

Prog. 9320612(2)  
 PN - PD-AD-345-61

**I. PROJECT IDENTIFICATION**

**1. PROJECT TITLE**

Development of Commercial Contraceptive Distribution

2. PROJECT NO. (M.O. 1095.2)  
 932-11-580-612  
 5. SUBMISSION ORIGINAL DATE 6/22/73  
 REV. NO. DATE 27p  
 CONTR./PASA NO.

**3. RECIPIENT (specify)**

COUNTRY Worldwide  
 REGIONAL  INTERREGIONAL

**4. LIFE OF PROJECT**

BEGINS FY 1974  
 ENDS FY 1976

**II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS**

A. FUNDING BY FISCAL YEAR	B. TOTAL \$ (000)	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY (A) JOINT (B) BUDGET	
1. PRIOR THRU ACTUAL FY												
2. OPRN FY 74	736	274				130	332	736				
3. BUDGET FY 75	1,924	601				445	878	1,924				
4. BUDGET +1 FY 76	832	230				225	377	832				
5. BUDGET +2 FY												
6. BUDGET +3 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL	3,492	1,105				800	1,587	3,492				

**9. OTHER DONOR CONTRIBUTIONS**

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

**III. ORIGINATING OFFICE CLEARANCE**

1. DRAFTER PHA/POP/FPSD, T. Markow	TITLE Project Monitor	DATE June 12, 1973
2. CLEARANCE OFFICER PHA/POP, R. T. Ravenholt	TITLE Director, Office of Population	DATE June 13, 1973

**IV. PROJECT AUTHORIZATION**

**1. CONDITIONS OF APPROVAL**

- Funding does not include oral contraceptives which will be provided under a separate A.I.D. project for central procurement.
- The initiation of the sub-project anticipated to start in a subsequent year will be dependent upon satisfactory evaluation of the sub-project initiated in the first year of the project.

Continued on page 2.

**2. CLEARANCES**

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE
PHA/POP	W. M. Boynton/R. T. Ravenholt	6/13/73	PHA/POP/EA	L. Kangas	6/12/73
	J. K. Schafer/E. R. Backlund	6/13/73	PHA/POP/WA	E. G. Ruoff	6/13/73
PHA/POP/LA	C. N. Johnson	6/13/73	SA/PPB	J. Cudney	6/6/73
LA/DR	M. E. Hurley	6/21/73	ASIA/DP	A. Shakow	6/15/73
PHA/POP/AFR	J. S. Pringle	6/13/73	AA/PPC	P. Birnbaum	6/15/73
AFR/DP	E. B. Hogan	6/15/73	PHA/PRS	G. Coleman/M. Fowler	6/25/73

**3. APPROVAL AAS OR OFFICE DIRECTORS**

SIGNATURE: Jarold A. Kieffer  
 DATE: 9/25/73  
 TITLE: AA/PHA Dr. Jarold A. Kieffer

**4. APPROVAL A/AID (See M.O. 1025.1 C)**

SIGNATURE: [Signature]  
 DATE: 10/19/73  
 ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT (Acting)

PROJECT #	Title-Dev. of Com-	SUBMISSION	(Number)	DATE	PAGE	of	PAGES
Commercial Contraceptive Dist.		<input checked="" type="checkbox"/> ORIGINAL	<input type="checkbox"/> REVISION		2		2

## IV. Project Authorization - Conditions of Approval - (Continuation)

3. Project costs cited herein are illustrative and may vary among fiscal years and among the implementation phases of each country specific sub-project.

Project: Development of Commercial Contraceptive Distribution

I. Statement of Program Goal

A. Program Goal

The goal of this program is the improvement of the quality of life in developing countries through reduction of population growth resulting from development of adequate systems for delivery of family planning services.

B. Measurement of Goal Achievement

The achievement of this goal can be most effectively determined by statistical measurements and analysis of fertility rates in those countries that have reliable statistical data and capability. Where this is not possible the measurement of goal achievement will have to rely principally on the interpretation of data relating to the distribution and sales of contraceptives.

C. Basic Assumptions

This program shall be carried out only in those countries which have indicated an awareness of the problems related to excessive population growth and where a favorable climate exists for family planning activities.

II. Statement of Project Purpose

A. Purpose

The purpose of this project is:

1. To utilize the commercial sector in at least two selected countries, to achieve a significant increase in the number of

acceptors using non-clinical methods of contraception (principally oral contraceptives and condoms) as a complement to a country's publicly supported family planning programs.

2. To demonstrate that commercial distribution is more effective in reaching contraceptors at a lower cost than through public family planning programs, because it employs an already existing distributive system rather than financing the further expansion of public clinical facilities.

