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CONTRACEPTIVE PROCUREMENT POLICIES, PRACTICES, AND OPTIONS

BOLIVIA

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DELIVER
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Abstract
In light of the phaseout of donor funds in Latin America and the Caribbean, Bolivia will be facing increasing responsibility to finance and procure contraceptive commodities in the near future. The Government of Bolivia needs to look at regional and international procurement opportunities to ensure contraceptive security is not compromised during this transition period.

This report presents findings from a legal and regulatory analysis and pricing study of various procurement options to identify efficient, economical, and timely distribution of high-quality contraceptives. A summary of the current country situation, procurement practices, laws, policies, and regulations is presented along with a comparison of regional contraceptive prices. Options and recommendations are presented for next steps.

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ACRONYMS

ARV	antiretroviral
BOB	boliviano (Bolivian currency unit)
CEASS	*Central de Abastecimineto y Suministros de Salud* (Center for Health Supplies and Provision)
CEMOPLAF	*Centro Médico de Orientación y Planificación Familiar* (Ecuadorian family planning NGO)
CENABAST	*Central Nacional de Abastecimientos* (Chilean public procurement agency)
CEPEP	*Centro Paraguayo de Estudios de Población* (Paraguayan Center for Population Studies; the Paraguayan IPPF affiliate)
CIES	*Centro de Investigación, Educación y Servicios* (Center for Research, Education, and Services; the Bolivian IPPF afíliate)
CIF	cost, insurance, and freight
CPR	contraceptive prevalence rate
DFID	Department for International Development (U.K. government department for overseas aid)
FIM	*Farmacias Institucionales Municipales* (Institutional Municipal Pharmacy)
IPPF	International Planned Parenthood Federation
IUD	intrauterine device
JICA	Japan International Cooperation Agency (Japanese government department for overseas aid)
JSI	John Snow, Inc.
LAC	Latin America and the Caribbean
MERCOSUR	*Mercado Común del Sur* (Southern Common Market)
MOH	Ministry of Health (in Spanish, *Ministerio de Salud y Deportes*)
NGO	nongovernmental organization
PROFAMILIA	*Asociación Probienestar de la Familia* (Dominican Family Welfare Association; Dominican Republic IPPF affiliate)
SABS	*Sistema de Administración de Bienes y Servicios* (System of Administration of Goods and Services)
SDP	service delivery point
SUMI	*Seguro Universal Materno Infantil* (Bolivian universal insurance for mothers and children)
SUSALUD	*Seguro Universal de Salud* (Universal Health Insurance)
TFR	total fertility rate

UFV	*Unidad de Fomento de Vivienda* (Bolivian unit of account linked to inflation)
UNFPA	United Nations Population Fund
USAID	U.S. Agency for International Development
VAT	value-added tax

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This paper is available in English and Spanish, as are the individual country reports from the eight other participating Latin America and Caribbean (LAC) countries as well as a regional practices and options report. All of these documents, as well as the full country assessment reports, are listed in the references for this document and may be obtained directly from the DELIVER and USAID | Health Policy Initiative TO1 projects. Summaries of the country assessment reports can be found on the DELIVER and USAID | Health Policy Initiative websites (www.deliver.jsi.com and www.healthpolicyinitiative.com).

[1] The POLICY Project ended June 30, 2006. Work on this activity continued under USAID | Health Policy Initiative Task Order 1, implemented by Constella Futures.

EXECUTIVE SUMMARY

BACKGROUND

Bolivia will be taking on the responsibility of financing and procuring contraceptives as the U.S. Agency for International Development (USAID) and the United Nations Population Fund (UNFPA) phase out donations in the very near future. In preparation, the Government of Bolivia will need to consider all procurement options, the prices associated with each option, and the legal viability of each within the context of national laws and norms that regulate public sector procurement practices.

Contraceptives are supplied and distributed through the public and private sectors in Bolivia through the following means:

- **Ministry of Health (MOH)**—All contraceptives are donated to the government from UNFPA, with funds from the Japan International Cooperation Agency (JICA). They are distributed to MOH health facilities and from there to low-income populations free of charge. The public sector provides 57 percent of the modern family planning methods while the private sector accounts for 41 percent. JICA committed donations to the MOH through 2006.
- **Private sector**—Local distributors obtain their contraceptives from the NGO PROSALUD and from local representatives of international suppliers. They are then distributed by private pharmacies.
- **Nongovernmental organizations (NGOs)**—PROSALUD receives donations from USAID; however, these donations will be phased out in the near future. PROSALUD distributes contraceptives to several providers through their own facilities and through other NGOs and distributors. CIES, the Bolivian IPPF-affiliate, is another important provider of family planning services in Bolivia.

OBJECTIVE AND METHODOLOGY

This report presents findings from a legal and regulatory analysis and pricing study of different procurement options available in Bolivia. It is intended to inform the MOH in its efforts to identify the best options—low prices, high quality, and efficient and timely delivery—for contraceptive procurement. The Bolivia analysis forms part of a broader regional study that assesses the impact of various procurement regulations on the price of contraceptives in nine countries and identifies viable strategies for countries to adopt to ensure access to low-cost, good-quality contraceptives.

The country work included the analysis of laws and regulations that govern the purchase of medicines and contraceptives with public sector funds as well as the collection and analysis of data on contraceptive prices by method at both the central and regional levels. The prices analyzed represent the total direct costs to each sector, including cost, insurance, and freight (CIF); duty and value-added tax (VAT); administrative and social marketing costs, transport costs,[2] and other margins. Fieldwork consisted of interviews with key stakeholders about written laws and regulations and procurement practices, as well as the collection of quantitative price data from various sources, including pharmacies.

[2] Transportation costs for the Bolivian public sector were not available, but a South America regional average estimate of 3.4 percent of the CIF price was used for the purpose of estimating total costs. It was not possible to separate transportation costs for the NGO sector, so they are included together with all other margins and costs, which also include administrative costs, distributor margins, and costs associated with repackaging commodities.

SUMMARY OF MAIN POINTS

LEGAL AND REGULATORY FRAMEWORK

- The agreement between UNFPA and the Government of Bolivia exempts all contraceptives from being taxed.
- Exceptions using public resources are made for international bidding when goods and services are valued over 15 million UFVs.[3] However, a National Law gives procurement preferences to national production and industries, giving a competitive advantage to Bolivian businesses. As their input and labor increases in a good or service, their price advantage also increases.
- All contraceptives and medicines that are sold, imported, or produced in Bolivia must be registered with the Ministry of Health, a process that can take up to six to eight months and must be approved every five years. Additionally, drugs that have different origins must be registered even if they are otherwise similar. This registry rule also applies to different brand-name medicines.
- The Center for Health Supplies and Provision (CEASS) is essentially in charge of the supply chain for all basic medicines and supplies. CEASS has no experience procuring contraceptives, although it is legally able to import them from international suppliers because of the exceptions under the law.
- Bolivia's decentralized health system allows its municipalities to procure contraceptives individually but at higher prices because of their small purchases. Because of the system's decentralized nature and the lack of a central procurement agent, the municipalities cannot take advantage of economies of scale by pooling their monies for consolidated bulk procurement.
- Bolivian universal insurance for mothers and children (SUMI) includes family planning as one of its benefits for all women of reproductive age. However, SUMI funds are frequently used to cover public health shortfalls in the public sector.

