

H. N. / ADD

7/12 '96

Sue / Ge

This is an excellent
piece of work. Please
offer my thanks to all
who had a part in
producing this.

Don B



Action Memorandum *for the Mission Director*

From: Kristin Langlykke, SHIP Coordinator *KL*
Through: John Cloutier, Deputy Director *JC*
Subject: Authorization Amendment Four
Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319
Date: September 21, 1999

Action

Your approval is requested to: (1) extend the life of project from 12/31/99 to 9/30/05; and (2) increase the life of project funding from \$20,746,000 to \$27,795,000, for the Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319.

Background

The SHIP Project was approved on September 28, 1991, and a cooperative agreement (CA) was signed with CARE/Perú to implement the southern component. The northern component of SHIP is being carried out under an institutional contract with University Research Corporation (URC), signed on June 20, 1994. Sanctions, followed by complex procurement issues, delayed the beginning of the northern component by nearly three years. The present life of project completion date for the entire project is now December 31, 1999.

Under the southern component, most of the activities are complete. However, under a CA extension, CARE is supporting two NGO consortia, one in Arequipa and one in Puno, to encourage ongoing sustainability and promote NGO involvement in other health and development projects. Through 12/99, CARE will continue to support a defined set of early childhood development (including nutrition and health-related) activities under the EBADECA (Educación Básica para el Desarrollo Comunal Aymara) project. EBADECA is working with the Ministry of Education to institutionalize its program, evaluating the impact of the project on children's performance in primary school. The project is also working to increase collaboration between the Ministries of Education and Health.

Also, as part of the CA extension, CARE is providing a series of discrete technical assistance and research activities to improve the institutional, social and financial sustainability of Max Salud. For example, studies are underway to assess the impact of Max Salud prevention and community education activities, to describe the unmet need for STI (sexually transmitted infection) and HIV/AIDS services within Max Salud and within

its target communities, and to measure the feasibility of Max Salud assuming the management of the Ministry of Health La Victoria Health Center.

Upon termination of the URC contract, USAID expects to enter into a five-year cooperative agreement with Max Salud. Additionally, limited funding is being considered for the NGO Consortia and EBADECA activities after 12/31/99.

Discussion

The SHIP Results Package Team has recommended that once the URC contract ends, SHIP North will require additional support in order to ensure that Max Salud (the NGO created to manage the primary health care network in Chiclayo) continues to progress to full self-sustainability. For this reason, Amendment Four is put forth for approval to extend the SHIP life of project and to increase the life of project funding to continue USAID support to Max Salud.

According to the most recent financial reports from Max Salud (as of 7/31/99) the network of four clinics has reached partial self-sustainability – 42 percent of overall costs, including the management support unit. This is a reasonable achievement considering several setbacks and delays in implementation. However, five years of program activity (two clinics have only been open since 12/98) is not sufficient to reach full sustainability.

One of the Max Salud clinics, Lambayeque, inaugurated in December 1998, has just opened a small ambulatory surgery center in July 1999. It is expected that once underway and with increased utilization, this service will contribute to the network's sustainability.

Max Salud, with the assistance of URC and of CARE/Perú, is beginning to establish or become a part of health care arrangements that will both bring in more patients and guarantee reimbursement for services. These plans are complex to initiate and require a period of at least three years to make needed adjustments and consolidate membership. For example, Max Salud has captured approximately 250 users out of the 4,500 potential users enrolled in the four local institutions that have signed agreements for health care. These agreements have only been recently signed, and Max Salud needs additional time for effective marketing and enrollment of new users.

Max Salud also needs to determine a workable balance between number of clinics, management capacity and sustainability. Most experts feel that six clinics is the minimum to sustain Max Salud operations, although until all four clinics are working to capacity, the basis for projections is not very accurate. Time will provide more information. Because the prevailing opinion is in favor of at least two additional clinics, Max Salud is pursuing new sites. The development and consolidation of new clinical sites, if approved by USAID/Perú and the Max Salud Board of Directors, will require at least five years of ongoing technical and financial support.

One of the potential new sites, La Victoria Centro de Salud, is presently a Ministry of Health facility. Negotiations are under way between Max Salud and the Ministry to develop a shared management model. Max Salud would renovate, equip and manage the facility, and

the Ministry would provide personnel. Since staff salaries are a major expense in running any health facility, this would represent significant support. This model is complex and several details remain to be negotiated. In addition to expanding the Max Salud network of services, this arrangement will contribute critical information and experience to the present health sector reform debates in Peru.

The benefits of Max Salud as a model to promote policy and practice reforms has not been fully exploited. Max Salud has the potential to serve as a laboratory in such areas as family and community centered primary health care, private delivery of care to sectors customarily cared for by the Ministry of Health, local control of health services, and specialized care for at risk populations such as adolescents.

Description of Activities to be Performed and Results Expected During the Extension Period

Max Salud

Max Salud activities will be directed toward achieving five major objectives related to assuring access to primary health care, contributing health care reform dialogue, and institutional, financial and social sustainability. Based primarily on the objectives and strategies of Max Salud's recently completed 5-year strategic plan, the following activities are contemplated:

1. Objective: Assure access to primary health care in target areas by strengthening and expanding the network of Max Salud clinics with a focus on integrated and innovative health care and illness and injury prevention.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess health status and service availability in areas targeted for possible Max Salud expansion.	Studies completed and available.	To be determined in annual work plan.
Complete market/feasibility studies in areas targeted for possible expansion of Max Salud services.	Studies indicating financial, social and institutional feasibility of establishing new Max Salud clinics.	To be determined in annual work plan.
Elaborate general proposal for new sites (including La Victoria) as determined, including infrastructure, human resources, equipment and supplies needed.	Plans and budgets elaborated.	La Vict. 06/00 Future sites to be determined in annual work plan.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Consider expansion of Max Salud health care network to include La Victoria, and further expansion as feasible.	New health center (i.e., La Victoria) established and functioning as part of Max Salud network.	09/00
Review and update the physical infrastructure in existing clinics and adjust or replace as needed.	Plans for this activity to be drafted annually. Annual report with corresponding budget of changes implemented.	Annually
Develop inter-institutional cooperation agreements for such items as service delivery and materials/supplies acquisition.	Agreements in place and goods and services available.	Ongoing

2. Objective: Contribute to health care policy and practice reform debate.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Participate with Ministry of Health (MOH) in planned roundtables on advances in public and primary health care.	Reports of roundtable activities.	Periodically
	Proposals developed with MOH to replicate service delivery models.	12/03
Maintain and expand agreements with Universidad Nacional Pedro Ruiz Gallo to: (1) train health sciences students in primary health care and community participation; and (2) sponsor students and faculty to conduct health services and public health research.	(1) Courses and clinical placements in primary health care and community participation conducted by Max Salud; and (2) Published research.	Ongoing

3. Objective: Strengthen institutional sustainability of Max Salud.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Consolidate Board of Directors and General Assembly	General Assembly with 15 members; Board of Directors with 7 members.	12/99
	Board of Directors meeting regularly (monthly) and General Assembly meeting regularly (2x/year).	10/99
Work with Board of Directors to develop sustainability plan for Max Salud.	Board of Directors actively contributing to sustainability of Max Salud.	03/00 and annually

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Reorganize work of Max Salud management support unit (MSU) to accommodate changes brought by URC departure and to achieve maximum efficiency of operations.	MSU staff reoriented and trained (if needed).	12/99
	Personnel flexible, competitive, integrated, and decentralized.	06/00
Design and manage a system of cross subsidy to finance daily operations of Max Salud while maintaining full availability of services for low-income users.	System of cross subsidy (profitable services subsidizing less profitable) in place and functioning. Formula developed to measure level of care offered to low income users relative to financial self-sufficiency.	12/00
Strengthen Management Information System (SIG/Sistema de Información Gerencial).	Fully automated Management Information System in place and functioning with regular maintenance and capacity for expansion.	12/99
Provide ongoing support and technical assistance for management information system to improve tracking of health services activities.	Improved system. Increased level of positive staff feedback regarding availability and ease of access to information.	Ongoing
Increase and improve automation of administrative functions.	Integrated electronic network linking all clinics and central management unit with capacity for expansion.	12/01

4. Objective: Strengthen financial sustainability of Max Salud.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Carry out ongoing assessment of existing insurance plans (faculty/students of Universidad Nacional PRG, etc.) for viability and profitability.	Annual assessment of profitability of insurance or membership plans (including meeting established enrollment goals and level of contribution to cross subsidy system).	09/01 and ongoing
Develop new third party payment plans for Max Salud (e.g., designated provider for private insurance; primary care provider for EsSalud; etc).	Max Salud has a model for third party payment developed.	12/00
	Three new third party payment agreements in place.	12/02

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess utilization, user satisfaction with, and profitability of Lambayeque Surgical Center.	Surgical Center operating at increasing capacity.	50% by 03/01 65% by 03/02 80% by 03/03
	User satisfaction rated average of 4 on Likert-type scale of 1-5.	06/01
	Surgical Center contributing to subsidize costs of Max Salud primary health care network.	10% by 12/01 15% by 12.02 20% by 12/03
Maintain ongoing marketing activities to increase volume of services provided. Periodically assess results of marketing strategy.	Marketing strategy implemented and activities ongoing. Activities changed or adjusted depending upon evaluation of results.	Ongoing
Design and implement new products and services.	Plan developed with Board of Directors.	06/00
	New products and services offered as planned.	Ongoing according to plan.
Develop financial plan that includes projections to predict future levels of financial sustainability	Financial planning document.	03/00
Assess new products and services for user satisfaction and achievement of objectives.	Adjustment to products and services as indicated by assessment.	Ongoing
Work with Board of Directors to design and implement resource development and support plan.	Board of Directors fundraising and resource development plan implemented.	03/00 and Annually
	Goals met for each year.	Annually
Develop and implement fundraising plans for Max Salud and for each clinic.	Funds raised for Max Salud in addition to revenues and USAID support.	12/00 and Ongoing
Obtain funds for special projects from international cooperating donors.	Funds obtained from international cooperating donors:	
	\$100,000	12/01
	\$200,000	12/02
	\$300,000	12/03
	\$400,000	10/04
Plan for and increase over time Max Salud counterpart contribution to operating costs.	Counterpart contributions increase over time.	20% by 10/99 30% by 10/00 40% by 10/01 50% by 10/02 55% by 10/03 60% by 10/04

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Manage CA with USAID.	Financial and progress reports submitted quarterly to USAID.	Ongoing
	Annual audits completed and recommendations implemented.	Ongoing
	Joint resolution with USAID project and procurement personnel regarding changes in plans, key personnel, or budget.	Ongoing

5. Objective: Strengthen social sustainability of Max Salud and ensure high quality of care in all services.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Manage ongoing monitoring system that tracks major health problems, differences among groups, gender-related issues.	System implemented with maintenance protocols; system used to review and adapt Max Salud clinical, referral and community outreach services.	12/00 and annually
Based on client feedback, review and update/improve preventive and curative health care services.	Services in place that meet client needs. Report of client perceptions of services offered and unmet needs and steps taken to institutionalize a continual quality of care improvement strategy.	06/00
Incorporate results of impact studies and needs assessments (e.g., MCH, STD/HIV) executed by CARE-Perú into clinical and community outreach activities.	Strategic and operating plans adjusted to reflect findings of studies executed by CARE-Perú.	12/00
Institutionalize teaching/research projects developed by CARE Peru and Max Salud with the Universidad Nacional Pedro Ruiz Gallo (UNPRG) and other institutions of higher education.	Plan in place for ongoing student placements and projects between UNPRG and Max Salud.	12/00 and ongoing
Strengthen and support network of community health promoters.	Health promoters working under plan for community health promotion with ongoing training and evaluation.	06/00 and ongoing
	Standards developed and implemented for selection and assignment of health promoters.	12/00 and ongoing
	Incentive activities developed and in place.	12/00 and ongoing

