

## KENYA CASE STUDY



## ACRONYMS

<b>AGYW</b>	Adolescent Girls and Young Women
<b>BMGF</b>	Bill & Melinda Gates Foundation
<b>CASP</b>	County AIDS Strategic Plans
<b>CCP</b>	Comprehensive Condom Programming
<b>CWG</b>	Condom Working Group
<b>HIV</b>	Human Immunodeficiency Virus
<b>FSW</b>	Female Sex Workers
<b>GARPR</b>	Global AIDS Response Progress Report
<b>GoK</b>	Government of Kenya
<b>KEBS</b>	Kenya Bureau of Standards
<b>KASF</b>	Kenya AIDS Strategic Framework
<b>LMIS</b>	Logistics Management Information System
<b>MCP</b>	Multiple Concurrent Partnerships
<b>MGH</b>	Mann Global Health
<b>MOH</b>	Ministry of Health
<b>MSK</b>	Marie Stopes Kenya
<b>MSM</b>	Men having Sex with Men
<b>NACC</b>	National AIDS Control Commission
<b>NASCOP</b>	National AIDS and STI Control Program
<b>NASF</b>	National AIDS Strategic Framework
<b>PMTCT</b>	Prevention of Mother to Child Transmission
<b>PSK</b>	Population Services Kenya
<b>PWID</b>	People Who Inject Drugs
<b>RHMCU</b>	Reproductive Health Maternal Child Unit
<b>TMA</b>	Total Market Approach
<b>TRaC</b>	Tracking Results Continuously
<b>UNFPA</b>	United Nations Population Fund
<b>USAID</b>	United States Agency for International Development
<b>USG</b>	United States Government
<b>VMMC</b>	Voluntary Male Medical Circumcision



# 1 | INTRODUCTION

The Bill and Melinda Gates Foundation hired Mann Global Health to conduct an analysis of the state of condom programming for HIV prevention in five countries in sub-Saharan Africa. Concerned that funding for condoms has declined, the Foundation sought greater insight into condom total markets – meaning the larger context of all condoms distributed in each country, whether via the public sector, private non-profit actors (including social marketers), or private commercial actors. The focus of this assessment is on sustainability and impact using the market development approach. The objective is to provide recommendations for building and sustaining equitable condom programs at scale, based on a clear understanding of how and why existing markets are failing, and how programs can be strengthened with future planning and investments.

Kenya is an archetype of a country with strong condom programming and support in the public sector. Against this largely positive picture, however, is a relatively recent government devolution of health programming to 47 counties, a move that raises issues about how county health departments will address supply and demand creation issues for condoms — equitably and sustainably. The key question in the Kenyan condom market will

therefore be whether the gains made in programming within the public sector can continue in a country moving towards decentralization of condom programming. In addition, there is the question of whether strong social marketing and commercial players can help ensure sustainability of the national condom program. As a country archetype, Kenya provides a window into issues that are common across other countries, such as the over-reliance on external funding for condom programming and the need to grow condom markets sustainably while addressing equity and health impact objectives.



# 2 | APPROACH

To allow for a single overarching approach that addresses all stages in a condom program — from country stewardship to market development and sustaining markets — a “Condom Program Pathway” was proposed. The three components of the pathway are: Condom Program Stewardship, Condom Market Development and Condom Market Management.

**Figure 1: The Condom Program Pathway**



Based on an extensive literature review, Mann Global Health identified challenges along the condom program pathway that might impede efforts to achieve equity, sustainability and scale. As seen in Figure 1 above, each of the three elements of the condom program pathway contains three sub-elements with the market functions required for strong condom programming.



Mann Global Health did an extensive literature review of issues and concerns around condom programming, and interviewed global stakeholders involved in condom programming prior to conducting the assessment in Kenya. The table below compares the prioritized challenges from the literature review with the market failures seen in Kenya, and is discussed in greater detail in later sections of this report:

**Figure 2: Condom Pathway Summary Findings from Kenya Deep Dive**

Condom Pathway Elements	Condom Program Pathway market function failures	Findings from Kenya
<b>Condom Program Stewardship</b>	Financing is inadequate	An HIV investment fund unit has been established with the objective of creating and sourcing innovative funding instruments, but is yet to be implemented.
	Need to invest in total market approach (TMA) leadership, coordination and planning capacity	Limited national stewardship of the national condom market as key government agencies focus on direct implementation through the public sector and there is no common vision for a healthy condom market based on total market approach principles.
		Despite a vibrant economy and strong players, commercial actors play a limited role in the condom market due to policy
<b>Condom Market Development</b>	A lack of market analytics leading to poor understanding of condom markets	Decentralization has exacerbated quantification and supply chain issues due to coordination challenges. The counties are yet to develop their supply chain management capacity, leading to poor forecasting and inefficiencies in distribution.
	Poor planning, quantification, and funding, leading to supply problems	Lack of adequate investment and coordinated efforts for demand creation to ensure continued growth of the condom market and increased condom use across all target populations.
	Inadequate sustained demand creation targeting populations at risk	Lack of adequate investment and coordinated efforts for demand creation to ensure continued growth of the condom market and increased condom use across all target populations.
<b>Condom Market Sustainability</b>	Inadequate use of metrics for management	A dearth of data inhibits evidence-based programming.

Kenya has an estimated population of 46.8 million inhabitants with 19% of the population aged 15-24 and 59% under the age of 24. According to the World Bank, the national Gross Domestic Product (GDP) per capita was \$1,376 in 2015 with an economic growth rate projected at 5.9% in 2016 and 6% in 2017.<sup>1</sup> Key drivers of growth include a vibrant services sector, enhanced construction, currency stability, a growing middle class, and increased public investments in the energy and transportation sectors.

Kenya is scheduled to hold an election in August 2017. Devolution remains an important strategic change under the 2010 constitution, which brought new political and economic plans to the country. Kenya has met some of the key Millennium Development Goals, including reduced child mortality, near universal primary school enrollment, and narrowing gender gaps in education<sup>2</sup>.

The vision for the Kenya AIDS Strategic Framework (KASF) is a country free of HIV infections, stigma, and AIDS-related deaths. The goal is to contribute to achieving Kenya Vision 2030<sup>3</sup> through universal access to comprehensive HIV prevention, treatment and care. The main objectives of KASF<sup>4</sup> are to:

1. Reduce new HIV infections by 75%
2. Reduce AIDS related mortality by 25%
3. Reduce HIV related stigma and discrimination by 50%
4. Increase domestic financing of the HIV response to 50% (double the current domestic funding)

Key strategic pillars for KASF 2014/15-2018/19 include reduction of new HIV infections with priority interventions, including geographic prioritization, and provision of free commodities including condoms and lubricants to key populations. These key populations include Female Sex Workers (FSW), Men having Sex with Men (MSM); Persons Who Inject Drugs (PWID); and vulnerable populations, including Adolescent Girls and Young Women (AGYW). Kenya has demonstrated significant achievements in response to HIV and AIDS programs within two years of the Kenya AIDS Strategic Framework 2014/2015-2018/2019, including: positive scores on treatment coverage among people living with HIV; increased knowledge of HIV; counties' ownership of HIV and AIDS programs demonstrated by the development of county specific County AIDS Strategic Plans (CASP); and improved funding to support HIV and AIDS programs at the national level. The government funds 25% of the HIV response<sup>5</sup>.