CONTRACEPTIVE PRICING

- The purpose of the pricing analysis was to quantify the direct costs associated with contraceptive procurement. There was no attempt to quantify any indirect costs associated with the procurement process or with an individual's access to contraceptive commodities.
- The high volume of donations in Bolivia may be causing prices in the public sector to appear artificially deflated. It is therefore important for decision makers to account for this situation as they plan a national procurement strategy in preparation for the coming phaseout of USAID and JICA/UNFPA contraceptive donations.
- If the Bolivian public sector chooses not to negotiate an agreement with an international agent (i.e., UNFPA) to procure contraceptives, it will most likely be forced to purchase its supplies from the local market, a situation similar to that found in Ecuador. PROSALUD faces a similar scenario: either find a way to gain access to potentially less expensive international contraceptives or purchase from the local market.
- The Bolivian public sector currently receives oral contraceptives donated by JICA and procured by UNFPA at a CIF price of U.S.$0.21 per cycle. The CIF price for oral contraceptives in the NGO sector (U.S.$0.29), meanwhile, is comparable to the mean South America NGO CIF price among

[3] *Unidad de Fomento de Vivienda* (UFV) is an accounting unit that the Central Bank of Bolivia changes daily to adjust the national currency (boliviano) for inflation. It facilitates the financing of households and all official actions, including contracts, that require the boliviano to maintain its value with respect to changes in the rate of inflation. Payments and charges are made in bolivianos according to the daily UFV.

organizations procuring through IPPF (U.S.$0.32). PROSALUD is not an IPPF affiliate, but it could still procure contraceptives from this agency, albeit with an additional fee. If UNFPA procures orals on behalf of the entire country, it may face a CIF price similar to that of the Peruvian public sector (U.S.$0.31 per cycle).

- The observed total direct cost of oral contraceptives in private pharmacies in the La Paz and Santa Cruz de la Sierra regions, meanwhile, was U.S.$1.99. In the context of the decentralized purchasing mechanism currently in place in the Bolivian public sector, the prices in the private and NGO sectors are likely to be the only available alternatives the public sector will face should donations end without the development of alternatives. If this happens, the Government of Bolivia may become seriously compromised in its ability to provide accessible contraceptive methods to its population, since the average prices in the private sector are approximately 800 percent higher than the total direct cost to the provider in the public sector.

- With a value of U.S.$0.90 the public sector CIF price for a three-month injectable contraceptive (e.g., Depo-Provera) in Bolivia is approximately 24 percent lower than the NGO CIF price (U.S.$1.19) and is approximately 6 percent higher than the minimum CIF price in the region (U.S.$0.85), which was obtained by the Peruvian public sector using UNFPA as a procurement agent. The NGO sector CIF price (U.S.$1.19), meanwhile, is approximately 16 percent lower than the CIF price from CEPEP in Paraguay (U.S.$1.42). The retail price for injectables in pharmacies of the private sector (U.S.$1.46) is 55 percent greater than the total direct cost in the public sector, yet it compares favorably to the NGO sector total direct cost—almost 18 percent lower.

- The case of intrauterine devices (IUDs) in Bolivia is very similar to that of orals and injectables: the CIF price in the public sector (U.S.$0.35) is 35 percent lower than the UNFPA CIF price (U.S.$0.54), again coming from the Peruvian public sector, and 82 percent lower than the NGO CIF price (U.S.$1.95). If the government does not choose to procure IUDs through UNFPA, it faces purchasing them through either the private sector, for U.S.$2.00, or through the nonprofit sector, for U.S.$2.70. These two prices are roughly 450 percent and 650 percent higher, respectively, than the total direct cost that the Bolivian public sector observes in its donated commodities (U.S.$0.36).

- Implementing centralized procurement of contraceptives through an international procurement agent (e.g., UNFPA) could potentially achieve significant cost savings over local procurement through economies of scale.

OPTIONS AND NEXT STEPS

- The MOH should consider instituting a mechanism for centralized and consolidated procurement. This would allow municipalities to pool resources or negotiate bulk prices to procure contraceptives centrally or conduct joint price negotiations with suppliers, based on a predetermined volume of activity, to take advantage of economies of scale.

- Advocate that the Government of Bolivia allocate funds annually by means of a protected budget line item to maximize price advantages gained through centralized bulk purchases.

- Develop a phaseout plan to begin building the country's procurement capacity and budgeting public sector funds to purchase contraceptives.

- Build the procurement capacity within the country to develop skills in the basic principles and practices of efficient procurement. This would include forecasting, financial planning, selecting suppliers, understanding the bidding process, and overall procurement management.

- Enter into a formal relationship with UNFPA as a procurement agent to take advantage of its price advantages and technical assistance as other donors phase out their donations.

- Engage in informed purchasing based on price comparisons by exchanging price information with other countries to provide the country with information about price discrepancies, which will give Bolivia stronger negotiating power with local representatives of international companies, thus securing the best possible price along with good-quality contraceptives.
- Explore regional integration initiatives, such as the *Mercado Común del Sur* (MERCOSUR), that may provide valuable opportunities for Bolivia as it seeks to improve procurement efficiency, expand contraceptive procurement options, and obtain better prices.
- Institutionalize contraception procurement to protect it from changes in political will and other unforeseeable factors that could jeopardize contraceptive security in Bolivia.

INTRODUCTION

> Contraceptive security exists when individuals are able to choose, obtain, and use contraceptives and condoms whenever they need them. Achieving contraceptive security requires efficient contraceptive procurement mechanisms and procedures that are designed to secure low prices and prevent product shortages and stockouts.

For more than three decades, countries in Latin America and the Caribbean (LAC) have relied on donations from international agencies such as the U.S. Agency for International Development (USAID) to meet the contraceptive needs of their populations. These donations are now being phased out gradually throughout the region. Historically, all family planning methods distributed in Bolivia by the public sector have been donated. Over several decades, USAID and the Department for International Development (DFID) of the United Kingdom were major donors of contraceptives to Bolivia's PROSALUD (and other nongovernmental organizations) and Ministry of Health (MOH), respectively. The public sector receives donated contraceptives from the United Nations Population Fund (UNFPA) through funding from the Japan International Cooperation Agency (JICA), which recently replaced DFID. Although JICA has committed funding through 2006 and the MOH had planed to buy a portion of contraceptives in 2006, to date, the country lacks a formal contraceptive phaseout plan, and the extent to which donors are committed to continued donations is unclear. JICA's commitment to contraceptive donations beyond 2006 is unknown. Meanwhile, the NGO sector in Bolivia faces a similar scenario as USAID will also be phasing out its donations of contraceptives to PROSALUD. CIES, the IPPF-affiliate is similarly faced with issues related to sustainability of family planning programs as international donations wan. The financing and procurement of contraceptives will thus become the sole responsibility of the national government and individual NGOs.

As the Government of Bolivia takes on the responsibility of contraceptive procurement, it will need to consider all procurement options (both national and international) available to the country, prices associated with each option, and the legal viability of each option within the context of the national laws and norms that regulate public sector procurement practices.

METHODOLOGY

This report presents findings from a legal and regulatory analysis and pricing study of various procurement options available in Bolivia between June 2005 and March 2006. It is intended to inform the MOH in its efforts to identify the best options—low prices, high quality, and efficient and timely delivery—for contraceptive procurement. The Bolivia analysis forms part of a broader regional study that assesses the impact of various procurement regulations on the price of contraceptives in nine USAID-presence countries in LAC—Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, and Peru—and identifies strategies that countries might adopt to ensure access to low-cost, high-quality contraceptives.

The country work included the analysis of laws and regulations that govern the purchase of medicines and contraceptives with public sector funds, as well as the collection and analysis of data on contraceptive prices by method at both the central and regional levels and from the public, NGO, and private sectors. Fieldwork consisted of interviews with key stakeholders about written laws and regulations, and procurement practices, as well as the collection of quantitative price data from various sources, including a survey on retail prices in private pharmacies in the La Paz and Santa Cruz de la Sierra regions.

The report begins with a general overview of the situation in Bolivia, followed by an analysis of the principal characteristics of policies and laws that govern both public sector procurement and current

practices. The report ends with a series of options to consider, based on the experiences of different countries in the region and directed at improving the efficiency of contraceptive procurement.