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Promote and strengthen community participation in health care in areas of influence of Max Salud clinics by strengthening community advisory boards.	Community health committees trained and active and providing input into clinical and community health activities.	Ongoing
Evaluate impact of community-oriented health services/education and activities of health promoters on health status of target community(s). Implement measures to maintain identified impact or improve lack of impact.	Measure of impact of community-oriented health services/education through assessment of health knowledge, attitudes and practices. Assessment of impact and implementation of measures to maintain and/or improve impact.	06/01 06/03 After each assessment.
Develop and implement system of incentives for staff to promote respectful and caring treatment of clients.	System in place and monitoring ongoing.	06/00 and ongoing
Design and implement ongoing staff training and development plan with regular opportunities for staff training and development.	Staff members participate in regularized program of training and development (at least one workshop/conference per year) that involves resources of Max Salud, universities and other local agencies, national and international consultants/courses, and virtual classes.	Annual report submitted 12/00 and ongoing
	Annual staff, student and volunteer training and development plans. Staff, student and volunteer evaluations of training activities. All training information entered in USAID electronic system.	Annually and Ongoing
Maintain and update system of continuous quality assurance activities at each site and in administration/clinical supervision.	Updated written protocols/procedures on quality assurance and monitoring in place. Identified gaps in quality of care remedied immediately and followed until resolved.	06/00 and ongoing
Consolidate quality assurance teams in each clinic.	Quality assurance teams receive ongoing training as indicated in the annual training plan and are functioning in each clinic.	06/00 and ongoing
Develop health indicators that Max Salud proposes to influence in defined catchment area and/or target population; establish baseline data and track health indicators over life of the project.	Health indicators and catchment area/target population(s) identified.	01/00
	Establish baseline data	06/00
	Annual assessment of impact on identified health indicators.	Annually beginning 01/01

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess and revise if necessary institutional plan to deal with domestic violence/sexual abuse cases.	Trained staff implementing plan to deal with domestic violence/sexual abuse victims who are clients of Max Salud.	Ongoing
Update infection control measures and protocols and ensure compliance with new Ministry of Health guidelines.	Infection control system that protects patients, employees and the community from untoward affects of clinical services.	12/99 and ongoing
Evaluate present and develop new community outreach and education projects.	Evaluation.	06/00
	Plan for new projects.	07/00 and annually
	New projects developed and implemented according to plan.	Ongoing
Conduct annual review of gender issues in providing primary health care.	Annual workshop for staff and plans developed to include gender issues in Max Salud primary health care services and training.	Annually

Routine activities, such as human resource functions, the development of health education materials, recruitment and training of health promoters, and marketing, that may not be specifically mentioned, will continue as planned and as needed.

Projections and Plans for Achieving Sustainability of Max Salud

Max Salud is developing a financial planning document that includes projections to predict future levels of financial sustainability. Based on projections in a study by John Holley, completed in November 1998, with the present configuration of clinics, Max Salud should progress from the present 42 percent to reach 80 percent financial sustainability by 2003. This is counting on significant returns from the ambulatory surgery center. Without additional clinics and/or services to support inflationary costs and to maintain its objectives to serve low income clients, Max Salud may not be able to further improve its debit/credit ratio.

Because we do not know yet how the surgery center will perform and the overall ability of the population to pay for its services (given recent and ongoing crises in the national and local economy), we would prefer to present a more conservative picture for the purposes of funding the cooperative agreement. The accompanying budget ranges from covering 80 percent of costs in the first year to 40 percent in the final year. The budget also allows for modest investments in specialized technical assistance and training and in the development of new clinical sites and/or services.

The SO3 Team recommends further investigation and planning regarding the development of an endowment fund that would be available to Max Salud at the end of the 5-year

cooperative agreement to provide interest income to cover probable gaps between income and expenditures. This will allow Max Salud to continue serving poor clients while providing high quality comprehensive care. It will also allow Max Salud to invest in new, creative projects that will both enhance income as well as services to the citizens of Lambayeque.

Before establishing such an endowment fund, several factors will be considered:

- Evidence of advancement of organizations goals as measured in monitoring and evaluation plan;
- Presence of and adherence to solid financial and management plan for the organization;
- Ongoing evidence of organizational stability and capacity of Max Salud;
- Maintenance of client satisfaction and quality of care;
- Progress toward attaining financial sustainability, so that interest generated from endowment would reasonably cover shortfall;
- Satisfactory functioning of Board of Directors; and
- Willingness of Max Salud and Board of Directors to participate in legal and contractual agreements for establishment of endowment.

It is anticipated that work would begin immediately on establishing an endowment fund with actual deposits being started in the third year of the cooperative agreement and continuing in the fourth and fifth year. Implementation of the fund through deposits would depend upon USAID's assessment of the above issues and appropriate Mission and USAID/W approvals. Once established, the fund's interest would accumulate and be applied to the capital until the end of the cooperative agreement when interest would become available to Max Salud (see accompanying budget and projections).

Monitoring and Evaluation, Max Salud

Max Salud will set short-, medium- and long-term goals and objectives and will establish an evaluation plan to measure their achievement. Objectives will address financial, institutional and social sustainability. More specifically, objectives will address:

- targets for percentage of financial sustainability to be attained each year
- objectives for funds to be generated by other than patient revenues
- objectives describing desired actions and composition of the governing bodies (Board of Directors and General Assembly) for each year
- objectives for community participation in clinic management, outreach and health education
- objectives for the development of new projects (such as school-based health screenings, environmental health initiatives, etc.)
- objectives related to the impact of Max Salud clinic-based and community outreach activities on health status of the target community (with emphasis on health problems identified by the community and/or the government such as maternal mortality, drug abuse and diarrheal disease).

Ongoing Activity, SHIP South NGO Consortia

Small sub-grants under SHIP South will be considered to continue the activities of CONSUSALUD in Arequipa. With seed funding from CARE-Peru (under the CA with USAID) CONSUSALUD has developed its own small grants program (\$1,000-\$5,000) to encourage member organizations to develop innovative outreach and service delivery plans that increase access and utilization among high risk groups (adolescents, women and children living in extreme poverty). CONSUSALUD is providing training for members and other NGOs on issues of quality improvement in service delivery.

The consortium developed under SHIP South in Puno, CONSALUD, has been less successful in developing and carrying out primary health care plans and activities. They received a very small sub-grant from June 1999 – December 1999 to consolidate consortium leadership and develop a work plan; the results of this support are not encouraging for their survival in the future and without further evidence of potential sustainability, the organization does not merit ongoing funding.

EBADECA (Educación Básica para el Desarrollo Comunal Aymara)

EBADECA provides technical assistance and training to Ministry of Education (MOE) personnel and local community members involved in early childhood education in the Aymara communities in rural areas south of Puno. The project also provides educational materials to pre-school projects and works closely with the Ministry of Health to coordinate child health supervision in the pre-school setting. The Ministry of Education and EBADECA staff are interested in the EBADECA project expanding activities to serve Quechua communities in the northern area of Puno.

Preliminary assessments of children participating in this project (4,230 in 1998-99) found that generally their development is superior to children who have not participated. This evaluation also noted that 72% of the *animadores* demonstrate adequate teaching skills, that 75% of the parents involved in the project show changes in attitudes, beliefs and behaviors related to education and childrearing, and that 94% of the *madres motivadoras* show a high level of awareness about the importance of early stimulation for healthy development. Weaknesses in children's achievement were also noted, especially in one of the target communities, Multicomunal Wiñay Marca. The teacher supervisors also did not perform as well as the project advisors anticipated. These areas are being addressed by the project team.

Activity Management

A USPSC, in close collaboration with the SO#3 team and the SHIP results package team, will have the management responsibility for the activity. No additional staff positions will be required to manage the extended project.

Congressional Notification

Congressional Notification No. 577 for this activity, dated September 13, 1999, expired on September 27, 1999 (Attachment I).

Ongoing Activity, SHIP South NGO Consortia

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Proposed Funding

It is proposed that funding be provided for an additional five years in amounts sufficient to allow Max Salud to continue present services and expand to include 1-2 new sites if this appears feasible. New site acquisition and management will be carefully monitored to maintain the purpose of SHIP while enhancing its sustainability. Max Salud will contribute earnings (as a percentage of operational budget) to complement USAID funding.

The budget also includes funding for an extension of the Cooperative Agreement with CARE-Peru to manage activities of the NGO Consortium and EBADECA.

See attached budgets and funding projections (Attachment II and V).

Regulatory and Policy Requirements

For this amended activity, the Mission has requested that the previous environmental threshold decision be maintained. This request has been granted under IEE number LAC-IEE-99-48, dated September 24, 1999 (Attachment III). The Country and Assistance Checklists have been completed and are also attached (Attachment IV).

Authority

You are authorized to take the requested action by ADS 103.5.14b1, which establishes the Mission Director's authority to approve design documents and amendments pursuant to ADS 103.5.8a.

Recommendation

Based on the rationale outlined above, it is recommended that you approve the extension of the SHIP life of project from 12/31/99 through 9/30/05 and the life of project funding from \$20,746,000 to \$27,795,000.



Approved
Thomas Geiger, Mission Director

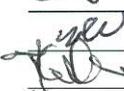
Disapproved
Thomas Geiger, Mission Director

Sept. 29, 1999
Date

Date

- Clearance:
- AHPN:CADameczyk
- PDP:EVarillas
- PDP:TKellermann
- RLA:LReed
- RCO:AEisenberg
- DCONT:CJohnson











- Date 9.27.99
- Date 9.27.99
- Date 9/27/99
- Date 9/27/99
- Date 9/22/99
- Date 9/28/99

AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

Attachments:

- I. Congressional Notification No. 577
- II. Budget and Funding Projections, Max Salud
- III. IEE, No. LAC-IEE-99-48
- IV. Country and Assistance Checklists
- V. Life of Project Budget, SHIP

SEP 13 1999

AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

PROGRAM: Peru

PROJECT TITLE: Strengthening Private Sector Health Institutions

PROJECT NUMBER: \$27-0319

FY 1999 CP REFERENCE: Statistical Annex, page 198

APPROPRIATION CATEGORY: Development Assistance (DA)
Child Survival (CS)

LIFE-OF-PROJECT FUNDING: \$24,795,000 DA
3,000,000 CS
\$27,795,000 Total

INTENDED FY 1999 OBLIGATION: \$1,122,000 CS

This is to advise that USAID intends to obligate \$1,122,000 in FY 1999 Child Survival funds for the Strengthening Private Sector Health Institutions activity in Peru. This Congressional Notification is to advise of an increase in life-of-project funding of \$7,049,000 for a new total of \$27,795,000. The activity is managed by USAID/Peru.

The purpose of the activity is to identify and evaluate models of private primary health care services delivery which improve access, coverage, efficiency and sustainability of services in two areas of Peru. The additional funds will allow Max Salud, a Peruvian non-governmental organization, to cover 80% of its overall costs and to continue providing high quality services using an innovative public/private partnership model.

