

9320611(3)
 PD-AA7-341-A1

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE

A ADD
 C CHANGE
 D DELETE

PP 53

2. DOCUMENT CODE
 3

3. COUNTRY/ENTITY

Interregional

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)

932-0611

6. BUREAU/OFFICE

A. SYMBOL DS B. CODE Q36

7. PROJECT TITLE (Maximum 40 characters)

Contraceptive Retail Sales

8. ESTIMATED FY OF PROJECT COMPLETION

FY 84

9. ESTIMATED DATE OF OBLIGATION

A. INITIAL FY 74 B. QUARTER 4
 C. FINAL FY 83 (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL			8,375			66,265
(GRANT)			8,375			66,265
(LOAN)						
OTHER U.S.	1.					
	2.					
HOST COUNTRY						
OTHER DONOR(S)						
TOTALS			8,375			66,265

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 79		H. 2ND FY 80		K. 3RD FY 81	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) PN	J440	440		8,375		11,650		12,675	
(2)									
(3)									
(4)									
TOTALS				8,375		11,650		12,675	

A. APPROPRIATION	N. 4TH FY 82		Q. 5TH FY 83		LIFE OF PROJECT	
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN
(1) PN	11,490		12,450		66,265	
(2)						
(3)						
(4)						
TOTALS	11,490		12,450		66,265	1/

12. IN-DEPTH EVALUATION SCHEDULED

Various
 MM YY

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1/ Includes \$9,625,000 in expenditures from FY 74 through FY 78.

1 1 = NO
 2 = YES

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE

R. T. Ravenholt - R. Ravenholt

TITLE

R. T. Ravenholt
 Director, Office of Population

DATE SIGNED

MM DD YY
 12 7 83

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

9320611

AD

AID
EXECUTIVE SECRETARIAT

AUG 23 10 41 AM '78

AUG 24 1978

DEPUTY
EXECUTIVE SECRETARIAT
ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES
AA/RPC, Alexander Shakow

FROM: AA/DS, Sandy Levin

FY 79 obligation

Problem: To obtain your approval for continued support of existing Contraceptive Retail Sales (CRS) contracts as well as funding of new efforts in this activity.

Discussion: Approval of the attached Project Paper for the period FY 1979 through FY 1983 will add \$36,150,000 to the funds available for maintenance of existing and planned competitively-awarded contracts (5), as well as competed awards for up to 15 additional new contracts for country programs in subsidized commercial marketing of contraceptives. \$2,850,000 of the above amount will be used for funding small grants related to existing subsidized commercial marketing projects initiated by host countries or other international donors. In addition to the \$36,150,000 in funds, this approval will also provide 440,000,000 condoms, 28,000,000 cycles of orals and 84,000,000 foaming contraceptive tablets, valued at approximately \$19,990,000. Hence, approval of the PP would increase the total life-of-project funding by \$56,640,000.

The total cost of the project will be increased to \$66.3 million (\$9.6 million from inception through FY 1978 and \$56.6 million from FY 1979 through FY 1983). None of the funds herein approved will be obligated until FY 79.

Background: In June of 1973, AID initiated two contracts for feasibility studies in two developing countries (Jamaica and Bangladesh) to determine whether subsidized commercial distribution of contraceptives would be an effective system to make available the information and means of contraception to the urban and rural poor at prices that were affordable. In both cases, an affirmative decision led to longer-term contracts for implementation projects. (One of these projects, Jamaica, was funded under a separate project paper.)

While the projects had virtually identical project designs, the objective in Bangladesh was to determine the level of subsidy required to maintain the nationwide distribution system after expiry of the AID contract (assuming a continuing supply of donated contraceptives) with the project to be implemented through a non-profit corporation. In Jamaica, the objective was to work strictly with the private sector, and to achieve a distribution system in which the revenue would pay all its costs, eventually including the costs of contraceptives.

0002763

The theory behind CRS projects is that a commercial distribution network for consumer goods exists in virtually every developing nation and that by adding contraceptive products to this system, rapid nationwide availability of contraceptives can be achieved at low cost, and at prices that the poor majority can afford.

All of the principles of marketing are applied with the exception that a profit is not sought. The "push" of profit incentives is used, however, at the wholesale and retail levels, although absolute profit at these levels is far less than with other consumer goods. The "pull" of advertising and promotion also is important to create consumer demand. An integral part of such advertising is the necessary information consumers need to make a decision on contraception. Market research is done to learn consumer knowledge, attitudes and practice of contraception and to determine an optimum price. This research is analyzed in order to develop brand names, logos and the advertising and promotion strategy. Test marketing is done to ensure that all the marketing components appeal to consumers. Salesmen and retailers are trained prior to the beginning of sales. In most countries, mass sampling is carried out door-to-door by trained canvassers in selected urban and rural areas at the beginning of national sales.

As sales levels grow, revenue received is disbursed for local costs such as packaging, advertising and over-head on an ever-increasing basis until the amount of subsidy required is nil, or is at a level which the host country could assume.

In Jamaica, the project was given over to the Government in September of 1977. Sales of condoms and orals comprise about 25 percent of all pill and condom usage nationwide. Unless a small price increase is approved, however, a subsidy of about \$100,000 per annum will be needed, plus free contraceptives, in order to keep the system going.

In Bangladesh, this system provides over 30 percent of all pills and condoms distributed nationwide: 2 million condoms and 100,000 cycles of pills are sold monthly.

One issue which was raised during Agency review of the Project Paper was that of informed usage of pills by consumers. It is explained more explicitly in the attached Project Paper that salesmen and retailers are trained in contraindications to pill usage and possible side effects. Retailers are trained to refer any dissatisfied users to the nearest family planning clinic or health post. Package inserts reiterate this information in local languages. Contractors and other international population institutions currently are at work on expressing this information non-verbally, through the use of pictographs, in order that illiterate users can better understand this information and the usage instructions.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I

1. TRANSACTION CODE: A (ADD), C (CHANGE), D (DELETE)

2. DOCUMENT CODE: **PAF**

3. COUNTRY/ENTITY: **Interregional**

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): **[932-0611]**

6. BUREAU/OFFICE: A. SYMBOL **DS**, B. CODE **[036]**

7. PROJECT TITLE (Maximum 40 characters): **[Contraceptive Retail Sales]**

8. PROJECT APPROVAL DECISION: A (APPROVED), D (DISAPPROVED), OK (OAUTHORIZED)

9. EST. PERIOD OF IMPLEMENTATION: YRS. **[0]** **[5]** QTRS.

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		H. 2ND FY <u>80</u>		K. 3RD FY <u>81</u>	
		C GRANT	O LOAN	F GRANT	G. LOAN	I GRANT	J. LOAN	L. GRANT	M. LOAN
(1) PN	J440	440		8,375		11,650		12,675	
(2)									
(3)									
(4)									
TOTALS				8,375		11,650		12,675	

A. APPROPRIATION	N. 4TH FY <u>82</u>		O. 5TH FY <u>83</u>		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED (ENTER APPROPRIATE CODE(S)) 1 - LIFE OF PROJECT 2 - INCREMENTAL LIFE OF PROJECT	A. GRANT	B. LOAN
	C. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN			
(1) PN	11,490		12,450		56,640				
(2)									
(3)									
(4)									
TOTALS	11,490		12,450		56,640				FY [8] [3]

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO.	
	C. GRANT	O. LOAN
(1)		
(2)		
(3)		
(4)		
TOTALS		

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (Chief, SER, FM/FSD): _____

SIGNATURE: _____

DATE: _____

14. SOURCE/ORIGIN OF GOODS AND SERVICES: 000 941 LOCAL OTHER _____

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

1/ Of this total, the following amounts will comprise in-kind contributions of contraceptives:

	FY 79	FY 80	FY 81	FY 82	FY 83
Condoms	1,250	1,750	2,500	3,125	3,500
Orals	600	800	1,000	1,400	1,500
Foaming Tablets	175	350	525	875	1,000
TOTAL	2,025	2,900	4,025	5,040	6,000

FOR PPC/PIAS USE ONLY

16. AUTHORIZING OFFICE SYMBOL: _____

17. ACTION DATE: MM | DD | YY

18. ACTION REFERENCE (Optional): _____

ACTION REFERENCE DATE: MM | DD | YY

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

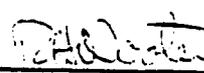
PART II

Name of Country/Entity: INTERREGIONAL

Name of Project: CONTRACEPTIVE RETAIL SALES

Number of Project: 932-0611

Pursuant to Part I, Chapter I, Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby approve a total level of A.I.D. appropriated funding planned for this interregional project of not to exceed fifty-six million six hundred forty thousand United States Dollars (\$56,640,000). Subject to availability of funds, the entire amount will be incrementally funded during the period FY 79 through FY 83 in accordance with the attached Project Paper and A.I.D. allotment procedures. No funds will be obligated under this approval until FY 79. No funds in excess of those included in the FY 79 CP are authorized for obligation until necessary congressional notification requirements are satisfied.



Deputy Administrator

10/13/77

Date



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II. A. Description of the Project

INTRODUCTION

Contraceptive Retail Sales (CRS) projects may well be the most cost-effective and quickly accomplished means of distributing family planning information and services nationwide in developing countries. Through the use of marketing "push" from the incentive of profits to retailers, wholesalers and distributors, and the "pull" of the demand created by advertising and promotion, CRS projects in numerous cultural and geographical settings have achieved significant increases in contraceptive usage.

Among the salient advantages of CRS projects are:

- the use of existing distribution networks, obviating the need for expensive and time-consuming creation of a new infrastructure;
- the speed with which nationwide distribution can be achieved;
- the creation of an on-going distribution entity which requires little or no financial support after project completion;
- the increase in public consciousness and practice of family planning as a result of media advertising and point-of-purchase promotion;
- the proximity of distribution endpoints (sales outlets) to consumers, which has been shown to be a significant factor in prevalence of use;
- the possibility of adding health or nutrition related products after the contraceptive market has been established, to provide additional social benefits;
- existing projects provide an excellent means for the introduction of new, non-clinical contraceptive products that have documented efficacy;
- contraceptives that are purchased by consumers are more likely to be used;
- retail outlets provide a more anonymous source of supply for those who wish to contracept.

Currently, a CRS project under the previous Project Paper is serving over 30 percent of all pill and condom users in Bangladesh and a project in Jamaica has achieved sufficient financial return to be turned over to the Government of Jamaica last year.

