

# Advancing family planning outcomes through supporting local private sector businesses

## Approach & Resources

Center for Innovation and Impact: Market Access and Innovative Finance Vehicle

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**USAID**  
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## ***Overview and the approach***

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## ***Further resources for applying the approach***

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<b>Financial Intervention profiles</b> <i>Understanding a range of potential financial tools to support local businesses</i>	<b>61-86</b>
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# Contents

# About this document

This document is a **resource** to support and guide USAID OPRH and Missions seeking to **improve family planning outcomes by growing sustainable private contraceptive markets, through targeted business support**. It is one of two core resource documents:

## *This document*

### Approach & Resources

This document supports USAID OPRH and Missions to **grow – sustainably and impactfully – local private contraceptive markets**. It sets out an **approach that guides** USAID staff through **3 steps** to understand the opportunities and challenges in the market, and how local enterprises can be supported with **financial and technical tools**.

### Worked Example - Ghana

This document captures a **worked example of applying the approach to a specific market context, Ghana**. It details the step-by-step process, as outlined in the approach document, to identify appropriate technical and financial interventions. This document highlights the findings of a Ghana-based landscape analysis of the private sector contraceptive market and outlines an approach to shortlist solutions.

## approach overview

The approach helps USAID staff understand how different **financial and technical tools** can **support the growth and strengthening of local private sector businesses** and in turn, help **build private contraceptive markets** that are sustainable and impactful.

*The approach has three steps for Missions to follow:*

- 1. Assess the role and value of the private sector in delivering family planning outcomes**
- 2. Identify challenges faced by different types of local business within the market**
- 3. Explore potential solutions to support these businesses in delivering family planning outcomes**

*The following document is structured into 2 parts to support Missions:*

### **The approach (slides 1-24)**

This section outlines the approach itself and key findings to support application of the approach

### **Further resources to support Missions (slides 25-90)**

This section includes more detailed content to support Missions apply the approach to their local contexts

# This document has the following sections

## *The approach*

<i>Section title</i>	<i>Slide #</i>	<i>Description</i>
Document overview	1-5	Summarizes the structure, aims, and limitations of this document
Introduction to the approach	7-9	Outlines the approach, underlying principles behind the approach, and summarizes key resources
Applying the approach in practice	11-28	Captures key findings to support the application of the approach

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## *Further resources to support Missions*

Business model profiles	30-59	Additional resource to support Missions to consider the range of businesses, their challenges, and opportunities in the market
Financial Intervention profiles	61-86	Additional resource to support Missions to consider the range of potential financial tools and their key considerations
Technical Assistance Modalities	89-92	Additional resource to support Missions to consider the range of technical interventions and how they could be deployed

## Key assumptions of this approach

- Private sector business interests do not always seek to maximize social impact. When working with private markets, USAID Missions need to optimize financial support so that it is **cost-effective, equitable** and **sustainable** (that is, balances impact and value-for-money while supporting long-term market growth). This approach supports the assessment and prioritization of possible interventions to that end.
- There is no one-size-fits-all financial/technical tool. Local context is crucial to effectively assessing possible interventions by USAID; multiple tools may need to be combined to respond appropriately to market challenges. This approach takes a principles-based approach, not an instrument-led approach to developing solutions. The tool must fit the problem, not vice versa.

## This approach has some limitations that should be considered

- This work is based upon interviews with actors operating in the market, desk research, selected case studies, and was tested against one in-depth market assessment in Ghana
- It was focused on the private supply of contraceptive products and services, acknowledging that stimulating the demand side is also a vital part of building a well-functioning private market for contraception.
- Application of this approach needs to respond to the local market context. When assessing the appropriateness and prioritization of different interventions, it is essential to consider factors such as the scale, type, and maturity of private sector engagement in each market, along with key system levers critical to building sustainable markets. These levers include wider policy and regulations.
- This approach is not intended to be a comprehensive overview of all potential technical and financial solutions but aims to support Missions through an applied process and a range of options and examples.
- This document does not serve as an official strategy for the USAID Global Health teams or for Missions

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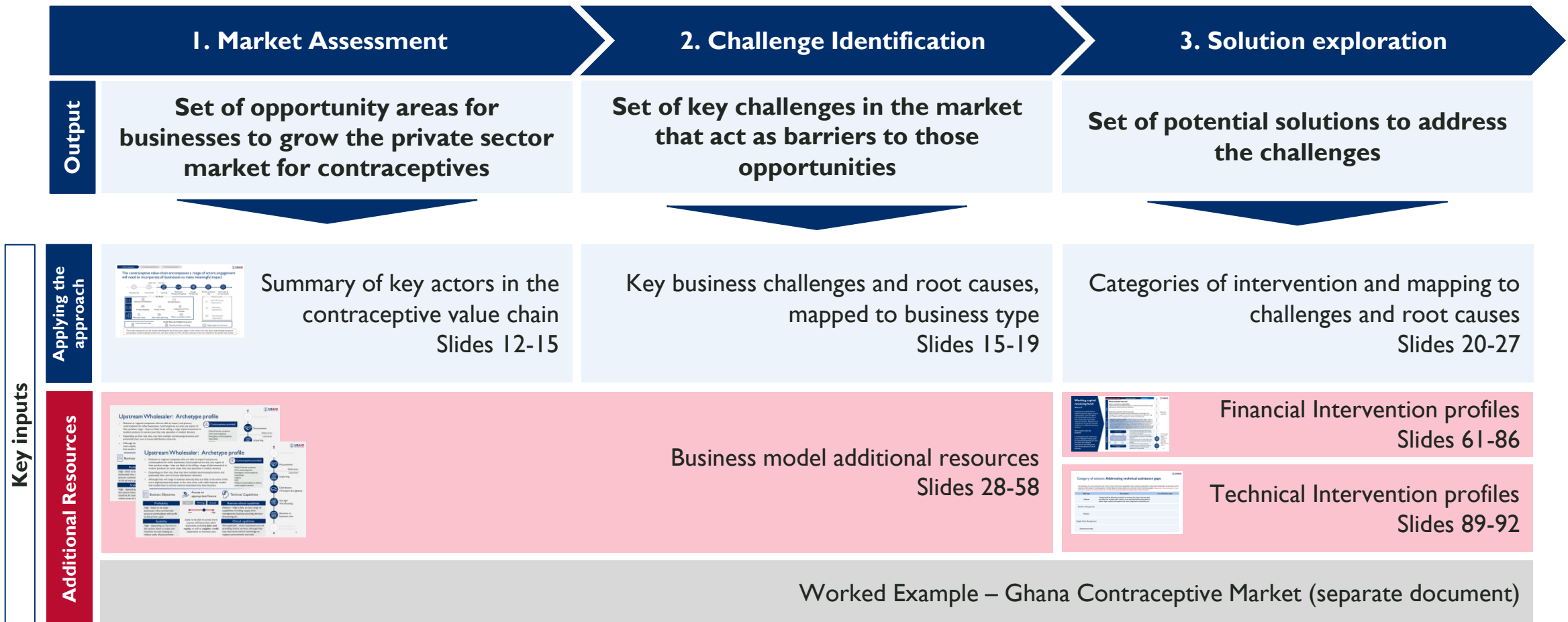
# The approach outlined below is a three step process to assess local contraceptive markets, identify challenges enterprises face, and explore solutions

This approach ensures that solutions, both financial and technical, respond to the local market context

	1. Market Assessment	2. Challenge Identification	3. Solution exploration
Output	Set of opportunity areas for businesses to drive family planning outcomes through growing the private sector market for contraceptives	Set of key challenges in the market that act as barriers to those opportunities	Potential solutions to address the challenges, via a set of financial & technical tools
Approach	Conduct a market assessment by reviewing existing reports and surveys and through private sector engagement to understand key trends and the range of businesses and their characteristics to identify opportunities	Through direct engagement with businesses, understand the key challenges impacting operations and limiting growth	Assess and prioritize the range of solutions according to their ability to improve family planning outcomes, solve business challenges, and align with the business's context
Key Questions	<ul style="list-style-type: none"> <li>• What is the market size and key trends in the contraceptive market (including product types)?</li> <li>• What are the businesses operating in the market and their objectives? How can they reduce unmet need for contraceptives?</li> <li>• What are the opportunities for private businesses within the market?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the barriers and root causes to preventing the private sector deliver contraceptives in the market?</li> <li>• Which challenges affect businesses most, segmented by business type?</li> </ul>	<ul style="list-style-type: none"> <li>• What kinds of solutions could solve for the root cause of the business challenges and deliver family planning outcomes?</li> <li>• Are solutions in line with the objectives of businesses?</li> <li>• Which specific financial &amp; technical tools are most relevant?</li> </ul>

# Supporting resources have been prepared to guide Missions along each stage of the process

Each step of the process is summarized in the *Applying the approach Section* (Slides 10-27) and supported through the *Additional Resources Section* (Slides 28-90). These have been designed to provide examples and ideas to Missions and support application of the approach to their local context:



# This approach supports USAID Missions apply a problem-driven approach to explore solutions that enhance family planning outcomes through the private sector

Three key principles have been used to guide this work: this has implications for the way the approach and resources have been shaped and how they can be applied to maximize value to USAID Missions

## Key principles

**1. The private sector has an important role to play** in delivering family planning outcomes through building sustainable contraceptive markets in line with a Total Market Approach (TMA) -- but its contribution will vary between contexts.

**2. Lessons can be drawn from different markets but there is no one-size-fits-all solution or tool.** It is important that interventions are problem-driven and consistent with local business objectives in order to ensure solutions leverage the private sector's role in the market

**3. Outcomes will be driven by USAID Missions responding to local context and aligning with national objectives.** USAID Missions will need to balance impact (i.e., improving family planning outcomes) with efficient use of resources. Solutions should be prioritized based on suitability and applicability to the local market.

## Implication

Given the complexity of the markets and actors involved, different angles of analysis are needed to guide USAID Missions in shaping their understanding of their markets. These include:

1. The **types of private sector businesses** operating along the contraceptive value chain and their objectives
2. The **opportunities for businesses** to strengthen contraceptive markets and delivering family planning outcomes
3. The **key challenges** faced by private sector businesses

Case studies and longlists of applicable tools and instruments can aid learning and provide ideas around different ways interventions could be shaped, but the prioritization and development of specific interventions needs to be led by USAID Missions based on what is most appropriate for their market context and potential partners

Criteria for identifying and prioritizing solutions should balance:

1. Potential impact in solving **private sector business needs**
2. Capacity of solution to **achieve family planning outcomes**

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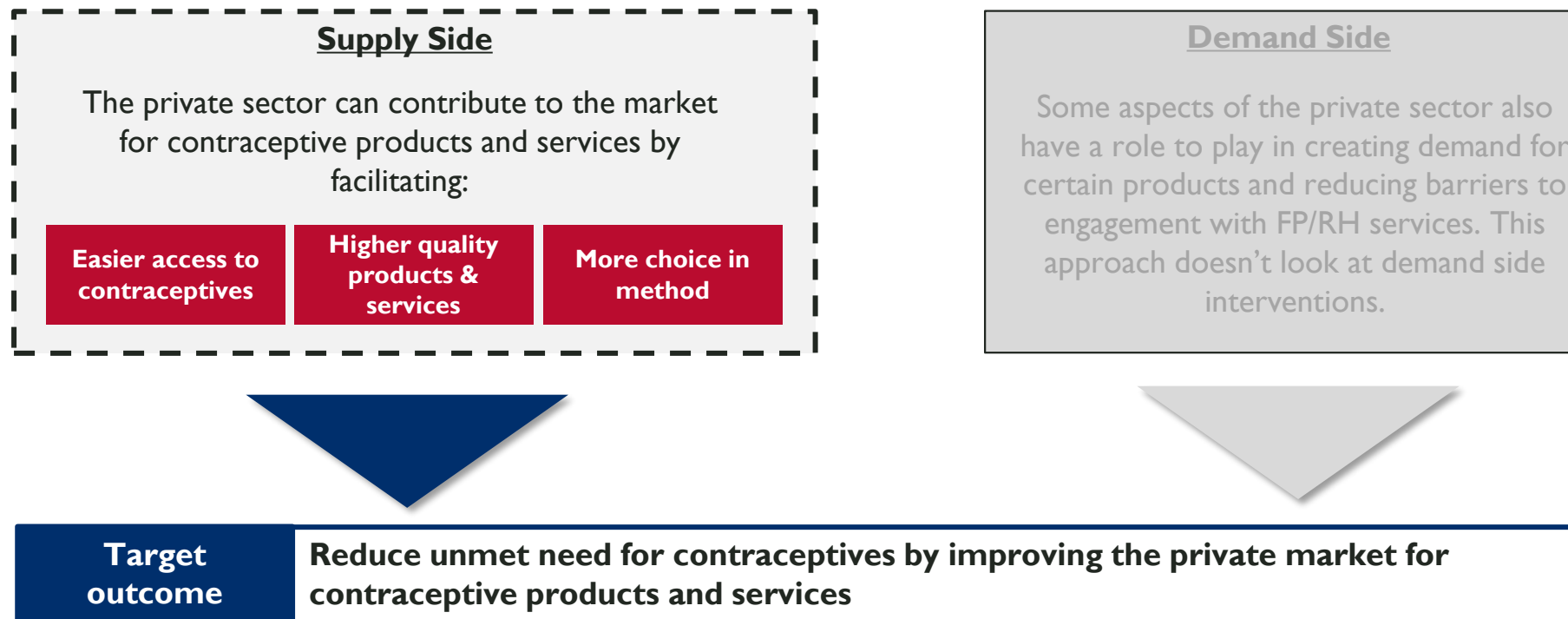
# Overview of the key activities in each of the 3 steps of the approach

Subsequent slides dive into details

	I. Market Assessment	2. Challenge Identification	3. Solution & tool exploration
Output	<p><b>Set of opportunity areas for businesses to drive family planning outcomes through growing the private sector market for contraceptives</b></p>	<p><b>Key challenges in the market that hinder identified opportunities from being realized</b></p>	<p><b>Set of strategic solutions and financial &amp; technical tools to address the challenges</b></p>
Key activities	<ol style="list-style-type: none"> <li><b>Understand the broad market context</b> and key trends in the unmet need for contraceptives (slide 12)</li> <li><b>Map the commercial contraceptive market</b> within the broader market (slide 13)</li> <li>Identify the range of <b>business models</b> in the market and the <b>opportunities</b> for them to decrease unmet need for contraceptives (slide 14)</li> </ol>	<ol style="list-style-type: none"> <li><b>Assess the challenges</b> within the commercial contraceptive market (slide 16)</li> <li><b>Understand the root causes</b> of the local business challenges (slides 17-19)</li> <li><b>Map the challenges against the business models</b>; assess their <b>severity</b> to identify <b>priority intervention</b> areas (Slide 20)</li> </ol>	<ol style="list-style-type: none"> <li>Connect priority interventions to <b>strategic solutions</b> (slide 21-24)</li> <li>Assess specific <b>financial &amp; technical tools</b> for their ability to solve the local business challenge appropriately and sustainably (slide 25-28)</li> <li>Consider <b>broader feasibility</b> of the tools before proceeding to further design work (slide 29)</li> </ol>

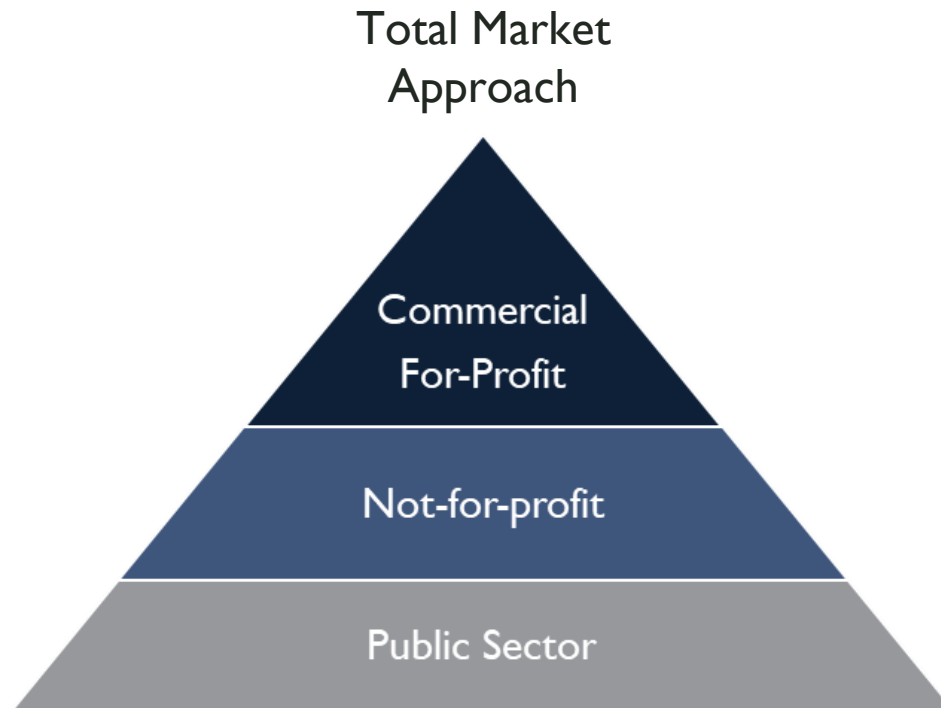
# Unmet need for contraceptives can be reduced through leveraging the skills, reach, and flexibility of the private sector

Private contraceptive markets have the potential to drive improvements in family planning outcomes through improvement in the supply of contraceptive products and services. Market assessments should start with understanding **the general contraceptive market landscape (market size, user base, trends, etc.)** in order to unpack the different opportunities and challenges that the private sector faces. This also includes understanding trends in demand in the market, despite the intervention focus being on a the supply side.



## In line with a Total Market Approach (TMA), the local contraceptive market should be mapped and assessed across sectors in this stage

Promoting the growth and sustainability of private contraceptive markets is a key part of advancing family planning outcomes, a key aspect within the [Market Development Approach](#) and TMA. To do so, Missions need to understand key characteristics of the local commercial sector:

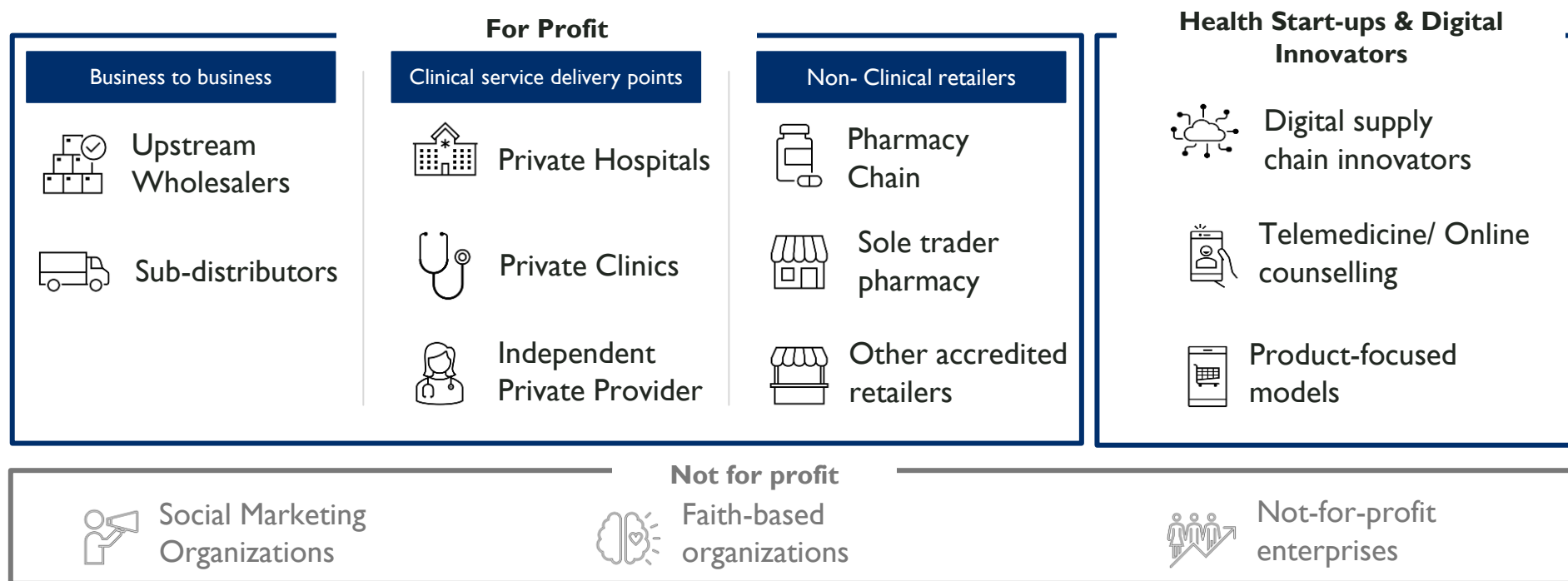


- A TMA is a lens for developing strategies to increase access to priority health products and services, by considering donor interventions in the context of the multi-sectoral market.
- The TMA segments the market to make the most effective use of the range of actors delivering contraceptives (public, not-for-profit and commercial for-profit), whilst also recognizing the inter-relationships between the various sectors
- With growing drive for (i) more sustainable financing of contraceptive care, and (ii) targeted and cost-effective use of aid, all as part of reducing donor dependence, the **commercial sector** is an increasingly important part of building sustainable contraceptive markets.
- In order to shape and grow this segment of the market, there is a need to first understand **key demand trends, the actors involved**, what **their roles** and **value** could be and how they can **best contribute to meeting family planning goals**, this is in line with the Market Development Approach.

