HP+ POLICY *Brief*
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Blended Finance for Family Planning

Mobilizing Private Capital for Persisting Challenges

Authors: Bryant Lee and Kate Klein

Introduction: Blended Finance and Family Planning

Blended finance, as defined by the U.S. Agency for International Development (USAID), is the strategic use of public and philanthropic resources to mobilize private capital to achieve development outcomes (USAID, 2019). Blended finance can be used to mitigate risks for private investors not accustomed to investing in development settings. Through concessional loans, guarantees, technical assistance funds, or design-stage grants, donors can provide additional protection for investors to increase the commercial viability of investments or fund innovative projects. The blended finance market is growing rapidly: over 300 blended finance transactions with an aggregate deal size of more than US$100 billion occurred in 2018—almost double the estimated market from the previous year (Convergence, 2019).

Blended finance has been robustly applied in select sectors, such as energy and financial services; however, in the health sector, it has not been applied to the same extent. The health sector represented only 3 percent of these transactions between 2016 and 2018 (Convergence, 2019). In contrast, the agriculture sector, which has impact on rural livelihoods, food security, and sustainable land use, is seeing continued growth in blended finance, now representing 21 percent of all transactions (Convergence, 2019). Family planning is similar to agriculture in that it has the potential to impact multiple sectors beyond health, including education for women and girls. Global needs to scale up family planning access exceed resources available, highlighting an opportunity to explore the use of blended finance in this area.

The USAID Center for Innovation and Impact's report on blended finance, *Greater than the Sum of its Parts: Blended Finance Roadmap for Global Health,* highlights a list of blended finance mechanisms that have been implemented in the health sector. Similar mechanisms could be considered for family planning as they relate to needs across its value chain. In this brief, the USAID-funded Health Policy Plus (HP+) project employs USAID's blended finance roadmap (see Figure 1) as a guiding approach to analyze family planning programs and prioritize their financing challenges. Following this assessment, HP+ presents two promising blended finance opportunities in detail for donors and country leaders to explore.

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Figure 1. Overview of Blended Finance Roadmap

Source: USAID, 2019

1. **Identify the country archetype:** refers to the country's health system status and attractiveness to investors.
2. **Define the health issue:** identifies the underlying issues leading to poor health outcomes.
3. **Prioritize financing challenges:** assesses supply- and demand-side challenges involving limited capital, absence of risk diversification, and misaligned incentives.
4. **Evaluate potential for blended finance:** determines the potential for adopting a blended finance approach based on potential sustainability, increased efficiency, and presence of appropriate actors.
5. **Shortlist blended finance instruments:** documents instruments that can address the challenges explored.
6. **Identify activities for further engagement:** suggests future activities to be taken to select an instrument and identifies the role for USAID to play in the transaction.

Step 1. Identify the Country Archetype

Since possible engagements for USAID mentioned in this brief do not focus on a specific geography or country, the country archetype is not defined here. However, any blended finance opportunities would need to be verified with archetypes when specific countries are considered.

Step 2. Define the Health Issue

Step 2 of the roadmap focuses on assessing the root causes of the health issue at hand to understand how blended finance could potentially be applied. Beyond sustainable financing, family planning programs can be grouped into five core components, based on the structure of family planning costed implementation plans (see Figure 2). During an analysis of family planning programs, HP+ identified underlying barriers and challenges at different levels across the five core component areas to inform potential blended finance solutions. For these programs to operate effectively, all five components need to be working well together to form functioning markets that include both public and private sectors:

- **Quality services** affect a client's experience and, by extension, future demand for family planning. A client's experience may depend on the service delivery point's convenience, interaction with providers, and/or perceived quality of care, among other factors.

- **Supply chain and logistics** directly affect commodity availability and client choice. Comprehensive planning through quantification and forecasting exercises combined with timely, efficient procurement enables effective, routine distribution of products that will reach the proper facilities and outlets in the correct quantities at the correct time.
- Adequate **supervision, monitoring, and accountability** helps to ensure quality service provision within facilities and across the broader health system. Supportive supervision and leadership are critical to maintaining health worker morale and accountability to standards and best practices, including compliance with voluntarism and informed choice principles. Accurate monitoring through the collection, reporting, and use of reliable data helps to assess progress and identify problems that may be affecting the health system beyond individual facilities.
- Many of the core components will not be successfully operationalized without an appropriate **policy and enabling environment.** Government commitments—including policies and financing for family planning—reflect an enabling environment that empowers or disempowers the autonomy of women and girls, which can help or hinder access to family planning.
- Without changes in socio-cultural norms to support increased and sustained demand, investments in the other components are not as impactful. **Demand creation** for a variety of quality family planning products and services in a country can carve out space for new market entrants to meet changing consumer expectations, expand choice, and create a more robust, sustainable family planning market.

