey and the next for the same country. Unfortunately, for other reproductive health care, the information available on the degree of reliance on public and private sources is much sparser and even poorer in quality. Such data draw mainly on small-scale and anecdotal studies, which cannot be used to make cross-country comparisons or analyze trends worldwide.

It is also often difficult to make a distinction between purely for-profit sources of care and those that operate with some degree of public subsidy. In many countries, for example, a substantial proportion of contraceptives purchased through private pharmacies are subsidized through social marketing programs.

Many individuals also use private sources for some types of health care while choosing public sources for others. For example, women commonly use private prenatal care, then deliver their child in a public hospital. Similarly, in Indonesia, almost 40 percent of women obtaining oral contraceptives from the public sector choose private, commercial sources for at least some other maternity and child health care.

Many people look to the private sector for reproductive health care.

Reliance on the Private Sector for Family Planning

For the developing world as a whole, 12 percent of all family planning users, or roughly 50 million women, obtain contraception from commercial sources. However, an extremely small percentage of users rely on commercial sources in the two largest developing countries—under 1 percent in China and just 13 percent in India. *Outside of China and India, fully one-third of women in the developing world rely on commercial sources for family planning.*

There is striking variation in the commercial sector share, ranging from under 5 percent in countries such as China, Kazakstan and Rwanda, to over 50 percent in Bolivia, the Dominican Republic, Egypt and Paraguay. The proportion of women using for-profit sources of family planning tends to be higher in Latin America and the Caribbean (46 percent) and the Middle East and North Africa (44 percent) than in sub-Saharan Africa (27 percent) and Asia (26 percent, excluding China and India).

Consumers rely much more heavily on commercial sources for temporary than for longer-acting family planning methods. Almost half of couples using condoms and oral and injectable contraceptives obtain their supplies from the profit-oriented sector. (Roughly one in six of these users, however, purchases contraceptives at below-market prices through social marketing programs.) By contrast, for-profit facilities serve fewer than 10 percent of clients using sterilization or IUDs.

Consumers rely more heavily on commercial sources for temporary than for longer-acting family planning methods.

These averages mask enormous variance among countries and within regions. In Latin America, for example, only 22 percent of women obtain oral contraceptives from private for-profit sources in Haiti, compared to 94 percent in Colombia. The commercial sector share of the condom market in sub-Saharan Africa similarly ranges from 9 percent in Rwanda to almost 100 percent in the Sudan.

Even in countries where the commercial share is high, substantial room for future growth of the market may exist. In Nigeria, the commercial sector share is 40 percent. Yet, with just 4 percent of women using modern contraception, the potential for expansion of the overall market is large. Similarly, in the Sudan, while virtually all condoms are purchased from commercial sources, less than 1 percent of couples use condoms as a family planning method.

Comparisons across countries show no evidence of any relationship between reliance on commercial sources of family planning and overall levels of contraceptive use. Within countries, however, the commercial share of the market for contraceptives appears to be increasing. In 16 of 26 countries for which data on trends over time are available, overall commercial market share has risen over time. In Ghana, for example, as use of modern contraception rose from 5 to 10 percent between 1988 and 1993, the commercial share doubled from 24 to 48 percent. In Indonesia, too, the commercial sector share rose from 12 percent in 1987 to 40 percent in 1997, along with overall family planning use. It is noteworthy that in a number of these countries, governments and donors made explicit efforts to increase the for-profit sector's role.

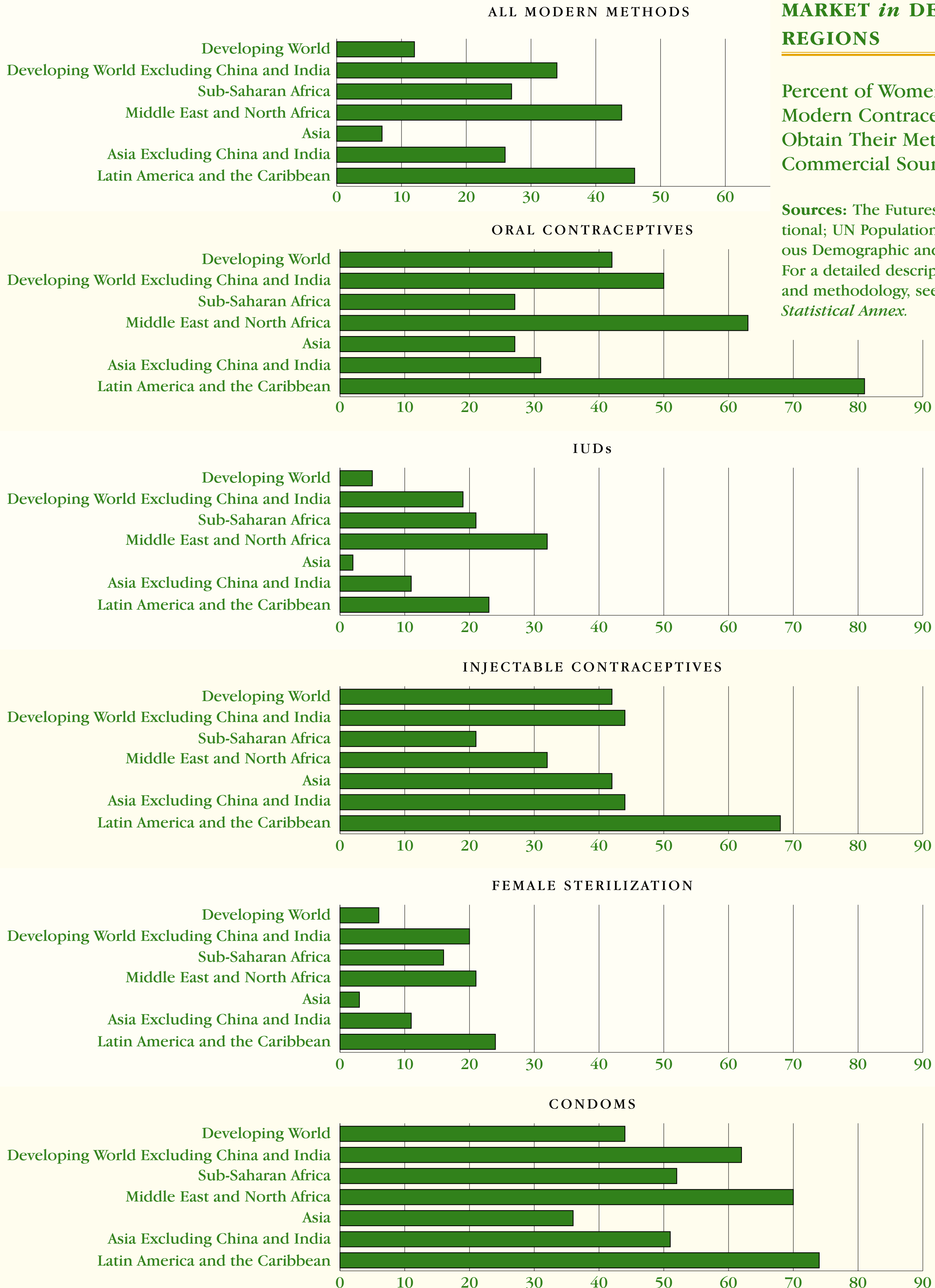
Elsewhere, the commercial share of the market has fallen over time—sometimes sharply, as in Egypt, where the commercial share dropped from 71 percent to 51 percent between 1988 and 1995. Still, the absolute number of women served by for-profit sources has not decreased in any country; any decline in market share for

Figure 4

COMMERCIAL SHARE *of the* FAMILY PLANNING MARKET *in* DEVELOPING REGIONS

Percent of Women Using a Modern Contraceptive Who Obtain Their Method from a Commercial Source

Sources: The Futures Group International; UN Population Division; various Demographic and Health Surveys. For a detailed description of sources and methodology, see note for the *Statistical Annex.*



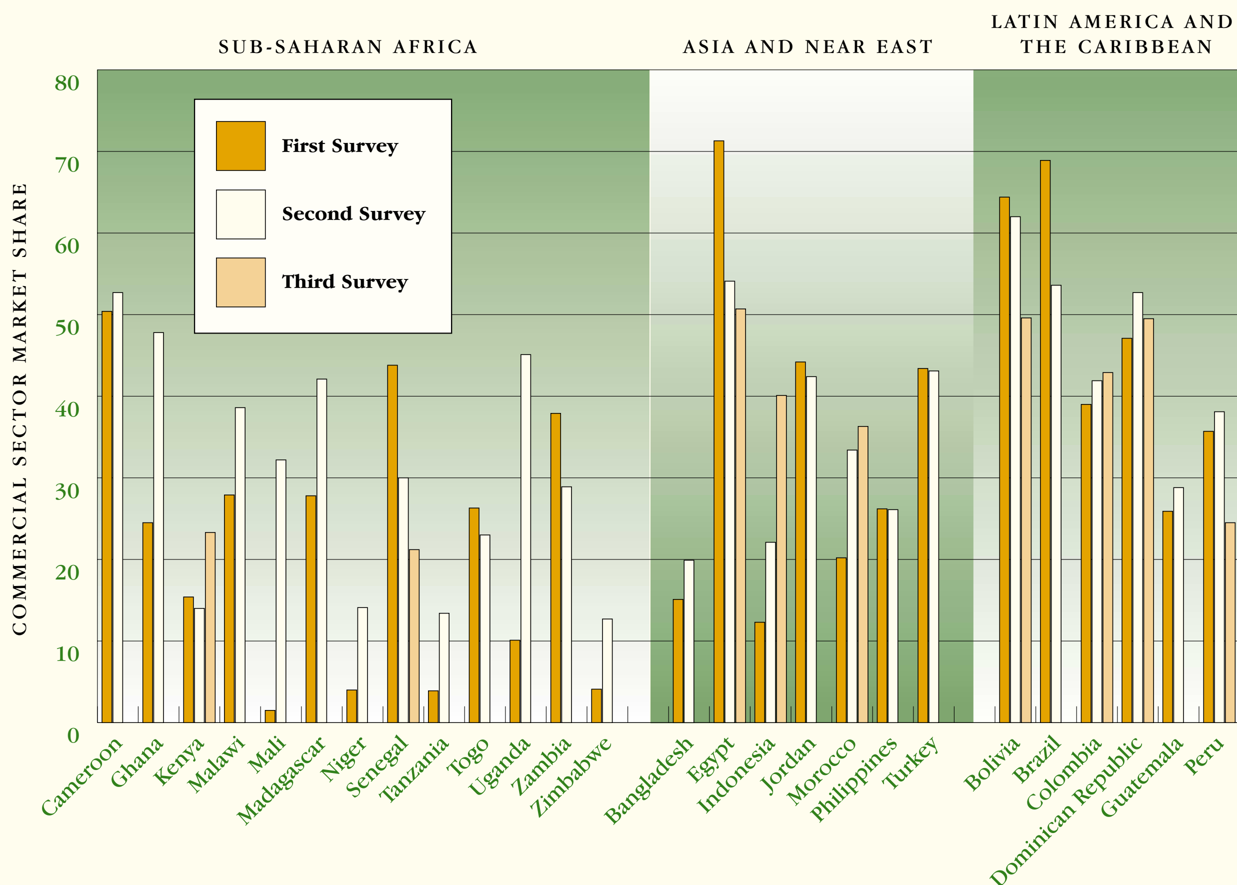


Figure 5

CHANGE OVER TIME *in* RELIANCE *on* COMMERCIAL SOURCES *of* CONTRACEPTIVES

Percent of Women Using a Modern Contraceptive Who Obtain Their Method from a Commercial Source, Mid-1980s to Mid-1990s, Various Countries

Sources: Demographic and Health Surveys; The Futures Group International.

the commercial sector has been offset by a combination of the rapid increase in the number of women of childbearing age and the growing demand for family planning.

Globally, however, the size of the market for contraceptives, at about $3 billion in sales a year, is small compared to an estimated $300 billion in total annual pharmaceutical sales worldwide. Moreover, oral contraceptives account for fully two-thirds of the revenues generated by worldwide contraceptive sales—with 90 percent of revenues from oral contraceptive sales coming from *developed* countries. The markets—and potential for profits—for other contraceptive methods remain relatively small; condoms, for example, generate only about $150 million in annual worldwide sales by manufacturers. Still, prospects are good for future growth in developing country markets for condoms and hormonal methods such as pills and injectables.

WHAT IS THE "RIGHT" MIX OF PRIVATE AND PUBLIC ROLES IN THE HEALTH SECTOR?

Economic theory justifies some degree of government involvement in financing and providing the reproductive health services outlined in the Cairo *Programme of Action,* especially where these services benefit the larger society as well as the individuals who use them. The state also has a role in ensuring that the poor, who could not otherwise afford care at market prices, can obtain essential reproductive health information, products and services. However, determining the optimal public-private mix in addressing health care needs is a complex task.

