

# **Business Approaches for the Reproductive Health NGO**

Anna Benton  
Alvaro Monroy





## COMMERCIAL MARKET STRATEGIES

NEW DIRECTIONS IN REPRODUCTIVE HEALTH

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Commercial Market Strategies (CMS) is the flagship private sector project of USAID's Office of Population and Reproductive Health. The CMS project, in partnership with the private sector, works to improve health by increasing the use of quality family planning and other health products and services.



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**ABSTRACT**

During the past five years CMS has worked with NGOs in twelve countries, helping them become more sustainable. CMS's philosophy of NGO sustainability is strongly business-oriented: In order to support and maintain quality programs, it is essential to have a healthy financial base, solid governance, and a long-term planning processes. To illustrate CMS's strategies, results, and lessons learned, this paper draws on five country examples: Ghana, the Dominican Republic, Brazil, Nicaragua, and Uganda. CMS's experience highlights the importance of financial and organizational planning, of choosing wisely from a wide range of marketing techniques, and of constantly surveying the environment for new opportunities. The case studies also illustrate how donor funding can be a double-edged sword – receiving additional resources does not automatically lead to success. Lastly, the case studies demonstrate that even in challenging settings, NGOs can usually find a way to diversify products, services, or funding, and that throughout the process, a focus on the organization's social mission is key.

**KEY WORDS**

NGO sustainability, financial sustainability, CMS Project, USAID, private sector, reproductive health, private providers, midwives

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# Introduction

## Background

Donors and governments are unlikely to be able to meet the growing demand for contraceptive commodities in the developing world. The private sector — including NGOs — will play an increasingly important role in the provision of reproductive health products and services. NGOs already provide reproductive health goods, services, and information to millions of individuals. They are a key component of civil society, pioneering innovative reproductive health approaches in their communities, and launching services where governments are reluctant to do so. NGOs also play an important role in increasing awareness of, and demand for, reproductive health products and services, especially through social marketing initiatives. Donors often perceive NGOs to be more accountable, cost-effective, flexible, and responsive to community needs than is the public sector.

But many family planning and reproductive health NGOs face an uphill struggle for survival. Most are heavily dependent on donors, and while funding levels for population programs have held relatively steady over the past two decades, the number of reproductive health NGOs has grown, leading to intense competition for funds. In addition, shifts in donor priorities have also affected funding: a previous emphasis on family planning has broadened to include sexual and reproductive health, and the HIV/AIDS epidemic has altered geographic and programmatic priorities. NGOs need the capacity to respond to these changing donor priorities, and to become more self-sufficient.

Historically, donor assistance to reproductive health NGOs has been specific to projects that increase positive health outcomes. Little funding has been directed at financial or institutional capacity-building. As a result, NGOs may be proficient at delivering programs but less competent at long-term planning or business decision-making. And indeed many donor-funded NGOs operate with minimal financial knowledge, inadequate management skills, little or no capacity to handle long-term projects, and a high risk of collapse should donor funding end. Recognizing the implications of these weaknesses in an environment of donor phase-downs, both NGOs and concerned donors are pursuing strategies for NGO sustainability and self-sufficiency.

## What is sustainability?

Sustainability is a generic concept, defined more by the context of its application than by any settled meaning. For example, there is little consensus on the definition of sustainability, the appropriate level of financial self-sufficiency, or the relative value of the organizational mission as opposed to the bottom line. Sustainability can nevertheless be thought of as the ability of a given organization to reduce its level of technical and financial dependency, and to improve its significance in the market while maintaining its social mission. Even when funding seems secure, organizations benefit from adopting sustainability strategies, which lead to more creative and efficient business practices, higher-quality services, more satisfied customers, and a more engaged staff.

## CMS and NGO sustainability

Between 1998 and 2004, the Commercial Market Strategies project (CMS) provided sustainability assistance to NGOs in 12 countries, and held regional sustainability workshops in Africa, Latin America, and the Arab world. As a leader in private-sector approaches to

reproductive health, CMS brought a rigorous, integrated approach to NGO sustainability programs.

CMS's philosophy of NGO sustainability is strongly business-oriented: In order to support and maintain quality programs, it is essential to have a healthy financial base, solid governance, and a long-term planning processes. CMS defines NGO sustainability as an organization's ability to:

- Improve its institutional capacity to continue its activities among target populations over an extended period of time
- Minimize financial vulnerability and develop diversified sources of institutional and financial support
- Maximize impact by providing quality services and products.

CMS helped NGOs gain business and financial management skills essential for long-term financial sustainability. For example, NGOs learned to diversify sources of revenue, develop new product or service lines, restructure pricing, and reduce internal costs. Since organizations often lack the structure and oversight systems to operate as money-making endeavors, CMS also helped managers and directors improve business systems and strengthen institutional stability.

Assistance was tailored to the local economic and political environment, organizational priorities, and the specific circumstances of individual NGOs. CMS's technical assistance therefore included individual consultations, workshops and training sessions, and user-friendly planning tools that included strategic plans, business plans, and feasibility studies. CMS's goal was to leave each NGO with a set of business-oriented tools that the organization could use in working toward long-term sustainability.