Compared to the national HIV prevalence rate of 5.9%, there are pockets of high HIV prevalence among key population groups. For instance, HIV prevalence in 2010-12 was 29.3% among FSWs (estimated population of 133,675); 18.2% among MSM (estimated population of 22,000); and 18.3% among PWID (estimated population of 18,327). Overall, coverage of the targeted HIV interventions among these populations is high, estimated at 76% among FSWs, 65% among MSM, and 68% among PWID<sup>6</sup>. In 2015, the number of people living with HIV was 1,517,707 including 643,598 men 15+ years with 5.5% prevalence, 775,939 women 15+ years with 6.3% prevalence, and 98,170 children under 14<sup>7</sup>.

<sup>1</sup> World Bank Kenya Country overview

<sup>2</sup> World Bank Kenya country overview

<sup>3</sup> Kenya Vision 2030 is a development blueprint that aims to transform Kenya into a middle-income country by 2030 by achieving target social, economic and political goals. The socio-economic goals are linked to the Millennium Development goals including reduction of HIV/AIDS incidence.

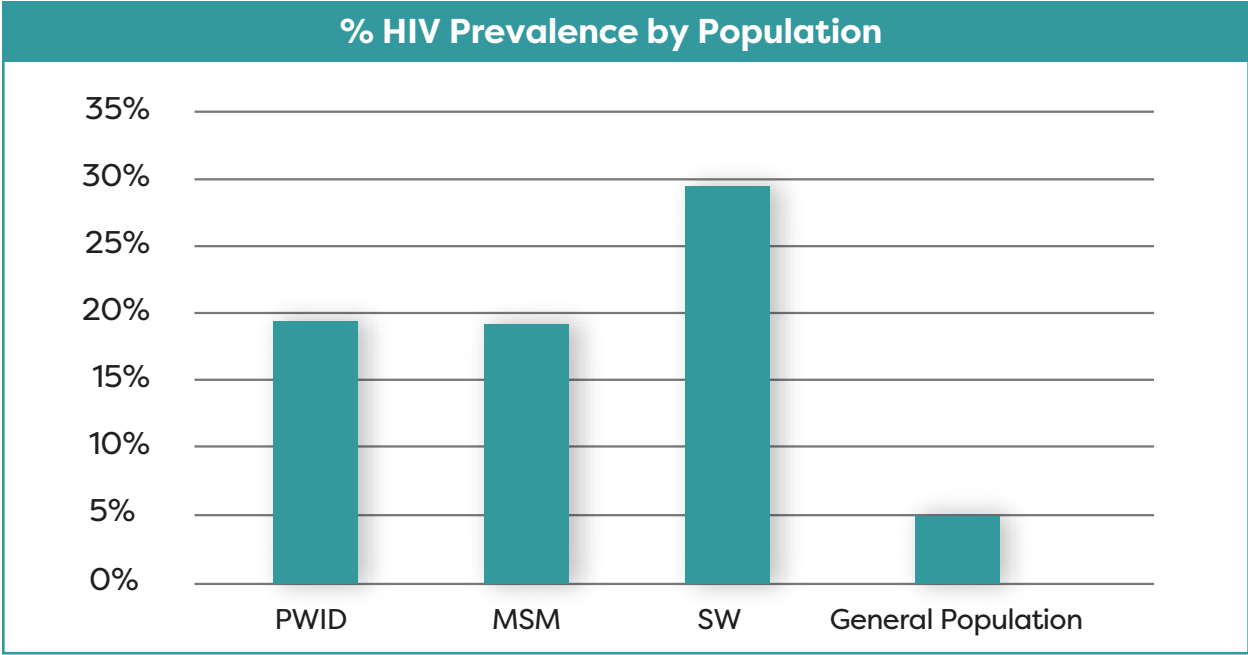
<sup>4</sup> Kenya AIDS strategic framework 14/15-18/19

<sup>5</sup> Kenya AIDS strategic framework 14/15-18/19

<sup>6</sup> National Behavioral Assessment of key populations in Kenya polling booth survey November 2014(NASCOP)

<sup>7</sup> Kenya AIDS progress report 2016

**Figure 3:** HIV Prevalence by Population (2010-12)



**Source:** Kenya National AIDS Control Council (2014) ‘Kenya AIDS Strategic Framework 2014/2015 – 2018/2019.’  
**Note:** Data is from 2010-2012.

The HIV epidemic has inordinately affected Kenyan youth, with 51% of new adult HIV infections in the 15-24 age group in 2015, which represents a 17% increase from 2013. Given the high proportion of youth population in Kenya and the increase in percentage of young men and women who had sexual intercourse before the age of 15 (from 12.3% in 2012 to 14.7% in 2014), in its 2016 AIDS Program Report the Government of Kenya (GoK) has identified a capacity enhancement strategy for monitoring and prevention of new HIV infections among young people aged 15-24 years.

## 4 | STATE OF THE CONDOM MARKET

### 4.1 Current Use and Need

Condom use is generally higher among men, at 43.4%, compared to women at 37.1%. The percentage of adults aged 15-49 who had more than one sexual partner in the past 12 months and reported the use of a condom during their last intercourse increased from 38% in 2012 to 44% in 2015 – a positive trend. Not surprisingly, given their high incidence rate for HIV, there are some worrying trends of decreased condom use among youth. For instance, condom use at last sex among women in the 15-24 age who reported multiple partners decreased from 39.5% to 37.5% from 2009 to 2014<sup>8</sup>. From 2011-2015, there was a significant increase in condom usage among key populations as seen in the table below.

**Figure 4:** Reported Condom Use at Last Sex among Key Populations (2011-2015)

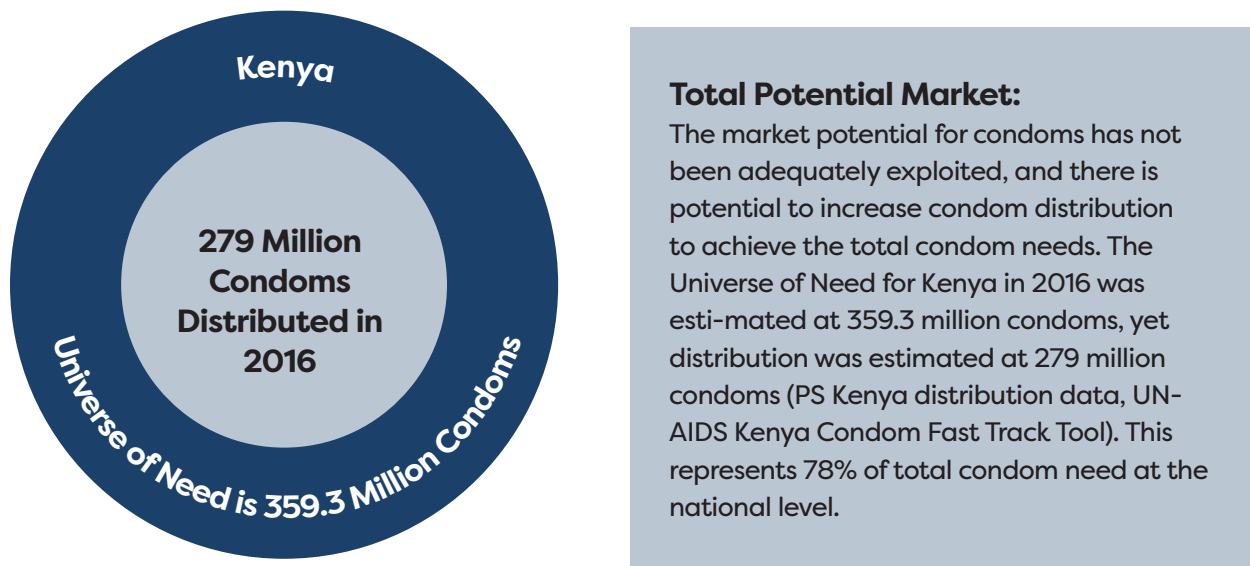
Reported Condom Use at last sex act	2011	2013	2015
% of sex workers reporting condom use at last sex act with their most recent client	86.8%	86.2%	91.9%
% of men reporting condom use the last time they had anal sex with a male partner	54.4%	68.8%	80.4%
% of people who inject drugs who report the use of a condom at last sexual intercourse	24.7%	N/A	70.3%

