

Contraceptive supplies financing: what role for donors?

A BRIEF GUIDE



About Countdown 2030 Europe

Countdown 2030 Europe is a consortium of 15 non-governmental organizations in 12 European countries working to hold European donor governments and the European Union institutions to account for their policy and funding commitments on sexual and reproductive health and family planning.

About this report

This report is a shortened and adapted version of the Countdown 2030 Europe report *Contraceptive supplies financing: what role for donors? A guide for advocates*, which is available on the Countdown 2030 Europe website.¹ Please consult the full report for further details and analysis.

Contents

1. Introduction	2
2. Context and trends	3
Trends in donor finance	4
Future trends and challenges	5
Major stakeholders	5
3. Procurement of contraceptive supplies	6
Procurement problems at global and country levels	6
Donor support	6
4. The role of donors, focusing on European donors	7
Donor activities	7
How donors channel their financial support to countries	8
Overview of select financing modalities	8
5. Recommendations for donor support	11
Key abbreviations	13
References	15



1. Introduction

Funding for contraceptives is currently in crisis. There is a major gap between needs for funding and the resources provided by donors and country governments. While the main responsibility for ensuring access to contraceptives lies with domestic governments, donors continue to play an important role in the financing of contraceptives in low- and middle-income (LMI) countries.

The funding gap will increase in the future due to growing numbers of people in the reproductive age range and more demand for modern contraceptives in LMI countries. The gap is currently filled by out-of-pocket expenditure,ⁱ which covers more than 80% of all spending on contraceptives. Out-of-pocket spending is often inequitable, with the lowest income group carrying most of the cost burden. As needs grow, and unless donor or domestic government finance increases substantially, an even larger percentage of contraceptive supplies will have to be paid for out-of-pocket.

Recent developments put global funding for supplies, and for wider sexual and reproductive health and rights, under even further strain. Changes in United States (US) policies and funding due to the reinstatement and expansion of the Mexico City Policy (or 'Global Gag Rule') and curtailment of US funding to UNFPA risk exacerbating the already substantial funding gap.

Development budgets are also under pressure in Europe, yet many European donors remain strongly supportive of sexual and reproductive health and rights in their development policies and funding. This report discusses the role that donors currently play in support of contraceptive supplies financing and provides recommendations for further donor support at this critical time for the issue.

ⁱ Out-of-pocket expenditures are direct payments by individuals to health service providers that are not reimbursed through third parties, such as insurers.



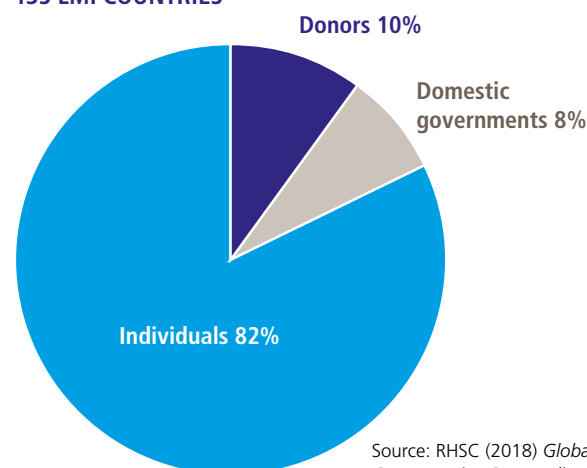
2. Context and trends

In LMI countries, financing for contraceptive supplies comes from three sources: donors (10%), country governments (8%) and out-of-pocket spending by individuals in the private sector (82%).²

Needs for contraceptive supplies are rising as more women and girls use modern contraceptive methods. Estimates of the difference between current spending on contraceptives and the cost of meeting projected needs of the 69 FP2020ⁱⁱ priority countries in 2020 show a funding gap of US\$175m if current trends in contraceptive use continue. For all 135 LMI countries the gap will be US\$290m in 2020 if current trends in use continue.³

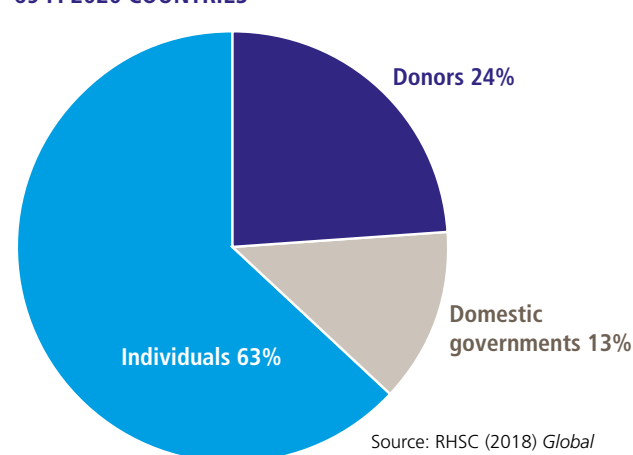
Unless donor or domestic government finance increases dramatically, most of this gap will have to be met by out-of-pocket expenditure. This is likely to increase inequity, as those least able to afford it often have to pay.