This paper documents CMS's experience and explores the efficacy of various forms of technical assistance for NGO sustainability. It also shows how different types of NGOs react to sustainability measures, and examines the roles that donors can play. In illustrating CMS strategies, results, and lessons learned, this paper draws on five country examples:

- Ghana: The Ghana Social Marketing Foundation (GSMF), a social marketing NGO, successfully generated new revenue by introducing a new, high-end family planning product.
- Dominican Republic: By strategically diversifying products and services, the Asociación Dominicana de Planificación Familiar (ADOPLAFAM) doubled its cost-recovery rate even as its funding was sharply reduced.
- Brazil: Sociedade Civil Bem-Estar Familiar no Brasil (BEMFAM), the nation's largest family planning NGO, diversified revenues from both services and products, and is on track to becoming 90 percent self-sufficient.
- Nicaragua: CMS established a financially sustainable network of six clinics in areas affected by Hurricane Mitch. The network was subsequently absorbed by a local NGO, PROFAMILIA.

**CMS worked with NGOs in:**

Bangladesh  
Brazil  
Cambodia  
Dominican Republic  
Ghana  
Namibia  
Nepal  
Nicaragua  
Paraguay  
Peru  
Uganda  
Turkey

**And held workshops in:**

Arab World  
Latin America  
Africa



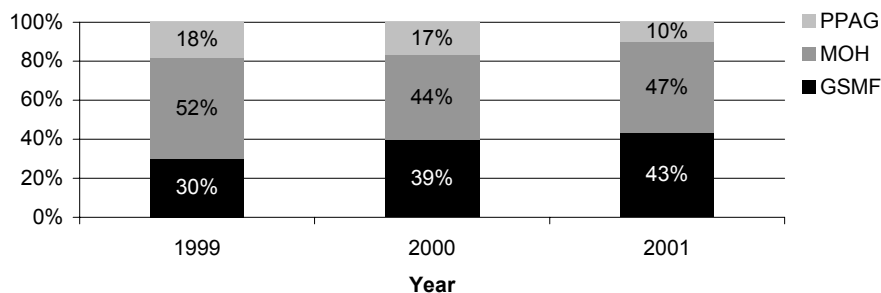
- Uganda: The Uganda Private Midwives Association (UPMA) is a volunteer medical association that improved member services while exploring opportunities for greater financial sustainability.

In the penultimate section this paper presents information on CMS’s NGO Sustainability workshops. Finally, the conclusion summarizes the lessons learned from the case studies and CMS’s work on NGO sustainability throughout the past five years.

## Ghana: GSMF International

GSMF is Ghana’s leading social marketing NGO, providing approximately 43 percent of the country’s contraceptives<sup>1</sup>. Founded with help from USAID in 1993, GSMF now has 60 employees and a nationwide product-distribution and sales network. GSMF promotes and distributes 11 socially marketed products, including oral and injectable contraceptives as well as male and female condoms, and mainly targets low- and middle-income populations. Since 1999, GSMF has steadily increased the share of contraceptives it provides in Ghana, as shown in Figure 1. Other large providers are the Ministry of Health (MOH) and the Planned Parenthood Association of Ghana (PPAG).

Figure 1: Percentage of CYP's distributed by GSMF in Ghana



Throughout the life of the organization, USAID has supported GSMF with funds, supplies, technical assistance, and training in social marketing and management skills. In 2000, CMS began providing business-oriented technical assistance to GSMF to strengthen its financial sustainability. CMS helped GSMF improve its planning and organizational structures, increase revenues, and diversify sources of funding.

### Improved planning and structures

With assistance from CMS, GSMF developed a detailed, short-term sustainability plan for 2002 to 2004. The plan estimated upcoming costs and potential revenues, and set out expectations for diminishing dependence on USAID funding. CMS also helped GSMF improve organizational systems — for example, by introducing timesheet use and modifying the cost accounting system.

<sup>1</sup> Melngailis, Ilze. 2002. *Examining the Success of the Ghana Social Marketing Foundation*. Washington, DC: Commercial Market Strategies, draft report.

## Increased revenue

In May 2000, CMS arranged feasibility studies for five potentially profitable products that GSMF could market through the commercial sector. The studies indicated that GSMF could generate revenue by introducing a line of innovative, trendy condoms targeted to upper-income consumers.

The studies showed that:

- GSMF had a strong market share in the condom market (half of all condoms sold), and there was a positive public perception of the brands it currently sold.
- GSMF's excellent marketing strategy and a well-established distribution network for condoms would facilitate the launch of the new product.
- There would be little or no brand-fighting or promotional wars with GSMF competitors.

Of the 13 million condoms sold over the past year, 2 million were 'deluxe' or commercially marketed. The study estimated that there was a market for 3 million more deluxe condoms, of which GSMF could potentially capture 15 percent the first year, and ultimately as much as 40 percent.

GSMF proceeded quickly with the condom initiative, moving from the CMS-supported evaluation of the initiative's feasibility study in the spring of 2000 to the launch of a luxury condom brand in the fall of 2001. See the box to the right for a timeline.

The Aganzi condom line has surpassed expectations. In 2002, Aganzi sales generated almost \$100,000, and represented 13.6 percent of total annual GSMF product sales. Today Aganzi not only generates a profit for GSMF, but also cross-subsidizes the organization's socially marketed products and increases overall cost-efficiency of programs.