# Understanding the role of the private sector involves mapping the different kinds of business models, or models, operating across the value chain

To effectively segment the market and understand how the private sector can drive outcomes, we mapped businesses operating in the local contraceptive market to common characteristics and objectives.

*model overview: non-state actors operating along the contraceptive value chain:*



*The contraceptive value chain:*



See slides 28-58, the **business model profiles** for additional support conducting this market assessment step. The model profiles provide guidance on the kinds of challenges and opportunities faced by the different businesses as a first step to identifying solutions.



# To determine model characteristics, Missions can analyze business models, financing needs, and the product/service offering of specific businesses

Consider these starting questions to build an understanding of the local businesses in their market, their key characteristics, and business drivers. This information could be gathered through business surveys, roundtable discussions, or engaging with coordinating/representative bodies (if they exist in the market)



## Business Model Description

*To understand the basis of the business model, key revenue streams, and primary customers.*

- Who are the key customers of this business?
- What is the scale of their business?
- What are their business objectives, particularly with respect to growth and profitability goals?
- What are their business challenges?



## Financing Needs

*To understand how and why businesses currently access finance, and how they would like to in the future.*

Current:

- How do they currently access external finance, if at all?
- If so, what type of finance are they accessing, and from whom, and at what cost?
- What are they currently accessing finance for?

Future:

- How do they envision the scale & type of finance changing to achieve business goals?



## Product / service offering

*To understand the contraceptive portfolio of the business and identify opportunities for future expansion*

Current:

- What proportion of their business is in contraceptive products and services?
- What services do they provide?
- How do they access contraceptives?
- Are there any current limitations that is constraining the delivery of family planning products and services?

Future:

- What would limit expansion of their FP products/services?
- How could financing/technical assistance be used to increase access to contraceptives?



See slides 28-58 for **business model profiles** for additional support in the market assessment step. The models are there to provide indicative guidance on the kinds of challenges and opportunities for solutions to support the different businesses.

# Separately, identify the local business challenges present within the contraceptive market

Eight common local business challenges were identified as likely to be present across different private contraceptive markets. They will have different impacts and root causes depending on the local context and businesses assessed:

- 1 Growth Capital:** Limited access to appropriate capital at the different stages of business growth and expansion (profit, scale or impact)
- 2 Working Capital issues:** Businesses struggle with short-term working capital and cashflow constraints
- 3 Limited commercial focus:** Contraceptives are not a primary revenue stream for most businesses, limiting the range of products/services many providers are willing and able to offer
- 4 High import/procurement costs of approved products:** High costs associated with importing and procuring contraceptive products and services due to tariffs and regulatory requirements
- 5 High barriers to registering new products locally:** High costs associated with bringing new contraceptive products to local markets
- 6 High risks to engaging with the market:** Businesses face risks of entering and operating in the contraceptive market, making it difficult to provide consistent high-quality products and services and disincentivizes businesses to deliver a broader range of choice to consumers. This reduces stability of revenue from contraceptive products. These risks include unpredictable demand and access to commodities.
- 7 Clinical capacity constraints:** there is a shortfall in the number of providers that have the training to deliver a wide range of services including LARCs
- 8 Lack of incentives for impact:** Some populations (e.g., low-income, hard to reach, youth) have low willingness-to-pay, or specific needs. Businesses then have limited incentives to serve them, reducing their impact on the underlying challenge of contraceptive availability.

# Understand the root causes of these local challenges in more detail

To tackle these challenges, it is important to understand the specific in-country root causes, in order to shape effective solutions

	Key Challenge	Root Causes
1	<p><b>Growth Capital:</b> Limited access to appropriate capital at the different stages of business growth and expansion (profit, scale or impact). Banks don't often lend to health businesses due to lack of understanding of the business, high perceived risk, and potentially low margins.</p>	<ul style="list-style-type: none"> <li>a. High market interest rates &amp; high level of perceived risk by the financial sector lending to healthcare businesses leads to high borrowing costs and limited access</li> <li>b. Stringent borrowing criteria and terms including collateral requirements and short repayment timelines</li> <li>c. Many businesses are not at the scale or maturity to access equity finance on commercial terms</li> <li>d. Lack of technical capability to identify and pursue different funding products/options</li> <li>e. Businesses lack planning capacity to model future business plans and potential financing needs</li> </ul>
2	<p><b>Working Capital:</b> Businesses struggle with short-term working capital and cashflow constraints</p>	<ul style="list-style-type: none"> <li>a. High perceived risk of default leads to limited credit provided by wholesalers to businesses: upfront payment for commodities often demanded</li> <li>b. Uncertainty and irregularity in the receipt of payment from consumers vs. when payments for commodities are required by suppliers leads to short term cashflow issues</li> <li>c. Payment from businesses down the supply chain are often unreliable causing working capital issues – e.g. delays from insurance schemes reimbursing</li> <li>d. Supply chain inefficiencies lead to locked up inventory</li> <li>e. Lack of demand forecasting capability reduces ability to procure effectively</li> </ul>
3	<p><b>Limited commercial focus:</b> Contraceptives are not a primary revenue stream for most businesses limiting the range of products/services many providers are willing and able to offer</p>	<ul style="list-style-type: none"> <li>a. Low margin on contraceptive products reduces profitability of contraceptive sales in comparison to other product or service lines</li> <li>b. Difficulty guaranteeing and forecasting demand for contraceptives</li> <li>c. Difficulty hiring and maintaining clinical staff to provide LARCs at clinics</li> <li>d. High upfront costs of increasing the range of products and services the business provides</li> </ul>

# Understand the root causes of these local challenges in more detail

To tackle these challenges, it is important to understand the specific in-country root causes, in order to shape effective solutions

	Key Challenge	Root Causes
4	<b>High import/procurement costs of approved products:</b> high costs associated with importing and procuring contraceptive products and services	<ul style="list-style-type: none"> <li>a. Clearance charges, taxes and regulatory costs not often waived for private sector as they can be for the same products in the public sector</li> <li>b. Large volumes required to make procurement cost effective</li> </ul>
5	<b>High barriers to registering new products locally:</b> High costs associated with bringing new contraceptive products to the market	<ul style="list-style-type: none"> <li>a. Long approval and testing processes for introduction of new products and services</li> </ul>
6	<b>High risks to engaging with the market:</b> Businesses face risks of entering and whilst operating in the contraceptive market that makes it difficult to provide consistent high-quality products and services	<ul style="list-style-type: none"> <li>a. Price controls and/or consumer price sensitivity reduce financial margins on contraceptive products. This requires businesses to operate at high volumes in order to enable financial viability, but scaling to profitability not possible for all types of business</li> <li>b. Level of demand for products and services is not known and may not always be predictable – this increases uncertainty for businesses looking to bring in new products or expand their services (and may lock up working capital in inventory)</li> <li>c. Businesses lack consistent access to contraceptives at potentially high costs from upstream sellers of products due to lack of purchasing power and reduced ability to purchase large volumes of products</li> <li>d. Many businesses operating in the contraceptive value chain are SMEs with limited technical capabilities around stock management and demand forecasting and so are unable to efficiently purchase and manage stock</li> </ul>

# Understand the root causes of these local challenges in more detail

To tackle these challenges, it is important to understand the specific in-country root causes, in order to shape effective solutions

	Key Challenge	Root Causes
7	<p><b>Clinical capacity constraints:</b> there is a shortfall in the number of providers that have the training to deliver a wide range of services including LARCs</p>	<ul style="list-style-type: none"> <li>a. There is a shortfall in the number of health workers in the system to hire and deliver certain services e.g. LARCs</li> <li>b. Working capital constraints make it difficult to pay salaries on time, increasing staff attrition</li> </ul>
8	<p><b>Lack of incentives for impact:</b> Some populations (e.g., low-income, hard to reach, youth) have low willingness-to-pay, or specific needs. Businesses then have limited incentives to serve them, reducing their impact on the underlying challenge of contraceptive availability.</p>	<ul style="list-style-type: none"> <li>a. Low margins on contraceptive products limit profit margins means it is difficult to provide lower cost products and services</li> <li>b. Low willingness / ability to pay of high-impact populations, coupled with high cost to serve (e.g., in rural areas) leads to limited incentives to focus sales/distribution coverage to these groups.</li> <li>c. In some cases, prejudice and judgement from businesses/clinical staff can negatively impact services provided to particular populations. For example, reduced services to young people due to beliefs about whether they should be engaging in sexual activity</li> </ul>

# Map the challenges to business models, using an assessment of severity to identify areas where interventions could improve delivery of contraceptives

The degree to which each business model is affected by a given challenge will vary significantly by country context – underlining the importance of local USAID Mission assessments and decision-making<sup>1</sup>

		Business-to-business		Clinical service delivery points			Non-clinical retail outlets			Health start ups & digital innovators		
		Upstream Wholesalers	Sub distributors	Independent private provider	Private clinics	Private Hospitals	Pharmacy chain	Sole trader pharmacy	Other local accredited retailers	Product-focused models	Online counselling	Digital supply chain innovators
1 2 3 4 5 6 7 8	<b>Growth capital</b>	High severity	Medium severity	High severity	High severity	High severity	Medium severity	Medium severity	Medium severity	High severity	High severity	High severity
	<b>Working capital</b>	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	High severity	High severity	Medium severity	Medium severity	Medium severity
	<b>Limited commercial focus</b>	Medium severity	Low severity	Medium severity	High severity	High severity	High severity	Medium severity	Medium severity	Medium severity	Medium severity	Low severity
	<b>High import/procurement costs</b>	High severity	Medium severity	High severity	Medium severity	Medium severity	High severity	High severity	High severity	High severity	Medium severity	Medium severity
	<b>High barriers to new products</b>	High severity	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	Medium severity	High severity	High severity
	<b>High risks to market entry</b>	Medium severity	Medium severity	High severity	High severity	High severity	Medium severity	High severity	High severity	High severity	High severity	Medium severity
	<b>Clinical capacity constraints</b>	Low severity	Low severity	High severity	High severity	High severity	Medium severity	Medium severity	Low severity	Low severity	Low severity	Low severity
	<b>Lack of incentives for impact</b>	Low severity	High severity	Medium severity	High severity	High severity	Medium severity	Medium severity	Medium severity	High severity	High severity	Low severity

<sup>1</sup>This mapping is illustrative and generalized based jointly off desk-based research and in-country work in Ghana

High severity
Medium severity
Low severity
N/A

# Interventions can be delivered via various financial and technical tools, but the first step is to identify the appropriate strategic solution

The table sets out potential solution types, aligned to the Blended Finance Roadmap, plus a non-exhaustive list of financial and technical tools that USAID could consider, these tools are elaborated in the financial tool additional resource

Overall aim	Strategic solution type	Example financial & technical tools <sup>1</sup>	
Improve Financial Sustainability	Improve access to finance	<b>Financial tools</b> <ul style="list-style-type: none"> <li>- Blended/Impact Debt Fund</li> <li>- Supply Chain Finance</li> <li>- Revenue Finance Fund</li> <li>- Blended/Impact Equity Fund</li> <li>- 'Tiered' Catalytic Fund</li> </ul>	
	Reduce risk		<ul style="list-style-type: none"> <li>- Loan guarantees</li> <li>- Pull mechanisms (e.g. volume guarantees)</li> <li>- Pooling mechanisms (e.g. pooled procurement models)</li> </ul>
	Incentivize impact		<ul style="list-style-type: none"> <li>- Impact-linked finance models</li> </ul>
Enhance Technical Capacity	Address technical capacity gaps	<b>Technical tools</b> <ul style="list-style-type: none"> <li>- Capability support across a range of skill areas: Clinical, Business management, Finance management, Supply chain management, Marketing, Entrepreneurship</li> <li>- Technical assistance delivered through a range of modalities: Mentorship, peer-to-peer learning, on-the-job training, Franchising, Incubator/Accelerators</li> </ul>	
	Reduce non-financial barriers to engagement <sup>2</sup>		<ul style="list-style-type: none"> <li>- Fast track regulatory approvals for contraceptive products and commodities</li> <li>- Public training provision for private sector delivery</li> <li>- Improve coordinating mechanisms within private sector networks</li> <li>- Improve coordination and communication between public and private sectors</li> </ul>



For additional support when exploring potential solutions, see slides 61-92 for a series of **financial and technical support profiles**. These profiles capture key details, case study applications and considerations for a number of financial and technical tools.

<sup>1</sup>See Financial and technical tool profiles for more detail

<sup>2</sup>The following are not analyzed further in this approach as the approach is focused on local business interventions, but it is important to consider complementary non-business level interventions

# For the priority interventions, map the business challenges and root causes to strategic solutions



	Key Challenge	Root Causes	Strategic Solution type
1	Growth Capital: Limited access to appropriate capital at the different stages of business growth and expansion (profit, scale or impact)	<ul style="list-style-type: none"> <li>a. High market interest rates &amp; high level of perceived risk by the financial sector leading to healthcare businesses leads to high borrowing costs and limited access</li> <li>b. Stringent borrowing criteria and terms including collateral requirements and short repayment timelines</li> <li>c. Many businesses are not at the scale or maturity to access equity finance on commercial terms</li> <li>d. Lack of technical capability to identify and pursue different funding/financing options</li> <li>e. Businesses lack planning capacity to model future business plans and potential financing needs</li> </ul>	<p>Improve access to finance</p> <p>Address technical assistance gaps</p>
		<ul style="list-style-type: none"> <li>a. High perceived risk of default leads to limited credit provided by wholesalers to businesses: upfront payment for commodities often demanded</li> <li>b. Uncertainty and irregularity in the receipt of payment from consumers vs. when payments for commodities are required by suppliers leads to short term cashflow issues</li> <li>c. Payment from businesses down the supply chain are often unreliable causing working capital issues – e.g. delays from insurance schemes reimbursing</li> <li>d. Supply chain inefficiencies lead to locked up inventory</li> <li>e. Lack of demand forecasting capability reduces ability to procure effectively</li> </ul>	<p>Improve access to finance</p> <p>Address technical capacity gaps</p>
3	Limited commercial focus: Contraceptives are not a primary revenue stream for most businesses limiting the range of products/services many providers are willing and able to offer	<ul style="list-style-type: none"> <li>a. Low margin on contraceptive products reduces profitability of contraceptive sales</li> <li>b. Difficulty guaranteeing and forecasting demand for contraceptives</li> <li>c. Difficulty hiring and maintaining clinical staff to provide LARCs at clinics</li> <li>d. High upfront costs of increasing the range of products and services the business provides</li> </ul>	<p>Incentivize impact</p> <p>Address technical capacity gaps</p>



# For the priority interventions, map the business challenges and root causes to strategic solutions

	Key Challenge	Root Causes	Strategic Solution type
4	High import/procurement costs: high costs associated with importing and procuring contraceptive products and services	<ul style="list-style-type: none"> <li>a. Customs clearance charges, taxes and other tariff/regulatory costs not often waived for private sector</li> <li>b. Large volumes required to make procurement cost effective</li> </ul>	Reduce risk
5	High barriers to new products: High costs associated with bringing new contraceptive products to the market	<ul style="list-style-type: none"> <li>a. Long approval and testing processes for introduction of new products and services</li> </ul>	Reduce risk
6	High risks to market entry: Businesses face a range of risks when engaging in the contraceptive market – this negatively impacts business stability and sustainability	<ul style="list-style-type: none"> <li>a. Price controls and/or consumer price sensitivity reduce financial margins on contraceptive products. This requires businesses to operate at high volumes in order to enable financial viability, but scaling to profitability not possible for all types of business</li> <li>b. Level of demand for products and services is not known and may not always be predictable – this increases uncertainty for businesses looking to bring in new products or expand their services (and may lock up working capital in inventory)</li> <li>c. Businesses lack consistent access to contraceptives at potentially high costs from upstream sellers of products due to lack of purchasing power and reduced ability to purchase large volumes of products</li> <li>d. Many businesses operating in the contraceptive value chain are SMEs with limited technical capabilities around stock management and demand forecasting and so are unable to efficiently purchase and manage stock</li> </ul>	Reduce risk    Address technical capacity gaps

# For the priority interventions, map the business challenges and root causes to strategic solutions

	Key Challenge	Root Causes	Strategic Solution type
7	<b>Clinical capacity constraints:</b> Businesses struggle to attract and retain quality clinical expertise reducing their ability to deliver a wide range of services e.g. LARCs	<ul style="list-style-type: none"> <li>a. There is a shortfall in the number of health workers in the system to hire and deliver certain services e.g. LARCs</li> <li>b. Working capital constraints make it difficult to pay salaries on time</li> </ul>	<ul style="list-style-type: none"> <li>Incentivize impact</li> <li>Improve access to finance</li> </ul>
8	<b>Lack of incentives for impact:</b> Some populations (e.g., low-income, hard to reach, youth) have low willingness-to-pay, or specific needs. Businesses then have limited incentives to serve them, reducing their impact on the underlying challenge of contraceptive availability	<ul style="list-style-type: none"> <li>a. Low margins on contraceptive products limit profit margins means it is difficult to provide lower cost products and services</li> <li>b. Low willingness / ability to pay of high-impact populations, coupled with high cost to serve (e.g. in rural areas) leads to limited incentives to focus sales/distribution coverage to these groups.</li> <li>c. In some cases, prejudice and judgement from businesses/clinical staff can negatively impact on services provided to particular populations. For example, reduced services to young people due to beliefs about whether they should be engaging in sexual activity</li> </ul>	Incentivize impact

A combination of financial and technical support might best address the challenges faced by local businesses and deliver the greatest impact

# To move from strategic solutions to selecting specific financial & technical tools, ensure alignment with business motivations and identified challenges

To maximize and sustain local enterprise engagement, tools need to be aligned with their business objectives as well as solving for the challenge identified. This can be assessed by asking 4 questions:

The tool should...



Be aligned with the objectives and business model of the target enterprise



Respond to the root causes of the most relevant business challenge

Does this tool provide the...

Financial tools

...type of capital/financing the business needs...

...type of capital/financing the business can sustainably carry...

Technical tools

...range and depth of skills the business need...

...technical support the businesses need, in the right modality...

...to overcome their business challenges?