Figure 2. Barriers and Challenges within a Family Planning Program

Quality Services	Supply Chain & Logistics	Supervision, Monitoring, & Accountability	Policy & Enabling Environment	Demand Creation
Barriers and challenges to an effectively functioning family planning market				
• Health worker skills and training • Client-provider interaction • Convenience, cost, and privacy	• Commodity storage and distribution • Commodity availability • Quantification and forecasting	• Supportive supervision • Adherence to standards • Performance incentives/health worker motivation • Data quality and use	• Policies affecting quality, choice, specific populations • Health insurance benefits packages • Regulation and taxation • Government contribution to family planning • Private sector engagement	• Information and awareness • Mass media communication • Sociocultural factors • Interpersonal communication

Step 3. Prioritize Financing Challenges

Following analysis of the underlying barriers and challenges within family planning programs, HP+ assessed whether these challenges and barriers were financing issues (e.g., constrained by limited capital, high level of risk, or incentive misalignment) in line with Step 3 of the roadmap. For challenges that were determined to be primarily related to financing (as opposed to management, quality, sociocultural, or other factors), HP+ explored whether blended finance mechanisms could be used to address these barriers.

Steps 4-5. Evaluate Potential for Blended Finance and Shortlist Blended Finance Instruments

After identifying the financing issues underlying family planning challenges, HP+ developed a comprehensive list of challenges with the potential for blended finance application. Some challenges were then eliminated from consideration because blended finance instruments seemed unlikely to scale, the addition of development finance was unnecessary for an already fully privately financed solution, or efficiency gains would not likely be achieved. Table 1 presents the leading blended finance opportunities that were identified, matched with the family planning issues that they address (the top two opportunities will be more fully explained in Step 6).

Table 1. Shortlisted Blended Finance Instruments and Financing Challenges Addressed

Blended Finance Opportunity	Family Planning Challenge Core Component Area(s)	Underlying Family Planning Financing Challenge	Description of Blended Finance Opportunity
Access to finance to scale up quality family planning services	**Service delivery** **Supervision, monitoring, and accountability**	Private healthcare facilities face difficulties in accessing loans, as banks are not often familiar with lending to health service providers.	USAID provides funding to accelerate scale-up of innovative digital loans and other products tailored to health service providers that operate in restrictive lending environments.
Family planning inclusion in health insurance	**Service delivery** **Demand creation**	Family planning is often excluded from national health insurance schemes, resulting in financial barriers to access and expanded method choice.	Until low- and middle-income countries prioritize integrating family planning services into insurance, micro-insurance schemes can fill this gap but require funding to scale up. USAID provides grant funding to crowd in investors to scale up operations of a micro-health insurance enterprise that includes family planning in its benefits packages.
Investment in social enterprises to improve family planning access	**Supply chain and logistics** **Demand creation**	Limited investment in technology and/or community-based solutions that address supply chain challenges and reach populations with more sociocultural and/or economic barriers to family planning poses a challenge.	USAID provides grant funding to crowd in investors to scale up operations of transportation and/or logistics solutions that increase access to family planning at the last mile.

Blended Finance Opportunity	Family Planning Challenge Core Component Area(s)	Underlying Family Planning Financing Challenge	Description of Blended Finance Opportunity
Public-private partnership for remittances	**Policy and enabling environment**	Donor funding to help developing country governments pay for national family planning programs is declining. Proof of concept for new, innovative revenue streams for health and family planning must be established.	Remittance volumes represent a large percentage of gross domestic product in some countries. A public-private partnership that reduces transaction costs of these inflows and directs a portion of the savings to be pooled into a health fund through remittance transfer platforms or technologies, developed using USAID funds, could generate a new revenue stream for health.
Development impact bond for family planning equity	**Service delivery**	Higher unmet need exists among poorer population segments in part due to lack of ability to pay. Meanwhile, highly subsidized products have crowded out the commercial family planning sector in wealthier, urban markets.	An investor provides upfront capital to a social marketing organization that performs outlet segmentation and redirects highly subsidized products to poorer consumers. A donor pays when couple years of protection for the total market and/or the underserved market increases.

Step 6. Identify Activities for USAID Engagement

In Step 6 of the roadmap, activities are presented to USAID for potential engagement. This section provides more detail on two of the most promising ideas for USAID engagement, based on considerations for ease of implementation, revenue potential, family planning impact, strength of the business case, and sustainability.

