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CONTRACEPTIVE PROCUREMENT POLICIES, PRACTICES, AND OPTIONS
PARAGUAY

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DELIVER

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Abstract

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

This report presents findings from a legal and regulatory analysis and pricing study of different procurement options to identify efficient, economical, high quality and timely distribution of 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.
# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ARV</td>
<td>antiretroviral</td>
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<td>CENABAST</td>
<td><em>Central de Abastecimiento</em> (Chilean national procurement agency for the National Health Service)</td>
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<td>CEPEP</td>
<td><em>Centro Paraguayo de Estudios de Población</em> (Paraguayan Center for Population Studies)</td>
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<td>CIF</td>
<td>cost, insurance, freight</td>
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<td>CPR</td>
<td>contraceptive prevalence rate</td>
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<td>EDL</td>
<td>essential drugs list</td>
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<td>FP</td>
<td>family planning</td>
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<td>GOP</td>
<td>Government of Paraguay</td>
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<td>International Planned Parenthood Federation</td>
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<td><em>Instituto de Previsión Social de Paraguay</em> (Social Security Institute of Paraguay)</td>
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<td>IUD</td>
<td>intrauterine device</td>
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<td>LAC</td>
<td>Latin America and the Caribbean</td>
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<td>MERCOSUR</td>
<td><em>Mercado Común del Sur</em> (Southern Common Market)</td>
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<td>Ministry of Health</td>
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<td><em>Ministerio de Salud Pública y Bienestar Social</em> (Ministry of Public Health and Social Welfare of Paraguay)</td>
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<td>nongovernmental organization</td>
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<td>PAHO</td>
<td>Pan-American Health Organization</td>
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<td>PNSSR</td>
<td><em>Plan Nacional de Salud Sexual y Reproductiva</em> (National Sexual and Reproductive Health Plan)</td>
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<td>PROMESA</td>
<td><em>Promoción y Mejoramiento de la Salud</em> (Paraguayan public health NGO)</td>
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<td>PPP</td>
<td>purchasing power parity</td>
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<td>Reproductive Health Survey</td>
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<td>service delivery point</td>
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<td>United States Agency for International Development</td>
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<td>VAT</td>
<td>value-added tax</td>
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ACKNOWLEDGMENTS

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This report is available in English and Spanish, as are the individual country reports on the eight other participating countries (Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru) and 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 report 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 Web sites (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
Paraguay will be taking on the responsibility of financing and procuring contraceptives as the United States Agency for International Development (USAID) and other donor agencies phase out donations in the very near future. To prepare for this responsibility, the Government of Paraguay (GOP) will need to consider all procurement options, the prices associated with each option, and the legal viability of each option within the context of national laws and norms that regulate public sector procurement practices.

Several organizations and programs provide and distribute contraceptives in Paraguay:

- **Ministerio de Salud Pública y Bienestar Social (MSPBS)**—The Ministry of Public Health and Social Welfare receives donations from UNFPA and USAID and distributes them through its own channels to public facilities. In 2001, the government was able to fund 5 to 10 percent of the country’s contraceptive needs (purchased in the local market) by establishing and earmarking funds as a line item in the budget under reproductive health.

- **Social marketing**—There are two main social marketing nongovernmental organizations (NGOs) in Paraguay: the Centro Paraguayo de Estudios de Población (CEPEP), which is affiliated with the International Planned Parenthood Federation (IPPF), and Promoción y Mejoramiento de la Salud (PROMESA). CEPEP distributes its contraceptive commodities to low-income populations through a network of health agents and medical visitors, while PROMESA works through a network of health agents.

- **Private sector**—The private sector procures its contraceptives from local representatives of international companies and local producers and distributes them to the general public through private pharmacies. The private sector accounts for 61 percent of the market.

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

The country work included 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) costs; duty and value-added tax (VAT); administrative costs and social marketing costs; transport costs; and other margins. Field work consisted of interviews with key stakeholders about procurement policies and written laws and regulations, as well as the collection of quantitative price data from various sources, including pharmacies.

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2 Administrative costs refer to the overhead costs associated with managing the procurement process.
3 Transportation costs, however, were not available for Paraguay, and were consequently estimated from actual transportation costs in Chile and Peru.
SUMMARY OF MAIN POINTS

LEGAL AND REGULATORY FRAMEWORK

- Although a National Law of Public Contracts provides the legal framework for all public sector procurement and contracts, there are exemptions for the MSPBS and Social Security Institute of Paraguay (IPS) for purchases made by the government via international agreements or purchases made with funding through loans or donations. Exemptions are also made for contracts with public-sector organizations.

- International public tenders are allowed under certain conditions. However, the government does not have experience purchasing contraceptives or medicines on the international market or at the regional level.

- The GOP can take advantage of exceptions to public tenders to purchase directly from a vendor if it can demonstrate lower prices for a given commodity.

- The MSPBS does not yet include contraceptives in its essential drugs list (EDL), while IPS included them in 2005. The next step will be to include contraceptives in the MSPBS EDL and harmonize with the IPS EDL for possible joint procurement.