B. Conditions Expected at End of Project

1. A significant increase in the marketing capability of the commercial sector to satisfy the contraceptive requirement of the population.

a. Retail outlets selling contraceptives are accessible to a large majority of the population in rural as well as urban areas.

b. Logistic and supply elements of the commercial sector are adequately supported to provide contraceptives.

2. The retail price of contraceptives is at a level that the public can generally afford.

3. An increasing awareness of and motivation for using contraceptives.

a. Sample surveys indicate that the target population is aware of contraceptive practices.

b. Sample surveys indicate that the target population is aware of the availability of contraceptives.

c. Sample surveys indicate a desire on the part of an appreciable percentage of the target population to use contraceptives.

4. An appreciable increase in the sale and use of contraceptives through commercial outlets, and, therefore, a net national increase that can be verified by comparison with the original benchmarks established at the onset of the project.

5. A local capability to coordinate and stimulate the commercial distribution of contraceptives.

6. The commercial distribution of contraceptives demonstrated to be more cost effective than delivery through public family planning programs.

C. Basic Assumptions About Achievement of Purpose

1. Expansion of commercial sector distribution will not be in conflict with existing publicly supported national family programs, but, in fact, should be complementary to them.

2. The marketing program will be designed to take into consideration the political, social and legal realities of the existing situation. It is essential, however, that the countries selected under this project do not have customs duties on A.I.D.-imported contraceptives or other legal or administrative constraints which could act as a serious barrier to the expansion of the commercial distribution of contraceptives.

3. Reasonably reliable data will be available on costs of delivering contraceptives through public family planning programs.

### III. Statement of Project Outputs

#### A. Outputs and Output Indicators (for each sub-project)

1. A proposed marketing program covering the concept of an optimum contraceptive distribution system for the country where a sub-project is contemplated. The proposal may be based on the findings of an in-depth market survey which may be carried out under an A.I.D.-funded project to investigate and evaluate the patterns of contraceptive distribution in selected developing countries.
2. A group of experienced salesmen, trained in the concepts of contraceptive marketing, working for the local distributing companies associated with the distribution and sale of contraceptives under this project.
3. Studies to identify the effect of advertising on the sales of various types of contraceptives. Application of the findings.
4. Studies of price levels which result in the optimum sale of contraceptives and the magnitude of subsidy, if required, to maintain and expand the commercial distribution of these products. Application of the findings.
5. Periodic reports of contraceptive sales, by category, through the commercial sector in comparison with previous sales or sales trends, to determine the effects of price and advertising.

6. A study to determine the economic viability of contraceptive delivery through the private distribution system. This will specifically monitor the costs associated with the development and utilization of the commercial sector. Initial and recurring costs will be established to form a basis for determining input and output ratios.

7. A study to assess the relative cost differences of contraceptive distribution through the private commercial sector and through public clinical facilities.

B. Basic Assumptions

None

IV. Statement of Project Inputs

A. U.S. Inputs

A.I.D. will provide funds for entering into a contract to carry out the activities of this project.

The Contractor will furnish the following for a typical larger country sub-project such as in Thailand:

1. Technical and Administrative Staff:

a. From the U.S.

A U.S. Project Director, who will operate from the Contractor's home office, provide the required backstopping support to the field and travel to the country where a sub-project is being implemented, as necessary. He will be responsible for the overall planning, organization and management of the project in that particular country.

A Field Project Manager, who will be assigned to the country selected and will assume the day-to-day administrative responsibility for the sub-project.

A Marketing Specialist, who will be assigned to the country selected to plan and supervise the implementation of the promotional campaign, jointly plan the distribution and sales campaign with the selected distributors and provide technical backstopping and training in this area, as necessary.

A Market Evaluation Consultant, who will provide consulting services to the Contractor's staff in the U.S. and in the field in the interpretation and application of marketing data.

An Advertising Research/Distribution Consultant, who will provide consulting services to the Contractor's staff in the U.S. and in the field in the interpretation and application of data related to contraceptive sales promotion and distribution.

b. Local Hire

Accounting services, either by a full-time employee or through a sub-contract, to maintain financial and sales records.

2. Commodities. Condoms will be funded under this project. Oral contraceptives will be provided to the project under a separate A.I.D. project for central procurement.

PROJECT BUDGET - SEE ATTACHED PAGES

B. Host Country Inputs

None required.

C. Basic Assumptions about Management of Inputs

None

V. Rationale

Although not all of the reports have as yet been submitted under the survey of global patterns of commercial distribution of contraceptives carried out for A.I.D. by WPC (csd-3319), information and data now available support the assumption that the potential for a significant increase in the private sector distribution of contraceptives is much greater than originally thought. Current usage patterns indicate that, in the aggregate, more than 40% of contraceptive users in LDCs are now obtaining their supplies from commercial sources. These high commercial sector consumption rates are even more significant when it is realized that in only a handful of the LDCs has there been a formal or organized effort to promote the distribution of contraceptives through the commercial sector.