**Source:** Kenya AIDS progress report 2016

<sup>8</sup>Kenya AIDS progress report 2016

In 2016, a total of 279 million condoms were distributed in the Kenya market. This represents 78% of the total condom need at 359.3 million.

**Figure 5:** Total Potential Market for Condoms

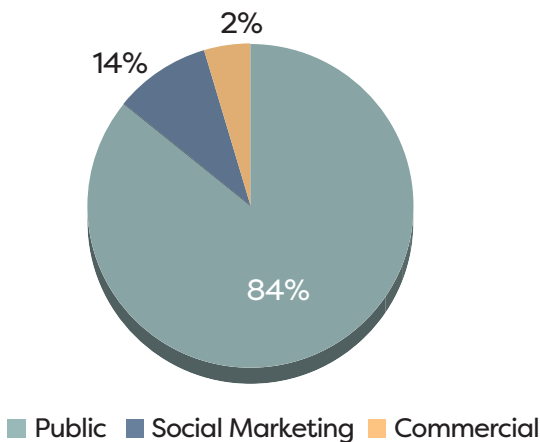


**4.2 Market Description**

The condom market composition includes a dominant public sector that accounts for 84% of total condom distribution, and a strong social marketing sector at 14% of the total market.<sup>9</sup> Despite Kenya’s strong economic growth and lower-middle income status, as well as the presence of a vibrant commercial market for other consumer goods, commercial condom brands represent less than 2% market share of the total condom market. Although small, there is robust competition and choice within the commercial sector.

**Figure 6:**  
Kenya Condom Distribution by Sector (2016)

**Condom Distribution by Sector 2016**



<sup>9</sup> PS Kenya, National HIV Commodities assessment report 2014 (NASCOP)

**Figure 7:** Overview of the Kenya condom market by sector

	PUBLIC SECTOR FREE	SOCIAL MARKETING	COMMERCIAL
<b>BRAND</b>	Government brand is Sure, which includes flavored and colored variants. <sup>10</sup> The enhanced free variants compete against social marketed and commercial brands, making it challenging to adjust prices and move towards sustainability.	Population Services Kenya's (PSK) Trust is the flagship social marketing brand in Kenya. Trust includes basic and enhanced variants. The other major social marketing brand is Salama that is sold by PSI in Tanzania but is leaking into the Kenya market due to low prices. According to the Retail Audit data from PSK, Salama's market share is estimated at 27.3% of the private market (social marketing plus commercial brands in the private channels). <sup>11</sup> DKT entered the market with 2 brands – Kiss and Fiesta – in April 2017 with a full cost-recovery model.	There are 4 major commercial brands in Kenya. The leading brand is Deluxe (imported by Hartwood Enterprises) with sales estimated at 663,000 in 2016. This is followed by Rough Rider and Kama Sutra from Ansell at 499,000 combined, followed by Durex from Reckitt Benckiser at 217,000 units <sup>12</sup> .
<b>MARKET SHARE</b>	Market share estimated at 84%	Market share estimated at 14%	Market share estimated at below 2%
<b>SUBSIDY %</b>	Free for consumers – 100% subsidy	Market reliance on subsidy is 79%	0% reliance on subsidy
<b>FINANCING</b>	The National HIV and AIDS Resource Needs for 2015/2016 was USD \$315 Million. In 2013, out of the total contribution to the HIV response, government's contribution was 17%. In 2015, the Government contribution grew to 25%, an encouraging increase in domestic financing for a sustainable response. Heavy reliance on commodity funding from UNFPA and Global Fund. <sup>13</sup>	Commodity procurement, distribution and demand creation entirely supported by donors. <sup>14</sup>	Commercial players are self-financed but face steep regulatory & policy challenges including high fees, onerous testing regimens and poor market surveillance allowing cross-border leakage of condoms.
<b>AVAILABILITY</b>	Distributed through public health facilities, bars, lodges, and other public institutions.	Distributed through pharmacies, retail outlets and limited online presence (Trust brand only).	Distributed through pharmacies, convenience stores and online presence.
<b>FUTURE</b>	There has been strong national leadership by government including commitment by the President and the First Lady. Although government financing has increased to 25%, this is a critical juncture to inculcate market-based approaches to balance the market. <sup>15</sup>	The dominant social marketing player, PSK, is moving towards a social enterprise model with full cost-recovery pricing across brand variant.	Commercial players have formed a supply chain group that may lobby government for improved regulations and policies that can spur growth of the commercial sector.