SPENDING ON CONTRACEPTIVE SUPPLIES – 135 LMI COUNTRIES



Source: RHSC (2018) *Global Contraceptive Commodity Gap Analysis 2018*.

SPENDING ON CONTRACEPTIVE SUPPLIES – 69 FP2020 COUNTRIES



Source: RHSC (2018) *Global Contraceptive Commodity Gap Analysis 2018*.

TABLE 1: SIZE OF THE CONTRACEPTIVE SUPPLIES FUNDING GAP IN 2020, ASSUMING DONOR, GOVERNMENT AND INDIVIDUAL SPENDING IN THE PRIVATE SECTOR STAYS AT THE CURRENT LEVEL

COUNTRIES	CURRENT ANNUAL SPENDING IN US\$	GAP IN 2020 IN US\$
All 135 LMI countries	2.55bn	290m
69 FP2020 priority countries	1.03bn	175m

Source: RHSC (2018) *Global Contraceptive Commodity Gap Analysis 2018*.

TABLE 2: CURRENT SHARES OF SPENDING

COUNTRIES	ACTUAL % SHARE
All 135 LMI countries	
Donors	10%
Domestic governments	8%
Individuals	82%
69 FP2020 priority countries	
Donors	24%
Domestic governments	13%
Individuals	63%

Source: RHSC (2018) *Global Contraceptive Commodity Gap Analysis 2018*.

ii FP2020 was launched at the 2012 London Family Planning Summit. It is a global partnership of donor and focus country governments, civil society organizations, multilaterals, foundations and private sector organizations collaborating to achieve the target of 120 million additional family planning users in its 69 focus countries by 2020.

Trends in donor finance

The US is by far the largest donor for family planning programmes, and also for contraceptive supplies. In the period 2004–2014, the US share of all family planning programme support was US\$4.1bn, a huge 70% of the total. The largest European donor was the United Kingdom (UK), with US\$600m or 10% of the total, followed by Germany, Norway, the Netherlands, the European Union (EU) institutions and Spain, with smaller contributions from France, Denmark, Finland and Belgium with a combined contribution of just over US\$400m, or 7% of the total.⁴

Donor spending on contraceptives in the 69 FP2020 priority countries can be tracked for the period 2011–2016 with data from the Clinton Health Access Initiative (CHAI) and Reproductive Health Supplies Coalition (RHSC) *2017 Family Planning Market Report*. Donor contributions were less skewed, but the US was still the largest donor at US\$509m or 46% of all donor-funded contraceptives in the period. All other donor funding combined came to US\$605m, or 54% of all donor funding.⁵

Family planning funding from European donors has been dropping during recent years. Countdown 2030 Europe's 2016–2017 tracking report on European donor funding for sexual and reproductive health and family planning shows that funding from the 12 Countdown 2030 Europe focus countries for UNFPA in core resources and for the UNFPA Supplies programme, for example, was fairly steady over the 2012–2014 period, but fell by 8% between 2014 and 2015, and 11% between 2015 and 2016.⁶ It amounted to a total of €335m in 2016, down from €376m in 2015.

Donor funding from the Countdown 2030 Europe focus countries for sexual and reproductive health and family planning through all streams that the tracking analyses, which includes core and earmarked multilateral funding, including UNFPA core funding and funding for UNFPA Supplies, as well as funding for international non-governmental organizations (NGOs) and initiatives, fell from a high in 2014 of €1.228bn, to €1.162bn in 2015 and €1.035bn in 2016. Drops in family planning funding are further exacerbated by exchange rate fluctuations, which reduce the amount of contraceptives that can be purchased when the US\$ is strong.