For additional support when exploring potential solutions, see slides 61-92 for a series of **financial and technical support profiles**. These profiles capture key details, case study applications and considerations for a number of financial and technical tools. **See the Ghana worked example for a specific application of this process and approach.**

# Selecting the right tool requires alignment with business motivations and market challenges: financial tool example

Yes, definitely     Somewhat

Illustrative priority intervention: Support independent pharmacies and other accredited retail outlets to provide more consistent stock of SAMs (particularly OCs) by alleviating working capital constraints	Improving access to capital					Reducing risk			Incentivize impact
	Working Capital		Growth Capital		Seed/Growth Capital	Loan guarantee	Volume Guarantee	Pooled procurement mechanism	Impact linked finance models
	Blended/ Impact Debt Fund	Supply Chain Finance	Revenue Finance Fund	Blended/ Impact Equity Fund	Tiered Catalytic Fund				
Does this tool provide the right type of capital for this business's needs?	X	X				X		X	(X)
Does this tool provide capital that this business can sustainably carry?	X	X				X		X	(X)
Does this tool provide the range and depth of skills the businesses need?	<i>If paired with the appropriate technical assistance</i>								
Does this tool provide technical support the businesses need, in the right modality?	<i>If paired with the appropriate technical assistance</i>								



For additional support when exploring potential solutions, see slides 61-92 for a series of **financial and technical support profiles**. These profiles capture key details, case study applications and considerations for a number of financial and technical tools. **See the Ghana worked example for a specific application of this process and approach.**

# Selecting the right tool requires alignment with business motivations and market challenges: technical tool example

Yes, definitely     Somewhat

	Address technical capacity gaps									
	Technical skill						Delivery Modality			
	Clinical	Business Management	Finance	Supply Chain Management	Marketing	Entrepreneurship	Mentorship	Peer-to-peer learning	On the job training	Incubator/ Accelerator
<b>Illustrative priority intervention:</b> Support <b>independent pharmacies and other accredited retail outlets</b> to provide more <b>consistent stock</b> of SAMs (particularly OCs) by <b>alleviating working capital constraints</b>										
Does this solution provide the right type of capital for the businesses needs?	<i>If paired with the appropriate financial assistance</i>									
Does this solution provide capital that this business can sustainably accept?	<i>If paired with the appropriate financial assistance</i>									
Does this solution provide the range and depth of skills the businesses need?		<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>					
Does this solution provide technical support the businesses need in the right modality?								<b>x</b>	<b>x</b>	



For additional support when exploring potential solutions, see slides 61-92 for a series of **financial and technical support profiles**. These profiles capture key details, case study applications and considerations for a number of financial and technical tools. **See the Ghana worked example for a specific application of this process and approach.**

# After applying the approach, the feasibility and suitability of potential solutions in context will identify tangible next steps

This approach is designed to support Missions understand their markets and identify potential solutions to take forwards. As teams transition to design and implementation, more detailed feasibility will need to be considered in local contexts. Three areas of consideration are:

## Ecosystem readiness

*Consider how ready the system is able to support an intervention and leverage the benefits more broadly*

- Does the broader ecosystem have sustainable and formal processes in place to support this intervention and target businesses?
- Will the solution have any perverse implications within the market and broader health system?
- Are stakeholders in the ecosystem able and willing to engage?

## Cost-benefit of implementation

*The risks and costs of implementation should be justifiable for the business impact it will deliver*

- How complex is set-up and operationalization?
- What are the funding and timeline constraints to implementation?
- Are there USAID structures in place to facilitate this solution?
- Are there significant risks to delivery?
- Has USAID participated in this structure before?

## The role and expertise USAID could play/leverage

*Consider how to leverage USAID's expertise effectively and consider the role it can play within existing structures*

- What roles has USAID played previously in similar models?
- Are there structural barriers that limit USAID's role?
- Is USAID best placed to deploy capital (and how?) or leverage non-financial expertise and networks?

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Introduction to the approach	7-9
Applying the approach in practice	11-28

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## *Further resources for applying the approach*

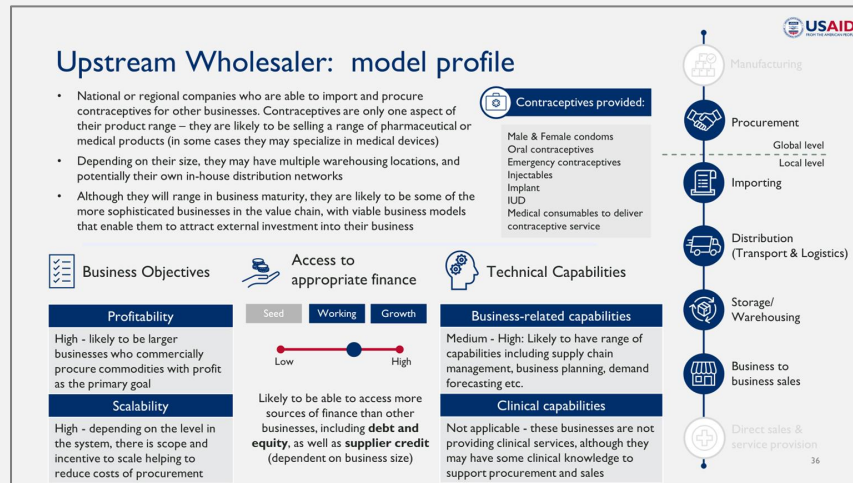
<b>Business model profiles</b> <i>Understanding the local businesses and their needs in the contraceptive market</i>	<b>30-59</b>
<b>Financial Intervention profiles</b> <i>Understanding a range of potential financial interventions to support local businesses</i>	61-86
<b>Technical Assistance Modalities</b> <i>Understanding a range of potential technical interventions to support local businesses</i>	89-92

# Guidance on the business model profiles

The following slides capture key characteristics of the business models that exist in the contraceptive market. These are generalized and so will need to be considered in local contexts to understand variations and specificities. These models have been designed to support Missions understand key characteristics of the kinds of businesses operating, their business challenges and potential opportunities for support so that Missions can consider how they might engage with these business types.

Each business model (outlined on slide 12) in this document includes:

## I. Model Profile



Summarizes high-level characteristics of the model, including:

- Engagement points with the contraceptive value chain,
- Contraceptive products/services often provided,
- An overview of technical capabilities and
- An assessment of likely access to finance

## 2. Insights & Opportunities



Captures key insights and potential opportunities for USAID






# Model profile

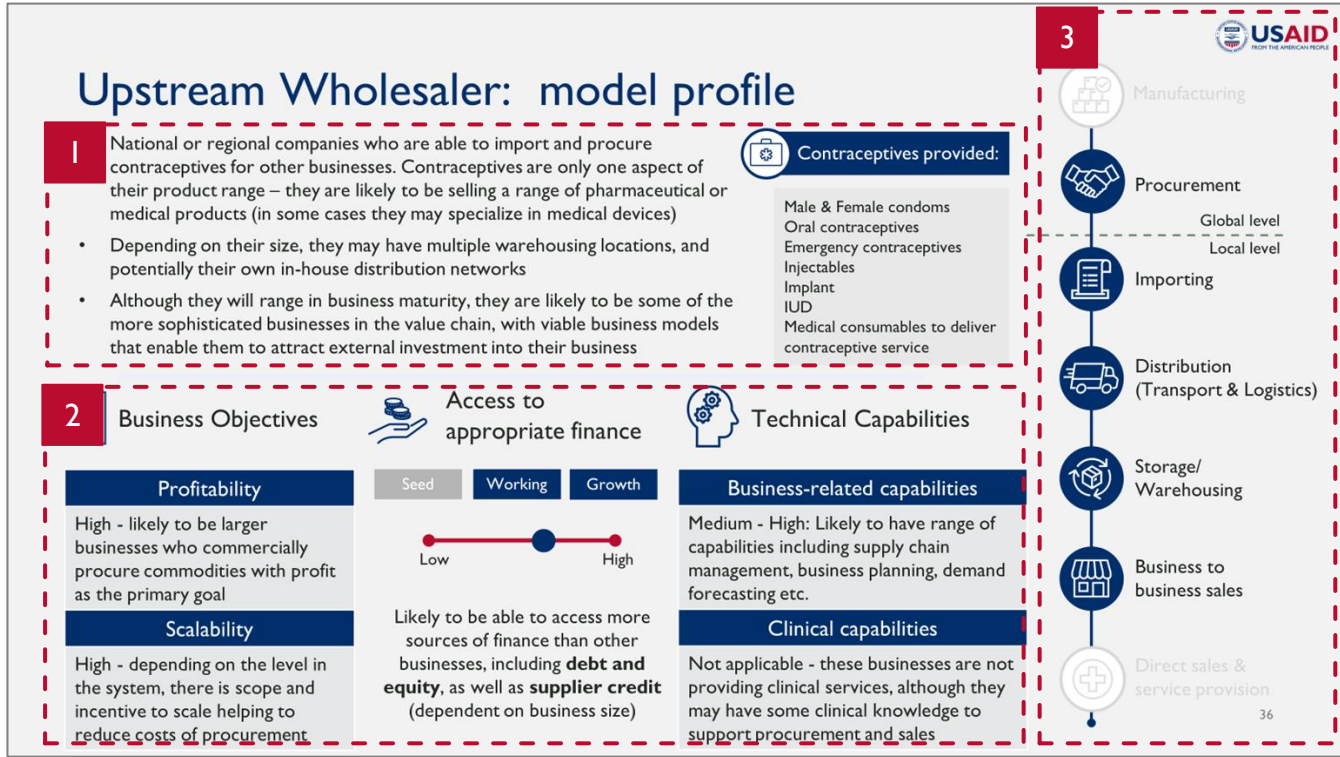
## Outline

**1 Short Description of the model**  
 This section captures a summary description of the model in terms of the kinds of contraceptives it provides, to what scale and how

**2 Model Characterization**  
 This section captures 3 core characteristics of the business model:

-  **Business objectives** in relation to profitability and scalability. models that record high are likely to be aiming for significant profits or scale in their operations.
-  **Access to finance** – captures what kind of finance and how ease it is likely to be to access for the business
-  **Technical capabilities** – level and type of capability present in the business

**3 Contraceptive value chain positioning**  
 This section captures where in the value chain the business is likely to be operating  
*(color coded blue where it is operating and grey where it is not)*



# Insights & Opportunities Outline

## 1 Key Insights

This section captures key insights based on the characteristics of the model, they are categorized as follows:

-  **Financial Challenges** to achieving business objectives
-  **Technical Challenges** to achieving business objectives
-  **Barriers to increasing impact** i.e.. reducing unmet need

## 2 Potential Opportunities

This captures associated ways for USAID to think about how they can engage or support these businesses in relation to the key insights outlined

## 3 Contraceptive value chain positioning

This section captures where in the value chain the business is likely to be operating *(color coded blue where it is operating and grey where it is not)*



# Business-to- business

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# Business models

# Upstream Wholesaler: Model profile

- National or regional companies who are able to import and procure contraceptives for other businesses. Contraceptives are only one aspect of their product range – they are likely to be selling a range of pharmaceutical or medical products (in some cases they may specialize in medical devices)
- Depending on their size, they may have multiple warehousing locations, and potentially their own in-house distribution networks
- Although they will range in business maturity, they are likely to be some of the more sophisticated businesses in the value chain, with viable business models that enable them to attract external investment into their business

## Contraceptives provided:

- Male & Female condoms
- Oral contraceptives
- Emergency contraceptives
- Injectables
- Implant
- IUD
- Medical consumables to deliver contraceptive service



## Business Objectives

### Profitability

High - likely to be larger businesses who commercially procure commodities with profit as the primary goal

### Scalability

High - depending on the level in the system, there is scope and incentive to scale helping to reduce costs of procurement

## Access to appropriate finance



Likely to be able to access more sources of finance than other businesses, including **debt and equity**, as well as **supplier credit** (dependent on business size)

## Technical Capabilities

### Business-related capabilities

Medium - High: Likely to have range of capabilities including supply chain management, business planning, demand forecasting etc.

### Clinical capabilities

Not applicable - these businesses are not providing clinical services, although they may have some clinical knowledge to support procurement and sales

# Upstream Wholesalers: Insights and opportunities

## Key insights



Wholesalers are likely to be interested in increasing their scale, but face high costs of doing so in terms of high capex for warehousing & logistics fleets (if owned)



Wholesalers are responsible for the cost of products through a significant proportion of the value chain, this can lead to short term cashflow constraints and higher operating costs



Larger wholesalers are likely to have sufficient capabilities in business, finance and supply chain management due to scale of operations. But they may struggle to hire and maintain those human resources in their businesses



Lower margins on contraceptives and uncertain demand means that wholesalers may be disincentivized to procure a range of contraceptive products

## Potential opportunities



Solutions that **increase access to growth capital** could support wholesalers to extend their reach



USAID could **leverage the warehouse systems of wholesalers to increase access** in hard-to-reach areas through **aligning incentives** or **reducing risk**



Solutions that **increase access to working capital** (like a revolving fund) could alleviate the implications of the funding cycle challenges



Larger wholesalers could be the **provider of support or training** to smaller wholesalers or other businesses for key capabilities, like stock/medicine management



Solutions that **reduce the risk** in investing in importing and procuring contraceptives could support wholesalers to procure a **greater range of quality contraceptive products**



# Sub-distributor: Model profile

- Intermediary logistics providers, providing freight services between wholesalers and retailers (that interact directly with end consumers)
- Likely to be significant range of these kinds of businesses; unlikely that they will have much power in terms of influence on contraceptive products in the value chain, however they have a significant role to play in ensuring quality and un-spoilt products
- They may distribute pharmaceuticals specifically or a range of products
- Depending on their size and reach they may have warehousing space and large logistics fleets

## Contraceptives provided:

- Male & Female condoms
- Oral contraceptives
- Emergency contraceptives
- Injectables
- Implant
- IUD
- Medical consumables to deliver contraceptive service



## Business Objectives

### Profitability

Medium - High: Dependent on their level in the system but likely a commercially viable transportation firm

### Scalability

Medium- High: Business objective likely to be to expand distribution network and volume of goods transported

## Access to appropriate finance



Low High

Could face more financing challenges than wholesalers, but could potentially access **debt and equity financing**, albeit at **high market interest rates**

## Technical Capabilities

### Business-related capabilities

Medium/High: expertise will most likely be in logistics management and business planning, but may need support in accessing financing

### Clinical capabilities

Not applicable - these businesses are not providing clinical services, although they may have some clinical knowledge to support procurement and sales

# Sub-distributor: Insights and opportunities

## Key insights



Sub-distributors could be interested in increasing in scale / delivering to more locations, but face high costs of doing so in terms of high capex for warehousing & logistics fleets (if owned)



Distributors may need additional support to understand the range of financing options available to them



In many cases, contraceptives are price controlled; as a result, the margins are low on contraceptive products. This reduces the incentive for distribution businesses to deliver to harder to reach communities which cost more to access.

## Potential opportunities



Solutions that **increase access to growth capital** could support sub-distributors to **increase the volumes** and ease they are able to deliver products



**Technical assistance** could be provided to distributors to quantify and establish **business plans** for expansion and **explore debt/equity financing options**



USAID could leverage the **existing logistics fleets and networks** of distribution firms by **aligning incentives** to deliver to **harder to reach populations**





# Clinical Actors

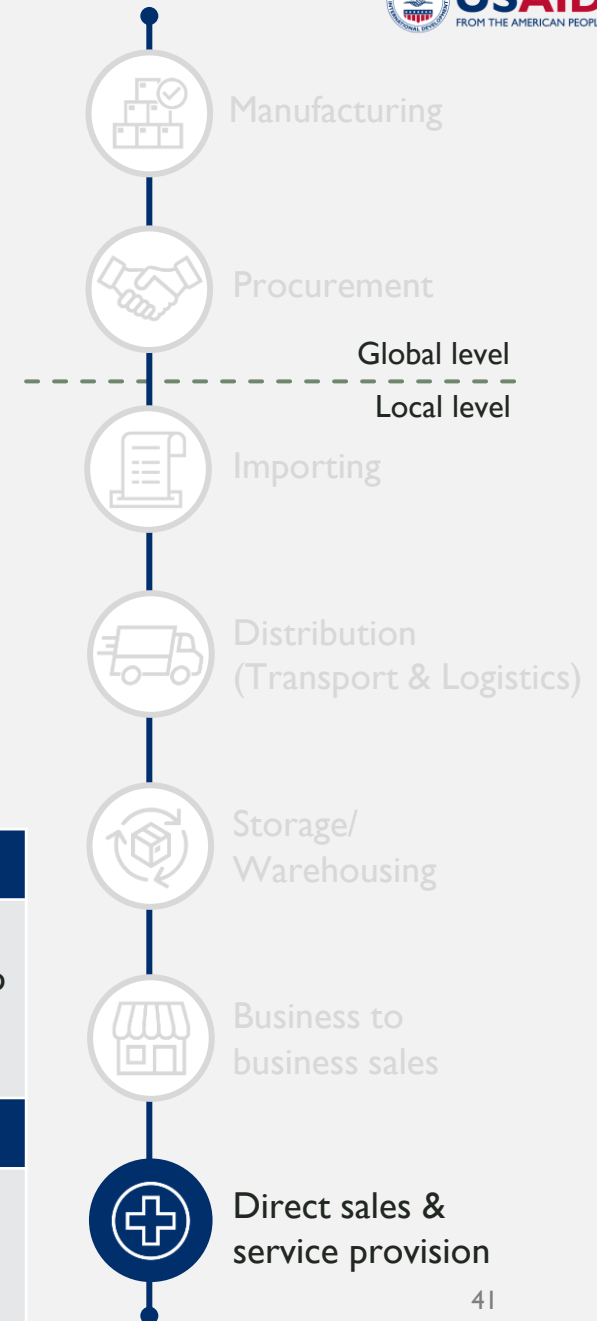
# Private Hospital: Model profile

- Private hospitals are likely operating at a regional or district level
- Provide basic general inpatient and outpatient care as well as more specialized services including Gynecology, Obstetrics and Fertility services
- Private hospitals may provide more integrated post-partum and post-abortion contraceptive care, and may have specific sexual health clinics on site, but are not often the primary location to receive contraceptive care



## Contraceptives provided:

Oral contraceptives  
Emergency contraceptives  
Injectables  
Implant  
IUD  
Counselling & advice



## Business Objectives

### Profitability

Medium: Not solely profit driven entities but will be aiming to recover their costs and generate some level of profit

### Scalability

Medium: These are likely already working at a regional level but could be looking to increase the scale of their services



## Access to appropriate finance

Seed Working Growth



Likely able to access more international institutional financing, potentially through **equity** and **debt**

Given size, they might be supported by parent companies



## Technical Capabilities

### Business-related capabilities

Medium/High - as a larger enterprise, likely to have management and leadership who have a range of technical capabilities although specific gaps may exist

### Clinical capabilities

High - primary capabilities are clinical with hospitals likely to deliver the most specialized services available, including obstetrics, fertility services or others

# Private Hospital: Insights and opportunities

## Key insights



Depending on their financial backing, private hospitals may struggle to access capital to invest in improving the range or quality of services they provide



They are likely to have higher business and financial capabilities than smaller businesses



These hospitals will focus on delivering to upper-middle income urban populations predominantly, but contraceptives are unlikely to be a primary focus meaning they are probably not leveraging their platform to promote mCPR through postpartum or postabortion care

## Potential opportunities



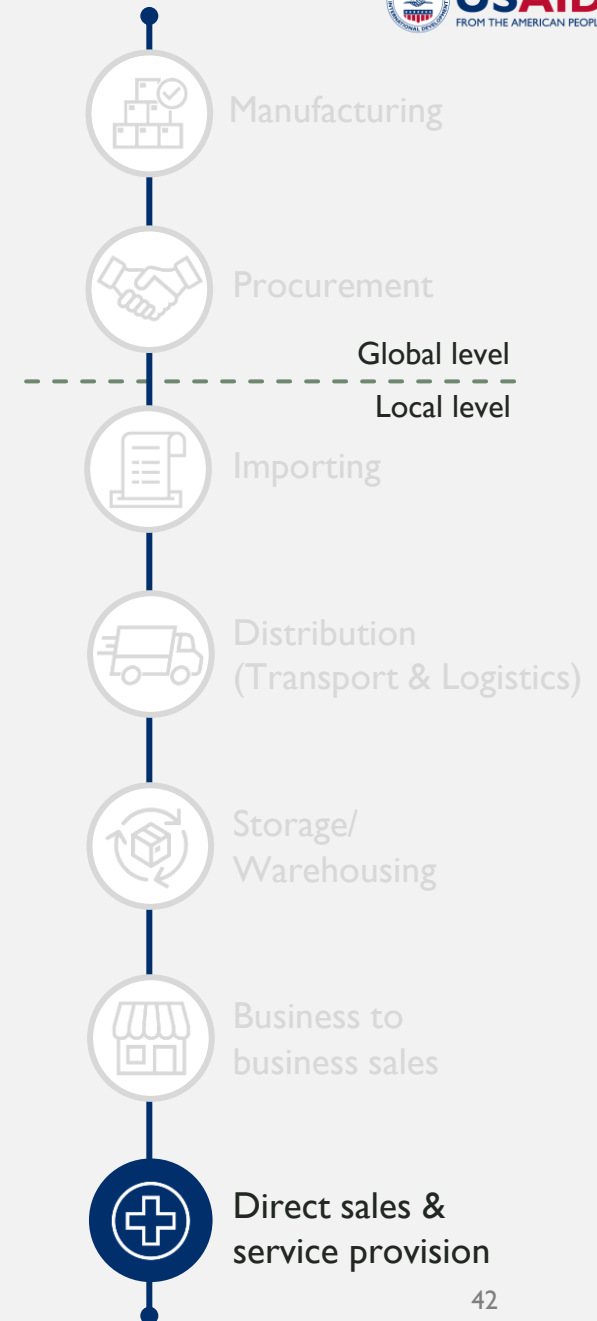
Solutions that **improve access to growth capital** could support private hospitals to increase the range of services and number of people they can serve



