

NetMarkNews

SPRING 2004

A Quarterly Newsletter for NetMark



Strengthening
ITN Supply and
Quality

2



Reaching the
Vulnerable
through
Targeted
Subsidies

3

Working Toward Abuja Targets on Malaria: Reducing Taxes and Tariffs on ITNs

STUDY AFTER STUDY HAS SHOWN THAT A high retail price is a major barrier to the use of insecticide-treated nets (ITNs) among low-income African households. In many countries, taxes and tariffs on ITNs, netting materials, raw materials for production, and insecticides contribute to higher prices and reduce affordability for many Africans.

With the Abuja Declaration of April 25, 2000, African heads of state agreed to eliminate taxes and tariffs with the goal of increasing the use of ITNs to 60% among pregnant women and children under 5. Four years later, NetMark is continuing the charge to make ITNs more affordable.

Making progress

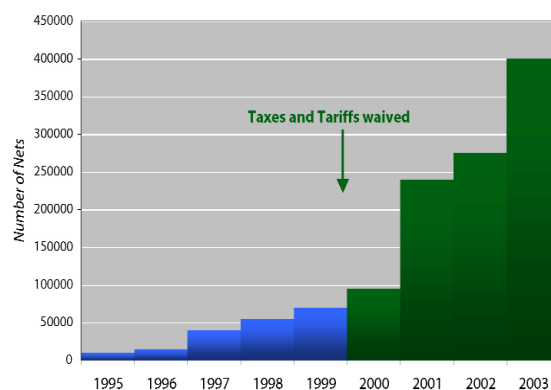
NetMark actively seeks the elimination of taxes and tariffs in countries where the project works and beyond by working in close coordination with local RBM partners, including the commercial sector. Since 1999, NetMark has successfully supported the elimination of taxes and tariffs in Mali, Senegal, Ghana, and Zambia.

NetMark's approach includes a sophisticated analysis of the overall price structure of ITNs. This analysis demonstrates the potential impact of reducing taxes and tariffs on the consumer price and trade margins on both local and imported ITNs. With the results of these analyses, NetMark works with the local RBM partners to develop locally appropriate solutions to remove taxes and tariffs.

Working with different interest groups plays a key role. In addition to RBM partners, in Eastern and Southern Africa, NetMark has been working with the Commonwealth Secretariat as well as the Southern Africa Development Cooperation. In West African, NetMark will begin working with the Economic Community of Western African Countries.

NetMark takes a comprehensive approach to taxes and tariffs. Along with the removal of tariffs, NetMark focuses on the removal of the Value

Figure 1: Estimated Annual Mosquito Net Sales in Uganda 1995-2003



Added Taxes (VAT), sales tax, and other forms of taxes on ITNs, which vary considerably from place to place and are sometimes imposed arbitrarily at the point of sale.

Increasing ITN sales

Experiences in Mali, Senegal, Uganda, and Tanzania show that reducing or eliminating taxes and tariffs results in three key changes: (1) competition for commercial sales increases, (2) the retail price of ITNs falls, and (3) consumers respond to the lower prices by purchasing more nets. The long-term elimination of taxes and tariffs has a beneficial effect on market development, which is a critical step toward achieving sustainability. In Uganda, the sales of nets increased almost four-fold after the removal of taxes and tariffs in 2000 (see Figure 1).

Maintaining the Effort

With 26 countries in Africa still imposing taxes and tariffs, it is clear that much work needs to be done. In many of these countries low-income

continued on page 2

NetMark Project

Headquarters:
1825 Connecticut Ave, NW #800
Washington, DC 20009 USA
202-884-8779
202-884-8844 (f)

NetMark Regional Office:
Post Net Box 92
Private Bag X11
Halfway House 1685
Johannesburg, South Africa
27 11 466 0382
27 11 466 0579 (f)

www.netmarkafrica.org

NetMark is a cooperative agreement
between the U.S. Agency for
International Development and the
Academy for Educational Development.