- The drug registration process involves cumbersome steps to import contraceptives. First, international drug companies must obtain approval from the MSPBS and also be registered by the Ministry of Finance and customs authority. Second, to sell medicines or drugs, they must be approved by the MSPBS’s drug authority for each brand name, regardless of whether they are the proprietor of the brand.

- In 2006 the MSPBS signed a contraceptive procurement agreement with UNFPA. The next step in the process will be to continue lobbying for funds, based on the Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits. Also, civil society must advocate for adequate funding allocations to meet contraceptive requirements via the existing procurement agreement with UNFPA. Otherwise, a lack of funds may compromise the implementation of the phaseout plan and delay the progress the country has made toward achieving contraceptive security (CS).

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 individual’s access to contraceptive commodities.

- Similar to other countries in this study, it has been difficult to obtain consistent price information for different commodities, particularly in the private sector. Additionally, because Paraguay is dependent on donated commodities, the prices in the public-sector analysis reflect international donor prices, which are typically lower for governments.

- Regional and international reference prices for oral contraceptives, injectables, and intrauterine devices (IUDs) are analyzed to allow policy makers to make evidence-based decisions on possible procurement options. The lowest and mean CIF prices for contraceptive commodities in the public and NGO sectors are presented for Brazil, Chile, Ecuador, and Peru. Total direct costs were obtained by adding CIF, duties, transport, and other related costs.

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4 Contraceptive security has been achieved when individuals have the ability to choose, obtain, and use quality contraceptives and condoms whenever they need them.
• For oral contraceptives, total direct costs in the public sector are U.S.$0.32 per cycle but remain well under the U.S.$0.84 per cycle of the NGO sector and the U.S.$6.44 per cycle from the retail price observed in private pharmacies in the Asunción region. The Paraguayan public sector is saving substantial resources using UNFPA as a procurement agent. Otherwise, the MSPBS could face substantially higher prices from its other options when donations end—163 percent higher if it obtains the prices of the NGO sector and 750 percent higher if obliged to procure them at the local market price. Such a situation would seriously compromise the public sector’s ability to provide accessibility to contraceptives for the entire population that normally would use its services.

• For injectables, the total price in the NGO sector (U.S.$1.73) and the average retail price (U.S.$3.97) are 44 and 230 percent greater, respectively, than the total direct cost of donated contraceptives in the public sector. Again, the MSPBS is saving substantial resources by using UNFPA as a procurement agent. Otherwise, the government could face serious obstacles in securing enough resources to buy commodities at such higher prices.

• For IUDs, the CIF prices in the public sector of U.S.$0.42 are lower than the NGO sector CIF price and regional mean CIF reference price of U.S.$1.00 and U.S.$1.22 respectively. However, this CIF price is higher than the minimum regional CIF reference price (U.S.$0.31). At the same time, this public sector price compares extremely well with international reference prices for IUDs, which range from U.S.$1.30 to $1.55. It should be noted that these public sector prices are due to international bulk purchases through donations; prices will likely be higher if the public sector turns to the local market when donations end.

OPTIONS AND NEXT STEPS
The government has favorable reproductive health policies in its Constitution; in the National Sexual and Reproductive Health Plan 2003–2008, which prioritizes family planning; and in the Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits, which obligates the GOP to set aside enough funding to buy contraceptives based on estimation of requirements. However, additional issues need to be addressed to further CS in Paraguay:

• Include contraceptives on the MSPBS EDL, aligning it with the IPS EDL, which already includes contraceptives (orals, injectables, IUD, and condoms) to further institutionalize the family planning program.

• Strengthen internal procurement processes and timely allocation of funds within the existing agreement between the MSPBS and UNFPA. Specifically, the MSPBS needs to monitor that government funds are allocated early in the year as a one-time disbursement into a protected budget line item. This will avoid potential delays in the procurement process and ensure timely distribution through the supply chain.

• Continue strengthening the procurement capacity within the MSPBS to develop skills in the basic principles and practices for efficient procurement. This would include forecasting, financial planning, vendor selection, the bidding process, and the overall procurement management.

• Engage in informed buying with other countries through price comparisons. By sharing information about price discrepancies, Paraguay can strengthen its negotiating power with local representatives of international companies and increase its ability to secure high-quality contraceptives at the best possible price.

• Take advantage of regional initiatives such as MERCOSUR and explore the feasibility of streamlining the product registration process (i.e., harmonization of the drug registry, such as is the case currently in Central America).
INTRODUCTION

For over three decades, countries in Latin America and the Caribbean (LAC) have relied on donations from international agencies such as the United States Agency for International Development (USAID) to meet the contraceptive needs of their populations. These donations are now being gradually phased out throughout the region. The Government of Paraguay (GOP) will stop receiving donated contraceptives in the very near future, and will soon become responsible for financing and procuring contraceptives.