Recognition of the potential of the commercial sector for delivery of contraceptives has also been indicated at international meetings of population experts, such as at Bellagio, and recommendations made to investigate the possibility of greater utilization of this sector.

A.I.D. has, accordingly, decided to provide support for two sub-projects with similar objectives, running concurrently, and aimed at testing the validity of the accumulated evidence.

Both of these sub-projects are intended to demonstrate that the private sector is more cost effective vehicle for the delivery of contraceptives inasmuch as it utilizes an already existing distribution system rather than having to finance the further expansion of a publicly supported clinical system. Furthermore, as the number of purchasers of contraceptives expands significantly, it should provide the necessary incentive for, at the very least, an appreciable degree of self-perpetuation of this activity in the private sector.

## VI. Course of Action

### A. Implementation Plan

The course of action for each country selected for a market testing program will vary according to the characteristics of the population and the attitudes and conditions prevailing. However, the basic approach in each case should be generally similar, involving three principal phases.

#### -Development of Work Plan

The Contractor will prepare and present to AID/W a proposed work plan covering the concept of an optimum distribution system for the country where a project is contemplated.

This plan will have resulted from the Contractor's discussions with U.S.A.I.D. concerned, representatives of the country concerned and prospective distributors to examine alternate methods for project implementation designed to meet the specific needs of the country. During these discussions the Contractor will have an opportunity to determine the objectives of the national family planning programs and/or of other relevant governmental agencies to obtain agreement in principle for a system of contraceptive delivery based on the private commercial sector. Preparation of the proposed work plan will be funded either through previously existing contractual arrangements, or by funds to be provided in the contract emanating from this PROP.

Concurrence of the appropriate ministry/agency of the host country, USAID, and AID/W (Regional Bureau and PHA) on the proposed work plan will be necessary in order to continue the project into subsequent phases (marketing plan and implementation). The decision to proceed with the project will be based on, among other things, the host country governments' agreement not to impose customs duties or other restraints impairing distribution or use of oral contraceptives and condoms provided by A.I.D. for the project. Exceptions to this policy can be made by AA/PHA when deemed necessary to accomplish project purposes.

When the proposed work plan has been approved, A.I.D. will contract to carry out a commercial marketing program for contraceptives in the selected country. (Agreement with the

country and contractor will provide that in the event a country, during the life of the project, imposes conditions which seriously impede expansion of their commercial distribution, the contract and project will be terminated within such countries.)

-Development of Marketing Plan

The immediate priority for the contractor will be to develop a comprehensive marketing plan, which will involve the following:

Over a period of approximately three months duration determine the market potential and provide data for the development of a comprehensive marketing plan. This activity will:

- a. Identify and gauge the most appropriate distribution channels.
- b. Identify the most effective advertising to be carried out in urban and rural areas.
- c. Research the most successful and most effective promotion techniques for the local conditions.
- d. Determine the estimated optimum price structure and trade margins for contraceptives to be sold through the sub-project, and identify safeguards to prevent excessive profits by the commercial sector.

-Implementation

1. When the foregoing has been accomplished the first implementation phase of the sub-project will begin. This phase last approximately six months during which the following will be completed:

- a. Recruiting and training local personnel at all levels.

b. Contracting with local advertising agencies, packaging companies and distributing organizations in accordance with general A.I.D. policy guidelines.

c. Procuring, importing and warehousing contraceptives.

d. Preparing and pretesting a promotional campaign.

e. Designing, testing and production of local packaging, as necessary.

f. Priming the distribution pipeline in a number of test areas.

g. Applying guidelines for a control system to assure progress of the sub-project, and to assure that excessive profits are not made by the commercial sector.

h. Developing retailer educational programs and consumer instructional material to indicate procedures to follow should problems arise in connection with the use of oral contraceptives.

2. During the second six months of the implementation phase undertake full-scale test marketing in selected large test areas to determine the most appropriate marketing methods, including an optimum price structure. (In a smaller country this project stage will probably be unnecessary and full-scale nationwide marketing may be undertaken directly.)

3. For the remainder of the three year sub-project carry out a full-scale nationwide contraceptive marketing program.

4. During the entire three year period of each sub-project the Contractor will be responsible for monitoring and evaluating project performance and maintaining the appropriate fiscal controls.

For a few countries the first and second phases of project activity may be funded under previously awarded A.I.D. contracts, or by other organizations. In such cases A.I.D. funding under these projects would begin with the next phase of activity to be undertaken and would not cover phases funded by other means.