II. B. Background

A.I.D. has received a mandate from the Congress to assist developing countries in reducing population growth as a critical factor in improving the health and economic well-being of the poor majority in these countries. From the mid-1960's to the early 1970's, this assistance was confined for traditional reasons largely to Ministry of Health hospitals and clinic based delivery of family planning information and services as a means of achieving this end. It rapidly became apparent that such strategy was inadequate, that it was too costly in terms of time and funds to expand the number of hospitals and clinics and to position necessary physicians to reach the poor majority.

Alternative delivery systems began to be tested. These systems include community and household supply systems and are known as "Community-Based Distribution" or "CBD." These systems supplement and complement the more expensive MCH hospital-based systems, are based on the use of auxiliary workers (not expensive physicians) and are designed to deliver information and services to rural and urban poor.

It also became clear that the use of existing commercial retail structures within the LDCs could be used to supplement delivery accomplished through satellite MCH clinic-based systems, and the community based systems. Family planning specialists knew that the majority of contraceptive users worldwide were served by the private retail channels although little or no promotional work had been done to stimulate consumer demand.

The subsidized contraceptive sales approach overcomes many of the problems of other distribution systems, most especially having numerous outlets proximate to consumers, and thus, serves as an effective complement to existing means of distribution. The village shop or trader always exists. In both rural and urban setting, the population requires necessities (and luxuries) which the family cannot produce for itself. Hence, it is inevitable that the local shop exists to meet these demands. Because the extant village shops are omnipresent in most areas of the developing world, they can serve as the primary distribution points in most CRS projects. Moreover, a distribution system exists in most developing countries in order to transport commodities such as foodstuffs, cigarettes or beer. Because of this, the infrastructure exists for a social marketing system; and, therefore, implementation costs can be held to reasonable levels. Additionally, the existence of retail outlets, village shops, as well as grocery stores, markets and pharmacies, to name a few facilitates contraceptive procurement among fertile couples. Specifically, CRS projects are able to avoid the development of new and costly distribution systems by supplementing and strengthening the existing commercial system.

A major impediment to distribution inherent in the more traditional delivery systems, is the lack of incentive for the supplier. The commercial sector ameliorates this difficulty through profits to the retailer, wholesaler

and distributor. At the same time, prices are set at a low enough level so that the contraceptives are affordable by the poorer segments of the population. The cost to the consumer of a year's supply of contraceptives in all extant CRS projects comprises a small portion of the average income (less than one half of one percent). Although the retail prices are relatively low in the typical CRS project, sufficient wholesaler and retailer margins are requisite to successful operations. Thus, the CRS projects are designed in a way that provides financial incentives to the contraceptive distributors, yet make the contraceptives affordable. (In marketing this is the incentive that "pushes" the products through the distribution system. The goods are also "pulled" through the system by consumer demand, created in part by advertising.)

The concept of subsidized contraceptive retail sales, so-called "social marketing," then, was viewed as a means of complementing and supplementing the other existing means of official and private delivery systems. Contraceptive Retail Sales (CRS) efforts had another advantage over other systems, very little new distribution infrastructure had to be developed. The commercial distribution systems in virtually every nation are well-developed, so that the addition of several new products could be accomplished at low cost.

The first attempt to test the concept began in India in 1968, and, to date, the "Nirodin" condom sales program has sold over 500 million India-produced condoms. Sales continue at a level sufficient to protect 750,000 couples per annum. At 25 paisa for three, the price is affordable by most Indians.

AID's first involvement with the CRS concept began in 1971, when a contract was awarded Westinghouse Health Systems to survey ten developing countries to examine the possible alternative of using the private sector for subsidized contraceptive sales. The results clearly demonstrated that even in countries with little, if any, support for the private sector, the private sector was invariably the most cost-effective and far-reaching distribution method. Based on the survey's conclusions, and the receptivity of the two governments involved, AID contracted for two such projects in Bangladesh and Jamaica in 1973.

The two pilot projects were authorized under two separate project papers, which differed in that the Jamaica program was to be effected through only existing commercial channels and was to be financially self-sufficient at project's end. The Bangladesh effort was to be accomplished through a non-profit corporation, and was to seek an operating level with the lowest possible subsidy at the end of the project. With these exceptions, the two were nearly identical in implementation methodology.

The Jamaica CRS Project, administered initially by Westinghouse Health Systems, has achieved and exceeded every requirement for a successful A.I.D. project: 1) The project provides sufficient contraceptives to protect over 5 percent of fertile women. 2) The cost to protect a couple for one year of

less than \$13 compares favorably with the cost of couples receiving free contraceptives through the public sector, which is approximately 80 percent higher.

- 3) Consumer identification with the names of the CRS contraceptives, Perle (the pill) and Panther (the condom) is so strong that Perle and Panther are considered the generic names for contraceptives by most Jamaicans.
- 4) Except for a small subsidy for purchase of commodities and some advertising, the project gained enough economic self-sufficiency to be turned over to the Jamaican authorities within 3 1/2 years from signing of the initial contract.
- 5) Sales figures for the last quarter of 1977 show a 20 percent increase of the same quarter for 1976, as the project continues to demonstrate its viability under Jamaican management.
- 6) The advertising and promotion associated with the CRS project has contributed to an overall increase in the use of contraceptives as provided by figures from the Government of Jamaica and the private sector which show an overall increase of about 10 percent per year, exclusive of the impressive figures of the CRS project.

In Bangladesh, Population Services International (PSI) has achieved similar results:

- 1) Total sales of over 32 million condoms and 1,800,000 cycles of pills.
- 2) Continuing sales of over 2 million condoms and 100,000 cycles of pills per month.
- 3) About one-third of all pill and condom users in Bangladesh, including public free distribution systems, obtain their supplies from the CRS project, comprising about 3 percent of all fertile couples.
- 4) As in Jamaica, brand identification with Raja (condoms) and Maya (pills) is so strong that consumer refer to all brands generically with these names.
- 5) Sales of other commercially-sold contraceptives have risen since the beginning of the project.
- 6) The cost of supplying a year's protection to a fertile-age couple is about \$3.60, exclusive of contraceptives, which is the most cost-effective nationwide distribution system extant.

CRS programs in Colombia and Sri Lanka, initiated under the auspices of the International Planned Parenthood Federation, also have proved to be successful means of expanding the delivery of family planning information and services and at minimal costs.

An intensive evaluation of the Jamaica project in February of 1977 noted that the market share achieved by the project was remarkable (more than 50 percent) and that the distribution system was highly cost-effective. A recommendation to increase the price, thereby making the system completely self-sustaining has not been implemented since it is contrary to the Government of Jamaica's current economic policies.

An intensive evaluation of the Bangladesh project in October of 1977 stated that it had "been successful in achieving the first phase of product introduction, i.e. good product recognition, good distribution, and satisfactory sales for this stage." The Government of Bangladesh regards the project as a critical element of its national population program.

These tests have proved in disparate parts of the world that the commercial retail sector can serve as an inexpensive and effective distribution system

for contraceptives. They have tested a wide variety of distribution and retail systems to distribute family planning information and commodities. They have proved that subsidized sales of contraceptives through established retail outlets add substantially to absolute numbers of contraceptive users with very little cost to national budgets and with minimal input of personnel relative to other distribution systems.

In 1976, A.I.D. awarded contracts for four additional CRS projects in Tunisia, El Salvador, Ghana and Nepal. In Tunisia, a reversal of the Government's position with respect to advertising and promotion led to termination of the contract. In Ghana, Nepal and El Salvador, however, national sales will commence by June 15, 1978. Market research in all three countries indicates a strong demand for the products to be sold, and imaginative brand names, logos and advertising and promotion campaigns have been developed. In each case, there is reason to believe that sales levels comparable to or in excess of results obtained in Bangladesh and Jamaica can be attained.

Based on this experience, it is the intention of this project to support initiation of 7 major CRS projects in populous countries, 8 smaller projects in less-populous countries and to make 10 grants in order to strengthen on-going CRS activities initiated by host countries or other donors, or for demonstration pilot projects. The programmed expectation is that these projects will be able to increase contraceptive prevalence by 15 to 20 percent at an approximate cost of \$3.00 per protected couple per year.

Business International Corporation, operating under a contract from Population Council and a grant from A.I.D. is currently implementing an in-depth survey of commercial possibilities in nine countries. This \$90,000 contract will provide the Office of Population with current information on: the receptivity of host-countries for the implementation of CRS projects; current level of marketing sophistication; previous and current experience with commercial promotion and delivery of family planning commodities; the extent of distribution capacity and capability; and interest on the part of the AID/Mission or U.S. Representative in each of these countries. The B.I.C. report, due on September 1, 1978, will provide the basis for determining the feasibility of implementing CRS programs in any or all of the following countries: Dominican Republic; Costa Rica; Nigeria; Kenya; Morocco; Turkey; Indonesia; Korea; and Thailand.

There are indications that some or all of the following countries may justify similar market survey research for commercial development within the projected time frame of this Project Paper:

Africa:	Senegal ✓	Togo ✓	Benin ✓
Latin America:	English-speaking Caribbean		Nicaragua
	Brazil		Panama
	Ecuador		Colombia
	Peru		

Near East:	Afghanistan	Egypt	
Asia:	Sri Lanka	Philippines	Pakistan

Final selection of the countries will be based on the degree of potential official interest in a CRS project, the character of the existing commercial distribution systems for consumer products, and the need of the country for additional family planning delivery systems. The host government should consider taking steps to eliminate barriers which limit access of consumers to oral contraceptives, and should lend strong support and counterpart personnel to the field management team. In every case the AID Mission will be consulted and AID/W will clear all major activities with the appropriate Mission personnel. Host government concurrence must be obtained, in writing, for all proposed marketing activities.

Central funding and management of the subprojects is needed because marketing expertise is generally unavailable in the Missions. Additionally, CRS distribution systems are unique in that they deal almost exclusively with the private sector, and experience has demonstrated that personnel with this background can provide the necessary skills to implement and monitor projects of this kind. This centrally-funded arrangement provides a means of quick response to Mission and host government requests for this assistance.

II. C. Project Chronology

Once countries are chosen for CRS assistance, an RFP will be developed which will normally result in a U.S. contractor to provide the CRS assistance in country. In some cases conditions will permit direct contracting with a host country institution. It is anticipated that individual contractors will, in most cases, establish an office in a selected country and work with indigenous research, advertising and distribution firms, as well as the host government, in developing a marketing plan which can significantly increase contraceptive usage in that country. The Marketing Plan will contain all pertinent background information, a description of how market research will be carried out, a list of market research firms, distribution companies, advertising agencies and an assessment of available media and which is the most appropriate to reach the poor majority (see Implementation Plan). The Marketing Plan also will serve as the vehicle for a recommendation to proceed with implementation or not, based on the initial findings of the contractor.