As the GOP takes on the responsibility of contraceptive procurement, it will need to consider all available procurement options (both national and international), the 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 different procurement options available in Paraguay between June 2005 and March 2006. It is intended to inform the MSPBS in its efforts to identify the best options—low prices, high quality, and efficient and timely delivery—for contraceptive procurement. The Paraguay 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 Latin America and the Caribbean—Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, and Peru—and identifies strategies that countries might adopt to ensure access to low-priced, 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, analysis, and comparison of data on contraceptive prices by method at the country and regional levels. The prices analyzed represent the total direct costs to each sector, including cost, insurance, and freight (CIF) costs; duty and value-added tax (VAT); administrative and social marketing costs; transport costs; and other margins. Fieldwork consisted of interviews with key stakeholders and review of laws, regulations, and procurement practices, as well as the collection of quantitative price data from various sources, including pharmacies.

The report begins with a general overview of the country situation in Paraguay, followed by an analysis of the principle characteristics of policies and laws that govern public sector procurement. The next section presents information on contraceptive prices for different contraceptive commodities within the country. A lessons-learned section, based on the experiences of different countries in the region, follows. The report ends with a series of concrete recommendations directed at improving the efficiency of contraceptive procurement policies and processes.

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5 For this analysis, the “region” refers to those countries in South America that participated in the study: Bolivia, Chile, Ecuador, Paraguay, and Peru.
6 Administrative costs refer to the overhead costs associated with managing the procurement process.
7 Transportation costs for Paraguay's public sector were not available, so 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 margin, and costs associated with repackaging commodities.
Paraguay is a middle-income country that is making medium progress toward achieving human development goals (World Bank 2006a). Its population of approximately 6 million is predominantly urban, with 58 percent living in towns and cities (USAID 2006). About 33 percent of the population lives below the international poverty line of U.S.$2 a day at purchasing power parity (PPP), and the gross national income per capita is estimated at U.S.$4,817 (World Bank 2006b).

Between 1998 and 2004, Paraguay’s fertility rate fell from 4.3 to 2.9 births per woman, while contraceptive prevalence increased from 57 to 73 percent. Use of modern contraceptive methods showed equally dramatic gains during this five-year period, increasing from 47 to 61 percent nationally and from 41 to 55 percent in rural areas. Of particular significance is the dramatic increase in the contraceptive prevalence rate (CPR) for the youngest and oldest married women. These two age groups have the highest rates of maternal morbidity and mortality and of adverse pregnancy outcomes. One of the most valuable indicators of increased knowledge of contraceptives is the sharp rise in CPR among married women ages 15 to 19; traditionally, this has been the age group with the lowest CPR in Paraguay. Within this group, CPR rose almost 50 percent, from 42 percent in 1998 to 61 percent in 2004. These significant gains in CPR can help reduce maternal mortality rates among this age group in the years to come.

Although this upward trend is a positive force for CS, unmet need as of 2004 for family planning was 7 percent among all women in union (CEPEP 2005).

The private sector plays a predominant role in Paraguay’s contraceptive market—it accounted for 61 percent of the market in 2004, 50 percent of which is served by pharmacies. Paraguay’s pharmacies sell commercial and social marketing brands that span a wide price range, making them affordable to most clients. According to 1998 and 2004 Reproductive Health Surveys (RHS), Paraguay’s MSPBS accounted for only 27 percent of the market share, providing free contraceptives to its clients but charging a small fee for consultations. Before August 2006, MSPBS facilities used to practice a very loose form of targeting in which some users were exempt from the fee payment if a social worker determined that they were unable to pay. However, in August 2006, the MSPBS published a ministerial resolution to dispense free services and commodities to all family planning users. In contrast, the role of the Paraguayan Social Security Institute (IPS) in the contraceptive market has been negligible to date.

As shown in figure 1, local producers in Paraguay like Indufar and Lasca compete with international vendors from Europe, the United States, India, Thailand, Argentina, Chile, and Brazil. The main vendor for hormonal contraceptives, however, is Schering. Both local and international vendors have a network of distributors who reach private pharmacies and eventually the general public, with international companies passing through their local representatives. The public sector receives donations from UNFPA and USAID and distributes them to all segments of the population through its supply chain, from a central warehouse down to regional warehouses, districts, and ultimately to service delivery points (SDPs).

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8 Although the original estimate of unmet need published in the Paraguay Reproductive Health Survey (RHS) was 15 percent, the Center for Disease Control has made subsequent corrections to the data that resulted in a lower estimate of unmet need than originally published in the report.
There are two main social marketing NGOs in Paraguay: the Centro Paraguayo de Estudios de Población (CEPEP—the IPPF affiliate), and PSI/Paraguay. CEPEP procures its contraceptives from IPPF and makes them available to people of all socioeconomic levels through a network of health agents and medical visitors. Its primarily clients, however, are within the middle- and higher-income segments of the population. In contrast, PSI/Paraguay procures directly from international vendors and sells condoms and oral contraceptives primarily to the low- and middle-income strata of the country’s population. Promoción y Mejoramiento de la Salud (PROMESA) also distributes in pharmacies at social marketing prices; however, its market participation has significantly decreased in recent years. PROMESA procures directly from international manufacturers and works through a network of health agents. The private sector procures its contraceptives from local producers and local representatives of international companies and distributes them to the general public through private pharmacies.
CONTRACEPTIVE PROCUREMENT POLICIES