To further increase revenue, CMS encouraged GSMF to raise the price of its socially marketed contraceptives. However, the Ghanaian government, which regulates contraceptive prices, requested that GSMF first conduct a willingness-to-pay study to determine whether a price hike would depress condom sales. CMS conducted this study between August and October of 2002, and presented the results at a stakeholders' conference in early 2003. The study found that more than 75 percent of clients were willing to pay at least 50 percent more for their family planning product, and that fewer than 10 percent would stop using contraceptives if prices were raised<sup>2</sup>. After the study, GSMF successfully increased the price of its socially marketed Champion condom brand.

## Diversified funding

To help GSMF diversify its funding base, CMS conducted two proposal-writing workshops for managers. In the workshop managers prepared actual proposals for submission to international

**GSMF development of the deluxe condom took only 18 months:**

**March – May 2000:** CMS helped GSMF evaluate its business opportunities for launching a commercial-sector product. CMS conducted feasibility studies on various products.

**June 2000 – September 2001:** GSMF developed a business plan for luxury-tier condoms, the Summa Foundation (a not-for-profit investment fund operating under CMS) provided a \$76,000 loan, the condoms were sourced and designed, and an advertising campaign was created.

**October 2001:** Aganzi Classic (ultra-thin) and Aganzi Wildfire (with performance enhancing formula) were launched, alongside a full-scale advertising program.

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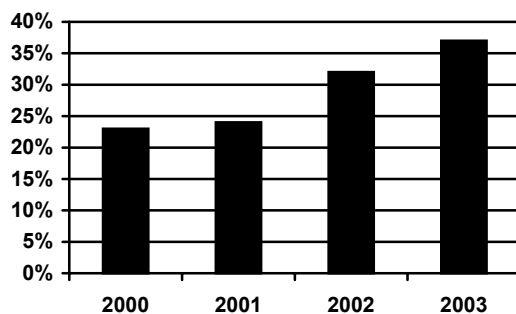
<sup>2</sup> Winfrey W. 2003. Health Financing in Ghana: *Willingness to Pay Increased Prices for Reproductive Health Products and Services in Ghana*. Washington, DC: Commercial Market Strategies Project.

donors. As a result of one of these submissions, the UK's Department for International Development awarded GSMF 1.5 million British pounds for increasing condom distribution through non-traditional outlets. GSMF had conceived the plan for this alternative distribution method after senior managers visited social marketing organizations in three Latin American countries through a CMS-sponsored tour. While the majority of GSMF's funding still comes from USAID, the NGO now manages grants from three additional donors.

## Results

As shown in Figure 2, even with an expanded budget resulting from increased external funding, GSMF's cost-recovery rate increased from 23 to 37 percent between 2000 and 2003.

*Figure 2: GSMF cost recovery rate, 2000 to 2003*



This increase is especially notable because higher levels of donor funding usually depress cost-recovery rates. While GSMF is far from financially self-sufficient, its cost-recovery rate of nearly 40 percent is much higher than that of comparable programs in Africa, which are typically between 8 and 10 percent.

In addition, the improvements GSMF made in income generation and efficiency have not come at the cost of its social mission. Since 2001, GSMF-supplied couple years of protection (CYPs) have increased by an average of 15 percent annually. GSMF's social marketing activities may also have contributed to increased condom use across Ghana. For example, a reproductive health study conducted by GSMF found that condom use, as reported by men, increased from 9 percent to 19 percent between 1998 and 2001.

GSMF's innovative business practices are a tremendous advantage in both its efforts to achieve health results and to be more financially sustainable. GSMF capitalized on its strong leadership, skilled and motivated staff, a wide range of marketing and communications tools, and an organizational culture that rewards innovation and dedication. With CMS's help, GSMF furthered its progress toward financial sustainability with an ambitious but achievable sustainability plan — increasing income through a diversified product line, expanding its funding base, and improving its planning and management structures.

# Dominican Republic: ADOPLAFAM

The Asociación Dominicana de Planificación Familiar (ADOPLAFAM) was established in 1987 to offer reproductive health products and services to low-income populations. The NGO has affiliated clinics and a distribution network of community health workers, which grew from an initial 235 volunteers to over 1,500 in 2003. It also runs a Diagnostic Center that provides health services in an underserved part of Santo Domingo.

CMS began working with ADOPLAFAM to improve its sustainability in 1999, when the NGO's largest donor (USAID/Dominican Republic) began to reduce its funding for population programs. CMS's initial assessment of ADOPLAFAM concluded that the NGO would not survive the donor phase-out (scheduled for 2004, but since pushed back) unless it made significant financial and institutional changes. For example, the assessment showed a short-term, "project" mentality, with organizational goals limited to operative plans and dependent on traditional resources. Furthermore, the organization's vision failed to promote growth or innovation.

## Strategic planning

CMS held a Sustainability Workshop focused on strategic planning. During the workshop, ADOPLAFAM analyzed its strengths and weaknesses, and redefined its overall strategy to better reflect its financial resources. ADOPLAFAM then developed a sustainability plan for 2001 to 2005. The plan addressed financial, programmatic, and institutional issues, and provided a clear road map for existing and new activities. This plan also served as the foundation for CMS's technical assistance over the following three years. CMS hired a local coordinator to work with ADOPLAFAM as well as with several other NGOs that CMS was assisting.

Managing human and financial resources. CMS helped ADOPLAFAM update internal manuals on procedures, controls, and human resources. A "Time and Movement" study found that there was duplication of effort between departments, and that some departments and staff positions were obsolete. Senior staff updated all job descriptions and eliminated unnecessary positions. CMS also helped ADOPLAFAM analyze its direct and indirect costs, and to implement basic financial controls to improve cost efficiency.