Annex: Activity Data Sheet

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET

PROGRAM: PERU

LE: Strengthening Private Sector Health Initiatives

BER: 527-0319
LOAN

NEW
CONTINUING

FUNDING SOURCE:
DA, CS

PRIOR REFERENCE
CN No. 590 dated
9/7/93

PROPOSED OBLIGATION (In thousands of dollars)

FY 99 1,122

LIFE OF PROJECT (Auth) 27,795

INITIAL OBLIGATION
FY 91

ESTIMATED FINAL OBLIGATION
FY 04

ESTIMATED COMPLETION DATE OF PROJECT
FY 05

Objective: To identify and evaluate models of private primary health care services delivery which improve access, coverage, efficiency, and sustainability of services in two areas of Peru.

Background: In Peru, an estimated 60% of the population has no health insurance and depend on inadequate public sector health care or costly private care. Primary preventive health care is not widely practiced. Many preventable illnesses, such as cervical cancer, cause unacceptable levels of morbidity and mortality. The Strengthening Private Sector Health Initiatives Project (SHIP) was initiated in 1991 in response to unmet needs for quality primary health care and the simultaneous need for health sector reform. SHIP improves access, quality, and sustainability of services in two areas of Peru--Arequipa and Puno (SHIP South) and Lambayeque (SHIP North). Funding for most of SHIP South activities terminates in December 1999. SHIP is managed by a private sector contractor, has developed a network of primary health care services that provides high quality care to middle and low-income populations in Lambayeque, and has created a Peruvian non-governmental organization (NGO), Max Salud, that is testing a private health delivery model capable of generating sufficient revenues to provide services to the poor in selected target areas, based on a financial cross-subsidy plan.

Justification: SHIP South started in 1991 and has left a legacy of strengthened institutions capable of sustainable activities in primary health care. To further support long-term sustainability, subgrants will continue to the Arequipa consortium, CONSUSALUD, to provide financial, technical and training assistance to member organizations. In Puno, support continues to EBADECA (Educación Básica para el Desarrollo Comunal) in its ongoing efforts to integrate early childhood development into Ministry of Education (MOE) activities and to expand to health (MOH) and Ministry of Education (MOE) activities and to expand to other areas of Puno. In 5 years SHIP North has overcome many unforeseen problems (e.g., delayed or cancelled MOH clinic transfers). Max Salud is generating sufficient revenue to cover 42% of its costs, with 2 of its 4 facilities operating for only 8 months. Extension of this ongoing project for 5 more years with additional funding of \$7.049 million will allow Max

Salud to cover 80% of its overall costs and to continue providing high quality services using an innovative public/private partnership model. Objectives for Max Salud over the next five years include consolidation of four operating clinics and small ambulatory surgery center, improved management of the network, expansion to additional underserved areas in Lambayeque, and the introduction of new models such as shared management of MOH facilities. The cross-subsidy scheme will be refined and additional services will be introduced as income generating mechanisms. An endowment increased outreach and service to the medically indigent. Overall up to \$3 million to Max Salud is considered in the total funding. Overall objectives for SHIP South include increased capacity of local NGOs in Arequipa to function independently, increased collaboration with the MOH to expand coverage to the poor in peri-urban and rural areas of Arequipa, and expansion of EBADECA methodology to the Quechua area of Puno.

Beneficiaries: Children under five, pregnant and lactating women, adolescents, and families in project areas as well as private primary health care and community organizations will benefit from SHIP activities. Primary health care models for efficiently increasing affordable, quality coverage will contribute to health sector reform, thus potentially benefiting all citizens of Peru.

Other Donors: The World Bank and Inter-American Development Bank support health sector reform, infrastructure development and quality improvement through the MOH, UNICEF and PAHO support specific projects such as immunization campaigns. SHIP will contribute to and benefit from the results of these donor efforts.

Results: SHIP North: 20% increase annually in persons reached by community-based health promoters; 10% annual increase in infant immunization coverage; 1% annual increase in service to children with diarrhea; increase in financial sustainability to cover 80% of costs; establishment of mechanism such as an endowment, to cover 20% of the deficit resulting from indirect costs; Max Salud model replicated in one other area of the country. SHIP South: CONSUSALUD members obtain 10% increase in new funding annually. EBADECA will serve 2,500 children annually; improvement of EBADECA participants in reaching key developmental milestones.

U.S. FINANCING (In thousands of dollars)

	Obligations	Expenditures	Unliquidated
through September 30, 1997	17,474	12,858	4,621
Estimated Fiscal Year 1998	1,194	3,525	
Estimated Through September 30, 1998	18,673	16,383	2,290
Proposed Fiscal Year 1999	1,122	8,000	Estimated Total Cost
			27,795

PRINCIPAL CONTRACTORS OR AGENCIES
CARE-Peru
Max Salud

Strengthening Private Sector Health Institutions Project
Illustrative Budget in US\$

	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
	10-12/1999	01-12/2000	01-12/2001	01-12/2002	01-12/2003	01-12/2004	
I. Salaries and wages	321,379	1,042,218	1,139,496	1,417,725	1,598,283	1,325,225	6,844,326
II. Operational cost		174,432	181,770	219,409	219,515	177,049	972,175
Sub-Total	321,379	1,216,650	1,321,266	1,637,134	1,817,798	1,502,274	7,816,501
V. Technical Assistance		20,000	40,000	20,000	10,000	20,000	110,000
VII. Equipment and remodeling		145,500	170,000	25,000	-	-	340,500
*Equipment		25,500	50,000	25,000			100,500
*Remodeling		120,000	120,000				240,000
Total MaxSalud Budget	321,379	1,382,150	1,531,266	1,682,134	1,827,798	1,522,274	8,267,001
VIII. USAID Monitoring		83,500	83,500	83,500	84,500	56,328	391,328
Grand Total	321,379	1,465,650	1,614,766	1,765,634	1,912,298	1,578,602	8,658,329
Total MaxSalud Budget	321,379	1,382,150	1,531,266	1,682,134	1,827,798	1,522,274	8,267,001
Less: Share contribution (1)	64,276	364,995	528,506	818,567	999,788.9	901,364	3,677,497
USAID Contribution	257,103	1,017,155	1,002,760	863,567	828,009	620,910	4,589,504
Plus: USAID Monitoring	-	83,500	83,500	83,500	84,500	56,328	391,328
Total USAID Contribution	257,103	1,100,655	1,086,260	947,067	912,509	677,238	4,980,832
Endowment fund Max Salud CARE				1,000,000.0	1,000,000.0	900,000.0	2,900,000
Grand Total USAID Contribution	257,103	1,100,655	1,086,260	1,947,067	1,912,509	1,677,238	7,980,832

(1) Porcentaje en relación al "Total MaxSalud Budget"

I:\ohpn\kristin\MaxBudget.xls



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-99-48

ENVIRONMENTAL THRESHOLD DECISION

- Activity Location** : Peru
- Activity Title** : Strengthening Private Sector Health Institutions Project (SHIP): Amendment Four
- Activity Number** : 527-0319
- Funding** :

Original	\$20,746,000
This Amendment	\$ 7,049,000
Total Funding	\$27,795,000
- Life of Project** : FY00 - FY05
- IEE Prepared by** : Kristin Langlykke, USAID/Peru
- Recommended Threshold Decision** : Categorical Exclusion/Negative Determination
- Bureau Threshold Decision** : Concur with Recommendation

Comments

This IEE is an Amendment to LAC-IEE-95-45.

As per LAC-IEE-95-45 and pursuant to 22 CFR 216.2(c)(2)(1), a Categorical Exclusion is issued to activities involving technical assistance, training and education. A Negative Determination is issued for construction of health centers and medical waste management activities, conditional on the adherence to approved environmental guidelines and appropriate mitigation measures, as necessary.

LAC Bureau Environmental Officer requests that Mission provide a copy for his records of (1) environmental guidelines, checklists and mitigation measures in use for construction and waste management activities, and (2) an evaluation of the effectiveness and appropriateness of the guidelines, checklists, and mitigation measures, including recommendations for changes, if appropriate.

for John McMahon Date 9/24/99
Jeffrey J. Brokaw
Bureau Environmental Officer
Bureau for Latin America and the Caribbean

- Copy to : Thomas L. Geiger, Director, USAID/Peru
- Copy to : Edilberto Alarcon, MEO, USAID/Peru
- Copy to : Victor Bullen, REA/SA, USAID/Bolivia
- Copy to : Jane Stanley, LAC/SAM
- Copy to : Sue Hill, LAC/SPM-SAM
- Copy to : IEE File

1999 PERU COUNTRY CHECKLIST



LAC-IEE-99-48

2

1999 PERU COUNTRY CHECKLIST

The USAID/W Country Desk Officer, in consultation with the Department of State ("DOS") Country Desk Officer, is responsible for completing this Country Checklist at the beginning of the fiscal year in order to determine if assistance to the recipient is prohibited, restricted or limited. After reasonable inquiry, the Desk Officers should determine the applicability of each statutory reference and set forth any additional comments or issues with respect to such reference in the space provided (e.g. "We are not aware of any information that requires action under this section" or "We are not aware of any violations under this provision"). Desk Officers are encouraged to coordinate with others including, Bureau Program Officers, Office Directors, the Mission and the appropriate attorney covering the country.

Part I of this Checklist sets forth statutory prohibitions. Part II outlines factors to be considered when establishing assistance levels. Part II should only be completed if the recipient country was not included in the initial FAA Section 653(a) Country Allocations.

PART I

1. **Narcotics Certification** (FAA Sec. 490). Has the country been determined by the President to be a "major illicit drug-producing or drug-transit" country?

Yes or No?

Yes, Peru was determined to be a major drug producing country.

If yes, USAID must withhold from obligation 50% of the assistance set forth in the 653 report for this country (on an account-by-account basis), except as may be otherwise provided by law (for example, certain accounts and activities may be exempt from this requirement due to applicable "notwithstanding" authorities). [Check with Bureau Program Officer.]

The withheld funds will be available for obligation in approximately mid-April if the President certifies (usually around March 1) that the country, based upon the fact or based upon vital national interest, is "fully cooperating" with the U.S. and a period of time passes with no objection from Congress. If the country is so certified, please attach a copy of that certification to this Country Checklist when the certification is issued.

If instead of certifying the country as set forth above, the President "de-certifies" the country, or if the Congress by joint resolution de-certifies a country which the President had certified, then no further obligations or expenditures may be made. If the country is de-certified, please attach a copy of the de-certification to this Country Checklist.

2. **Indebtedness to U.S. Citizens** (FAA Sec. 620(c)). Absent a Presidential determination based on national security needs, assistance to a government is prohibited if the government is indebted to any U.S. citizen or person, and (i) such citizen or person has exhausted available legal remedies, (ii) the debt is not denied or contested, or (iii) the indebtedness arises under an unconditional guaranty of payment given by such government (or controlled entity).

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section

3. **Seizure of U.S. Property (22 USC 2370a)**. Absent a Presidential waiver, assistance to a government is prohibited if such government has expropriated or seized ownership or control of property owned by U.S. citizens without: (i) returning the property to the owner, (ii) compensating the owner for the property, (iii) offering a domestic procedure providing prompt, adequate, and effective compensation for the property, or (iv) submitting the dispute to international arbitration.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

4. **Communist and Other Countries (FAA Secs. 620(a), and 620(f); FY 1999 Act Secs. 507, and 523)**. Absent necessary Presidential determinations, direct and indirect assistance is prohibited to all of the following: Cuba, Iran, Iraq, Libya, North Korea, Sudan, or Syria.