THE POLICY ENVIRONMENT
The overall policy environment in Paraguay is supportive of reproductive health and family planning. The constitution recognizes individuals’ right to decide the number and frequency of births freely and responsibly, as well as to receive education and services in this area. It also supports the establishment of “special reproductive health and maternal-infant health plans for low-income populations.” Within this context, in 1994, the government created the National Reproductive Health Council for the purpose of formulating the National Sexual and Reproductive Health Plan (PNSSR) 2003–2008. The PNSSR, which was approved by presidential decree in February 2004, has as its priorities the promotion of family planning, sexual and reproductive health education, adolescent reproductive health, and training and supervision programs for reproductive health service providers. The PNSSR 2003–2008 includes as one of its key indicators the use of modern contraceptive commodities; and prominent among its results is the amount of resources allocated for purchasing contraceptives in the General Budget for National Expenditures, as well as in regional and municipal budgets.

One of the most proactive subcommittees on the National Council for Reproductive Health is the Contraceptive Security Committee, led by the MSPBS. This committee includes members from governmental and nongovernmental institutions, donor agencies, and the private sector. While the committee does not include representation from the Senate or the House of Representatives, it has strong advocates within both legislative chambers. Recent committee activities include advocacy for securing financial resources for contraceptives and strengthening the logistics management capacities of the MSPBS. Another recent accomplishment of the committee is development of the Contraceptive Security Strategy and Implementation Plan (2006–2010), which was approved by the National Council for Reproductive Health in May 2006. This plan includes various indicators that will help monitor and evaluate progress toward achieving sustained CS in Paraguay.

The most recent achievement of the GOP is a new piece of legislation entitled the “Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits,” which directly earmarks funds to procure reproductive health commodities, including contraceptives. The leadership of both Congress and the MSPBS was key to expediting approval of this law. This decision will help respond to the gradual reduction in contraceptive donations over the next few years. Furthermore, this groundbreaking law guarantees full funding for the MSPBS Reproductive Health Program, including contraceptives based on projections of future needs.

Paraguay has also ratified various international agreements and declarations—among them, the International Pact of Economic, Social and Cultural Rights, the Convention on Elimination of Discrimination against Women, and the 1994 International Conference on Population and Development (ICPD) Programme of Action—that establish citizens’ rights to health, particularly maternal-child health, as well as ensure access to reproductive health services.
LEGAL AND REGULATORY FRAMEWORK

LAWS THAT GOVERN THE PROCUREMENT OF MEDICINES/CONTRACEPTIVES
The National Law of Public Contracts and its regulatory decree provide the legal framework for all public-sector procurements and contracts. It applies to all ministries and other public-sector institutions at the national, regional, and municipal levels. All contracting and procurement undertaken by the MSPBS and the IPS fall under this law. However, the law exempts purchases made by the government within the context of international or multilateral agreements, contracts, or treaties, as well as purchases made with funding through loans or from external sources (donations or otherwise). Also exempted from the law are contracts or agreements between public-sector organizations, such as those that would come into effect in the case of pooled procurement of medicines at the central level.

The law establishes procurement modalities to be used for purchasing goods with public-sector resources. The first of these modalities is public tenders that are open to all vendors. Public tenders may be national and open only to vendors that physically reside in the country, or they may be international and open to vendors within and outside the country. The other forms of procurement include tenders by invitation or competitions and direct contracts with fixed funds, which may typically be used only for purchases of small monetary value. Public tender (both national and international) is the modality that is generally used to purchase medicines and other commodities, including contraceptives.

International public tenders are permitted only under specific conditions: when required under international treaties or stipulated in agreements with multilateral organizations; when market studies indicate the absence of local vendors who can provide the commodity in adequate quantities and required quality level or when these studies show a price advantage for international vendors; and when a national tender has not been fulfilled. Although international tenders are permitted under the law, the public sector has no experience in directly purchasing medicines or contraceptives on the international market or at a regional level as part of the Mercado Común del Sur (MERCOSUR).

The law permits exceptions to public tender, allowing direct purchase from a single provider under special circumstances that include the existence of a sole vendor protected by a patent; in cases of natural disasters or when national security is at stake; when it is not possible to undertake a public tender within the time period required; when a public tender has been declared void; or when goods and services from the vendor are considered in-kind payments to the state. The GOP can also circumvent public tenders for “technical reasons,” which have potentially interesting implications for contraceptive procurement because they permit direct purchases on the basis of better commodity prices. If the government can demonstrate that a specific vendor has relatively low prices for a given commodity, the Ministry of Finance can exempt the procurement of that commodity from an open tender and sanction a direct purchase.