## Diagnostic center

In 2001, ADOPLAFAM opened a Diagnostic Center to provide health services to low-income communities. Services included maternal and child health, sexual and reproductive health (including prevention and treatment of STIs), and basic laboratory services. During the first three months of service, Center attendance was low, making operations unprofitable.

CMS helped ADOPLAFAM reassess the operations, internal controls, and promotional activities of the clinic, and devised a business plan for improving these areas. Some of the changes were simple, such as posting the center's hours and prices inside the clinic, and making sure that the doctors arrived on time. To increase client flow, ADOPLAFAM created advertising pamphlets and distributed them in the target area. CMS also helped ADOPLAFAM expand its services — for example, by including X-rays.

CMS and PRIME, another US-based project, helped restructure a subsidized discount voucher plan. Vouchers are important because they enable hard-to-reach groups to access services. In turn,

satisfied customers create demand for the clinics by promoting them via word of mouth. Between 2001 and 2003, more than 15,000 vouchers were redeemed. However, ADOPLAFAM's vouchers were initially handed out somewhat indiscriminately. ADOPLAFAM's goal was 70 percent full-fee clients, and 30 percent subsidized, but as of December 2001, 72 percent of the clients were subsidized. CMS and PRIME helped ADOPLAFAM target the vouchers to the poorest of the poor, in accordance with the agreement reached with the donor subsidizing the vouchers. By August 2002, 83 percent of clients were paying for services<sup>3</sup>. The Center's monthly income increased from an average of \$2,937 a month in 2001, to \$5,085 a month in 2002, and to \$5,710 a month in 2003.

## Training center

ADOPLAFAM opened a training center in Santo Domingo, but it was not profitable. CMS hired a local consultant to conduct a market study to survey past clients and analyze demand for the center. The study found that there was sufficient demand to support the training center, but that the center would need to be updated and altered. While implementing CMS's suggestions, ADOPLAFAM also rents out the space to other NGOs and government agencies and uses it to train its own staff as well.

## Results

As indicated by the table below, the cost-recovery rate has jumped from 26 percent to 52 percent between 2000 and 2003, and the USAID proportion of funding has been more than halved.

*Table 1: Cost-recovery rate and USAID share of funding*

Year	1999	2000	2001	2002	2003
<b>Cost recovery rate</b>	-	26	35	39	52
<b>USAID funding as % of budget</b>	54	24	22	23	20
<b>CYPs generated</b>	-	15,906	31,738	28,510	22,389

CMS worked with the organization to help it devise an ambitious plan to improve the institutional structure and to strategically diversify its portfolio of services and products. ADOPLAFAM has maintained and protected its social mission, providing for the poorest of the poor via a voucher system while expanding profitable services that will be used to cross-subsidize other programs. By carefully devising a long-term strategic plan, being responsive to the needs of the surrounding community through the addition of new laboratory services, and adopting good business practices, ADOPLAFAM is now more sustainable and self-sufficient.

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<sup>3</sup> PRIME: [http://www.prime2.org/prime2/pdf/RR\\_2002\\_DR\\_CRQ\\_300.pdf](http://www.prime2.org/prime2/pdf/RR_2002_DR_CRQ_300.pdf)

## **Brazil: BEMFAM**

Sociedade Civil Bem-Estar Familiar no Brasil (BEMFAM), founded in 1965, is the largest family planning NGO in Brazil. BEMFAM works in 16 states and conducts more than three million consultations each year, mainly with low-income clients. BEMFAM has contracts with over 1,000 municipalities to support sexual and reproductive health activities. When CMS began working with the NGO in 1999, it had an annual operating budget of US\$8 million. Of that amount, 63 percent was locally generated revenue and 37 percent came from international donors. With USAID funding scheduled to phase out after 1999, USAID/Brazil asked CMS to help increase BEMFAM's sustainability.

CMS provided targeted assistance to strengthen the NGO's commercial division, which had been created under a previous project to generate revenue. CMS hired an external consultant to conduct a more current assessment of which areas could become more profitable. Based on the assessment, CMS created a plan to increase the revenue generated by BEMFAM's condom brand, PROSEX, and to strengthen the NGO's clinical laboratory network.

### **Increased revenue**

CMS helped BEMFAM increase the price of its PROSEX condoms, and to expand marketing and distribution for the brand. During January and February of 1999, BEMFAM ran a television advertising campaign for PROSEX, created with technical assistance from CMS. The commercial ran 83 times in four targeted regions. In addition to raising awareness, the television campaign increased condom sales in three out of the four regions — by 91 percent, compared to 44 percent in the country overall. Revenues from PROSEX sales increased from \$105,000 per month to \$140,000 between January and December of 1999.

CMS also helped BEMFAM improve the financial profile of its laboratories. Originally, BEMFAM's laboratories served the NGO's own clinics and were not intended to generate a profit. CMS's financial assessment determined that by offering their services to other medical providers in the community, the laboratories could become profitable by the end of 1999. CMS found, however, the laboratories would first need assistance with planning, appropriate pricing, and a promotional strategy.