Is this restriction applicable? Please comment

This restriction does not apply.

5. **Loan Default (FAA Sec. 620(q); FY 1999 Act Sec. 512 (Brooke Amendment))**. Assistance is prohibited where: (i) the government of the recipient country has been in default for more than six months on interest or principal of any loan by the U.S. to such country under the FAA (President can waive); or (ii) the country has been in default for more than one calendar year on interest or principal on any U.S. foreign assistance loan. [Note: there are exceptions relevant to Nicaragua, Brazil, Liberia, Colombia, Bolivia and Peru]. [Check with FM/LM or Bureau Program Officer.]

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware

of any information
that requires
action under this
section.

6. **Diplomatic Relations with U.S. (FAA Sec. 620(t))**. Assistance shall be prohibited if diplomatic relations between the U.S. and the recipient country are currently severed.

Is this restriction applicable? Please comment.

This restriction
does not apply.

7. **International Terrorism (FY 1999 Act Sec. 528; FAA Sec. 620A 620G)**. Absent a Presidential waiver on national security grounds or for humanitarian reasons, assistance is prohibited to a recipient country which (as determined by the Secretary of State): (i) grants sanctuary from prosecution to any terrorist, or (ii) otherwise supports or assists terrorist governments (as determined by FAA Sec. 620A) or international terrorism.

Is this restriction applicable? Please comment.

This restriction
does not apply.

8. **Compliance with UN Sanctions Against Iraq and Libya (FY 1999 Act Secs. 535 and 574)**. Absent certain Presidential determinations and/or certifications, assistance is prohibited to a country not in compliance with UN sanctions against Iraq (Sec. 535), or Libya (Sec. 574).

Is this restriction applicable? Please comment.

This restriction
does not apply.

9. **Export of Lethal Military Equipment to Terrorists States (FY 1999 Act Sec. 551; FAA Sec. 620H)**. Absent a Presidential determination, assistance is prohibited to a government which provides lethal military equipment to a terrorist government (as set forth under sections 620A of the FAA, 6(j) of the Export Administration Act (50 U.S.C. App. 2405(j)) or 40(d) of the Arms Export Control Act).

Is this restriction applicable? Please comment.

This restriction
does not apply.
We are not
aware of any
information
that requires
action under
this section.

10. **Discrimination** (FAA Sec. 666(b)). Assistance is prohibited to a recipient country which objects, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

11. **Nuclear Technology** (Arms Export Control Act Secs. 101, 102).

(i) Absent special certification by the President, assistance is prohibited if the recipient country has either delivered or received from any other country nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards any time after August 3, 1977.

(ii) Absent special certification by the President, assistance is prohibited if the recipient country has, on or after August 8, 1995: (a) transferred a nuclear explosive device to a non-nuclear weapon state, (b) received or detonated a nuclear explosive device, or (c) exported (or attempted to export) illegally from the U.S. any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device.

Are these restrictions applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

12. **Military Coup** (FY 1999 Act Sec. 508). Assistance is prohibited where the duly elected Head of Government of the recipient country has been deposed by military coup or decree unless the President has notified Congress that a democratically elected government has since taken office.

This restriction does not apply. We are not aware of any information that requires action under this section.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

13. **Exploitation of Children (FAA Sec. 116(b))**. Assistance is prohibited where the recipient government fails to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

14. **Parking Fines (FY 1999 Act Sec. 552)**. Assistance to a recipient country shall be reduced by 110 percent of the amount of unpaid parking fines owed to the District of Columbia. [Check with Bureau Program Officer.]

Is this restriction applicable? Please comment.

These amounts are automatically removed from a country's budget before it is apportioned.

15. **Delivery of Humanitarian Assistance (FAA Sec. 620I)**. Absent a Presidential determination, assistance is prohibited where the recipient government has prohibited or otherwise restricted, directly or indirectly, the transport or delivery of U.S humanitarian assistance.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

16. **Assistance to Cuba** (LIBERTAD Act Sec. 111; FAA Sec. 620(y)).

(i) If a country (or any entity in the country) provided assistance or credits in support of the Cuban nuclear facility at Juragua, Cuba at any time after January 27, 1996, then assistance to such country shall be reduced by an amount equal to the sum of any such assistance or credits.

(ii) Assistance to a recipient country shall be reduced by an amount equal to the aggregate value of nuclear fuel related assistance and credits provided by that country to Cuba during the preceding fiscal year, unless:

(a) Cuba has ratified the Treaty on the Non-Nuclear Proliferation of Nuclear Weapons or the Treaty of Tlatelco and Cuba is in compliance therewith; (b) has negotiated and is in compliance with full-scope safeguards of the International Atomic Energy Agency not later than two years after ratification by Cuba of such treaty and (c) incorporates and is in compliance with internationally accepted nuclear safety standards.

Are these restrictions applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action under this section.

17. **Human Rights Violations** (FAA Sec. 116; (FAA Sec. 502B)).

If the DOS has determined that the recipient government has engaged in a consistent pattern of gross violations of internationally recognized human rights, then (i) DA is prohibited unless the assistance will directly benefit the needy; and (ii) ESF is prohibited unless the President has found that the country has made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest.

Is this restriction applicable? Please comment.

This restriction does not apply. We are not aware of any information that requires action

under this
section.

**PLEASE ANSWER THE FOLLOWING QUESTIONS ONLY IF THE RECIPIENT COUNTRY
WAS NOT INCLUDED IN THE INITIAL FAA SECTION 653(a).**

[Check with Bureau Program Officer.]

Part II does not
apply. Peru was
included in the
initial FAA
Section 653(a).

PART II

1. **Mob Action** (FAA Sec. 620(j)). Assistance may be terminated if the recipient country permitted (or failed to take adequate measures to prevent) damage or destruction of U.S. property by mob action.

Confirm that your Bureau and the Management Bureau have considered this issue when determining assistance levels.

2. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5). Assistance may be denied or offset if the recipient country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel fishing in international waters.

Confirm that your Bureau and the Management Bureau have considered this issue when determining assistance levels.

3. **OPIC Investment Guaranty** (FAA Sec. 620(l)). Assistance may be denied if the recipient country has failed to enter into an investment guaranty agreement with OPIC.

Is this restriction applicable? Please comment.

4. **Percentage of Budget Devoted to Military** (FAA Sec. 620(s)). Development loans and ESF assistance may be limited by the Administrator after considering the percentage of the recipient country's budget devoted to military purposes and the amount of the country's foreign exchange or other resources spent on military equipment.

Confirm that your Bureau and the Management Bureau have considered this issue when determining assistance levels.

5. **U.N. Obligations (FAA Sec. 620(u)).** The payment status of the recipient country's U.N. obligations should be taken into account when considering assistance levels.

Confirm that your Bureau and the Management Bureau have considered this issue when determining assistance levels.

6. **Algiers Meeting (ISDCA of 1981, Sec. 720).** The fact that a country attended and otherwise failed to disassociate itself from the communique issued at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on September 25 and 28, 1981 should be taken into account when considering assistance levels to such country.

Confirm that your Bureau and the Management Bureau have considered this issue when determining assistance levels.

LAC/CEN: ASSISTANCE Tcorinck/Guate Chklist 99/2/1/99

Clearances:

LAC/SAMDBoyd _____	Date: _____
LAC/SPM: JStanley _____	Date: _____
LAC/SPM: BBouncy _____	Date: _____
LAC/DPB Bburke _____	Date: _____
LAC/GC: Bbryant _____	Date: _____
WHA/CEN: Ekleinwaks _____	Date: _____
State/IO/S/B: _____	Date: _____
State/INM/P: _____	Date: _____
State/DRL/AAA: _____	Date: _____
State/M/OFM/VTC: _____	Date: _____

III. ASSISTANCE CHECKLIST

This checklist is to help managers and teams ensure that activities are consistent with applicable law. Since different provisions apply at different stages of the process, this Checklist is divided into the following parts: **(A) Planning; (B) Congressional Notifications; and (C) Obligating Documents.**

In addition to completing this Checklist, managers and teams should check with the Desk Officer to make sure that the Country Checklist has been completed and nothing has occurred since completion of the Country Checklist which would affect USAID's ability to provide assistance.

No distinction between the DA and ESF is made in this Assistance Checklist because the FAA provides that, to the maximum extent feasible, ESF assistance should be provided consistent with the policy directions, purposes and programs of Development Assistance.

PART A. PLANNING

1. STRATEGIC OBJECTIVES

In addition to the specific mandates, restrictions, etc., provided in the FAA and set forth below, the following policies and authorities are applicable in developing and implementing strategic objectives:

Agricultural Research	Section 103A
Agriculture, Rural Development and Nutrition	Section 103
Appropriate Technology	Section 107
Development and Use of Cooperatives	Section 111
Development Assistance Policy	Section 102
Education and Human Resources Development	Section 105
Endangered Species	Section 119
Selected Development Activities	Section 106
Environment and Natural Resources	Section 117
Narcotics, Development and Illicit Production	Section 126
Private and Voluntary Organizations and Cooperatives	Section 123
Relatively Least Developed Countries	Section 124
Sahel Development Program	Section 120
Targeted Assistance	Section 128
Women, Integrating into National Economies	Section 113

2. SPECIFIC ACTIVITIES (in alphabetical order)

a. AGRICULTURAL ACTIVITIES (BUMPERS AMENDMENT) (FY 1999 Appropriations Act Sec. 513(b), as interpreted by the conference report for the original enactment). No funds may be used for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), which would compete with a similar commodity grown or produced in the United States unless such activities: (a) are designed to increase food security in developing countries and where such activities will not have a significant impact in the export of agricultural commodities of the United States; or (b) are research activities intended primarily to benefit American producers.

Is this restriction applicable? Please comment.

This restriction is not applicable.

b. COMMUNIST ASSISTANCE (FAA Sec. 620(h)). Arrangements should be made to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries

Please comment.

Peru is not a communist country.

c. ADVERSE ECONOMIC IMPACT UPON THE UNITED STATES

(1) Productive enterprises competing with U.S. enterprises (FAA Sec. 620(d)): No funds may be used for any productive enterprise which will compete with U.S. enterprises, *unless* there is an agreement by the recipient country to prevent export for use or consumption in the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or in the absence of such an agreement, the President has established import controls to effectuate that agreement. This may also be waived by the President due to national security interest.

Is this restriction applicable? Please comment.

This restriction is not applicable.

(2). Impact on U.S. Jobs: Relocation; Export Zones; Violation of Workers' Rights (FY 1999

Appropriations Act, Sec. 538; See PD 20): Assistance may not be provided:

- (a) to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business;
- (b) for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply, unless the President has determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.;
- (c) for a project or activity that contributes to the violation of internationally recognized workers rights of workers in the recipient country; except that assistance may be provided for such a country for the informal sector, micro or small-scale enterprise, or smallholder agriculture.

Please comment.

No assistance is provided under this agreement to support any of the purposes listed in Section 538 of FY 1999 Appropriations Act or PD 20.

(3) Production of Surplus Commodities (FY 1999 Appropriations Act Sec. 514(a)): Assistance may not be provided to establish or expand production of any commodity for export if the commodity is likely to be in surplus on world markets and substantial injury will be caused to U.S. producers of the same, similar or competing commodities.

Is this restriction applicable? Please comment.