For the developing world as a whole, private households account for roughly half of all health spending; however, this proportion varies considerably across countries. The private share is smallest—about 30 percent—in the former socialist economies, and ranges between 40 and 60 percent in most other developing countries. In India, private households account for 78 percent of total health spending.

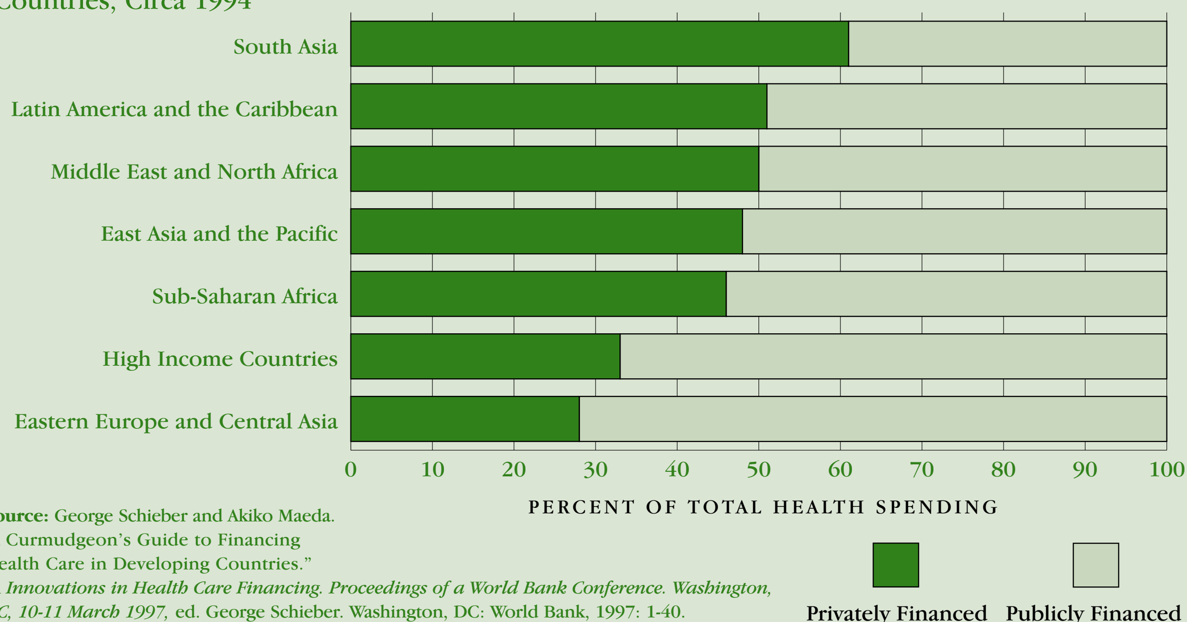
The wide variation of health systems across countries and the unique conditions that shape them have led many observers to conclude that there is no single, best combination of public and private roles. As a recent World Bank health policy document states, "neither sector is effective by itself—each needs the other. Both too much and too little involvement by either sector are often associated with problems." The U.S. Agency for International Development (USAID) takes a similar country specific approach in its efforts to help developing countries improve their health systems.

Nevertheless, as the role of the state in the financing and provision of social services undergoes a reappraisal, many observers now question the dominance of governments in health care. Developing countries with the most success in achieving health goals have encouraged a greater private role in the actual provision of care, while focusing government efforts on providing health information, setting policy, improving regulations to ensure the quality of health care and serving the truly needy.

Figure 6

DISTRIBUTION *of* PRIVATE *and* PUBLIC HEALTH EXPENDITURES

Developing Regions and High Income Countries, Circa 1994



Source: George Schieber and Akiko Maeda. "A Curmudgeon's Guide to Financing Health Care in Developing Countries." In *Innovations in Health Care Financing. Proceedings of a World Bank Conference. Washington, DC, 10-11 March 1997,* ed. George Schieber. Washington, DC: World Bank, 1997: 1-40.

Sources of Other Reproductive Health Care

Reliance on private for-profit sources varies greatly for other types of reproductive health care.

The vast majority of women choose private sources for prenatal care and delivery.

- The vast majority of women choose private sources of health care for *prenatal care and delivery.* Some 60 percent of births in developing countries still take place at home, where most women receive care from trained private midwives or traditional birth attendants. Only a small group of women give birth in for-profit clinics or hospitals. For prenatal care, the proportion of women seeking private care varies. In Morocco, half of all women see a private health worker for prenatal care; in Peru, the Philippines, and Tunisia, one-quarter of women seeking care use private sources for prenatal services.

- Few pregnant mothers and infants receive tetanus and other routine *immunizations* from commercial sources; most use government facilities for these preventive services. Little information is available about where pregnant women obtain *nutritional supplements* such as iron folate tablets, but available studies suggest the commercial sector role is small.

- The private for-profit sector plays a large role in the *diagnosis and treatment of sexually transmitted infections.* Typically, men who experience symptoms of an STI either treat themselves, or seek care from a traditional health practitioner, pharmacist, or private physician. In a study in Cameroon, 60 percent of men first obtained treatment from the commercial sector, and the vast majority purchased remedies from pharmacies and other for-profit sources. Women with reproductive tract infections are thought to be less likely than men to seek private care, because they are more accustomed to using public clinics for other reproductive health care and often have less access to the funds needed for private treatment.

Figure 7

PRIVATE SOURCES *of* REPRODUCTIVE HEALTH CARE

Findings from Recent Studies

See Key Reference list for full citations.

STUDY	SAMPLE	FINDINGS
	STI TREATMENT	
Cameroon Crabbe et al. (1996)	189 young men with an STI in two large towns	61% of men obtain initial treatment for STI-related symptoms from the private sector
Ghana Adu-Sarkodie (1997)	764 clients of an STI/AIDS clinic in a small city	75% of clients self-medicate with one or more antimicrobial drugs before seeking clinical care
United States Brackbill et al. (1999)	National survey of 3,432 men and women ages 18 to 59	49% of respondents with an STI receive treatment from a private doctor
South Africa Wilkinson et al. (1998)	4,781 STI patients over a 5-month period in one largely rural health district	35% of clients seek treatment from private doctors
Kenya Moses et al. (1994)	380 STI patients at eight public clinics	Roughly one-third of patients obtain initial treatment elsewhere; 63% of those patients received care from the private sector
	MATERNAL HEALTH AND NUTRITION	
Philippines East-West Center (1996)	National survey of 15,029 women ages 15 to 49	23% of women use private facilities for their first prenatal visit
Bolivia, Guatemala, Botswana, Sudan and Uganda Berman and Rose (1996)	National surveys of women ages 15 to 49	In four of five countries, less than 20% of women use the private sector for tetanus toxoid vaccination
Morocco and Tunisia Berman and Rose (1996)	National surveys of women ages 15 to 49	48% of women in Morocco and 25% of women in Tunisia use the private sector for prenatal care
Malawi Williams et al. (1997)	210 pregnant women in villages and tea estate compounds in one district	10% of pregnant women purchase iron tablets from commercial sources
	ABORTION AND POSTABORTION CARE	
Nigeria Konje and Obisesan (1991)	119 women receiving treatment for abortion complications in a large public hospital	60% of patients had the initial procedure performed at a private hospital or clinic

- The degree to which women use private for-profit *abortion care* depends largely on the legal status of abortion in a country. Where severe restrictions exist, the majority of women will either induce an abortion alone or seek out clandestine private providers. In Nigeria, where abortion is legal only to save a woman's life, 60 percent of women who sought treatment at a public hospital for complications from unsafe abortion had the initial procedure at a private hospital or clinic. Where abortion is permitted for broad social and economic reasons, women appear more likely to use public sector services. For example, after the South African parliament legalized early abortion in 1997, public hospitals reported a surge in the number of women seeking the procedure. Many women, however, still prefer private care out of concern for quality and confidentiality.

- For-profit providers play a less central role in *postabortion care.* Where the majority of abortions are clandestine, poorer women are most likely to suffer complications from unsafe abortion, yet are least able to pay for expensive private treatment. In addition, private, clandestine abortion providers typically do not offer family planning—a key element of postabortion care.

The private for-profit sector plays a large role in the diagnosis and treatment of sexually transmitted infections.

These disparities in reliance on the private commercial sector reflect differences in the willingness of consumers to pay for specific types of health care, in particular their greater willingness to pay for curative than for preventive care. But they also reflect differences across countries in the social and economic factors which shape the general business environment and influence the commercial sector's decision to invest in reproductive health care.

CHAPTER 3

Key Factors Affecting Commercial Sector Involvement

For any business, the decision to make an investment is complex and reflects a combination of factors. In reproductive health, too, a number of factors account for varying levels of commercial sector involvement across countries. A better understanding of the conditions that facilitate such investments is crucial to formulating effective strategies to expand the commercial sector role.

SOCIAL, ECONOMIC AND DEMOGRAPHIC FACTORS

Population size and density, current demand, income levels and availability of basic infrastructure are important elements of the general business environment that affect commercial decisions to enter or expand markets. Most of these conditions remain outside the short-term influence of policymakers; together, however, they have a profound effect on the volume of sales and profits companies can generate and on the cost of their business operations.

Population size is key to commercial interest. To remain viable, businesses at all points along the supply chain must have a potential market large enough to generate sufficient revenues to cover their costs. Developing countries with larger populations thus tend to attract more interest from commercial firms. Of the ten countries where the commercial sector share of the family planning market is greatest, six (Colombia, Turkey, Egypt, Mexico, Brazil and Indonesia) have populations of more than 40 million.

Population density is also important to profitability, and is one reason why pharmacies and private medical practitioners tend to be concentrated in urban areas. Commercial distribution networks for drugs and medical supplies typically do not reach regions with a low population density. It is often not economical for sales representatives of pharmaceutical companies to visit remote or sparsely populated areas, since expected sales volume is not high enough to cover the costs of promotion and distribution. In Pakistan, for example, one drug company limits its sales representatives to visiting towns with 5 or more doctors, owing to cost considerations.

Developing countries with larger, more urbanized populations tend to attract more interest from commercial firms.

MARKET PROFILE

Oral Contraceptives

MARKET SIZE

Oral contraceptives are one of the most popular methods for women seeking temporary protection against pregnancy. In the developing world, the nearly 50 million users of oral contraceptives account for 13 percent of those women practicing modern family planning. Worldwide sales of oral contraceptives yield over $2 billion annually, about 80 percent of revenues from the sale of family planning products worldwide. Manufacturers earn 90 percent of these revenues in industrialized countries, where just one-third of users reside.

THE PRODUCT

Pills combining the hormones estrogen and progestin are the most widely used products on the market; a second, less common formulation are progestin only pills, intended primarily for breastfeeding women. Over the last three decades, manufacturers have reduced the amount of hormones contained in the oral pill to diminish the undesirable side effects of higher dosages. Packaged in 21 and 28 day blister packs, pill cycles sometimes include several gradations of dosage over a woman's cycle.

IMPROVING THE PRODUCT

Currently technology makes a variety of improvements in oral contraceptives feasible. However, profits are too small and the potential liabilities from lawsuits in developed countries are too large to stimulate the industry to develop and launch new forms of oral contraceptives.

MANUFACTURING

A few large multinational drug companies dominate the manufacture of oral contraceptives. Wyeth-Ayerst and Ortho in the United States, Schering in Germany, and the Dutch firm Organon account for 80 percent of product sales worldwide. For Schering and Organon, roughly a quarter of their overall revenues derive from the sale of oral contraceptives. For Wyeth-Ayerst, by contrast, sales of their contraceptive products make up less than 10 percent of overall product sales.

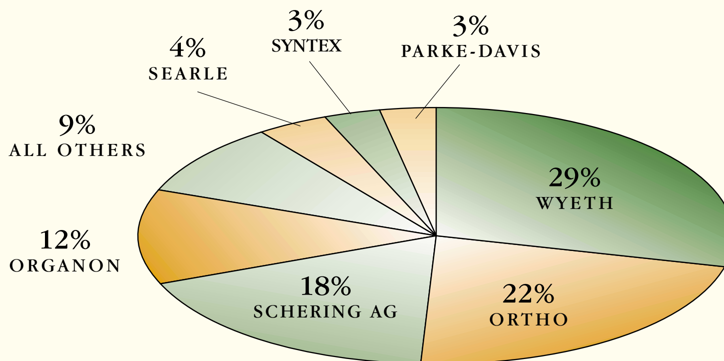
The need for exacting quality control and highly skilled workers limits production of oral contraceptives to settings in relatively developed countries. Plants can operate profitably only when geared to mass production, and

Figure 8

WORLDWIDE SALES *of* ORAL CONTRACEPTIVES

Percent Share by Company, 1992

Source: Polly Harrison and Allan Rosenfield, eds. *Contraceptive Research and Development: Looking to the Future.* Washington, DC: National Academy Press, 1996.



require dependable supplies of critical raw materials. Manufacturing facilities are primarily located in the United States, Germany, Canada, the Netherlands, the United Kingdom and Hungary, but also operate in roughly a dozen developing countries. Plants in China are state-owned, India and Egypt host a mix of public and privately-owned producers, and elsewhere production is in the hands of private firms.