B. Evaluation

The Contractor will furnish interim and annual reports on the progress of programs and problems related to the implementation of the sub-projects under this project, including performance in terms of national contraceptive user data and other major findings.

This project will be evaluated annually by A.I.D. and the Contractor as an integral part of the management planning and program implementation process.

The evaluations should consider, among other points: a) collateral experience to date (e.g., IPPF, and other sub-projects under the project), b) supply sources for continued provision of contraceptives when A.I.D. funding terminates.

Provision will also be made by A.I.D. to carry out an in-depth evaluation by a team composed of qualified independent experts in the marketing field and representatives of A.I.D. The evaluation will serve: 1. to survey the management activities and the progress the Contractor has made in achieving the stated objectives, and; 2. to help A.I.D. in determining whether the project should amended, extended or terminated. This evaluation will take place at the end of the second year of the project, in lieu of the annual evaluation.

C. Narrative Statement

The program for market testing may vary in duration from country to country. However, it does not appear that more than three years will be required to identify a price which will result in optimum contraceptive consumption, and to demonstrate that the distribution and sale of contraceptives are commercially viable, offering an attractive margin of profit at both the wholesale and retail levels. At the end of this period it is anticipated that fully adequate information will be available to provide a basis for determining the extent of subsidization, if any, required to maintain and expand the commercial distribution of these products. At that point decisions would have to be taken, should a continuing subsidy be needed, as for example in countries with very low income levels, concerning the form and method of providing this financial support. Regardless of assistance which might conceivably involve A.I.D. in some ongoing supportive role, the market testing program should have achieved its objective of demonstrating the feasibility of private commercial marketing of contraceptives and of creating and establishing a mechanism for the continuing delivery of these products through the retail distribution system.

It is not feasible to forecast with accuracy the total anticipated contraceptive sales in each country. However, a reasonable expectation of sales in a larger developing country such as Thailand could be about 2 million condoms and one-quarter million cycles of oral contraceptives for the first year of project operations, with annual increments up to 10 and 15 million condoms and to 400,000 and 800,000 cycles of oral contraceptives during the second and third years respectively.

The estimated life of the Development of Commercial Contraceptive Distribution project described herein is four years, commencing in FY 1973 and terminating in FY 1977. During this period it is anticipated that a total of two action sub-projects will be implemented, each of three years duration. (See Funding Table II under Budget Section).

TABLE I

Estimated Budgets for Country Activities 1/

<u>1. Contract Technicians</u>	<u>Larger Developing Country</u>	<u>Smaller Developing Country</u>
<u>a. Salaries</u>		
U.S. Project Director - Salary & Overhead.....\$	37,000 .....	\$ 37,000
Field Project Manager - " " .....	49,000 .....	49,000
Marketing Specialist - " " .....	42,500 .....	
Market Evaluation Consultant .....	6,000 .....	5,000
Advertising Research/Distribution Consultant .....	7,500 .....	6,250
<u>Local Hire:</u>		
Accounting Services . .....	<u>6,000</u> .....	<u>4,000</u>
	148,000	101,250
<u>b. Allowances</u>		
Field Project Manager and Marketing Specialist ...	16,000 Field Project Mg.....	7,000
<u>c. Travel and Transportation</u>		
International .....	30,000 .....	25,000
U.S. and in-country local .....	8,000 .....	5,000
Shipment of Personal and Household Effects .....	<u>24,000</u> .....	<u>8,000</u>
	62,000	36,000
<u>2. Commodities - Condoms*</u> .....	150,000 .....	60,000
<u>3. Other Costs</u>		
<u>a. Marketing</u>		
Market Research .....	20,000 .....	10,000
Advertising & Promotion ... ..	120,000 .....	55,000
Local Packaging .....	<u>25,000</u> ..	<u>10,000</u>
	165,000	75,000
<u>b. General</u>		
Rent .....	6,000	
Office Equipment .....	4,000	
Miscellaneous ... ..	<u>5,000</u> .....	<u>2,500</u>
	15,000	2,500
General & Administrative Rate - 27.58% of costs less condoms	111,974 .....	58,400
Fixed Fee - 7.5% on total costs plus G&A Rate - less condoms	<u>38,848</u> ..	<u>20,261</u>
<b>TOTAL ANNUAL PROJECT COSTS INCLUDING CONDOMS</b>	<b>\$ 706,822</b>	<b>\$ 350,411</b>

1/ The above budgets cover the first year of project operations in a large and small country. The second and third year of operations, based on anticipated duration of three years for each project, is estimated at approximately \$50,000 higher for the larger country and \$25,000 higher for the smaller country for each year.