This restriction is not applicable.

d. ENVIRONMENT

(1) Environmental Assessment.(FAA Sec. 117; USAID Regulation 16, 22 CFR Part 216): USAID Regulation 16 requires that an Initial Environmental Examination, unless the proposed assistance falls within certain exceptions and other actions. See ADS 204.

Please comment.

LAC IEE-99-48 dated September 24, 1999 approving a categorical exclusion is attached.

(2) CITES - Convention on International trade in Endangered Species of Flora and Fauna. (FY 1999 Appropriations Act, Title II under "Development Assistance" heading). No funds may be used in support of activities which contravene CITES.

Is this applicable? Please comment.

Not applicable.

(3) Debt-for-Nature Exchange. (FAA Sec. 463) Assistance which will finance a debt-for-nature exchange must: support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves; or, promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management.

Is this applicable? Please comment.

Not applicable.

(4) Tropical Forest Degradation (FAA Sec. 118) Funds may not be used for:

- (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems;
- (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas;
- (c) activities which would result in the conversion of forest lands to the rearing of livestock;
- (d) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands;
- (e) the colonization of forest lands; or
- (f) the construction of dams or other water control structures which flood relatively undergraded forest lands.

However, funds may be used for activities in 3) through 6) above if an environmental assessment indicates that the proposed activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development.

Is this applicable? Please comment.

Not applicable.

e. EXPROPRIATION AND LAND REFORM (FAA Sec. 620(g)): Assistance may not be used to finance compensation to owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President.

Is this applicable? Please comment.

Not applicable.

f. FAMILY PLANNING

(1). Abortions and Involuntary Sterilizations Prohibited (FAA Sec. 104(f); FY 1999 Appropriations Act Sec. 518): Funds may not be used:

- (a) to perform abortions as a method of family planning or to motivate or coerce any person to practice abortions. (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options.)
- (b) to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations.

- (c) to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.
- (d) for any country or organization if the President certifies that the use of these funds by such country or organization would violate the three provisions above.
- (e) to lobby for or against abortion.

Is this applicable? Please comment.

None of the funds under the project are used to defray the costs of the activities listed above.

(2) Voluntary Family Planning Support (FY 1999 Appropriations Act, Title II, under heading "Development Assistance") Funds may be made available only to voluntary family planning projects which:

- (a) offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services. (As a legal matter, DA only.)
- (b) meet the following requirements:
 - (i) service providers do not implement or are not subject to quotas, or targets, of numbers of births, family planning acceptors, or acceptors of a particular form of family planning (quantitative estimates or indicators for planning and budgeting purposes is acceptable);
 - (ii) no payments of incentives, bribes, gratuities, or financial rewards for (i) becoming a family planning acceptor or (ii) achieving numerical target or quota;
 - (iii) do not deny any right or benefit, including right of access to any program of general welfare or right of access to health care, as a consequence of any decision not to accept family planning services;
 - (iv) provide comprehensible information of the health benefits and risks of method chosen; and
 - (v) ensure that experimental drugs and services are provided only in the context of scientific study in which participants are advised of potential risks and benefits.
- (c) No applicant should be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning. (As a legal matter, DA only.)

Is this applicable? Please comment.

Funds made available under the project are only used for voluntary family planning activities consistent with the purposes listed above.

g. LEGISLATIVE ACTION (FAA Sec. 611(a)(2)): If the obligation is in excess of \$500,000 and requires legislative action within the recipient country, there must be a basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance.

Is this applicable? Please comment.

Not applicable.

h. LOANS (FAA Section 122(b)) In making loans, USAID must consider the following:

- (1) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- (2) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?
- (3) If repayable in dollars, the interest rate must be at least percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter, but no higher than the applicable legal rate of interest of the country in which the loan is being made.

Is this applicable? Please comment.

Not applicable.

i. MILITARY PURPOSES (FAA Sec. 531(e)) Congress has explicitly provided that funds may not be used for military or paramilitary purposes.

Please comment.

No funds are used to support military purposes.

j. NUCLEAR RESOURCES – EXPORT OF (FY 1999 Appropriations Act Sec. 506): Assistance may not be used to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology.

Is this restriction applicable? Please comment.

This restriction is not applicable.

k. POLICE AND PRISONS (FAA Sec. 660): Assistance may not be used to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in Sections 660, 119 and 534 of the FAA and FY 1999 Appropriations Act Sec. 542).

Is this restriction applicable? Please comment.

No, this restriction is not applicable.

l. PUBLICITY, PROPAGANDA AND LOBBYING (FY 1999 Appropriations Act Sec. 546; Anti-Lobbying Act, 18 U.S.C. § 1913): Assistance may not be used to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress.

Is this applicable? Please comment.

Not applicable.

m. PVOs -- Funding Sources for U.S. PVOs (FY 1999 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), it must obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government. This may be waived in certain circumstances. Check with BHR/PVC to see if the U.S. PVO has met the requirement.

Is this applicable? Please comment.

This Section applies to the Southern component of the project which is implemented through a US PVO. This PVO complies with the requirement that at least 20% of its annual funding comes from sources other than the U.S. Government.

PART B. CONGRESSIONAL NOTIFICATIONS.

1. GENERAL NOTIFICATION (FY 1999 Appropriations Act Sec. 515; FAA Sec. 634A): Obligations must be notified to Congress. This is usually accomplished through the Administrator's annual Congressional Presentation. It may be subject of a Special Notification, as below. Additionally, a new Congressional Notification must be made if the amount of the obligation has increased from that previously notified.

Is this applicable? Please comment.

Congress has been notified of the \$7.049 million LOP increase with CN No. 577 dated September 13, 1999 which expired on September 27, 1999.

2. SPECIAL NOTIFICATION (FY 1999 Appropriations Act, "Burma" and "Cambodia" Title II headings and Secs. 517 and 520): Special Notifications, 15 days in advance of obligation, are required for:

a. COUNTRIES – Burma, Cambodia, Colombia, Democratic Republic of Congo, Haiti, Honduras, Kenya, and Tanzania (Supplemental), Liberia, NIS countries, Pakistan, Serbia, Sudan.

b. OTHER

(1) account transfer, i.e., obligations under an appropriation account to which the funds were not originally appropriated (FY 1999 Appropriations Act Sec. 509). Notification is to be made to the House and Senate Appropriations Committees.

(2) cash transfers or non-project sector assistance (notification should include a discussion of how funds will be used, U.S. interests served and economic policy reforms to be promoted)(FY1999 Appropriations Act Sec. 533(b)(3))

(3) construction of productive enterprise, if aggregate value of assistance to be furnished by the U.S. exceeds \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation)(FAA Sec. 620(k)).(Express **approval** of Congress required.)

(4) use of "notwithstanding" authority for supporting energy programs aimed at reducing greenhouse gas emissions (FY 1999 Appropriations Act Sec. 540(b))

(5) programs or activities promoting country participation in the Kyoto Protocol to the Framework Convention on Climate Change (FY 1999 Appropriations Act Sec.573(a))]

Is this applicable? Please comment.

This is not applicable.

3. DEOBLIGATION/REOBLIGATION (FY 1999 Appropriations Act Sec. 510): If deob/reob authority is being used under section 510 in the provision of DA assistance, the funds being obligated must be for the same general purpose and for countries within the same region as originally obligated, and the House and Senate Appropriations Committees must be properly notified. (Note: Compare to no-year authority under section 511.)

Is this applicable? Please comment.

This is not applicable.

4. ENTERPRISE FUNDS – DISTRIBUTION OF ASSETS (FY 1999 Appropriations Act Sec. 577): Prior to the distribution of any assets resulting from the liquidation, dissolution, or winding up of an Enterprise Fund, a plan regarding the distribution of those assets must be sent to Committees on Appropriations.

Is this applicable? Please comment.

This is not applicable.

PART C. OBLIGATING DOCUMENTS

1. SOURCE, ORIGIN AND NATIONALITY (See ADS 310)

a. General (FAA Sec. 604(a)): All procurement must be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with agency rules. If planning procurement elsewhere, a waiver must be obtained.

Please comment.

The authorized geographic codes for all procurements under the project currently in effect, are the U.S. and Peru. Individual waivers have been issued, as needed, to authorize procurements from other sources, origin or nationality.

b. Automobiles -- buy only U.S. made motor vehicles (FAA Sec. 636(i)): Assistance may not be used to finance the purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained.

Please comment.

Vehicles procured under the project are U.S. made therefore, no waivers were required.

c. Agricultural Procurement (FAA Sec. 604(e)): Agricultural commodities and products thereof must be procured within the U.S. unless the commodity or product could not be reasonably produced in the U.S. in fulfillment of the particular assistance program. Waivers are available in some circumstances.

Please comment.

Not applicable.

d. Construction or Engineering Services (FAA Sec. 604(g)): No engineering or construction services may be procured from advanced developing countries eligible under Code 941 which have attained competitive capability in international markets, *unless* (i) the advanced developing country is receiving direct economic assistance under the FAA and (ii) its own assistance program would permit U.S. firms to compete for similar services.

Please comment.

This Section is not applicable.

2. CASH TRANSFERS -- REQUIREMENT FOR SEPARATE ACCOUNT (FY 1999 Appropriations Act Sec. 533 (b)). If assistance is in the form of a cash transfer or nonproject sector assistance, all such cash payments should be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance).

Please comment.

This is not applicable.

3. CAPITAL ASSISTANCE

a. Mission Director Certification/AA Determination (FAA Sec. 611(e)): If capital assistance is proposed (e.g., construction), and total U.S. assistance for it will exceed \$1 million, the Mission Director must certify and the Regional Assistant Administrator must take into consideration the country's capability to maintain and utilize the assistance effectively.

Please comment.

Construction activities under the project have not exceeded \$1.0 million. ^{will not exceed}

b. Developmentally sound projects (Jobs Through Export Act of 1992, Secs. 303 and 306(b)), P.L. 102-549, 22 U.S.C. 2421b and 2421d(b): If assistance is being provided for a capital activity, the activity must be developmentally sound and measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level.

Please comment.

Not applicable.

c. U.S. Engineering Services (FAA Sec. 601(d)): If capital (e.g., construction) assistance, U.S. engineering and professional services must be used to the maximum extent, consistent with U.S. interests.

Please comment.

Not applicable.

4. ASSISTANCE GENERATING LOCAL CURRENCY: If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

a. USAID must (1) require that local currencies be deposited in a separate account established by the recipient government, (2) enter into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (3) establish by agreement the responsibilities of USAID and the host government to monitor and account for deposits into and disbursements from the separate account.

b. Local currencies, or an equivalent amount of local currencies, can be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government.

c. USAID should take all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account is used for the agreed purposes.

d. If assistance is terminated to a country, unencumbered balances of funds remaining in a separate account should be disposed of for purposes agreed to by the recipient government and the United States Government.

Please comment.

Assistance is furnished to a local and U.S. NGO and therefore does not result in generation of local currency.

5. PRINTING COSTS. For printing costs of a report of study (except feasibility, design or evaluation reports or studies) in excess of \$25,000, the Administrator or his designee must give his/her approval.

Please comment.

This is not applicable.

6. STATE DEPARTMENT NOTIFICATION OF BILATERAL AGREEMENTS WITH AN OBLIGATION OF \$25 MILLION OR MORE (ADS 350.5.5; Case-Zablocki Act, 1 U.S.C. Sec. 112b, 22 C.F.R. Part 181): The date of signing and the amount involved must be cabled to State L/T immediately upon signing and the full text of the agreement should be pouched to State/L within 20 days of signing. See ADS 350.

Please comment.