Strengthening ITN Supply and Quality:

Supporting New Technologies and Growing Production Capacity

REDUCING MALARIA AMONG THE MOST vulnerable groups—pregnant women and children under five—is a challenge that constantly requires new approaches and innovations. While focused on preventing malaria by building sustainable commercial markets for insecticide-treated nets (ITNs), NetMark has increased ITN sales (see graph of 2003 sales data) by regularly assessing the marketing environment for ITNs and developing strategies to take advantage of new opportunities or overcome barriers. NetMark's support for the introduction of new technologies and expanding the ITN production capacity of African manufacturers are but two examples.

Technical Assistance to Nigerian Net Manufacturers

In 2003 NetMark provided technical assistance through a subcontract with Global Textile Partner (GTP) to support local Nigerian net manufacturers in identifying how they can improve the quality and productivity of their operations.

This technical assistance involved six manufacturers covering all segments of the industry: yarn extrusion, warp knitting, finishing (heat setting) and assembly of nets. NetMark's work with these manufacturers led to the following key findings:

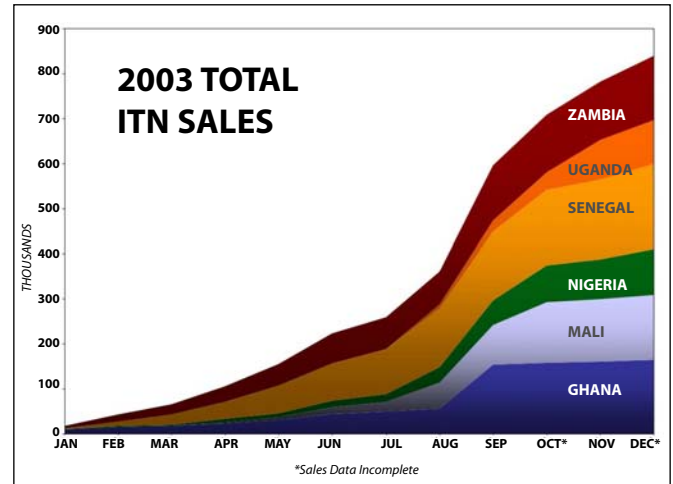
- Available capacity to produce mosquito netting is at least double current actual production levels. Production levels could be increased to 3 million nets annually with minimal capital investment.
- Although the Nigerian net industry is fragmented, improved efficiencies throughout the supply chain could be achieved through improved integration and streamlining of the industry.
- Although levels of quality vary widely, most manufacturers have the basic capabilities to provide sufficient product quality if recommended quality control procedures and equipment maintenance

are implemented.

- The success of the Nigerian net manufacturing industry is not only dependent on productivity and quality improvement, but market expansion, marketing expertise and facilitating support by the public sector and the industry's suppliers and customers

NetMark's sharing of market research with Nigerian manufacturers also led to

continued on page 4



continued from page 1

Working Toward Abuja Targets on Malaria: Reducing Taxes and Tariffs on ITNs

African households have to spend a substantial share of their annual disposable income to purchase an ITN at current market prices. Traders are not willing to import ITNs in large volumes when they know taxes and tariffs will result in consumer prices that are not affordable for most people. This has been clearly demonstrated in Nigeria and Cameroon.

NetMark is actively working to address this issue. We will continue to work with RBM partners to advocate for reducing or eliminating taxes and tariffs on ITNs, insecticides, and netting material as part of our effort to build sustainable, commercial markets that offer Africans the protection they need at prices they can afford. •

NetMark...by the Numbers

NetMark works with **30** manufacturers and distributors of ITNs.

Partner companies have invested **\$0.38** for every dollar invested by NetMark in promotion, procurement of products, R&D and management.

NetMark sold more than **839,000** ITNs in 2003, for a total of **2.1 million** to date. Projected sales for 2004 are **3.2 million**.

NetMark works in **6** African countries (Ghana, Mali, Nigeria, Senegal, Uganda, and Zambia) and is expanding to **2** more countries in 2004 (Ethiopia and Cameroon).