Private hospitals could **mentor or partner** with nearby clinics to coach and develop **business management skills**



**Technical assistance** that supports clinicians to **integrate contraceptive care into other services** like post-abortion and post-partum services

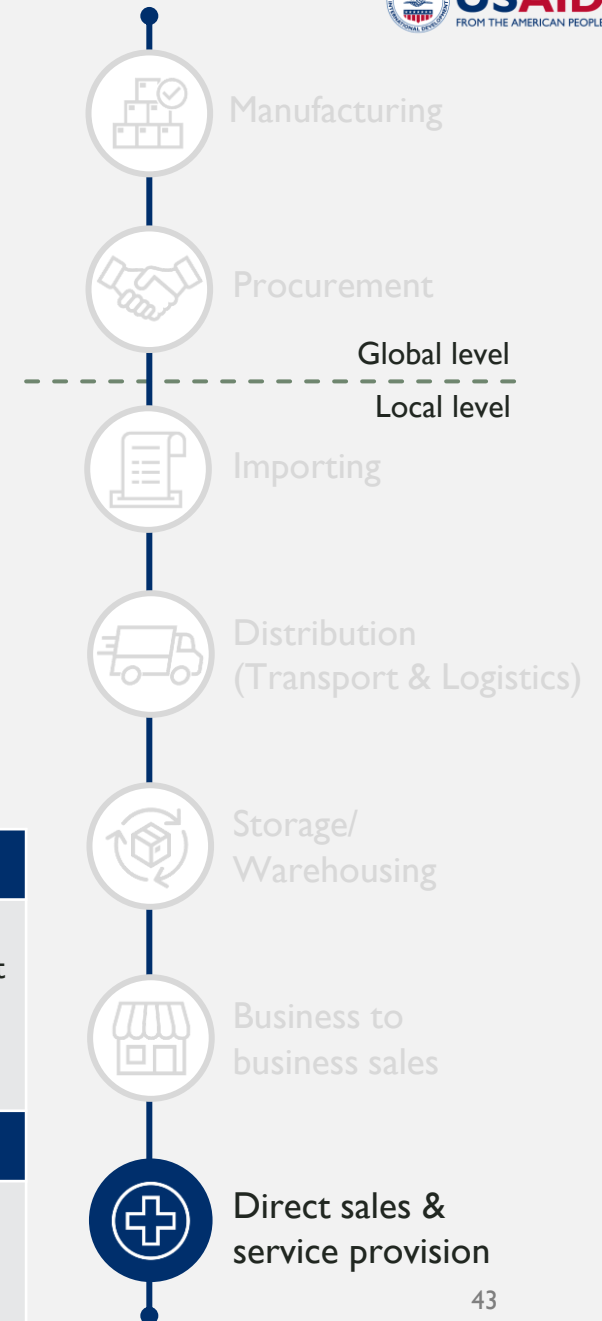


# Private Clinic: Model profile

- Providing local care in communities at a district or sub-district level, likely to be able to leverage ties to local community
- Unlikely to be providing specialist care as private hospitals do, but will likely be able to provide services like midwifery and contraceptive care including LARC delivery
- Typically established as brick and mortar family businesses or supported as part of a franchise scheme
- Often the primary location for individuals and families to receive medical care

## Contraceptives provided:

- Male & Female condoms
- Oral contraceptives
- Emergency contraceptives
- Injectables
- Implant
- IUD
- Counselling & advice



## Business Objectives

### Profitability

Low: clinics may not be driven / able to make significant profits but focused on cost recovery / small level of profits

### Scalability

Medium: Dependent on the clinic but may be focused on scaling, either through additional sites or increasing services at current site

## Access to appropriate finance



Likely faces **significant interest rates for debt finance**, and **will likely face challenges attracting private investors** or pursuing equity finance routes unless part of a wider group

## Technical Capabilities

### Business-related capabilities

Medium - likely to have some technical capabilities to manage budgets and operations at the clinic but it may not extend to more strategic level capabilities like business planning and financial management

### Clinical capabilities

Medium/High - primary capabilities are clinical with variations in quality and type of services. They may not specialize in family planning services.

# Private Clinic: Insights and opportunities

## Key insights



Private clinics may face working capital issues due to upfront payment for products or delays in payments reducing their ability to purchase necessary contraceptive products



Might lack stock management and demand forecasting capabilities to effectively plan their purchasing



Could benefit from more strategic business and financial planning support as likely led by clinicians



Clinicians may not have the training to deliver LARCs

## Potential opportunities



Solutions that **increase access to working capital** (like a revolving fund) could alleviate the short-term cashflow constraints on clinics



Technical assistance that supports private clinics to develop **stock management skills** or access **digital stock management systems** (potentially through franchising) could improve efficiency



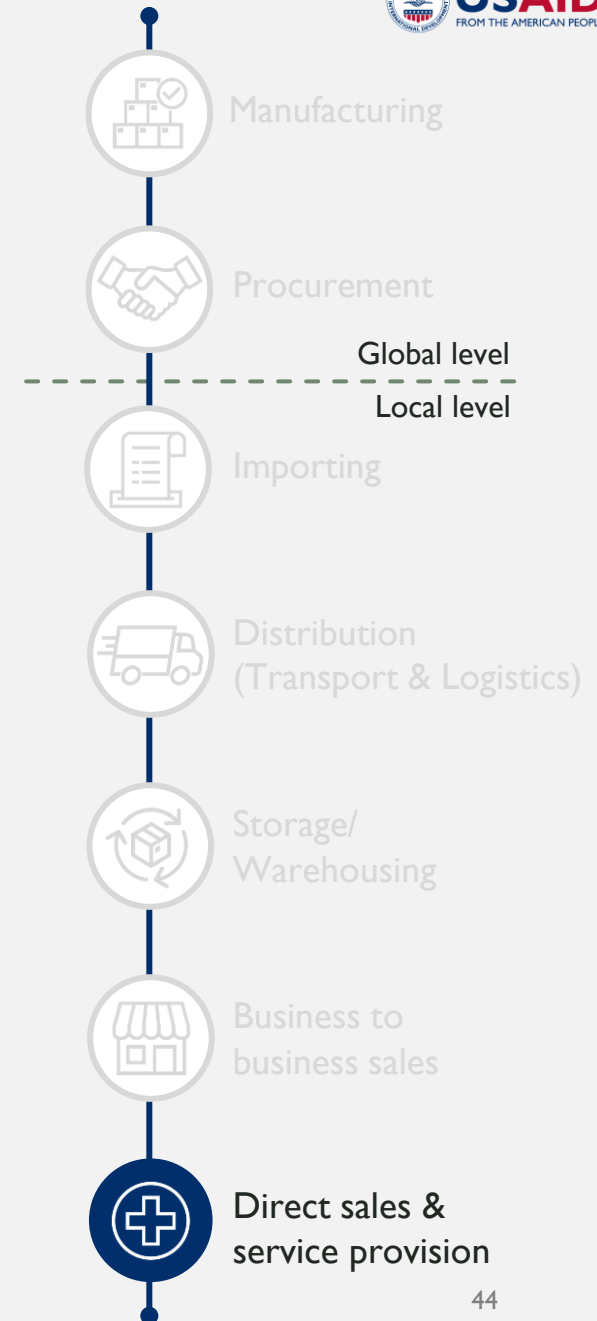
Solutions that **increase access to growth capital** might support businesses to invest in e.g. stock management processes



Technical assistance that coaches clinic owners to undertake **more strategic goal setting and business planning** could increase revenue opportunities



**On the job training** could be provided by **mentor clinicians to improve delivery of LARCs**



# Independent private provider: Model profile

- Local individual medical doctors, midwives or nurses providing services to communities as qualified and licensed individuals
- They may be providing services in homes / not have an established clinic site but are likely to have close ties to the community
- They will provide a range of services to individuals and families, including contraceptive counselling, in some cases midwives might be able to provide LARCs



## Contraceptives provided:

Male & Female condoms  
 Oral contraceptives  
 Emergency contraceptives  
 Injectables  
 Implant  
 IUD  
 Counselling & advice



## Business Objectives

### Profitability

Low: Likely this individual will not be driven to make significant profits but focused on cost recovery

### Scalability

Low: Individual provider is capacity constrained. They may consider growing into a more established practice.



## Access to appropriate finance

Seed Working Growth



Significant barrier to access appropriate finance, with most accessing **finance from friends or family**. May be able access **debt finance at high interest rates**



## Technical Capabilities

### Business-related capabilities

Low - unlikely to have sophisticated financial planning / business management capabilities but may have developed client relationship management skills

### Clinical capabilities

Medium/High - primary capabilities are clinical with variations in quality and type of services. May not specialize in family planning services.

# Independent private provider: Insights and opportunities

## Key insights



Individual private providers are likely to have low capital requirements if they are not operating from a clinic but will also face the greatest barriers to accessing both working and growth finance as a result



As an individual clinician they are unlikely to have significant business or financial skills to build and grow a financially viable business model



These clinicians may be able to provide the most individualized care if they have close ties to the community but may be providing very limited contraceptive services due to lack of access to commodities, space for delivery of LARCs or reduced training

## Potential opportunities



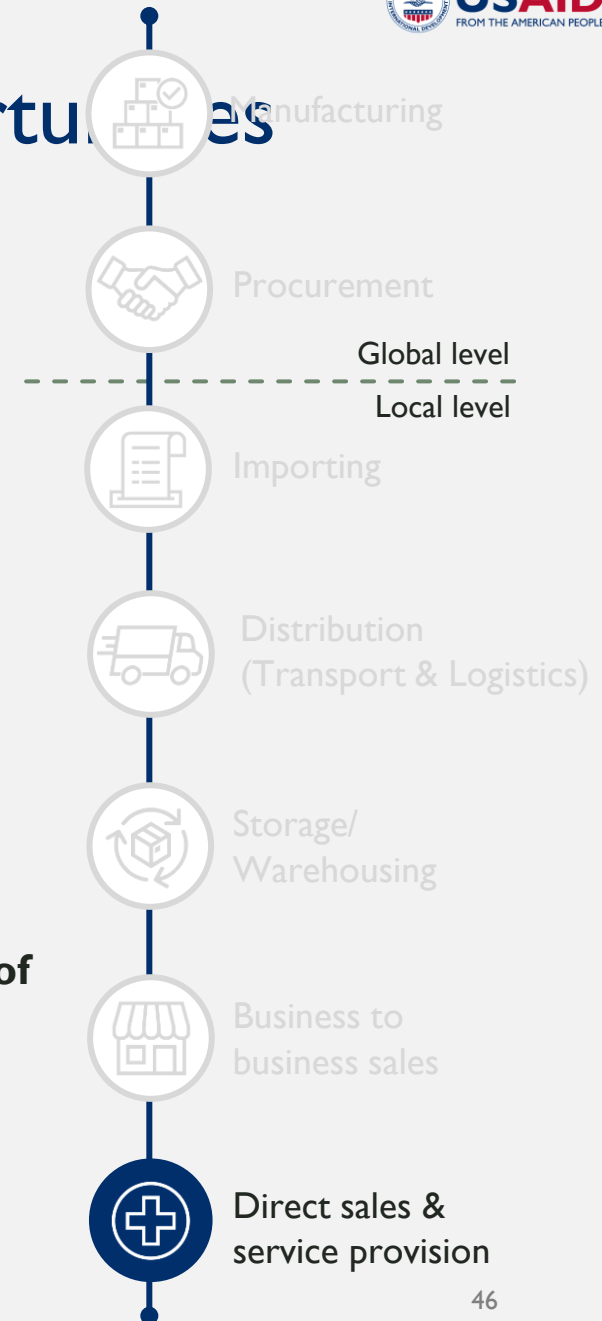
Solutions that support individuals to access **working or growth capital** could enable **delivery of their business goals**



Technical assistance could be provided to support clinicians with **business administrative skills** to support them in their **business planning and improve financial sustainability**



USAID could support the **partnering of individual clinicians with clinics** to enable more **effective referrals** and expansion of services delivered by individuals, or to **facilitate peer-to-peer learning** of core skills to reduce unmet need



# Non-clinical retail outlets



# Pharmacy chains: Model profile

- National or regional sized companies with multiple outlets for consumer retail, likely using their own distribution networks
- Contraceptives are only one aspect of their business; focus is on selling a broad range of health products
- Either economies of scale enable contraceptives to be a profitable product, or they are cross-subsidized by other products sold

## Contraceptives provided:

Male & female condoms  
 Oral contraceptives  
 Emergency contraceptives  
 Injectables

Counselling & Advice  
 Referrals to clinics



## Business Objectives

### Profitability

High – increasing profits is likely to be a core objective of the business

### Scalability

High – Model is already operating at scale but is likely to have a business objective to increase scale

## Access to appropriate finance

Seed Working Growth



Pharmacy chains will likely be able to access **debt finance** from **commercial lenders**, either internationally or locally, as well as **equity**

## Technical Capabilities

### Business-related capabilities

High – have range of capabilities to operate at scale, including, business, financial & supply chain management

### Clinical capabilities

Medium – likely to have trained pharmacist or nurse who can provide advice and counselling, as well as referrals. In some cases, may be able to deliver injectables but no medical capability to administer other more invasive procedures.

# Pharmacy chains: Insights and opportunities

## Key insights



Business objectives likely to be increasing the size of their business but may lack access to appropriate growth capital



Likely to have sufficient capabilities in business, finance and supply chain management due to scale of operations



May be disincentivized to sell a range of contraceptive products due to the low margin of the products, lack of guaranteed demand or high procurement costs caused by regulatory barriers



May be disincentivized to sell to lower income or harder to reach communities due to low margin

## Potential opportunities



Solutions that **increase access to growth capital** could support pharmacy chains to extend their reach



Pharmacy chain could be the **provider of support or training** to smaller pharmacies for key capabilities



USAID could **leverage the existing power** and reach of pharmacy chains to **reduce unmet need for contraceptives** through **aligning incentives** to serve other populations or **reduce risk** around stocking products

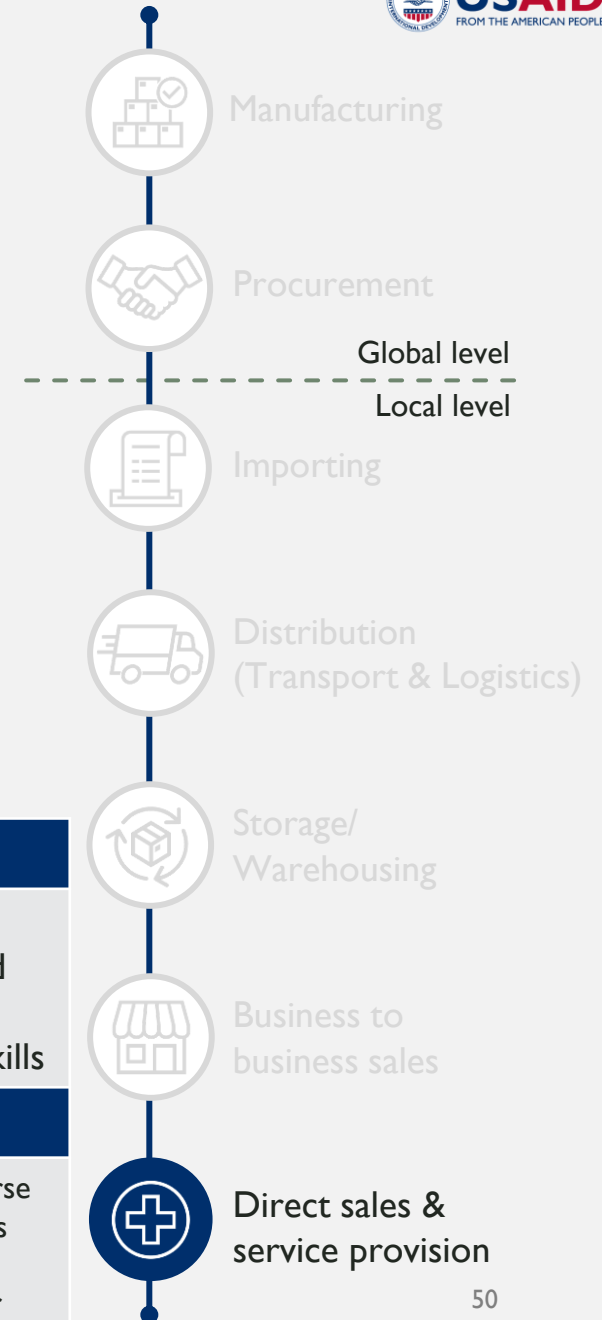


# Independent Pharmacy: model profile

- These are single outlet sites, likely run by a family or individual, with a qualified pharmacist on site; in some cases, they may be part of a franchise model
- They are likely to provide a range of pharmaceutical and wellness products as part of their business
- Highly likely to be purchasing products from a local sub-wholesaler at small scale and more frequently

## Contraceptives provided:

- Male & Female condoms
- Oral contraceptives
- Emergency contraceptives
- Injectables
- Implant
- Advice & Clinic Referrals



## Business Objectives

### Profitability

Low: Primary focus is likely to be cost recovery

### Scalability

Low/Medium: Business dependent but could be interested in expanding into additional sites or expanding capacity in existing site

## Access to appropriate finance



These businesses are likely to be considered **high risk by commercial debt providers**, and unable to consider equity financing. Likely to rely on **friends, family or more informal source** of funds.

## Technical Capabilities

### Business-related capabilities

Low/Medium - likely to have technical capability to manage day-to-day but limited strategic business planning & financial management / supply chain management skills

### Clinical capabilities

Medium - likely to have trained pharmacist or nurse who can provide advice and counselling, as well as referrals. In some cases, may be able to deliver injectables but no medical capability to administer more invasive procedures.