Funding from the US has been fairly stable,ⁱⁱⁱ but may drop in future with the reinstatement and expansion of the Mexico City Policy, the invocation of the Kemp-Kasten Amendment to cut funding to UNFPA, and other US policy developments. If European trends continue, and US funding is reduced, the future share of out-of-pocket spending will rise even further, with the resulting risks of growing inequity.

CONTRACEPTIVES, REPRODUCTIVE HEALTH SUPPLIES AND FAMILY PLANNING

Contraceptives

Modern contraceptive methods include short-acting methods, such as male and female condoms, pills and injectables; and long-acting reversible and permanent methods, such as implants, intrauterine devices (IUDs) and male and female sterilisation.⁷

Reproductive health supplies

Hoehn et al. describe reproductive health supplies as “encompassing any material or consumable needed to provide reproductive and sexual health services – including but not limited to contraceptives, drugs, medical equipment, instruments, and expendable supplies for family planning, for prevention and treatment of sexually transmitted infections including HIV and AIDS, and for maternal health and ensuring safe delivery and postpartum care.”⁸

Family planning

Family planning support from donors and international organizations is spent on a range of other activities as well as supplies, including family planning programming, capacity building, demand-side activities, advocacy, research and development.

iii US funding for family planning and reproductive health, including contraceptive supplies, amounted to US\$608m per year in financial years 2016, 2017 and 2018. This figure includes the (intended) US contribution to UNFPA, which was withheld in financial years 2017 and 2018 due to the Kemp-Kasten Amendment. See Kaiser Family Foundation (August 2018) *The U.S. Government and International Family Planning & Reproductive Health Efforts*. Available at: <<http://files.kff.org/attachment/Fact-Sheet-The-US-Government-and-International-Family-Planning-&-Reproductive-Health-Efforts>>.

IMPLICATIONS OF OUT-OF-POCKET SPENDING

Out-of-pocket spending is often inequitable, with the lowest income group carrying most of the cost burden. Moreover, it has important gender implications, due to women's and girls' more limited access to and control over financial resources. This is particularly stark in relation to contraceptives and other reproductive health supplies and services, which are more heavily used by women and girls. National health insurance schemes that include family planning are often only for people employed in the formal sector, leaving those in the informal sector – where women are often employed – without coverage.

As most out-of-pocket spending takes place in pharmacies, out-of-pocket expenditure is skewed towards short-term methods that can be bought over the counter (such as pills and condoms). These methods are more expensive in terms of cost per couple years of protection than the long-acting reversible methods (IUDs and implants) and the long-acting permanent methods (male and female sterilisation). Low-income users may not be able to afford the high upfront costs of long-acting methods, which also need a service delivery infrastructure and trained health providers. The share of out-of-pocket spending is most important if the poor are excluded from donor- and government-subsidised contraceptives, and/or if funding gaps lead to lower availability of contraceptive supplies and a reduction in overall use.

Future trends and challenges

If current trends towards use of modern contraceptives continue in future, needs for contraceptive supplies will increase. Donor finance is unlikely to rise significantly and may fall with changes in US funding and aid cuts in several European countries. Domestic government finance should rise with countries' economic growth, and with more government awareness of the important role of family planning in development, but there is competition for domestic finance and countries may give priority to the productive sectors. This means that the most likely scenario is that out-of-pocket spending will have to cover a larger share.

The principal challenges in contraceptive supplies financing are therefore:

- how to increase donor finance and domestic government commitments
- how to stretch limited amounts of donor and domestic government resources further
- how to decrease the inequities in out-of-pocket spending.

Major stakeholders

Stakeholders and participants in contraceptive supplies finance include: donor governments and multilaterals (particularly UNFPA); coalitions, networks and partnerships (particularly the RHSC and FP2020); NGOs; LMI country governments; the private sector (including manufacturers and pharmacies); foundations, think tanks and research organizations.

UNFPA

UNFPA is a spending channel rather than a donor. Its resources for contraceptive supplies are affected by volatility of donor funding flows and fluctuations in exchange rates.^{iv}

UNFPA Supplies is UNFPA's flagship programme to expand access to family planning. It is focused on improving access to family planning in 46 priority countries, through a mix of contraceptive donations and capacity building. It also supplies family planning products in humanitarian crises. The principal funders of UNFPA Supplies are the UK and the Netherlands.