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9 MERCOSUR is a regional trade agreement among Argentina, Brazil, Paraguay, Uruguay, and Venezuela, founded in 1991 to promote free trade and the fluid movement of goods, peoples, and currency. Associate members are Bolivia, Chile, Colombia, Ecuador, and Peru.
In terms of operational policies and instruments to procure medicines, the IPS has a restrictive essential drug list (EDL), meaning it cannot purchase medicines that are not included in its EDL. In 2006, contraceptives were included in the EDL, and the IPS is expected to start procuring them in 2007. To date, the IPS has only provided contraceptives donated through the MSPBS in a few clinics in Asunción and has expressed a commitment to increase its participation in the provision of family planning services and commodities. In contrast, the MSPBS EDL does not yet include contraceptives, although this has not been a barrier to purchasing them from UNFPA and local vendors.

The drug registration processes for vendors in Paraguay are relatively cumbersome. To sell contraceptives, vendors must obtain approval from the MSPBS and be registered as a company by the Ministry of Finance. Vendors that wish to import contraceptives must be registered with the customs authority. Medicines or drugs must be approved by the drug registration authority of the MSPBS before they can be offered for sale. This registration is valid for five years. In addition to health authority approval, each vendor must seek approval for each brand name that it intends to distribute, regardless of whether the vendor is the owner of that brand.

CURRENT PROCUREMENT MECHANISMS

Until 2001, UNFPA and USAID were the only sources of contraceptives for the MSPBS, accounting for over 90 percent of all MSPBS contraceptive commodities in 2002 and 2003. Despite the seemingly heavy reliance on donor support for contraceptive supplies, the actual value of contraceptives donations to Paraguay in a single year has not exceeded U.S.$500,000.

UNFPA will continue to donate contraceptives to the MSPBS through 2009. UNFPA and MSPBS also signed a procurement agreement in 2006, allowing the MSPBS to benefit from the economies of scale that UNFPA is able to achieve in its procurement of contraceptive commodities. USAID is planning to gradually decrease donations from 2006 through 2009 and has agreed on a phaseout plan with the MSPBS and UNFPA, which will be signed in 2007.

In 2002, the MSPBS procured a small amount of Mesigyna, and in 2005 it budgeted approximately US$120,000 for contraceptive procurement, a plan which unfortunately was not implemented. Then, in 2006, the MSPBS earmarked and used approximately US$260,000 for the purchase of contraceptives, equivalent to 55 percent of its total financial need for procuring through the agreement with UNFPA. Based on financial projections contained in the recent phaseout plan developed jointly by the MSPBS, USAID, and UNFPA, the MSPBS plans to increase its yearly allocation for procuring contraceptives until they are completely financed: 55 percent in 2007, 67 percent in 2008, 80 percent in 2009, and 100 percent in 2010.

As mentioned before, public-sector purchases in Paraguay can be exempted from the public tender process for “technical reasons,” one of which is price advantage. The 2006 procurement agreement between the MSPBS and UNFPA stipulates that contraceptives will be purchased without a public tender, a feature that is justified by the comparatively low prices that UNFPA can obtain on the international market. It is expected that the commitment of policymakers to procure contraceptives, in conjunction with the Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits, will increase the likelihood that the GOP will allocate full funding in the latter years (2009–2010) of the phaseout plan.
CONTRACEPTIVE PRICING

There are two important issues to consider surrounding the pricing of contraceptive commodities in Paraguay. First, it has been difficult to obtain homogenous information for the price components of the different commodities, particularly from the private sector. Second, with Paraguay still dependent on contraceptive donations, the prices in the public sector reflect what international donors can obtain through large bulk procurements. These prices are typically lower than those available to governments that purchase contraceptives directly from international vendors or from the local market. Future prices will depend on the decisions that the Paraguayan public sector makes with regard to its procurement practices, and may be either as low as or higher than those available to donors. To help policymakers deal with these issues, we present the price results for Paraguay along with regional and international reference prices for selected contraceptive commodities. The prices analyzed represent the total direct costs to each sector, including cost, insurance, and freight (CIF) costs; duty and value-added tax (VAT); administrative10 and social marketing costs; transport costs;11 and other margins.12

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 individuals’ access to contraceptive commodities.

Figures 2 through 4 show the price components for oral contraceptive commodities, injectables, and IUDs in Paraguay. The figures also present the lowest and the mean CIF prices for contraceptive commodities from public and NGO sectors of South American countries participating in the study: Paraguay, Brazil, Chile, Ecuador, and Peru.

ORAL CONTRACEPTIVE PRICE STRUCTURE

Figure 2 shows the price structure for oral contraceptives in the public, NGO, and commercial sectors, as well as CIF prices from select countries whose current situations represent possible future procurement scenarios for Paraguay. At U.S.$0.30 per cycle of oral contraceptives, the CIF price in the public sector is equal to its NGO sector counterpart, and higher than the average CIF price for countries in the region whose public sectors received donations (U.S.$0.26 per cycle). The graph also includes two data points that represent possible future scenarios for Paraguay. The first scenario is that of the public sector in Peru, which uses UNFPA as a procurement agent and purchases oral contraceptives at a CIF price of U.S.$0.31 per cycle. Not surprisingly, this price is on par with the value of donations the Paraguayan public sector currently receives from UNFPA. In stark contrast, the Ecuadorian public sector procures its supplies of oral contraceptives from the local market at a CIF price of U.S.$2.22 per cycle, approximately 600 percent more than the UNFPA price.