COUNTRY SITUATION

With 42 percent of its population living below the international poverty line of U.S.$2 per day (World Bank, 2006), Bolivia has some of the most alarming socioeconomic indicators in Latin America. The country has a total population of more than 9 million, with an estimated annual growth rate of 1.6 percent (USAID, 2006). Approximately one-half of Bolivians are indigenous and speak primarily Aymara, Quechua, or Guaraní, and more than one-third of the population is younger than 15 years of age (INE, 2006). The country is divided into nine departments and 327 municipalities, and 64 percent of the population resides in urban areas. Many Bolivians reside in remote and difficult-to-reach areas and therefore face major challenges to accessing basic health services.

Furthermore, women in Bolivia experience deep inequity, with significantly lower literacy rates and income-generating capacity than men. As a result of these inequities, poverty, and limited access to health services, the maternal mortality rate is one of the highest in the Latin America and Caribbean region (229 per 100,000 live births) (DHS, 2004). Yet, despite these challenges, significant progress has been made recently in improving the lives of Bolivian women and their families in the future. In 2000, for instance, the Bolivian government signed the United Nations Millennium Declaration, committing to cut maternal mortality by three-quarters and reduce child mortality by two-thirds by 2015. While much work must be done to achieve these goals, a recent upswing in contraceptive use has helped lower maternal and child mortality rates and alleviate economic strains on women and their families.

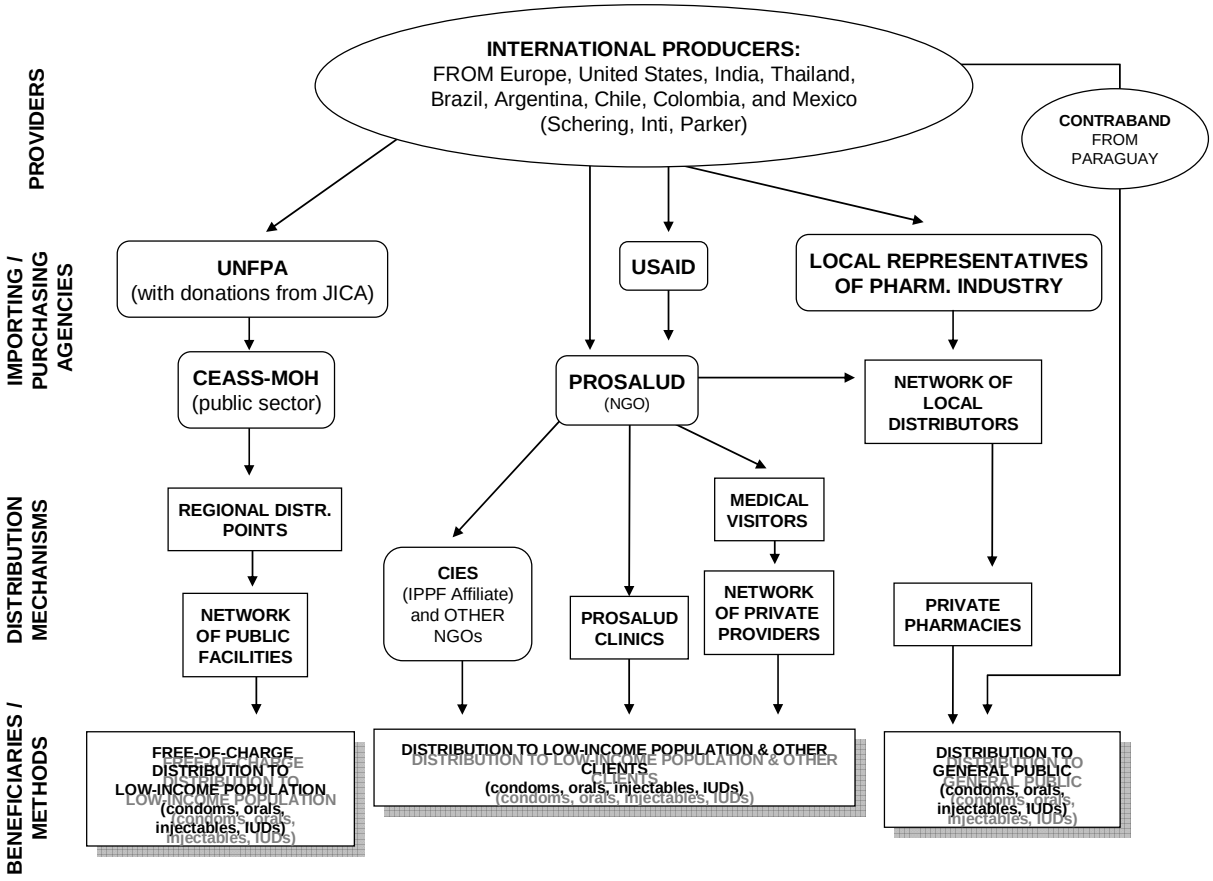
In spite of barriers to access, the overall contraceptive prevalence rate (CPR) among women in union between 15 and 49 years of age increased from 48 percent in 1998 to 58 percent in 2003, while use of modern methods also increased from 25 percent to 35 percent, suggesting that Bolivian women and men have increasingly embraced the importance of planning their families. Consequently, unmet need for family planning shrank from 26 percent in 1998 to 23 percent in 2003, and the total fertility rate (TFR) dropped significantly from 4.8 to 3.8 children per woman (although rural TFR remained extremely high, at 5.5 children per woman). Among women in union of reproductive age, the intrauterine device (IUD) is the most commonly used method (17 percent of total use), and an increase in use of injectables appears to be a major contributor to the recent CPR rise, which grew from 3 percent of total use in 1998 to 14 percent in 2003 (DHS, 2004).

The main family planning service providers in Bolivia are the Ministry of Health; the government-run health insurance clinics (*cajas de salud*); nongovernmental organizations (NGOs) such as PROSALUD and the Center for Investigation, Education, and Services (CIES); and private pharmacies. PROSALUD is the main social marketing organization, with a network of 32 clinics, mobile units, and health promoters scattered throughout the country.

The public sector is the main source of modern methods of family planning (57 percent). The private sector accounts for 41 percent, primarily split between clinics and hospitals (13 percent) and pharmacies (24 percent).

Figure 1 illustrates the distribution network for family planning supplies in Bolivia and highlights several important characteristics of the country's current situation.

Figure 1: Distribution Network for Family Planning in Bolivia



First, there are no local producers of contraceptives in Bolivia. All contraceptive commodities enter the country from international suppliers and through different channels, depending on the sector.

Second, all family planning methods currently distributed in Bolivia in the public and NGO sectors come from international donors. The public sector currently receives contraceptive donations from UNFPA and JICA, replacing USAID and DFID donations. JICA has committed to donate contraceptives to the Ministry of Health through 2006; although plans for future donations are not known at this time. The public sector distributes contraceptives through its own distribution systems to health facilities that provide contraceptives free of charge to low-income populations. PROSALUD, the leading service delivery NGO in Bolivia and the NGO with the greatest proportion of family planning services, still receives donated contraceptive supplies from USAID, in addition to purchasing its own commodities directly from international suppliers. It then distributes these contraceptives to multiple providers, including its own clinics, other NGOs, and other local distributors.

Under the decentralized Bolivian health system, municipalities often buy contraceptives directly from private vendors and distributors or pharmacies, for commercial sale or when stocks run out, or under the Institutional Municipal Pharmacy (*Farmacias Institucionales Municipales*, or FIM) program. Municipalities pay high prices to procure these medicines and contraceptives locally because the purchase quantities are small and they are unable to take advantage of economies of scale. Once contraceptive donations end in Bolivia, the government will need to decide whether it makes sense for local

governments at the municipal level to continue procuring contraceptives directly, or whether a centralized procurement mechanism that can command lower prices for bulk procurement should be instituted.