With technical guidance from CMS, BEMFAM made several changes to the labs. For example, the sales strategy for the laboratory in Recife was adapted to better suit the characteristics of the local market. While the Recife lab's initial marketing efforts targeted HMOs, the health insurance market was weak in this economically depressed area of Brazil. Therefore, BEMFAM changed the primary target for laboratory services to private doctors. By May 1999, Recife's laboratory had signed agreements with 68 doctors and two mid-size hospitals to refer patients to BEMFAM's labs. The NGO also explored performing hormonal clinical analysis via a partnership with an independent lab technician, and adopting software used by the lab to keep track of commissions for doctors and sales representatives.

### **Results**

By the time CMS completed its work with BEMFAM, the NGO had achieved greater financial sustainability by diversifying its funding base — financial analysis showed that BEMFAM was on track to becoming 90 percent financially self-sufficient. Beyond the improvements facilitated

by CMS, progress toward sustainability was also supported by BEMFAM's involvement in new areas (such as HIV/AIDS), which the organization had pursued on its own. BEMFAM's creative and broad-minded approach to increasing revenue through service and product diversification was a significant factor in improving the NGO's self-sufficiency. With technical assistance from CMS to help structure its efforts, the NGO demonstrated that building on an established reputation in new ways can yield tangible sustainability results.

## Nicaragua: PROFAMILIA

In 1998, Hurricane Mitch caused an estimated US\$1.5 billion in damage to Nicaraguan crops, homes, and infrastructure, including the public health system. As part of the recovery efforts, CMS received funds from USAID to create a sustainable network of six private health clinics that would provide basic health services to affected communities. CMS based the design of the network on a model developed by PROSALUD, a Bolivian NGO with a private clinic network that provides affordable primary care services to a large population while maintaining high levels of sustainability and patient satisfaction.

The model called for a local partner to maintain and manage the network after CMS had established it. CMS chose to work with PROFAMILIA — the local International Planned Parenthood Federation affiliate. PROFAMILIA has 11 clinics throughout Nicaragua, and a reputation for high quality, affordable health care.

### Cost recovery

In choosing the sites for the six clinics, CMS assessed 14 locations on the basis of existing competition, consumer demand, and residents' ability to pay for services. During clinic construction in 2000 and 2001, CMS drew up detailed business plans with monthly financial targets for each location. CMS also designed several mechanisms to ensure cost-recovery; among them, a risk-sharing payment system for physicians. The arrangement reimburses physicians on a per-patient basis, rather than through the traditional fixed salary — so as patient volume increases, salaries rise. The approach cuts salary costs and encourages an entrepreneurial mentality among providers. Furthermore, as patient volume increases, the margin between the service revenues and the doctors' fees increasingly offsets clinics' operating costs.

### Range and cost of services

While PROFAMILIA's other clinics mainly offer reproductive health services, CMS incorporated a broad range of primary health care services into the clinics' service mix. All six clinics offer both curative and preventive healthcare, but of these, three are "expanded" and offer a wider range of services than the three basic clinics. The expanded services include immunizations, X-rays, laboratory and emergency services, reproductive health care, ultrasound, prenatal care and deliveries, malaria treatment, and preventive dental care. To ensure that the clinics are both affordable and sustainable, CMS set fees that balance cost-recovery with affordability. In general, the fees are lower than at other private providers, yet higher than at public facilities.

### Quality

High standards and superior quality were of central importance to the clinic network project. CMS's objective was to provide effective and efficient integrated health services, based on rigorous norms and procedures. At project inception CMS therefore developed manuals that highlighted quality of care components: staff recruitment and selection, training, service delivery, customer service, policies and procedures, and monitoring tools and systems.

Continuous monitoring and supervision of all levels of staff ensure that clinics meet and maintain quality standards. CMS's operating plans include quality of care standards and indicators, which



are monitored by supervisors who make monthly clinic visits to gather data, and recommend changes as necessary. CMS created a “Quality Team” in each clinic, and every staff member is responsible for monitoring a particular aspect of the quality control plan and reporting results on a monthly basis.

Quality of care standards are applied not only to technical aspects of health service delivery, but also to ensuring respectful treatment of patients. To assess patient satisfaction, CMS conducted exit interviews and informal household surveys. In addition, each clinic was outfitted with a suggestion box. Clients have reported that the CMS clinics are highly responsive to clients’ needs and suggestions. Specifically, clients praised the minimal waiting time, good service, and the opportunity to receive all their health care services at one location.

## **Marketing and promotion**

CMS helped build awareness of the new clinics through several interconnected marketing strategies, which included a media campaign, interpersonal communications, clinic-based marketing, and special promotions. CMS positioned the clinics as a one-stop shop for low-cost, quality health care services for the whole family (including men). Linking the PROFAMILIA name and logo with the clinics was also a significant element of the marketing strategy.

CMS research indicated that radio campaigns, flyers, loudspeakers, and street announcements were the most effective means of increasing popular awareness of the new clinics. Radio advertisements aired one week prior to each clinic opening. The openings themselves were key promotional activities, designed to be festive events that included national and local health authorities. To announce the events, clinics hung banners over the towns’ main streets, made announcements from a loudspeaker car, and distributed flyers.

Each clinic has at least one promotora, or health promoter, who travels door-to-door to inform the community of clinic locations, hours, and services. The promotoras also provide basic preventive health education and ensure that current patients are complying with treatment regimens.

