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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PERU

PROJECT PAPER

INTEGRATED HEALTH/FAMILY PLANNING

(Amendment II)

AID/LAC/P-074/1

Project Number: 527-0230
Loan Number: 527-U-076

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Y1/1/1989

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET			1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number Two	DOCUMENT CODE 3
2. COUNTRY/ENTITY PERU			3. PROJECT NUMBER 527-0230		
4. BUREAU/OFFICE LA			5. PROJECT TITLE (maximum 80 characters) Integrated Health/Family Planning		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 30 89			7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY 81 B. Quarter 4 C. Final FY 88		

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 81			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	3,401	1,500	4,901	10,011	4,889	14,900
(Grant) PN	(901)	(-)	(901)	(7,511)	(3,381)	(10,900)
(Loan) HE	(2,500)	(1,500)	(4,000)	(2,500)	(1,500)	(4,000)
Other U.S.						
Host Country		520	520		3,600	3,600
Other Donor(s)					1,350	1,350
TOTALS	3,401	2,020	5,421	10,011	9,839	19,850

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PN	440	440		4,800		4,100		10,900	
(2) HN	510		510		4,000				4,000
(3)									
(4)									
TOTALS				4,800*	4,000	4,100		10,900	4,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)					11. SECONDARY PURPOSE CODE 530				
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code	BR	BU	BWW	PVON					
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters)

- Basic primary health services in marginal urban areas strengthened and service delivery capability of MOH health centers reinforced.
- Family planning services expanded and integrated into the public and private health sector and national population policy formulation and research analysis reinforced.

14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM	YY	MM	YY	Final	MM	YY		
	1	2	8	4		0	6		

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

To increase contraceptive usage by approximately 60% from the 400,000 to 650,000 Peruvian couples now using a modern methods of contraception through making available FP information and affordable contraceptive products to currently unserved couples using existing commercial channels.

(*) Does not include centrally procured contraceptives.

17. APPROVED BY	Signature	John S. Sanbrailo				18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION	
	Title	Mission Director					
	Date Signed	MM	DD	YY	MM	DD	YY
		01	17	85			

PROJECT AUTHORIZATION
(Amendment No. 1)

Name of Country: Peru
Name of Project: Integrated Health/Family Planning
Number of Project: 527-0230
Number of Loan: 527-U-076

1. Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, the Integrated Health/Family Planning Project for Peru was authorized on June 21, 1981. That authorization is hereby amended as follows:

a. In the first sentence of paragraph 1 delete, "Six Million Eight Hundred Thousand United States Dollars (\$6,800,000)" and substitute in lieu thereof, "Ten Million Nine Hundred Thousand United States Dollars (\$10,900,000)."

b. Delete the first sentence of paragraph 3 and substitute in lieu thereof the following sentence: "The Agreements which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions together with such other terms and conditions as A.I.D. may deem appropriate."

c. Add a new subparagraph 3h(4) as follows: "(4) assure that the Ministry of Health supports the subproject for contraceptive social marketing by approving and authorizing any ministerial resolutions, registrations, or other actions necessary to permit the Apoyo a los Programas de Población (APROPO) to carry out this subproject within Peru."

d. Add a new subparagraph 3i as follows:

"i. Covenants in APROPO Agreement

APROPO will covenant that:

(1) All revenues APROPO receives in connection with the carrying out the subproject for contraceptive social marketing will be managed to finance the subproject or activities having the same purpose as the subproject;

(2) APROPO will periodically review and adjust the sale prices of subproject commodities as necessary to achieve the objectives of the subproject and will, during the last two (2) years of the program,

explore the feasibility of enhancing revenues by marketing somewhat higher priced contraceptive commodities that would be affordable to the higher income segments of the program target group."

2. The Authorization cited above remains in full force except as hereby amended.


John A. Sanbrailo
Mission Director

June 28, 1984
Date

Drafted by:RLA:TGeiger:pdc

Clearances:

DD:GHill: (in draft)

HNE:ADanart: (in draft)

DR:GWachtenheim: (in draft)

CONT:MRogal: (in draft)

PROG:RBurke: (in draft)

Project Paper Amendment

Contraceptive Social Marketing

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* On file USAID/Peru and LAC/DR

I. SUMMARY AND RECOMMENDATIONS

A. Recommendation

It is recommended that the Integrated Health and Family Planning Project (527-0230) be amended to increase the grant by \$4,100,000 to a new total of \$10,900,000, thereby increasing the project total to \$14,900,000 in order to authorize a \$4,100,000 grant to a private non-profit Peruvian organization, APROPO (Apoyo a Programas de Población), to serve as the sponsor for the implementation of a contraceptive social marketing program in Peru.