CONSUMER SOURCES OF SUPPLY

In the developing world, three out of five women who use oral contraceptives obtain their supplies free or at nominal charges from public sector institutions such as ministries of health and social security systems, or from non-profit family planning associations. Pharmacies and other retail outlets supply some 20 million customers; of these, 4 million purchase the product at below-market prices through social marketing initiatives in 33 developing countries.

DONOR ROLES

International donors play a vital role in financing the use of oral contraceptives in developing countries. Donors provide about 300 million cycles of pills annually, or enough to supply roughly three-quarters of all women who obtain the method from public or non-profit sources. Donor support will continue to be crucial to make supplies available to poor women and to fund research to improve the product.

OPPORTUNITIES FOR MARKET GROWTH

Almost all growth in the use of oral contraceptives will likely come from the developing world, where the number of younger women—the main users of the method—are increasing rapidly. The growing popularity of injectable hormonal contraception may, however, dampen future market growth, and the potential for expansion of commercial markets is uneven across regions. The likelihood for market growth is lower in Latin America and the Caribbean, where levels of contraceptive use and commercial sector involvement are already high. In Asia and Africa, by contrast, prospects are good for market expansion. The trend towards fewer restrictions on brand-name advertising of prescription drugs holds particular promise for efforts to boost commercial sales of the method.

The commercial sector share of the family planning market tends to be greater in countries and regions with higher per capita incomes.

Research confirms that highly urbanized countries are more likely to have a strong commercial family planning presence.

Current Demand (also referred to as actual market size) greatly influences commercial sector involvement. "If the markets are already there," notes one observer, "commercial companies will pursue opportunities." Companies generally find it more cost-effective to compete for existing consumers than to invest in expanding the market by wooing public sector or new clients. Moreover, businesses often view expanding markets for reproductive health products as expensive and risky. For example, the potential market for iron pills is huge—effectively, all women of reproductive age—and current use of these supplements is low in most countries. Yet few commercial producers are willing to gamble that advertising and other promotional activities will pay off in increased sales of their product.

A further disincentive for investing in market expansion is that reproductive health products typically account for only a small portion of drug company sales and profits. Sales representatives are under pressure to visit several pharmacies or physicians each day and to promote as many as 30 different items. They have little incentive to spend much time on items such as contraceptives, which often do not generate a large volume of sales or high profit margins. Moreover, firms generally focus promotional efforts on new products with greater profit potential; many contraceptive brands have been on the market for several years.

Income levels are a key factor affecting the willingness of for-profit firms to enter a new market or to invest in market expansion. Contraceptive manufacturers earn just 20 percent of their revenues from sales in developing countries, even though two-thirds of the world's contraceptive users live in the developing world. "In many poorer countries," observes one pharmaceutical company executive, "people just don't have the wherewithal to pay market prices for reproductive health products."

Not surprisingly, the commercial sector share of the family planning market tends to be greater in countries and regions with higher per capita incomes. Latin America, for example, has a highly developed commercial sector, because most countries in the region have substantial middle and upper class groups with adequate purchasing power. By contrast, commercial sector involvement is low in sub-Saharan Africa, where consumer buying power is much more limited.

Nonetheless, other factors such as a large and viable middle class can create a favorable climate for business even where most people are relatively poor. For example, although average purchasing power in India is low, the middle class is large enough to attract significant investments from international pharmaceutical companies.

The degree to which a basic **economic and commercial infrastructure** has been established is also a key consideration for businesses interested in operating in a country. Well-functioning transport and communications systems, and reliable banking and credit facilities, are particularly important to fostering a positive business climate. Inadequate infrastructure can eliminate a large share of the potential market for a product by placing consumers beyond the easy reach of distribution networks, and increasing costs to the point where maintaining a business becomes unprofitable.

COMPETITION FROM SUBSIDIZED PRODUCTS

The presence of large public sector programs that provide low-cost or free reproductive health care without regard to the ability of clients to pay can strongly inhibit the development of commercial markets. By pricing products and services below levels at which the commercial sector can operate profitably, subsidized programs take away clients who would otherwise use for-profit sources.

The business community is particularly critical of publicly-funded efforts that undermine established commercial markets. A representative of a multinational drug company notes the loss of market share in Nigeria that occurred, in his view, when the public sector began to distribute free contraceptives supplied by international donors. "We often want to make an investment in a country, only to find that public sector strategies run counter to commercial sector business strategies," says this official. Faced with the uncertainty of government and donor actions, firms frequently opt not to gamble on new markets. They will often undertake partnerships with the public sector only with assurances that the country will not later be flooded with free commodities from international donors.

Faced with the uncertainty of government and donor actions, firms frequently opt not to gamble on new markets.

Analyses confirm that subsidized programs have an inhibiting effect on for-profit activity. A study of family planning market share in 45 countries shows an association between strong government programs and a small commercial presence. In Peru, the government's decision to greatly strengthen the public sector program and provide free services is thought to have precipitated a sharp drop in the commercial share of the family planning market.

Governments may decide that the benefits of public subsidies for reproductive health care outweigh any inhibiting effects on commercial sector involvement. In making these decisions, however, policymakers need to explicitly take into consideration the potential impacts on the private sector.

Still, in some countries, subsidized programs have not inhibited for-profit efforts. In Turkey, a strong public sector program co-exists with a healthy commercial market, in part because the

STUDY	SAMPLE	FINDINGS
Vietnam Behrman and Knowles (1998)	Survey of 1,890 households in seven provinces	The richest 20% of the population receives 28.4% of family planning subsidies; the poorest 20% receives just 15.2% of subsidies
El Salvador Farrell et al. (1994)	National survey of 9,000 households	65% of women using subsidized hospital birthing care are from high and middle-income households
Indonesia Winfrey and Heaton (1996)	National survey of 12,631 households	54% of high-income households and 80% of low-income households obtain family planning services from subsidized sources
Peru Futures Group (1997)	National survey of 28,951 women ages 15 to 49	20% of women obtaining family planning services from the public sector can fully pay for such services
Côte d'Ivoire Shapiro and Meekers (1999)	Survey of 2,171 individuals in a large city and two small towns	60% of people viewing a publicly-funded televised AIDS prevention program are from middle and upper income groups; 70% of respondents purchasing the subsidized brand of social marketing condoms are from middle and upper income groups

Figure 9

WHO BENEFITS *from* PUBLIC SUBSIDIES *for* REPRODUCTIVE HEALTH CARE?

Findings from Recent Studies

See Key Reference list for full citations.

large population allows businesses to attract customers in numbers sufficient to maintain profits. Moreover, while untargeted public programs may hamper commercial efforts, the absence of strong government programs is itself no guarantee of commercial interest. There are many countries with weak public sector health systems, particularly in sub-Saharan Africa, where the commercial sector has failed to aggressively invest in reproductive health care—usually because other necessary conditions for such investment have not been met.

Another form of competition from subsidized or low price products occurs when corrupt government officials redirect commodities meant for distribution through subsidized channels for commercial sale for their own financial gain. Drug company executives cite such "leakage" as a serious challenge to establishing viable commercial markets. In Thailand, for example, the diversion of oral contraceptives from the public sector program in nearby Bangladesh to the market in Thailand has reportedly hurt commercial sales. In smaller markets, even relatively low levels of product leakage can reduce profitability to the point where commercial sales are no longer viable.

Leakage is difficult to detect, and there is a need to further study the extent of the problem. One executive estimates that a fifth of donated contraceptives in some countries are diverted to commercial channels. Donors can help reduce leakage by strengthening training in commodity management for staff in public sector programs, and by holding recipient governments accountable when donated commodities are diverted to the black market.

THE LEGAL AND REGULATORY CLIMATE

The laws and regulations that set the framework for a country's economic activity and govern the provision of health care have a profound effect on commercial involvement in the health sector. Both the public and commercial sectors recognize that regulation is needed to protect consumers from unscrupulous or harmful practices. Nevertheless, laws and regulations often unnecessarily limit the provision of family planning and reproductive health care on a profit-making basis.

Regulation, although needed to protect consumers, often unnecessarily limits the provision of reproductive health care.

Regulations affecting the delivery of reproductive health care can increase supplier costs and suppress sales of reproductive health products. Those having the largest impact on the commercial sector include:

- bans on reproductive health products or services, including policies restricting the availability of all or some contraceptives in some former French colonies of sub-Saharan Africa and laws in many countries that restrict abortion;
- medically unnecessary prescription requirements for hormonal contraception and for drugs used in the treatment of sexually transmitted infections;
- limitations on where contraceptives can be sold;
- medically unnecessary requirements regarding the types of health workers who can provide various products and services; and
- excessive delays in product registration, licensing and certification.

Illustrations of these types of constraints are the limitations many countries place on the ability of nurses and midwives to set up private practices and on their authority to prescribe the antibiotics that are used in STI treatment.

MARKET PROFILE

Manual Vacuum Aspiration Instruments

MARKET SIZE

About 700,000 women yearly undergo manual vacuum aspiration (MVA) for abortion and treatment of postabortion complications, roughly 5 percent of all such procedures performed by trained health workers in the developing world. A small but rapidly number of abortions in the United States—some 100,000 annually—are performed with MVA. Worldwide revenues from the sale of MVA instruments are tiny—roughly $1 million a year, of which sales to developing countries account for 85 percent.

THE PRODUCT

MVA was introduced 25 years ago as a safer, simpler, and more cost-effective alternative to traditional methods of uterine evacuation in early pregnancy. The technique has particular application in poor countries for treating complications from unsafe abortion. The MVA technology consists of a large syringe attached to a long, thin plastic tube inserted into the uterus. The syringe generates a vacuum using a specially designed locking mechanism which, when activated, empties the contents of the uterus through the tube. MVA operates in the same way as the electric pump that is the standard technology in the United States and Europe. MVA instruments are generally sold in kits which include a syringe along with half a dozen of the tubes, called cannulae. With proper maintenance, the better-quality syringes are routinely used more than 50 times.

IMPROVING THE PRODUCT

Because of the controversy over abortion and low profit potential, interest from donor country governments and commercial manufacturers in improving MVA technologies is very limited. As a result, the product today has changed little from early models. One possible area for improvement would be making the syringe from a newer plastic that is more easily sterilized.

MANUFACTURING

The world's largest manufacturer of MVA instruments is the U.S. nonprofit organization Ipas, which in 1997 sold 45,000 syringes and 200,000 cannulae. Currently, only one other U.S. firm makes a syringe for MVA. However, the firm does little to market them globally. Manufacturers in India and Vietnam produce lower-quality instruments. Ipas has helped to set up manufacture of its instruments in a few developing countries, notably India. Markets in all but the largest countries, however, are too small to justify local production.

CONSUMER SOURCES OF SUPPLY

Most MVA instruments are marketed directly to physicians. Ipas sells roughly half of its production to the commercial sector, including about one-third to commercial distributors in over 20 developing countries and one-fifth to individual doctors. Particularly strong commercial markets for MVA instruments have emerged in Nigeria and Turkey, in large part due to the willingness of a few key local individuals to develop the for-profit market. NGOs, donor agencies and developing country governments account for the rest of MVA purchases.

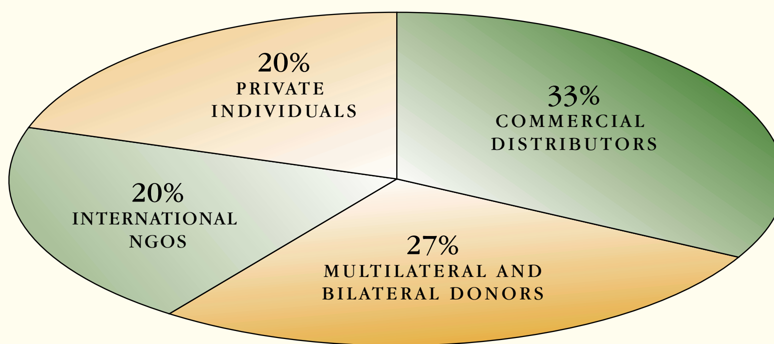


Figure 10

IPAS SALES *of* MANUAL VACUUM ASPIRATION (MVA) INSTRUMENTS

Percent Share By Purchaser, 1997

Source: Ipas.