Assistance under the project is provided to an NGO therefore this Section does not apply.

7. ENGINEERING AND FINANCIAL PLANS (FAA Sec. 611(a),(b)): Prior to an obligation in excess of \$500,000, there should be: (1) engineering, financial or other plans necessary to carry out the assistance; and (2) a reasonably firm estimate of the cost to the U.S. of the assistance. And, if the plan relates to a water or water-related land resource construction, the plan should include a computation of benefits and costs, computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.).

Please comment.

There is an activity description, an illustrative financial plan and engineering plans to carry out the assistance.

[m:\pdpd\so3\0319\assistance.ck199]

Attachment V

Strengthening Health Institutions Project (SHIP), Project 527.0319.00
US\$

Element	Element Name	Method	LOP	This Amendment	New LOP
01	Self Financing PHO-North	Financing	10,158,000	6,949,000	17,107,000
	URC Contract	DPayment	10,158,000	(1,307,874)	8,850,126
	CA Max Salud	DPayment		4,589,504	4,589,504
	Endowment Fund (**)	DPayment		2,359,496	2,359,496
	Ship direct obligations	DPayment		1,307,874	1,307,874
02	NGO Health Prov.- South (*)		9,452,699	100,000	9,552,699
	NGO Health Prov.- South (*)	LOC	8,785,999	100,000	8,885,999
	Basic Education +NGO Support(*)	LOC	362,000		362,000
	TA to Max Salud (*)	LOC	304,700		304,700
03	Project Monitoring		1,135,301	-	1,135,301
	Project Monitoring	DPayment	851,492	-	851,492
04	Studies/Evaluation/Pre-Award		283,809	-	283,809
	Studies/Evaluation/Pre-Award	DPayment	283,809	-	283,809
	Sub Total (South)		10,588,000	100,000	10,688,000
	Total		20,746,000	7,049,000	27,795,000

(*) Paid under Letter Of Credit

(**) Endowment \$2,919,192. The difference will be covered by existing authorized/unobligated funds

l:\wohpn\kristin\shiplop

To: Claire Johnson@CONT@LIMA
From: Max Patrucco@CONT@LIMA
Originated by: Max Patrucco@CONT@LIMA
Cc:
Subject: fwd: Reportes contables/MaxSalud
Attachment: BEYOND.RTF
Date: 09/28/1999 10:47 AM

FYI

From: Max Patrucco@CONT@LIMA, on 09/24/1999 2:06 PM:
To: internet[villanes@maxsalud.org.pe]
Cc: Claire Johnson@CONT@LIMA,internet[fhernand@maxsalud.org.pe],Kristin Langlykke@OHPN@LIMA

Sr. Roberto Villanes

Agradezco, que el dia de ayer despues de la presentacion que hicieran en nuestras oficinas nos hayas proporcionado una copia de un listado de un Balance de Comprobacion al mes de agosto 99. De acuerdo a lo solicitado con anterioridad, mucho apreciaremos nos **hagas llegar el estado financiero de fecha mas reciente de Maxsalud, es decir, un balance General, Un estado de Ingresos y Egresos (de ser posible por clinicas y acumulados), asimismo una copia simple del reporte de la auditoria efectuada por la firma Ramirez Enriquez y asociados.**

Esta informacion es importante, pues como es de su conocimiento estamos en el proceso de documentar la informacion del nuevo convenio entre USAID y MaxSalud.
Esperamos tu respuesta por Fax o mail.

Saludos

****ADVANCE COPY****

**SHIP
Authorization MEMO, Amendment Four**

Attachments

- I. Congressional Notification No. 577 attached
- II. Budget - MS attached
- III. IEE attached pending
- IV. Country and Assistance Checklists attached
- V. Budget - SHIP
Clearances

PDP:EVarillas

EE

Date 9/22/99

PDP:TKellermann

TK

Date 9/22/99

RLA:LReed

LR

Date 9/22/99

RCO:AEisenberg

AE

Date 9/22

DCONT:CJohnson

CJ

Date _____

DD:JCloutier

Date _____

Action Memorandum to Extend Life of Project, SHIP, 9/9/99 *and increase life of project funding*





Action Memorandum

for the Mission Director

From: Kristin Langlykke, SHIP Coordinator *Kristin Langlykke*

Through: Christine Adamczyk, SHIP Program Manager *Christine Adamczyk*
Richard Martin, SO3 Team Leader *Richard Martin*

Subject: Authorization Amendment Four
Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319

Date: September 21, 1999

Action

Your approval is requested to: (1) extend the life of project from 12/31/99 to 9/30/05; and (2) increase the life of project funding from \$20,746,000 to \$27,795,000, for the Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319.

Background

The SHIP Project was approved on September 28, 1991, and a cooperative agreement (CA) was signed with CARE/Perú to implement the southern component. The northern component of SHIP is being carried out under an institutional contract with University Research Corporation (URC), signed on June 20, 1994. Sanctions, followed by complex procurement issues, delayed the beginning of the northern component by nearly three years. The present life of project completion date for the entire project is now December 31, 1999.

Under the southern component, most of the activities are complete. However, under a CA extension, CARE is supporting two NGO consortia, one in Arequipa and one in Puno, to encourage ongoing sustainability and promote NGO involvement in other health and development projects. Through 12/99, CARE will continue to support a defined set of early childhood development (including nutrition and health-related) activities under the EBADECA (Educación Básica para el Desarrollo Comunal Aymara) project. EBADECA is working with the Ministry of Education to institutionalize its program, evaluating the impact of the project on children's performance in primary school. The project is also working to increase collaboration between the Ministries of Education and Health.

Also, as part of the CA extension, CARE is providing a series of discrete technical assistance and research activities to improve the institutional, social and financial sustainability of Max Salud. For example, studies are underway to assess the impact of Max Salud prevention and community education activities, to describe the unmet need for

STI (sexually transmitted infection) and HIV/AIDS services within Max Salud and within its target communities, and to measure the feasibility of Max Salud assuming the management of the Ministry of Health La Victoria Health Center.

Upon termination of the URC contract, USAID expects to enter into a five-year cooperative agreement with Max Salud. Additionally, limited funding is being considered for the NGO Consortia and EBADECA activities after 12/31/99.

Discussion

The SHIP Results Package Team has recommended that once the URC contract ends, SHIP North will require additional support in order to ensure that Max Salud (the NGO created to manage the primary health care network in Chiclayo) continues to progress to full self-sustainability. For this reason, Amendment Four is put forth for approval to extend the SHIP life of project and to increase the life of project funding to continue USAID support to Max Salud.

According to the most recent financial reports from Max Salud (as of 7/31/99) the network of four clinics has reached partial self-sustainability – 42 percent of overall costs, including the management support unit. This is a reasonable achievement considering several setbacks and delays in implementation. However, five years of program activity (two clinics have only been open since 12/98) is not sufficient to reach full sustainability.

One of the Max Salud clinics, Lambayeque, inaugurated in December 1998, has just opened a small ambulatory surgery center in July 1999. It is expected that once underway and with increased utilization, this service will contribute to the network's sustainability.

Max Salud, with the assistance of URC and of CARE/Perú, is beginning to establish or become a part of health care arrangements that will both bring in more patients and guarantee reimbursement for services. These plans are complex to initiate and require a period of at least three years to make needed adjustments and consolidate membership. For example, Max Salud has captured approximately 250 users out of the 4,500 potential users enrolled in the four local institutions that have signed agreements for health care. These agreements have only been recently signed, and Max Salud needs additional time for effective marketing and enrollment of new users.

Max Salud also needs to determine a workable balance between number of clinics, management capacity and sustainability. Most experts feel that six clinics is the minimum to sustain Max Salud operations, although until all four clinics are working to capacity, the basis for projections is not very accurate. Time will provide more information. Because the prevailing opinion is in favor of at least two additional clinics, Max Salud is pursuing new sites. The development and consolidation of new clinical sites, if approved by USAID/Perú and the Max Salud Board of Directors, will require at least five years of ongoing technical and financial support.

One of the potential new sites, La Victoria Centro de Salud, is presently a Ministry of Health facility. Negotiations are under way between Max Salud and the Ministry to develop a

shared management model. Max Salud would renovate, equip and manage the facility, and the Ministry would provide personnel. Since staff salaries are a major expense in running any health facility, this would represent significant support. This model is complex and several details remain to be negotiated. In addition to expanding the Max Salud network of services, this arrangement will contribute critical information and experience to the present health sector reform debates in Peru.

The benefits of Max Salud as a model to promote policy and practice reforms has not been fully exploited. Max Salud has the potential to serve as a laboratory in such areas as family and community centered primary health care, private delivery of care to sectors customarily cared for by the Ministry of Health, local control of health services, and specialized care for at risk populations such as adolescents.

Description of Activities to be Performed and Results Expected During the Extension Period

Max Salud

Max Salud activities will be directed toward achieving five major objectives related to assuring access to primary health care, contributing health care reform dialogue, and institutional, financial and social sustainability. Based primarily on the objectives and strategies of Max Salud's recently completed 5-year strategic plan, the following activities are contemplated:

1. Objective: Assure access to primary health care in target areas by strengthening and expanding the network of Max Salud clinics with a focus on integrated and innovative health care and illness and injury prevention.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess health status and service availability in areas targeted for possible Max Salud expansion.	Studies completed and available.	To be determined in annual work plan.
Complete market/feasibility studies in areas targeted for possible expansion of Max Salud services.	Studies indicating financial, social and institutional feasibility of establishing new Max Salud clinics.	To be determined in annual work plan.
Elaborate general proposal for new sites (including La Victoria) as determined, including infrastructure, human resources, equipment and supplies needed.	Plans and budgets elaborated.	La Vict. 06/00 Future sites to be determined in annual work plan.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Consider expansion of Max Salud health care network to include La Victoria, and further expansion as feasible.	New health center (i.e., La Victoria) established and functioning as part of Max Salud network.	09/00
Review and update the physical infrastructure in existing clinics and adjust or replace as needed.	Plans for this activity to be drafted annually. Annual report with corresponding budget of changes implemented.	Annually
Develop inter-institutional cooperation agreements for such items as service delivery and materials/supplies acquisition.	Agreements in place and goods and services available.	Ongoing

2. Objective: Contribute to health care policy and practice reform debate.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Participate with Ministry of Health (MOH) in planned roundtables on advances in public and primary health care.	Reports of roundtable activities.	Periodically
	Proposals developed with MOH to replicate service delivery models.	12/03
Maintain and expand agreements with Universidad Nacional Pedro Ruiz Gallo to: (1)train health sciences students in primary health care and community participation; and (2)sponsor students and faculty to conduct health services and public health research.	(1) Courses and clinical placements in primary health care and community participation conducted by Max Salud; and (2) Published research.	Ongoing

3. Objective: Strengthen institutional sustainability of Max Salud.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Consolidate Board of Directors and General Assembly	General Assembly with 15 members; Board of Directors with 7 members.	12/99
	Board of Directors meeting regularly (monthly) and General Assembly meeting regularly (2x/year).	10/99
Work with Board of Directors to develop sustainability plan for Max Salud.	Board of Directors actively contributing to sustainability of Max Salud.	03/00 and annually