UNFPA Procurement Services Branch does the procurement for UNFPA's own programmes and for third parties such as country governments and NGOs. As a large volume buyer, UNFPA obtains low prices for contraceptives. Volatility of donor funding flows have affected UNFPA orders and hence lead times for delivery of contraceptives to countries, a problem which should diminish with the establishment of the UNFPA Supplies Bridge Funding Mechanism (see section 4).

iv UNFPA budgets are in US\$, while its principal donors use € or £.

3. Procurement of contraceptive supplies

The main global procurement agencies are UNFPA and USAID, who purchase contraceptives for their own programmes and (in the case of UNFPA) for third parties such as LMI country governments. Their prices are often the cheapest, as they procure large volumes and can negotiate lower prices as well as buy cheaper generic products. Governments, NGOs and the private sector also procure directly from manufacturers.

Procurement problems at global and country levels

At global level, the main procurement problems are:

- long lead times and delays, which can lead to stock-outs at country level
- volatility of funding flows and orders, which means manufacturers cannot optimize their production costs
- exchange rate fluctuations, which affect the amount of US\$ available for procurement

At country level, important problems are:

- insufficient or unreliable information on stocks, consumption and real levels of need
- legal restrictions on up-front payment by governments, which mean that these countries cannot use UNFPA as a procurer and benefit from UNFPA's low prices
- poor quality planning and lack of coordination between sectors for pooled procurement
- promotion of specific contraceptive methods, leading to market distortion

Donor support

Donors of contraceptive supplies have allocated resources to supply chain strengthening at global and at country level to complement their donations of contraceptives and improve the systems' capacity to get the products to the women and girls who need them.

Donor-supported initiatives to improve procurement at global level have focused on:

- better market information to avoid stock-outs and order duplications and to enable better decision-making on procurement
- pooled procurement to reduce prices through larger order volumes
- price negotiations with manufacturers, guaranteeing volumes to enable manufacturers to optimize production costs and reduce prices
- smoothing volatility in orders and forward planning through bridging finance schemes



4. The role of donors, focusing on European donors

Donor activities

Activities supported by donors are:

- Filling the gap in contraceptives supply at country level – this is done through UNFPA Supplies, USAID, and direct donor contributions in the form of grants or loans.
- Improving international information flows and transparency of procurement processes to help avoid stock-outs and/or duplication of orders.
- Providing technical support and negotiating deals at global level, for example pooled procurement, volume guarantees to manufacturers, negotiation of contraceptive price reductions and bridging finance to smooth procurement.
- Supporting development of sustainable reproductive health commodity security processes and structures at country level through supply chain strengthening, capacity building and technical support to improve efficiency and efficacy. UNFPA Supplies and USAID are both major players. Both aim to support countries in transitioning from dependence on donors to sustainable national systems.
- Advocacy to increase country ownership and commitment, demonstrated by national policy and budget commitments. This is a focus of FP2020. UNFPA Country Offices are major advocacy players.
- Providing contraceptive supplies in humanitarian and emergency situations. The UNFPA-managed reproductive health kits for use in crisis situations include a range of contraceptive options.
- Market shaping – “activities that seek to proactively influence the dynamics of a given market.”⁹ This includes interventions concerned with choice, equity and sustainability and may include interventions to lower prices, and also to ensure competition between manufacturers.

TRANSITION COUNTRIES

Countries supported by USAID and UNFPA are expected to move towards more self-sufficiency in contraceptive supplies, covering a greater share of costs through domestic government expenditure. UNFPA’s ‘S-curve’ shows how countries’ needs change as their modern contraceptive prevalence rate (mCPR) grows. The need for donor support for contraceptive supplies diminishes as countries move up the S-curve, with more emphasis on capacity building for sustainability as they move towards higher mCPRs.¹⁰ Other funders use national income growth indicators to decide when to reduce or eliminate their support. The World Bank, for example, uses a specific cut-off point for preferential aid based on per capita national income.

Once countries ‘graduate’ from the priority group they receive little direct donor funding for contraceptives purchase. Governments in these graduating or transition countries may allocate loan funds from the World Bank to commodities. They may also get support from family planning programmes of large NGOs and social marketing schemes. But as well as losing direct funding for supplies purchase they lose access to concessional contraceptive prices and may also lose access to technical assistance. A sudden cut-off of support can be traumatic.



How donors channel their financial support to countries

The principal financing modalities used by European donors for contraceptive supplies are:^v bilateral, multilateral, multi-bilateral, loans (including World Bank and bilateral loans),^{vi} volume guarantees, partnerships with the private sector, pledge guarantee funds, bridging finance mechanisms, and direct support for NGOs. Other modalities that may be applicable to contraceptive supplies financing include: results-based financing, development impact bonds, and co-financing.