DONOR ROLES

International donors currently purchase about half the supply of MVA instruments. Private foundations have been particularly important in the dissemination of MVA technology, given the reticence of official aid agencies to associate themselves with abortion-related activities. In the wake of the 1994 International Conference on Population and Development and its stress on improving postabortion care, some donor countries have begun to fund training in MVA and purchase of instruments, especially for treatment of abortion complications. Although USAID supports research and training in postabortion care, its current policy prohibits the agency from purchasing MVA instruments, even if only for treating abortion complications.

Donors will continue to play a key role in supporting efforts to educate developing country policymakers and the general public on the prevalence and health impact of unsafe abortion. More open discussion of abortion will help create a more favorable climate for availability and use of techniques such as MVA.

OPPORTUNITIES FOR MARKET GROWTH

The prospects for rapid growth in sales of MVA instruments are good, but revenues will continue to be relatively small. Projections put annual sales of the technology at just $3 million within 5 years. At these levels, MVA technology would be used for about 3.5 million abortions annually. The increasing availability of safe and effective abortion drugs could significantly reduce the need for MVA and other surgical abortion techniques. Most of the growth in market for MVA is likely to occur in developing countries; the United States is one of the few countries in the developed world where there is potential for growth in MVA sales.

The key to expanding commercial sales of the instruments is the establishment of reliable and sustainable local channels of distribution. This step requires official action to approve and license the product and coordination among governments and the donors and technical assistance agencies working to improve abortion and postabortion care. Government recognition of MVA makes it far easier to set up these channels. Introducing MVA into public sector programs is thus crucial for the eventual emergence of a commercial market for MVA instruments, since official acceptance of the technology legitimizes the practice for the private sector. Another important strategy to establishing commercial distribution is to emphasize the multiple uses of MVA—for example, its use for collecting uterine cells for diagnosis of cancer and other diseases.

Restrictions on brand name advertising and promotion discourage commercial interest.

Tax policies and import duties can raise costs to producers, wholesalers, and retailers, and thus cut profits. Although intended to help governments improve budget shortfalls and spur economic growth, the following types of policies can work against efforts to achieve public health objectives.

- Sales taxes on reproductive health products and services, as high as 20 percent in some countries, impose costs on commercial suppliers that are passed on to the consumer.
- In many countries, imports destined for commercial markets are heavily taxed, while donated goods are usually imported free of charge, putting commercial firms at a further disadvantage in competing with subsidized programs.
- In countries such as the Philippines, commercial imports of contraceptives are exempt from import duties, but the process to obtain the exemption is often cumbersome, time-consuming and costly.
- Obtaining import licenses and securing the foreign exchange needed to buy imported drugs is a major problem in places such as Russia, which is privatizing the formerly state-run drug distribution and retailing network.

Restrictions on brand advertising and promotion also discourage commercial interest. Until recently, most countries prohibited consumer advertising of specific brands of contraceptives and other reproductive health products. Although restrictions on brand-name advertising are diminishing, they still remain in many countries. Government regulations in the Philippines, for example, prohibit the advertisement of all prescription drugs—including oral and injectable contraceptives. Jamaica allows brand-specific advertising of condoms, but still prohibits such promotion for hormonal contraceptives.

Meanwhile, commercial firms are reluctant to place generic advertisements to stimulate use of these products because such advertising may also benefit their competitors. Most firms also perceive this type of generic promotion to be the responsibility of the public sector.

Price controls and threats to intellectual property rights are two additional concerns for businesses. In Egypt, Jordan and elsewhere, government controls on the price of oral contraceptives—intended to make products more affordable—have discouraged commercial sector interest. In South Africa, a major U.S.-based pharmaceutical company suspended plans to set up production facilities over concerns that weak patent protections would make it unprofitable to manufacture products in the country.

CROWDING OUT THE COMMERCIAL MARKET IN ZIMBABWE

In Zimbabwe, a strong government program has slowed development of a commercial market for contraceptives. With a highly literate population of 11 million, a relatively high annual per capita income for the region of about $600, and among the highest levels of contraceptive use in the region, Zimbabwe would seem ripe for commercial interest. Yet, just one in ten oral contraceptive users obtains supplies from for-profit sources.

The government's family planning program has been very successful in expanding access to family planning in Zimbabwe. However, the decision to distribute contraceptives free, regardless of ability to pay, has driven out virtually all commercial players. Even though the government has initiated efforts to wean higher-income users from highly subsidized public sector services, the dominance of the state-run program continues to discourage the involvement of the commercial sector. Pill manufacturers who do not already have products on the local market have shown limited interest in establishing commercial operations in Zimbabwe, in part reflecting concern that consumers will not pay commercial prices for products they have been receiving free.

A positive legal and regulatory climate, while necessary for commercial viability of a product, is not by itself a guarantee of profitability. "Policy isn't everything, it's only a part of the picture," says a U.S. foreign aid official familiar with efforts to increase the involvement of the commercial sector in providing reproductive health care. The impact of regulatory constraints varies tremendously. In some countries, excessive regulation is an important constraint on commercial activity. Yet, elsewhere, a favorable legal and regulatory climate has not been matched by a vibrant commercial response, often because demand for reproductive health care and purchasing power are too low.

OTHER FACTORS AFFECTING COMMERCIAL INVOLVEMENT

The **political environment** for the provision of reproductive health care often has an important influence on business decisions. Firms work hard to maintain good relations with government officials and to project a positive public image. Companies often shy away from involvement in abortion and family planning to avoid embroilment in religious or ethical conflicts—and the potential harm to their business interests.

The risks of such controversies can be considerable. When the pharmaceutical company Pharmacia & Upjohn introduced its injectable contraceptive Depo-Provera onto the commercial market in the Philippines, the Catholic church organized a boycott of the company's entire line of products. As a result of the controversy,

many pharmacies refused to sell Depo-Provera, and the firm scaled back its promotional activities. Fearing a similar public reaction, other companies selling hormonal contraceptives abandoned their plans to more aggressively promote such products.

Corruption is a major problem for commercial firms operating in developing countries, one which can significantly raise the cost of doing business and cut into profitability. U.S. companies, facing sanctions for bribery under existing U.S. law, often complain they are at a disadvantage compared to foreign competitors who are not held to the same ethical standards.

Finally, **knowledge about market conditions** in the developing world is frequently limited. Government policymakers typically know little about the commercial sector and may unintentionally inhibit the growth of commercial markets, thus hampering the achievement of public health goals. Businesses themselves operate without full information, and their analysis of markets can be flawed. Distributors and sales representatives often do not use publicly available survey information regarding current and potential demand for reproductive health care. Moreover, data on commercial sales for many developing countries are incomplete and unreliable, and marketing of products commonly proceeds on a trial and error basis.

Governments and international donors can influence a number of the factors that determine the commercial sector's interest in reproductive health.

Looking across countries, the factors that appear to have the most influence on the commercial sector's interest in reproductive health include *levels of income and urbanization, along with perceived competition from publicly subsidized programs.* Yet, as some of the examples cited above suggest, the situation differs greatly from country to country; other factors may be of equal or greater importance for any particular country or product.

Many of the factors influencing commercial sector involvement are beyond the immediate control of developing country governments. There is little potential to change population size and density over the short term; similarly, raising income levels and improving basic economic infrastructure—though appropriate areas of government action—are typically long-term undertakings.

Yet, governments as well as international donors can have substantial influence over a number of factors in the short and medium term. These include the scope of publicly funded programs, together with policies regarding subsidization of products and services; the legal and regulatory framework; and the level of demand for reproductive health care. The following section discusses how governments and donors can influence these factors to encourage the commercial sector to play a greater role.

CHAPTER 4

Strategies to Expand the Role of the Commercial Sector

In all developing countries, governments and international donor agencies can utilize a variety of strategies to explicitly encourage the commercial sector to expand its role in reproductive health care. To be effective, such strategies need to be part of a comprehensive approach to clarifying public and private sector roles in serving the reproductive health needs of different economic and social groups, and making the best use of scarce public funds. Governments and donors need to define these roles in the context of each country's specific situation, based on fundamental conditions such as market size, demand for reproductive health care, and the ability of consumers to pay for such care.

In reality, the poorest and least developed countries will need to provide significant subsidies for reproductive health care for the foreseeable future. These subsidies may be provided through public sector and NGO programs and approaches such as social marketing that make low-cost products and services available through commercial channels. Wealthier developing countries have a lesser need for subsidies, and governments in these countries should encourage the commercial sector to play a larger role.

In any particular country, the mix of strategies, and the extent of reliance on the public and private sectors respectively, will vary. But in general, the primary responsibility of governments is to lay the groundwork for a viable commercial market and create a positive business climate for the provision of reproductive health care. Some governments and donors have gone further, however, and taken a more active role in helping to build commercial markets through various partnership arrangements with private businesses.

Specific strategies that governments and donors can undertake to encourage the commercial sector to expand its role include:

- reorienting public sector programs to those truly in need, so that they complement rather than displace commercial efforts;
- changing laws and regulations necessary to encourage a greater role for the private for-profit sector in reproductive health care;

In any particular country, the mix of strategies to expand the commercial sector role will vary.

- analyzing the impacts of public policies on the commercial sector and including representatives of private businesses in health care planning and decision making;

- supporting broad public education activities aimed at increasing demand for reproductive health products and services; and

- undertaking public-private partnerships aimed at sharing the risks of expanding commercial markets for reproductive health products.

STRATEGY #1
TARGET PUBLIC PROGRAMS TO THE POOR AND HARD TO REACH

Governments must redirect their programs to serving the poor and hard to reach.

Perhaps the single most important step that governments can take to stimulate commercial interest in the provision of reproductive health care is to redirect public funds towards serving the poor and hard-to-reach. To increase access to reproductive health care, governments must become far more discriminating in targeting their programs to those truly in need. Despite official rhetoric, free or highly subsidized government health programs in many countries continue to help the better-off more than the poor.

The state has a critical role in extending reproductive health care to those unable to afford market prices and to remote or sparsely-populated areas where it is unprofitable for commercial firms to operate. But to free up financial resources to serve these populations within existing budget constraints, governments need to shift wealthier clients to commercial sources.

There is enormous potential for this strategy to reduce the financial burdens on the public sector. Based on a conservative estimate that just one-fifth of public sector family planning clients in the developing world could pay the full cost of care, shifting these consumers to commercial sources would reduce the number of clients served by the public sector by roughly 75 million worldwide.

Unfortunately, most governments and donors have failed to recognize the potential of targeting to achieve public health goals. "Getting the government and donors to recognize that the state cannot do it all is the hardest step," notes one observer. Many governments continue to offer free reproductive health care, regardless of ability to pay, because they believe the benefits to society outweigh the costs. Government health officials also tend to focus on the volume of *publicly* provided care rather than the total coverage of health services provided by *all* sectors. Donors, for their part, have tended to focus on the level of products and services provided, rather than the income levels of those served.

Indonesia is an example of a country which, even prior to the recent financial crisis, was actively seeking to steer wealthier public sector clients to for-profit sources of contraception. To achieve this, the government has used an existing system that classifies all families according to their economic status. In 1994, almost half of family planning clients using public sector programs were relatively well off. Projections suggested that, if the government were able to shift all higher income clients to for-profit sources of family planning, the public sector would serve some 3 million fewer clients by the year 2005, saving roughly 25 percent of contraceptive and clinic costs. Such strategies have taken on even greater importance in light of Indonesia's recent economic problems. The more the government can save through shifting better-off clients to the commercial sector, the better it will be able to serve lower-income clients—whose numbers have grown significantly in recent months.

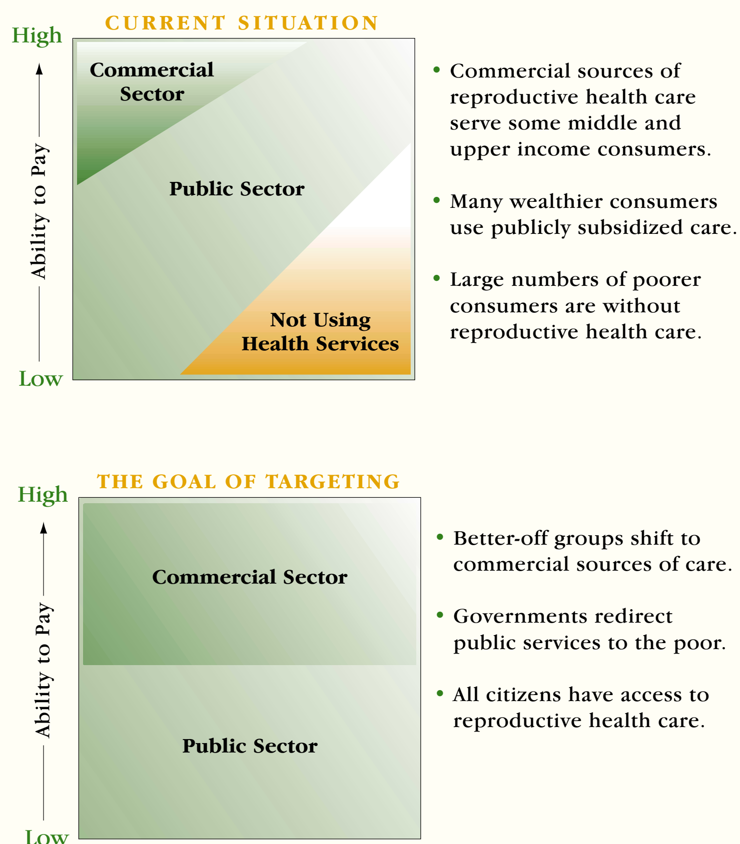


Figure 11

WHAT TARGETING *of* HEALTH CARE SERVICES HOPES *to* ACHIEVE

Governments must continue to seek better ways to target services. As yet, there is no simple formula guaranteed to reorient public programs to lower-income clients. Policies that screen individuals seeking care by income levels often face political and administrative barriers that inhibit their implementation. Wealthier clients are reluctant to give up free care, and changes in government policy typically generate strong resistance. Moreover, setting up an effective system of testing clients for their income levels and collecting user fees is often more expensive than simply providing free care, particularly in countries where management of public programs is weak. And, even in some instances where governments have succeeded in moving clients from public to commercial sources, it is not clear that the savings have been reallocated to serving the poor.