In addition, CMS designed special promotions to draw customers to the clinics. These included:

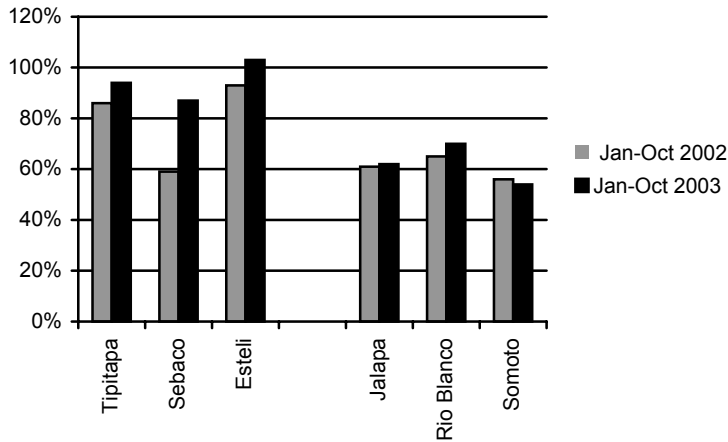
- Checkbook for Referrals: Promotoras referred clients to the clinics using a special checkbook that entitles them to certain free services.
- My Baby Was Born at a PROFAMILIA Clinic: The mother of every baby born at a PROFAMILIA clinic received a diaper bag and a certificate of distinction. The family’s name was also entered in a Book of Honor at the clinic.
- “Combo” promotions: These included a “Healthy Woman Package” (gynecological exam, pap smear, breast exam, and lab tests) and a “Happy Mother Package” (prenatal visits, ultrasound, lab tests, vitamin supplements, delivery, and post-natal visits).

## **Results**

The expanded clinics (the first three in Figure 3 below) achieved an average operational cost-recovery rate of 85 percent after less than two years of operation. These clinics appear to have an advantage over the basic clinics in terms of sustainability, primarily because they are located in

more heavily populated and accessible areas and offer a broader array of services. They have also been open for roughly six months longer than the basic clinics.

Figure 3: PROFAMILIA's cost-recovery comparison by clinic



The network currently provides access to health care to nearly 250,000 lower- to middle-income Nicaraguans. As of early 2003, one quarter of women in the clinic treatment areas reported that they or a family member had used one of the CMS/PROFAMILIA clinics in the previous six months<sup>4</sup> — which is especially noteworthy since at that point the clinics had only been operational for 14 to 24 months. Clients were most likely to report coming to the clinics for curative care (66 percent). They also reported receiving reproductive health services (32 percent) and lab tests (24 percent)<sup>5</sup>. Ten percent of clients were men.

Three-quarters of clients said that the quality of care they received was “good” or “excellent,” and more than 90 percent said they plan to return to a PROFAMILIA clinic in the future. Nearly three-quarters of clients reported that the fees were “reasonable” or “inexpensive.” The income of PROFAMILIA clients fell between that of other private-sector clients and that of public-sector clients, suggesting that the PROFAMILIA clinics fill a niche between the public and private sectors — one of the goals of the network initiative. The Ministry of Health accredited all six CMS Profamilia clinics, and the INSS (the Social Security Institute of Nicaragua) certified two of the clinics, which allows them to deliver services through Social Security contracts.

## Transition

In January 2002, CMS transferred the management of the six new clinics to PROFAMILIA. PROFAMILIA then requested that CMS help transition the other clinics under their management to the CMS model. CMS conducted an overall assessment and developed draft transition plans for all eleven traditional PROFAMILIA clinics. The assessment included a review of the existing operations, marketing, and service-delivery capacity. CMS created individually tailored transition plans for each clinic; the plans included recommendations for infrastructure remodeling,

<sup>4</sup> The baseline survey of more than 3,000 households in four of the six clinic regions was conducted in mid-2001; the end line, in the spring of 2003. These were matched against an equal number of households in four control municipalities.

<sup>5</sup> Sum exceeds 100 percent because some clients received more than one service.

personnel reorganization, and revision of all operations, management, and information systems. Individual plans also included strategies to enhance existing services or to create new services. The plan also called for more decentralized decision-making for the clinics.

CMS's recommendations enabled the clinics to use their resources more efficiently and cost-effectively. For instance, all 16 PROFAMILIA clinics now have the authority to make their own personnel decisions, and clinic directors are able to develop business partnerships with other NGOs, local corporations and businesses, unions, clubs, and foundations. Under these partnerships, the clinics provide services or products to members or affiliates of these entities. Two clinics have opened pharmacies, and other clinics are considering doing the same. These initiatives have resulted in more clients and higher revenue for the clinics and PROFAMILIA. As of July 2003, four out of the 16 clinics were recovering all their operating expenses; nine were recouping at least 70 percent of their costs, and only three were recovering less than 60 percent.

## **Uganda: UPMA**

Founded in 1948, the Uganda Private Midwives Association (UPMA) is a registered NGO of trained midwives who offer reproductive health and primary care services at private clinics nationwide. UPMA promotes the professional development and welfare of its members. For most of its existence, UPMA was a loosely organized association, staffed by volunteers and requiring minimal day-to-day management. In 1991, USAID began providing financial and organizational assistance to UPMA. By 2000, UPMA owned two properties and employed eight staff. However, 90 percent of UPMA's income still came from donors. In June 2000, to decrease its dependence on donor funding, USAID/Uganda asked CMS to strengthen UPMA's management structure, membership, services, and the operational and financial position of Kansanga Health Centre, a clinic that had been donated to UPMA.