\*Funding requirements for condoms will be \$150,000 the first year and \$225,000 for the second & third years in a larger country and \$60,000 the first year and \$70,000 for the second & third years in a smaller country. Funding does not include oral contraceptives, which are to be supplied under a separate A.I.D. project for central procurement.

TABLE II

Estimated Life of Project Expenditures

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>Totals</u>
Country #1. (Small)	350,411 (FY '74)	385,411 (FY '74)	385,411 (FY '75)		1,121,233
Country #2 (Large)		706,822 (FY '75)	831,822 (FY '75)	831,822 (FY '76)	2,370,466
	\$350,411	\$1,092,233	\$1,217,233	\$831,822	\$3,491,699

TABLE III

Total Obligations by Fiscal Years

FY 1974	735,822
FY 1975	1,924,055
FY 1976	<u>831,822</u>
	\$3,491,699

TABLE IV

Total Cost for Condoms by Fiscal Years

FY 1974	130,000
FY 1975	445,000
FY 1976	<u>225,000</u>
	\$800,000

TABLE V

Estimated Cost for Oral Contraceptives (to be Provided Under Separate AID Central Procurement Project)

FY 1974	135,000
FY 1975	880,000
FY 1976	<u>700,000</u>
	\$1,715,000

## APPENDIX

**Project:** Development of Commercial Contraceptive Distribution

The issues that were raised in the meeting of June 19, 1973, which was called to discuss this PROP, have been given the following resolution:

1. Official host country agreement to sub-projects

The General Counsel's Office expressed the opinion that host country agreement with the implementation of a sub-project will be required in writing, and that the agreement should be either in the form of a PROAG (non-funded, if possible), or an exchange of notes under an existing bilateral agreement. This matter has now been resolved and the GC's Office concurs in the PHA/POP position that host country approval of a sub-project is essentially a country specific policy issue and the particular format of country approval is more appropriately a matter for the USAID Mission to decide, provided that host country agreement is obtained to all of the conditions necessary to successful project implementation. Mission and country clearance has been made a condition precedent to obligation and implementation of all sub-projects under these PROPS. As a basis for such clearance the Contractor will be asked to address economic issues in the sub-project proposal such as, (a) effect on the price structure of orals and condoms, (b) effect on the competitive position of existing distributors, and (c) effect on local production of condoms and orals. Since in the case of Bangladesh and Jamaica country approval has already been obtained, the USAIDs will be asked to indicate that the host countries have been apprised of and are aware of these economic implications.

2. Criteria for selection of distributors

The section of the PROP (and respective PIO/T) concerned with the selection of distributors in a country where a sub-project is to be carried out has been amended to provide for selection of distributors in accordance with A.I.D. policy guidelines.

Under these guidelines the prospective Contractor will indicate to A.I.D., prior to obligation of funds, what selection criteria it will use in sub-contracting the services of a distributor (or distributors). A.I.D. will review the proposed selection procedure and will incorporate it in the PIO/T. When the Contractor proposes to select a specific distributor(s), he will indicate how the distributor meets the criteria and A.I.D. will notify the Contractor whether it concurs. Concurrence will be given by the Contract Officer on the basis of the Project Monitor's recommendations.

3. Controls on profit margins

The PROP has been amended to specifically provide for action by the Contractor to establish and apply appropriate means for controlling profit margins resulting from the sale of contraceptives under this project.

The PIO/T covering a specific sub-project will detail the control mechanisms to be used by the Contractor. In most cases a fixed price for the contraceptives will be advertised and the advertised price will be shown on the sales package. Spot checks of retail outlets will also be made to ascertain that the orals and condoms are being sold at the advertised price.

4. Method of providing contraceptives for sub-project use

The General Counsel's Office has advised that orals and condoms can be provided directly to the Contractor by A.I.D. for distribution.

5. Evaluations

The PROP (and sub-project PIO/T) have been amended to provide for a formal annual evaluation of each sub-project. The evaluations will consider: (a) collateral experiences to date; (e.g., IPPF, or other sub-projects under the project); (b) supply sources for continued provision of contraceptives when A.I.D. funding terminates.

6. The Contractor's Marketing Philosophy

A written statement has already been requested from potential Contractors with regard to the contraceptive pricing policy they propose to establish in carrying out the sub-projects in Jamaica and Bangladesh. This will enable A.I.D. to determine if it is in agreement with the proposed pricing policies.

In the future the Contractor will be requested to include in each proposed marketing plan a discussion of the pricing policy to be established.

7. Audit

Standard U.S. Government auditing procedures will be followed in performing sub-project audits.