# Independent pharmacy: Insights and opportunities

## Key insights



Independent pharmacies are likely to face working capital strain due to needing to purchase stock ahead of receiving payment



Pharmacies may not have the financial capacity to provide a broader range in contraceptive products due to uncertain demand



Pharmacies may lack access to stock management capabilities and processes to effectively forecast demand and effectively procure contraceptive products

## Potential opportunities



Solutions that enable **easier access to working capital or credit** will reduce the cash flow challenges of funding cycles



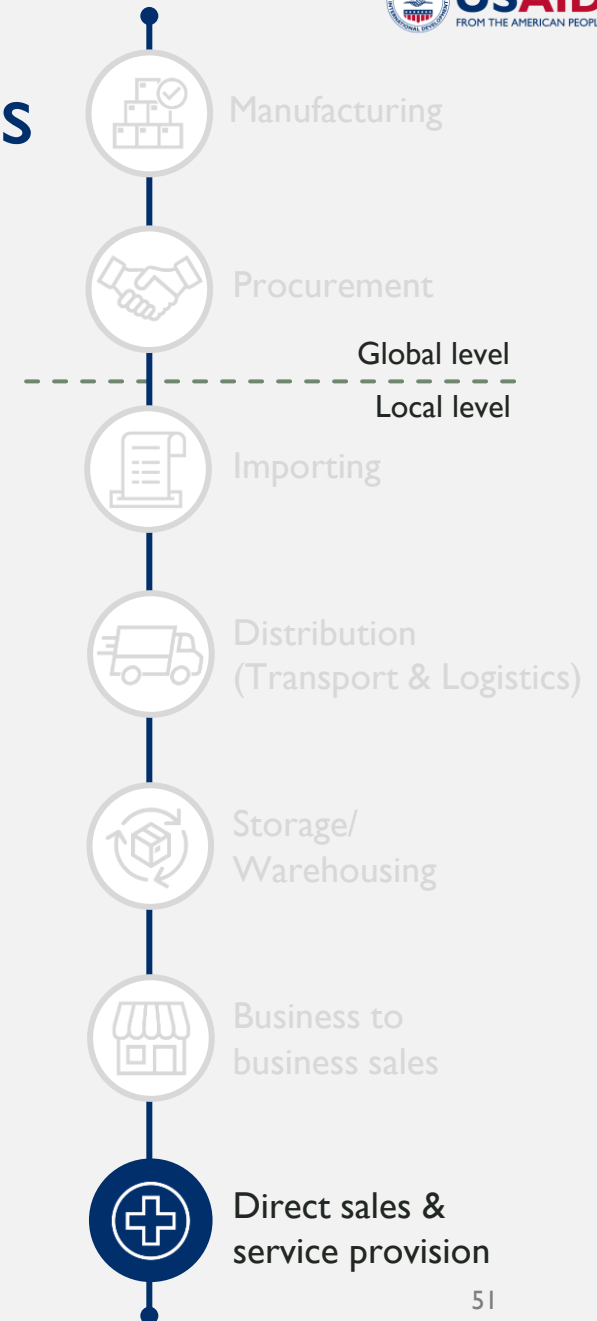
Solutions that provide **capital to facilitate growth** of product ranges or **align incentives** to provide a wide range of contraceptives could be pursued



Solutions that provide technical assistance by **building stock management skills** or support the **implementation of stock management systems** could be pursued (potentially through franchising)



Solutions that allow **access to capital** could support pharmacies to **invest in digital systems** or **improve their stock management infrastructure**



# Other local accredited retailers: model profile

- These are sellers of contraceptives who do not have pharmacy or clinical capabilities - in a number of countries they are licensed under initiatives to increase access
- They have a range of licensing and names, for example ADDOs (Tanzania), PPMVs (Nigeria) or other equivalent business types. In some countries this level of formalization has not been pursued (e.g. Kenya and Senegal)
- Particularly relevant for underserved and rural communities or those in informal settlements these businesses may have significant impact in promoting contraceptive use vs more clinical routes

## Contraceptives provided:

Male & Female condoms  
Oral contraceptives  
Emergency contraceptives\*



## Business Objectives

### Profitability

Low: Primary focus is likely to be cost recovery

### Scalability

Low/Medium: Business dependent but they could be interested in expanding into additional locations or expanding range of products

## Access to appropriate finance



Low High

These businesses are likely to be considered **high risk by local banks**. Likely to rely on **friends, family or more informal sources** of funds.

## Technical Capabilities

### Business-related capabilities

Low - likely to have some technical capabilities to manage day-to-day but limited strategic business planning & financial management / supply chain management skills

### Clinical capabilities

Low/Medium – There is likely to be a range, they may be trained nurses, or doctors, at the very least they will have some form of FP training.

# Other local accredited retailers: Insights and opportunities

## Key insights



Other accredited retailers are likely to face working capital strain due to the need to purchase stock ahead of receiving payment



Likely to lack a range of technical capabilities including key business planning capabilities; potentially lacking dispensing skills



These businesses are likely purchasing stock frequently at smaller scale and potentially may not be able to access lower cost products at scale

## Potential opportunities



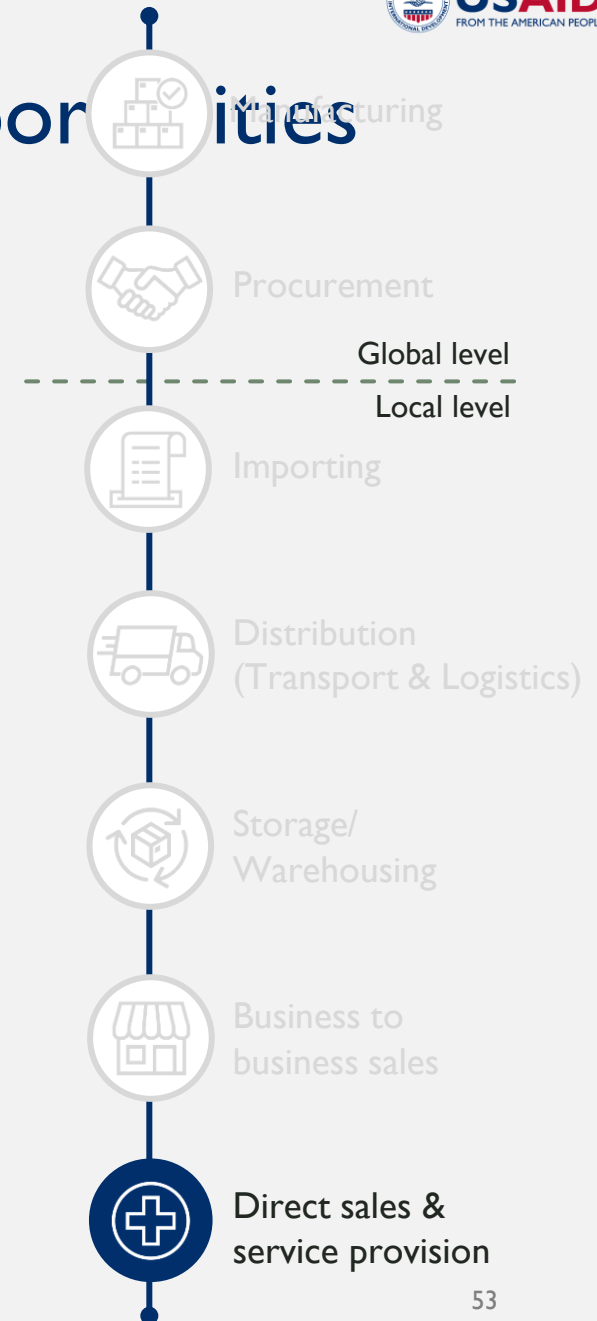
Solutions that enable **easier access to working capital or credit** will reduce the cash flow challenges of funding cycles



**Technical assistance** models that are delivered via accreditation schemes or other routes can identify key gaps and provide relevant training



Solutions that **reduce risk** and cost by **pooling demand** for products could be pursued through coordinating mechanisms to **allow for a bigger range and volume of contraceptive products to be purchased** and distributed among members



# Digital Health Innovators

# Product-focused models: Model profile

- These businesses distribute a wide range of products to providers and consumers via digitally enabled solutions but likely provide limited advisory support or consultation services
- Includes online pharmacies who deliver products to end consumers online and e-commerce businesses that provide products to other businesses
- These businesses range in size, in some cases they are operating in one country, in others, multiple



## Contraceptives provided:

Male & Female condoms  
Oral contraceptives  
Emergency contraceptives  
Injectables (only 1 reported)



## Business Objectives

### Profitability

Medium/High: Likely to be profit-driven model, although could be operating with concurrent social impact objectives

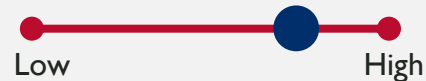
### Scalability

High – highly likely to be a business objective



## Access to appropriate finance

Seed Working Growth



Likely to be more attractive to **VC investors or other digital investors**, may still struggle to access debt and equity instruments due to **high (perceived) risk**



## Technical Capabilities

### Business-related capabilities

Medium/High - likely to be entrepreneurial and have accompanying business expertise but with specific gaps depending on maturity

### Clinical capabilities

Low - No qualification to provide contraceptive care



# Product focused models: Insights and opportunities

## Key insights



Depending on the maturity of these businesses it is likely that there are more options for financing the business but with high levels of risk that make it difficult to access finance for the right stage of growth



Businesses which are still growing may have strong capabilities in specialized areas but would likely still benefit from support and guidance in building sustainable businesses and accessing investment networks, particularly women-led businesses



These businesses may not currently be selling contraceptive products or have low incentive to do so due to low product margins and the risks involved in procuring products

## Potential opportunities



Solutions that **reduce risk** and **increase access to capital** could be pursued to reduce financing gaps as businesses **scale to commercial viability**



Solutions like **accelerators that deliver technical support** and mentoring for business development could boost the growth potential and viability of businesses



Solutions that **align incentives** to deliver contraceptive products or **reduce the risk** in doing so could **increase the range of contraceptive products** available

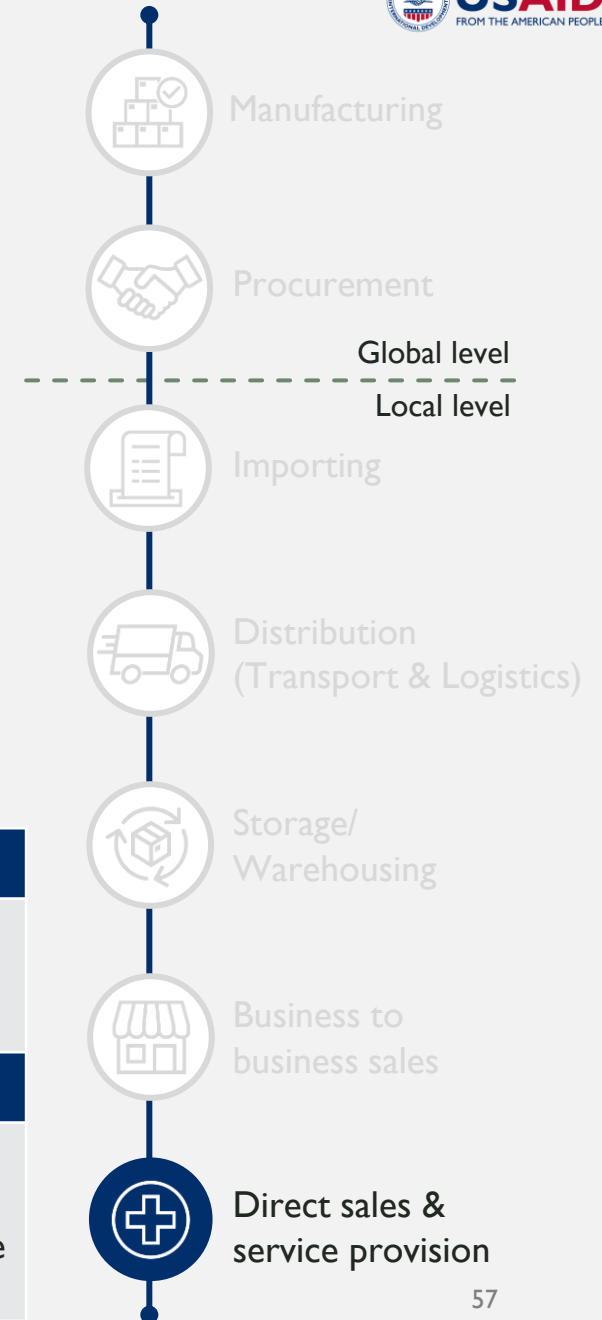


# Telemedicine/Digital counselling: Model profile

- These businesses provide remote medical consultations with a provider, where two-way-communication is made via a range of routes but involves direct engagement with a clinician (as opposed to chatbot information sharing)
- Very few, if any, of these specialize entirely in contraceptive care with some providing adjacent offerings like support to pregnant or postpartum women

## Contraceptives provided:

Counselling & Advice  
Referrals



## Business Objectives

### Profitability

Medium/High: Likely to be profit-driven model, although could be operating with concurrent social objectives

### Scalability

High – Scaling is a high priority to establish business viability

## Access to appropriate finance



Likely to be more **attractive to VC investors or other digital investors**, may still struggle to access debt and equity instruments due to **perceived risk**

## Technical Capabilities

### Business-related capabilities

Medium/High - likely to be entrepreneurial and have accompanying business expertise but with specific gaps

### Clinical capabilities

Medium/High - members of the business may have clinical expertise to provide telemedicine sessions or could outsource that capability to qualified individuals

# Telemedicine/Digital counselling: Insights and opportunities

## Key insights



Depending on the maturity of these businesses it is likely that there are more options for financing the business but with high levels of risk that make it difficult to access finance for the right stage of growth



Depends on the business model of these businesses but many are connected to brick-and-mortar clinics and hospitals who support them to extend delivery of their services



Digital solutions do not face the same challenges in providing services to hard to reach areas and so are able to provide services to a greater range of people

## Potential opportunities



Solutions that **reduce risk** and **increase access to capital** could be pursued to reduce financing gaps as businesses **scale to viability**



USAID may be able to leverage **partnerships and relationships** to **connect these businesses with clinics and clinicians** and support businesses to scale



Solutions that **align incentives** could enable these businesses to **monetize their impact** and focus on delivery to harder to reach populations



# Digital Supply Chain Innovators: Model profile

- These businesses provide support to providers to facilitate easier access to contraceptive products, either through order and inventory management solutions, or through last mile delivery solutions
- They are not contraceptive specific as their business models are digital product focused, but their expertise could be leveraged to build more resilient and effective supply chains for contraceptives

## Contraceptives provided:

N/A



## Business Objectives

### Profitability

High - likely to be a commercial business with profit as the primary driver

### Scalability

High – typically providing a software as a service so able to operate more easily at scale

## Access to appropriate finance

### Seed Working Growth



Likely to be more **attractive to VC investors** or other **digital investors**, may still struggle to access debt and equity instruments due to **perceived risk**

## Technical Capabilities

### Business-related capabilities

Medium/High - likely to be entrepreneurial and have business expertise but with specific gaps

### Clinical capabilities

Not applicable - these businesses are not providing any clinical services to end customers but they may have some clinical knowledge or background to support procurement and sales

# Digital Supply Chain Innovators: Insights and opportunities

## Key insights



Scaling these innovators could provide solutions to a number of challenges faced by typical brick and mortar businesses, in terms of building more resilient supply chains and reducing fragmentation in the market



Businesses which are still growing may have strong capabilities in specialized areas but would likely still benefit from support and guidance in building sustainable businesses and accessing investment networks, particularly women-led businesses



Given the drive for profitability, there may be low incentive to provide these services to smaller businesses who may benefit the most from the solution

## Potential opportunities



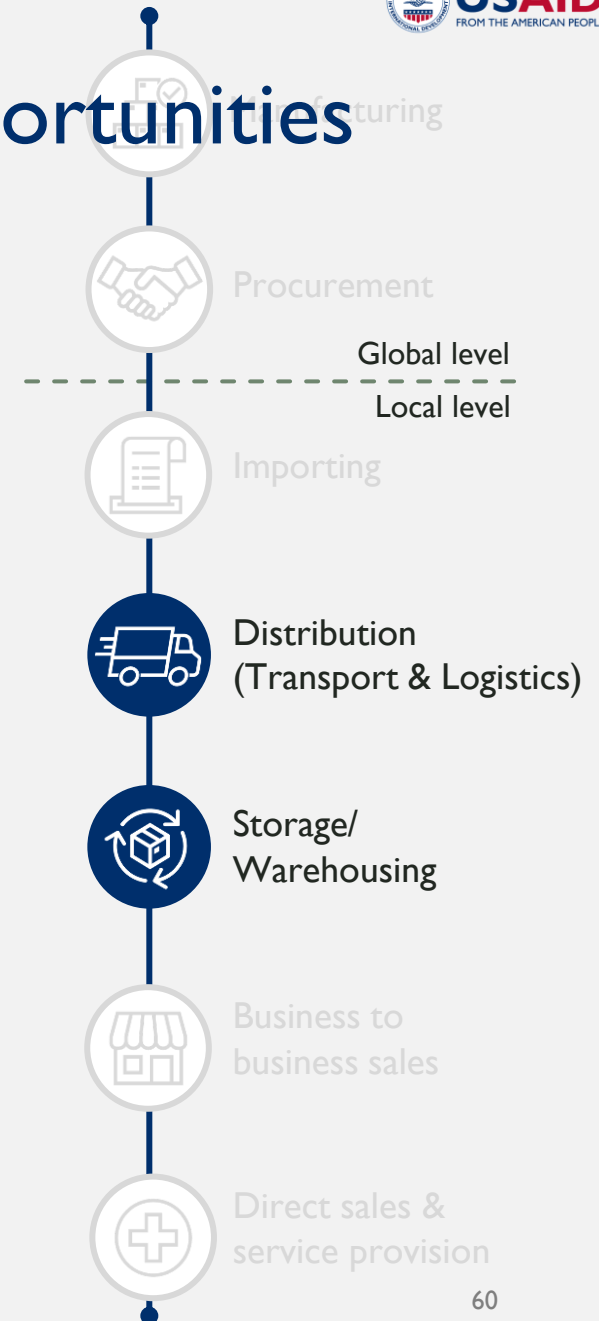
USAID could **partner with these businesses** to provide technical support to other private providers, supporting the development of a consumer base for their technology



Solutions like **accelerators that deliver technical support** and mentoring for business development could boost the growth potential and viability of businesses



Solutions that **align incentives** to provide services to smaller providers at a low cost could drive impact in the contraceptive product supply chain



Document overview	1-5
Introduction to the approach	7-9
Applying the approach in practice	11-28

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***Further resources for applying the approach***

<b>Business model profiles</b> <i>Understanding the local businesses and their needs in the contraceptive market</i>	30-59
<b>Financial Intervention profiles</b> <i>Understanding a range of potential financial interventions to support local businesses</i>	<b>61-86</b>
<b>Technical Assistance Modalities</b> <i>Understanding a range of potential technical interventions to support local businesses</i>	89-92

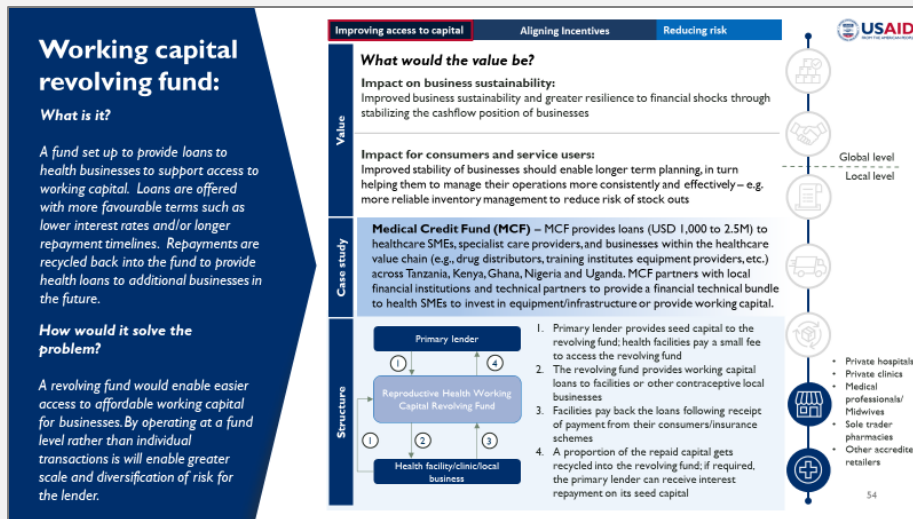
# Contents

# Guidance for using the financial tool summaries

The following slides outline a range of financial tools that could be used to solve challenges across the value chain. These are generalized and so will need to be considered in local contexts to understand variations and specificities.

Each financial tool in this document has:

## 1. Summary



**Working capital revolving fund:**  
**What is it?**  
 A fund set up to provide loans to health businesses to support access to working capital. Loans are offered with more favourable terms such as lower interest rates and/or longer repayment timelines. Repayments are recycled back into the fund to provide health loans to additional businesses in the future.

**How would it solve the problem?**  
 A revolving fund would enable easier access to affordable working capital for businesses. By operating at a fund level rather than individual transactions it will enable greater scale and diversification of risk for the lender.