LEGAL AND REGULATORY FRAMEWORK

LAWS THAT GOVERN THE PROCUREMENT OF MEDICINES/CONTRACEPTIVES

The Law of Fiscal Administration and Control Systems regulates the administration and control of public sector resources to guarantee that all public sector servants assume full responsibility for their actions related to the use of public funds. The System of Administration of Goods and Services (SABS) and its technical body establish the basic norms that relate to administering and dealing with goods and services for all public entities. Public entities must elaborate their own specific regulations within the context of these laws and decrees. The MOH has not yet prepared specific regulations for its decentralized units.

There are three modalities for procuring goods and services with public resources: public tenders, price comparison (when the budget is equal to or less than 160,000 BOB/U.S.$19,900), or by exception. Exceptions include situations in which there are no legally constituted businesses that can offer the required goods and services, there is a declared national or municipal emergency, or it is necessary to hire a third party to provide goods or services required immediately when a contract has not been fulfilled. International bidding is allowed by law only when goods or services are valued over 15 million UFVs.[4]

The Bolivian Government favors national production and industries in its procurement practices. National law, specifically the 2004 Supreme Decree 27328, offers a competitive advantage to Bolivian businesses (of any size) that participate in the procurement process of goods and services required by municipal, state, and national entities. This decree establishes that as the component of Bolivian inputs and labor increases in a good or service, so too does the preferential margin over the offered price.

Contraceptives or drugs that are imported, produced, or sold in Bolivia must be approved by the drug registration authority of the MOH. This approval process can take between six and eight months, and the commodity must be newly registered and approved every five years. Drug registration is required by origin and, therefore, similar products require separate approvals when their origins differ. Additionally, different brand names of the same drug type require separate approvals.

The Bolivian customs process is complex because legislation on the subject is not clear, and as a result customs policies often change. There are no price limits or controls in Bolivia, and prices are set in a free-market environment with no government intervention.

The Center for Health Supplies and Provision (*Central de Abastecimiento y Suministros de Salud*, or CEASS), a decentralized MOH institution, is in charge of procuring, warehousing, marketing, and distributing basic medicines and medical supplies, thereby guaranteeing their availability at low prices throughout the public health system in accordance with norms set by the Law of Medicines and the Unique System of Supplies. CEASS is legally permitted to import medicines and medical inputs directly from international suppliers and manufacturers if the purchase amount is more than 15 million UFV. CEASS is then responsible for distributing the products to health establishments at the different levels.

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[4] *Unidad de Fomento de Vivienda* (UFV) is an accounting unit that the Central Bank of Bolivia changes daily to adjust the national currency (boliviano) for inflation. It facilitates household financing and all official actions, including contracts that require the boliviano to maintain its value with respect to changes in the rate of inflation. Payments and charges are made in bolivianos according to the daily UFV.

Because in the past all contraceptive methods have been donated, there has been no experience in procuring contraceptives through CEASS.

Law 2426 of November 21, 2002, created universal insurance for mothers and children (*Seguro Universal Materno Infantil*, or SUMI) as a priority initiative within the poverty reduction strategy. SUMI is universal, comprehensive, and provides free health services at all levels of the National Health System and the Social Security System. In December 2005, Supreme Decree 3250 expanded the benefits under SUMI to include family planning for all women of reproductive age.

There are several policy and regulatory issues related to the decentralization of Bolivia's health system that will become relevant as the Bolivian government assumes a greater role in contraceptive procurement. Bolivia's 327 municipalities are responsible for public health programs and are required by law to allocate 6.4 percent of their budgets to social programs, including family planning. Therefore, in principle, funding for contraceptive procurement should be available at the municipal level. However, the decentralized environment in Bolivia renders it difficult to devise a coordinated system under which each municipality can both estimate need and allocate funding for central bulk procurement. Furthermore, there is currently no entity at the central level that can function as a procurement agent on behalf of the municipalities. Even if CEASS were to fulfill this function, it may be difficult to coordinate and organize the financial and logistical aspects of consolidated bulk procurement with each municipality. This organizing could be done at the prefecture level. However, the decentralization laws in Bolivia emphasize the independence of prefectures and municipalities, and state that each entity must manage its own funding and procurement.

PROCUREMENT PRACTICES AND MECHANISMS

The timely and uninterrupted availability of high-quality contraceptives in the public sector is essential to achieving contraceptive security, particularly for those in the lowest socioeconomic quintile. As USAID and other donors phase out of contraceptive donations in Bolivia, the government must prepare to assume responsibility for procuring contraceptives. Price and quality of products are important factors in this process.

Because in the past all contraceptive methods in Bolivia have been donated, the Bolivian government has no experience in procuring contraceptives. Bolivia's National Sexual and Reproductive Health Program received donations of contraceptives from USAID and DFID through the end of 2005. Currently, UNFPA is the only entity procuring contraceptives for the Bolivian government, financed by donations from JICA. There is no government funding currently set aside for contraceptive purchases.

UNFPA's contraceptive procurements for the MOH are based on information provided by the ministry's health information system and the Sexual and Reproductive Health Program. Based on this information on method types and quantities for each region, UNFPA sends its total purchase request to its procurement office along with full payment. UNFPA's central procurement office consolidates requests from different countries and presents global needs to different vendors to obtain high-quality products at competitive prices. Once purchased, UNFPA delivers the product to the customs office in Bolivia. A bilateral agreement between UNFPA and the Government of Bolivia exempts the contraceptives from taxes. UNFPA pays only for administrative expenses. Once the contraceptives leave the customs office, they are turned over to CEASS for warehousing and distribution according to regional programming needs. This system allows for the procurement of high-quality contraceptives at low prices.

Although the MOH has not used public sector funds to directly purchase contraceptives to date, the municipalities fund the purchase of contraceptives through FIMs for sale to users who can afford to pay. SUMI includes family planning for all women as one of its benefits. While donations are the principal source of SUMI contraceptives, municipalities are often compelled to use SUMI funds to purchase

additional contraceptives to cover frequent shortfalls. These local purchases take place at pharmacies, at very high prices.

CONTRACEPTIVE PRICING

There are several critical issues that affect the pricing of contraceptive methods in Bolivia. First, it is difficult to obtain homogenous information for the price components of the different methods, particularly for contraceptive methods in the private sector. A second serious issue is that the high volume of donations in Bolivia is causing prices in the public sector to appear artificially deflated. It is therefore important for decision makers to take this situation into account as they plan a national procurement strategy in preparation for the coming phaseout of USAID and JICA/UNFPA contraceptive donations. To help policymakers deal with these issues, this section of the report presents price information for Bolivia, together with relevant price comparisons from the region and international reference prices for selected contraceptive methods. It is important to note here that the purpose of the pricing analysis was to attempt to quantify the direct costs associated with contraceptive procurement within the public, NGO, and private sectors. There was no attempt to quantify any indirect costs associated with the procurement process or with individuals' access to contraceptive commodities. The different comparisons are described in detail below, and the international reference prices are those that are available from international suppliers.

The following sections, along with figures 2 through 6, present the price components for oral contraceptive methods (one-month cycles), injectables (three-month injectables, e.g., Depo-Provera), and IUDs (Copper T-380) in Bolivia for the public[5] and NGO sectors, as well as the average retail price from private pharmacies in the La Paz and Santa Cruz de la Sierra regions of the country. The figures present additional method-specific price data from countries in the South American region that represent the closest scenarios that Bolivia may face in the future with regard to contraceptive procurement. Specifically, if the Bolivian public sector chooses not to negotiate an agreement with an international agent (e.g., UNFPA) to procure contraceptives, then it will most likely be forced to purchase its supplies from the local market, a situation similar to that found in Ecuador. PROSALUD, the primary family planning NGO in Bolivia, faces a similar scenario: either find a way to gain access to potentially less expensive international contraceptives or purchase from the local market.

Finally, in Bolivia, VAT is not charged for contraceptives, which is significant, as it reflects a strong social preference for family planning methods. Tariffs, duty, and other fees represent between 0.7 percent and 4 percent of the CIF price, depending on the product and the source. These figures compare well with those observed in countries such as Peru and Paraguay but they are higher than in other Latin American countries.