Access to Finance to Scale Up Family Planning Programming

Small- and medium-sized enterprises working in healthcare need capital to grow their businesses and improve the quality of the services that they provide. However, most healthcare providers are unable to access financing from lenders because they lack the credit history, accounting acumen, and/or assets that can serve as collateral typically needed to secure a loan (PharmAccess Group, 2017). As a result, providers are blocked from purchasing necessary equipment and commodities, obtaining training for staff to meet compliance standards, and/or expanding the set of services that can be offered to meet the needs of their clients—including family planning. Financial institutions in emerging markets are not typically familiar with lending to health service providers nor familiar with the associated default risks and/or profitability of the sector. The Medical Credit Fund (MCF) was created to bridge this gap and enable investments in health (see Box 1). The MCF has designed loan products tailored specifically to the health sector and has expertise in sensitizing and establishing relationships with banks, making them an ideal partner.

The MCF has established a track record of success in the sector, but in some cases, barriers still exist that prevent banks from growing their loan portfolios for health. In these cases, the MCF is disbursing loans directly to clients through innovative digital loan products that track borrowers' mobile assets and electronic bank statements in order to analyze cash flows to assess credit worthiness. The digital products also allow the MCF to withdraw funds from a borrower's

Box 1. What is the Medical Credit Fund?

Since 2009, the MCF has improved access to finance and provided technical assistance to the health sector in Africa by leveraging partnerships with local banks and other financial institutions to fund or guarantee loans to small- and medium-sized enterprises in healthcare. To date, the MCF had disbursed 3,612 loans for health providers across six countries, through partner banks or directly, totaling **US$60.5 million and performing at a 96 percent historical repayment rate.** The average loan size was US$16,750 with a cap of US$2.5 million (MCF, 2019). The MCF has worked with several family planning implementers, providing loans to many providers within partner networks. USAID's Development Credit Authority has similarly used loan guarantees to incentivize bank lending.

account, which serves as a form of collateral to secure and repay loans. The MCF is planning to raise private financing to scale up this product and expand operations into new country markets. A blended financing mechanism could be structured to catalyze private funds and accelerate expansion into the new MCF product segment (see Figure 3). USAID could facilitate this by providing the start-up funding needed to establish new country programs and serving as a first-loss investor. To serve family planning programs, the USAID grant would be restricted to facilities that provide family planning services with the expectation that borrowers use a portion of the loan capital to strengthen family planning provision.