**Value:**  
**What would the value be?**  
**Impact on business sustainability:** Improved business sustainability and greater resilience to financial shocks through stabilizing the cashflow position of businesses.  
**Impact for consumers and service users:** Improved stability of businesses should enable longer term planning, in turn helping them to manage their operations more consistently and effectively – e.g. more reliable inventory management to reduce risk of stock outs.

**Case study:**  
**Medical Credit Fund (MCF)** – MCF provides loans (USD 1,000 to 2.5M) to healthcare SMEs, specialist care providers, and businesses within the healthcare value chain (e.g., drug distributors, training institutes equipment providers, etc.) across Tanzania, Kenya, Ghana, Nigeria and Uganda. MCF partners with local financial institutions and technical partners to provide a financial technical bundle to health SMEs to invest in equipment/infrastructure or provide working capital.

**Structure:**

- Primary lender
- Reproductive Health Working Capital Revolving Fund
- Health facility/clinic/local business

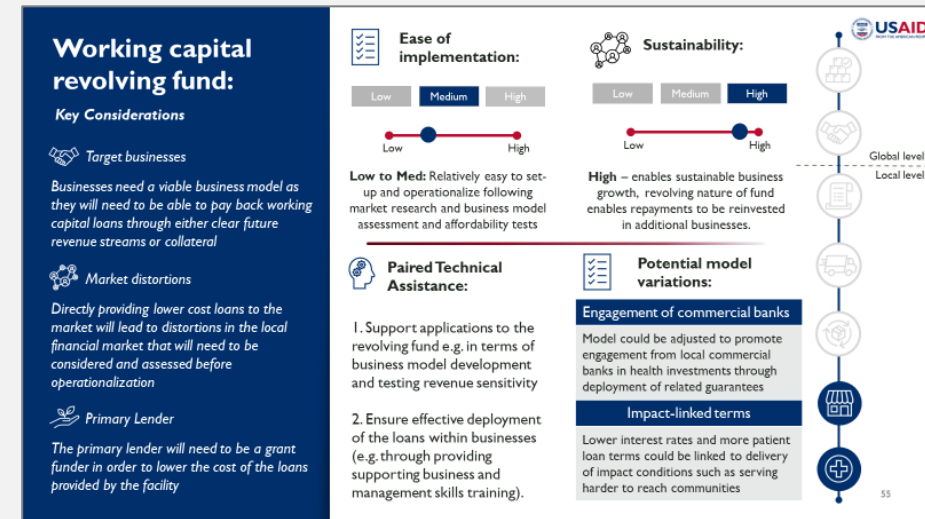
- Primary lender provides seed capital to the revolving fund; health facilities pay a small fee to access the revolving fund
- The revolving fund provides working capital loans to facilities or other contraceptive local businesses
- Facilities pay back the loans following receipt of payment from their consumers/insurance schemes
- A proportion of the repaid capital gets recycled into the revolving fund; if required, the primary lender can receive interest repayment on its seed capital

Target businesses: Private hospitals, Private clinics, Medical professionals/ Midwives, Sole trader pharmacies, Other accredited retailers.

USAID logo and icons for Global level and Local level.

Summarizes the aim and structure of the financial tool, intended impact, key considerations and provides a short case study on the structure

## 2. Variations



**Working capital revolving fund:**  
**Key Considerations**

**Ease of implementation:** Low to High (Medium selected)

**Sustainability:** Low to High (High selected)

**Target businesses:** Businesses need a viable business model as they will need to be able to pay back working capital loans through either clear future revenue streams or collateral.

**Market distortions:** Directly providing lower cost loans to the market will lead to distortions in the local financial market that will need to be considered and assessed before operationalization.

**Primary Lender:** The primary lender will need to be a grant funder in order to lower the cost of the loans provided by the facility.

**Paired Technical Assistance:**

- Support applications to the revolving fund e.g. in terms of business model development and testing revenue sensitivity
- Ensure effective deployment of the loans within businesses (e.g. through providing supporting business and management skills training).

**Potential model variations:**

- Engagement of commercial banks:** Model could be adjusted to promote engagement from local commercial banks in health investments through deployment of related guarantees
- Impact-linked terms:** Lower interest rates and more patient loan terms could be linked to delivery of impact conditions such as serving harder to reach communities

USAID logo and icons for Global level and Local level.

Summarizes potential model variations and technical assistance options which could be paired with the financial tool to maximize impact of the intervention

# Financial Tool Summary: Overview

## 1 Summary of the intervention

This section summarizes what the intervention is and how it could solve the specific local business challenge identified

## 2 Value of intervention

Each intervention is tagged to its primary purpose: improving access to capital, aligning incentives and reducing risk

This section captures why you might use the specific tool and its potential impact in relation to business sustainability and benefit to consumers

## 3 Case Study

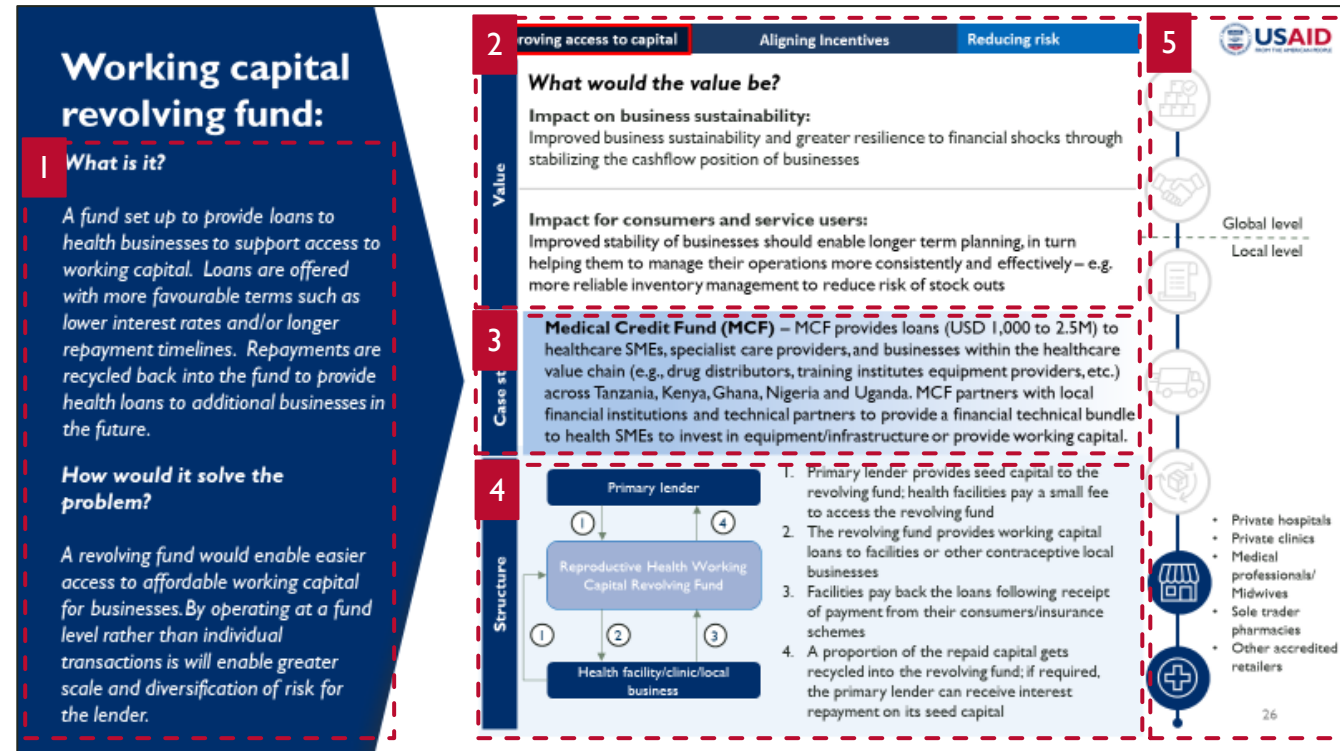
This section outlines a short case study of the model

## 4 General structure of the tool

This outlines the broad structure the tool could take, and how the structure works. This signifies a base structure, there will be variations in these in practice

## 5 Contraceptive value chain positioning

This section captures where in the value chain this financial tool is intended to target (*color coded blue where it is operating and grey where it is not*)





# Financial Tool Variation: Overview

- 1** **Key considerations**  
 This section captures key considerations for USAID when assessing this tool, this includes potential risks, considerations about participating SMEs or local financial institutions and other clarifications
- 2** **Assessing the intervention**  
 This section provides an assessment of the ease of implementation and sustainability of the intervention to support USAID to consider feasibility of the model
- 3** **Paired technical capacity options**  
 This section captures how you might integrate technical capacity support to further support businesses with this financial tool
- 4** **Potential model variations**  
 This section describes possible adjustments that could be made to the tool to change or alter how it is structured or delivers impact.

**5** **Contraceptive value chain positioning**  
 This section captures where in the value chain this financial tool is intended to target (*color coded blue where it is operating and grey where it is not*)

## Working capital revolving fund:

**1** **Key Considerations**

- Target businesses**  
*Businesses need a viable business model as they will need to be able to pay back working capital loans through either clear future revenue streams or collateral*
- Market distortions**  
*Directly providing lower cost loans to the market will lead to distortions in the local financial market that will need to be considered and assessed before operationalization*
- Primary Lender**  
*The primary lender will need to be a grant funder in order to lower the cost of the loans provided by the facility*

**2** **Ease of implementation:**

Low Medium High

Low —●— High

**Low to Med:** Relatively easy to set-up and operationalize following market research and business model assessment and affordability tests

**Sustainability:**

Low Medium High

Low —●— High

**High** – enables sustainable business growth, revolving nature of fund enables repayments to be reinvested in additional businesses.

**3** **Paired Technical Assistance:**

1. Support applications to the revolving fund e.g. in terms of business model development and testing revenue sensitivity
2. Ensure effective deployment of the loans within businesses (e.g. through providing supporting business and management skills training).

**4** **Potential model variations:**

**Engagement of commercial banks**

Model could be adjusted to promote engagement from local commercial banks in health investments through deployment of related guarantees

**Impact-linked terms**

Lower interest rates and more patient loan terms could be linked to delivery of impact conditions such as serving harder to reach communities

**5**

Global level  
-----  
Local level

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# Financial Tool Summaries









# We use a simplified, practical financial tool typology to support use of the approach

The funding tool typology is driven by the *function* of the tools: to support local enterprises to seize opportunities and address challenges in private markets. . The typology is kept deliberately high-level; a very granular typology of many funding tools is not helpful in practical terms. Within the key categories set out below, there will be multiple possible sub-options, built off the variables set out on the next slide. The optimal tool – likely a sub-option or refinement of the main types below – will be context-dependent.

Category	Strategic Solution	Example financial tools
Improve Financial Sustainability	Improve access to finance	<ul style="list-style-type: none"> <li>Working/Short-term capital               <ul style="list-style-type: none"> <li>- Blended/Impact Debt Fund</li> <li>- Supply Chain Finance</li> </ul> </li> <li>Growth capital               <ul style="list-style-type: none"> <li>- Revenue Finance Fund</li> </ul> </li> <li>Seed/Growth capital               <ul style="list-style-type: none"> <li>- Blended/Impact Equity Fund</li> <li>- Tiered Catalytic Fund</li> </ul> </li> </ul>
	Reduce risk	<ul style="list-style-type: none"> <li>- First loss guarantees</li> <li>- Pull mechanisms (e.g. volume guarantees)</li> <li>- Pooling mechanisms (e.g. pooled procurement models)</li> </ul>
	Incentivize impact	<ul style="list-style-type: none"> <li>- Impact linked funding models</li> </ul>

**Note:** We choose not to differentiate between ‘blended finance’ and ‘impact investment’ funds, as the presence (or not) of grant money blended with returnable capital is only one of the many ways tools can be typologized.

# The financial tools in this approach can be modified and tailored across a range of variables, depending on the local context

Variable	Description		Options
Structure & participation	Financing tools can be structured in a range of ways to include different numbers of investors or different investor types.	➤	Single investor deploying own capital (e.g. family office)  Pooled fund with multiple investors (GP + LPs)
Timeframe	Funds can be designed to last for different periods of time before returning capital.	➤	Evergreen revolving fund  Investor capital returned at a predetermined timeframe
Return target	Different tools have different financial return expectations or targets.	➤	Depleting funds with IRR <0%  Positive financial return
Concessionality of capital structure	The concessionality of capital in the capital structure can vary by blending grants with commercial investment	➤	Grants or concessional capital included as first loss / return enhancement  100% of capital seeking commercial returns
Non-investment element	Funds can vary in the level and type of technical assistance provided to investees alongside investment	➤	Provides technical assistance  Investment-only vehicles
Investment instrument	Funds can provide a range of investment types, at a range of different ticket	➤	Debt (senior to junior)  Grants
Fund Manager	Fund management options	➤	3 <sup>rd</sup> Party fund manager  In-house fund management team
Target stage	Investment focus can vary from early- to growth-stage, linked to risk appetite	➤	Early stage investee (e.g. pre-seed / seed)  Growth stage investee (multiple funding rounds)
Investment characteristics	Differentiating characteristics include the size of funding commitment (ticket size), or sector-specific investment strategy e.g. Women's Health		

## When reviewing the following financial tool slides, note the following caveats:

- These tools have been deployed – in varying forms – across multiple sectors: they are not bespoke to contraceptive businesses. They will need to be modified and adapted when being applied to private contraceptive market challenges in specific country contexts, using the variables on the previous slide.
- There is no one-size-fits-all tool: decisions about which financial tool need to be driven by the problem in the contraceptive market being solved
- Wider contextual and ecosystem factors are important for assessment of suitability of these tools including potential partners, strengths of the market, the public sector context and the ability of the private sector to engage. Key questions outlined on [slide 27](#) support Missions to understand suitability of tools going forward.
- The tools are organized according to the strategic solution that they deliver, per [slide 27](#)

# Strategic solution: improve access to capital

The table below is a high-level typology of financial tools that can support businesses seeking to access appropriate capital. Each type of financial tool meets the needs of particular business models. Subsequent slides present specific examples (note that the examples are not generic descriptions of the range of variations possible for that tool type).

Business model	Financing Need	Tool	Description	Example	Similar model names	USAID experience
<ul style="list-style-type: none"> <li>Private clinics &amp; hospitals</li> <li>Pharmacies &amp; other accredited outlets</li> </ul>	Working / growth capital	<b>Blended / Impact Debt Fund</b>	An impact-focused fund (potentially blended) providing either shorter-term working capital to businesses with volatile cashflow or longer-term growth capital	<a href="#">Medical Credit Fund</a>	Working capital fund Revolving credit fund	<b>High</b> – USAID has provided grant funding to funds
<ul style="list-style-type: none"> <li>Wholesalers</li> <li>Sub-distributors</li> <li>Pharmacies</li> </ul>	Working / growth capital	<b>Supply Chain Finance</b>	Supply chain finance involves loans being made by banks based on businesses' invoices / receivables, easing cashflow constraints	<a href="#">BII TSCF program</a>	Receivables Finance Supplier Credit Distributor Finance	<b>Medium</b> – no clear examples of USAID engaging with supply chain financing directly but GHSC program likely to have expertise to leverage
<ul style="list-style-type: none"> <li>Private clinics &amp; hospitals</li> <li>Pharmacies &amp; other accredited outlets</li> </ul>	Growth capital	<b>Revenue Based Finance</b>	Hybrid tool providing highly flexible capital, where repayments are a share of business revenues rather than fixed repayment terms + fixed interest rate	<a href="#">Cambodia Revenue Finance Facility</a>	Revenue share agreement	<b>Low</b> - no clear examples of USAID engaging with this model
<ul style="list-style-type: none"> <li>Private clinics &amp; hospitals</li> <li>pharmacy chains</li> <li>Health Innovators</li> </ul>	Growth capital	<b>Blended / Impact Equity Fund</b>	An impact-focused fund (potentially blended) that provides growth capital in the form of equity, with high risk appetite and long-term investment horizon	<a href="#">Acumen Fund</a>	Venture philanthropy Patient capital	<b>Medium</b> – USAID has provided support and funding to similar funds, e.g. <a href="#">Pakistan Private Investment Initiative</a>
<ul style="list-style-type: none"> <li>Private clinics &amp; hospitals</li> <li>Pharmacy chains</li> <li>Health Innovators</li> </ul>	Seed & growth capital	<b>'Tiered' Catalytic Fund</b>	Funds that provide tiers of grant, debt or equity investment, supporting businesses from proof-of-concept through to scaling	<a href="#">USAID Development Innovation Ventures</a>	Seed capital Catalytic capital	<b>High</b> – USAID has existing mechanisms to engage with this globally, including DIV and INVEST

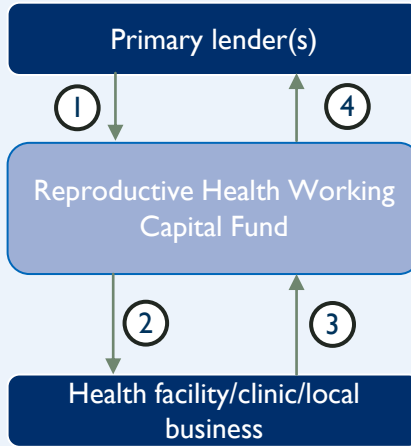
# Blended/Impact Debt Fund

## What is it?

A fund set up to provide debt loans to health businesses to support access to working or growth capital. Through blending with grants, loans can be offered on more favorable terms, such as lower interest rates and/or longer repayment timelines. Repayments could be recycled back into the fund to provide health loans to additional businesses in the future.

## How would it solve the problem?

A debt fund would enable easier access to affordable working capital for businesses. By operating at a fund level rather than individual transactions, this will enable greater scale and diversification of risk for the lender.

Value	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> Improved business sustainability and greater resilience to financial shocks through stabilizing cashflow; capital to fund capex investments for growth</p> <hr/> <p><b>Impact for consumers and service users:</b> Improved stability of businesses should enable longer term planning, in turn helping them to manage their operations more consistently and effectively – e.g. more reliable inventory management to reduce risk of stock outs</p>
Case study	<p><b>Medical Credit Fund (MCF)</b> – MCF provides loans (USD 1,000 to 2.5M) to healthcare SMEs, specialist care providers, and businesses within the healthcare value chain (e.g., drug distributors, training institutes equipment providers, etc.) across Tanzania, Kenya, Ghana, Nigeria and Uganda. MCF partners with local financial institutions and technical partners to provide a financial technical bundle to health SMEs to invest in equipment/infrastructure or provide working capital.</p>
Structure	 <ol style="list-style-type: none"> <li>1. Primary lender(s) provide(s) seed capital to the fund</li> <li>2. The fund provides working capital loans to facilities or other local contraceptive businesses</li> <li>3. Facilities pay back the loans following receipt of payment from their consumers/insurance schemes</li> <li>4. Primary lenders receive interest repayment on its seed capital</li> </ol>



Global level  
-----  
Local level

- Private hospitals
- Private clinics
- Medical professionals/ Midwives
- Sole trader pharmacies
- Other accredited retailers

# Blended/Impact Debt Fund

## Key Considerations

### Target businesses

Businesses need a viable business model as they will need to be able to pay back working capital loans through either clear future revenue streams or collateral

### Risk of market distortion

Directly providing lower cost loans to the market can lead to distortions in the local financial market that will need to be considered and assessed before operationalization

### Role of the primary lender

The primary lender will need to be a grant funder in order to lower the cost of the loans provided by the facility, but there will need to be a clear justification for causing market distortions.



### Ease of implementation:



**Medium** - Relatively easy to set-up and operationalize following market research and business model assessment and affordability tests



### Sustainability:



**Medium** – should support businesses to sustain operations and depending on repayment rate, the fund could be self-sustaining



### Paired Technical Assistance:

1. Support applications to the revolving fund e.g. in terms of business model development and testing revenue sensitivity
2. Ensure effective deployment of the loans within businesses (e.g. through providing supporting business and management skills training).