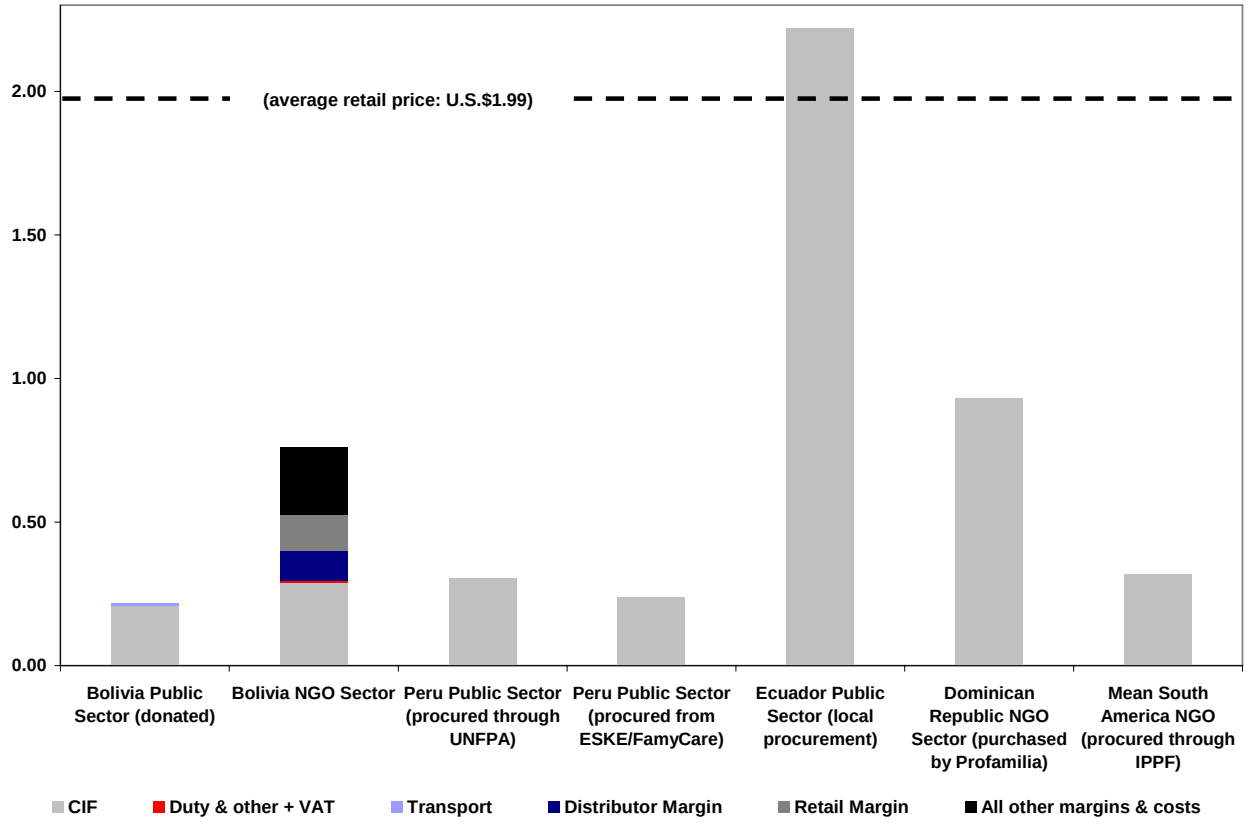
ORAL CONTRACEPTIVE PRICE STRUCTURE

Figure 2 shows the price components for oral contraceptives in the Bolivian public sector, as well as the average retail price found in pharmacies in the La Paz and Santa Cruz areas. Other relevant prices are also displayed, including the CIF prices obtained by the Peruvian public sector through UNFPA and through

[5] It is important to reiterate here that the cost, insurance, and freight (CIF) prices, or the cost of the commodity, including the cost of insurance and transport to the port of destination or entry, that are listed in the figures are not prices that the Bolivian government actually faced, as it has not yet procured contraceptives for distribution. Instead, these are the prices that UNFPA paid (using JICA funds) for contraceptives that were donated to the Government of Bolivia. The information is still important to analyze, though, as Bolivia will soon face the task of procuring its own contraceptive supplies, and using an international procurement agent, such as UNFPA, will be a viable option to consider. Consequently, the public sector CIF prices in the figures include a 5 percent mark-up that accounts for the administrative costs generally charged by UNFPA when it acts as the purchasing agent rather than as a donor. Including this procurement fee is useful for subsequent cross-country price comparisons.

the international supplier ESKE/Famy Care; and the CIF prices from Ecuador, where the public sector procured orals from the local market.

Figure 2: Cross-Country Comparison of Price Components for Oral Contraceptives



Source: Data collected by JSI. 2005 U.S. dollars.

The Bolivian public sector currently receives donated oral contraceptives from JICA that are procured by UNFPA at a CIF price of U.S.$0.21 per cycle. As donations are phased out, the Bolivian public sector will potentially face three different procurement scenarios. First, if the Government of Bolivia chooses to institute contraceptive procurement as a centralized function and negotiate an agreement by which UNFPA procures orals on behalf of the entire country, it may expect a CIF price similar to that of the Peruvian public sector (U.S.$0.31 per cycle). Figure 2 also shows a second CIF price that the Peruvian public sector paid for oral contraceptives, this time to the local pharmaceutical representative ESKE of the international supplier Famy Care (U.S.$0.24). Depending on the future procurement capacity in the Bolivian public sector it may or may not be possible to negotiate the procurement of contraceptives directly with companies such as ESKE/Famy Care. Nonetheless, as Famy Care is also a UNFPA supplier, this price would be available to the Bolivian public sector under a procurement agreement with UNFPA.

If no significant actions are taken to prepare for the ensuing phaseout of donations, and the public sector relies on decentralized procurement with individual municipalities responsible for purchasing their own contraceptive supplies, the Bolivian public sector may face an alternate situation more like that of Ecuador. At U.S.$2.22, the CIF price paid by the Ecuadorian public sector is roughly 950 percent higher than the price of donated contraceptives currently in Bolivia, and 600 percent higher than the UNFPA price paid in Peru. It is evident through these two examples that implementing centralized procurement of

contraceptives through an international procurement agent (e.g., UNFPA) could potentially achieve significant cost savings over local procurement through economies of scale.

The CIF price for oral contraceptives in the public sector, at U.S.$0.21 per cycle, is 28 percent lower than the CIF price obtained by the Bolivian NGO sector (U.S.$0.29). The CIF price for oral contraceptives in the NGO sector, meanwhile, is comparable to the mean South America NGO CIF price among organizations procuring through IPPF (U.S.$0.32). While PROSALUD is not an IPPF affiliate, it could still procure contraceptives from this agency, albeit with an additional fee. An alternative procurement scenario for PROSALUD could be similar to the case of PROFAMILIA in the Dominican Republic. PROFAMILIA/Dominican Republic purchased brand name supplies of oral contraceptives directly from the international market at a CIF price of U.S.$0.93, which is 190 percent higher than the regional price for non-brand name orals that IPPF distributes. It is not clear whether PROSALUD would be able to procure non-brand name orals from the international market at prices lower then those offered by IPPF. As PROSALUD has traditionally benefited from donated contraceptives, its largest challenge will be to develop a financing mechanism and to choose a procurement option that best fits its needs. Finally, international CIF reference prices are between U.S.$0.22 and U.S.$0.26 per cycle depending on the source. The similarity of prices in the Bolivian public sector to those on the international market appears to support the hypothesis that donations could be artificially deflating prices in the country.