If a decision is made to proceed, then the contractor will select subcontractors for market research, advertising and distribution. Brand names, logos and prices will be based on the market research and will be market tested prior to final selection. Once these have been decided, the contractor will proceed to package products, design the advertising and promotion campaign in concert with the advertising subcontractor. When this has been accomplished and the distributor has completed initial deliveries of products to wholesalers and retailers, advertising and sales will commence. Concurrent with, or just prior to sales launch, the contractor will conduct house-to-house distribution of branded products (mass sampling) in as wide an area as

possible, using trained canvassers to distribute the products. Information should be collected from control areas to obtain baseline data for later comparison of prevalence of use in sampled and non-sampled areas. Additionally, experience has shown that a generic media campaign on the benefits of family planning just prior to sales launch can have a positive effect on consumer receptivity to advertising.

Once sales have commenced, the contractor will expand sales areas and numbers of outlets until virtually all areas of the country are covered. As sales continue to grow, the contractor should, as appropriate, continue with mini-research studies on price elasticity, receptivity of consumers to advertising, and the effect of mass sampling or other innovative marketing concepts.

Revenue received from sales of contraceptives will be used to reduce project costs on an increasing basis until self sufficiency is reached, i.e. all distribution costs are offset by revenue, or until the subsidy required to continue promotional activities, distribution and sales can be financed by the host government. Where feasible, revenue also will be used to expand the efficacy or total social return by increasing promotion and advertising. (However, the use of revenue for this purpose shall not inhibit the achievement of virtual self sufficiency.) (See page 9.)

The status at the end of each subproject will be a self sufficient, (or nearly so) commercial distribution system which is managed by an indigenous organization and which is supplying contraceptives to a significant number of fecund couples.

In addition to implementing full scale commercial contraceptive marketing systems in selected developing countries, the Contraceptive Retail Sales projects will provide technical assistance and funding in support of smaller activities in developing nations which already have contraceptive marketing programs or have firm plans for small-scale efforts and/or demonstration projects. Proposals received from the managers of such programs in LDCs will be reviewed by the Project Monitors.

II. D. Project Components

Based on the premise that social marketing uses the classic principles of all marketing, save profit maximization and pricing strategy, the following are the principal components of a CRS project:

1. Market Research

The basis for all the components of the marketing mix (product, price, promotion, distribution and sales points) is market research, which seeks consumer attitudes towards family planning in general and specifically towards the products being sold. While price elasticity can only reliably be determined through actual market testing, a part of this research can serve as an index of what acceptable prices are. Representative samples of all market segments should be included in order to make products appeal to the widest spectrum of consumers. The relative sophistication of the market

research is a function of the relative sophistication of the existing market in a given LDC. This research should reveal consumer attitudes towards contraceptive methods, e.g. safety, efficacy, price, that can be analyzed to develop a "product image," which in turn can be the basis for the selection of brand names and logos and the advertising and promotion strategy.

A sample survey of retail outlets should also be conducted to determine retailer experience, attitudes and preferences as to pricing, promotion, margins, advertising and to determine the amount of training that may be necessary.

2. Market Testing

Once alternative brand names, logos and prices have been selected they should be tested through consumer interview, sales in sample retail outlets or other means of determining consumer preferences. If none of the brand names is clearly preferred by consumers, the one with the most "promotable" image should be selected. The following is a list of criteria for the selection of market research and testing areas. The areas should be representative of the country's:

1. Diversity (racial/religious)
2. Literate - illiterate mix
3. Economic/occupational conditions
4. Socioeconomic climate
5. Climate
6. Language
7. Ethnicity
8. Wholesale/retail distribution system
9. Clinical system
10. Mass media
11. Available contraceptive methods
12. Size.
13. Consumer profile

In order for the trial to be successful, these areas should be relatively isolated so that outside influences are kept to a minimum. Additionally, in selecting the

area, one must consider that the objective of the project is to distribute contraceptives to predominately rural or urban poor. This clearly will affect locational choice.

3. Distributor

The distribution agent should be an existing company which has nationwide outlets for other widely-desired products. By simply adding another product to the distributor's product line, it obviates the need for separate transportation for contraceptive products. In some nations, there is no existing distributor that meets this requirement, so the project management must be the initial distributor to regional distributors or wholesalers. In no case should project management make distribution direct to retailers. Among the ideal types of distribution companies are those which wholesale items such as other pharmaceuticals, pharmacy-related products, cigarettes, soap, tea or other high-demand and volume consumer goods. In some cases, it may be more advantageous to use a group of distributors, so that pharmacy, foodstuff and drygoods retail outlets can all be reached as retail outlets. Rural cooperative stores are another valuable addition to the distribution chain.

4. Contraceptive Commodities

AID will provide in-kind pills, condoms, foaming tablets and any other non-clinical contraceptives which may be developed which have documented use-effectiveness, safety and consumer acceptability, for use in all projects. However, to the extent possible, AID will encourage the host government to absorb these costs. For those projects which attain sales levels of over 10,000,000 pieces of condoms per year, or 1,000,000 cycles of orals, AID/W will endeavor to obtain special packaging for the CRS contraceptives from the central contractors. Before AID will support an effort to market locally produced products, their efficacy, safety and consumer acceptability must be documented.

With respect to oral contraceptives, individual projects will develop informational and training components which will inform purchasers of contraindications to pill usage and the possible side effects. Training of sales personnel, detail men and retailers also will instruct them to inform users of the location of the nearest clinic, for consultation if side effects should develop. Package inserts will reiterate the contraindications and possible side effects and will be augmented by non-verbal pictorial representations which will help to convey the information to illiterate users. AID is collaborating with several international organizations in developing printed materials which will graphically explain to users of orals, especially illiterates, the possible problems that may be encountered. Other research is continuing on the long term effects of pill usage in the developing country context and what additional information may need to be passed to consumers. Results of all such investigations will be passed to contractors under this project for consideration in CRS projects.

5. Revenue

Revenue received from sales which returns to project management must be deposited in a special account which may be used only for such purposes as may be agreed upon by AID/W, the AID Mission and the host government. Generally, such revenue will only be used to defray the costs of local market research, packaging, advertising, sales personnel and management, and, eventually, to purchase contraceptive commodities if the project is earning enough profits. In general, disbursements may be made from the special account for the purposes listed above, but such disbursements may not be made without a written agreement among the three parties mentioned. In some cases, especially in the poorest developing countries, revenue may be used for innovative marketing or advertising efforts. Additionally, revenue may be used for feasibility studies and market tests of other non-clinical contraceptives and/or for health- or nutrition-related products. Special permission must be obtained in writing from the Cognizant Technical Officer for such disbursements. Any locally-generated revenue remaining at contract expiration will be turned over to the host government for project-related activities agreed to between the host government and AID.

6. Pricing

The prices must be low enough to be affordable by most segments of the cash economy yet high enough to be valued by the consumer. At the same time prices should be set at a level that provides the retailer and wholesaler with a profit, thereby serving as an incentive to "push" the products. The price for the contraceptives also should be in even coin amounts. Moreover, a pricing strategy should be devised with the goal of eventual self sufficiency in mind. In order to induce demand creation, prices should be low initially. Eventually, a market segmentation can be implemented.

7. Packaging

Local branding: Key elements - brand names choice, stuffing, die cutting, design color, quantity, design shape and material. These decisions should be made in the country, and, preferably, by local firm chosen by competitive bid. The volume of packaging is a function of inventory and packaging costs as well as immediate demand in the short run. Lead times are, therefore, important. The initial packaging objective is to fill the distribution channels. The decision regarding the amount to package should take volume discounts into account.

The promotional aspects of packaging - choice of color, symbol and brand name should be done after market testing. The package should be brightly colored and should be small enough so that it can easily be fitted into a pocket. The name should be associated with a positive virtue in the culture or a benefit derived from product consumption.

8. Product Promotion

The information, education and communication (IE&C) components of commercial distribution projects too often are overlooked. The emphasis on widespread

availability through private sector distribution channels implicitly assumes that demand creation is not necessary. If contraceptives are made available without instruction or any additional information, it is argued, people will practice family planning. Experience clearly indicates that this is not the case. Increased contraceptive availability results in procurement and subsequent use by couples of reproductive age only when the potential user has been properly informed about the benefits, methods and availability of contraception and family planning. Thus, without a vigorous IE&C effort, a commercial marketing project never can reach its full potential. As have been argued throughout the paper, fertility control is essentially a social marketing rather than a medical challenge. Marketing is concerned with discovering a consumer need and satisfying it. In this section, we are concerned with the former which is related to the two-way communication between consumer and producer.

The IE&C objective in social marketing is achieved through advertising and promotion. Its role is to uncover the latent demand for family planning services in general and specific contraceptive products in particular. A serious social need must initially be communicated. In addition, promotional activities during the early stages must assist in changing public attitudes towards family planning. Moreover, in order for a promotional campaign to succeed, laws prohibiting specific contraceptive advertising must be eliminated.

The advertising and promotional strategy should be divided into three stages. The objective of the first stage is to gain widespread acceptance of the family planning concept. Thus advertising should emphasize the advantages of family planning (such as healthy and happy children as a result of small families) rather than extolling the virtues of a specific contraceptive product, although product quality should be emphasized. Advertising should describe the benefits of practicing family planning and not the negative consequences associated with non-use (i.e. diseases).

The second stage should be more hard hitting and aggressive. In the first stage, the primary target audience was the opinion leaders of the community. The strategy during the second should be directed at the potential users, especially the young couples. During the second stage, moreover, the contraceptive product must be given maximum visibility. The major advantages of the specific contraceptive product should be emphasized. The contraceptive should be marketed as a high quality product which is affordable by most couples. Regional market segmentation will be introduced during this stage. In order to effectively promote the product, it should be differentiated from the public sector contraceptives. Brand name recognition and association of the product with its generic attributes (i.e. brand name identification) is essential.

The third stage essentially is similar to the second. It is concerned with the promotion of the specific product. However, by this time (usually the third year of commercial distribution), it is assumed that the product is relatively well known and it is in the mature stage of the product life

cycle. During the second stage, the "shotgun" approach to advertising is used. In other words, many different approaches and media combinations are introduced in order to maximize the market size. During the third stage after the product has been introduced, the cost effectiveness of the promotional messages should be given greater consideration. The marketing adage of "knowing that 50% of advertising is wasted but not knowing which 50% it is" is not valid at this stage because of the experience amassed by the third stage. Therefore, planning and control is of paramount importance. The level of advertising should be reduced and the promotional messages should be chosen with greater vigilance.