In the absence of known strategies for effective income testing, a simple alternative is to concentrate public programs in those low income communities and rural areas that are least attractive to the commercial sector. Other strategies for targeting the poor include focusing resources on health, nutrition and reproductive health problems associated with the poorest populations, and on strengthening care provided by those health workers who serve the poor.

STRATEGY #2
LOWER LEGAL AND REGULATORY BARRIERS

Governments should limit legal and regulatory barriers that discourage the use of for-profit sources of reproductive health care. Efforts in a number of countries have succeeded in reducing such barriers.

- In **Egypt** in 1993, population program advocates were successful in convincing regulatory authorities to legalize the sale of the injectable contraceptive Depo-Provera in commercial pharmacies. Government regulations, however, still allow only physicians to administer injections.
- In **Brazil,** condom companies joined with AIDS activists to convince the government to reduce tariffs on the raw materials used in condom production, arguing that lowering tariffs would promote public health goals.
- In **Zimbabwe,** population organizations successfully lobbied for the elimination of import duties on condoms and for reductions of 5 to 10 percent in tariffs on other contraceptives.

Governments should limit legal and regulatory barriers that discourage the use of for-profit reproductive health care.

Particularly in addressing tax and import policies, it is vital that the dialogue involve not only health officials but also other key stakeholders, for example Ministry of Finance officials and business groups. It should also be recognized that such efforts are likely to meet with some resistance. For example, in the Philippines, health officials proposed exempting oral contraceptives from an across the board import tariff on drugs. Analyses indicated that, at lower commercial prices, a large number of public sector clients would shift to purchasing pills from pharmacies. This in turn would have reduced the burden on government health facilities and generated savings that more than offset the loss in revenues from eliminating the tariff on oral contraceptives. Still, government revenue department officials opposed the change.

Governments also need to ease restrictions on advertising of reproductive health products. Many Latin American countries are following the lead of the United States in loosening restrictions on advertising of brand name drugs, and there is slow progress towards reducing these barriers in other regions. Governments and donor technical assistance agencies should encourage companies to view increased freedom to advertise as a cost-effective way to expand their markets. Nevertheless, for many drug companies which until recently relied almost exclusively on a marketing strategy aimed at medical personnel, the switch to advertising directly to consumers requires a major shift in marketing approach.

LESSONS LEARNED FROM THE USAID EXPERIENCE

Two decades of USAID-supported efforts to expand the commercial sector's involvement in the marketing of reproductive health products have yielded the following lessons.

- Building partnerships with commercial firms requires that international donor agencies acknowledge the profit motive and use a business-like approach in their dealings with the commercial sector.
- Donor agencies do not have to offer large amounts of direct financing or subsidies to the commercial sector to create successful partnerships in the health sector. Private for-profit manufacturers, distributors and retailers will invest their own funds in a partnership if there is a viable business opportunity.
- Distribution of free or heavily subsidized products discourages the commercial sector from entering or expanding markets.
- Demand creation, through modern marketing and advertising techniques, is an important requirement for commercial sector success.
- To be effective, partnerships with the commercial sector must address policy and trade related issues such as brand registration, import licensing and trademark protection.
- Activities that integrate family planning with other health services which are profitable and in demand stand the best chance of financial success and commercial sector response.
- Segmenting the market and tailoring messages to the desired audiences is essential to the effectiveness of social marketing efforts.
- Donors can help establish markets for affordable products by supporting innovative advertising and promotion and then transferring the program to a local commercial or NGO partner.
- Rather than competing for clients, the private for-profit and non-profit sectors should work together to achieve common goals. For example, commercial distributors can form successful partnerships with NGOs to sell products in rural areas where commercial distribution networks do not reach.

Adapted from USAID, Commercial and Private Sector Strategies Results Package, *1998.*

MARKET PROFILE

Injectable Contraceptives

MARKET SIZE

Although injectable hormonal contraception has been available for over two decades, use of the method is still relatively low. The approximately 15 million women in developing countries using injectables represent just 4 percent of all women practicing modern family planning. Producers earn roughly $300 million a year worldwide on sales of the product yet generate only one-quarter of their revenues in the developing world, where 90 percent of injectable users live.

THE PRODUCT

The most common injectable contraceptives contain a synthetic progestin administered every two or three months, depending on the brand. A small but growing number of women are choosing monthly injectable contraceptives, which contain both estrogen and progestin. Injectables are normally packaged in single injection vials, with larger containers available for clinic use.

IMPROVING THE PRODUCT

Product improvement has focused on developing formulations that limit menstrual disruptions and allow women to restore their fertility more quickly after stopping use. The World Health Organization, in partnership with the U.S. nonprofit group PATH, has been instrumental in developing and bringing to market these improved products. Another recent advance has been the development of a prefilled injection device that can be used only once. The device aims to prevent the spread of blood-borne infections, including HIV/AIDS and hepatitis B, associated with improper reuse of syringes and needles.

MANUFACTURING

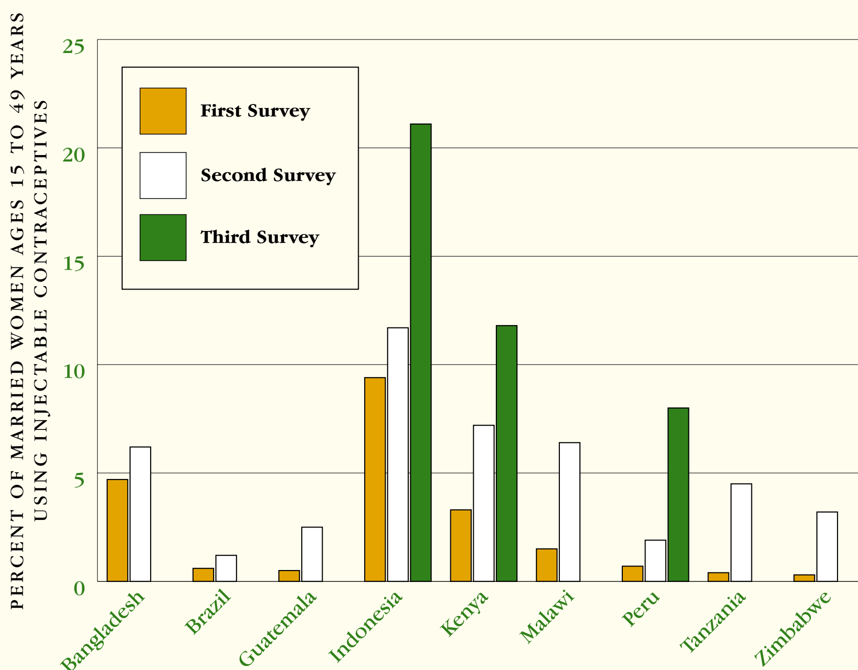
A handful of companies produce the vast majority of injectable contraceptives. Sales of Depo-Provera, a product of the U.S.-based firm Pharmacia & Upjohn, account for roughly two-thirds of the worldwide market. Schering and

Figure 12

TRENDS *in* USE *of* INJECTABLE CONTRACEPTIVES

Various Countries, Mid-1980s to Mid-1990s

Source: Demographic and Health Surveys.



Organon make other popular brands. Manufacturing facilities are located in the United States, Belgium, Germany, Mexico and Indonesia. A monthly injectable, Cyclofem, is produced by two private firms in Indonesia and one in Mexico.

CONSUMER SOURCES OF SUPPLY

About one-half of women using injectables in developing countries obtain the method from commercial sources such as pharmacies and private physicians; this proportion is much lower in sub-Saharan Africa and higher in countries of Latin America and the Caribbean. About 1.4 million couples in 22 countries now obtain injectables at subsidized prices through social marketing programs. The largest such effort is in Indonesia, where over a million couples buy the socially marketed product.

DONOR ROLES

Donor support has been crucial to making injectable contraception available in developing regions. International aid agencies provide about 24 million doses annually, enough to serve almost half the women using the method. The donors have also encouraged industry to pursue research aimed at improving existing injectable formulations.

OPPORTUNITIES FOR MARKET GROWTH

Use of injectable contraception, although still low, is projected to grow faster than for any other method of family planning. Recent surveys confirm a surge in the popularity of injectables in many countries, including in the United States. Almost half of the recent rise in modern method use in Africa can be attributed to the growing acceptance of injectable contraception.

Women switching from oral contraceptives and other, less effective methods of temporary family planning account for a significant part of the recent increase in injectable use. Many women prefer the injection because it frees them from remembering to take a pill every day, and allows them to keep their contraceptive use confidential.

Prospects for expanding commercial markets are somewhat mixed. Large untapped pools of potential users remain in places such as India, which only recently approved commercial sales of the method, and where the government program still does not offer injectables as an option. In India and elsewhere, however, regulatory barriers remain an important constraint to rapid commercial market growth. The need to assure high quality care through careful training of health workers in proper counseling and delivery of services will further slow commercial growth.

In most countries, injectables are also more expensive than oral contraceptives because of the additional cost of administering the injection. Moreover, companies marketing injectables have generally set prices high and aimed their promotional efforts at a relatively small group of wealthy women. The higher cost will likely remain a barrier for many women wishing to use the method.

STRATEGY #3
INITIATE A DIALOGUE BETWEEN THE PUBLIC AND PRIVATE SECTORS

Governments and donor agencies need a better awareness of how their actions affect the commercial sector. A public sector that understands the impact of its actions on private business is better situated to encourage an expanded role for the for-profit sector, as well as to achieve national goals for improving reproductive health.

Government must consult private businesses in major decisions relating to the role of the commercial sector. It is rare for commercial sector representatives to be invited to participate in population or health policy discussions, or to be consulted by either donors or government decisionmakers. In formulating national strategies, policymakers often assign a role and specific goals for the commercial sector, and are then disappointed when commercial firms do not act according to the plan. "There has to be open communication between the government, donors and the business community in a particular market," notes one donor official, adding, "Coordination of timing and objectives of the various players is important."

There has to be open communication between the government, donors and the business community.

It is crucial for the different donor agencies in a country to reach consensus on the types of assistance required in that country and to coordinate their efforts. Yet, donors often work at cross-purposes: one donor may have financial self-sufficiency of reproductive health programs and building commercial markets as primary objectives, while for another donor the urgent need to achieve public health goals may override cost considerations. In Honduras, for example, one aid agency is supporting the transformation of a subsidized social marketing effort into a fully self-sufficient commercial venture. Meanwhile, another donor is planning to fund free distribution of condoms on a major scale, a move likely to undermine efforts to expand commercial markets.

Governments must also ensure that in their eagerness to solve public health problems they do not crowd out for-profit activities that are emerging on their own. Public officials may underestimate the degree to which the commercial sector is already active in providing reproductive health services to consumers, especially in areas such as the treatment of sexually transmitted infections, where a strong motivation to seek curative care exists.

STRATEGY #4
CREATE DEMAND FOR REPRODUCTIVE HEALTH CARE

Governments and donors can encourage private sector involvement by supporting broad public education aimed at stimulating use of reproductive health care. Only the public sector can afford to engage in broad-based demand creation activities; although the commercial sector as a whole may benefit from such campaigns, no single company can justify these types of investments.

In many developing countries, national level communication campaigns have significantly increased knowledge about family planning, HIV/AIDS and other reproductive health services, and are linked to greater use of reproductive health care. Such activities promote the general benefits of reproductive health care and help to legitimize the use of reproductive health products and services. They also provide information to the public on how products work, to whom they are most beneficial, and where consumers can go to obtain both products and services.