To have a more realistic picture of the total price in the public sector, it is important to add duty and other import-related costs as well as transportation costs. Duty and import costs were extracted from data collected in the field, and while actual transport costs were not available, it was possible to estimate them based on observed values from Chile and Peru.[6] In the case of the NGO and private sectors, transportation costs cannot be isolated because they are mixed with other costs such as administrative costs, distributor margin, and repackaging.

Total direct costs in the public sector were U.S.$0.22 per cycle, of which 95 percent represents the CIF price component. This cost compares quite favorably to the NGO sector, where the CIF constitutes only 38 percent of the total direct cost (U.S.$0.76). The other 62 percent of the total direct cost in the NGO sector is spread primarily between the distributor margin (13 percent), the retail margin (16 percent), and "all other margins and costs" (32 percent), which includes transport. The observed total direct cost in private pharmacies in the La Paz and Santa Cruz de la Sierra regions, meanwhile, was U.S.$1.99. It is important to notice that in the context of the decentralized purchasing mechanism currently in place in the Bolivian public sector, the prices in the private and NGO sectors are likely to be the only available alternatives the public sector will face should donations end and no alternative be developed. If this is the case, the Government of Bolivia may be seriously compromised in its ability to provide accessible contraceptive methods to its population, as the average prices in the private sector are approximately 800 percent higher than the total direct cost in the public sector. Indeed, even if current prices in the public sector are being distorted by donations, as hypothesized, and transportation costs are underestimated, the potential cost difference between the public and private sectors may be large enough to seriously hinder the government's procurement efficiency for contraceptive commodities.

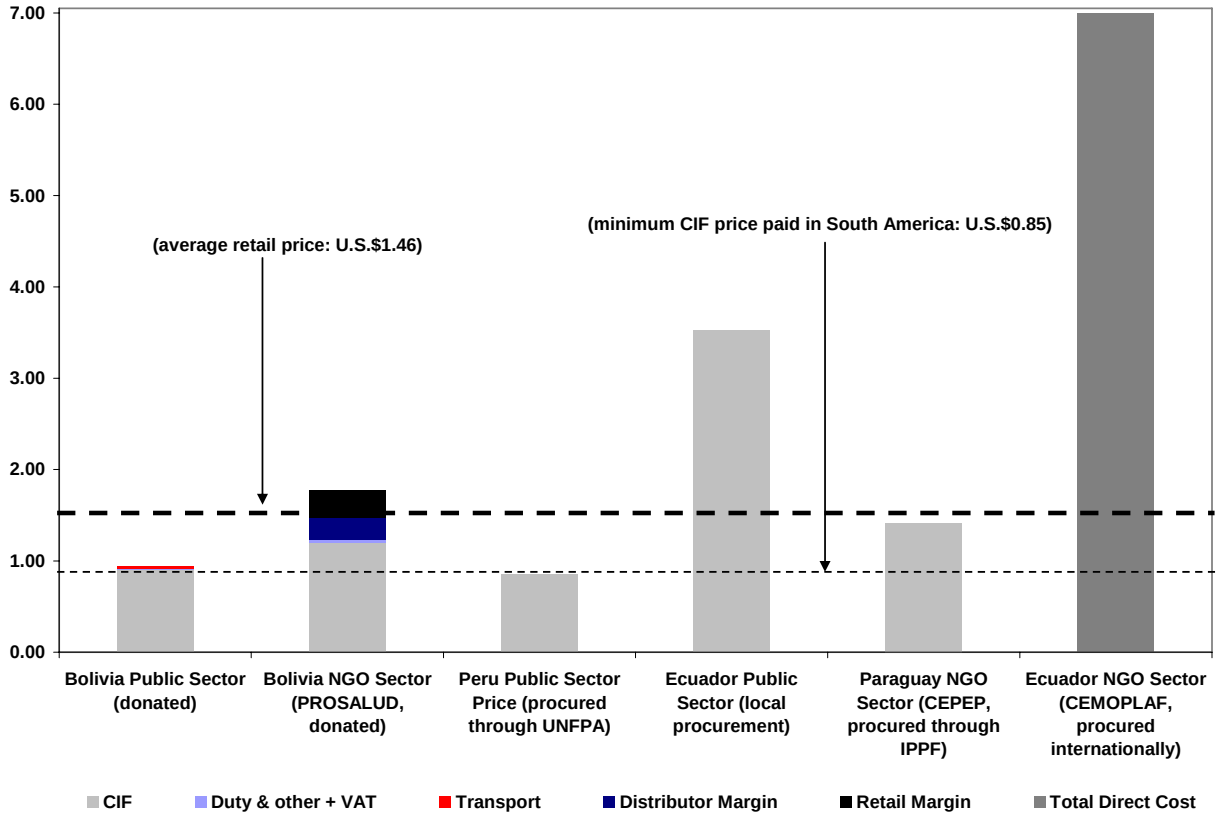
INJECTABLE CONTRACEPTIVE PRICE STRUCTURE

Figure 3 shows prices for three-month injectable contraceptives (e.g., Depo-Provera) in Bolivia with price components for the public and NGO sectors as well as regional mean and minimum reference CIF prices. Other relevant prices from nearby countries are also displayed, including the CIF prices from the Peruvian and Ecuadorian public sectors; the CIF price from the Paraguayan NGO CEPEP; and the total direct cost

[6] We calculated the average transportation cost in Chile's public sector and Peru's NGO sector as a percentage of the CIF price, then applied the result (3.4%) to the Bolivian CIF price to get an approximation of transportation cost.

from the Ecuadorian NGO CEMOPLAF. The average retail price to the consumer for injectables from pharmacies in the private sector is also shown in the figure.

Figure 3: Cross-Country Comparison of Price Components for Injectable Contraceptives



Source: Data collected by JSI. 2005 U.S. dollars.

With a value of U.S.$0.90, the public sector CIF price for a three-month injectable contraceptive in Bolivia is approximately 24 percent lower than the NGO CIF price (U.S.$1.19) and approximately 6 percent higher than the minimum CIF price in the region (U.S.$0.85), which was obtained by the Peruvian public sector using UNFPA as a procurement agent. For comparison, the Ecuadorian public sector CIF is presented to show a local procurement scenario from a nearby country. At U.S.$3.52, the Ecuadorian CIF is about 290 percent and 314 percent higher than the Bolivian public sector CIF and the UNFPA CIF price in Peru, respectively. The NGO sector CIF price (U.S.$1.19), meanwhile, is approximately 16 percent lower than the CIF price from CEPEP in Paraguay (U.S.$1.42).

When other cost components are accounted for, total direct cost[7] in the public sector rises to U.S.$0.94, and is attributable primarily to CIF (approximately 96 percent of the total). The NGO sector total direct cost, in contrast, is U.S.$1.77, of which 67 percent represents the cost of the commodity. The NGO total direct cost is almost 90 percent higher than its public sector counterpart. Furthermore, the total direct cost from CEMOPLAF in Ecuador is presented to show what an NGO in the region was able to obtain from the international market, rather than from IPPF. At U.S.$7.00, the CEMOPLAF total direct cost for injectables is almost 300 percent higher than the total direct cost from PROSALUD. Finally, the retail