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Reorganize work of Max Salud management support unit (MSU) to accommodate changes brought by URC departure and to achieve maximum efficiency of operations.	MSU staff reoriented and trained (if needed).	12/99
	Personnel flexible, competitive, integrated, and decentralized.	06/00
Design and manage a system of cross subsidy to finance daily operations of Max Salud while maintaining full availability of services for low-income users.	System of cross subsidy (profitable services subsidizing less profitable) in place and functioning. Formula developed to measure level of care offered to low income users relative to financial self-sufficiency.	12/00
Strengthen Management Information System (SIG/Sistema de Información Gerencial).	Fully automated Management Information System in place and functioning with regular maintenance and capacity for expansion.	12/99
Provide ongoing support and technical assistance for management information system to improve tracking of health services activities.	Improved system. Increased level of positive staff feedback regarding availability and ease of access to information.	Ongoing
Increase and improve automation of administrative functions.	Integrated electronic network linking all clinics and central management unit with capacity for expansion.	12/01

4. Objective: Strengthen financial sustainability of Max Salud.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Carry out ongoing assessment of existing insurance plans (faculty/students of Universidad Nacional PRG, etc.) for viability and profitability.	Annual assessment of profitability of insurance or membership plans (including meeting established enrollment goals and level of contribution to cross subsidy system).	09/01 and ongoing
Develop new third party payment plans for Max Salud (e.g., designated provider for private insurance; primary care provider for EsSalud; etc).	Max Salud has a model for third party payment developed.	12/00
	Three new third party payment agreements in place.	12/02

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess utilization, user satisfaction with, and profitability of Lambayeque Surgical Center.	Surgical Center operating at increasing capacity.	50% by 03/01 65% by 03/02 80% by 03/03
	User satisfaction rated average of 4 on Likert-type scale of 1-5.	06/01
	Surgical Center contributing to subsidize costs of Max Salud primary health care network.	10% by 12/01 15% by 12/02 20% by 12/03
Maintain ongoing marketing activities to increase volume of services provided. Periodically assess results of marketing strategy.	Marketing strategy implemented and activities ongoing. Activities changed or adjusted depending upon evaluation of results.	Ongoing
Design and implement new products and services.	Plan developed with Board of Directors.	06/00
	New products and services offered as planned.	Ongoing according to plan.
Develop financial plan that includes projections to predict future levels of financial sustainability	Financial planning document.	03/00
Assess new products and services for user satisfaction and achievement of objectives.	Adjustment to products and services as indicated by assessment.	Ongoing
Work with Board of Directors to design and implement resource development and support plan.	Board of Directors fundraising and resource development plan implemented.	03/00 and Annually
	Goals met for each year.	Annually
Develop and implement fundraising plans for Max Salud and for each clinic.	Funds raised for Max Salud in addition to revenues and USAID support.	12/00 and Ongoing
Obtain funds for special projects from international cooperating donors.	Funds obtained from international cooperating donors:	
	\$100,000	12/01
	\$200,000	12/02
	\$300,000	12/03
	\$400,000	10/04
Plan for and increase over time Max Salud counterpart contribution to operating costs.	Counterpart contributions increase over time.	20% by 10/99 30% by 10/00 40% by 10/01 50% by 10/02 55% by 10/03 60% by 10/04

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Manage CA with USAID.	Financial and progress reports submitted quarterly to USAID.	Ongoing
	Annual audits completed and recommendations implemented.	Ongoing
	Joint resolution with USAID project and procurement personnel regarding changes in plans, key personnel, or budget.	Ongoing

5. Objective: Strengthen social sustainability of Max Salud and ensure high quality of care in all services.

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Manage ongoing monitoring system that tracks major health problems, differences among groups, gender-related issues.	System implemented with maintenance protocols; system used to review and adapt Max Salud clinical, referral and community outreach services.	12/00 and annually
Based on client feedback, review and update/improve preventive and curative health care services.	Services in place that meet client needs. Report of client perceptions of services offered and unmet needs and steps taken to institutionalize a continual quality of care improvement strategy.	06/00
Incorporate results of impact studies and needs assessments (e.g., MCH, STD/HIV) executed by CARE-Perú into clinical and community outreach activities.	Strategic and operating plans adjusted to reflect findings of studies executed by CARE-Perú.	12/00
Institutionalize teaching/research projects developed by CARE Peru and Max Salud with the Universidad Nacional Pedro Ruiz Gallo (UNPRG) and other institutions of higher education.	Plan in place for ongoing student placements and projects between UNPRG and Max Salud.	12/00 and ongoing
Strengthen and support network of community health promoters.	Health promoters working under plan for community health promotion with ongoing training and evaluation.	06/00 and ongoing
	Standards developed and implemented for selection and assignment of health promoters.	12/00 and ongoing
	Incentive activities developed and in place.	12/00 and ongoing

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Promote and strengthen community participation in health care in areas of influence of Max Salud clinics by strengthening community advisory boards.	Community health committees trained and active and providing input into clinical and community health activities.	Ongoing
Evaluate impact of community-oriented health services/education and activities of health promoters on health status of target community(s). Implement measures to maintain identified impact or improve lack of impact.	Measure of impact of community-oriented health services/education through assessment of health knowledge, attitudes and practices. Assessment of impact and implementation of measures to maintain and/or improve impact.	06/01 06/03 After each assessment.
Develop and implement system of incentives for staff to promote respectful and caring treatment of clients.	System in place and monitoring ongoing.	06/00 and ongoing
Design and implement ongoing staff training and development plan with regular opportunities for staff training and development.	Staff members participate in regularized program of training and development (at least one workshop/conference per year) that involves resources of Max Salud, universities and other local agencies, national and international consultants/courses, and virtual classes.	Annual report submitted 12/00 and ongoing
	Annual staff, student and volunteer training and development plans. Staff, student and volunteer evaluations of training activities. All training information entered in USAID electronic system.	Annually and Ongoing
Maintain and update system of continuous quality assurance activities at each site and in administration/clinical supervision.	Updated written protocols/procedures on quality assurance and monitoring in place. Identified gaps in quality of care remedied immediately and followed until resolved.	06/00 and ongoing
Consolidate quality assurance teams in each clinic.	Quality assurance teams receive ongoing training as indicated in the annual training plan and are functioning in each clinic.	06/00 and ongoing
Develop health indicators that Max Salud proposes to influence in defined catchment area and/or target population; establish baseline data and track health indicators over life of the project.	Health indicators and catchment area/target population(s) identified.	01/00
	Establish baseline data	06/00
	Annual assessment of impact on identified health indicators.	Annually beginning 01/01

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess and revise if necessary institutional plan to deal with domestic violence/sexual abuse cases.	Trained staff implementing plan to deal with domestic violence/sexual abuse victims who are clients of Max Salud.	Ongoing
Update infection control measures and protocols and ensure compliance with new Ministry of Health guidelines.	Infection control system that protects patients, employees and the community from untoward affects of clinical services.	12/99 and ongoing
Evaluate present and develop new community outreach and education projects.	Evaluation.	06/00
	Plan for new projects.	07/00 and annually
	New projects developed and implemented according to plan.	Ongoing
Conduct annual review of gender issues in providing primary health care.	Annual workshop for staff and plans developed to include gender issues in Max Salud primary health care services and training.	Annually

Routine activities, such as human resource functions, the development of health education materials, recruitment and training of health promoters, and marketing, that may not be specifically mentioned, will continue as planned and as needed.

Projections and Plans for Achieving Sustainability of Max Salud

Max Salud is developing a financial planning document that includes projections to predict future levels of financial sustainability. Based on projections in a study by John Holley, completed in November 1998, with the present configuration of clinics, Max Salud should progress from the present 42 percent to reach 80 percent financial sustainability by 2003. This is counting on significant returns from the ambulatory surgery center. Without additional clinics and/or services to support inflationary costs and to maintain its objectives to serve low income clients, Max Salud may not be able to further improve its debit/credit ratio.

Because we do not know yet how the surgery center will perform and the overall ability of the population to pay for its services (given recent and ongoing crises in the national and local economy), we would prefer to present a more conservative picture for the purposes of funding the cooperative agreement. The accompanying budget ranges from covering 80 percent of costs in the first year to 40 percent in the final year. The budget also allows for modest investments in specialized technical assistance and training and in the development of new clinical sites and/or services.

The SO3 Team recommends further investigation and planning regarding the development of an endowment fund that would be available to Max Salud at the end of the 5-year

cooperative agreement to provide interest income to cover probable gaps between income and expenditures. This will allow Max Salud to continue serving poor clients while providing high quality comprehensive care. It will also allow Max Salud to invest in new, creative projects that will both enhance income as well as services to the citizens of Lambayeque.

Before establishing such an endowment fund, several factors will be considered:

- Evidence of advancement of organizations goals as measured in monitoring and evaluation plan;
- Presence of and adherence to solid financial and management plan for the organization;
- Ongoing evidence of organizational stability and capacity of Max Salud;
- Maintenance of client satisfaction and quality of care;
- Progress toward attaining financial sustainability, so that interest generated from endowment would reasonably cover shortfall;
- Satisfactory functioning of Board of Directors; and
- Willingness of Max Salud and Board of Directors to participate in legal and contractual agreements for establishment of endowment.

It is anticipated that work would begin immediately on establishing an endowment fund with actual deposits being started in the third year of the cooperative agreement and continuing in the fourth and fifth year. Implementation of the fund through deposits would depend upon USAID's assessment of the above issues and appropriate Mission and USAID/W approvals. Once established, the fund's interest would accumulate and be applied to the capital until the end of the cooperative agreement when interest would become available to Max Salud (see accompanying budget and projections).

Monitoring and Evaluation, Max Salud

Max Salud will set short-, medium- and long-term goals and objectives and will establish an evaluation plan to measure their achievement. Objectives will address financial, institutional and social sustainability. More specifically, objectives will address:

- targets for percentage of financial sustainability to be attained each year
- objectives for funds to be generated by other than patient revenues
- objectives describing desired actions and composition of the governing bodies (Board of Directors and General Assembly) for each year
- objectives for community participation in clinic management, outreach and health education
- objectives for the development of new projects (such as school-based health screenings, environmental health initiatives, etc.)
- objectives related to the impact of Max Salud clinic-based and community outreach activities on health status of the target community (with emphasis on health problems identified by the community and/or the government such as maternal mortality, drug abuse and diarrheal disease).

Ongoing Activity, SHIP South NGO Consortia

Small sub-grants under SHIP South will be considered to continue the activities of CONSUSALUD in Arequipa. With seed funding from CARE-Peru (under the CA with USAID) CONSUSALUD has developed its own small grants program (\$1,000-\$5,000) to encourage member organizations to develop innovative outreach and service delivery plans that increase access and utilization among high risk groups (adolescents, women and children living in extreme poverty). CONSUSALUD is providing training for members and other NGOs on issues of quality improvement in service delivery.

The consortium developed under SHIP South in Puno, CONSALUD, has been less successful in developing and carrying out primary health care plans and activities. They received a very small sub-grant from June 1999 – December 1999 to consolidate consortium leadership and develop a work plan; the results of this support are not encouraging for their survival in the future and without further evidence of potential sustainability, the organization does not merit ongoing funding.

EBADECA (Educación Básica para el Desarrollo Comunal Aymara)

EBADECA provides technical assistance and training to Ministry of Education (MOE) personnel and local community members involved in early childhood education in the Aymara communities in rural areas south of Puno. The project also provides educational materials to pre-school projects and works closely with the Ministry of Health to coordinate child health supervision in the pre-school setting. The Ministry of Education and EBADECA staff are interested in the EBADECA project expanding activities to serve Quechua communities in the northern area of Puno.