Donors have also worked with country governments to: increase country 'ownership' of family planning programmes, which is essential for sustainability; contribute to sector-wide approaches (SWAPs) and basket funds, which also strengthen country leadership; support market shaping to reduce market inefficiencies; and to promote a Total Market Approach,^{vii} as a means of rationalizing service provision by different sectors. The long-term objective of universal health coverage including family planning in all LMI countries is also on the table and an important objective.

Some of these modalities are briefly discussed in the section below. For a more detailed discussion of the modalities please see the full report.¹¹

Overview of select financing modalities

Bilateral

In bilateral funding, donors identify the priority countries they will support and disburse their funds directly to the recipient country's public sector or NGOs. In government-to-government bilateral flows, donors and recipients agree on the priority areas, and the recipient government is responsible for implementation. Whether contraceptives are included depends on the recipient's priorities.

Figures of bilateral spending on family planning by European donors are available¹² but it is difficult to identify or track financing for contraceptive supplies within this total.

Multilateral

In multilateral funding, donor countries channel their support through multilateral organizations, such as United Nations (UN) agencies and funds. This aid is core support for the multilateral agencies, which determine their own programmes and priorities, often in consultation with the donors who may sit on their governing bodies. Amounts spent on family planning can usually be identified, but specific spending on contraceptives is difficult to estimate.

Funding flows from donors to UNFPA are the most important multilateral flows for family planning. Core funding from European donors for UNFPA was US\$275m (of a total of US\$353m in core funding contributions) in 2016, with Sweden, Norway and the Netherlands as the largest donors.¹³ In 2016, UNFPA spent 29.3% of its core funding on family planning.¹⁴

v These categories are not necessarily mutually exclusive. For example, loans are often an element of bilateral funding and support for NGOs may be included in multilateral donor funding.

vi The Global Financing Facility is an example of a mixed grant/loan scheme.

vii A Total Market Approach involves cooperation between public, private and NGO sectors to identify market segments and define which of those segments are best served by each service provider sector.

Multi-bilateral

Multi-bilateral funding is earmarked, non-core contributions by donors to multilateral organizations. This enables donors to specify more precisely how their funds are to be spent. Spending on contraceptives can be identified in multi-bilateral financing of thematic funds such as UNFPA Supplies.

European donors provide the vast majority of UNFPA Supplies' funding. In 2016, combined European donor contributions amounted to US\$107m, out of a total of US\$113m in donor contributions to the programme. The two principal donors to the programme were the UK (US\$67m) and the Netherlands (US\$36m).¹⁵ UNFPA Supplies estimates that in 2016, 66% (US\$87.5m) of its total budget went to supplies, including contraceptives and maternal health supplies.¹⁶

Global Financing Facility

The Global Financing Facility (GFF) is a financing mechanism in support of reproductive, maternal, newborn, child and adolescent health and nutrition (RMNCAH+N). It has a multi-donor Trust Fund, which provides grants that are blended with loan finance from the World Bank's International Development Association or International Bank for Reconstruction and Development. The GFF further aims to mobilise additional resources for RMNCAH+N from domestic government and private sector resources and external donor resources. It is currently active in 27 focus countries.

GFF countries are expected to identify priorities for GFF funding in Investment Cases developed in inclusive, country-led processes bringing together all RMNCAH+N stakeholders. An inclusion of family planning in Investment Cases depends on whether it gets prioritised in country processes.

The GFF has potential to mobilise funds and contribute to filling the contraceptives financing gap. Yet some concerns have been raised, including on the difficulties of tracking funding mobilised by the GFF and understanding how much of the funding actually goes to contraceptives; the unsustainability of financing consumables such as contraceptives through loans; and the risks that investments in the GFF may divert donor resources from more direct family planning support.

Volume guarantees

Volume guarantees are agreements between a guarantor and a supplier to maintain agreed procurement volumes in exchange for price reductions. If the procurers do not reach the agreed volume, the guarantors undertake to finance complementary orders.

The Implant Access Program, started in 2013, is based on a volume guarantee backed up by four donors – the Bill and Melinda Gates Foundation (BMGF), the Children's Investment Fund Foundation (CIFF), the Norwegian Agency for Development Cooperation (Norad) and the Swedish International Development Cooperation Agency (SIDA).¹⁷ The donors agreed to guarantee a specified volume of orders: in response, the manufacturers Bayer and Merck agreed to reduce implant prices for the 69 FP2020 priority countries.