NetMark has provided technical assistance to **6** African net manufacturers to improve quality and increase production.

Reaching the Vulnerable through Targeted Subsidies

NETMARK HAS SEEN THE DRAMATIC IMPACT of its targeted subsidy programs, a new approach started one year ago. Designed to reach vulnerable populations, targeted subsidies allow NetMark to create an immediate public health impact while working to build commercially viable markets for insecticide-treated nets (ITNs).

Compared with other efforts that offer free or highly subsidized ITNs that can undermine the development of a sustainable commercial market, NetMark uses vouchers to specifically target pregnant women and children under 5. These vouchers are offered primarily through public health facilities for antenatal care, and during growth monitoring and immunization programs on a more limited basis. Women given these vouchers redeem them at retail outlets and obtain an ITN at half its price. This approach not only ensures vulnerable populations have access to ITNs, but expands and strengthens the ITN retail distribution network.

NetMark is currently implementing targeted subsidy programs in Zambia, Senegal, and Ghana, with future



Mothers waiting to get their children vaccinated in Ichimpe, Zambia also received a voucher for a free ITN from a nearby shop.

interventions planned for Nigeria, Mali, and Ethiopia.

NetMark is also testing alternative distribution mechanisms for targeted subsidies to overcome the low use of public health facilities and to create a wider ITN availability in communities. Women's associations, credit unions and agriculture networks will be important participants in expanding targeted subsidy programs.

NetMark works with a number of partners in offering targeted subsidies. During the first quarter of 2004, NetMark is launching new programs with ExxonMobil in Nigeria and Ghana, based on an initial partnership that began in Zambia in 2002. The initiative is intended to reach 60,000 pregnant women for the next two years in each country. The implementation will be developed in collaboration with the Ministries of Health and involve ExxonMobil Network, local ITN distributors, NetMark communication agencies, public health facilities, and local organizations active in the communities. Vouchers will be distributed to pregnant women coming to health facilities for antenatal care and be redeemable in Mobil marts and other retail outlets.

NetMark is jointly supporting another targeted subsidy program for pregnant

continued on page 4

In Brief



Nigeria: Sustained Demand During the Off Season

Local net manufacturers in Nigeria report that despite a delay in the rainy season, there was a significant demand for mosquito nets in January and February. This is atypical for the non-malaria season, when statistics have always shown a total lack of demand for nets. The demand for mosquito nets during this typically low sales period is a sign of the positive impact of NetMark's support and assistance to the local net manufacturing industry and the development of the ITN industry.

Climate Extremes Steer Malaria Outbreaks in African Highlands

A new study looking at malaria epidemics in the highlands of Kenya, Uganda, and Ethiopia concludes that seasonal climate fluctuations, rather than consistently high annual temperatures or levels of rainfall, play an important role in causing malaria epidemics. The paper, published in 'Proceedings of the National Academy of Sciences,' is the first to demonstrate a strong correlation between climate variability and the increase in malaria epidemics that have struck the African highlands since the late 1980s. Scientists hope to use the statistical model to predict and prevent outbreaks. (from afrol News)

Vestergaard Brings Long-Lasting Insecticide Net to Market

PermaNet 2.0®, a LLIN manufactured by Vestergaard, recently received the World Health Organization's (WHO) recommendation for its use in malaria prevention and control. PermaNet 2.0® is one of 14 products supported by NetMark and one of only two LLINs currently recommended by WHO. With PermaNet 2.0®, NetMark and Vestergaard are introducing a new technology in the fight against malaria through commercial distribution networks. PermaNet 2.0® is the only net developed using an insecticide-binder industrial process. This process binds a resin coating to the net, which enables the insecticide to be progressively released from the net and retain insecticide activity up to 20 washes.