Preliminary assessments of children participating in this project (4,230 in 1998-99) found that generally their development is superior to children who have not participated. This evaluation also noted that 72% of the *animadores* demonstrate adequate teaching skills, that 75% of the parents involved in the project show changes in attitudes, beliefs and behaviors related to education and childrearing, and that 94% of the *madres motivadoras* show a high level of awareness about the importance of early stimulation for healthy development. Weaknesses in children's achievement were also noted, especially in one of the target communities, Multicomunal Wiñay Marca. The teacher supervisors also did not perform as well as the project advisors anticipated. These areas are being addressed by the project team.

Activity Management

A USPSC, in close collaboration with the SO#3 team, will have the management responsibility for the activity. No additional staff positions will be required to manage the extended project.

Congressional Notification

Congressional Notification No. 577 for this activity, dated September 13, 1999, expired on September 27, 1999 (Attachment I).

Proposed Funding

It is proposed that funding be provided for an additional five years in amounts sufficient to allow Max Salud to continue present services and expand to include 1-2 new sites if this appears feasible. New site acquisition and management will be carefully monitored to maintain the purpose of SHIP while enhancing its sustainability. Max Salud will contribute earnings (as a percentage of operational budget) to complement USAID funding.

The budget also includes funding for an extension of the Cooperative Agreement with CARE-Peru to manage activities of the NGO Consortium and EBADECA.

See attached budget and funding projections (Attachment II).

Regulatory and Policy Requirements

For this amended activity, the Mission has requested that the previous environmental threshold decision be maintained. This request has been granted under IEE number LAC-IEE-99-xx, dated September xx, 1999 (Attachment III). The Country and Assistance Checklists have been completed and are also attached (Attachment IV).

Authority

You are authorized to take the requested action by ADS 103.5.14b1, which establishes the Mission Director's authority to approve design documents and amendments pursuant to ADS 103.5.8a.

Recommendation

Based on the rationale outlined above, it is recommended that you approve the extension of the SHIP life of project from 12/31/99 through 9/30/05 and the life of project funding from \$20,746,000 to \$27,795,000.

Approved
Thomas Geiger, Mission Director

Disapproved
Thomas Geiger, Mission Director

Date

Date

Clearance:
PDP:EVarillas
PDP:TKellermann
RLA:LReed
RCO:AEisenberg
DCONT:CJohnson
DD:JCloutier

geiger
TKellermann
LReed

Date 9/24/99
Date 9/22/99
Date 9/28/99
Date 9/22/99
Date _____
Date _____



Attachments II Budget

To: Susan Hill@LAC.SPM@AIDW
From: Dora Rojas@PDP@LIMA
Cc:
Subject: re: SHIP CN -- corrected copy
Attachment: BEYOND.RTF
Date: 09/07/1999 2:21 PM

Susan:

Of the \$27,795 million, \$3.0 million are POP funds and \$24.795 are CS funds. The \$1,122 million FY 99 obligation are CS funds. Please call me if you additional information.

Regards

China

From: Susan Hill@LAC.SPM@AIDW, on 09/07/1999 2:05 PM:

Dora,

For the Advice of Program Change part of the CN, I need the functional account break down of the \$1,122,000 to be obligated this year and of the total LOP. Please provide ASAP.

----- Original Text -----

From: Dora Rojas@PDP@LIMA, on 09/07/1999 1:32 PM:

Please ignore previous email and see attached corrected SHIP CN for your review and approval. Thank you again.

To: Dora Rojas@PDP@LIMA
From: Susan Hill@LAC.SPM@AIDW
Cc: Elvira Varillas@PDP@LIMA, Kristin Langlykke@OHPN@LIMA, Miriam Choy@PDP@LIMA, Thomas Kellermann@PDP@LIMA
Subject: re: SHIP CN -- corrected copy
Attachment:
Date: 09/07/1999 2:05 PM

Dora,

For the Advice of Program Change part of the CN, I need the functional account break down of the \$1,122,000 to be obligated this year and of the total LOP. Please provide ASAP.

----- Original Text -----

From: Dora Rojas@PDP@LIMA, on 09/07/1999 1:32 PM:

Please ignore previous email and see attached corrected SHIP CN for your review and approval. Thank you again.

To: Susan Hill@C.SPM@AIDW
From: Dora Rojas@PDP@LIMA
Cc: Elvira Varillas@PDP@LIMA, Kristin Langlykke@OHPN@LIMA, Miriam
Choy@PDP@LIMA, Thomas Kellermann@PDP@LIMA
Subject: SHIP CN -- corrected copy
Attachment: CN.MAXSALUD.FIN.DOC, BEYOND.RTF
Date: 09/07/1999 12:32 PM

Please ignore previous email and see attached corrected SHIP CN for your review and approval. Thank you again.

UNITED STATES SERVICE FOR INTERNATIONAL DEVELOPMENT
Agency USAID

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET**

PROGRAM: PERU

CP 81-05 (S)

TITLE: Strengthening Private Sector Health Institutions		FUNDING SOURCE: DA, CS		PROPOSED OBLIGATION (In thousands of dollars)	
NUMBER: GRANT	527-0319 LOAN	NEW <input type="checkbox"/> CONTINUING <input checked="" type="checkbox"/>		FY 99	1,122
				INITIAL OBLIGATION FY 91	ESTIMATED FINAL OBLIGATION FY 04
					ESTIMATED COMPLETION DATE OF PROJECT FY 05
					LIFE OF PROJECT (Auth) 27,795

Purpose: To identify and evaluate models of private primary health care services delivery which improve access, coverage, efficiency, and sustainability of services in two areas of Peru.

Background: In Peru, an estimated 60% of the population has no health insurance and depends upon inadequate public sector health care or costly private care. Primary preventive health care is not widely practiced. Many preventable illnesses, such as cervical cancer, cause unacceptable levels of morbidity and mortality. The Strengthening Private Sector Health Institutions Project (SHIP) was implemented in 1991 in response to unmet needs for quality primary health care and the simultaneous need for health sector reform. SHIP improves access, quality, and sustainability of services in two areas of Peru- Arequipa and Puno (SHIP South) and Lambayeque (SHIP North). After 8 years of project activities, most of SHIP South funding terminates in December, 1999. SHIP North, managed by a private sector contractor, has developed a network of primary health care services that provides high quality care to middle and low income populations in Lambayeque, and has created a Peruvian non-governmental organization (NGO), known as Max Salud, that is testing a private health care delivery model capable of generating sufficient revenues to provide services to the poor in selected target areas, based on a financial cross-subsidy plan.

Description: SHIP South started in 1991 and has left a legacy of strengthened institutions capable of sustainable activities in primary health care. To further support long-term sustainability, subgrants will continue to the Arequipa consortium, CONSUSALUD, to provide financial, technical and training assistance to member organizations. In Puno, support will continue to EBADECA (Educación Básica para el Desarrollo Comunal Aymara) in its ongoing efforts to integrate early childhood stimulation/education and monitoring of growth and development into Ministry of Health (MOH) and Ministry of Education (MOE) activities and to expand to Quechua areas of Puno. In 5 years SHIP North has overcome many unforeseen barriers (e.g., delayed or cancelled MOH clinic transfers). The NGO, Max Salud, is now generating sufficient revenue to cover 42% of its costs, with 2 of its 4 facilities operating for only 8 months. Extension of this ongoing project for 5 years with additional funding of \$7.049 million will allow Max

Salud to cover 80% of its overall costs and to continue providing high quality services using an innovative public/private partnership model. Objectives for the 5-year cooperative agreement with Max Salud include consolidation of four operating clinics and small ambulatory surgery center, improved management of the network, expansion to additional underserved areas in Lambayeque, introducing new models such as shared management of MOH facilities. The cross-subsidy scheme developed over the past 3 years will be refined and additional services will be introduced as income generating mechanisms, allowing increased outreach and service to the medically indigent. An endowment of up to \$3 million to Max Salud is considered in the total funding. Overall objectives for SHIP South include increased capacity of local NGOs in Arequipa to function independently, increased collaboration with the MOH to expand coverage to the poor in peri-urban and rural areas of Arequipa, expansion of EBADECA methodology to the Quechua area of Puno.

Beneficiaries: Children under five, pregnant and lactating women, adolescents, and families in project areas as well as private primary health care and community organizations. SHIP primary health care models for efficiently increasing affordable, quality coverage will contribute to health sector reform, thus potentially benefiting all citizens of Peru.

Other Donors: The World Bank and Inter-American Development Bank support health sector reform, infrastructure development and quality improvement through the MOH. UNICEF and PAHO support specific projects such as immunization campaigns. SHIP will contribute to and benefit from the results of these donor efforts.

Results: SHIP North: 20% increase annually in persons reached by community-based health promoters; 10% annual increase in infant immunization coverage; 5% annual increase in service to children with diarrhea; increase in financial sustainability to cover 80% of costs; establishment of mechanisms such as an endowment, to cover 20% deficit resulting from indigent care; Max Salud model replicated in one other area of the country. SHIP South: CONSUSALUD members obtain 10% new funding annually; EBADECA will serve 2,500 children annually; improvement of EBADECA participants in reaching key developmental milestones.

U. S. FINANCING (In thousands of dollars)			PRINCIPAL CONTRACTORS OR AGENCIES	
	Obligations	Expenditures	Unliquidated	
Through September 30, 1997	17,479	12,858	4,621	CARE-Peru
Estimated Fiscal Year 1998	1,194	3,525		Max Salud
Estimated Through September 30, 1998	18,673	16,383	2,290	
		Future Year Obligations	Estimated Total Cost	
Proposed Fiscal Year 1999	1,122	8,000	27,795	

To: Susan Hill@C.SPM@AIDW
From: Dora Rojas@PDP@LIMA
Cc: Elvira Varillas@PDP@LIMA, Kristin Langlykke@OHPN@LIMA, Miriam Choy@PDP@LIMA, Thomas Kellermann@PDP@LIMA
Subject: SHIP CN
Attachment: CN.MAXSALUD.FIN.DOC, BEYOND.RTF
Date: 09/07/1999 12:24 PM

As requested attached is a revised SHIP CN for your clearance. Please let us know if you need additional changes or information. Thank you very much.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET

PALESTINE
1999/09/07

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET**

CP 81-05 (4-85)

PROGRAM: PERU

TITLE: Strengthening Private Sector Health Institutions		FUNDING SOURCE: DA, CS		PROPOSED OBLIGATION (In thousands of dollars)	
NUMBER: 527-0319	NEW <input type="checkbox"/>	CONTINUING <input checked="" type="checkbox"/>	PRIOR REFERENCE Page 198, FY'99 CP Statistical Annex	FY 99 1,122	LIFE OF PROJECT (Auth) 27,795
GRANT <input checked="" type="checkbox"/>	LOAN <input type="checkbox"/>			INITIAL OBLIGATION FY 91	ESTIMATED FINAL OBLIGATION FY 04
					ESTIMATED COMPLETION DATE OF PROJECT FY 05

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Beneficiaries: Children under five, pregnant and lactating women, adolescents, and families in project areas as well as private primary health care and community organizations. SHIP primary health care models for efficiently increasing affordable, quality coverage will contribute to health sector reform, thus potentially benefiting all citizens of Peru.

Other Donors: The World Bank and Inter-American Development Bank support health sector reform, infrastructure development and quality improvement through the MOH. UNICEF and PAHO support specific projects such as immunization campaigns. SHIP will contribute to and benefit from the results of these donor efforts.

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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET**

PROGRAM: PERU

CP 81-05 (4-85)

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