The most effective of these broad-based efforts combine a variety of approaches that communicate to a range of audiences, for example, mass media campaigns for the general public, workshops for policy makers and health workers, education and information in communities for families and community leaders, education and information for couples at health clinics, and outreach on sexual health and family planning to youth. Governmental financial and political support is crucial to the success of such campaigns, because of the high cost of promotion and because of the sensitivity of sexual and reproductive health issues in many countries and the resulting potential for political controversy. In many countries, effective publicly-sponsored media campaigns have significantly contributed to the success of reproductive health programs.

A number of countries have undertaken promotional campaigns that broadcast messages in support of broad public health goals as well as specific products and services available through the commercial sector. Several countries have sponsored marketing of commercially-available reproductive health services and products under a common logo, including the Blue Circle and Gold Circle campaigns in Indonesia, Couples Choice in Philippines, Green Star in Pakistan, and Red Apple in Uzbekistan. In Pakistan in less than two years, a thousand female private practice physicians joined the Green Star program, which provides participants with training in family planning and contraceptive commodities for sale to clients.

Only the public sector can afford to engage in broad-based demand creation activities.

STRATEGY #5
BUILD COMMERCIAL MARKETS THROUGH SUSTAINABLE PUBLIC-PRIVATE PARTNERSHIPS

Partnership arrangements with the commercial sector can move social marketing programs toward financial self-sufficiency.

Governments and donors can utilize a variety of mechanisms to share the risks of establishing and expanding markets with commercial partners. Social marketing—the promotion and sale of subsidized products through commercial channels—is the most common approach to actively building commercial markets for reproductive health products. Social marketing programs currently operate in some 60 countries, providing family planning services to about 10 million couples, in addition to a variety of other health products.

Governments and donors should continue to support social marketing as an important strategy for serving lower and lower-middle income consumers. Social marketing programs accustom consumers to paying something towards the cost of a product and, by using existing commercial distribution networks, often reach populations that the public sector does not serve.

Where market conditions are ripe, governments and donors can begin to move social marketing programs in the direction of eventual financial self-sufficiency. Partnership arrangements with the commercial sector can play a key role in promoting this goal. Under such arrangements in a number of countries, for-profit distributors of reproductive health products have reached formal agreements with governments and international donor agencies to maintain prices at levels affordable to the middle and lower-middle class consumers most likely to switch from subsidized public sector programs. In return, governments and donors have shared the costs of an expanded marketing effort. The goal of these initiatives has been to encourage commercial partners to sustain large-scale marketing of affordable products after the withdrawal of donor and public sector funding.

The U.S. Agency for International Development has been a pioneer in this area, developing such partnerships in almost 20 countries, most of which already have viable commercial markets or significant potential for market expansion. USAID plans to expand reliance on this strategy under a recently-initiated program aimed at promoting commercial sector involvement. The United Nations Population Fund (UNFPA) is also exploring such partnerships in its first major effort to promote the expansion of commercial markets for contraceptives.

Figure 13

PUBLIC-PRIVATE PARTNERSHIPS *in* SOCIAL MARKETING INITIATIVES

Examples from the SOMARC III Project, 1993 to 1998

Source: The Futures Group International.

Country	Contraceptive Methods	Commercial Partner
MIDDLE EAST, NORTH AFRICA AND EUROPE		
Egypt	IUDs Injectables	FEI Products, Inc. Pharmacia & Upjohn
Turkey	Oral Contraceptives Injectables	Organon Schering A.G. Wyeth Pharmacia & Upjohn
Ukraine	Oral Contraceptives	Gedeon Richter Organon Schering A.G.
ASIA		
India	Oral Contraceptives	Wyeth
Indonesia	Condoms Oral Contraceptives Injectables	London International Group Schering A.G. Pharmacia & Upjohn
Kazakstan	Oral Contraceptives Injectables	Gedeon Richter Organon Schering A.G. Pharmacia & Upjohn
LATIN AMERICA AND THE CARIBBEAN		
Jamaica	Oral Contraceptives IUDs Injectables	Gedeon Richter Schering A.G. FEI Products, Inc. Pharmacia & Upjohn
Mexico	Oral Contraceptives	Schering A.G.
Peru	Condoms Oral Contraceptives IUDs Injectables	CSI Schering A.G. Wyeth FEI Products, Inc. Pharmacia & Upjohn

Experience with the commercial partnership model to date has primarily been with contraceptives.

- In the **Dominican Republic,** the German pharmaceutical manufacturer Schering agreed to cut the price of its oral contraceptive brand in half, in exchange for advertising paid for by the USAID-funded social marketing organization.

- In **Brazil,** Pharmacia & Upjohn initially sought to market its injectable contraceptive Depo-Provera to wealthy customers at a high price. In exchange for marketing support from USAID, the company agreed to cut its price in half and promote the product to less well-off consumers (see box on page 51).

Continued efforts are needed to explore effective ways to treat sexually transmitted infections through commercially marketed products.

These partnership arrangements are also gradually being utilized to expand markets for a broader range of reproductive health products. In Indonesia, government interest in reducing reliance on free distribution of iron folate tablets spurred an agreement between USAID, local pharmaceutical companies and the association of private midwives to boost commercial sales of iron supplements to pregnant women. Manufacturers agreed to reduce the price to wholesalers and consumers in exchange for USAID funding for promotional activities.

"The key to negotiating the agreement was telling each party how they will benefit," notes the official who helped broker the deal. The success of the program has spurred drug companies to do their own promotion of iron supplements in anticipation of large increases in product sales. "Amazingly," notes one international expert on maternal nutrition, "these types of efforts to tap into the commercial sector and people's willingness to pay have not received much attention, especially given how little these programs actually cost."

Public-private sector partnerships have also been undertaken to improve treatment of common sexually transmitted infections, but these have had only limited success to date. Pilot programs to sell prepackaged kits containing drugs in Cameroon, Uganda and the Philippines have encountered opposition from public health authorities who view the initiative as encouraging self-medication. Despite these problems, given the willingness of many consumers—especially men—to pay the full private sector price for such treatment, continued efforts are needed to explore effective ways to treat such infections through commercially-marketed products.

ANATOMY OF A DEAL: MARKETING INJECTABLE CONTRACEPTION IN BRAZIL

The recent experience in marketing the three-month injectable Depo-Provera in Brazil illustrates both the potential of partnerships between governments, donors, and the commercial sector as well as the limitations of such a strategy.

In 1997, the government of Brazil approved the commercial sale of Depo-Provera. USAID had an interest in making the product available to a wide range of consumers in Brazil, and asked the Futures Group International (a U.S. technical assistance agency) to approach Pharmacia & Upjohn in Brazil (the local importer and distributor of the product) about introducing Depo-Provera through a social marketing program.

During preliminary discussions, the Futures Group discovered that the distributor planned to market the injectable to a relatively small group of high-income Brazilian women. The distributor's own calculations showed that, taking the traditional marketing approach of promoting Depo-Provera to physicians, it could sell about 70,000 doses at $20 per injection.

The Futures Group, using information from a recent demographic and health survey in Brazil, showed company officials that an alternative, mass-marketing strategy could greatly increase the volume of sales and increase profits. After extensive negotiations—and despite concerns over negative reactions from the Catholic Church and conservative members of the medical establishment—Pharmacia & Upjohn agreed to try the new strategy and cut its price by half. Meanwhile, USAID offered to spend $1 million to support the launch of the product and associated promotional expenses.

Early sales of Depo-Provera appeared promising, running at almost double initial projections. After a year, however, Pharmacia & Upjohn pulled out of the partnership, claiming that revenue levels were not sufficient to continue the effort. The company has abandoned the direct-to-consumer approach and raised the price of the product. Observers point to contractual limitations as a major reason for the collapse of the deal. Because the agreement with Pharmacia & Upjohn came near the end of its own contract with USAID, the Futures Group was unable to negotiate more than a one-year deal with the company. USAID remains convinced, however, of the viability of its initial strategy, and has begun negotiations with another manufacturer of injectables to undertake a similar marketing campaign.

Adapted from Patricia Allman, Marketing Social Marketing to Commercial Partners: What's in it for Them? *1998.*

International donors and the technical assistance agencies they support have played a key role in brokering agreements with commercial firms.

To date, there has been little rigorous evaluation of these efforts to transform subsidized programs into fully commercial ventures, and of the impact of social marketing programs on the expansion of commercial markets. Qualitative analyses suggest that the movement from subsidized social marketing to fully sustainable programs is a slow and not always successful process.

"We need to work more on bridging mechanisms to make these efforts more effective," notes one executive whose company has partnered with international donors in a number of countries. Specific mechanisms for achieving this transition require more attention during initial discussions with manufacturers and distributors. In particular, pricing and willingness to pay studies are needed to help determine the long-term commercial viability of such efforts.

International donors and the technical assistance agencies they support have played a key role in brokering agreements with commercial firms and in educating the business community about successful and innovative alliances. Governments need to expand their involvement beyond the role of mere guarantors of these agreements, to more actively negotiate and offer their own financial and technical resources as part of these agreements.

CHAPTER 5

Forging a New Relationship Between the Public and Private Sectors

The public-private partnerships described in the preceding section require a new relationship among governments, international donors and the private commercial sector. In too many countries, the relationship between governments and private business has been adversarial and marked by mutual mistrust. In many instances, governments and donors need to overcome long-standing biases and negative attitudes about the private sector that remain a constraint to closer collaboration. Public officials need to recognize the benefits of working with the private sector and build a relationship based on greater openness and trust.

CHANGING GOVERNMENT ATTITUDES ABOUT THE COMMERCIAL SECTOR

In many developing countries, government officials still harbor views about the business community that inhibit the commercial sector from reaching its full potential as a provider of reproductive health care. Countries with a tradition of state control over the economy—including China, Vietnam, and Russia and the newly independent states—are among the most resistant to expanding commercial sector involvement. The government of Vietnam, for example, has been reluctant to relinquish its dominance as a provider of health services and take on a greater role in regulating the private health sector. In Egypt, following years of state control over the economy, government distrust of the for-profit sector remains among the most significant constraints to commercial sector involvement in family planning. By contrast, countries which have long relied on a market economy, for example Indonesia and the Philippines, are more open to commercial sector involvement.

One reason public officials are sometimes wary about expanding the role of the commercial sector is a concern that such an emphasis may increase costs and lower the quality of health care. Some studies have shown that profit-oriented, private practitioners may be more likely to provide inappropriate or unnecessary treatment, or to cut costs in ways that reduce the quality of services.

Public officials need to recognize the benefits of working with the private sector.

EXPANDING COMMERCIAL MARKETS FOR FAMILY PLANNING IN INDONESIA

Over the last decade, the commercial sector's role as a source of family planning products and services in Indonesia has expanded enormously. Much of this increase can be traced to government efforts that have helped to create a favorable climate for commercial activity.

Although the public sector dominated provision of family planning products and services in the first two decades of the national population program, government policies were already helping to lay the groundwork for commercial expansion. The national family planning program linked a large and effective network of services with a strong effort to inform and educate couples on contraception. Family planning use increased from under 10 percent of married women when the national program was established in the late 1960s to almost 60 percent by 1997. The government focus on rural areas—where the commercial sector has relatively little interest in providing care—reduced competition with commercial sector providers whose natural clientele were better-off, urban consumers.

Spurred initially by an economic downturn that reduced public funding, beginning in the mid-1980s the government has taken various actions to accelerate the development of commercial markets for family planning, including:

- legal and regulatory reform of the pharmaceutical industry to increase commercial interest in investing in the expansion of local markets for contraceptive commodities;
- a sustained, nationwide, government-sponsored advertising campaign to promote private family planning services and products under a common "Blue Circle" logo;
- training in family planning for midwives—who in Indonesia are free to establish private practice, and are authorized to provide all contraceptive methods with the exception of sterilization;
- heavy promotion of the concept that better-off clients should shoulder some or all of their family planning costs, coupled more recently with efforts to implement income tests to ensure that publicly-funded services serve primarily the poor; and
- support for private health insurance that includes coverage for family planning.

These changes spurred an impressive response by the for-profit sector. For example, the seven-fold increase between 1989 and 1994 in sales of oral contraceptives marketed under the Blue Circle logo convinced a major pharmaceutical company to open a new local factory for oral contraceptives. Together with strong economic growth that increased consumer buying power, the efforts described above helped raise the for-profit sector's share of the family planning market from 12 to 40 percent between 1987 and 1997—an extraordinarily rapid increase.

Whether this trend will continue in the wake of Indonesia's recent financial crisis is uncertain. Although many consumers are still willing to pay for contraceptives, there is some evidence that the combination of falling incomes and rising private health care costs has forced many consumers to switch to lower-cost public services. The government family planning program, meanwhile, is intensifying efforts to target its resources towards serving the poor.