B. Introduction

High population growth and urbanization rates continue to adversely affect Peru's socio-economic situation despite the existence of substantial demand for family planning services. The 1981 nationwide Contraceptive Prevalence Survey indicated that 1.0 million of Peru's 1.8 million couples at risk of pregnancy desired to plan their families but were not using a contraceptive product. Unmet demand of this magnitude poses a serious challenge to already strained budgetary resources of the Peruvian Government.

Examination of alternative family planning information and product delivery systems available to address this unmet need has led to the conclusion that contraceptive social marketing (CSM) has several advantages over other approaches. First, with regard to the possibility of expanding the public sector, the Ministry of Health (MOH) has limited financial and administrative capacity to expand services at this time. A second alternative, intensification of family planning being carried out by private voluntary organizations (PVO's), would enable only limited expansion and at a time when this group of organizations is fragmented and divisive. Furthermore, many on going PVO programs target their family planning activities at populations outside of the cash economy and are not geared to serving large numbers of clients through a more business oriented approach. The third alternative, a strictly commercial operation, by definition, would lose sight of the primary social objective of maximizing services to couples who want to plan their families but do not have access to, or cannot afford, other delivery programs.

The proposed CSM project will rely on existing commercial sector infrastructure to deliver contraceptive products at affordable prices and will recover part of its costs from product sales. This type of delivery system can meet a substantial portion of the unmet demand for family planning services in Peru without further straining the limited budgetary resources of the Peruvian Government.

C. Project Description

This project represents an amendment to the Integrated Health and Family Planning Project (527-0230). At the time of project authorization in 1981, the political climate of Peru was not conducive to implementing a highly

visible family planning program characteristic of a CSM program. In the past three years conditions have changed, and the country is now ready and supportive of the proposed CSM activity.

The CSM strategy will use local commercial enterprise resources and techniques to make available family planning information and products to a substantial portion of the one million Peruvian couples who want to plan their families but do not have access to, or cannot afford, available contraceptive products. Existing commercial sales outlets will be used to distribute products at affordable prices, with the support of mass-media advertising and salesperson promotion. Use of the local commercial sector infrastructure will increase dramatically the number of service distribution points without relying on expensive health personnel or public resources. Costs attendant to CSM projects are, therefore, the lowest of all approaches to contraceptive product and information delivery, generally as low as five dollars per couple-year of protection.

The CSM project will be sponsored and implemented by a Peruvian private voluntary organization, APROPO, selected on the basis of its ability to lead the private sector toward more active participation in family planning and to effectively advocate family planning in the highest private and public forums. Four commercial activities will be executed by local private firms under subcontract to APROPO. Technical assistance will be provided by a three-year resident advisor from a U.S. firm and other U.S. and Peruvian consultants. Figure 1 is a schematica representation of how this CSM project will be implemented.

D. Financial Plan

The total cost of this project amendment is estimated to be \$5,450,000 of which A.I.D. will contribute \$4,100,000 in grant funds and APROPO will provide \$1,500,000 in budgetary support and in-kind contributions. A summary presentation of the CSM activity financial plan is presented below.

Summary Financial Plan
(U.S. \$000)

Project Component/Investment Category	A.I.D.	APROPO	TOTAL
<u>1. CSM Program Activities</u>			
a. Marketing and Research	175	-	175
b. Advertising (Intensive)	100	150	250
c. Advertising (Maintenance)	750	450	1,200
d. Packaging	235	-	235
e. Distribution Sales	55	45	100
2. Contraceptive Commodities	1,450	-	1,450
<u>3. Technical Assistance (T/A)</u>			
a. U.S. Long-term Advisor	560	-	560
b. U.S. Short-term TA	140	-	140
c. Local Short-term TA	15	-	15
4. Administrative and Personnel Support	210	305	515
5. Program Development		250	250
Subtotal	3,690	1,200	4,890
Inflation/Contingencies (10%)	410	150	560
TOTAL	4,100	1,350	5,450

Projected A.I.D. grant obligations by fiscal year are as follows:

(U.S. \$000)

FY 84	600
FY 85	800
FY 86	1,100
FY 87	900
FY 88	<u>700</u>
TOTAL	\$4,100

E. Specific Project Implementation Activities

Year 1 of CSM projects is the most critical. The experience of eleven other operating A.I.D.-sponsored CSM programs indicates that nearly all programmatic delays have their origin in inadequate or unrealistic planning or

implementation of project activities during the first year of the project. Design of this CSM project has taken into account lessons learned from these previous experiences by identifying and addressing the primary sources of difficulties: legal aspects, opposition groups and program management.