A variety of promotional techniques is at the disposal of the marketing project management team. In promoting the contraceptive product, the messages should be hard hitting, aggressive and innovative. The approach should be simple, direct and in the local vernacular. The consumer should associate the product with self improvement as well as contraceptive protection.

Promotional techniques may include the following:

- a. Handbills, leaflets and booklets are useful promotional techniques. They should be psychologically tempting, written in the vernacular and brightly colored. They can be distributed through varied means. Demonstrators can distribute them in outlets or on street corners. Another mode of distribution is the airplane. Leaflets can be dropped from the air in order to ensure maximum coverage over a large geographical area. Coloring books and calendars are also effective forms of promotions.
- b. Outdoor advertising is another effective promotional device. An example is the use of loudspeakers playing in the village extolling the virtues of the contraceptive products. Additionally, billboards have been effective in promoting the contraceptives. The use of a mobile unit also can be effective. A loudspeaker can be attached to the unit which would be stocked with promotional material. At certain points, the mobile unit could stop and distribute leaflets and free samples and discuss the products. These outdoor techniques could be used at fairs, sporting events and outdoor markets.
- c. The retail outlet itself should be decorated with items such as banners, calendars, colorful displays and dummy packages. It is, of course, imperative that the shopkeeper be supportive of the commercial program and be convinced that these in-store displays will enhance his business. A motivator/distributor could be effectively used within the store or business the products, give free samples and distribute information such as posters, booklets, calendars, et. al.
- d. Advertising through the media affords the greatest opportunity for extensive promotional activities. The pushing (i.e. in-store promotion) strategy assumes that the consumer has some knowledge of the product and/or frequents the retail outlet for the purchase of other goods. A pulling strategy is

based on media advertising. The type of media used depends upon literacy, availability and consumer habits. The traditional media—cinema, print and radio—should be the foundation of the pushing strategy with the more innovative approaches (mobile units, for instance) as complements. It is obvious that effective media advertising must be introduced before the other methods can be effective. Clearly, mass media advertising is the most efficient method of initially introducing the product, principally through use of the cinema, print and radio.

e. In many developing countries, word-of-mouth remains a very effective form of advertising. This opportunity should be exploited by stimulating conversation among the citizenry. One example is the dropping of leaflets from airplanes which was previously mentioned. Another possibility is the placement of the products' logo on clothing, jewelry and buildings. The efficacy of free sample distribution also should not be underestimated as a method of promoting contraceptive use, although free sample distribution by itself would have minimal effect. This free sample distribution can take place at a variety of locations.

In summary, commercial marketing promotional activities play a major role in educating the indigenous population about family planning (especially during the first stage of the promotional strategy), as well as exploiting the demand for contraceptives. These activities will have the synergistic effect of enhancing the clinical as well as the extant commercial programs. A few suggestions for promoting contraceptives were suggested here, but the options are endless. These approaches need only be innovative and acceptable to the local culture. Joint public information activities supported by both the clinical and commercial systems such as lectures and demonstrations would increase public awareness. The objectives of commercial promotion activities as it relates to public education are: greater knowledge; making contraceptive usage and purchase less embarrassing; increase awareness of locations where contraceptives may be purchased; and increase public acceptance of family planning.

9. Sales Personnel - Have the most direct and constant communication with the retailer. Functions of the salesman include the following: identify consumers and assist commercial outlet in reaching them through discussion of particular concerns/problems of outlet, development of commercial outlet strategy and advice concerning the characteristics of the potential customer; supplying retailer with point of purchase promotional materials; train retailers; arrange deliveries; assure adequate stock on hand; inform superior when replenishment is needed; keep financial records; and report any potential new outlets in geographical territory. The responsibility of the salesman's supervisor or manager is: to keep tabs of retail outlet coverage; point of sale promotional coverage; inventory and distribution; report progress and problems; motivate distributors and promote contraceptives; maintain a good relationship with local institutions; and evaluate efforts of salesmen and arrange salesman's geographical area/schedule. In the "typical" systems, there should be one manager per twenty salesmen, each salesman

should make an average of twenty calls a day and handle about 2,500 outlets. In some projects, only an initial visit will be made. Others will require one or more revisits until the market is established.

The retailer - given the fact that he sells many products - can be expected to make minimal contributions. He should keep sales/inventory records, prominently display promotional materials and contraceptive products and communicate his needs to the salesman in order to coordinate effort.

10. Household Distribution (Mass Sampling)

Household distribution will also be included as an adjunct to the national social marketing project in order to increase awareness of the retail products and spur consumer demand. The contractor will endeavor to reach as many potential consumers as possible through house-to-house free sampling and/or sales of the retail products distributed in the national sales program. Teams of canvassers will be used in order to distribute the products and inform the consumer of the location of retail outlets and advantages of contraceptive usage. Periodic follow-up visits will be made by the canvassers. Sampling may also take place in shops, factories and loci where recipients can be recontacted at a later date. It is expected that the contractor will conduct the sampling to equal numbers of urban and rural homes within the funding limitations and as dictated by marketing and economic principles. Areas chosen will be representative of as wide a spectrum as possible of the host country (both geographically and culturally) and will contain a majority of low-income households. The cadre of canvassers will receive at least two days of training. In designing the project, one control area where products will neither be sold nor sampled will be selected in order to determine the effects on prevalence or use.

11. Vending Machines

Condom vending machine distribution either can be integrated into a commercial distribution system or be designed as a separate project in countries where a large scale social distribution system is not currently feasible. The contractor or implementing organization will submit a design for the testing of the machines as an alternative retail outlet or which may appeal to consumers who prefer an anonymous source of supply. As is true in the retail distribution systems, it will be subject to the approval of AID/W, USAID and the host country. The painting, application of instructional and logo will be the responsibility of the contractor. The machines themselves will be provided by AID. The budget line item on page 27 represents the estimated cost of the machines, to be centrally procured by AID. They will be installed in public or semipublic sites such as transportation terminals, tea shops, factories, large co-op farms, retail stores or government buildings. Condom vending machine sales will require consideration of following issues: additional personnel; possibly commissions paid to site owners, pricing strategy; payment of salary and/or commissions to restocking agents; a training program for the restocking agents; and repair and maintenance of the machines. Separate monthly sales reports similar to the ones required for retail sales will be submitted.

12. Additional Products

As indicated above, promotional activities may be initiated to determine the added cost-effectiveness of positive effect on contraceptive acceptance by adding health and/or nutrition related products, at subsidized prices, as adjunct products in the social marketing line. Health/nutrition products which may be added must address priority national health or nutritional needs and must be approved by the Mission, host government and AID/W. Initial test marketing may be financed by Contraceptive Retail Sales. Additional start-up funding should come from other sources. The long range goal is to develop an integrated private social marketing system which includes a wide variety of socially beneficial goods.

If a social marketing system which distributes health/nutrition products already exists in the country, contraceptives may be added to the system under the authority of this Paper. If retail sales of contraceptives are added to an existing product line of health and nutrition related goods, CRS project funds may be used.

13. Potential Problems in Project Development - The following potential impediments should be considered:

- a. Failure to obtain government support and concurrence.
- b. Extensive use of non-nationals should be avoided.
- c. Local officials should be informed on a periodic basis. Failure to do this leads to strained relations. Program officers must be concerned with the receipt of government support.
- d. Must be cognizant of cultural attitude toward sex. The promotional message must be delivered in a way that is acceptable to the local population. The ramifications of failing in this sensitive area are obvious.
- e. Relationship between wholesaler and retailer must be good. Vigilant care in this area is requisite to success.
- f. Attitudes of consumer and retailer towards contraceptives is also an important variable in developing strategy.
- g. Relationship with other projects and donor groups.

Part III - Project Specific Analyses

A. Economic Feasibility

The most obvious advantage of Contraceptive Retail Sales is its impact on the local community. Not only is commercial distribution among the most cost effective means of contraceptive delivery, it also advances economic development through income and employment creation, sales stimulation of the small, indigenous retail shops, and growth and development of a consumer goods marketing system. Moreover, these population-related activities elicit a substantial positive impact upon the developing economy, as well as the evident public health and social benefits. Because of the abundant distribution points in a commercial system relative to more traditional delivery systems, practice of family planning and subsequent fertility reduction is potentially enhanced. Thus, the positive economic impact of national population programs are increased.

As described in the financial rate of return analysis, the social return is substantial. In the Bangladesh subproject, it was calculated to be 75%. Similar results can be gleaned from the Jamaican program. It is expected that the three subprojects which will begin national distribution in early 1978 will also have high rates of return. The Bangladesh subproject calculation, it should be noted, underestimates project benefits. The project benefits, which are the opportunity costs of an additional birth, are calculated only in the short run. If the net cost of an additional birth were to include the long run, the return would be substantially higher. Another indicator of CRS economic viability is a cost effectiveness analysis of commercial vis a vis public sector distribution. The only in-depth analysis of this type was done by Westinghouse in Jamaica. The public sector costs per acceptor were 80% higher. The differential increased during the later years of the project because most of the commercial sector costs related to initial project implementation are discounted. Thus, in future years, given the relatively low variable or direct costs, the Jamaican system will be even more cost effective. A third indicator of programmatic economic efficiency is the cost of a new acceptor. Population Services International estimates this cost to be \$4.00. By comparison, public sector cost per new acceptor^{1/} range from \$16 in Indonesia to \$55 in Costa Rica. It is evident that Contraceptive Retail Sales is an efficient use of scarce funds by either cost-benefit or cost effectiveness criteria.

In addition to being efficient, CRS is effective. "Effectiveness" pertains to the impact of the project, while "efficiency" is concerned with the use of limited resources. The latter has been well documented above. The best measurements of effectiveness are the retail outlets and contraceptives distributed. It is assumed that those who purchase contraceptives will use them. Given that the purchase of contraceptives constitutes an investment on the part

^{1/} Population Council. "Population and Family Planning Programs: A Factbook" October 1976.

of the consumer, this is a reasonable assumption, especially when compared to other modes of distribution which supply contraceptives to their clients free of charge. Monthly outlets and sales figures are summarized in Annex A. These figures clearly indicate project efficacy.

Several aspects unique to the Contraceptive Retail Sales project enhance economic development.

- 1) A major problem confronting most LDCs today is an onerous debt burden, which eventually manifests itself through a drain on foreign reserves. Because most of the project costs are internal, i.e. within the LDC, the use of foreign reserves is negligible.
- 2) Employment in the local country is expanded through in-country packaging.
- 3) Use of local marketing research and advertising firms expands local employment and income, as well as technical capacities.
- 4) Local cadres of salesmen, as well as retailers and wholesalers within the system, increase income through subsidized sales and employment.
- 5) Use and development of entrepreneurial skills within the country.
- 6) Development of existing distribution system and potential impetus for increasing the number of retail outlets.
- 7) Commercial sales could create demand for indigenous contraceptive production, thus increasing capital investment.