### **New financial and organizational structures**

CMS hired and paid the salary of a new executive director, who facilitated many of CMS's activities with UPMA. The executive director's fundraising and management skills have provided financial and organizational accountability and have helped diversify the organization's donor base.

To improve its financial systems, CMS helped UPMA develop budgets and standardize financial reporting. UPMA streamlined its bookkeeping by reconciling and consolidating accounts using software provided by CMS. UPMA staff and leaders receive ongoing computer training. To keep track of members, CMS helped UPMA create an electronic database and its first member directory, which was sold to the membership at a modest cost.

### **Increasing revenue**

To increase UPMA's income, CMS helped the association restructure the Kansanga Health Centre. Before 2001, Kansanga was an income-losing liability, lacking a long-term business strategy and run by volunteer midwives. CMS helped UPMA arrange a lease with the Determined Private Midwives for Sustainability, a group of midwives who are committed to improving the clinic's performance and efficiency. In 2002, the clinic contributed more than \$7,200 to the association in rental income.

To further generate income, CMS helped UPMA increase sales of stationery, commodities, signposts, advertising, and other items, which raised over \$8,900 for the association in 2002 — more than twice the amount raised in 2000. CMS also extended favorable pricing of its family planning and social marketing products to UPMA members for resale, with a commission going to UPMA. In addition, CMS helped negotiate an agreement with a pharmaceutical company to offer preferred pricing to UPMA members, again with a sales commission going to UPMA. And CMS worked in concert with the Summa Foundation to bring the Uganda Private Health Providers Loan Program to UPMA members. This program, which provides business skills training and revolving loans, has enabled midwives to improve the financial and operating performance of their clinics.

## **Enhanced membership benefits**

Key to improving UPMA's sustainability was expanding its membership base: recruiting new members, retaining current members, and improving dues collection. CMS had found mixed levels of satisfaction with the quality and consistency of UPMA member services — there were several hundred midwives who had stopped paying their dues. CMS recommended that UPMA reach out to inactive members by increasing the value of belonging to the association: for example, by offering information, support, and training.

CMS helped UPMA restructure its monthly general meetings to include a continuing education component with guest speakers. Average attendance increased from 35 to nearly 90 midwives. In addition, CMS conducted a business skills training program in 10 of 11 UPMA branches. The program addressed issues such as record-keeping and client services. And recognizing the important role midwives play in child health, CMS, UPMA, and the Ministry of Health collaborated to offer members training in the management of childhood illnesses.

With CMS's support, UPMA developed a quarterly newsletter to communicate association activities and health updates to members and other stakeholders. Given the widespread distribution of members throughout the country and the inability of some midwives to attend meetings, the newsletter provides an important channel for communication. The sale of newsletter advertising space is a further source of revenue. CMS built capacity within UPMA so that staff would be able to produce the newsletter on their own. CMS also helped to develop a membership brochure outlining the advantages of belonging to UPMA.

Since Ugandan laws prohibit the direct advertising or promotion of health care interests, one of the value-added services UPMA can provide its members is indirect marketing. CMS therefore helped UPMA develop and sell signposts for members to display at their premises to promote their membership in the association, and to communicate their professionalism to the public at large. CMS also developed a newspaper supplement that promotes the UPMA and lists clinic locations throughout the country. UPMA distributed more than 40,000 copies through the New Vision newspaper and sent additional copies to members to support their outreach activities. CMS also helped UPMA develop health education brochures, which can be customized by each clinic, for sale to the membership. And with funding from the Global Fund for Women, UPMA promoted the association and its member clinics through "Health Tips" radio spots. The association also hosts an annual celebration for the International Day for Midwives, and participates in several national health days.

Another service that UPMA now provides to its members is a peer education and support program that uses members as trained volunteers. CMS provided funding and technical support for the program, in which volunteers visit clinics to help fellow midwives improve the quality of their services and facilities. More than 50 midwives are involved in this regional representative program, and as of mid-2003 they have visited nearly 300 clinics. CMS developed a database program to enable UPMA to collect, record, and analyze information from the visits so staff can compare performances at the branch level and track improvements over time. UPMA members discuss the findings at association meetings. The UPMA member statistics are also helpful in advocacy and fund-raising efforts.

## **An expanded donor base**

CMS worked closely with the association to improve and broaden its donor support. The association has received funding from various donors for specific project activities, including the

United Nations Population Fund for Life Saving Skills training, Family Care International for adolescent reproductive health training, IPAS for post-abortion care training, the Global Fund for Women for radio programs, and the Policy II Project for advocacy training and research. UPMA is now well positioned to receive funding from other donors, including support for training from the Ministry of Health.

## **Results**

There are challenges specific to working with an association, such as setting and collecting dues, raising revenues from other sources, increasing visibility both within and outside the organization, adding value for the members, and promotion and marketing. UPMA is meeting these challenges by using business-oriented sustainability tools. Since the beginning of CMS's assistance in 2000, active association membership has grown from 200 to more than 270, with more than 600 total members. The association has also diversified donor support and increased its income, from 7 million Ugandan shillings in 1999 to 32 million in 2003. Overall, UPMA has raised the visibility of the association and its members both in the community and among stakeholders.