The Implant Access Program is suggested to have had positive results for all participants: donors, manufacturers, countries and implant users.¹⁸ To date, the guarantors have not had to step in, so although donor money is available if necessary there has been no need to use it. The initial agreement has been extended and will now continue to 2023.¹⁹

In common with other 'market shaping' initiatives, there is a danger that the lower prices of volume guarantee schemes will stifle competition from other manufacturers. The Implant Access Program and other price reduction schemes for specific methods can also skew method mix.

Partnerships with the private sector to reduce contraceptive prices

Donors have collaborated with contraceptive manufacturers to introduce new products and reduce prices. A group of donors and institutions, including the BMGF, CIFF, the UK Department for International Development (DFID), PATH, UNFPA and USAID, and country governments have worked together with the manufacturer Pfizer to introduce the new product Sayana® Press (a lower-dose injectable with a built-in syringe) at a reduced price in selected FP2020 priority countries.²⁰ The Contraceptives Security Initiative, launched in 2010, was a partnership between USAID and Bayer to position Microgynon® Fe, a contraceptive pill, in the commercial market in 11 African countries.²¹

As these types of initiatives are seen as beneficial for all the collaborating parties they are likely to continue. However, there are risks in using public funding in the commercial sector, and safeguards have to be in place to make sure the funds are used for the public good rather than simply for commercial gain.²²

UNFPA Supplies Bridge Funding Mechanism

The UNFPA Supplies Bridge Funding Mechanism (BFM) was set up by UNFPA with support from DFID and the BMGF. Without bridging finance, UNFPA has to wait for donor funds to actually be disbursed before it can procure, so it cannot always provide the supplies to countries when they are needed.

The BFM will have a revolving fund of cash or cash-equivalent guarantees of up to US\$80m, which can be used for procurement in the period between donor pledges and the actual arrival of their funds.²³ The BFM was operationalized in early 2018, and stakeholders have high expectations that it will reduce delays and lead times.

Results-based financing mechanisms

Results-based financing mechanisms focus on achievement of agreed results rather than the traditional aid focus on input or short-term outputs. The donor undertakes to pay the recipient on achievement of the results.

One problem in results-based schemes for family planning is the risk of coercion if specific family planning targets form part of the agreed results. Many stakeholders avoid the use of targets in family planning, as they may encourage health providers to over-promote family planning and not respect potential users' right to free choice on whether to use family planning, and which method to choose.

Development impact bonds

Development impact bonds are a results-based mechanism which uses private loan capital to invest in social programmes. The investor provides up-front funds that the implementers use to establish and run the programme. When the agreed results are achieved, the private investor is reimbursed with interest by the 'outcome funder'.

It is not yet clear whether development impact bonds are suitable for family planning work. However, some major donors, such as DFID and USAID, are interested in their potential.²⁴

Co-financing

Co-financing is a method of stimulating national government contributions to supplies and easing countries' transition to self-sufficiency. GAVI uses a co-financing model for vaccines, only releasing its own donations of vaccines when the recipient country has contributed its own agreed share.

The model may have potential for contraceptive supplies financing. Adaptations suggested for family planning include setting country contributions as a fixed price per couple years of protection, and increasing this amount over time until it reaches the real procurement cost;²⁵ and agreeing a cost division between donors and country governments for family planning programmes with both supplies and other components.

5. Recommendations for donor support

Ways of filling the funding gap for contraceptives or making it less inequitable are:

- Purchase more supplies with donor funding – through increased funding, or through using the funds better.
- Increase domestic funding from country governments.
- Improve the distribution of out-of-pocket spending between income quintiles to minimise costs for lower income groups.

Recommendations for each of these three areas are:

Recommendation 1: Donors should continue and increase financial support for contraceptive supplies and family planning programmes.

Investment in contraceptive supplies and family planning is essential to women's and girls' health and well-being and to realizing their sexual and reproductive rights. Donors should continue and increase financial support for contraceptive supplies, and should situate this support within the broader context of family planning and wider health programmes. Combining funding for supplies with support for capacity building and health systems strengthening will bring more sustainable results and reduce risks of dependence on donors for supplies.

Recommendation 2: Donors should continue to explore how to use their funds more efficiently.