The economic development benefits derived from the expanded use of the private sector through the CRS project are peripheral to the main objective, which is a reduction in population growth rates through the use of contraceptives purchased through retail outlets. Population control has a positive economic impact upon the family, community and developing country.

A major impediment to economic growth is insufficient savings. In most of the developing countries, well over 90% of the gross national product is consumed. Additionally, the propensity to consume is highest among the lower income groups. Given the high birth rates among the poor, population size clearly has an effect upon household consumption patterns. With the advent of CRS projects, more families are able to control the spacing of children and thus curtail current consumption. This has the dual benefit of increasing economic well-being of the family; and, on a macroeconomic level, national savings may be augmented. This latter consideration enables developing countries to increase capacity to engage in productive investment. Economic surveys have indicated that, generally, an inverse relationship exists between savings rates and population growth.

The most widely accepted indicator of economic well being is per capita income. Given the fact that population growth rates have increased more rapidly than GNP, in the developing world, per capita income has declined.

Population growth also has an adverse effect on foreign trade by intensifying pressure on balance of payments. The growth in population increases the demand for foodstuffs. Therefore, developing economies often must import more agricultural commodities. This could also require the developing of new import substitution or export industries.

A major problem characteristic of most economies in the developing world is underemployment. Rapid population growth obviously exacerbates the situation. Moreover, it also retards the growth of physical capital of the worker, or labor productivity. Limiting the factors to labor productivity are education, nutrition and health. It is a well documented fact that a nation's difficulty in providing adequate facilities is magnified by high rates of population increments, thus reducing the productivity potential of the worker. A further constraint on productive capacity is the high dependency ratio created by high population growth rates which result in a relatively small portion of populations in directly productive employment. This "bottom heavy" age structure (40% of the population under fifteen in most developing countries) means the economy must direct a considerable part of its resources that might otherwise go to capital formation to the maintenance of a high percentage of dependents who may never become producers or, if so, only for a limited period of time. Additionally, population increases tend to have a smaller impact on the growth of national output than changes in technology or discoveries of natural resources.

Summarizing, population growth fuels the vicious cycle of underemployment, low participation in the labor force and low levels of productivity. High birthrates limit the portion of the population that may pursue productive employment yet, paradoxically, eventually increase the number that eventually will be underemployed. Population growth in the developing world has deleterious effects on equitable income distribution and efficiency.

Related to the constraints placed on human resource development is the increased cost associated with an expansion of the social infrastructure. The need for social services requires a proliferation of public expenditures in order to provide the requisite facilities for an expanding population. This, of course, curtails funds available for directly productive asset investment. Moreover, the benefits which accrue to the recipients of these services are limited because these programs must serve more people. The health sector is a clear example of this. Population growth implies an increase in demand for health services which, because of capacity constraints, increases costs.

In many LDCs, 50% of hospital beds are occupied by pregnancy-related cases. Given space limitations, this can result in a serious form of "competition" for medical attention between these people and persons seeking care for other diseases or injuries. Many developing countries have identified anticipated savings in the health sector as an important argument for government support of family planning efforts. In addition to the direct economic costs, psychological/emotional costs of maternal illness and death and infant mortality are inestimable. Similar arguments can be made for the positive benefits of population control as it relates to adequate levels of nutrition, especially among the poor.

As has been argued, population projects have a substantial positive effect on economic development and individual welfare. Development of population programs actually may be a particularly valuable form of investment. In a study by General Electric Company, TEMPO, and the Center for Advanced Studies in Santa Barbara, California entitled "The Economics of Slowing Population Growth" (funded by AID), investment in birth prevention may be as much as twenty times as effective in promoting economic development as an expenditure in capital goods. Moreover, the study did not take into account scale economies (p. 52). Population growth increases demands for resources yet has a limited impact on increasing the supply, thus adversely affecting the potential of economic development. AID does not necessarily agree with the GE TEMPO study re: the respective value of population vs. capital investment. However, AID does note that — beyond a certain point of capital investment — the return on incremental investment might be greater for population-related investment than for additional capital.

During the project period, a minimum of 15 Contraceptive Retail Sales (CRS) projects are expected to commence and/or continue, as well as small grants to existing programs. Given that the primary objective is to make contraceptives more accessible nationwide to the urban and rural poor, in a cost effective manner, the relevant measurement is the cost to distribute a supply of contraceptives for a fertile couple for a given period. In the past these costs for CRS projects have been low relative to other modes of distribution, indicating the cost effectiveness of the social marketing approach. In Bangladesh, for example, the total cost to deliver one month's supply of contraceptives has consistently been under \$.35 (local costs comprise a significantly lower amount). The annual cost is approximately \$4.00. Although the cost will vary among countries, it is expected that commercial distribution will continue to be the most cost effective means of distribution in a developing nation.

The financial rate of return can be determined by a method similar to the shadow price-opportunity cost approach. Benefits are defined as the annual savings associated with avoiding a birth through the use of commercially distributed contraceptives.

The statistic used in the calculation of the monetary value of benefits is the average annual cost of a child. This figure understates project benefits, because it does not take into account additional costs (both psychological and economic) related to an unwanted birth. The cost of a child is then multiplied by the number of births averted. It is generally accepted that three years of contraceptive practice is equal to one averted birth.

Therefore, a three year supply of contraceptive protection (100 condoms or 13 cycles of pills is the accepted definition of a year's supply) times the annual cost of a child is the formula used to determine project benefits.

The calculation of costs are straightforward. Amortized programmatic costs are divided by the number of annual contraceptive supplies distributed multiplied by three.

The rate of return is then determined by calculating the discount rate that equates costs and benefits. As is the case in any investment project analysis, if the rate is above predetermined cut-off rate, then the project is viable.

Using this criterion, CRS projects clearly have been viable. In Bangladesh, for example, experts have estimated the cost of an additional birth to be about \$33. Given that the annual cost of supplying contraceptives is \$4, the relevant cost estimate for the project is \$12. The net social benefits are \$21, or a rate of return of 75%.

Previous experience indicates that, based on this measurement, the CRS projects have outperformed other delivery systems. Among the reasons for this are the existence of retail outlets in the country, efficient use of plentiful labor skills, existence of necessary infrastructure, low overhead costs, minimum number of new administrative agencies, use of scale economies, low management costs, little drain on foreign reserves and built-in incentives. It is expected that, once the project is completed, commercial distribution in the country will be financially self-sufficient, or nearly so.

The beneficiaries of this program are rural and urban indigenous population whose income level is relatively low. The price to this group is subsidized so that the commodities are affordable by most fertile couples. The quantitative measurement of project viability from the beneficiaries' viewpoint is the cost of a year's supply of contraceptives (to the consumer) as a percentage of disposable income. This statistic indicates that the retail price of an annual supply of contraceptives is less than .5% of average annual per capita income. Given the well-known economic benefits of family planning to the fecund couple, purchase of contraceptives through retail outlets yields a high return on investment.

III. B. Social Soundness Analysis

Whether the earth's resources will be able to sustain projected increases in population is a major worldwide concern. Population growth is at its highest rate in history, and emanates from its greatest base. While the most developed countries are at approximately replacement level, the developing countries are experiencing a demographic gap in that their fertility rates remain high while their mortality rates are declining. Decline in infant mortality, where the greatest declines are being realized, has a generational effect, changing the age structure of a society — more young people are surviving who will, in turn, produce more people. Even with a declining birthrate or a decrease in average family size, because of the broad worldwide base of young people who will have babies in the future, existing conditions, if not drastically changed, make tremendous population growth inevitable.

Faced with this prospect, most emerging nations today seek economic development and the material benefits of modernization. Significantly, the literature points out that no country has ever modernized, or reached an advanced level economically, with sustained high fertility. Indeed, in many countries a parallel to economic growth is a declining birthrate. Family structure and extended family support are disrupted by migration to the urban centers that spring up from industrialization. In time industry opens up job opportunities outside the home for women and studies have found that national fertility declines with female participation in the labor force.

Typical of countries experiencing industrialization are postponement of marriage, lowered fertility, and simplification of family structure and duties. Although a woman's primary commitment remains unchanged, her secondary role in a nondomestic labor force gains increased acceptance, and the family begins to depend upon her income. High fertility thus becomes very costly both in terms of direct expense of rearing children and in indirect costs of loss of earnings. 2/

Various studies have found this inverse relationship between female employment and fertility, but there is no consensus as to its precise causes. It has been found that a woman's employment gives her greater say in decisions generally and about childbearing and rearing in particular and this influence results in lower fertility.

Hence, employment becomes significant to reduced fertility only in conjunction with other factors, such as socioeconomic status, cultural climate and education. In many countries, the higher a woman's educational attainment, the greater likelihood of her being employed.

Clearly, global concerns about population increases are not sufficiently strong to mobilize concerted action. Fertility is a matter of perceived self-interest, and population policies implicit or explicit, are motivated by perceived national needs. To change fertility rates a combination of measures must be utilized.

Family planning is one of the most important public health measures potentially available to developing countries. Clearly, general health would improve markedly if family planning measures were more widely available and more widely used to reduce unwanted pregnancies, maintain a healthy interval between births and improve the nutritional level of the existing family by limiting family size.

The interaction of poverty and excessive fertility perpetuates the cycles of depression: expecting that some of their offspring will not survive to adulthood, parents feel that they must produce more babies than they want. Numerous births, infant and child deaths and a tendency toward ill health on the part of surviving family members all flow from the unlimited fertility combined with poverty. Giving every person the knowledge and means to manage

2/ Stycos and Weller, "Female Working Roles and Fertility," Demography, Vol. 4, 1967.

his or her fertility is desirable because of the following reasons: medical and psychological security that reliable contraception affords couples, economic security; and the freedom of the family to engage in economically productive activities.

The Contraceptive Retail Sales project makes a significant contribution in enabling families to effectively control family size. Through advertising and promotional activities, information is distributed about the benefits of family planning on a large scale. In the typical CRS subproject, the advertising strategy includes promotional messages through a variety of popular and indigenous media. This multifaceted approach reaches more people with family planning information. The use of mass media techniques in the subprojects, moreover, is efficient and permits greater communication with heretofore isolated villages. Advertising in the social marketing programs emphasize originality and innovation which attract greater initial interest.