<sup>10</sup> Key Informant interview with National AIDS & STI control program

<sup>11</sup> PSK Data

<sup>12</sup> PSK Data

<sup>13</sup> Kenya AIDS progress report 2016

<sup>14</sup> PSK Data

<sup>15</sup> Kenya AIDS progress report 2016

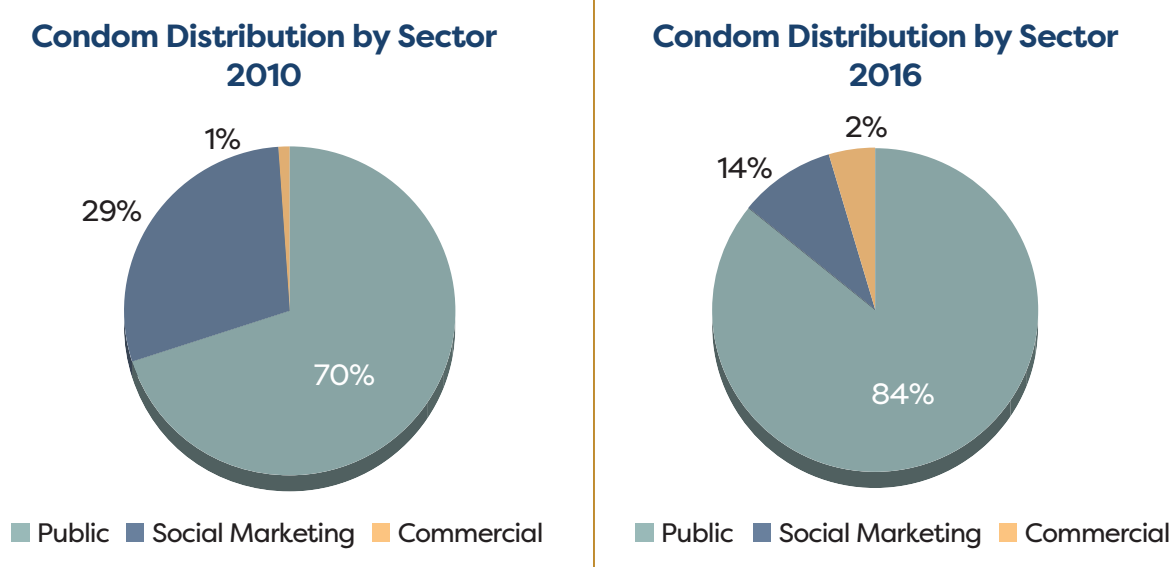


## Market Breadth

With strong donor support for condoms, the total condom market has increased significantly, and free condom distribution doubled from 117.7 million condoms distributed in 2010 to over 235.2 million condoms distributed in 2016. However, some of this increase was at the expense of the social marketing brand Trust, as total distribution of social marketed condoms declined from 48.2 million in 2010 to below 41.4 million in 2016. Increases in free condom distribution also negatively affected sales volumes of commercial brands with a decline in sales from 3 million to 2.69 million in the same period. As a result, the market share of free condoms increased from 70% in 2010 to 83% in 2016, and market share of social marketing and commercial brands declined to 16% and 1-2% respectively. This shift in the market has led to increased reliance on subsidy and therefore a greater need for external financing to sustain the gains made in condom distribution and condom use in Kenya.

Kenya's condom market is valued at approximately Kshs 800 million (US\$7.7 million) per annum with a small but diverse commercial sector, estimated to have over 40 commercial brands and attracting new players every year.<sup>16</sup> Within the private channels specifically (non-profit as well as for-profit), PSK's Trust brand and variants have the highest market share followed by Salama brand (leakage from PSI Tanzania). Because of PSK's increased focus on monitoring market trends, improved marketing and distribution efforts and discussions with PSI Tanzania, the market share of Salama condoms has declined from 40.2% in 2015 to 27.3% in 2017 of the private market and led to a corresponding increase in PSK's Trust market share within the private sector. This shift in market share is an example of the market distortion created by price arbitrage due to low-priced and heavily subsidized brands as well as the unharnessed potential to upgrade consumers to higher-priced, lower-subsidy brands with appropriate market management and market monitoring efforts.

**Figure 8: Condom Distribution by Sector (2010-2016)**



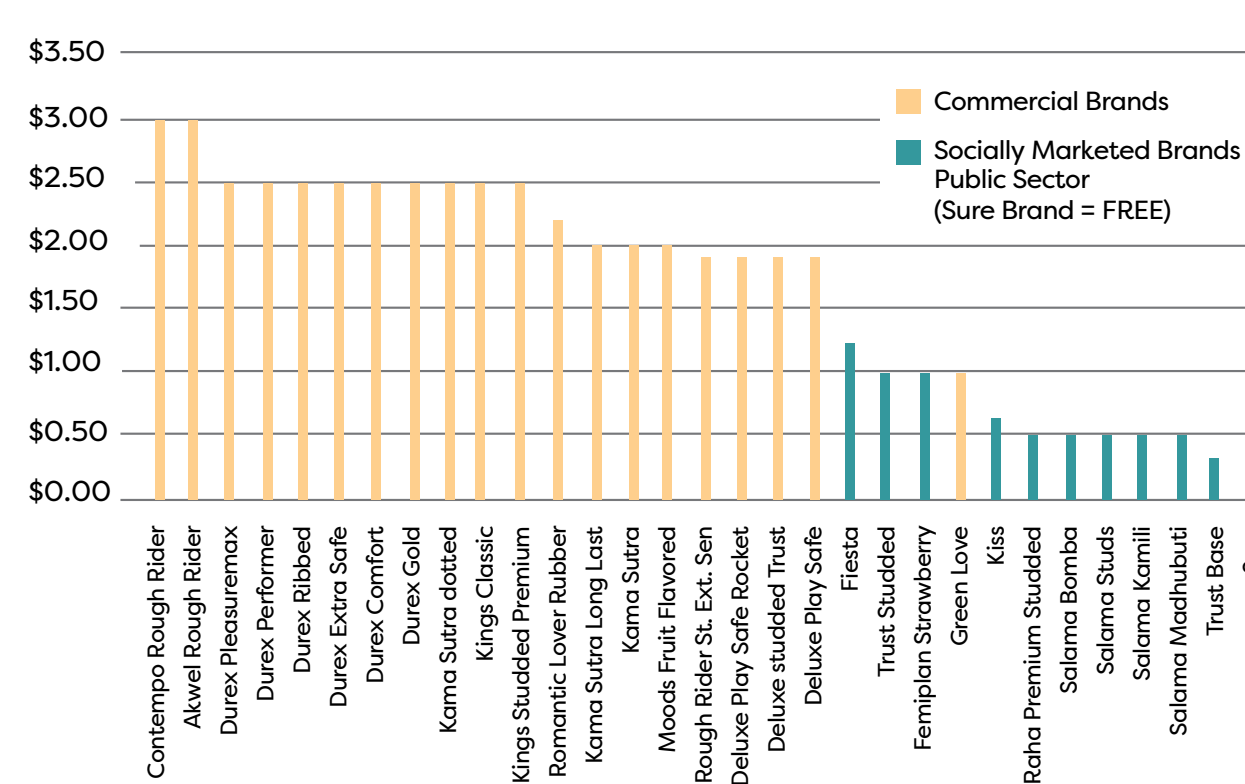
It is important to note the growing diversity in the private channels with the recent entry of DKT in the Kenya market. DKT has planned a full cost-recovery model for two new brands, Kiss and Fiesta, launched in April 2017 with a consumer price of US\$0.6 per 3 condom-pack and US\$1.2 per 3 condom-pack, respectively. In comparison, PSK's Trust Classic are sold at US\$0.3 per 3 condom-pack and Trust Studded at US\$1.0 per 3 condom-pack. The main players in the commercial sector are Hartwood Enterprises (Deluxe), Ansell (Rough Rider and variants) and Reckitt Benckiser (Durex and variants).

<sup>16</sup> TNS Retail Audit Data, April 2017

**Figure 9:** Brands and total distribution in private channels (2016)

Commercial Brand	Total Distribution	Social Marketed Brand	Total Distribution
Durex	217,000	Salama Bomba	388,000
Ansell	499,000	Salama studs	2,722,000
Hartwood enterprises	663,000	Trust Studded	4,889,932
Other	1,316,000	Femiplan female condoms	149,000
		Raha	16,000
		Trust Classic	25,500,044
		Salama Halisi	7,710,000
<b>Total Commercial Brand Distribution</b>	<b>2,695,000</b>	<b>Total Socially Marketed Brand Distribution</b>	<b>41,374,976</b>
Total Condom Market Distribution (Private Sector – commercial and social marketing)		44,069,976	