10 Administrative costs refer to the overhead costs associated with managing the procurement process.
11 Local staff usually pays out of pocket for transportation between SDPs and districts to pick up contraceptives, thus making it difficult to document these costs.
12 Transportation costs however, were not available in Paraguay, and were consequently estimated from actual transportation costs in Chile and Peru.
Within the NGO sector, CEPEP procures its own oral contraceptives through IPPF, making the CIF price it paid comparable to other organizations in the region that use a similar mechanism. Meanwhile, the minimum CIF price observed in the South American region (U.S.$0.14 per cycle) comes from the Chilean public sector, which has a well-developed local procurement system. This price is not necessarily available to the different sectors in Paraguay and is included here as a reference to the Chilean system.\textsuperscript{14}

Finally, International CIF reference prices range from U.S.$0.22 to U.S.$0.26 per cycle, depending on the source. So, despite the important share of contraceptive donations in the public sector, prices remain higher than the international reference price. One possible explanation for this difference may be that international transportation costs are higher, since contraceptive commodities can be brought to Paraguay only by plane or land.

To have a more realistic picture of the price in the public sector, it is important to add duty and other importing-related direct costs as well as transportation costs. These first two direct costs were extracted from data collected in the field. Transportation costs, however, were not available in Paraguay, and were consequently estimated from actual transportation costs in Chile and Peru. In the case of the NGO and private sectors, transportation costs cannot be isolated because they are mixed up with other direct costs like administrative costs and distributor margin.

\begin{itemize}
  \item It includes a 5 percent estimate corresponding to the administrative costs generally charged by UNFPA when it acts as the purchasing agent instead of a contraceptive donor.
  \item Refer to Morales (2006).
\end{itemize}
The total cost in the public sector is U.S.$0.32 per cycle, of which 94 percent represents the cost of the commodity (i.e., CIF). In the NGO sector, on the other hand, the total cost of a cycle of oral contraceptives is U.S.$0.84, which is primarily made up of the CIF (36 percent) and “all other margins and costs” (63 percent), including transport and administrative costs. Furthermore, the average retail price observed in private pharmacies in the Asunción region was U.S.$2.72 per cycle. The Paraguayan public sector is saving substantial resources by using UNFPA as a procurement agent. Otherwise, the MSPBS could face substantially higher prices when donations end—163 percent higher if it obtains the prices of the NGO sector and 750 percent higher if it procures contraceptives at the local market price. Such a situation would seriously compromise the public sector’s ability to make contraceptives accessible to the population.

INJECTABLE CONTRACEPTIVE PRICE STRUCTURE

Figure 3 shows prices for three-month injectable contraceptives (e.g., Depo-Provera) in Paraguay with price components for the public and NGO sectors as well as regional mean and minimum reference CIF prices. The figure also shows the average retail price for injectables from pharmacies in the private sector.

**Figure 3: The Price Components of Injectables in Paraguay (per unit)**

![Graph showing price components](image)

**Source:** Data collected by JSI. 2005 US dollars.

Countries in the region whose public sectors receive donations are Bolivia and Paraguay.

At U.S.$1.11 per unit, the CIF price in the public sector is approximately 22 percent lower than the NGO sector price of U.S.$1.42 per unit. It is also 10 percent higher than the average from countries in the region whose public sectors receive donations, reflecting the fact that different countries receive their

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15 It includes a 5 percent estimate corresponding to the administrative costs generally charged by UNFPA when it acts as the purchasing agency instead of a contraceptive donor.
donations from different sources (e.g., UNFPA vs. USAID). To plan for the future procurement of injectable contraceptives, it may be helpful for Paraguay to observe the CIF price from the Peruvian public sector, which purchases its own supplies through UNFPA. The CIF price that Peru paid was U.S.$0.85 per unit, which is 23 percent lower than the CIF price of the injectables donated to Paraguay and the lowest price obtained in the region. International reference CIF prices for injectables are around U.S.$0.95 per unit.

When other direct cost components are taken into account, the total direct cost in the public sector is U.S.$1.20, of which 93 percent is the actual cost of the commodity. Unlike the case with oral contraceptives, the NGO sector’s total price for injectables, U.S.$1.73, comprises primarily the CIF price (82 percent) and all other margins and costs (16 percent), which again include transportation and administrative costs. Since NGOs usually have constant margins and other costs, the difference between the proportion of the total direct cost that “all other margins and costs” makes up for each commodity (63 percent for orals vs. 16 percent for injectables) relates to the difference between the CIF prices of both commodities and the volumes purchased.

Finally, the total direct cost of injectable contraceptives in the NGO sector and the average retail price (U.S.$3.97) are 44 and 230 percent higher, respectively, than the total direct cost of donated commodities in the public sector. Again, the MSPBS is saving substantial resources by using UNFPA as a procurement agent.