Contraceptive Retail Sales also increases contraceptive availability, thus giving a larger segment of the population the means to control fertility. This is accomplished through a large scale distribution network which includes wholesalers and retailers. Thus, Contraceptive Retail Sales enables the developing society to reduce population growth rates and ameliorate difficulties associated with this growth by delivering contraceptives efficiently.

CRS projects also tend to affect positively the status of women, since the availability of information and contraceptives affords women the opportunity to free themselves from the role of childbearing and rearing, so that they can play a greater role in the economic and social activities of the family and the community.

III. C. Technical Feasibility

1. Safeguards have been included in the design of Contraceptive Retail Sales projects to ensure its appropriateness. The selection of participating countries will be based on a series of indicators which show the existence and/or capability to develop the necessary prerequisites for implementation of a commercial contraceptive marketing system. Moreover, a set of guidelines has been outlined for the selection of the contractor who is to manage the subprojects. Through the application of these two sets of guidelines, judgments will be made re: the technical competence of the subproject manager and the appropriateness of the technology (i.e. social marketing).

The nation must have at least one distributor, or a combination of distributors, which access all, or nearly all, areas of the country. Usually, this requirement is met by cigarette, soap or other related-product distributors. At the time of initiation of distribution, there will be no administrative or legal restriction impeding the procurement of contraceptives. This includes the removal of prescription requirements and restrictions on

retail contraceptive distribution. Additionally, regulations restricting contraceptive promotion and mass media advertisement will be removed. All import duties, tariff customs charges and other impediments abating contraceptive supply within the country should be removed. If a large-scale commercial distribution project is to be economically feasible, a sufficiently large population, of at least four to five million, should exist. This enables the benefits of scale economies — through a large scale distribution system to be enjoyed. In most cases, a widespread cash economy will also exist.

Moreover, the infrastructure (retail outlets as well as wholesalers) and the accompanying mechanism for commercial distribution of commodities other than contraceptives will exist prior to implementation. In addition to exhibiting the technical conditions for commercial distribution, the host government must indicate concurrence and active support of the project.

Given the self sufficiency objective and the cost of existing CRS subprojects relative to other means of distribution, the contraceptive products will be reasonably priced.

2. Contraceptive Retail Sales represents a progressive contribution to contraceptive distribution technology. Many local resources in the typical developing nations are unemployed or at least, underutilized. The social marketing approach uses these indigenous resources in a productive manner. Moreover, the CRS project does not increase administrative agencies or create new bureaucracies but uses the existing infrastructure more intensively. One of the cornerstones of the strategy is the salesforce. Through the training and employment of salesmen, the employment problem — albeit on a small scale — is positively affected. Income creation is another ancillary benefit of commercial distribution. Profit margins are instituted at all levels of the distribution chain, thereby creating income within the economy. Further examination of the employment/income question as it pertains to the CRS project is contained in the economic analysis. The profits at the retail level accrue to the proprietor. In the typical CRS project, he will be a small businessman — thus assisting in the developing of an entrepreneurial class. CRS related activities which are to be included in several projects are contraceptive vending machines and mass sampling components. In both cases, employment is increased. Individuals are required for machine maintenance and related promotional activities. This component of the project requires training of these people; the knowledge gained can be transferred to related endeavors. Mass sampling requires a cadre of canvassers to consult with potential family planning practitioners, thereby directing the underemployed to productive enterprise. Thus, the various components of the CRS project increase employment.

A major advantage of the Contraceptive Retail Sales projects is its suitability for replication. Initially, contraceptives will only be sold through existing retail outlets where other consumer goods are being sold. After implementation of the project, the scope of the distribution system can be expanded to include new outlets. The system thus can serve as the

impetus for an expansion of the availability of a wide range of products to geographic regions which have been neglected in the past. Additionally, nutrition and/or health products other than contraceptives can eventually be included in an expanded product line after successful implementation of the commercial contraceptive distribution system. It should be emphasized that the inclusion of health-related goods into the product line will not necessarily be included until after the project is underway. However, it is hoped that eventually an integrated private sector social marketing system encompassing a variety of socially beneficial goods will be created. The Contraceptive Retail Sales project will fund feasibility studies investigating the possibility of non-contraceptive products (probably from the program revenue fund) but additional funding must come from other sources. The CRS project can easily be increased in scope as social and economic demands warrant.

III. D. Administrative Feasibility - The Contraceptive Retail Sales project endeavors to create marketing organization to distribute contraceptives through retail outlets within the existing distribution network. Its implementation is the responsibility of the contractor to be hired by AID. Therefore, the demands placed upon the host countries where the subprojects are developed are minimal. The primary input required of these host countries is government support for the project, as well as counterpart personnel and review of various project components.

Prior to undertaking a subproject in a country, AID and the host government must be convinced that potential exists for a successful implementation. This project sets forth criteria for selection of countries. These criteria serve as indicators of programmatic success. They have been discussed in earlier sections. To summarize, they include: removal of legal and administration impediments to commercial contraceptive distribution, including tariffs, and duties on contraceptive importation, prohibition of contraceptive advertising and prohibition of commercial sales; government approval of project; existence of cash economy; and existence of a commercial distribution network for procurement of consumer goods, including wholesalers and retailers.

Criteria also exists for selection of contractors. They must either have experience or have demonstrated capacity in marketing of consumer goods in non-U.S. markets. Moreover, the contractor must be familiar with the socioeconomic climate within the country.

Managerial competence must also have been demonstrated.

The Contractor will hire local distribution, advertising, and marketing research firms after approval of the marketing design by AID/W, the host government and the AID Mission. The hiring of subcontractors will not require source waivers. The subcontractor responsible for distribution shall have existing or potential nation wide coverage. The selection of the distribution firm is subject to AID Mission and host government

approval. Following this selection, training of local staff will commence. Also, a refinement and review of the marketing design, in concert with the distribution firm(s) and the host government must be a continuous process. At this point, a local market research firm, if one exists, will be selected by the contractor to undertake the testing of brand names, promotional campaigns and other variables as agreed upon in the market design. If available, a local advertising agency will then be selected by the contractor, with host government approval. If neither are available, alternate arrangements will be made.

The contractor will be responsible for the satisfactory completion of work done by local subcontractors. The contractor will make the arrangements for warehousing facilities with the host country. The inventory and fiscal control systems will be designed by the contractor with approval by the U.S. AID and host government.

Upon completion of preliminary agreements, the contractor will complete the details required for operation of the system. In addition to the

execution of distribution and advertising agreement, the contractor trains and educates the retailers and the salesmen who have been recruited. Production of promotional point-of-sale material and packaging material is accomplished. The contractor is finally responsible for coordination of subcontractors and its own activities into one cohesive system. The advertising and promotional media mix and timing must be coordinated for optimal results, as well as the wholesaler-retailer relationship. The salesmen, through detailing, serve as the catalyst between wholesaler and retailer.

As mentioned above, great effort is made to ensure the selection of competent contractors and countries which are capable of effectively utilizing a commercial distribution system.

Currently, three companies have CRS contracts. Westinghouse Health System has contracts in Nepal and Ghana. Previously, they managed the program in Jamaica which has successfully been completed and turned over to the Government of Jamaica. They also undertook a study to examine the role of the commercial sector in contraceptive delivery (AID/#csd/3319). Population Services International, which manages the project in Bangladesh, previously managed a commercial distribution project in Sri Lanka, which is now run by the local family planning association. Development Associates, Inc. has vast experience in population programs in Latin America. It will commence national distribution in El Salvador soon. In executing these activities, these contractors have exhibited competence in the two vital areas of expertise, business acumen and social programs.

By the end of the project, management competence necessary to run a national social marketing organization will be developed within the country. In most LDCs, there is little experience in nationwide social

marketing programs. By the end of each subproject, the necessary advertising and promotional expertise, as well as competence in distribution systems management, will exist in the local population. Moreover, during the subproject, the contractor, through the training of the host nationals and sharing of responsibilities through subcontracts, analytical talent, and grass-roots management capability, helps to develop leadership potential. As indicated, the contractor is chosen for its management ability and the country for its potential to maximize use of the commercial sector. One element of the latter is management or entrepreneurial potential, which is a consideration in selecting the location of a subproject. The project, through its use of indigenous subcontractors, training local salesmen and existing outlets helps to increase local capacity to participate in development. The precondition that the country must actively support the project and remove legal and administrative barriers to successful implementation precludes a hostile public environment. The inclusion of the local country — indeed, the tripartite arrangement of AID, host country, and contractor — insures use of project design and evaluation methodology after project completion. Moreover, the local personnel will be familiar with the system. In that a distribution network exists, the subproject will complement existing resources. The profit margins will provide incentives for participation.

No additional AID staff commitments are required because direct management will be undertaken by contractor or grantee. The only requirement is that AID/W will monitor the project and supply guidance when necessary. USAID will facilitate efforts in the host country and, when necessary, serve as a liaison between the contractor and host country. Project monitoring will be the responsibility of the Cognizant Technical Officer at AID/W. The personnel essential skills necessary to undertake the oversight function exist in AID/W. The only commodities which will have to be supplied from the United States are the contraceptives. An adequate supply of these commodities will be available through bulk procurement. All other goods and services are to be purchased locally.

III. E. Environmental Concerns

There are no negative impacts of voluntary family planning programs. However, family planning programs, if successful, have a potentially good effect in the reduced demand on non-renewable resources (e.g., fuel, water, land, wood, etc.).

Part IV. The Financial Plan

1. Cost Estimation - Because of the wide diversity among the participating countries, costs will vary. Level of economic development, infrastructure, size and marketing sophistication must be taken into account. Moreover, projects in some countries will include retail sales, vending machines contraceptive distribution and household distribution, while projects in other countries will be more modest in scope. Projects of the latter type may consist of a grant for condom vending machines, a limited mar-

ket trial, or retail distribution of one contraceptive type. The percentage breakdown of itemized costs will be similar, however, in most countries. The itemized cost list with a range of total costs are described in Table III-1 on the following page. An allowance for a 7% inflation rate is included in the analysis as is 10% for contingency costs.

The estimated costs are based on past experience with CRS projects with a provision (as noted above) for inflation and unforeseen contingencies. Additional expenditures are also estimated for new projects. Based on past experience and anticipated programmatic expansion and change, the cost estimate is reasonably firm.