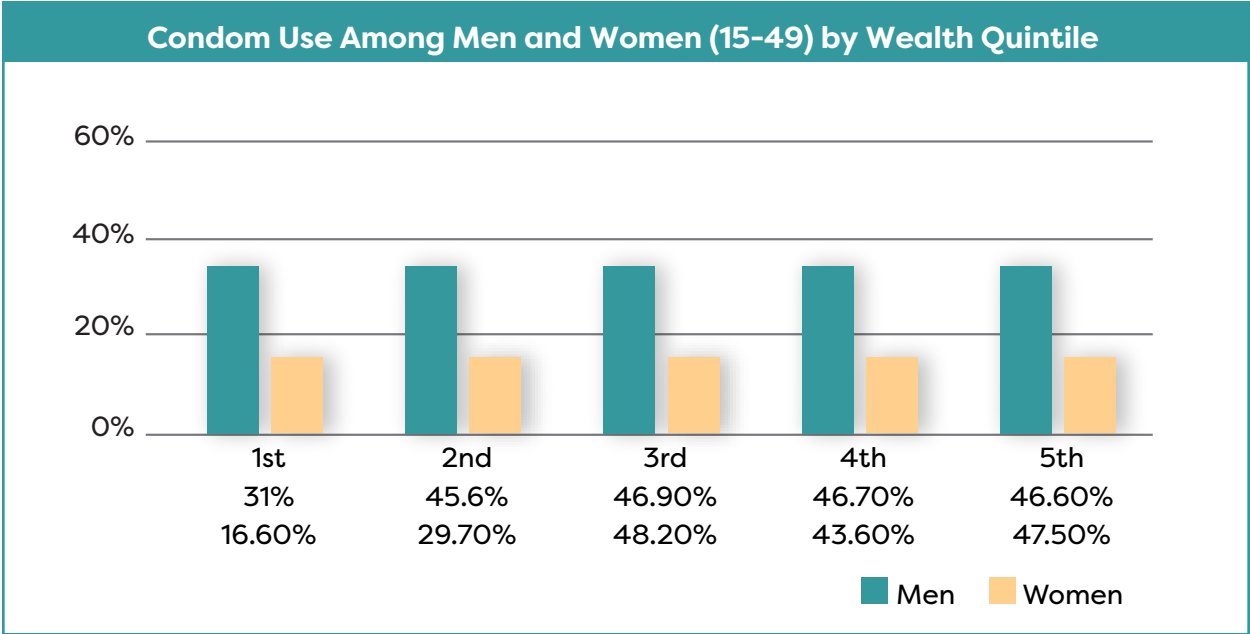
**Figure 10:** Consumer price by Brand and Sector (USD)





There is room to improve equity within the Kenya market. As seen in Figure 11 below, condom use is lower among men and women in the lowest wealth quintile compared to other groups (KDHS 2014). Similarly, there are geographic discrepancies in condom use as well as in the increases seen over the previous years. As seen in Figure 11 below, condom use is lower among rural populations and condom use among rural women dropped from 33.7% in 2009 to 29.6% in 2014.

**Figure 11:** Condom use among men and women by wealth quintiles



Source: KDHS 2014

**Figure 12:** Condom use among men and women by location

Men and women 15–49 with multiple partners who reported using a condom at last sexual intercourse by location				
	Urban 2009	Urban 2014	Rural 2009	Rural 2014
Men	38.7	46.6	36.3	42.3
Women	38.1	47.4	33.7	29.6

Source: KDHS 2014

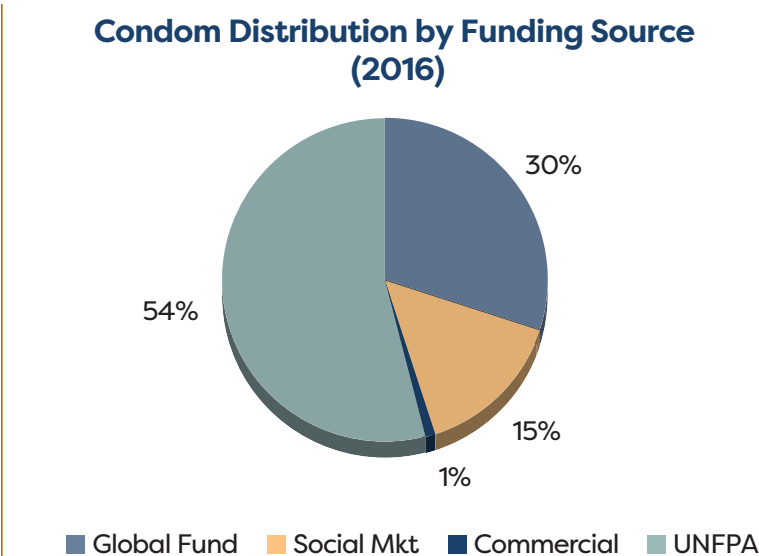
**Funding Environment**

The Government of Kenya has increased contribution to the national HIV response from 17% in 2013 to 25% in 2015. Despite this increase in contribution of domestic financing towards overall HIV funding, the total condom market is over-reliant on donor funding<sup>17</sup>. The current costs of HIV related commodities including condoms, HIV test kits, ARVs, and laboratory agents is approximately US\$223 million in the financial year 2016/17 and set to rise to US\$313 million by 2018/19. Kenya has successfully applied for funding through Global Fund in 2017 and received approval for US\$259 million to support ARVs, HIV test kits as well as condoms for HIV prevention programs.

According to World Bank data, Kenya is categorized as a lower-middle income country. Kenya is also transitioning to Universal Health Care (UHC) to ensure that all people have access to affordable quality healthcare services. This has implications for domestic financing and funding requirements for health commodities and drugs. Dwindling resources from donor partners against the growing needs for health resources requires innovative approaches for funding HIV programming.

The government has proposed the launch of an HIV investment unit within the National AIDS Control Council (NACC) to focus on developing a model for sourcing funding. The unit will be set up within NACC as mandated under the Public Finance Management Act and will implement innovative financing mechanisms to draw additional resources. These resources will be ring-fenced for high priority areas and interventions, and for underfunded areas within the HIV response as identified in the Kenya AIDS strategic framework.<sup>18</sup> Funding ideas include: Debt swap options; AIDS lottery; Corporate Social Investment (CSI); Infrastructure HIV resources; Health bond; Portion of interest from dormant funds; and Organized informal sector contributions.

**Figure 13:** Condom Distribution by Source of Funding (2016)



<sup>17</sup> Kenya AIDS response progress report 2016

<sup>18</sup> Kenya AIDS strategic framework 14/15-18/19





**Figure 14: Market reliance on subsidy based on cost of goods sold (COGS) cost-recovery:<sup>19</sup>**

Market Reliance on Subsidy		
Sectors	2016 Volume Distribution	% Subsidy supporting Commodity & Packaging
Free Distribution (Sure - Public Sector)	106,666,854	100%
Social marketing (Trust - PS Kenya)	33,210,044	(4)%
Commercial (Deluxe, Rough Rider, Durex)	2,695,000	0%
<b>Market Reliance on Subsidy</b>		<b>59%</b>

**Source:** COGS and Cost-recovery from social marketing and commercial organizations

### 4.3 Stage of the Total Market

Given the years of investment in the Kenyan condom market, the high level of condom availability and increases in condom use, it can be categorized as a mature market, though some features of the market are still at a nascent stage. At below 2% market share, the commercial sector has shown limited growth, largely because of its inability to compete against heavily subsidized free and social marketing brands, as well as its unfavorable regulatory and policy environment. Free condom distribution is very high and has grown significantly, causing an increased reliance on subsidy as well as a *misalignment* of subsidy across income groups within the country. The market share of the social marketing and commercial brands has declined in recent years. The Kenyan condom market has significant potential to grow, as seen from the total universe of need as well as in the context of the country's growing population, especially in the younger age groups. It is imperative for the country to explore a sustainable growth strategy for the condom market, given the potential for reductions in donor funding and the need to allocate limited resources more efficiently and effectively to meet national HIV targets.