### Potential model variations:

#### Engagement of commercial banks

Model could be adjusted to promote engagement from local commercial banks in health investments through deployment of loan guarantees e.g. DCA

#### Impact-linked terms

Lower interest rates and more patient loan terms could be better justified by linking loans to delivery of impact conditions such as serving harder to reach communities





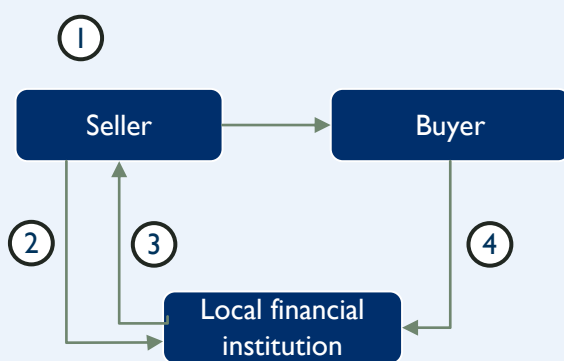
# Supply Chain Finance

## What is it?

Supply chain finance typically refers to supplier credit that is shared through the supply chain. Models can be deployed to optimize working capital and liquidity through the supply chain. This example refers to the use of accounts receivable (A/R financing) or invoices (distributor financing) as repayment sources or collateral to take out short-term loans with commercial banks.

## How would it solve the problem?

With financial institutions providing loans it allows for businesses to maintain short-term cashflow as they wait for payment for goods, this in turn allows distributors/wholesalers to provide more supplier credit.

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
<b>Value</b>	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> This model should increase the amount of supplier credit in the supply chain and support businesses with short term cashflow, as a result they can increase stock and sales of contraceptive products.</p> <hr/> <p><b>Impact for consumers and service users:</b> Businesses will be able to more effectively access contraceptive products, reducing stockouts, enabling consumers to access a range of contraceptive commodities</p>		
<b>Case study</b>	<p>Multiple DFIs have trade &amp; supply chain finance programs: <u>British Investment International (BI)</u> is a prominent example. In addition, <u>SHOPs Plus</u> report that includes a <u>case study indicating the financial viability to supporting pharmacies to access finance.</u></p>		
<b>Structure</b>	 <pre> graph TD     S[Seller] -- 1 --&gt; B[Buyer]     S -- 2 --&gt; LFI[Local financial institution]     LFI -- 3 --&gt; S     B -- 4 --&gt; LFI     </pre> <ol style="list-style-type: none"> <li>Seller (Manufacturer, Wholesaler or distributor) sells products to a buyer (downstream business- distributor, wholesaler, pharmacy)</li> <li>The seller submits their invoice or accounts receivable to a separate financial institution</li> <li>The financial institution disburses a loan based on the submission from the seller</li> <li>The buyer pays back the loan to the financial institution based on product sales (either directly or via the seller)</li> </ol>		



Global level  
-----  
Local level

- Wholesalers;
- Sub-distributors;
- Pharmacies

# Supply Chain Finance

## Key Considerations



### Financial Institution involvement

This model is dependent on there being local banks / FIs willing to engage. Engagement with these stakeholders will be essential to implementation. Otherwise USAID could establish a fund to act as an interim lender or provide guarantees to reduce engagement risk.



### Strong partnerships between FIs and the supply chain

This model is reliant on strong partnerships between FIs and supply chain actors as well as potentially specific regulatory frameworks. This may not be an option in some markets, and may also require significant brokerage and engagement in the market to implement.



### Ease of implementation:



**Low** – This model is dependent on businesses and financial institutions to engage, and there are limited examples of donor involvement to learn from for USAID.



### Paired Technical Assistance:

Technical assistance could be provided to FIs to promote engagement with the tool and support them to further understand supply chain finance

Technical assistance can be provided to recipients of supply chain financing to increase their capabilities in supply chain management and marketing



### Sustainability:



**High** – This form of financing is designed to be integrated into the supply chain and so has the opportunity to be self-sustaining.



### Potential model variations:

#### Guarantee financing

USAID could provide a guarantee to financial institutions if the risk of involvement is too high for local FIs



Global level  
Local level

- Wholesalers;
- Sub-distributors;
- Pharmacies

# Revenue Based Finance

## What is it?

A flexible hybrid financing model that, unlike a traditional bank loan, has no fixed interest rate: repayment is linked to revenues generated by the business. As a result there is no fixed term; if the operator performs well, the loan is repaid quicker once a target investment multiple is achieved.

## How would it solve the problem?

Revenue financing facilitates businesses to access debt financing for growth with more favorable terms. It could enable businesses to invest in infrastructural or capital expenditure with longer returns in terms of profitability. It doesn't penalize poor performance as result of short-term fluctuations.

Value

### What would the value be?

#### Impact on business sustainability:

This form of financing would enable businesses to invest into their business with more flexible financing that is dependent on business growth and therefore not penalize them for short term fluctuations in revenue

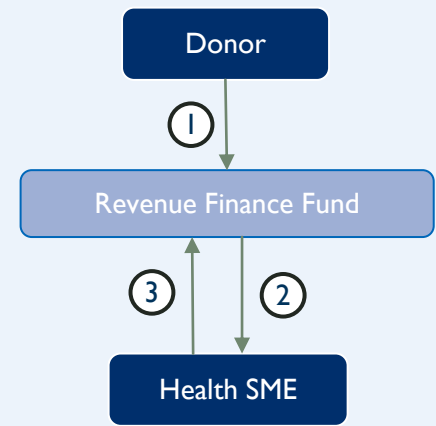
#### Impact for consumers and service users:

Businesses that can invest in their businesses will enable consumers to access higher quality services and a more consistent range of contraceptive products

Case study

The Cambodia Revenue Finance Facility, established by the Stone Family Foundation with the French NGO GRET/iSEA and the Bank for Investment and Development of Cambodia, provides revenue-based loans to private water operators. The operator repays the loan as a percentage of water sales (~13% to 25%) over a flexible time period. Alongside this, business support is provided in technical skills, financial modelling and systems, sales and marketing, and development of new products. It also includes grant funding for a small number of subsidies to households, as well as, support to provide loans to households to increase sales.

Structure



1. Donors provides capital to a revenue finance fund
2. The fund provides loans to healthcare SMEs with revenue-linked repayment obligations
3. The healthcare SME pays a fixed proportion of their revenue back to the fund as repayment on the loan until the loan is repaid potentially with return

USAID FROM THE AMERICAN PEOPLE

Global level

Local level

- Wholesalers
- Sub-distributors
- Private Hospitals
- Private Clinics
- Pharmacies
- Other accredited outlets

# Revenue Based Finance

## Key Considerations

### Forecastable revenue lines

This is based on stakeholders being able to somewhat reliably predict repayment of the loan based on revenues. Potential revenues will need to be forecastable to provide information repayment metrics and timelines. Without these it could be difficult to encourage engagement in this kind of debt product.

### Scale of transaction

This model could be designed at fund or individual business level depending on the range and type of actor being targeted through the tool.



### Ease of implementation:



**Low** – it is not clear that USAID has engaged with a model like this before so there is less institutional knowledge to learn from.



### Paired Technical Assistance:

Technical assistance in business and financial management can be delivered alongside the loan to support business sustainability, including marketing support



### Sustainability:



**High** – This model is providing financing directly linked to the growth of revenues of a business and so supports businesses to grow sustainably



### Potential model variations:

#### Repayable grant

The model could be designed in a repayable/convertible grant structure, where there is no obligation to repay the loan if the investment fails to deliver the revenue growth expected.

#### Guarantee repayment

In cases where there is limited risk appetite, a loan guarantee could be integrated to reduce risk of participation in the structure.



Global level  
Local level

- Wholesalers
- Sub-distributors
- Private Hospitals
- Private Clinics
- Pharmacies
- Other accredited outlets

# Blended/Impact Equity Fund

## What is it?

*A fund established to provide growth capital to businesses over a longer time horizon, allowing them to have the space to grow and scale – in these cases more favorable capital is provided to businesses delivering additional value to the market such as health businesses*

## How would it solve the problem?

*It will provide businesses with slower growth models with the stability to scale over longer, more realistic time horizons*

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
Value	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> Many businesses – particularly health businesses with slow growing revenue models – face challenges transitioning from pre-seed/seed funding/grant funding to sustainable businesses models, patient capital reduces financial strain and pressure</p>		
	<p><b>Impact for consumers and service users:</b> If businesses are able to invest more reliably, with less financial pressure, they may be more able and willing to innovate to better serve the needs of their consumers</p>		
Case study	<p><b>Acumen Fund:</b> Acumen’s patient capital model has a high-risk tolerance, long time horizons and requires lower returns, making it well suited to bridging the gap between social impact and market efficiency. For example, a joint venture between HLL limited (a Government of India state owned corporation), and Acumen Fund that led to the creation of LifeSpring. LifeSpring is a chain of hospitals and clinics that provide MNCH services for low and middle-income patients. Originally a pilot project funded by the Hindustan Latex Family Planning Promotion Trust (now HLL), it became a private limited company as a 50-50 joint venture with Acumen Fund in 2008.</p>		
Structure	<pre> graph TD     Guarantor[Guarantor] -- 4 --&gt; Fund[Blended/Impact Equity Fund]     Fund -- 1 --&gt; SME[Health SME]     SME -- 2 --&gt; Fund     SME -- 3 --&gt; Fund     </pre>		
	<ol style="list-style-type: none"> <li>1. Business looking for finance agrees terms and conditions of an equity investment</li> <li>2. Capital is disbursed to the business</li> <li>3. Business repays according to the loan terms or pays dividends based on company performance (or investor sells shares)</li> <li>4. In the event of default or significant business loss capital <i>may</i> be protected by first loss investments or third-party guarantees</li> </ol>		

USAID  
FROM THE AMERICAN PEOPLE

Global level  
-----  
Local level

- Private Hospitals
- Private clinics
- Health Innovators

# Blended/Impact Equity Fund

## Key Considerations

### Participating SMEs

Businesses will need to have a long-term business plan that has a route to businesses sustainability to ensure repayment of the investment. Typically, these models focus on health innovator models but could also provide growth capital to clinics or hospitals

### Business identification

A challenge for implementing this model is to identify SMEs and businesses to be invested in. There could be a selection bias in calling for proposals/ applications that may eliminate some entrepreneurs. Active recruitment in markets through partnerships could be used to diversify the kinds of start-ups receiving seed funding.

### Focusing on contraceptive care

This fund could support contraceptive specific businesses or ring fence its funding to be directed to providing contraceptives



### Ease of implementation:



**Medium** – USAID has engaged in similar equity investment through DIV, depending on the level of blending this could require higher stakeholder engagement.



### Paired Technical Assistance:

1. Support businesses to access the fund through private sector engagement
2. Support businesses with financial and business planning over the cycle of the long-term financing to build business skills, similar to an incubator model
3. Support FIs to better understand investments in health sector, reduce perceived risk and encourage longer and more favorable terms



### Sustainability:



**Medium** – This type of funding is designed to provide capital to support businesses grow building more sustainable markets, but it is dependent on the businesses that are invested in



### Potential model variations:

#### Blended Finance

Model could be adjusted to promote engagement from local commercial banks in health investments through blending of donor capital

#### Impact-linked terms

Lower interest rates and more patient loan terms could be explicitly linked to delivery of impact conditions such as serving harder to reach communities



Global level  
Local level

- Private Hospitals
- Private clinics
- Health Innovators

# 'Tiered' Catalytic Fund

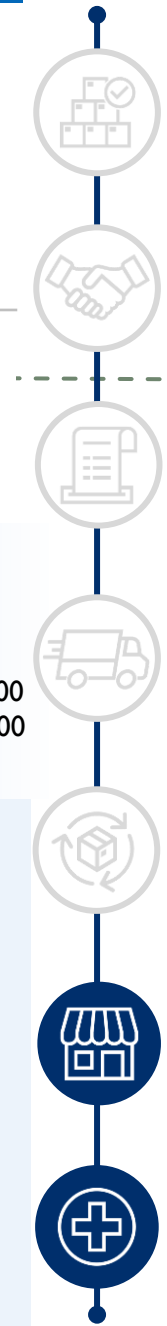
## What is it?

A fund that provides 'tiered' type of funding to different businesses depending on their growth stage. It includes flexible grant funding early-stage, high-risk innovators or businesses, where donors take a venture capital approach to financing before venture capital is willing to engage, as well as equity and concessional debt investments into scaling businesses.

## How would it solve the problem?

Supports businesses to move from proof of concept, to developing a track record, to scaling to the point of accessing commercial impact investment, where investors require clear commercial viability and scale before investing.

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
<b>Value</b>	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> It supports businesses to access more sustainable financing through investors by being able to risk-free develop a proof of concept to understand feasibility, impact and financial viability of the model.</p> <hr/> <p><b>Impact for consumers and service users:</b> Downstream impact of seed funding is more sustainable business that are delivering consumer-centric innovations in the market that will better serve consumer demand</p>		
<b>Case study</b>	<p>USAID's <u>Development Innovation Ventures (DIV)</u> project provides tiered grant funding to innovators to support them to test and scale their businesses through a venture capital type fund. An example of a DIV investment was to <u>Maisha Meds</u>, which provides inventory management software to pharmacies that enables them to better manage inventory to reduce stock outs and grow their businesses. With the help of DIV, Maisha expanded from 200 to 1,200 health facilities and is now scaling the platform to reach more than 500,000 patients across 5,000 facilities in three countries.</p>		
<b>Structure</b>	<div style="display: flex; align-items: center;"> <div style="margin-right: 20px; writing-mode: vertical-rl; transform: rotate(180deg);"><b>Structure</b></div> <div style="text-align: center;"> <pre> graph TD     Donor[Donor] -- 1 --&gt; Fund[Tiered catalytic impact fund]     Investor[Investor] -- 2 --&gt; Fund     Fund -- 3 --&gt; SME[Healthcare SME/innovator]     SME -- 4 --&gt; SME             </pre> </div> <div style="margin-left: 20px;"> <ol style="list-style-type: none"> <li>1. Donors provides capital into the tiered fund</li> <li>2. Investors may provide additional capital potentially with different risk appetites</li> <li>3. The fund provides staged financing to different businesses depending on their stage of development, including either grants, debt or equity</li> <li>4. The Healthcare SME could continue to receive capital in further stages of scaling depending on performance</li> </ol> </div> </div>		



Global level  
-----  
Local level

- Private Hospitals
- Private clinics
- Health Innovators

# 'Tiered' Catalytic Fund

## Key Considerations

### Identifying new SMEs

A key challenge for this model is finding new start up businesses to invest in. There could be a selection bias in calling for proposals/applications that may eliminate some entrepreneurs. Active recruitment in markets through partnerships could be used to diversify the kinds of start-ups receiving seed funding.

### Focusing on contraceptive care

Many businesses may not be contraceptive care specific and so this tool may not have direct impact on family planning outcomes. Funding could be directed to support businesses to consider the opportunities in contraceptive care.

### Combined delivery modality

In many cases, capital is provided through incubator or accelerator models which could support entrepreneurs more effectively build their businesses.



## Ease of implementation:



**High** - USAID has existing mechanisms like GCD or DIV to support innovations but it can be challenge to identify innovators due to high levels of fragmentation in the market



## Paired Technical Assistance:

1. Combine in an incubator/accelerator type structure where innovators can learn from others and network
2. Donor provides support or investor relationship building to support transition to investor-based finance



## Sustainability:



**Medium** – This fund develops a pipeline of businesses that have the potential to crowd in private capital as their move to sustainability and scale



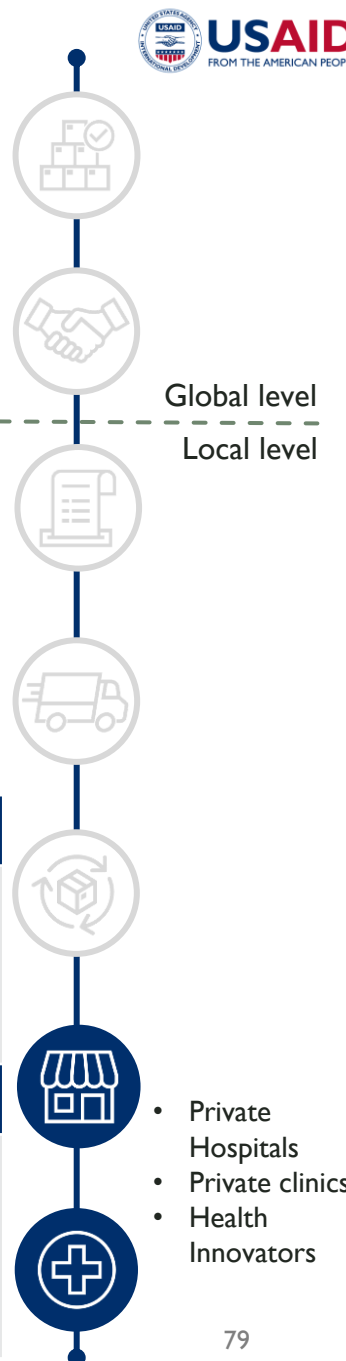
## Potential model variations:

### Engagement of innovators

Combine with a prize structure to incentivize engagement with a specific issue, e.g. contraceptive delivery, and build the group of innovators

### Blending of finance

Funding could be blended within the fund to reduce the risk for private investors and mobilize more private capital towards health businesses





## Strategic solution: reduce risk

The table below is a high-level typology of financial tools that can support businesses facing challenges due to high risk, whether real or perceived.

Subsequent slides present specific examples (note that the examples are not generic descriptions of the range of variations possible for that tool type).

Business model	Tool	Description	Example	USAID experience
Private clinics, hospitals, pharmacies and other accredited outlets	<b>Loan Guarantee</b>	A loan guarantee can be used to lower the risk of providing finance to local businesses and therefore increase the number of loans available and decrease the cost of those loans for the borrowing businesses	<a href="#">USAID Development Credit Authority scheme</a>	<b>High</b> – common method used by USAID in the past through DCA
Wholesalers; sub-distributor	<b>Volume Guarantee</b>	A volume guarantee lowers the risk of purchasing large volumes of contraceptive products by guaranteeing purchase of the contraceptive products when demand is uncertain	<a href="#">AFAP trade credit guarantee IPA</a>	<b>Medium</b> – USAID has experience with volume guarantees at the manufacturing level (see IPA)
Private clinics, hospitals, pharmacies and other accredited outlets	<b>Pooled procurement mechanism</b>	Pooled procurement mechanisms are used to aggregate demand for products to increase purchasing power and reduce barriers for businesses engaging with the market on an individual basis	<a href="#">DKT WomenCare</a> <a href="#">The Global Fund – Wambo.org</a> <a href="#">Tanzania PPP</a> <a href="#">Med4All</a>	<b>High-</b> USAID has a track record of supporting countries to implement pooled procurement strategies for example, <a href="#">Botswana</a> .