2. CONTRACEPTIVE RETAIL SALES PROJECT BUDGET (in \$000)

	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
New Projects:					
Small Grants ^{3/}	450	450	650	650	650
Large Contracts	2,500	5,000	7,000	5,000	5,000
Small Contracts	400	500	500	400	400
Vending Machines	100	100	100	100	100
Sub-total	<u>3,450</u>	<u>8,150</u>	<u>8,250</u>	<u>6,150</u>	<u>6,150</u>
On-going Projects:					
Mexico	1,500	1,500			
Bangladesh	500	500	400	300	300
Ghana	350	250			
El Salvador	250	200			
Nepal	300	250			
Sub-total	<u>2,900</u>	<u>2,200</u>			
TOTAL (excluding contraceptives)	6,350	8,750	8,650	6,450	6,450
In-Kind Contribution Of Contraceptives					
Condoms	1,250	1,750	2,500	3,125	3,500
Orals	600	800	1,000	1,400	1,500
Foaming Tablets	<u>175</u>	<u>350</u>	<u>525</u>	<u>875</u>	<u>1,000</u>
TOTAL	2,025	2,900	4,025	5,040	6,000
GRAND TOTAL	8,375	11,650	12,675	11,490	12,450

^{3/} Small grants are awarded for projects which are not designed to implement large scale commercial distribution systems but will develop small projects or augment on-going projects of other donors or host governments. Examples are contraceptive vending machines, market testing, retail sales of one commodity, advertising subsidies, and market testing. Large contracts refer to the development of contraceptive marketing systems in large countries. Similarly, small contracts refer to agreements to develop marketing systems in countries with lesser populations.

3. Illustrative Annual Budgets

Large Project (Bangladesh)

Labor	\$150,000
Travel	30,000
Allowances	35,000
Other Direct Costs	110,000
Equipment, vehicles, materials	60,000
Subcontracts	250,000
Consultants	15,000
Overhead	130,000
Fee	50,000
	<u>\$830,000</u>

Small Project

Labor	\$65,000
Travel	18,000
Allowances	22,000
Other Direct Costs	26,000
Equipment, vehicles, materials	14,000
Subcontracts	85,000
Consultants	1,000
Overhead	65,000
Fee	4,000
	<u>\$300,000</u>

Grants

Labor	\$8,000
Travel (local)	1,500
Materials and Supplies	500
Installation Costs	1,000
Overhead	3,000
	<u>\$14,000</u>

4. Recurrent Budget Analysis of Implementing Agency

The budget shown on page 27 of this Paper is considered adequate to fund the recurring operating and maintenance costs in the on-going CRS projects. The budget also provides sufficient funding for the anticipated development of new social marketing projects during the life of this Paper. As the budget indicates, three types of projects will be undertaken: national commercial distribution systems in large countries; large scale distribution projects in small countries; and small grant projects such as market testing in one area and condom vending machines projects. In analyzing the budget, it should be kept in mind that, because the project utilizes existing distribution systems within the host country, savings accrue to the project in "front end" or capital expenditures.

The budget provides for the introduction of new CRS subprojects annually. Because of higher capital during the initial project year, 40% of the contracts costs are allocated to the first year and 30% in the two subsequent years. For reasons discussed below, direct and recurring costs will diminish in the latter years of the project.

The bulk of project costs are incurred during the initial phases of project development prior to national sales launch. These costs are fixed capital expenditures which are non-recurring. Hence, they will have no impact on the budget following termination of the disbursement of AID funds. These initial costs include market research and testing, training of salesmen, feasibility studies (such as KAP studies) and start up costs associated with implementation of the distribution system. In addition, the direct or recurring costs generally are reduced during the latter stages of the project. Advertising in order to identify and create high levels of demand is more intensive during the initial periods. Selection of promotion and advertising is more selective later in the project, thus reducing advertising costs. Furthermore, in order to fill the distribution channels, contraceptive packaging is greatest during the early stages of distribution. These costs, moreover, are reduced later in the project due to economies of scale. Other recurring costs including labor, overhead and transportation are expected to be constant through the life of the project.

It is anticipated that CRS projects will achieve, or, in cases where this is impossible due to the level of market sophistication and economic development in the host LDC, approach self-sufficiency by project completion. Project revenues from retail sales will reduce or offset distribution costs on an increasing basis. This is because the number of contraceptives sold should increase through demand creating promotional activities and the reduction of free samples necessary in order to initially expand sales. Thus, recurring or direct distribution costs will be minimal following termination of AID funding. In exceptional cases, self sufficiency may not be

possible because of difficulties relating to the level of economic development. In those countries, the country will subsidize sales until self sufficiency is achieved.

It is concluded that the essential services provided by the Contraceptive Retail Sales projects will be continued after termination of AID funding. The increasing project revenues relative to recurrent expenditures indicate that these social marketing activities should become more cost effective in the ensuing years, thus supporting the assertion that services can be funded after project completion. The project design encourages financial resource planning and management by the organizations that will administer the social marketing system after project completion. Where feasible, the essential marketing functions are to be performed by local subcontractors. At project completion these groups will be familiar with project operations. Additionally, it is hoped that host country nationals will be placed in responsible management positions (including Project Manager) during the life of the project. Thus, management capability should exist after project completion.

Part V. Implementation Plan

As already indicated, the Contraceptive Retail Sales project is comprised of subprojects. A subproject consists of the sum total of AID-financed contraceptive social marketing within a country. Traditionally this has been the implementation of a full scale, nationwide commercial distribution system. Subproject design and implementation have and will follow similar plans in the future. Although these large scale efforts will still be the primary focus of CRS efforts, the CRS project will devote some of its resources to small scale, innovative subprojects in developing nations where this approach is more applicable to existing needs and interests. These subprojects will encourage specific market trials, demonstration projects, additions to existing systems and marketing research through financial support and technical assistance.

The implementation of the full scale delivery system will follow the same schedule:

- 1) Marketing design will be submitted within 90 days after award of contract. Five copies will be distributed to the host country government and the applicable USAID Mission; ten copies to AID/W Family Planning Services Division, and AID Contracting Officer for joint review and approval. The review will be completed in approximately thirty days. The Marketing Design is to include the following: background report providing information on demographics, language, ethnic diversity, medical and social welfare statistics, social and cultural factors affecting family planning and family size, education, literacy, media resources, major commercial activities, legal prohibitions on commercial sales of contraceptives, as well as background on

current family planning programs and government policies. The current distribution structure, contraceptives available, appropriate trade channels, contraceptive usage price and income elasticity information, contraceptive marketing potential, desired contraceptive price levels, probable increase of contraceptive users after establishment of sub-project, packaging alternatives, plan for programmatic self sufficiency once subsidy is removed, estimates of initial and recurring and total costs, types of promotional techniques, estimates of number of retail outlets by geographical region, procedures by which the host government will receive the consignment of contraceptives, fiscal and inventory controls and advertising evaluation plan also must be concluded.

2) After Marketing Design submission contractor will: make preparatory administrative and legal arrangements, leading to selection of host country advisory board; screen local resources for market research, promotional activities, advertising, point-of-sale material, promotion and packaging design and production capability; screen cooperating country consultants; selection and recruitment of local hire personnel, screen potential distribution firms; place orders for contraceptives with AID/W; identify test marketing areas.

3) After Marketing Design approval, full set-up and implementation shall be undertaken. This period should last 60 days and include the following: solidify relations with USAID and host country officials, family planning association members and business and medical community; establish in-country offices; begin to negotiate with distribution firms; train local distributor(s); select market research firm; select local advertising agency, if available; set guidelines for a monitoring and control system; establish guidelines for bulk warehousing; and make arrangements for warehousing; establish fiscal and inventory procedures; and develop instructional material which will utilize pretested instructional methods (especially for pills).

4) When (3) has been accomplished, the action phase shall begin. The first phase will be completed within ninety days. Included are:

- a. Execution of distribution and advertising agreement.
- b. Education and training of retailers through distribution of point-of-sale educational material and/or use of distribution firm's salesmen.
- c. Production of point-of-sale promotional material and packaging material.
- d. Establishment of advertising efficacy evaluation material.
- e. Development of joint program with the national family planning program towards motivating people to use contraceptives.
- f. Prime system.

5) After completion of the initial action phase, national distribution and nationwide promotional program. The program should be completed within two years. Plan for subprojects, e.g., vending machines, must be completed and submitted to AID/W Cognizant Technical Officer for approval. The same schedule is applicable to smaller, nationwide CRS projects.

To facilitate the subproject development, a blanket waiver of procurement source is necessary for the local hire of advertising, market research and distribution firms. Because an objective of this project is to ensure eventual management of the commercial marketing system by indigenous firms, the utilization of existing capabilities within the IDC during initial subproject development is essential to the chances of programmatic achievement at project completion. Signature of this document will indicate the clearing offices concurrence in waiving the requirement for waivers for local procurement of necessary services under individual subprojects.

It is expected that during both FY 1979 and 1980, 2 large projects and 2 smaller projects will be funded, as well as 3 grants to existing CRS efforts by host governments or other donors, for pilot test projects, i.e. vending machine sales tests. In FY 1981 it is planned to begin 3 large and 2 small projects and to make 2 grants. In FY 1982 no large projects, 2 small projects and 1 grant will be commenced. In the last fiscal year, 1983, no large or small projects will be begun and only 1 grant will be made.

Part VI. Evaluation Arrangements for the Project

Existing CRS contracts include provisions for periodic evaluation, through regular review of sales data and review of progress toward achievement of project goals. Given the nature of the project, collection and analysis of project data poses no serious problem. Because the commercial distribution of contraceptives is undertaken by a quasi-business organization, "profitability" or cost effectiveness is a major objective. Therefore, careful records regarding revenues, costs and contraceptives sold are kept, as well as the efficacy of various components of the project, such as advertising and promotion. Additionally, knowledge of activity in each retail outlet and number of outlets are kept. Therefore, evaluation of this project is greatly facilitated. Moreover, in order to ensure maximum efficiency marketing research is updated at periodic intervals. The marketing research thus serves as an excellent vehicle for programmatic evaluation.

The marketing design also is a source of baseline data and general background information indicating potential institutional/socioeconomic/political difficulties that may be encountered.

The marketing design also will discuss plans for subproject implementation. Included are: proposed contraceptive products and proposed prices; projected number of outlets; probable promotion and distribution expenses; estimate of

increased contraceptive usage; advertising strategy; plan for self sufficiency; and inventory stocks. This technical information can serve as a basis for evaluation.

During the first three months of the project, a plan for initial and continued subsidy of contraceptives along with anticipated contraceptive price levels must be submitted.

During the course of the project, a number of reports are to be submitted to the Mission and AID/W. An annual summary report will recapitulate progress to date and make specific recommendations for continued activity. A quarterly report will review activities during the preceding three months. Recent developments in personnel, advertising, distribution, expansion of outlets and packaging will be described, as well as sales levels.