1. Legal Aspects

CSM program design, by its nature is a series of interactions between government agencies, non-profit organizations and private entrepreneurs. This number of varied agents gives rise to circumstances usually not encountered in other A.I.D. sponsored programs which work primarily with host country government organizations. Entrepreneurial behavior is characterized by the ability to respond rapidly to changing market conditions, streamlined administrative procedures, and maximization of some financial measure (i.e., rate of return on capital, short-term profit). Public sector organization reporting requirements, drug registration processes, and goals of maximization of service delivery to project beneficiaries do not always allow for elegant, simple compatibility with such entrepreneurial behavior.

Most frequent of the "glitches" in interactions between the entities involved with CSM programs occur with regard to MOH registration procedures for oral contraceptives, creation of an organizational form which is allowed to commercially sell donated contraceptives; price and margin controls; and, restraints on advertising. Thoughtful, timely and realistic project planning can minimize the delays which could result from each of these potential "glitches". Flexibility, contingency plans and objective monitoring of the project environment, rather than an early commitment to a single strategy are key.

In anticipation of the above, USAID has hired local legal counsel and contracted with a U.S. consultant to identify, in detail, all legal steps necessary to design and implement the project. The Peruvian lawyer's preliminary report, delivered verbally to USAID and summarized in Annex F of this PP amendment, indicated that the following steps should be undertaken parallel with development of other project activities:

- (a) completion of MOH registration of Norminest and Noriday; the two oral contraceptives to be used in the program;
- (b) on-going design of flexible organizational form which will facilitate registration procedures necessary to import and sell donated contraceptives;
- (c) preparation of advertising campaign, keeping in mind that prior ministerial approval is required;
- (d) development of consumer price and retailer margins keeping in mind that prior ministerial approval is required;

- (e) on-going monitoring by legal counsel during year 1 of the project to ensure compliance with government regulations;
- (f) maintaining sufficient flexibility to allow changes made necessary by GOP reactions to procedures unique to CSM projects.

2. Opposition Groups

Potential opposition from religious, political, commercial or government sectors is an obvious potential hazard to highly visible CSM programs. While the nature and timing of criticism of the project cannot be easily anticipated, a general plan of response has been constructed. Its principal elements are:

- (a) guidance of legal counsel to avoid criticism based on technical, legal violations;
- (b) grant to a sponsoring organization having a Board of Directors with public reputations for integrity, objectivity and commitment to social causes;
- (c) briefing of sponsoring organization's Board of Directors so that they are prepared to respond to different sources of opposition;
- (d) maintaining good relations with and seeking counsel from, the National Population Council of Peru (CNP) with regard to all steps of project development;
- (e) avoiding promotional techniques which are confrontational and socially or culturally insensitive.

3. Program Management

Varying objectives of non-profit organizations, government agencies and commercial firms can confuse and diffuse CSM program management. Development of this CSM project will pursue the clear primary purpose of service delivery to currently underserved populations by flexibly implementing the design outlined in this document. This defined sense of direction will be aided by:

- (a) APROPO's Board of Directors having a combined total of more than a century of business experience in Peru and more than fifteen years of involvement in family planning;
- (b) insistence that APROPO's Project Manager have at least five years of experience with commercial distribution of consumer products;

- (c) selection of a U.S. technical assistance contractor that can supply a long-term Advisor experienced with CSM projects or similar activities to assist with project implementation.

F. Summary Findings

The USAID Project Development Committee has concluded that the Amended Project is administratively, technically, socially, financially, economically and environmentally sound, and consistent with the development objectives of the GOP and those objectives set forth in the Mission's CDSS.

G. Project Development Committee

Karen Peake, AID/W
Steven Samuel, Consultant
Arthur H. Danart, Population Officer
Edward L. Kadunc, CD
Robert Burke, ECON
Douglas W. Arnold, CONT
Thomas L. Geiger, RLA
Michael Snyder, Regional Contracting Officer

Reviewing Officers:

Norma J. Parker, HNE
George A. Wachtenheim, DR
George A. Hill, DD
John A. Sanbrailo, D

II. PROJECT BACKGROUND

A. Introduction

1. The Population Problem in Peru

High fertility, rapid population growth and large family size severely constrain social and economic development in Peru. These factors combine to create an imbalanced age structure with over 40% of the population under 15 years of age dependent on the remaining 60% for support. Net population gain in 1983 was nearly half a million people, and is projected to average 350,000 annually between 2000 and 2025. Peru's current 2.6% annual growth rate places an overwhelming demand on already overburdened social services, e.g., health care, education, housing and transportation. This is particularly evident in the coastal cities which have experienced deterioration of services partially due to heavy migration from the rural areas. Furthermore, given the imbalance in Peru's population age structure, the number of youth seeking employment far exceeds the availability of jobs

and contributes to rising rates of under-employment and unemployment. Resources that might otherwise be used to foster economic growth must be used to provide basic needs for the rapidly increasing population.