<sup>19</sup> Percentage subsidy supporting commodity and packaging is based on COGS cost-recovery information from all organizations. This assumes program income from sales of condoms can be used to fund commodity procurement.

## 5 | KEY FINDINGS

The landscape for condom programming in Kenya is experiencing major shifts in terms of donor support, the role and relevance of implementing and support agencies, and national leadership and coordination. These shifts present both challenges and opportunities for the growth of the total condom market. The market is characterized by strong players in the public and social marketing sectors as well as potential to grow the commercial sector. The existing infrastructure and stakeholders could better coordinate to increase access to and use of condoms across all population segments while ensuring equity and sustainability.

Ideally, Kenya's condom market growth will result in increased condom use – by the general population, and, importantly, by key populations. In addition, the market must move towards sustainability where reliance on donor funding decreases with a corresponding increase in domestic and private funding to maintain and grow current condom use across all wealth quintiles. Kenya has the potential to sustainably and equitably grow the total condom market given the presence of several positive elements, including a supportive political environment, a dynamic and thriving commercial market for many low value consumer goods, increased domestic funding for the national HIV response, and the presence of strong players supporting the Government's market development agenda.

Listed below are market failures that have been organized according to the functions under each of the three pillars of the Condom Program Pathway,<sup>20</sup> based on key stakeholder interviews and review of all relevant documents.

### 5.1. Condom Program Stewardship

*Leadership and Coordination: Limited national stewardship of the national condom market as key government agencies focus on direct implementation through the public sector. Lack of common vision for a healthy condom market based on total market approach principles.*

As seen from the increased role of public sector condoms in overall condom distribution, there is strong capacity within government agencies, National AIDS and STI Control Program (NASCOP) and National AIDS Control Commission (NACC) to manage condom programming. However, there is limited capacity within these bodies to play a stewardship role and ensure cross-sectoral coordination. For instance, the national condom technical working group has not been operational for several years. In addition to NASCOP and NACC, this working group was comprised of UNFPA, USAID, CDC, PSK, Marie Stopes Kenya (MSK), and KEMSA (Kenya Medical Supplies Authority) and does not include any representation from the commercial sector.

In addition, the vision for a healthy condom market based on the three goals of equity, sustainability and scale has not been defined in this context, as there is no total market strategic framework for condoms, with clearly articulated objectives and performance indicators. The current policy document, Kenya AIDS Strategic Framework 2014/2015 – 2018/2019, does not include a strategic framework that is inclusive of all market players that can contribute to growing the total condom market. There is a gap within the policy and strategy documents due to a limited understanding of the current situation and hence an inability to use appropriate metrics to monitor progress over time.

There is limited engagement between the national bodies and commercial sector partners and hence the onus of reaching condom targets is on the public sector, and to a lesser extent on the social marketers. The public sector plays an enhanced role in core functions of demand and supply in the market. Government behavior change campaigns include the NASCOP “Zip it or Use it” national campaign targeting general and key populations to promote use of the free public-sector condom, Sure. Other initiatives include distribution of a million free condoms on International AIDS day in 2014. There has also been investment in enhancing perceptions of quality for the free condoms through additional colored and studded variants. These efforts tend to increase subsidy needed in the market as free condoms compete with other brands and keep overall prices low.

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<sup>20</sup> The pathway for condom programming has been proposed to achieve equity, sustainability and scale. The key components of the pathway are included in Figure 2.

As noted above, this increase in free condom distribution has been at the expense of other brands. Overall, there is a lack of understanding of ways in which total market approaches can help ensure that other market players support national objectives while achieving funding diversity and financial sustainability. There is an opportunity for the government to draw from the total market approach work done in the family planning (FP) space and apply these lessons to condom programming. For the sake of comparison, private channels and commercial brands lead the market with 61% market share for emergency contraceptives.

With technical assistance from Palladium as part of the DFID-funded Enabling Sustained Health Equity (ESHE) project, the Reproductive Health, Maternal and Child Unit (RHMCU) formed a TMA group for FP in mid-2016. This group has a clear work plan with goals of creating an enabling environment for a balanced and sustainable FP market with access, equity and choice. Condoms have not been a focus area within this FP TMA group as condoms are seen as an HIV commodity and managed by NASCOP. The FP TMA group presents an opportunity for learning as well as leveraging. This group has successfully played a role in advocacy, funding and building capacity for national stewardship. There is an opportunity to align condom programming given the dual role played by condoms for contraception and HIV/STI prevention.

*Policy and Regulatory: Despite a vibrant economy and strong players, commercial sector plays a limited role in the condom market due to policy and regulatory barriers as well as lack of engagement.*

Stakeholders interviewed for this assignment complained of high registration fees, as condoms are classified as a medical device. Total fees, including registration fees for Kenya Poisons and Pharmacy Board, are 0.75% of commodity cost; 2% importation fee and 16% VAT. Tax exemption is difficult due to bureaucratic challenges of dealing with multiple government agencies, including the Kenya Revenue Authority, Ministry of Health and Ministry of Finance. The process for obtaining permits for condom importation can take months.

In addition, since 2016, the Kenya Bureau of Standards (KEBS) has instituted a new rule that requires each condom pack to have a KEBS sticker. This has added Kshs 49 (US\$0.005) due to re-packaging. KEBS also requires condom testing for higher volume brands. This is an additional expense as most social marketed and commercial brands of condoms have already been tested prior to importation into the Kenyan market. There were instances where KEBS had declared products unfit for consumption, which necessitated engagement with international quality assurance technicians for verification, and training expenses for KEBS technicians at international locations. These challenges pose steep entry barriers for commercial and social marketing players.

In addition, there is unfair competition for the commercial brands and for certain social marketing brands (where social marketers are raising prices to achieve sustainability) due to the presence of cross-border leakage of lower-priced brands (e.g., Salama condoms from PSI Tanzania). These cross-border leaked condoms are not subject to the same testing and taxes as the local commercial and social marketing brands.

## **5.2 Condom Market Development**

*Market Analytics: Lack of a central body organizing collection and dissemination of market data for all market players leading to strategic myopia for the total condom market.*

Market analytics are a critical component of market development approaches, as they allow for a comprehensive understanding of market trends, as well as consumer behaviors and insights to drive use and grow the condom category, and to manage and monitor program performance to maximize impact. Without market information, it is difficult to understand the roles played by different market actors, and even harder to plan for a healthier condom market in the future.

In the Kenyan condom market, there is a general dearth of robust consumer and market data that are routinely collected and widely available to all stakeholders. During the Kenya in-country interview process, the most frequently referenced source of data was the 2013 Tracking Results Continuously (TRaC) Survey conducted by PSK. PSK also conducts proprietary distribution surveys, Measuring Access and Performance (MAP), which provide information on



condom availability and prices. As most of this information is linked to donor projects, it is heavily reliant on donor funding, limited in scope, and not disseminated across all market actors.

In addition, national surveys such as the Kenya AIDS Indicator Survey (2012) and the Kenya Demographic and Health Survey (2014) provide information on behavioral indicators. It is important to note that there is significant investment planned to ensure availability of strategic information to inform the HIV response at national and county level. These investments include dissemination of planned evaluations; establishing M&E information hubs at national and county level; and provision of a comprehensive information package of key indicators in the Kenya AIDS Strategic Framework. This infrastructure can be leveraged to provide some market analytics if there is an alignment of key performance indicators to track the total market and not the public sector only.