# Loan Guarantee

## What is it?

*Loan guarantees are models that involve donors providing grant funding to investors or lenders to reduce the risk of providing loans to businesses. In the event that a business cannot repay the loan, repayment is guaranteed by the grant funding.*

## How would it solve the problem?

*Guaranteeing loans reduces the risk to financial institutions of lending to health businesses, this in turn enables businesses to access more investment with lower costs. Over time, as businesses that can repay build track records they can transition to non-guaranteed loans from banks.*

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
Value	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> Businesses being able to more easily access finance at lower cost – less financial pressure will reduce the risk around investing more strategically in their businesses.</p> <hr/> <p><b>Impact for consumers and service users:</b> Consumers would benefit from businesses that are able to provide access to a broader range of services at a higher quality</p>		
Case study	<p>The <u>Tanzania Mission</u> supported the CRBD bank through Development Credit Authority's (DCA) first loss loans to help private businesses fill HIV service gaps. The DCA agreement saw no utilization until the SHOPS Plus team provided technical assistance to both the primary financial institution and target businesses. This included tailored financial management training for providers training bank staff on the health sector and on adapting lending processes. This doubled the initial targets in both DCA-backed loans and in leveraged to support providers of HIV services. Further proof of sustainability, the CRBD began approving more loans to the health sector without DCA.</p>		
Structure	<pre> graph TD     Donor[Donor] -- 1 --&gt; IL[Investor/Lender]     IL -- 2 --&gt; SME[Healthcare SME / borrower]     SME -- 3 --&gt; IL     IL -- 4 --&gt; Donor         </pre> <ol style="list-style-type: none"> <li>Donor agrees to reduce potential losses on investment/loan through guarantying an agreed level of return to the lender/investor</li> <li>The lender provides loan or investment capital to the healthcare SME/borrower</li> <li>Healthcare repays the lender/investor</li> <li>If the SME cannot repay or defaults, the donor pays the lender up to the agreed guaranteed amount</li> </ol>		



Global level  
-----  
Local level

- Wholesalers
- Sub-distributors
- Private Hospitals/clinic chains
- Pharmacies
- Other accredited outlets

# Loan Guarantee

## Key Considerations

### Financial Institution Knowledge

*FI's may be resistant to providing loans even with the guarantee because their unfamiliarity with the health sector leads to a high perception of risk. USAID may have a role in providing technical assistance to increase comfort with loaning to the health sector.*

### Participating SMEs

*To garner engagement and support from SMEs and entrepreneurs, active and targeted promotion efforts will be needed in addition to direct loan application support for entrepreneurs.*

### Engaging wholesalers as credit providers

*Wholesalers could be potential other actors providing credit to downstream purchasers, with donor support (e.g. Trade credit guarantee)*



## Ease of implementation:



**Medium/High** - USAID could support this through existing DCA mechanisms of which many Missions already use



## Paired Technical Assistance:

Donor could provide operational and advisory support to grow institutional capacity of the financial institutions

Technical assistance could be paired with delivery of loans to support businesses in business and financial management to further de-risk for lenders



## Sustainability:



**Medium/High** - It facilitates capital mobilization into an ecosystem whilst also supporting the local financial market towards engaging more within the healthcare sector



## Potential model variations:

### Impact-linked finance

The interest rate of the loan provided could be reduced dependent on the delivery of specific contraceptive outcomes

### Engaging upstream wholesalers

Instead of financial institutions there might be an opportunity for upstream businesses in the value chain to engage in the guarantee structure e.g. trade credit guarantee



Global level  
Local level

- Wholesalers
- Sub-distributors
- Private Hospitals/clinic chains
- Pharmacies
- Other accredited outlets

# Volume Guarantee

## What is it?

*A guarantee to buy a certain volume of product at a certain price over an initial period of time is provided in order to guarantee a market for a product and encourage investment in the development and importation of new products where there is uncertainty about demand.*

## How would it solve the problem?

*Private businesses raised concerns around the high risk of bringing new products to the market given uncertain demand and low margins. A volume guarantees would mitigate these by assuring predetermined purchase volumes and therefore a minimum level of revenue.*

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
Value	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> Reducing the risk of expanding into a broader range of products could support businesses to reach scale and profitability more easily</p> <hr/> <p><b>Impact for consumers and service users:</b> Reducing risks for businesses around development of new markets would enable a bigger range of products to be provided in the market for consumers, increasing access and choice</p>		
	<p><b>Case study</b></p> <p>The <u>Implants Access Program (IAP)</u><sup>1</sup> supported volume guarantees with two pharmaceutical manufacturers at a reduced implant cost of 50%. The price reduction was met with technical assistance to address supply chain and service delivery inefficiencies, as well as to improve and institutionalize training programs for health workers. The IAP resulted in increased procurement and use of implants and enabled more than <u>\$500 million in savings</u> when compared to procurement cost at the previous price point. Additional benefits of the IAP included improved supply chain transparency and coordination, increased utilization of existing capacity, and sustained implant <u>training for health workers</u>.</p>		
Structure	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 10px;">Structure</div> <div style="text-align: center;"> <pre> graph TD     DG[Donor/Guarantor] -- 1, 4 --&gt; UWS[Upstream wholesaler/seller]     DB[Downstream buyers] -- 2, 3 --&gt; UWS             </pre> </div> <div style="margin-left: 20px;"> <ol style="list-style-type: none"> <li>1. Guarantor enters into an agreement with upstream wholesalers or sellers of contraceptive products guaranteeing sales volumes based on discussions with buyers</li> <li>2. Upstream wholesaler/sellers commit to a ceiling price they will charge on their products</li> <li>3. Downstream buyers purchase from upstream wholesaler/sellers at or below the ceiling at their needed volumes</li> <li>4. The guarantor compensates the manufacturer for any shortfall of revenue if sale volumes are not met</li> </ol> </div> </div>		



Global level  
-----  
Local level

- Wholesalers;
- Sub-distributor

(1) Stakeholders included: Clinton Health Access Initiative, BMGF, Norad, the Swedish International Development Cooperation Agency (SIDA), and the Children's Investment Fund Foundation (CIFF) served as guarantors, while USAID, Norad, and DFID agreed to support implementation.

# Volume Guarantee

## Key Considerations

### Consumer-price reductions

*Volume guarantees will support the reduction in price upstream in the value chain, but this is not guaranteed to lead to reductions in consumer price. Applications of volume guarantees at the local level may support this reduction in cost for consumers.*



### Additional regulatory barriers

*The volume guarantee structure may need to be accompanied with additional support if costs still remain high to import and procure contraceptive products. For example support to pass regulatory barriers including product testing.*



### Ease of implementation:



**Medium** - USAID has engaged with VG's at the global level in contraceptive care previously, but not at a local level to build specific domestic product markets. Likely to be able to learn from the experiences of SMOs in this instance to support implementation



### Paired Technical Assistance:

Technical assistance could be provided through the negotiation phases to support downstream buyers to monitor and forecast demand and price new products  
 Technical assistance might be needed validate demand data projections and improve transparency in the supply chain



### Sustainability:



**Medium** - volume guarantees can support the contextualization and building of demand for specific products within a market



### Potential model variations:

#### Inclusion of credit line to participating businesses

Negotiations could include wholesalers providing more favorable credit down the supply chain

#### Combine with pooled procurement mechanism

A pooled procurement mechanism could be connected to increase volumes further



# Pooled procurement mechanism

## What is it?

Pooling mechanisms are approaches that aim to aggregate businesses together to achieve economies of scale and efficiency gains. This includes instruments like buyers clubs or pooled procurement models, where groups of smaller businesses can pool their demand such that the volumes are large enough to achieve cost efficiencies.

## How would it solve the problem?

Pooling mechanisms can be used to overcome high fragmentation challenges in the market. By bringing together MSMEs and increasing their purchasing power, it will allow them to access a greater range of products at lower cost and potentially attract a greater range of consumers as a

Value

### What would the value be?

#### Impact on business sustainability:

This group of instruments can enable smaller businesses to access more consistent contraceptive products at lower costs and increased profitability, increasing sustainability without affecting prices paid by consumers

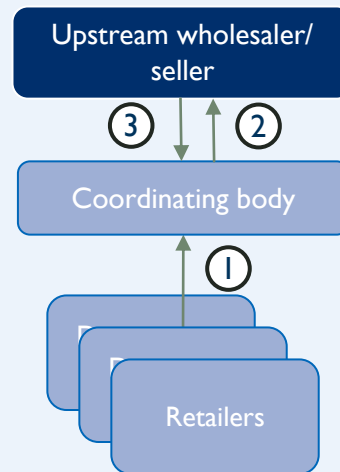
#### Impact for consumers and service users:

Consumers would benefit from businesses that are able to provide more reliable access to a broader range of products, potentially at higher quality / lower prices

Case study

Under the Jazia Prime Vendor program in Tanzania, a district selects a wholesaler, which supplies medicines that are either not available or low in stock at the government-run central supply agency (the Medical Stores Department) directly to districts. Prices are pre-negotiated with the selected wholesaler and quality control checks are carried out. The district pools the orders from health facilities and places an aggregate order to the selected wholesaler. When the program was in an early phase, it led to an increase in the availability of tracer medicines from 69 percent in 2014 to 94 percent in 2018. The approach has since been expanded nationally, allowing facilities to purchase supplemental drugs from pre-selected private wholesalers.

Structure



1. Multiple healthcare businesses coordinate together to aggregate their demand for contraceptive products
2. Aggregate order of larger volumes are placed with a local wholesaler at a lower negotiated price (due to scale)
3. Wholesaler provides products and services directly to the businesses or to a local depot



Global level  
Local level

- Private clinics, hospitals,
- pharmacies
- other accredited outlets

# Pooled procurement mechanism

## Key Considerations

### Private Sector Coordination

The challenge with implementing this tool is that a number of countries may not have existing coordinating mechanisms to facilitate this. Considerations about how you get businesses to engage will be critical, including communications and potentially incentive payments. In countries where this coordinating function does exist, these existing structures can be leveraged through USAID support.

### Businesses may remain cash constrained

The reduction of the cost of products may not be sufficient to support businesses to purchase the right levels of stock, and businesses may still face short term cash-constraints



### Ease of implementation:



**Medium** - requires significant coordination and infrastructure to deliver, ease of implementation will depend on existing infrastructure and coordinating mechanism



### Paired Technical Assistance:

Technical assistance could be provided through the negotiation phases to support downstream buyers to more effectively monitor and forecast their demand  
 Technical assistance could be provided to businesses to engage with the model itself and develop supplier relationship management skills



### Sustainability:



**High** - provided the coordinating mechanisms are designed and owned by consistently in country this can lead to building a more consolidated and sustainable supply chain



### Potential model variations:

#### Inclusion of credit line to participating businesses

The coordinating mechanism could also provide lines of credit to purchasing businesses to support them to purchase their stock, e.g. [Med4All](#)



# Strategic solution: incentivize impact via impact-linked finance

The table below summarizes a set of funding tools where grant funding is disbursed to businesses contingent on verified achievement of pre-agreed outcomes / impacts.

Business model	Tool	Description	Examples	USAID experience
Hospitals, clinics, pharmacies, Health Innovators	<b>Impact-linked finance models</b>	These models link the delivery of funding to measurable impact; disbursement of funding is contingent on achievement of pre-agreed metrics	<a href="#">Cambodia Rural Sanitation Development Bond</a> <a href="#">In their Hands SRH Services Impact Bond</a> <a href="#">Utkrisht Impact Bond in MNCH</a>	<b>High</b> – USAID has participated in a number of Development Impact Bonds, as well as results-based contracts.



# Impact linked finance

*Impact bond / Results-based finance / Outcomes fund*

## What is it?

*These models link delivery of impact and outcomes to financial rewards. This group of instruments can include models that involve up front investors like impact bonds and those which don't require investors like Results-based Finance. They are designed to deliver specific pre-determined and measurable impact.*

## How would it solve the problem?

*These models provide monetary incentives for businesses to operate in socially optimal ways to improve their impact. In cases where businesses are already providing high impact work, it represents a route to monetizing their impact, for those businesses who are not yet delivering impact it presents an incentive to change their behavior. It could be used to promote quality services, innovation in service provision*

	Improve access to capital	Incentivize Impact	Reduce risk
	Seed	Working	Growth
Value	<p><b>What would the value be?</b></p> <p><b>Impact on business sustainability:</b> Enables businesses to monetize their impact, in cases where upfront capital is invested it (impact bonds) provides businesses with the flexibility to innovate where required</p> <hr/> <p><b>Impact for consumers and service users:</b> Aligns businesses with social impact and can specifically target increases in quality and access for consumers, including targeting outcomes for specific groups</p>		
Case study	<p><u>Cambodia Rural Sanitation DIB</u> was set up by iDE, Stone Family Foundation, USAID and Social Finance to eradicate open defecation in rural communities in Cambodia. Stone Family foundation provided upfront investment to iDE Sanitation Marketing Scale Up Program, a program supporting local businesses to manufacture, sell and install pit latrines to rural households. USAID agreed to pay \$10M to Stone Family Foundation based on achieving 'open defecation free' (ODF) status in target communities. From 2019-2023, the DIB supported 1,780 villages, covering almost 500,000 households, to successfully claim ODF status.</p>		
Structure	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 10px;">Structure</div> <pre> graph TD     Investor[Investor] -- 1 --&gt; Service[Service provider(s)]     Service -- 2 --&gt; Outcome[Outcome Funder]     Outcome -- 3 --&gt; Investor             </pre> </div> <ol style="list-style-type: none"> <li>1. An investor provides up front risk capital to a service provider to deliver a service on the basis that they will receive their money back based on the delivery of a pre-agreed set of outcomes</li> <li>2. The service provider delivers their service making use of the upfront investment provided to them by the investor to deliver pre-agreed outcomes</li> <li>3. An outcome funders repays the investor back based on the achievement of outcomes verified by an independent evaluator</li> </ol>		



Global level  
-----  
Local level

- Private Hospitals
- Private clinics
- Pharmacies
- Health Innovators

# Impact linked finance

*Impact bond / Results-based finance / Outcomes fund \**

## Key Considerations

### Driving innovation and adaptive management

Participation in an impact-linked structure is designed to facilitate service adaptation and collaboration to deliver outcomes that can be measured. As a result, participating businesses need to be able to engage with measurement and have adaptive mindsets, more information on key factors to consider with outcomes-based models can be found here.

### Outcome Design

Impact linked models require careful design of target outcomes that are both representative of impact but can also be measured effectively. Equally, they need to ensure that no perverse incentives are created through design. For example, in the case of contraceptive services where method choice is critical so targets to deliver specific methods would be perverse.

\* Note that a range of other terms are used to describe impact-linked finance, including Social Success Notes and SIINCs



## Ease of implementation:



**Low/Medium** - Impact linked models often require significant upfront investment to design and implement, as well as track and verify outcomes throughout the process



## Paired Technical Assistance:

Technical assistance will be needed to structure the deal between outcome funder, investor and service provider  
 Technical assistance can be provided to engaging partners in adaptive management to support data measurement



## Sustainability:



**Medium/High** - dependent on the model, impact-linked models can support businesses to develop alternative revenue streams through their impact, supporting businesses toward financial sustainability. In the cases of impact bond involving government they can facilitate and support more institutional PPP models, providing more consistent business.



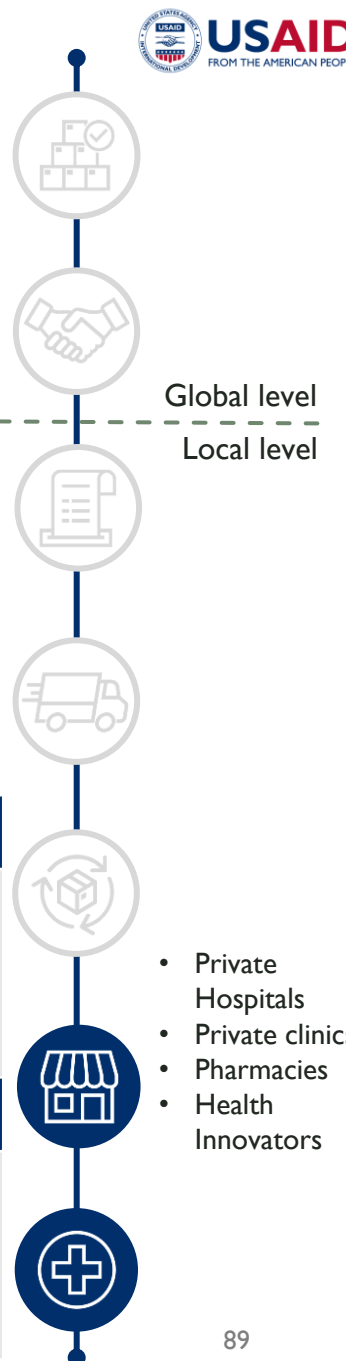
## Potential model variations:

### Outcomes-based top up

The outcomes funder could provide bonus payments to the service provider for good performance

### Revolving outcomes funding

Outcomes funding provided by donors could be recycled back into the service provider by the investor to facilitate further service provision innovation



- Private Hospitals
- Private clinics
- Pharmacies
- Health Innovators

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***Further resources for applying the approach***

<b>Business model profiles</b> <i>Understanding the local businesses and their needs in the contraceptive market</i>	30-59
<b>Financial Intervention profiles</b> <i>Understanding a range of potential financial interventions to support local businesses</i>	61-86
<b>Technical Assistance Modalities</b> <i>Understanding a range of potential technical interventions to support local businesses</i>	89-92

# Contents

# Strategic solution: addressing technical capacity gaps – skill areas

There are a range of key skill gaps for businesses that could be hindering their ability to deliver products and services sustainably. Below is a non-exhaustive list of key skill areas:

Skill type	Description	Business model
<b>Clinical</b>	Training could be delivered to clinicians to increase the range of services they can deliver for example LARC delivery, it can also build upon existing skills to deliver higher quality contraceptive care more integrated in community care.	Private Hospitals; Private Clinics; Pharmacies
<b>Business Management</b>	Training to business owners to support them in more strategic planning and other operational competencies, as well as managerial skills.	Sub-distributors; Pharmacies; Other accredited retail outlets; private hospitals; private clinics; independent private providers
<b>Finance Management</b>	When the barrier to accessing finance is not just the cost of capital but the ability for businesses to effectively apply for different kinds of funding for their business. This training could include understanding the range of finance as well as how to apply it.	Sub-distributors; Pharmacies; Other accredited retail outlets; private hospitals; private clinics; independent private providers
<b>Supply Chain Management</b>	Training to clinicians and business owners to manage their stock more effectively could be deployed to reduce supply chain inefficiencies. This could include supplier relationship management, stock management, demand forecasting and supply chain analysis, logistics management etc.	Pharmacies, Other accredited retail outlets, private hospitals, private clinics, independent private providers
<b>Marketing</b>	Support can be provided to businesses to better contextualize and market their products and services to consumers in order to drive revenues	Pharmacies, Other accredited retail outlets, private hospitals, private clinics, independent private providers
<b>Entrepreneurship</b>	Training can be targeted to support business owners to support entrepreneurialism. This could include risk-taking, business management, critical thinking and problem solving, marketing and communications etc.	Health Innovators

# Category of solution: addressing technical assistance gaps – delivery modalities (I)

There are a range training modalities that could be considered to most effectively deliver skills training to specific businesses. Below is a non-exhaustive list case studies:

Training delivery modality	Description	Example
<b>Mentorship</b>	These are relationship-based guidance and training by matching SMEs with other businesses to provide developmental advice.	<u>The Remote International Mentoring Partnership Scheme</u> – Managed by the Tropical Health and Education Trust, this mentorship scheme matches healthcare workers in LMICs with those in the UK to engage with each other remotely and develop bi-directional learning to build, sustain and strengthen capacity.
<b>Peer-to-peer learning</b>	Businesses are able to learn business-to-business through integrating and learning alongside each other. This can be facilitated in a number of ways including co-working spaces, incubators, workshops, TechHubs etc.	<u>EMPRTEC – Entrepreneurship global network</u> – This is a capacity building program run by United National Conference on Trade and Development to support peer-to-peer learning around entrepreneurship. Through workshops and building of a global network, entrepreneurs and SMEs learn and engage with each other.

# Category of solution: addressing technical assistance gaps – delivery modalities (2)

Training delivery modality	Description	Example
<b>On the job training</b>	This is a typical training strategy for healthcare providers, and usually involves facilitator-led, self-study or outreach-based training on specific skills whilst the learner is working.	<u>On-the-job training through follow-up visits – Turkey</u> – A team specially trained to improve the quality of FP services visited clinics multiple times across Turkey to train clinicians in FP counselling skills and improve IUD insertion/removal skills. Training included structured observations via standard checklists, self-assessment, role plays, and demonstrations.
<b>Franchising</b>	Network of businesses that are linked through agreements to deliver services under a franchise brand. Through the franchise brand businesses can receive a range of technical support including clinical training as well as business skills development.	<u>mpharma – Mutti Pharmacy &amp; Quality Rx</u> – mPharma runs a regional franchise model of pharmacies in 9 countries. Partners join the network as Mutti Pharmacies retrofitted to serve as primary healthcare centers with a suite of services (e.g., virtual doctor consults, diagnostic testing, prescriptions drugs). These pharmacies receive technology, marketing expertise, strategy, finance and business planning support from mpharma
<b>Incubator/ Accelerators</b>	Programs that offer cohort-based support to businesses for fixed terms by providing advisory services, mentorship, workshops, access to peer and investor networks, and other resources	<u>SPRING Accelerator</u> - SPRING was a five-year US\$23.2M USAID project providing grants and other support to businesses to scale innovative products and services to improve the lives of women and girls. Areas of technical assistance included understanding the target audience and competitive advantage, research, and planning, how to revise and scale the business model, marketing for growth, and program planning.

# Contraceptive value chain graphic

