

# The Middle Income Trap: A growth crisis for the Reproductive Health Supply Security financing in Latin American and Caribbean

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Latin America and Caribbean countries have reached important achievements in Reproductive Health Commodity Security (RHCS) during the last decade; however they are facing important financial challenges. Despite the fact that they have strongly increased resource allocation in RHCS, which has generated positive results, as the reduction of women's unsatisfied needs for contraceptives, it has also introduced some challenges in the way these supplies are financed.

It is possible to identify three important challenges linked to the financing of RHCS in the region: a) population access to Reproductive Health Commodities highly depends on out-of-pocket spending, b) International donor resources withdrawal, and c) lack of sustainability of government allocations. Each of these challenges and its causes is analyzed in the following sections.

## a) Dependence on out-of-pocket spending

Most contraceptives are directly purchased by the consumers; this is a regional peculiarity. Contraceptives are among the best selling drugs in the largest countries such as Argentina, Brazil, Colombia, Mexico, Peru and Venezuela. This fact makes out-of-pocket spending the first challenge because it is the most regressive of the financing sources for health. For the poorest, who are the ones facing the biggest access barriers, to purchase contraceptives and other reproductive health drugs could represent a relevant percentage of their income.

For the most vulnerable population, this not only raises the frequent dilemma

between acquiring the medicines and Reproductive Health Supplies or other goods and essential services, but also it is also a threat against the continuity in the use of the methods.

## b) Donor withdrawal

A substantial part of the increase reached in the coverage of modern contraceptive methods is due to the efforts made through international cooperation. In 1990 about 13,4% of women who wanted to use contraceptives didn't reach proper access to them, and in 2010 this rate fell to 10,1%. This reduction was stronger for the poorest countries, like Haiti, where the population has the lower access by market. The main reason for this decline is that for several years, donors such as USAID and UNFPA have been providing free contraceptives to the population through NGOs and public health services, but this has changed.

From the 90s, and while the acceptance of the modern methods of family planning by the population was being consolidated, the withdrawal of funds from donations began. International cooperation resources began to prioritize other regions with higher needs and where investments had not reached the same levels of impact yet.

## c) Lack of sustainability of government allocations

Despite the fact that national allocations to purchase and secure Reproductive Health Supplies have grown significantly, they have not been sustained. Both, in the wealthiest

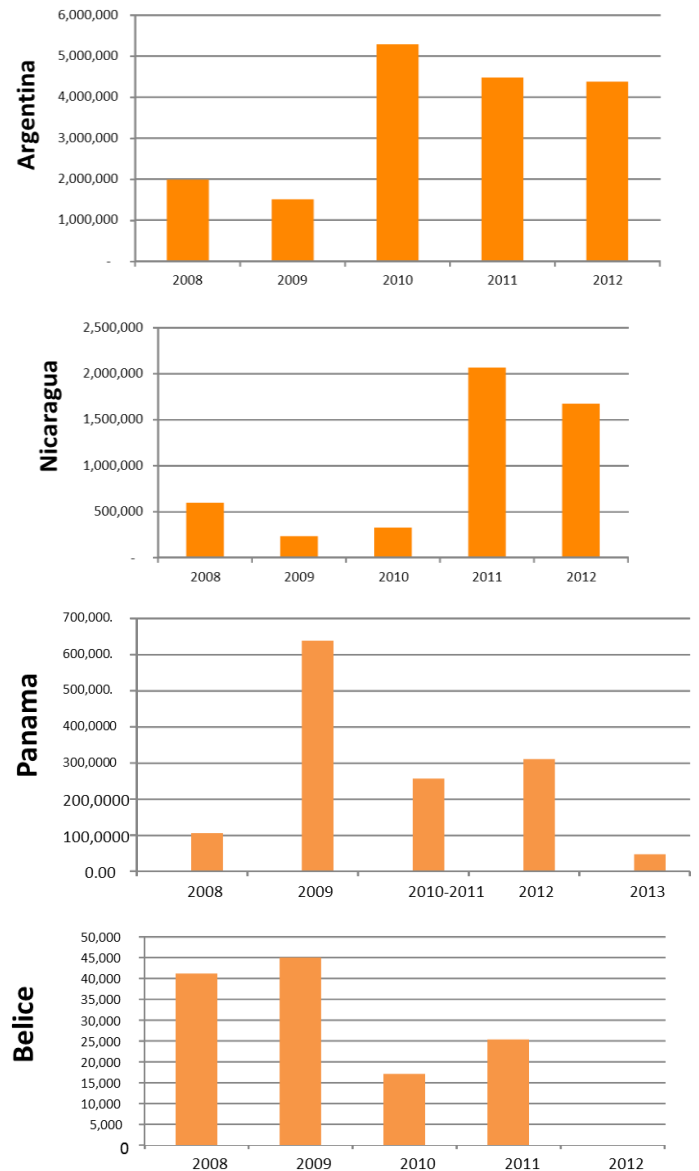
countries of the region (such as Argentina, Brazil, Mexico and Uruguay), as well as in the poorest (as Bolivia, Nicaragua, Belize), and also through intermediate developed countries (such as Panama and Peru), government expenditures have been fluctuating. Chart 1 shows the financial instability of RHCS in the region.