These are excellent sources of information for the public sector and for donors but do not provide the requisite information needed for evidence-based decision-making and day-to-day program management, especially for commercial and social marketing players. For instance, there is no way to collect routine market snapshots of all products (brands, variants, stock-keeping units, etc.) in the private channels. As a result, there is limited awareness and understanding of the market pulse, including commercial activity in the market, pricing structure, and stock levels at various points in the supply chain. Similarly, there is a need for better data collection for understanding youth. As recognized by all stakeholders, youth are contributing to increasing numbers of new HIV infections. The Government of Kenya has prioritized capacity enhancement for monitoring and prevention of new HIV infections among the young people aged 15-24 years. In addition, it is important to measure market performance indicators such as affordability and accessibility to condoms among youth.

The lack of market analytics is problematic on multiple fronts. There is an unfortunate combination of inadequate frequency and robustness of data, scarce resources, and a lack of capacity to determine what information is needed and how to translate that information into decision-making. Market and consumer information is not consistently collected nor analyzed to track the condom market performance in terms of equity, sustainability and growth. Similarly, there is no mandate for an independent/neutral agency to routinely facilitate data use for decision-making and to inform market development priorities.

*Supply: Supply chain challenges in the public sector likely to be exacerbated by the devolution process and could result in distribution issues for condoms.*

Kenya's 2010 constitution adopted a decentralized model that has transferred responsibility for planning, financing and management of certain government functions to local councils with geographical jurisdiction to provide better public services. This devolution has resulted in the move of public sector condom distribution from a centralized government system under the Kenya Medical Supplies Authority (KEMSA) that operated 10 regional warehouses, down to 47 counties, each with its own supply chain system. Despite the decentralization of the logistics management system to the counties, funding and procurement of commodities is still managed by the central government. Counties rely on the central government for regular supply, which is based on 'pull' from the counties and sub-counties per the reporting done in the Logistics Management Information System (LMIS). As supply chain management capacity is still nascent at the county level, additional investment is required to maintain a regular flow of the large volume of public sector condoms.

Stakeholders reported a disconnect between the government and counties in terms of data and coordination. The central LMIS data do not reflect availability on the ground. They also reported tension between the central and county governments over budgetary control. There are instances where donors are working directly with specific counties according to their priorities and planned interventions, with limited involvement of the central government in policy and funding. There have been several healthcare workers' strikes over pay, which have affected programming and highlight the complexity of devolution since the health center staff are budgeted for by central government, yet labor issues spill over at the county level.



Government has been providing technical assistance to counties to help mitigate supply chain challenges. Implementing partners have also supported logistics, especially for key populations. Government drops at distribution points through KEMSA and implementers like PS Kenya have complemented distribution, leveraging programs with community-based organizations.

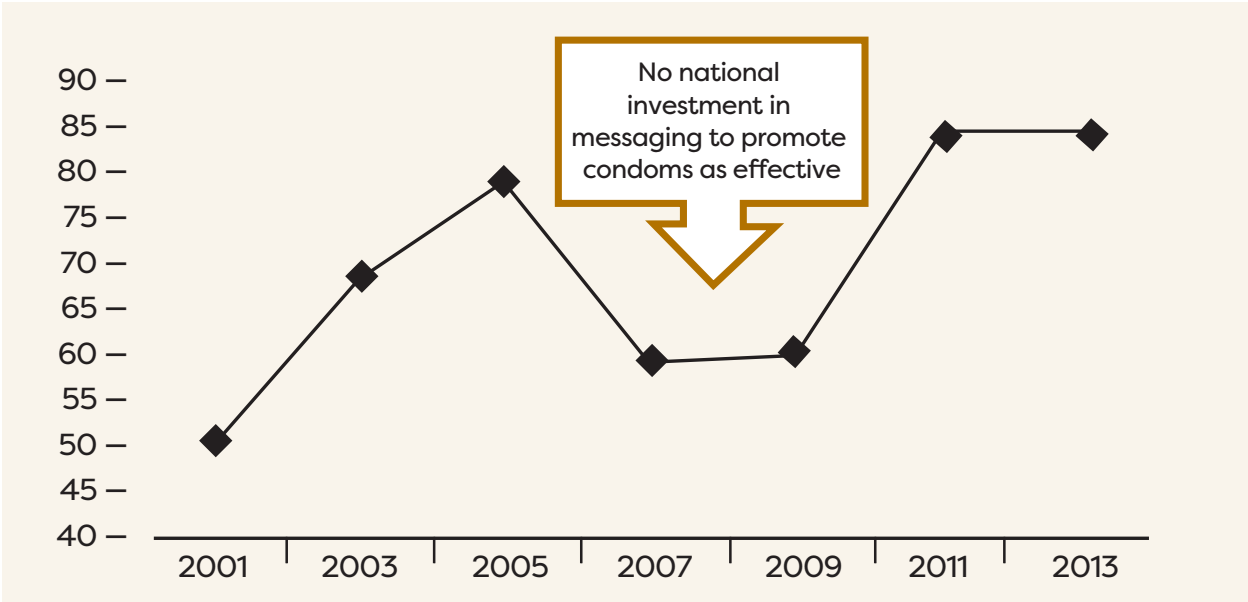
Overall, stakeholders express concerns related to wastage of free condoms (estimates vary from 40-60%) and misaligned subsidy among those who are able and willing to pay. Please see the Annex for an overview of the HIV coordination infrastructure for the Kenya AIDS Strategic Framework Delivery.

*Demand: Lack of adequate investment and coordinated efforts for demand creation to ensure continued growth of the condom market and increased condom use across all target populations.*

According to KDHS 2014, 18% of young women 15-19 have either had a child or are pregnant. 75% of all pregnancies among women 15-19 were unintended despite a significant increase in the share of emergency contraception (15%) in the method mix of unmarried sexually active youth.<sup>21</sup> Several stakeholders expressed alarm at the increased uptake of emergency contraception. Youth (15-24 age groups) contributed 51% of adult HIV new infections in 2015, showing a rapid rise from 29% in 2013. Several factors have advanced this alarming rate of infection among youth, such as incorrect perception of their risks of HIV and failure to use condoms during the first sexual intercourse, suggesting a need to promote prevention messaging.

Social marketing has for many years conducted demand creation for the condom category, including addressing social norms and barriers to condom use, however the current funding priority in the country is treatment and commodities. There is research indicating a decline in condom efficacy perception amongst youth following the withdrawal of messaging.<sup>22</sup>

**Figure 16:** Percentage of youth who believe condoms are effective in preventing HIV, 2001-2013



Source: PS Kenya TRaC 2013

<sup>21</sup> PMA 2020

<sup>22</sup> PS Kenya TraC 2013

Stakeholders expressed the need for an increased focus on and investment in targeting youth through behavior change campaigns. Previous successful campaigns such as Chill and Mpango Wa Kando were mentioned during the key information interviews. In the past, this demand creation function has been successfully performed by the social marketing organizations. Since 2004, PSK has invested in campaigns targeting youth, including the first large-scale abstinence campaign, Nime Chill, targeting youth in the 10-15 age group. The campaign reached a wide audience in urban and peri-urban areas and showed positive behavior change. In 2009, PSK developed the Wacha Mpango wa Kando<sup>23</sup> campaign targeting concurrent sexual partnerships. This campaign gained nationwide awareness and won the Marketing Society of Kenya's Campaign of the Year in 2009.