## Sustainability Workshops

Between 2001 and 2003, CMS sponsored five NGO Sustainability workshops. These multiple-day workshops enabled NGOs to learn planning, financial, and business skills from CMS facilitators, and to share their experiences with each other. Two of the workshops — one in Africa, the other in Latin America — were held in conjunction with Frontiers, a Population Council program. CMS also conducted a workshop for International Planned Parenthood Federation affiliates in the Arab region as well as two workshops for affiliates of the African Alliance of the Young Men's Christian Association in Africa.

Workshop objectives included:

- Begin developing realistic and target-oriented business plans
- Learn techniques and strategies to market the organization and its activities
- Acquire financial self-reliance tools and identify workable income-generating activities at the local level.

The workshops were rigorous and business-focused, with a specific emphasis on planning, marketing, and strengthening finances through income-generating activities. The meetings offered skills and tools for business planning through lectures, group discussion, exercises, case studies, best-practice presentations, and breakout sessions. At the end of the workshops, each participant presented an idea for a new local service or product to generate income. In some cases, participants were given training materials and planning documents templates to take back with them.

South-to-south sharing of experiences is a constructive, cost-effective way to maximize donor investment in technical assistance. Exposure to other experiences, lessons learned, pitfalls, and success stories, can benefit NGOs at all stages of development.

## Conclusion

The path to NGO sustainability is a long, incremental process. Even while external funding is available, NGOs should think in terms of greater self-sufficiency, and should move toward adopting more business-like practices. The pursuit of sustainability can provide benefits far beyond enhanced revenues and a more secure future. Business-oriented strategies typically lead to greater NGO flexibility and efficiency, higher quality, a more motivated and engaged staff, and stronger leadership. Community-funded and customer-oriented NGOs respond to the real needs of their communities.

While sustainability strategies must be chosen and modified according to the local context, CMS's work with NGOs over the past five years has produced sustainability lessons that may be applicable in most settings:

**NGOs must commit to planning.** Careful planning can set the direction of an organization, identify new ways for the business to grow, and allow for better monitoring of performance. CMS helped organizations develop strategic plans, which articulate long-term goals and expectations, as well as annual business plans, which serve as "road-maps" for reaching short-term goals. Strategic and business plans are also useful in crafting the organization's communication messages, and in obtaining financing. CMS also supported NGOs in creating feasibility plans, which help determine the value of implementing a new program or activity.

To plan well, NGOs need to accurately cost their goods and services, and keep meticulous records. NGOs should also be encouraged to take steps to eliminate waste and unnecessary expenditures. The ability to predict and control costs is as important as generating new income through product and service diversification.

**NGOs should constantly survey the environment for new opportunities,** and must develop the skills needed to identify activities that can be profitably marketed. A private-sector approach can be effective even in very low-income settings. In Brazil, BEMFAM caught the "wave" of health sector reform and HIV prevention to launch a condom program, and to expand its services. In Ghana, GSMF identified an opportunity for high-end condoms through feasibility studies. In the Dominican Republic, ADOPLAFAM recognized the need for a diagnostic center. Before introducing any new product or service, NGOs should understand what community members want, how much they are willing to pay for it, and who the competition is.

**There is a wide spectrum of marketing tools useful to NGOs,** from one-on-one home visits by promotoras to mass media; from billboards to franchising. NGOs can also use social marketing (also based on traditional private-sector techniques), not only to encourage healthy behaviors but also to build demand for certain products, as GSMF and BEMFAM did with condom promotions.

**Donors must understand the double-edged sword of financial assistance,** and how to use funding to motivate NGOs. Funding is an important source of program financing, and donor incentives (such as seed money) can serve to motivate NGOs. However, funding can also mask important progress toward sustainability, as increased grants typically result in lower cost-recovery rates. Receiving donor funds can reduce an NGO's motivation to build the internal capacity and institutional structures necessary for long-term survival. Also, donor-funded programs may not respond to the needs of the local community as effectively as a locally funded organization would.



**Receiving additional resources and technical assistance does not automatically lead to success**, as illustrated by PROFAMILIA, in Nicaragua. While PROFAMILIA has begun to implement CMS's recommendations for transitioning its own clinics to the CMS model, the process has been slow and arduous. To a certain extent, the new clinic model clashed with the existing organizational culture and management systems, which were highly centralized and bureaucratic. Although the CMS model was financially successful in the new clinics, managers were not immediately receptive to the changes. CMS's experience with PROFAMILIA highlights the importance of gaining managers' support from the beginning. If there is not the will and commitment to work toward sustainability, it is very difficult to implement institutional changes.

**NGOs can usually find a way to diversify products, services, or funding**, which then provides revenue to cross-subsidize social programs. Even if income-generating projects are initially small, planning and implementing these projects builds valuable infrastructure and capacity. Diversification activities are usually most successful when they are related to the core competencies of the NGO. CMS found that service-delivery NGOs can best improve financial sustainability by diversifying into profitable ancillary services.

**A focus on the social mission is key while the NGO is growing and diversifying.** The need for sustainability is, after all, born of the need to protect the institutional mission and goals of the NGO. While moving toward sustainability, the NGO should examine how new income is being used, and if it supports programs that cannot fund themselves. ADOPLAFAM's successful voucher program, which targets the poorest communities, illustrates that commitment to the social mission can be maintained even while more attention is paid to the bottom line.

NGOs play a crucial role in the global provision of family planning and other reproductive health products and services. By employing context-appropriate private-sector approaches, many reproductive health NGOs should be able to overcome the difficulties imposed by the withdrawal of donor funding.