**IUD PRICE STRUCTURE**

Figure 4 shows the same type of information on prices and direct costs components for IUDs. Results are presented for the public sector as well as for the NGO and private sectors in Paraguay.
Figure 4: Price Components of IUDs in Paraguay (per unit)

Figure 4 shows that the CIF price in the public sector, at U.S.$0.42 per unit, is 25 percent lower than NGO sector price of U.S.$0.56 per unit. Similar to the case with injectables, the public sector CIF price for IUDs is about 10 percent higher than the average CIF price of donated IUDs in the region. The price difference is the result of different donors supplying these goods in the countries (i.e., UNFPA in Bolivia and USAID in Paraguay). The public sector CIF price is also higher than the minimum CIF price from the region (U.S.$0.31 per unit), which was obtained by CENABAST in Chile. While this price is not necessarily available, since Chile’s public procurement system is at a different level of development than that of Paraguay, it is included here for reference.

For planning purposes, figure 4 also includes the CIF prices paid by the public sectors in Peru, which purchased IUDs through UNFPA, and Ecuador, which purchased IUDs on the local market. The Peru CIF price, at U.S.$0.54, is 29 percent higher than the price of commodities donated to Paraguay, while the price in Ecuador (U.S.$2.89) is almost 590 percent higher. While Paraguay will not necessarily buy at these prices, they do provide an interesting point of comparison—the UNFPA price is the same for all countries, and the total NGO IUD price in Paraguay (U.S.$2.51) would be one of the primary options for procurement on the local market.

Finally, the public sector has a total direct cost of U.S.$0.45, comprising primarily the CIF price (93 percent). The NGO sector, on the other hand, has a total cost of U.S.$2.51, which is dominated by administrative and transport costs under the label “all other margins and costs” (77 percent). Only 22 percent of the total direct cost in the NGO sector is the actual cost of the commodity.

Source: Data collected by JSI. 2005 US dollars.
* Countries in the region whose public sectors receive donations are Bolivia and Paraguay.
** NGOs in the region that procured oral contraceptives are from Chile and Paraguay.
OPTIONS AND NEXT STEPS

Paraguay has many policies in place to facilitate CS. The PNSSR 2003–2008, which was approved by presidential decree in February 2004, has family planning as one of its priorities. In May 2006, the Congress of Paraguay sanctioned the Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits, which directly earmarks funds to procure reproductive health commodities, including contraceptives. This decision will help respond to gradual reduction in contraceptive donations over the next few years. Furthermore, this groundbreaking law guarantees full funding for all MSPBS reproductive health and family planning (FP) supplies on the basis of projections of future needs. Another prominent result is the amount of resources allocated for the purchase of contraceptives in the General Budget for National Expenditures, as well as in regional and municipal budgets. Since 2002, the General Budget for National Expenditures has included an explicit line item for the procurement of contraceptives. Budget allocations to this line item have steadily increased through 2007.

The challenge facing Paraguay is how to best prepare for the donor phaseout. A model adopted elsewhere is to develop and/or reinforce a centralized purchasing agency to play a similar role, for instance, to that of CENABAST in Chile. If this is not possible because of financial and regulatory restrictions, then some mechanism for regional bulk purchasing needs to be explored. The key point is to ensure that the public sector is in the best possible position to obtain prices as close as possible to available international or regional reference prices. This may be possible only if there is sufficient volume for purchases to exploit economies of scale and interest international vendors.

Despite this favorable policy environment, several issues still need to be addressed in Paraguay’s quest for CS. These issues are discussed in this section.

OPTIONS TO CONSIDER

INCLUDE CONTRACEPTIVES IN THE MSPBS ESSENTIAL DRUG LIST

Although the MSPBS EDL is not restrictive, the MSPBS is in the process of including contraceptives in the EDL, and will harmonize it with the IPS EDL, which already includes contraceptives. This will help in the institutionalization process of the FP program and will allow both MSPBS and IPS to jointly explore future procurement options, such as pooled procurement or using UNFPA as a procurement agent.

MONITOR THE EFFECTIVE IMPLEMENTATION OF THE RECENTLY APPROVED LAW FOR FUNDING OF REPRODUCTIVE HEALTH PROGRAMS AND PROVISION OF SAFE BIRTH KITS.

Until 2006, only programs that fall under the Parliamentary Law—such as the Program for Protecting Infants against Immuno-preventable Diseases (Vaccine Law)—had protected budgets. This protected status increases the likelihood that the Ministry of Finance will transfer the entire amount of resources budgeted for the purchase of vaccines in any given year. These funds are then transferred to the Pan-American Health Organization (PAHO) revolving fund through which Paraguay purchases its vaccines. Likewise, after the recently approved Law for Funding of Reproductive Health Programs and Provision of Safe Birth Kits, there is a more enabling CS environment to expand public sector resources that have elevated the importance of contraceptives in reducing maternal, neonatal, and infant mortality.
CONTINUE WORKING WITH UNFPA AS A PROCUREMENT AGENT WHILE DOMESTIC PROCUREMENT CAPACITY IS STRENGTHENED

In 2006, the MSPBS began to use UNFPA as a procurement agent. Moreover, MSPBS and UNFPA signed a memorandum of understanding in September 2006, anticipating gradual decreases in donations and gradual increases in government funding for the purchase of contraceptives. UNFPA can assist with preparing budgets and financial forecasts that gradually set aside funding for the eventual purchase of all contraceptives in the country, and it can help strengthen the MSPBS’s understanding of how to benefit from the economies of scale it is able to obtain through UNFPA. Strengthening procurement capacity requires specialized training so that those responsible for procurement are familiar with contraceptives specifications, are equipped to evaluate bid quality, can correctly define bid requirements, and can monitor and evaluate bid performance.