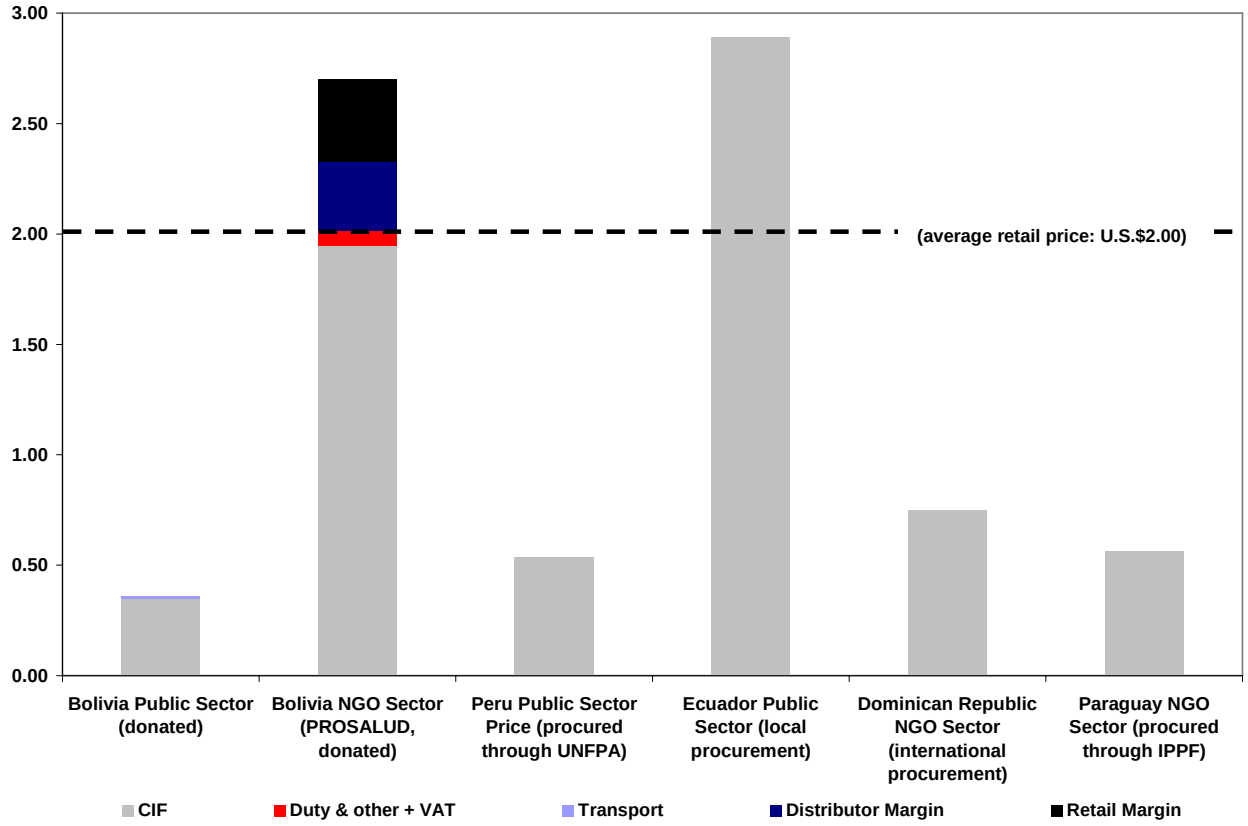
[7] Total direct costs for injectables are calculated in the same way as for oral contraceptives, as discussed earlier.

price for injectables in pharmacies of the private sector (U.S.$1.46) is 55 percent higher than the total direct cost in the public sector, yet compares favorably to the NGO sector total direct cost—almost 18 percent lower. Similar to the case of oral contraceptives, if the retail price of injectables becomes the only available option when donations end, the resulting pressure on public resources could endanger accessibility to modern contraceptive methods in Bolivia.

IUD PRICE STRUCTURE

The last figure of this section shows the same type of information on prices and cost components as the others, in this case for IUDs. Results are presented for the public, NGO, and private sectors in Bolivia.

Figure 4: Cross-Country Comparison of Price Components for IUDs



Source: Data collected by JSI. 2005 U.S. dollars.

Figure 4 shows that the situation with IUDs in Bolivia is very similar to that of orals and injectables: the CIF price in the public sector (U.S.$0.35) is 35 percent lower than the UNFPA CIF price (U.S.$0.54), again coming from the Peruvian public sector, and 82 percent lower than the NGO CIF price (U.S.$1.95). Furthermore, the Bolivian public sector CIF price is 88 percent lower than the Ecuadorian CIF price, which represents a local procurement scenario. The problem, as mentioned earlier, is that public sector CIF prices are artificially low and may rise when donations end.

Turning again to total direct costs, the figure shows that if the government does not choose to procure IUDs through UNFPA, it faces purchasing them through either the private sector, for U.S.$2.00, or through the nonprofit sector, for U.S.$2.70. These two prices are roughly 450 percent and 650 percent

higher, respectively, than the total direct cost that the Bolivian public sector observes in its donated commodities (U.S.$0.36).

A better way to deal with potentially high procurement costs for all three contraceptive methods may be to develop and/or reinforce a centralized purchasing agency, possibly CEASS, to play a role similar to that of CENABAST in Chile. If this arrangement is not possible because of regulatory restrictions, it would be valuable to explore ways for the Bolivian public sector to make centralized or regional bulk purchasing. The purpose of such a mechanism would be to ensure that the public sector is able to obtain prices at or near international or regional reference prices. This may be possible only if purchases are of a sufficient volume to interest international producers and thus take advantage of economies of scale. These alternatives are preferable as long as the negotiated prices remain lower than prices from the NGO and private sectors. Negotiating distribution to the service delivery point in the price may also be an option to ease pressure on the public sector.

OPTIONS AND NEXT STEPS

Bolivia has not yet procured large quantities of contraceptives with public sector funds;[8] therefore, it must consider experiences from other countries in the region as it prepares to finance and purchase high-quality contraceptives in the face of diminishing donations.

Bolivia has already taken important steps to contribute to its contraceptive security:

- Although the Government of Bolivia does not set aside funding for contraceptives at the central level, municipalities are mandated to allocate a portion of their decentralized budgets for social programs, including family planning. These funds can be used to purchase contraceptives.
- Bolivia has a parastatal Ministry of Health agency, CEASS, which is responsible for centrally procuring, warehousing, and distributing basic medicines and medical supplies. This agency is legally permitted to import medicines and medical supplies directly from international suppliers and manufacturers and is thus able to obtain low prices for high-quality products. Although to date CEASS has not imported contraceptives, this is a function it could potentially fulfill during or after donor phaseout.
- SUMI (universal insurance for mothers and children, now called SUSALUD—*Seguro Universal de Salud*) establishes that contraceptives be free of charge for women of reproductive age. The package of services available to women of reproductive age under SUMI includes family planning and all contraceptive methods.

Here are some issues and recommendations the Government of Bolivia may consider to improve procurement options.

OPTIONS TO CONSIDER

IMPLEMENT CENTRALIZED AND CONSOLIDATED PROCUREMENT

The MOH should consider instituting a mechanism through which municipalities can pool resources or negotiate bulk prices to procure contraceptives centrally or conduct joint price negotiations with suppliers, based on a predetermined volume of activity, to take advantage of economies of scale. For example, the MOH could negotiate an agreement with suppliers whereby they would be able to guarantee lower prices as long as the municipalities agree to pool funds and conduct bulk purchasing; this pooling might be most effective at the department or provincial levels to ensure a larger volume. Implementing these mechanisms would require strong procurement and logistical skills, as well as a system to coordinate the actions of 237 municipalities, each with its own budget.

ESTABLISH A PROTECTED BUDGET LINE ITEM FOR CONTRACEPTIVE COMMODITIES

Although SUMI currently has three sources of funding, available resources may not be sufficient to guarantee contraceptive security once contraceptive donations end. Cash flow and treasury management constraints, as well as competing health demands, could undermine the ability of the Ministry of Finance to make all the necessary funds available. Establishing a legally protected line item for contraceptives in the Bolivian budget can provide some key advantages: it increases the probability that the Government of

[8] Municipalities are already procuring contraceptives with public funds, but because of the small quantities they purchase, there is no requirement to go through a bidding process.

Bolivia will transfer all the resources budgeted for the purchase of contraceptives in any given year; it prevents funding earmarked for contraceptives from being used for other health issues and essential medicines; and it can increase the cost-effectiveness of the procurement process as transfers could occur yearly rather than in quarterly allocations, as is often the case. Under these circumstances, the MOH can make one large annual bulk purchase of contraceptives, rather than four smaller purchases, thereby taking advantage of economies of scale, leading to substantial savings to the government.