Figure 3. Blended Access to Finance Mechanism

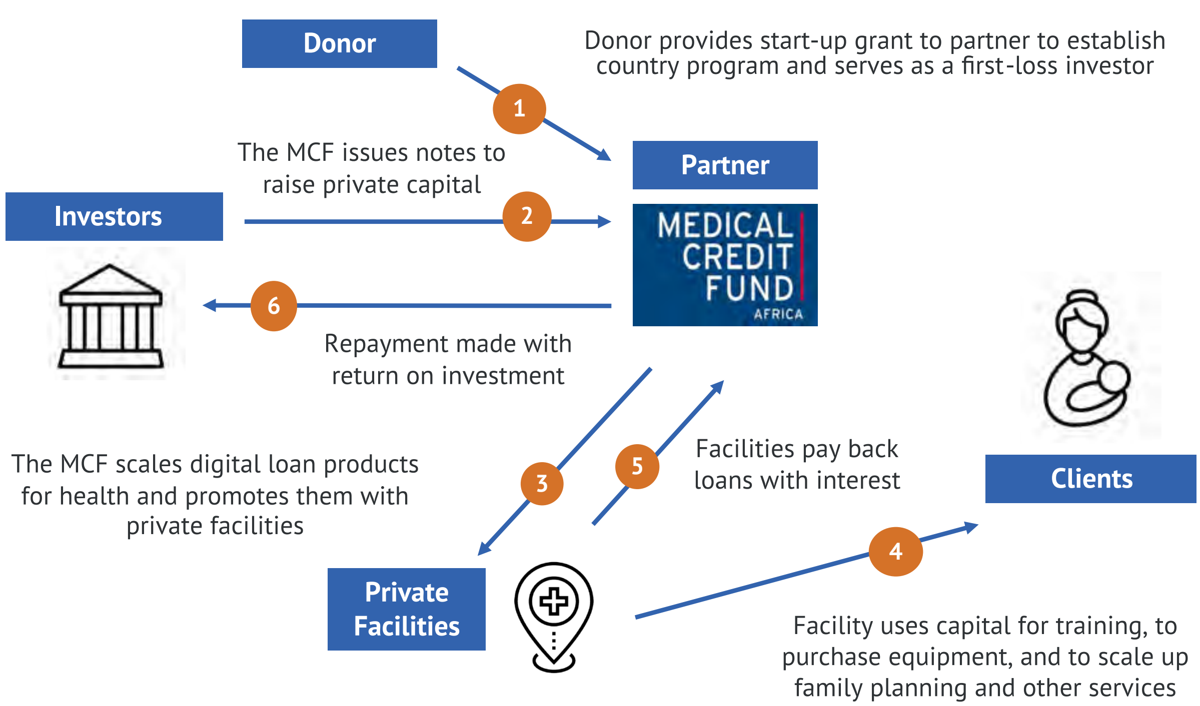

Table 2. Opportunity Summary

Financing Potential	Using Kenya as an example market, in total, US$25.6 million has been disbursed, including US$12 million over the last two years while maintaining a loan portfolio at risk of 3.1 percent (MCF, 2019).
Family Planning Impact	Loans could be used to fund trainings that would help providers meet compliance standards for family planning or to provide the services themselves. Providers would also be supported through PharmAccess Group's SafeCare digital platform to improve quality of family planning services.
Implementation Considerations	An ideal situation in which to use blended financing is a country/market where the MCF has identified an unmet financing need for healthcare providers that could be addressed through digital loans.
Assumptions	Loan portfolio growth, expansion into new markets, and scale-up of new products could be achieved without compromising the MCF's established track record of a 96 percent repayment rate.

Family Planning Inclusion in Micro-Health Insurance Benefits Packages

Health insurance coverage is typically sparse in low-income countries—particularly for those working in the informal sector—contributing to high out-of-pocket expenditure on health. Additionally, family planning is often excluded from national health insurance schemes that primarily cover formal sector workers. There is an opportunity for micro-health insurance enterprises to fill this coverage gap. Micro-health insurers differ from traditional health insurance schemes because they can be conveniently accessed through mobile technology platforms and typically cover a much smaller package of services. Micro-insurers may target employers that have the incentive to provide their employees access to and coverage for a broader mix of family planning methods (see Box 2) and those seeking voluntary enrollment to protect against undue financial burdens resulting from health issues. In low-income country settings, maternal and child healthcare is often a large driver of medical expenses for insurers, to the extent that some insurers are cutting related benefits. Inclusion of family planning in benefits packages would help to control these costs.

Box 2. Opportunity for Employers in the Garment Sector

Eighty percent of workers in the garment sector in Bangladesh are female (World Bank, 2017). A significant proportion of these workers are of reproductive age and exhibit high demand for family planning products and services. This represents an investment case for firms to purchase micro-insurance for their employees that includes family planning benefits in order to reduce the costs of unplanned maternity leave and childcare. Additionally, a benefits package that expands choice to a full range of methods, including injectables and long-acting reversible contraceptives, would reduce employee time and money spent acquiring short-acting methods that have recurring costs.

Investors have limited experience in health innovation in underserved environments, creating a barrier to micro-health insurers accessing the capital needed to scale up to meet market demands. USAID could reduce investment risk in micro-health insurance by providing grant funding to crowd in impact investment funds to finance a pilot, establish proof of concept, and/or expand a product line (see Figure 4). Once micro-insurers scale up enrollment to become financially sustainable, investors would receive a return based on pooled surplus from pre-paid contribution income to the scheme. Investors may not initially consider family planning access as central to the micro-insurer business case, but USAID acting as a first-loss investor could mandate that the start-up prioritize family planning inclusion and impact.