8. Disposition of local currency

Local currency generated by the sale of contraceptives to indigenous distributor(s), which is in excess of a sub-project's local currency requirements, will be reported by the Contractor and placed at the disposal of A.I.D.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON

OFFICE OF  
THE ADMINISTRATOR

932-612

Recd AA/PHA 10/26  
Info: DH/JAK/file, HSC,  
MFowler w/signed PROPS, TRM  
Dr Ravenholt, Dr Pedersen

October 19, 1973

MEMORANDUM FOR DR. KIEFFER, AA/PHA

SUBJECT: Commercial Contraceptive Marketing PROPS

I share the importance and urgency you attached to these two projects and have therefore approved the PROPS.

However, planning for the individual country sub-projects is not yet completed and there are major program issues still to be resolved. Therefore, the Administrator should have an opportunity to review the country marketing and implementation plans developed during Phases I and II of the project. You should schedule a review of the first country marketing plan and implementation plan when they are ready and prior to the implementation phase. At that time a decision can be made on the kind of review that should be given the remaining country projects.

*M/W*

Maurice J. Williams  
Acting Administrator

Attachment

October 11, 1973

DH/JAK/File, HSC  
POP, MF, TRM

MEMORANDUM FOR: A/AID, Mr. Maurice J. Williams  
FROM: A/PFC, Philip <sup>W/S/</sup> ~~Str~~ Baum  
SUBJECT: Commercial Distribution of Contraceptive  
Pills and Condoms

We support this pilot effort to expand the availability of contraceptives including oral contraceptives in LDCs, particularly those with rapidly growing populations, through commercial distribution, leaving advertising, packaging, and labeling questions basically up to the governments of the countries concerned. The two PROPs attached are for implementation first in Bangladesh (annual population growth rate of 2.7%) and Jamaica (2.1%). Five other countries are under consideration for future programs: Pakistan (3.3%); Thailand (3.3%); Kenya (3.0%); Philippines (3.3%); and Colombia (3.4%).

FDA generally requires that contraceptive pills sold for U.S. export carry the same warning label as pills sold in the U.S. But if an LDC government states that it prefers some other labeling on pills sold under a commercial distribution program, it is our understanding that FDA would not object. FDA's General Counsel and ours have agreed to discuss the legal technicalities.

We are concerned, however, that because the proposed projects involve U.S. private contractors dealing with LDC private companies that we have a "system" which assures that the LDC governments explicitly approve any private commercial distribution and the labeling of AID-financed contraceptives so that the responsibility clearly rests with the host government. We understand that written approval has been obtained from the Governments of Bangladesh and Jamaica for these pilot projects and that they assume the responsibility that the appropriate oral contraceptive labeling is provided and adhered to within their countries.

In addition given the large-scale of this project, \$20 million, and the rather complex economic and legal issues referred to in the attached memorandum, we urge that the second phase of each country specific project--i.e. the marketing plan and implementation--be submitted to the Administrator for approval. This means in effect that in addition to RHA/TOP and the Regional Bureaus, PPC and CC will also have an opportunity to review the policy aspects inherent in the implementation plans.

cc: Dr. Kieffer  
Mr. Gardiner

PPC/PDA/DA: BHers:  
Redrafted: AM/PPC: PBirnbaum: ogy

ACTION MEMORANDUM FOR THE ADMINISTRATOR

SEP 25 1973

THRU: EXSEC

FROM: AA/PHA, Dr. Jarold A. Kieffer

Problem: The attached new PROPs for "Commercial Contraceptive Marketing Development" and the "Development of Commercial Contraceptive Distribution" require your approval under A.I.D. regulations applying to projects which are estimated to exceed \$2 million over the life of the project.

Discussion:

Project Purpose: Both of these projects fall within population program category number 4; the development of adequate systems for delivery of family planning services. The specific purpose of both projects is the same: (a) to involve the commercial sector in developing countries in bringing about a significant increase in the number of users of contraceptives, principally orals and condoms, as a complement to the existing family planning activities in the public sector; and (b) to demonstrate, through comparative cost studies, that commercial distribution is more cost effective in reaching contraceptors than public family planning programs, because the former utilizes an already existing distributive system rather than financing the further expansion of public clinical facilities.

These innovative proposals are an outgrowth of increasing awareness expressed by international experts in the population field of the unexploited possibilities offered by the private commercial sector for the wider distribution and greater sale of contraceptives. This view has been reinforced by initial findings and recommendations of A.I.D.-sponsored marketing surveys and market testing projects. The potential for expanded commercial contraceptives sales is evidenced by data now available which indicates that approximately 40% of contraceptors in LDCs are presently purchasing their requirements through commercial outlets even though little organized effort has been made to promote this market.

Alternate Approaches to Project Implementation: While the purpose of both projects is the same, separate PROPs have been developed because it is our view that it will be advantageous for A.I.D. to experiment with at least two different approaches to the attainment of project objectives.