Many of the initiatives supported by donors to date have focused on getting more contraceptives with the available funding – through more efficient procurement, negotiation of price reductions, better information flows, coordination of procurement, volume guarantees, bridging finance etc. These should all be promoted, with some caveats:

- They may lead to market distortions and sub-optimal method mix, and may eliminate competition.
- Use of loan funds, such as in the context of the GFF, for buying consumables may lead to greater country indebtedness in future.
- They will not solve the major problem, which is the increasing share of out-of-pocket spending and its inequities.

Recommendation 3: Donors should support initiatives that provide good value for money and can offer long-term solutions.

Bridging finance, for example, involves an initial injection of donor funding which can then be used on a revolving basis in the medium and long term. The same donor money can smooth the timing of procurement orders many times over with a single injection of funds (plus any necessary top-ups). Volume guarantees are one-off donor commitments, using donor credibility to enable manufacturers to forward plan, optimise production and reduce prices. In the case of the Implant Access Program, as the global procurers have coordinated their buying to ensure appropriate order volumes of implants, the donors' volume guarantee finance has to date not actually had to be used.

Recommendation 4: To increase sustainability, donors should support financing modalities that encourage government commitment and country ownership.

Country ownership and commitment is essential for sustainable family planning programmes. Bilateral funding is a modality that leaves decision-making on resource allocation with the recipient country government, which increases country ownership. However, there is no guarantee the country will give priority to contraceptive supplies. UNFPA and its UNFPA Supplies thematic fund specifically seek to increase country commitments to family planning.

Recommendation 5: For sustainability, donors should support options that promote a rational method mix within a country's capacity to pay, coupled with a rights-based approach to ensure choice.

Price reductions linked with government commitments to strengthen delivery of specific methods can lead to a more cost-effective method mix. However, there is a danger that market shaping can push out even more cost-effective methods such as the IUD, and that choice is reduced. And out-of-pocket expenditure is inevitably skewed towards the costlier short-term hormonal methods. Countries need to have a clear understanding of the overall cost-effectiveness of all methods and maintain a wide method mix.

Recommendation 6: Donors should explore modalities and initiatives that involve the private sector and may reduce inequity.

As out-of-pocket spending can be expected to increase in future, it is important to explore modalities and initiatives that involve the private sector and may reduce inequity. Private sector participation could include:

- funding for social marketing, which reduces prices
- inclusion of private sector stakeholders in country coordination mechanisms for pooled procurement, with reciprocal commitment to retail price controls

Recommendation 7: To increase equity and sustainability, donors should provide financing which supports universal health coverage and inclusion of family planning in national health insurance schemes.

Direct payments for health services are often borne by those who can least afford them. A move away from out-of-pocket spending for health services and towards prepayment and risk-pooling benefiting all, including low-income groups and those in the informal sector, is essential to decreasing inequities and improving coverage. Inclusion of family planning in national health insurance schemes removes cost barriers for those covered by the schemes.

Recommendations for transition countries:

Recommendation 8: To help ease transition and maintain equity, donors should support inclusion of transition countries in price reduction and volume guarantee schemes.

This could be done through pooled procurement at national level and bilateral negotiation of price reductions, or price reductions for transition countries which procure through UNFPA. Donors could assist with volume guarantees and negotiations with manufacturers.

Recommendation 9: Donors should provide financial support for new procurement and domestic financing initiatives in transition countries.

One option is support for pooled procurement of all sectors to get price reductions. Private sector access to the public sector supply chain at reduced cost can be tied to commitment to control retail prices. Co-financing schemes can also be piloted as a means to smooth transition.

Recommendations 6 and 7 also apply to transition countries.



Key abbreviations

BFM	Bridge Funding Mechanism
BMGF	Bill and Melinda Gates Foundation
CHAI	Clinton Health Access Initiative
CIFF	Children's Investment Fund Foundation
DFID	Department for International Development
EU	European Union
GFF	Global Financing Facility
IUD	Intrauterine device
LMI	Low- and middle-income
NGO	Non-governmental organization
Norad	Norwegian Agency for Development Cooperation
RHSC	Reproductive Health Supplies Coalition
RMNCAH+N	Reproductive, maternal, newborn, child and adolescent health and nutrition
SIDA	Swedish International Development Cooperation Agency
SWAps	Sector-wide approaches
UNFPA	United Nations Population Fund
UK	United Kingdom
UN	United Nations
US	United States of America
USAID	United States Agency for International Development



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