Figure 4. Blended Microinsurance Mechanism

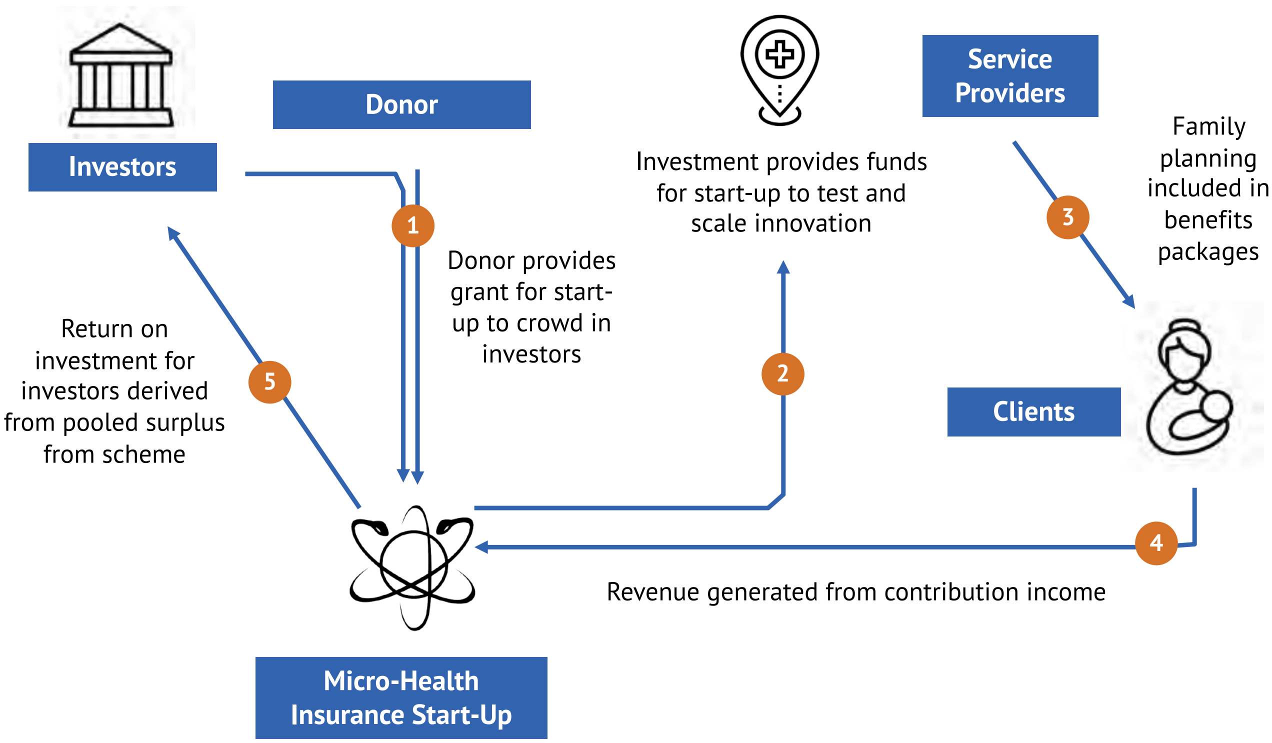

Table 3. Opportunity Summary

Financing Potential	Based on research in Bangladesh, HP+ calculated that employers purchasing micro-health insurance for 300,000 workers has the potential to cover US$1,000,000 in annual costs for family planning.
Family Planning Impact	Employer purchase of micro-health insurance covering family planning could increase access and provide broader method choice while contributing to more sustainable financing of family planning.
Implementation Considerations	Most micro-health insurers are in a pilot or proof of concept phase, as opposed to an expansion phase, with regard to family planning inclusion in insurance schemes.
Assumptions	The insurance product would be accessed through a digital platform that is compatible with mobile money and underwritten by a private insurer.

Conclusion and Next Steps

Although the global development community understands which interventions enable functioning family planning markets, these interventions cannot be implemented to meet total family planning demand within the current financing environment. Countries continue to face challenges financing robust, quality, rights-based national family planning programs. For commodities alone, the Reproductive Health Supplies Coalition estimates that developing countries face a US$793 million funding gap for contraception supplies from 2018-2020 (RHSC, 2018). Some specific family planning challenges could be better addressed through blended financing solutions that involve private investors to abate issues of limited capital, high levels of risk, or incentive misalignment among stakeholders. Blended finance can also provide opportunities to build new partnerships and bring in new expertise. To realize these opportunities, donors must work with the private sector and intermediaries to design and co-finance appropriate interventions.

In this brief, HP+ has identified several blended finance opportunities that have the potential to mobilize additional resources to improve the sustainability of and access to family planning programs. After USAID evaluation, if any of the options spark interest for further exploration, HP+ can support USAID to refine the best-fitting mechanisms for particular geographies. Emerging ideas could be further concretized through feasibility studies, cost-benefit analyses, and/or engagement of relevant partners. Following in-depth assessment of promising models, HP+ can support USAID in the design and structure of the chosen blended financing mechanisms. With creative, cross-sectoral approaches, it is possible to pilot promising models and scale them, decreasing the financing gap for family planning.

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CONTACT US

Health Policy Plus
1331 Pennsylvania Ave NW, Suite 600
Washington, DC 20004
www.healthpolicyplus.com
policyinfo@thepalladiumgroup.com

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