In the first approach, described in the Development of Commercial Contraceptive Distribution PROP, the contractor will negotiate agreements directly with established local distributors for the promotion, distribution and sale of contraceptives through the existing retail system. The second approach, detailed in the PROP for Commercial Contraceptive Marketing Development, provides for the contractor to work through an especially established indigenous non-profit company. This indigenous company will undertake the marketing of contraceptives through the retail system. The company will, as in the above mentioned plan, work directly with distributing firms. It will also recruit, train and employ a cadre of commission salesmen to supplement the staffs of the distributing firms in order to accelerate the introduction of contraceptives into retail outlets and the placement of promotional materials.

These two approaches will be tested to determine whether local participation through a non-profit company can enhance in-country support for the commercial distribution of contraceptives and can provide a ready mechanism for coordinating indigenous commercial marketing activities subsequent to termination of A.I.D. support.

Project Costs: The two PROPs contemplate implementation of seven country-specific applications (each of 3 years duration) over the next five years at an estimated cost of \$13.8 million, including \$3.5 million for condoms. In addition, approximately \$6.7 million in oral contraceptives will be supplied in kind, under a separate A.I.D. project for central procurement. No direct LDC contribution is expected.

Plan of Action: A subproject in a specific country will be carried out in three phases:

Phase I - Preparation by a contractor of a work plan covering the concept of an optimum commercial distribution system for the country.

Phase II - Preparation by a contractor of a comprehensive marketing plan which will determine the market potential and identify such factors as appropriate distribution channels, advertising for rural and urban areas, promotion techniques, optimum price structure and trade margins, and safeguards to prevent excessive profits by the commercial sector.

Phase III - Implementation, first on a test basis, and after refinement of the marketing plan, full scale national contraceptive marketing by the contractor.

ACTION MEMORANDUM FOR THE ADMINISTRATOR

3

Funding Schedule: Each country-specific subproject normally will be carried out under two separate contracts. After agreement between the USAID and AID/W to start a subproject in a specific country an initial contract will be arranged to cover the first phase of the project (development of a proposed work plan). A decision to continue the project and contract for subsequent phases (marketing plan and implementation) will be made after the contractor has presented the proposed work plan. Concurrence of the host country government, USAID and AID/W (regional bureau and PHA) on the proposed work plan will be necessary. The decision to continue the project will be based on, among other things, the host country government's agreement not to impose customs duties or other restraints impairing distribution or use of oral contraceptives and condoms provided by A.I.D. for the project. Exceptions to this policy can be made by AA/PHA where deemed necessary to accomplish project purposes.

A second contract will cover the remaining two phases of the subproject but funds for these phases will be supplied in at least two increments. Initially funds will be supplied (within forward funding limits) for the contractor to develop a comprehensive marketing plan. On completion of this marketing plan and development of a precise budget for the implementation phase of the project, additional funds will be added to the contract (within forward funding limits) to cover implementation of the commercial marketing of contraceptives.

For some countries the first and second phases of project activity may be funded under previously awarded AID contracts, or by other organizations. In such cases AID funding under these projects would begin with the next phase of activity to be undertaken and would not cover phases funded by other means.

Selection Criteria and Prospective Countries: Countries will be selected on the basis of factors which indicate a reasonable likelihood of success. We plan to initiate action in FY 1974 in two countries, Jamaica and Bangladesh, if the PROPs are approved and if the necessary conditions (no constraints on distribution and use of contraceptives) for achieving project objectives are met.

Coordination with Other Organizations: As you know, IPPF has developed a preliminary proposal for establishing a subsidiary organization to undertake a program for stimulating the commercial distribution of contraceptives. While IPPF has not yet identified specific countries in which it would operate under this program, the projects proposed

under the attached PROPs would be carried out in such a manner to fully coordinate with the activities of IPPF in order to make them mutually supportive. Experience gained under the A.I.D.-financed projects will be made available to IPPF (and to other interested donors and organizations) to assist in the planning and implementation of its efforts in commercial distribution.

Issues: In the course of evolving the two projects concerned with the commercial marketing of contraceptives four major issues have emerged. One relates to the subsidization of the private commercial sector in developing countries for profit-making activities. The second concerns the continuation of expanded commercial marketing of contraceptives following termination of A.I.D. support. The third deals with the magnitude of A.I.D. funding for demonstrating the advantages of commercial contraceptive marketing, and the fourth involves the problem of package labeling of the oral contraceptives to be furnished under these projects.

On the first issue, it is our opinion that the subsidization of the private commercial sector is amply justified in this case because: (1) measures will be taken to identify, apply and monitor means for controlling the profit margin in order to prevent excessive profits to the commercial sector (e.g., advertisement of fixed price, periodic checks by the contractor on compliance with price policy); (2) the project expects to demonstrate the cost effectiveness of commercial distribution compared to other options such as government-controlled clinical programs.