Subsidy Results in Zambia

NetMark's targeted subsidy programs in Zambia illustrate the success of this approach. In conjunction with the Ministry of Health, ExxonMobil, and UNICEF, NetMark offered 30,000 vouchers for 50% off the price of an ITN to pregnant women. More than 75% of these vouchers were redeemed at local retailers. Similarly, in an effort with the Ministry of Health and the Red Cross, NetMark distributed 15,000 vouchers for a free ITN through a measles vaccination initiative targeting children under 5 in the Kalulushi district. More than 99% of the vouchers were redeemed. The cost per ITN delivered through this program was \$4.88, which includes the cost of the ITN, delivery, voucher printing and delivery, signs, fees to Malaria Agents, and NetMark staff time in Zambia and South Africa.

continued from page 2

Strengthening ITN Supply and Quality

the introduction of the first Nigerian-made conical net. As a result of NetMark's investment in demand generation, Sunflag Nigeria decided to move from being a net supplier to creating its own brand, which it is now marketing with NetMark's support.

NetMark's experience in providing technical assistance to Nigerian net manufacturers will inform our efforts to assist manufacturers in other countries.

Long Lasting Treatment Technology

One of the major challenges associated with ITNs is the low retreatment rates of conventional nets currently in use.

Long lasting insecticide-treated nets (LLINs) are a means of overcoming the need for consumers to retreat nets to maintain the insecticidal effect. LLINs do not require the reapplication of insecticide during the physical lifespan of the net.

While most research-based insecticide companies are developing long-lasting treatment technologies, there is an urgent need to bring these new technologies to the market as soon as possible. To this end NetMark has created a consultant group of experts to offer high-level technical assistance to net and insecticide manufacturers around the world. NetMark is currently assisting net and insecticide manufacturers in developing technologies to produce LLINs.

NetMark will also assist in commercializing long-lasting treatment technologies and creating a mechanism to assist with the transfer of technology to producers of standard untreated nets.

Recognizing that small to medium manufacturers may not have the financial capacity to incorporate new technologies to their production, NetMark is putting mechanisms in place to facilitate low-cost financing for those companies interested in expanding their ITN production and marketing capacity.

It is through these activities, together with the market expansion activities in creating sustainable commercial markets for ITNs, that NetMark is providing a major contribution in reducing illness and death from malaria in sub-Saharan Africa. •

NetMark Snapshots



Quality Chemicals Limited (QCL), a NetMark partner in Uganda, greatly strengthened its distribution and promotion capacity with the purchase of a truck and motorcycles for its ITN sales staff. The vehicles will be used to service existing outlets and recruit new ones in QCL's ongoing effort to expand the commercial ITN market. NetMark is providing matching funds to QCL to strengthen marketing teams and brand promotion activities in addition to running a generic advertising campaign that is educating the Ugandan public on the importance of ITNs. QCL markets K-O Tab® and K-O Net® under an agreement with Bayer.



continued from page 3

Reaching the Vulnerable through Targeted Subsidies

women in the Volta Region of Ghana with USAID, DFID, and the Malaria Consortium. The Volta Regional health management team, with the Ministry of Health and other partners, trained the health agents of ten districts in implementing the approach. Distribution partners also participated in the trainings to establish links between the health agents who will be distributing vouchers and the distributors where the vouchers can be redeemed.

In Zambia, NetMark has expanded the targeted subsidy program initially

implemented with ExxonMobil and the Red Cross to 10 districts in partnership with UNICEF. Presently, 103 health facilities are involved in 10 districts.

In Senegal, the targeted subsidy intervention, funded by USAID, was jointly implemented with UNICEF, Plan International, and the Ministry of Health from June to December 2003. NetMark has evaluated this first phase of the program and is sharing the results in the national workshop on ITNs organized by the National Malaria Control Program. •



NetMark is an eight-year project funded by the United States Agency for International Development (USAID) and managed by the Academy for Educational Development (AED). The project seeks to reduce the impact of malaria by increasing the use, availability and affordability of insecticide-treated bednets (ITNs) among vulnerable populations, and ensuring a sustainable supply of affordable ITNs across Africa through public/private partnerships.