It is important to note that these investments in behavior change have declined, given the overall drop in HIV prevention funding and the focus on scaling up testing and treatment. Overall condom use levels are high in Kenya, as seen in the data presented above. However, the new cohort of youth entering the market has not been exposed to the same level of investments as seen in the past.

### 5.3 Condom Market Sustainability

*Equity: Total condom market is highly subsidized due to over-reliance on free condoms that are poorly targeted*

While the public sector plays a critical role in creating condom access, its strategies fail to build a diversified total market that is growing and sustainable, and that meets the needs of the poor and vulnerable. The public sector dominates at 84% market share, and increases in public sector distribution have led to declining market shares of the social marketing and commercial sectors. Given the significant investment in the Kenyan condom market over the past decades, there is high distribution, availability and condom use with further room to grow within specific pockets of the market (lower income groups, youth and key populations, etc.). At this mature stage of the condom market, it is important to direct subsidy to highly targeted interventions that address key market failures, while ensuring sustainability of the overall condom market. With the reduction in donor funding for condom programming in general, the future of free condoms that are entirely reliant on donor funding is uncertain.

Free condom distribution also creates an unfair playing ground for commercial actors and acts as a deterrent to increased private investment in the Kenyan condom market. An increased role of commercial actors would reduce or eliminate reliance on free condoms among a major portion of the general population, especially in urban areas and among higher income groups. As donor funding for condom programming continues to decline, and as limited resources for HIV are directed towards management of targeted interventions, reducing reliance on public sector free condoms is a necessity. Unlocking subsidy that is currently misused to procure condoms for the general population (including those who can and should pay), and re-channeling those subsidy savings to other critical aspects of condom programming, will lead to greater sustainability as well as greater equity.

The devolution process presents an opportunity to limit public sector condoms to “last-mile” distribution, to increase access and affordability among at-risk and marginalized populations. It is also important to acknowledge that a reliance on facility-based distribution will continue to limit condom access among populations that do not interface regularly with the health system. Increased availability and choice of commercial brands in private sector channels would help address these barriers, as most segments of the population use private outlets for their consumption needs.

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<sup>23</sup>Translation: “Stop your Illicit Affairs”

## 6 | LIMITATIONS to this CONDOM PROGRAM PATHWAY STUDY, KENYA

1. The process of devolution in Kenya is still relatively new, and there remains a disconnect between district-level and national government data collection. Some data were therefore difficult to corroborate.
2. As with many of the markets assessed, it was a challenge to collect accurate data from the commercial sector. A lack of a cohesive total market approach, where all actors are included, means that commercial sector potential is not fully realized.

## 7 | RECOMMENDATIONS

The Kenyan condom market displays characteristics of a mature market in terms of absolute volumes distributed, high awareness, affordability and accessibility and increased condom use levels among general and priority populations. Despite the dominant role the public sector plays in addressing condom needs, there is potential to grow the relatively small yet vibrant commercial market and shift the burden of use off the public sector.

To achieve equitable and sustainable growth, it is important to consider market development approaches based on a clear vision for the evolving role of commercial and public actors. The recommendations proposed below require redirecting donor resources from funding of commodities, to other critical aspects of condom programming. The immediate actions and investment needs are presented below:

### 1. *Creation of a total market vision along with clear performance indicators and resource requirements for a healthy condom market*

There is an opportunity for Kenya to build on the work done by the FP TMA working group to include condom programming. This work has been supported by donor funding, and with technical support from Palladium's ESHE project. The government has the capacity to adopt a similar approach with condoms – a move that would have significant impact on the condom landscape in Kenya. The TMA vision for Kenya should balance public and private interventions to achieve equity while also achieving sustainable use, within the context of increasing per capita GDP and ability to pay among many in the country. As social marketing organizations are moving towards a social enterprise business model, the role of public sector free distribution is important to ensure consistent access and use by those who cannot afford for-profit prices. Fewer free, but better *targeted* condoms would lead to efficient use of resources and reduced reliance in external funding.

### 2. *Invest resources in market information for total market visibility and strategic decision-making across all players in the market*

The market is in dire need of data to make smart and targeted investments which will deliver higher impact. The government has already invested in infrastructure for data collection and dissemination through its HIV Situation Room<sup>24</sup> and Maisha research platform.<sup>25</sup> This infrastructure can be further developed to capture data that are relevant to other sectors. Currently, an overall understanding of the total condom market is hindered by lack of information on commercial players and brands, combined with limited information collection from the public sector. To address these information gaps, it is important to heavily invest in collecting high quality market- and consumer-related information with ambitious frequency, particularly in the short-term in order to “catch up” with

<sup>24</sup> The Kenya HIV and Health Situation Room is an interactive platform that facilitates tracking of key HIV and Health indicators at country, county, sub-county and facility level to support decision-making. It is configured to mine data from the key M&E sub-systems including DHIS, LMIS, CAPR and public/private sector systems. In addition, population based surveys and HIV/Health estimates data are included. The Kenya Situation Room is the first of its kind globally and used by policy makers at national and county level.

<sup>25</sup> The Maisha Maarifa Research Hub is a knowledge sharing platform for HIV & AIDS, Sexual and Reproductive Health (SRH) as well as co-morbidities such as Tuberculosis (TB). It effectively brings together research findings as well as best practices in programming that have been generated locally to inform policy and decision making for the HIV & AIDS response, co-morbidities and SRH programming.



data needs for market shaping. Better data will feed into decision-making and performance management, to allow for evidence-based government stewardship of the national condom program. Better data will also address some of the market entry barriers for commercial sector players and reduce their spending on collecting ad-hoc market data. In addition, a segmentation study needs to be conducted to identify current market segments, which would both help all players position themselves based on their competitive advantages, and also enhance equity for the total market.

### *3. Engage a market facilitator to support increased role of commercial players*

The main barriers for commercial actors in the market are: too much free distribution, limited insight into the total market and opportunities, and policy and regulatory restrictions. The two recommendations above will go a long way towards solving the first two problems constraining commercial players. As the commercial sector tends to be fragmented with limited understanding of and engagement between national agencies and commercial players, an independent market facilitator could help address these barriers. In addition to ensuring transparent dissemination of market and consumer information, a market facilitator could also lead advocacy efforts to address policy and regulatory barriers faced by the commercial players.

### *4. Supply chain capacity strengthening*

Devolution stretched government resources in supply chain management, and there is little capacity at the county level. Yet, enhancing local capacity would result in better-targeted programming for priority audiences. There needs to be a significant allocation of funding for investment in training and resources to enhance supply chain capacity and program effectiveness.

### *5. Demand creation*

There is growing concern about increasing pregnancy rates and HIV incidence levels among adolescent girls and young women. In its current strategic plan, the government has included youth as a priority population and suggested prevention messaging and other interventions to address these negative trends. There has been a lull in demand creation, which was primarily driven by social marketing in the past. Research suggests that the decline in demand creation resulted in decreased perception of condom effectiveness in preventing HIV.<sup>26</sup> Sustaining demand creation will help increase condom usage among this age cohort and avert pregnancy and STI infections.

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<sup>26</sup> PSK TRaC 2013







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