The fundamental document for assessing progress will be the monthly sales report. The following information will be transmitted monthly: the number (in units) of cycles of oral contraceptive distributed to wholesalers and retailers during the month, broken down into those that were sold and those which were free samples. Similar information is to be submitted on condoms and any other contraceptive products sold. In addition, the report will have monthly and cumulative totals of revenues and expenditures, broken down (to the extent possible) by contraceptive type. Also, the contractor should indicate retail outlets which are active and inactive. In subprojects which sell contraceptives through vending machines, a similar monthly report will be required. The major difference is that vending machine reports must include information on individual machines. Formats of the reports appear on the following pages. Information from these reports will be used to calculate quantitative indicators of success discussed above, i.e. cost of a year's supply of contraceptive protection and retail outlets.

Periodic on-site evaluations will be undertaken. In the interim, continuous monitoring and evaluation is to be carried out by the contractor and modification in the subproject will be made upon approval by AID/W. Prior to national distribution commencement and after the initial action phase, AID will evaluate the project. The evaluation team will consist of at least one independent consultant and AID representative. In addition, USAID and AID/W project monitors will make annual evaluations.

The following are the major evaluative criteria used for intensive evaluation of subprojects after at least one year of national sales:

1. price low enough to be affordable by poor majority. Means of verification: consumer interviews in prevalence surveys; retailer interviews; total sales; locality of sales (rural - urban).
2. cost to distribute one year's supply of contraceptives, computed by taking actual contract costs to a point in time and dividing by number of "acceptors," stated in annualized terms, should be significantly less than

comparable public sector costs; means of verification: actual sales levels (indicated by revenue and sales data) compared to actual contract expenditures; estimates of public sector costs.

3. nationwide availability of contraceptives, with sufficient retail sales loci to ensure relatively short distances for consumers to travel; means of verification: sales reports, Mission observation, evaluation surveys. District maps showing retail and wholesale outlets. Sample survey of outlets to determine actual availability and sales levels.

4. self-sufficient distribution system at end of project; indicated by subtracting contractor overhead costs and comparing remainder to sustained monthly revenue.

5. percentage of females 15-44 being served by project distribution system should be no less than 10%; however, if CRS project is in a nation that has cultural bias against contraception, and national policy has undergone recent change in factor of contraception, then objective would be 20% of all "acceptors" provided that the project is near self-sufficiency after three years.

6. commercial-style advertising, according to experience reported in Bangladesh and Jamaica, has a synergistic effect with public sector and other commercial distribution systems. While hard to measure, increased "acceptor" levels in these other sectors is an indication that the CRS project is at least partially responsible for motivating consumer to contract. An increase of more than 10% of women 15-44 being served by these other sectors would be viewed as a positive contribution by the CRS project.

Part VII. Conditions, Covenants and Negotiating Status

Other than preconditions and agreements outlined in this Project Paper, no additional covenants or conditions need exist prior to project initiation.

VIII B. Data Sheet on Existing Projects

Country	Bangladesh	Jamaica	Nepal	Mexico	Ghana	El Salvador
Date Sales Initiated	November 1975	June 1975	May 1978	Late 1978	June 1978	May 1978
Contractor/Management	Population Services International (PSI)	Gov't of Jamaica, Westinghouse Health Systems ('til 9/77)	Westinghouse Health Systems	TBD	Westinghouse Health Systems	Development Associates, Inc. (DAI)
Brand Names	Raja (King)-condom Mays (happiness)-pill	Panther - condom Pearle - pill	Dhara (shield)-condom Gulaf (tone)- pill	TBD	To be determined	Condo-condom Perla - pill
Retail Price (US\$)	\$.026 pkg. of 3 condoms \$.09 pkg. of 2 cycles	\$.16 pkg. of 3 condoms \$.32 pkg. of 1 cycle	(proposed) \$.08 pkg. of 6 condoms \$.24 pkg. of pills	TBD	(proposed) \$.348 6 condom pk \$.185 cycle (proposed)	(proposed) \$.12 per 3-pk condoms \$.32 per cycle
Retail Price/ Avg. Annual Income ^{1/}	0.17%	0.05%	0.17%	TBD TBD	0.17%	0.40%
Minimum Initial Inventory level	72 condoms (3 packs) 20 cycles	72 condoms (3 packs) 24 cycles	72 condoms (3 packs) 24 cycles	TBD TBD	72 condoms (3 packs) 24 cycles	To be determined
Retail Outlets	21,426 condoms only 34,229 pills & condoms	929 condoms only 266 pills & condoms	3,410 condoms only	N/A	1,000 - 2,000 shops (anticipated)	560 pharmacies 2,970 stores 3,530 (anticipated)
Sales to Date	31,551,000 condoms 1,729,000 cycles	1,826,000 condoms 326,000 cycles	375 pills & condoms (anticipated levels)			
Most Recent Monthly Sales	1.9 million condoms 99,000 cycles	76,000 condoms 15,000 cycles	N/A	N/A	N/A	N/A
Program Cost/ Month's supply ^{2/}	\$.30	\$1.00	N/A	N/A	N/A	N/A

^{1/} This measurement of the affordability of the contraceptives is derived by dividing the retail price of one year's supply of contraceptives (the average cost of pills and condoms) by the estimated average annual per capita income.

^{2/} This computation is intended to show relative cost effectiveness. It is derived by dividing the total program cost, amortized by month, over the total life of the project, by the number of month's supplies of contraceptives distributed during a given month. The cost of the contraceptives supplied in-kind is excluded.

IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas & Sub-areas^{1/}</u>	<u>Impact^{2/}</u>
A. LAND USE	
1. Changing the character of the land thru:	
a. Increasing the population.....	<u> N</u>
b. Extracting natural resources.....	<u> N</u>
c. Land clearing.....	<u> N</u>
d. Changing soil character.....	<u> N</u>
2. Altering natural defenses.....	<u> N</u>
3. Foreclosing important uses.....	<u> N</u>
4. Jeopardizing man or his works.....	<u> N</u>
5. Other factors _____	<u> N</u>
<hr/>	
B. WATER QUALITY	
1. Physical state of water.....	<u> N</u>
2. Chemical and biological states.....	<u> N</u>
3. Ecological balance.....	<u> N</u>
4. Other factors _____	<u> N</u>
<hr/>	
C. ATMOSPHERIC	
1. Air additives.....	<u> N</u>
2. Air pollution.....	<u> N</u>
3. Noise pollution.....	<u> N</u>
4. Other factors _____	<u> N</u>
<hr/>	
D. NATURAL RESOURCES	
1. Diversion, altered use of water....	<u> N</u>
2. Irreversible, inefficient commitments	<u> N</u>
3. Other factors _____	<u> N</u>
<hr/>	
E. CULTURAL	
1. Altering physical symbols.....	<u> N</u>
2. Dilution of cultural traditions.....	<u> L</u>
3. Other factors _____	<u> N</u>

<u>Impact Areas & Sub-areas^{1/}</u>	<u>Impact^{2/}</u>
F. SOCIOECONOMIC	
1. Changes in economic/employment patterns.....	<u> M</u>
2. Changes in population.....	<u> H</u>
3. Changes in cultural patterns.....	<u> M</u>
4. Other factors _____	<u> N</u>
<hr/>	
G. HEALTH	
1. Changing a natural environment... ..	<u> N</u>
2. Eliminating an ecosystem element..	<u> H</u>
3. Other factors _____	<u> N</u>
<hr/>	
H. GENERAL	
1. International impacts.....	<u> L</u>
2. Controversial impacts.....	<u> L</u>
3. Larger program impacts.....	<u> H</u>
4. Other factors _____	<u> N</u>
<hr/>	
I. OTHER POSSIBLE IMPACTS (not listed above)	
<u> Reduction in Population</u>	<u> H</u>
<u> Growth Rate</u>	<u> </u>
<hr/>	

FOOTNOTES:

1/ See Explanatory Notes for this form.

2/ Use the following symbols:

N- No environmental impact
L- Little environmental impact
M- Moderate environmental impact
H- High environmental impact
U- Unknown environmental impact

Additional comments:

Part VIII. C.

5C(3) - STANDARD ITEM CHECKLIST

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? Yes
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? Yes.
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? N.A.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N.A.
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Yes.
6. HMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, Yes.

are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes.

d. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

N.A.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N.A.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

N.A.

c. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

N.A.

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Yes

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.?

Yes

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?

Yes

5. Will arrangements preclude use of financing:
- a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions? Yes.
 - b. FAA Sec. 620(d). to compensate owners for expropriated nationalized property? Yes.
 - c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs? Yes.
 - d. FAA Sec. 662. for CIA activities? Yes.
 - e. App. Sec. 103. to pay pensions, etc., for military personnel? Yes.
 - f. App. Sec. 106. to pay U.N. assessments? Yes.
 - g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). Yes.
 - h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.

5C(2) - PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)?

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2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Not applicable to family
planning projects.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N.A.

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

N.A.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

N.A.

A.

6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?

N.A.

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Since objective of project is to use private sector, it will foster private initiative in-country subcontracts are competed; cooperatives are often integral parts of sub-projects; technical competence of market research, advertising and distribution firms enhanced through technical assistance

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Projects can help to develop overseas markets; U.S. firms will compete for prime contracts under this Paper

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

In countries which have excess currency, it is or can be used for these projects; revenue generated from sales is used to defray local costs

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

U.S.-owned excess currency will be used where it exists per contractual clauses.

3. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

Previous projects have brought thousands of small entrepreneurs into distribution systems; females who use contraceptives provided through this project are more free to take part in economic pursuit

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [Include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
 - (a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
 - (b) to help alleviate energy problem;
 - (c) research into, and evaluation of economic development processes and techniques;
 - (d) reconstruction after natural or manmade disaster;
 - (e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
 - (f) for programs of urban development especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

N.A.

Project purpose.

N.A.

N.A.

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

N.A.

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

N.A.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

Project emphasis is on improvement of health and social well-being of rural and urban poor by enabling them to cease childbearing at desired number of children

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Project extensively utilizes host country institutions and resources.

g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(31). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

Project will not have negative effect on U.S. economy.

2. Development Assistance Project Criteria (Loans only)

N.A.

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

c. FAA Sec. 201(a). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

e. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

f. FAA Sec. 520(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Security Supporting Assistance

N.A.

FAA Sec. 531. How will this assistance support promote economic or political stability?

4. Additional Criteria for Alliance for Progress

N.A.

[Note: Alliance for Progress projects should add the following two items to a project checklist.]

a. FAA Sec. 251(b)(1), -(8). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?