Of particular concern is the adequacy of information provided to clients who purchase reproductive health commodities at pharmacies or other commercial outlets. For users of hormonal contraception, lack of adequate information on who should use these products, how to use them and potentially serious side-effects can result in physical harm. Similar problems may be associated with consumers who purchase drugs for treatment of sexually transmitted infections through pharmacies without prior consultation with a trained health worker. Many social marketing programs have attempted to address this problem through training of pharmacy workers and others who sell reproductive health products, but these efforts have had only partial success.

Many public officials also worry that the drive to shift clients from public to commercial sources may reduce the access that poor people have to health care. In many countries where the government has instituted user fees for health services, utilization of public services has fallen; children and the poor are often the hardest hit by such price increases. Many health officials also perceive the commercial sector as reluctant to provide services with a strong public health component that often benefit the poor most, including immunization, prevention of sexually transmitted infections, and provision of health information.

At the same time that many government officials are wary of greater commercial sector involvement, they also tend to have unrealistic expectations regarding the potential interest of the commercial sector in expanding or entering markets. "In general," notes an official at a large U.S. contraceptive manufacturing firm, "the commercial and public sectors have dramatically different views of what can be considered viable markets." In some countries, government and donor officials have unrealistically expected the commercial sector to "take over" all or partial responsibility for reproductive health care after a donor has decided to withdraw assistance from a country.

Governments could do much more to facilitate the potential contribution of private businesses.

Priorities for Governments: While many of the concerns expressed above are legitimate, governments could do much more to recognize and facilitate the potential contribution of private businesses.

- *In an era of escalating needs and stagnant funding, **all** governments need to look to the commercial sector for help in achieving public health goals.* Even in countries such as China and Vietnam where the state has traditionally dominated health provision, private sector health services are growing rapidly—not as a result of a clear policy but rather to fill in the gaps in government services. The spread of the market economy worldwide has reinforced this trend.

MARKET PROFILE

Condoms

MARKET SIZE

Condoms have long been used for both protection against unwanted pregnancy and disease prevention. About 30 million couples in the developing world use condoms for family planning—roughly one-quarter of those using a temporary, modern method of family planning. Another 50 million men use condoms primarily with sex workers and other casual sexual contacts to avoid contracting a sexually transmitted infection. Sales of the roughly 5.5 billion condoms used each year in developing countries generate only about $150 million in revenues for manufacturers.

THE PRODUCT

Nearly all of the condoms currently sold are made of latex and are packaged singly or in strips of 3 to 5 pieces. Condom colors, shapes and textures vary according to the brand.

IMPROVING THE PRODUCT

Condom manufacturers frequently introduce incremental changes in design to improve or maintain product appeal. Enhancements focus on increasing resistance to tearing, changing the texture, and adding spermicidal lubrication. A new condom made of a thin, durable plastic represents an important alternative for users who are allergic to latex. Plastic condoms are also less vulnerable to light and high temperatures, and can be used with oil-based lubricants. Within the developing world, however, most consumers will likely continue to prefer the latex condom as it costs significantly less than the plastic variety.

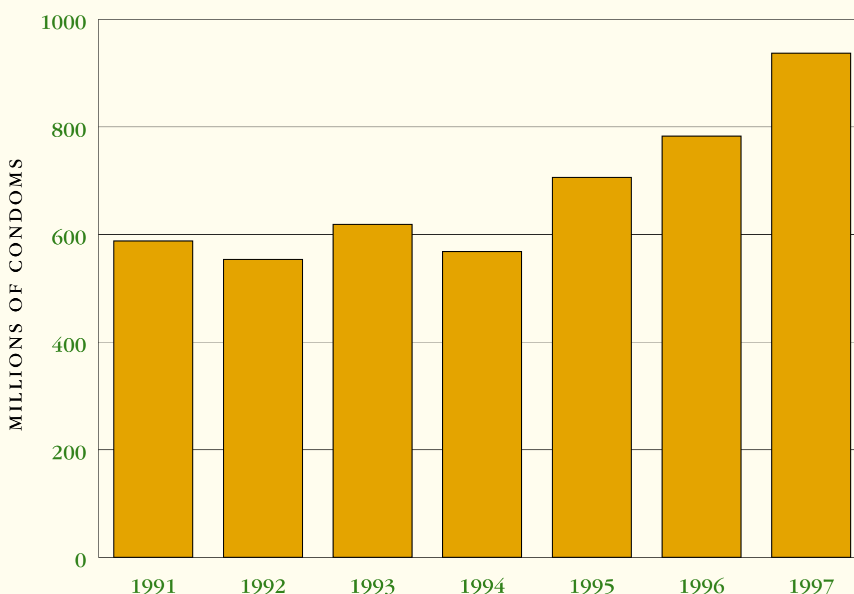
With the exception of limited donor support for development of the plastic condom, there is little funding outside of industry for product improvements. Donor requirements to meet more stringent international standards have, however, spurred significant enhancements in the quality of condoms.

Figure 14

SALES *of* CONDOMS THROUGH SOCIAL MARKETING PROGRAMS

1991 to 1997

Source: DKT International. *Contraceptive Social Marketing Statistics,* 7 vols. Washington, DC: DKT International, 1992-1998.



MANUFACTURING

Relatively few companies account for the bulk of worldwide condom supply. These include the London International Group (United Kingdom), Ansell (United States), Dongkuk (Korea), Seohung (Korea), Fuji (Japan), and Hindustan Latex (India). The economics of latex condom manufacturing requires mass production for the dipping process, exacting quality control, and easy access to high quality latex supplies and to markets that can absorb large quantities of output. Manufacturing occurs principally in the United States, India, China, Korea, Thailand and Malaysia. Condom packaging operations can be located in a broader range of places because they require less stringent technical specifications and smaller quantities. One firm in Mexico imports bulk condoms from Germany and packages them locally. Companies in a number of other developing countries import condoms in generic packages, then place the product in boxes under a local brand name.

CONSUMER SOURCES OF SUPPLY

Slightly under half of all couples in developing countries using condoms to plan their families secure their supplies from a commercial source—typically private pharmacies and small stores. Government sources are most common in countries of the Middle East and North Africa region while pharmacies supply the bulk of condom users in Latin America. Social marketing programs in 50 countries—most of them focused on HIV/AIDS prevention—sell almost one billion condoms a year at subsidized prices. More than half this total, however, is sold in just three South Asian countries—India, Bangladesh and Pakistan—primarily for family planning.

DONOR ROLES

Support from international donors has been critical to the growing popularity of condoms in the developing world. From 1995 to 1997, donors provided about 1.4 billion condoms annually for both family planning and STI prevention programs.

OPPORTUNITIES FOR MARKET GROWTH

Virtually all recent growth in condom use has occurred in poorer countries, in large part spurred by aggressive programs to prevent the spread of HIV/AIDS. The growth in condom sales is flat in most of the developed world, where, outside of Japan, condoms are not widely used.

Although other methods of family planning offer temporary protection against unwanted pregnancy, the condom is unique among contraceptives in its ability to also protect the user against sexually transmitted infections. The recently introduced female condom now gives women an important option to provide themselves with similar protection. However, its high cost relative to the male condom limits its use in developing countries beyond supplies provided by international donors.

Many experts believe there is still huge potential for growth in the condom market for prevention of HIV/AIDS and other sexually transmitted infections, especially among adolescents. Sales of socially marketed condoms increased 70 percent between 1992 and 1997. Nevertheless, important barriers remain to growth in commercial markets for condoms. Low purchasing power of the groups most in need of condoms for disease prevention is among the most significant barriers. The HIV/AIDS epidemic is particularly devastating in the poorest countries, including many countries in sub-Saharan Africa, and in Asian countries such as India and China. Continued public subsidies for wealthier consumers also inhibit commercial market expansion.

- *Governments should balance justifiable concerns about the cost and quality of private sector health care with the potential for better achieving public health goals through greater commercial sector involvement.* As noted earlier, governments have a important role in regulating the private sector role in reproductive health care—and in health care more generally. In particular, there is a need for public sector regulation of the variable quality of private for-profit health care. Yet, over-regulation often unnecessarily inhibits the commercial sector's efficient functioning. Moreover, specific strategies can be developed to address such problems as the inadequate information given to clients purchasing products from pharmacies. For example, pharmacy staff should receive more and better training, and manufacturers and distributors can utilize alternative means of getting information to clients, for example through improved package inserts.

Governments can develop specific strategies to address the variable quality of private for-profit health care.

- *While governments need to be more open to the private sector, they also need to recognize when underlying social and economic conditions are not ripe for commercial expansion.* Failure to be realistic about the commercial sector's ability to reach markets profitably can lead to serious miscalculations about the ability of for-profit actors to achieve goals set by national reproductive health programs. For example, family planning officials in Indonesia—a country where overall commercial involvement in family planning has increased dramatically in recent decades—assumed 20 years ago that the commercial sector would offer family planning in remote areas. Yet, the lack of profitable opportunities in sparsely-populated regions of the country has generated little interest on the part of commercial firms in marketing their products in these areas.

INCREASING DONOR AWARENESS OF AND SUPPORT FOR THE COMMERCIAL SECTOR

Interest on the part of international donor agencies in expanding the role of the commercial sector has been growing over the past two decades, a trend that has accelerated as the financial constraints on donors and governments have become more acute. Still, initiatives to expand commercial sector involvement must also overcome resistance on the part of some donor agencies.

Donor agency views on commercial sector initiatives vary widely, in part reflecting philosophical and societal differences among donor nations. The United States, with its largely private

for-profit health system, has been the foremost proponent of market solutions to reproductive health problems in developing countries. In virtually all other industrialized countries, most people obtain health care from publicly-funded or publicly-provided programs. Notes one U.S. observer, "Many other countries don't blink an eye when thinking about a strong public role for health care, in the same way that we in the United States assume that education is a state responsibility."

A further obstacle to increasing the role of the commercial sector in reproductive health is that the culture of donor assistance is for the most part unsympathetic to the commercial sector. Donor agency staff working in the reproductive health arena are government officials themselves; many see a strong government presence in health financing and services as essential to achieving public health goals, and are reluctant to divert limited funds to commercial sector initiatives.

"Donors are to a certain extent committed to and aware of the need to involve commercial partners," says an official at one U.S. technical assistance agency, "but they lack good information on both the motivations and potential of the for-profit sector." This lack of understanding reinforces existing biases against commercial sector initiatives while nurturing mistaken beliefs regarding what the commercial sector can realistically achieve. Notes one observer, "A lot of the donors think commercial sector involvement is a quick answer to the problem of financing government programs."

The United States has been a leader in promoting models for private sector involvement.

The **United States** has been a leader in promoting models for private sector involvement. In the early 1980s, during the Reagan administration, which placed a high value on free economic markets, USAID began allocating significant financial and technical resources to such initiatives. After almost two decades of both successes and failures in this area, the agency has built up significant expertise in designing and implementing innovative and flexible programs that promote public-private partnerships.

Because of its long experience with such approaches, USAID has fairly realistic expectations of the role the commercial sector can play. Yet, there is still considerable debate within the agency over the level of resources and effort that should be devoted to initiatives to increase commercial sector involvement. Many USAID population and health staff, moreover, lack a good understanding of commercial sector issues.

The **United Kingdom** and **Germany** are the only bilateral donors besides the United States that have made a significant commitment to commercial sector initiatives in reproductive health, almost exclusively through social marketing efforts. Aid policies of both donors favor a highly subsidized approach to such efforts. In keeping with its strong mandate to serve the poor, the British aid program requires that the social marketing programs

it funds focus on low-income consumers. Neither the British nor the German population assistance program has shown much interest in the types of public-private partnerships pioneered by USAID. Even in Pakistan, where the British are partnering with a local commercial contraceptive distributor, aid officials do not expect the program to become financially self-sufficient in the long run.

Multilateral donors generally work through developing country governments and thus find it more difficult to channel technical and financial resources to commercial sector programs. A current initiative by the **United Nations Population Fund** to broker partnerships among donors, governments, and commercial manufacturers of oral contraceptives marks an important first step for the agency (see box on page 61**).** The **World Bank** loans money to the public sector and thus is even more restricted in its ability to develop commercial sector initiatives. A positive recent step by the World Bank is the push for the Bank's private investment arm, the International Finance Corporation (IFC), to increase its lending for commercial health activities. The IFC has established a specialized unit in one of its regional departments to develop investments in health care, an area in which the IFC had previously shown little interest.

Aid agencies should avoid supporting activities that undermine healthy commercial markets.

Priorities for International Donors: The preceding discussion illustrates the variable and relatively limited interest in and ability of donors to directly support commercial initiatives. Nevertheless, donor agencies can take a number of steps to promote a more positive overall stance towards the role of the private sector in reproductive health care.