DEVELOP A COMPREHENSIVE PHASEOUT PLAN

With the phaseout of USAID donations for the NGO sector, and JICA's commitment to supply contraceptives to the public sector through 2006, Bolivia should make preparations to develop a phaseout plan to identify and build capacity to take over procurement, forecasting, and funding to ensure that contraceptive needs are met.

CONSIDER WORKING WITH UNFPA AS A PROCUREMENT AGENT WHILE DOMESTIC PROCUREMENT CAPACITY IS BEING DEVELOPED AND REGULATORY BARRIERS ARE ADDRESSED

If and when Bolivia begins to procure its own contraceptives, it should enter into an agreement with UNFPA to take advantage of the technical assistance and competitive prices for contraceptives that UNFPA can offer. In anticipation of gradual decreases in donations and gradual increases in country funding for the purchase of contraceptives, UNFPA can assist with preparing budgets and financial forecasts that slowly set aside funding for the eventual purchase of all contraceptives, and explaining how economies of scale can benefit a country. Strengthening procurement capacity requires specialized regional training so that those responsible for procurement are familiar with contraceptives specifications, can correctly define bid requirements, are equipped to evaluate bid quality, and can monitor and evaluate bid performance.

ENSURE PROCUREMENT CAPACITY OF THE MINISTRY OF HEALTH

To conduct a competitive bidding process and obtain contraceptives at low prices, Bolivia's procurement capacity will need to be strengthened either within the MOH or through some other procurement agency. Such capacities include the following:

- ability to identify and quantify product requirements, including technical specifications of bids
- conducting budget reviews and approvals
- managing bidding processes that are either international or national depending on the product
- undertaking bidding evaluation processes and post bidding contract management
- engaging in quality assurance processes to ensure that only products that meet requirements are accepted for delivery

Strengthening central procurement capacity in these areas is critical to moving toward bulk procurement of contraceptives. The central and municipal levels will need to establish and strengthen additional systems and capacity to coordinate and organize the financial and logistical aspects of consolidated bulk procurement with each municipality.

Box 1: Informed buying

Informed buying refers to the public sector taking advantage of all procurement alternatives available to ensure that high-quality contraceptives are available to the population at the best possible price.

ENGAGE IN INFORMED PURCHASING BASED ON PRICE COMPARISONS

At present, some donors procure contraceptives through UNFPA at very favorable prices. This is a strategy the Government of Bolivia might want to consider as it starts to procure contraceptives with its own funds, as prices are one of the most important factors to consider.[9] As such, comparative information about prices of both brand-name products and generics offered by different local and international suppliers is critical for decision makers engaged in identifying contraceptive procurement options. Box 1 provides a definition of informed buying and box 2 presents an example of the benefits resulting from price comparisons in Peru.

Box 2: Peru—the advantage of price comparisons

In Peru, the Ministry of Health's decision to purchase the oral contraceptive ethinylestradiol from ESKE/Famy Care was based on a price study showing that the new local supplier could offer a lower price for the product than UNFPA. This experience demonstrates the benefit of price comparisons to identify the best possible price for a given contraceptive. Such price comparisons need to be updated regularly as new suppliers enter the market, and they need to include both national and international players.

Pharmaceutical companies offer different prices for the same product to different countries. As a result, countries with better economic conditions may pay more for a given product. Exchanging price information with other countries will provide Bolivia with information about such discrepancies, thereby giving it stronger negotiating power with local representatives of international companies. Sharing such information with other countries may also inform the government of Bolivia about new sources other countries are using that may be options for Bolivia in the future.

While a price comparison tool would come with plenty of benefits, it is important also to note that a specific effort should be made to ensure that the tool is used primarily for informing decision makers in the region, as opposed to a means by which the private sector can collude and extract higher profits from targeted markets.

Price information for a variety of methods within and across countries is available in USAID's *Procurement Regulations and Pricing Study: Experience in Latin America*. This report can serve as an initial reference guide for decision makers in Bolivia as they explore opportunities to improve procurement options and make them more efficient.

Additionally, advocacy with other countries within the region to establish a price comparison tool to identify best prices by different local and international suppliers of contraceptives and medicines would be helpful in keeping decision makers informed about all price and supply options.

Box 3: CENABAST in Chile

CENABAST is an autonomous procurement agency that manages the procurement of contraceptives for Chile's entire public sector, with decision making and planning done at the local level. CENABAST can purchase contraceptives and essential drugs from local representatives of international companies, from local producers, and, occasionally, directly in the international market.

CENABAST distributes contraceptives to Chile's 26 regional health authorities, and they are then distributed to public facilities. Because of its autonomy, CENABAST's operations do not rely on political conditions.

STREAMLINE PROCUREMENT OF CONTRACEPTIVES

One of the main challenges that Bolivia will face once donations end is how to efficiently institutionalize the procurement of contraceptives so as to ensure that it will not depend on political will or other conditions that may vary over time. Within this context, the example of Chile's parastatal agency, CENABAST,[10] may be instructive to

[9] Other important factors to consider include quality, availability of product in sufficient quantities, and timeliness.
[10] For further information on CENABAST, please see http://www.cenabast.cl/.

Bolivia (see box 3).

Currently, CEASS in Bolivia functions similarly to CENABAST in Chile. The challenge in Bolivia, however, is that CEASS does not have competitive prices to offer, and, by mandate, does not have the exclusive distribution of supplies to government facilities. As the Government of Bolivia gains experience in procuring contraceptives, and especially if it institutes centralized procurement, it will be important to see how CEASS fares in offering more competitive prices. With transportation of supplies being a major obstacle to overcome, it may be beneficial for the Government of Bolivia to explore ways of granting CEASS the ability to distribute supplies to public health facilities. These are questions that need to be addressed as Bolivia prepares for donor phaseout.

TAKE ADVANTAGE OF REGIONAL INITIATIVES

Regional integration initiatives like the *Mercado Común del Sur* (MERCOSUR) may provide important opportunities for Bolivia as it engages in contraceptive procurement. Box 4 presents some examples of regional harmonization that have facilitated drug registration and inspection processes in Central and South America. The Government of Bolivia should explore similar possibilities for regionally pooled procurement or regional price negotiations (such as the case of antiretrovirals in the Andean countries) and the use of regional laboratories networks for quality assurance. Such regional initiatives have the benefits of significant cost savings through economies of scale and by simplifying bioequivalence testing process.

Box 4: Some examples of subregional harmonization

- Central American countries have harmonized their drug registries (*registro sanitario*) by establishing common pharmaceutical norms and technical criteria. A drug registry in one country can facilitate the registration in other countries.
- Both the *Mercado Común del Sur* (MERCOSUR) and Central American countries have established common standards for good manufacturing practices in the pharmaceutical industry and harmonized inspection procedures.
- The negotiation of low antiretroviral (ARV) prices by 10 Andean countries is an example of how a group of countries successfully negotiated with pharmaceutical companies to obtain regulated prices for ARVs (economies of scale).

EXPLORE PROCUREMENT OPTIONS THAT INCLUDE DISTRIBUTION TO SERVICE DELIVERY POINTS IN TOTAL COST

Given the geographically difficult terrain in Bolivia, municipalities choose to buy locally, so transportation cost is not an issue. In the event that the Government of Bolivia chooses to centralize its procurement of contraceptives, it may also be beneficial to concurrently explore different transportation options. Because warehousing and transportation logistics often constitute a major problem, the step of delivering contraceptives from CEASS to the regions often meets with administrative and financial difficulties that translate into stockouts at the local level. Therefore, it may be wise to look at different procurement sources that offer delivery alternatives, including a model in which family planning methods are delivered directly from the seller to the service delivery point. Another option would be to negotiate transportation of centrally procured contraceptive commodities with PROSALUD, which, through donations from USAID, is already the major supplier of municipalities and other small pharmacies.

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