This unstable behavior in the government allocation cannot be attributed to the economic crisis because in recent years most countries in the region not only have been expanding its economy, but also their health expenditures. Lack of sustainability of government allocations may be attributed to the fact that, although countries have incorporated Sexual and Reproductive Health Policies, these have not gained enough political weight. A result of the above is that during budget allocations, Sexual and Reproductive Health Programs fail to remain a government priority, and some years they get more resources than others. The problem with this behavior is that spasmodic financing causes spasmodic availability of supplies, affecting treatment compliances and coverage expansion. In places where health insurance coverage or families incomes are higher, the threats for reaching Reproductive Health Supplies Security results less critical because government programs assume a less important role. However, this is not the reality in most of the countries in the region, where a large part of the population depends heavily on public provision for access to family planning. If there are population segments that report greater difficulties of access, such as women living in rural areas, as well as, younger and lower income people, interruptions in the availability of supplies can become a major obstacle for structural problems as relatively low maternal mortality reduction and a sustained increase in teen pregnancy.

Public financing for RHCS is needed and convenient. To guarantee the availability of free supplies in public health facilities is one

way to reach the most needed and whom remain a high social and health impact investment.

**Chart 1. Latin America. Evolution of governmental resources allocated for Reproductive Health Supplies. Current US dollars. Selected countries**



Source: UNFPA - LACRO.

The “middle income trap”

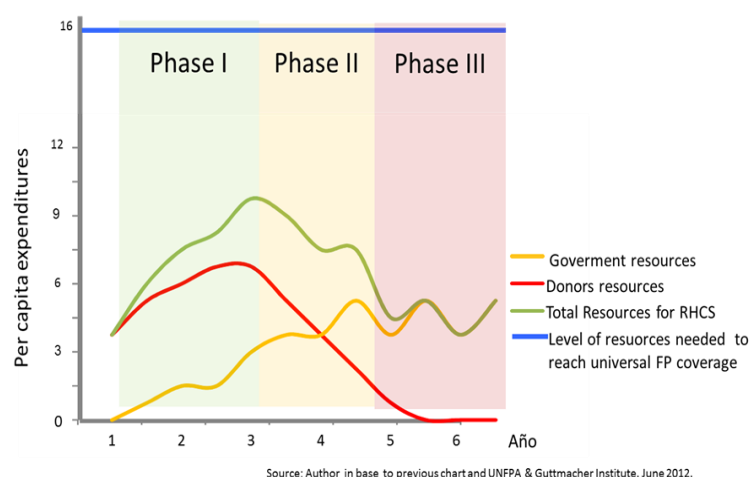
As a result of these three challenges, countries in the region face a growth crisis. On one hand, the region does not show such a critical situation as sub-Sahara Africa or parts of Asia, but grant resources are being removed progressively. On the other hand, economic growth has not been enough to ensure that low-income population access the supplies via the market. Therefore, countries in the region show a significant dependence on government resource mobilization to achieve and conquer expanded coverage and seek for reductions in both, the access gaps and teen pregnancy rates.

While public sources continue registering an oscillating behavior, it will be very hard to achieve such goals. Chart 2 shows this growth crisis we have called the "middle income trap". This is a scheme of the evolution per capita resources allocated to commodity security in a hypothetical country of the region. The total expenditure per capita on reproductive health supplies is represented by the light green curve. During an initial phase, international donors' resources (red curve) are the main source of funds for RHCS, while national government resource allocation starts (yellow curve).

In a second phase, family planning coverage has expanded largely and domestic resource mobilization expands and starts the withdrawal of international donor funding.

In a third phase, commodity security relies exclusively on the government (usually Ministry of Health) resource allocations to the Sexual and Reproductive Health Programme (the green curve is equal to the yellow curve). Unfortunately, a fluctuation is observed and that makes difficult to achieve universal coverage. In this chart universal coverage is represented by a blue line. Universal coverage has been calculated by UNFPA and the Guttmacher Institute as a cost equivalent to \$ 15.64 for every woman.

Chart 2.  
Growing Crisis Model in the Reproductive Health Commodity Security.



### Conclusion

Although much has been done and a lot has been accomplished in order to ensure universal access to reproductive health supplies, there is still a lot to achieve and work to do in the region. Two main courses of action could be identified in order to make progress in this journey:

- a) Advocacy with national authorities on the importance to sustain budget allocations in order to reach universal coverage of Sexual and Reproductive Health Commodities.
- b) Create awareness among donors about the risks involved in funding withdrawal.

International agreements and declarations as those achieved at the ICPD Conference in Montevideo in August 2013, generate a favorable framework to accomplish sexual and reproductive rights, but only nation states can guarantee such rights. In this context, in spite of the the availability of sexual and reproductive health supplies they are not enough to fulfill the right, *if there are no supplies there are no rights.*