STRENGTHEN PROCUREMENT CAPACITY TO ENABLE STAFF TO CONDUCT INFORMED BUYING, CONTRACT MANAGEMENT, TENDERING, AND COMPETITIVE BIDDING AT ALL LEVELS OF THE PUBLIC SECTOR

Because Paraguay’s public sector has had no experience to date with international contraceptive procurements, special attention should focus on building the local staff’s capacity for managing the contraceptive procurement process on their own, including monitoring the performance of selected vendors and adjusting the bidding process accordingly. Training for staff at all levels in the basic principles and practices of an effective public sector health commodity procurement system should include the following:

- selecting the safest and most cost-effective essential medicines
- forecasting and quantifying needed purchase volumes
- ensuring adequate financing for the purchase of essential medicine
- identifying qualified vendors
- managing the tendering, bidding, award, and contracting processes
- maintaining transparency and accountability in all transactions
- ensuring good-quality, safe commodities
- monitoring the performance of the range of processes involved in procurement management

ENGAGE IN INFORMED PURCHASING BASED ON PRICE COMPARISONS

At present, MSPBS procures contraceptives through local vendors at very high prices. The contracting unit of the MSPBS (Unidad Operativa de Contrataciones) does not have a system in place that would allow it to compare prices offered by different local and international vendors of contraceptives and choose the best possible procurement option. Prices are one of the most important factors to consider in identifying a new procurement option. Securing the best possible price for good-quality contraceptives is vital for achieving CS in the absence of donor funding. Comparative information about prices of both brand name commodities and generics offered by different local and international vendors is critical for identifying contraceptive procurement options.

Informed buying

Informed buying corresponds to the capacity of the public sector to take advantage of all the procurement alternatives available in order to ensure that high-quality contraceptives are available to the population at the best possible prices.

16 Other important factors to consider include quality, availability of product in sufficient quantities, and timeliness.
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 the GOP 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 GOP about new sources that may be options for Paraguay in the future. Price information for a variety of commodities within and across countries is available in the USAID publication entitled Options for Contraceptive Procurement: Lessons Learned from Latin America and the Caribbean. This report can serve as an initial reference guide for decision makers in Paraguay as they explore opportunities to improve procurement options and make them more efficient.

Additionally, advocating the establishment of a price comparison tool to other countries within the region would be helpful in keeping decision makers informed about the best price options available from local and international suppliers of contraceptives and medicines. However, while a price comparison tool has plenty of benefits, it is important to also use it with caution to ensure that the tool is used primarily for informing decision makers in the region, rather than as a means by which the private sector can collude and extract higher profits from targeted markets.

**STRENGTHEN INTERNAL PROCESSES TO DISBURSE FUNDING UNDER THE UNFPA PROCUREMENT AGREEMENT**

The MSPBS needs to advocate for government funds to be allocated early in the year as a one-time disbursement into a protected contraceptive budget line item. This will avoid potential delays in the procurement process and ensure timely distribution of commodities through the supply chain.

**TAKE ADVANTAGE OF REGIONAL INITIATIVES**

Regional integration initiatives may provide important opportunities for the Government of Paraguay as it seeks to improve procurement efficiency, expand contraceptive procurement options, and obtain better prices. The text box to the right presents some examples of regional harmonization efforts that have facilitated drug registration and inspection processes in Central and South America. The GOP should explore similar possibilities with other MERCOSUR countries. In the longer term, the government could also look into options for regionally pooled procurement or regional price negotiations (such as the case of antiretroviral prices in the Andean countries) and the use of regional laboratory networks for quality assurance. Such regional initiatives have the advantage of price comparisons

In Peru, the MOH’s decision to purchase an oral contraceptive from ESKE/FamyCare was based on a price study showing that the new local vendor 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 method. Such price comparisons need to be updated regularly as new vendors enter the market, and they need to include both national and international players.

**Some examples of regional harmonization**

- Central American countries have harmonized their drug registry by establishing common pharmaceutical norms and technical criteria. Hence, a drug registry in one country can be officially recognized by any or all other countries in the region, obviating the need for a drug to be registered multiple times in different countries. At the time of publishing this report, this harmonization practice is being implemented between Guatemala, Honduras, and El Salvador.
- Both MERCOSUR and the Central American countries have progressed in establishing 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).
benefits of significant cost savings through economies of scale and simplifying bioequivalence testing process.
REFERENCES


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