In regard to the second issue, we believe it realistic to assume that if the viability of commercial distribution is demonstrated and expanded sales are achieved, contraceptive manufacturers as well as the commercial sector will be motivated to maintain and expand their markets. Even if the full objectives are not achieved it is expected that sufficient incentive will have been provided to the private sector to generate a continuation of the effort to market contraceptives in greater volume and at a lower price than prevailed prior to the initiation of the project. Even if the project demonstrates that the public in LDCs can afford to purchase contraceptives at a price only sufficient to support the distribution costs, when the contraceptives are donated, the program will have proven worthwhile. The U.S., the U.N., other international official or voluntary aid agencies, or the LDCs themselves would then have to bear only the cost of procuring contraceptives, whereas, at present in most ongoing LDC programs it is necessary to finance the cost of contraceptives as well as of a clinical delivery system. Annual project evaluation will consider, among other points, prospective supply sources for the continued provision of contraceptives.

Concerning the third issue, careful study has been given over the past three years in evaluating the potential of the role of the commercial sector in the vital area of contraceptive delivery. It is our considered judgment that a number of intensive test programs in different geographic regions of the developing world are urgently required to acquire the experience and evolve methodology for universal application in promoting expanded commercial availability, sale and use of contraceptives. However, because of manpower limitations of the prospective contractors, and the need for continuous, careful evaluation in this basically experimental effort, we believe that prudent management dictates consideration be given to the implementation of no more than seven sub-projects at this time. On the basis of information at hand the seven countries where the sub-projects are being contemplated appear to offer optimum probabilities for successful development. Considering the important potential of commercial marketing and the magnitude of the effort that will be required to achieve project objectives, we do not believe that the estimated cost of the total program is excessive. It should also be noted that approximately one-half of the estimated total cost of the two projects will be allocated for the procurement of contraceptives.

The fourth issue involves the warning label which is required on the package of all U.S. manufactured oral contraceptives, including those purchased by A.I.D. This labeling makes reference to the need for a doctor's continued supervision of the oral contraceptive user and thus could be interpreted in conflict with the intent of the proposed projects to expand oral contraceptive usage through commercial channels without a doctor's supervision in countries where such distribution is permitted under their laws.

In the U.S., where there is one doctor for every 600 persons and a low incidence of maternal mortality makes risk-taking to prevent pregnancy unjustifiable, a doctor's continued supervision makes sense. However, in LDC's where there may be only one doctor for every 5,000 to 25,000 persons, and the risk from pregnancy is many times greater than the risk from taking oral contraceptives, a doctor's continued supervision or even lesser trained medical supervision, may not be appropriate or possible. Only those countries which pragmatically consider the risks involved, and freely determine policies and procedures which allow effective commercial distribution of oral contraceptives, will be considered for these projects. Labeling and packaging requirements of the host government will be strictly adhered to. A.I.D. will supply oral contraceptives to the appropriate host government institution which will, in turn, make them available

ACTION MEMORANDUM FOR THE ADMINISTRATOR

6

for the commercial distribution program in that country. Thus the host government will be able to assure that appropriate oral contraceptive labeling is provided and adhered to within its own boundaries, in accordance with congressional intent as stated in Title X, even if such labeling does not fulfill U.S. requirements.

Several other issues have been raised with respect to the two projects. These issues and the way in which they have been resolved are discussed in an appendix to each PROP.

Recommendation: That you approve the attached PROPs with the conditions of approval shown in Block IV of the PROP facesheet.

Approved: see below

Disapproved: \_\_\_\_\_

Date: \_\_\_\_\_

Drafted: PHA/POP/FPSD, T. G. Markow/G. van der *[Signature]* Date: 8-29-73

Revised: PHA/PRS: T. Mahoney/M. Fowler: 9-18-73

Clearance:

- PHA/POP: R.T. Ravenholt *[Signature]* Date: 21-9-73
- AA/PFC: Mr. Philip Birnbaum *[Signature]* Date: 10/10/73
- GC: Mr. A.Z. Gardiner *[Signature]* Date: 9/27/73
- PHA/PRS: Ms. M. Fowler *[Signature]* Date: 9-27-73
- GC/PHA: Mr. A. Richstein *[Signature]* Date: 24-9-73

Approved and incorporated as part of PROP titled Commercial Contraceptive Marketing Development and PROP titled Development of Commercial Contraceptive Distribution. See PROP face sheets and approval memo M. Williams to J. A. Kieffer dated 19 October 1973.

*TRM*  
Thomas R. Mahoney  
PHA/PRS

Cleared by phone A/AID, B. Langmaid