- *At a minimum, aid agencies should avoid supporting activities that undermine healthy commercial markets.* Especially in their commodity assistance and in their support for social marketing, donors need to convince business interests that they respect commercial markets and will not act in ways that undercut profits. Striking the right balance between nurturing commercial markets and achieving critical public health goals is often difficult, however. This is particularly true in the case of efforts to increase commercial sales of condoms on the one hand and expand free distribution on the other, in light of the urgent need to prevent the spread of the devastating AIDS epidemic.

- *Donors are uniquely situated to influence government policy and promote an environment that facilitates the role of the commercial sector.* Donor agencies can play an especially important role in their policy discussions with governments in urging the reorientation of publicly supported health care to the needy and the removal of

BUILDING ALLIANCES: UNFPA'S INITIATIVE TO EXPAND COMMERCIAL MARKETS FOR CONTRACEPTIVES

In 1997, the United Nations Population Fund (UNFPA) for the first time initiated a highly visible push for greater involvement of the commercial sector. The program, carried out under UNFPA's Global Initiative on Contraceptive Requirements and Logistics Management Needs, aims to expand commercial markets for family planning products and promote public-private partnerships to reduce contraceptive costs. Sponsors of the effort include the Rockefeller and Packard Foundations and the U.K.'s Department for International Development.

Through dialogue between governments, donors and commercial firms, UNFPA hopes to convince companies to lower prices and expand markets in exchange for commitments by governments to improve the tax and regulatory climate for commercial activity. Donor agencies would contribute to such deals through support for advertising and other marketing costs.

UNFPA is focusing first on oral contraceptives, because of their importance as a method of family planning and because oral pills account for almost four-fifths of the cost of all contraceptive commodities. Moreover, there are relatively few manufacturers of oral contraceptives worldwide, and many are accustomed to working with the public sector on similar initiatives supported by USAID.

A novel aspect of the initiative is that for the first time representatives of international donor agencies, developing country governments and the commercial sector are sitting around the same table discussing strategies to expand commercial markets. An initial meeting in July 1997 brought together bilateral and multilateral donor agencies including the World Bank, health and finance officials from developing countries, and the major producers of oral contraceptives.

UNFPA has followed up with specific efforts to assess interest among government officials and commercial sector representatives in Egypt, Ghana, India, Indonesia, South Africa and Thailand. A meeting in November 1998 brought together the main partners from those countries where the greatest potential exists for negotiating such agreements.

Some experts point out that UNFPA is spending little of its own money on the initiative—and that commercial sector programs have until now received limited interest within the Fund, and lack broad support and understanding within UNFPA. Most observers, however, agree that UNFPA is breaking new ground and moving in a positive direction by taking on a greater role in expanding commercial markets.

unnecessary legal and regulatory barriers to commercial sector involvement. The World Bank, in particular, has enormous influence on developing country policies; it is already taking the lead, in concert with other donors, to help developing countries establish more efficient and equitable health systems. Such reforms are key to redirecting public funds from curative to preventive health care and to encouraging better-off populations to seek care from private sources—changes that will in the long term benefit the growth of commercial markets. The donors are also more likely to have an impact if they coordinate efforts to influence policy and speak with one voice.

- *Donors can serve both government and business interests by gathering and sharing information on markets and the demand for reproductive health care.* For example, the country-level demographic and health surveys sponsored by donors could routinely include questions on prices paid for reproductive health products and the ability of consumers to pay for such products. Such surveys should also work towards adoption of standard definitions of socioeconomic status to allow cross-country comparison and analyses of reproductive health markets.

Donors can work with governments to promote an environment that facilitates the role of the commercial sector.

LOOKING TO THE FUTURE

Current trends favor an expansion of the private commercial sector's role in reproductive health care.

First, the attitudes of public sector officials towards the private sector in general are changing. Today, both developing and donor country governments increasingly recognize that the private sector complements their efforts, and are working to foster its growth. There is unprecedented acceptance that the private sector is of paramount importance to overall economic development.

The long-standing reluctance of many large transnational corporations to invest in developing country markets is also fading. With the globalization of the world economy, these companies—including the major producers of reproductive health commodities—now recognize the huge potential market represented by the 80 percent of the world's population who live in the developing world. There is a new appreciation that expanding into emerging markets is key to maximizing long-term profits. In the past decade, private capital flows from industrialized to developing countries have risen, especially to middle-income countries and those with large populations, even as official development aid has declined.

Finally, transnational companies in the reproductive health field appear more open to the idea of partnerships with the public sector. Several such companies have gained experience in recent years with donor–sponsored initiatives to increase commercial sector involvement. Moreover, the relatively small number of companies involved in the manufacture and distribution of reproductive health products worldwide facilitates the replication of such partnerships across countries. The fact that several major international donors are also large clients of these companies is a further factor facilitating closer public-private partnerships.

As these trends converge, there is a new appreciation of the benefits of closer collaboration and a greater willingness to work together on the part of both government and businesses. Such changes in attitude are the first step towards enabling the private commercial sector to assume a more vibrant and dynamic role in meeting reproductive health needs. The challenge now is for governments and international donors to build on their emerging awareness of the private sector's potential contribution to reproductive health. The public sector needs to move vigorously ahead with the policy changes and actions needed to make the commercial sector a full partner in the international effort to improve reproductive health and slow world population growth.

There is a new appreciation of the benefits of closer collaboration on the part of both government and business.

Statistical Annex

DATA SOURCES AND METHODOLOGY

Data Sources: Information for the 60 countries included in the Statistical Annex comes primarily from the Demographic and Health Surveys (DHS), nationally representative studies carried out periodically in many developing countries. Figures for 22 of the 60 countries are drawn from an unpublished analysis of the DHS data performed by the Futures Group International. For an additional 35 countries, commercial sector market share is based on calculations from published DHS country reports. For 3 countries—China, India, and Thailand—the Annex draws on non-DHS sources: the *1992 National Fertility and Family Planning Survey, China; the India National Family Health Survey 1992-93;* and the *Thailand National Contraceptive Prevalence Survey 1996.* For all countries, data from the most recent survey is used.

Definitions of Commercial Sector: Although they lack a standard definition for the commercial sector, the DHS surveys do collect fairly detailed information on sources of contraception. The following categories are included in the calculation of commercial market share used in the Annex: private hospitals, private clinics, private doctors and midwives, pharmacies, and markets or shops. While these groupings are not completely consistent across countries, they do provide a good approximation of the commercial sector presence. For countries where the DHS does not clearly distinguish between private *commercial* and private *nonprofit* sources, the commercial share has been estimated after consultation with international and in-country experts.

Methodology to Calculate Regional Averages: Regional averages are weighted by the number of married women ages 15 to 49 using modern contraception. The weighted average for each region is calculated by summing the total number of women obtaining methods from commercial sources and dividing this figure by the total number of women using modern contraception. Although these averages are based only on the countries with survey information, almost 90 percent of women of reproductive age using modern contraception in the developing world reside in these 60 countries.

Commercial Sector Share of the Family Planning Market
by Country and Contraceptive Method

Country	Most Recent Survey	Married Women Ages 15-49 1998 (millions)	Married Women Using Modern Contraception (percent)	Commercial Sector Market Share — Percent of Women Using Modern Contraception Who Obtain Their Method from a Commercial Source: All Modern Methods (percent)	Oral Contraceptives (percent)	Injectables (percent)	Condoms (percent)	Female Sterilization (percent)	IUDs (percent)
SUB-SAHARAN AFRICA									
Benin	1996	1.0	3	38	49	15	52	20	22
Botswana	1988	0.1	32	8	6	4	19	10	10
Burkina Faso	1993	1.8	4	10	9	6	20	NA	1
Burundi	1987	0.9	1	2	4	2	NA	NA	3
Cameroon	1998	1.9	7	53	59	19	64	35	36
Cen. African Rep.	1994/95	0.5	3	41	33	18	59	25	50
Chad	1996/97	1.0	1	23	24	NA	33	NA	NA
Comoros	1996	0.1	11	9	7	5	21	2	NA
Côte d'Ivoire	1994	2.3	4	68	76	42	77	10	34
Eritrea	1995	0.5	4	17	18	9	NA	NA	7
Ghana	1993	2.7	10	48	58	14	72	23	11
Kenya	1998	3.9	32	23	24	23	49	14	22
Liberia	1986	0.2	6	17	21	23	NA	8	7
Madagascar	1997	2.1	10	42	44	38	76	16	54
Malawi	1996	1.4	14	39	42	40	55	NA	28
Mali	1995/96	1.9	5	32	34	NA	61	5	4
Mozambique	1997	3.0	5	13	25	6	33	1	0
Namibia	1992	0.3	26	18	17	4	20	19	61
Niger	1997/98	1.4	5	14	18	3	NA	NA	NA
Nigeria	1990	17.1	4	40	57	41	42	12	22
Rwanda	1992	0.7	13	0.3	0.3	0.1	9	0	0
Senegal	1997	1.4	8	21	18	5	58	32	17
Sudan	1989/90	4.1	6	33	33	NA	100	11	53
Tanzania	1996	4.6	13	13	12	6	54	4	0
Togo	1998	0.6	7	23	47	3	33	10	9
Uganda	1995	2.8	8	45	57	37	50	35	NA
Zambia	1996	1.2	14	29	18	23	44	35	NA
Zimbabwe	1994	1.6	42	13	11	13	28	19	30
REGIONAL AVERAGE				27	27	21	52	16	21

Commercial Sector Share of the Family Planning Market

Country	Most Recent Survey	Married Women Ages 15-49 1998 (millions)	Married Women Using Modern Contraception (percent)	Commercial Sector Market Share — Percent of Women Using Modern Contraception Who Obtain Their Method from a Commercial Source: All Modern Methods (percent)	Oral Contraceptives (percent)	Injectables (percent)	Condoms (percent)	Female Sterilization (percent)	IUDs (percent)
ASIA									
Bangladesh	1996/97	23.1	42	20	28	3	56	2	3
China	1992	238.8	85	0.5	10	0	10	0	0
India	1992/93	177.1	37	13	64	35	59	7	24
Indonesia	1997	34.9	55	40	31	59	75	24	30
Kazakstan	1995	3.0	46	1	0.8	NA	13	NA	0.2
Kyrgyz Republic	1997	0.8	49	1	1	0.8	8	0	0.2
Nepal	1996	4.0	26	9	31	9	48	3	18
Pakistan	1990/91	21.3	9	28	56	42	46	12	11
Philippines	1998	10.9	28	26	23	8	53	33	16
Sri Lanka	1987	2.9	41	9	26	29	43	3	4
Thailand	1996	9.9	72	24	45	25	54	7	7
Uzbekistan	1996	3.8	51	0.3	3	0	0.9	0	0.2
Vietnam	1997	11.6	56	12	37	73	44	0.3	6
REGIONAL AVERAGE				7	27	42	35	3	2
MIDDLE EAST AND NORTH AFRICA									
Egypt	1995	10.1	46	51	86	33	81	47	38
Jordan	1997	0.7	38	42	67	37	52	42	34
Morocco	1995	3.8	42	36	41	NA	65	16	11
Tunisia	1988	1.3	40	23	57	68	56	2	11
Turkey	1998	11.2	38	43	74	NA	70	22	28
Yemen	1997	2.3	10	46	44	74	62	21	50
REGIONAL AVERAGE				44	63	33	70	21	32

Commercial Sector Share of the Family Planning Market

Country	Most Recent Survey	Married Women Ages 15-49 1998 (millions)	Married Women Using Modern Contraception (percent)	Commercial Sector Market Share — Percent of Women Using Modern Contraception Who Obtain Their Method from a Commercial Source: All Modern Methods (percent)	Oral Contraceptives (percent)	Injectables (percent)	Condoms (percent)	Female Sterilization (percent)	IUDs (percent)
LATIN AMERICA AND THE CARIBBEAN									
Bolivia	1998	1.1	25	50	78	72	78	28	41
Brazil	1996	26.8	70	54	90	94	76	27	48
Colombia	1995	5.6	59	43	94	97	95	12	20
Dominican Rep.	1996	1.1	59	50	66	47	72	46	28
Ecuador	1987	1.9	36	36	38	85	48	32	34
El Salvador	1985	0.9	44	10	32	69	68	3	7
Guatemala	1995	1.4	27	29	30	36	72	22	27
Haiti	1994/95	1.1	13	22	22	7	67	4	27
Mexico	1987	14.6	45	36	66	84	54	21	19
Nicaragua	1998	0.7	57	16	34	32	41	6	9
Paraguay	1990	0.7	35	66	75	87	87	40	49
Peru	1996	3.4	41	25	33	11	69	17	14
Trinidad and Tobago	1987	0.2	44	46	61	61	57	12	24
REGIONAL AVERAGE				46	81	68	74	24	23

Sources: Demographic and Health Surveys; The Futures Group International; United Nations Population Division

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