Despite the apparent need for family planning, only 400,000 (23%) of Peruvian couples at risk are using modern methods of contraception. Unlike some other LDC's, Peru's relatively low contraceptive usage rate cannot be explained by lack of demand for products and services. In fact, the demand for such services far exceeds the supply. Unmet demand (couples not wishing to have a child and not using a modern contraceptive method) is estimated to be 1.0 million couples or 56% of all Peruvian couples at risk. Existing family planning delivery systems in Peru - Ministry of Health (MOH), Social Security, Armed Forces, private non-profit clinics, private physicians and pharmacies - cannot be quickly expanded nor maintained without continuing financial contributions far in excess of resources available locally or from the international donor community.

2. GOP/Private Sector Response to the Problem

Peru's first organized family planning (FP) programs were established in the mid-1960's by private sector leadership. Opposition during the military government led to abrupt shut down of family planning programs and activities in the 1970's. The government's confiscation of the property of the IPPF local affiliate (one of the largest service delivery programs) forced family planning programs underground. Highly visible family planning programs were not acceptable again until the late 1970's. Renewed, visible private sector delivery of FP services and information, and the GOP initiation of a pilot program in 1979 to deliver FP services in the Sur Medio region marked the resurgence of family planning activities in Peru. With the election of the civilian Belaúnde government public support for family planning has intensified.

The GOP awareness of the economic and social ills associated with Peru's high population growth rate and support for FP programs has expanded since the pilot program. In 1981, the MOH signed a grant agreement with AID of which U.S. \$10.8 million was provided to integrate family planning services into the existing health delivery system.* Commodities, training and supervision of MOH personnel, technical assistance and communication support are being provided under this project to enhance the MOH's capability to deliver family planning. In addition, the GOP has signed agreements with other donors for assistance in the health/family planning sectors. This assistance is discussed in Section II. C. below.

* This agreement was signed under the core project, Integrated Health and Family Planning Services (Project 0230), to which the proposed CSM program will be added.

In addition to improving and expanding its service delivery program, the MOH took an important additional step during April, 1984 by launching a mass media campaign which will give greater visibility to its family planning activities. All of these efforts demonstrate the MOH's commitment to improve its efficiency and expand its coverage.

Two other GOP institutions which are attempting to make important contributions toward alleviation of Peru's population problem are the Social Security Institute (IPSS) and the National Population Council (CNP). The IPSS, like the MOH, receives AID assistance to make family planning services available through its health facilities. AID funds finance contraceptives, training and supervision of IPSS health workers.

The CNP is responsible for formulation and implementation of Peru's national population policy. CNP staff is committed to building greater awareness within the GOP of the multisectoral implications of rapid population growth and excessive population concentration. One important CNP activity is its support of the Ministry of Education in developing and implementing a curriculum for sex education in Peru's school system. Also, in March of 1984, the CNP extended its political support and endorsement of APROPO's (Apoyo a Programas de Población) proposed information, education and communications (IE&C) campaigns as well to APROPO's plan to become the sponsoring agency of the proposed CSM program. (See Annex D.)

As mentioned above, Peru's private sector plays a role in the provision of FP services. With the development of the GOP public approval of FP programs, numerous private organizations have merged to try to fill the service void that the GOP resources cannot realistically meet. Private organizations have assumed an activist role in increasing public awareness of FP. Although their contributions have been significant, their potential effectiveness is far from realized. Achieving that level of effectiveness will be largely a function of improving coordination among their efforts which to date have been fragmented.*

It is anticipated that APROPO will develop into a pivotal support organization and lend unity to the fragmented efforts of the numerous FP groups. Given the increasingly open environment for FP in Peru, it is particularly important to foster an effective development course for private sector FP organizations at this time.

The largest private sector programs currently operating in Peru are the clinical programs of Instituto Marcelino, and Loayza Hospital, both located in Lima, the CBD/Clinic operations of Carmen de la Legua, also situated in Lima, with community-based programs extended into six neighboring

* For a more complete discussion of private voluntary organization activities in FP, see P.J.H. Marnane and Walter Torres, "An Assessment of Private Sector Family Planning Programs in Peru, 1983."

pueblos jóvenes, and the federated system clinics operated by The Peruvian Institute for Responsible Parenthood (INPPARES), the IPFF affiliate in Peru. It is estimated that together, these private, non-profit organizations provide services to approximately eight per cent (between 30,000-40,000) of those couples currently using modern methods of birth control.

B. Project Rationale and Strategy

At the time of authorization of Project 230 in 1981, the GOP had decided that the political climate was not conducive to the introduction of a CSM program in Peru. The GOP was concerned that as visible a FP effort as implied by a CSM program would bait organized opposition to family planning both within the public and private sectors. USAID responded by postponing the development of this CSM program until the political environment had sufficiently changed to tolerate such an effort.

Now, three years later, the GOP endorses a CSM project and USAID agrees that Peru is ready for the proposed project amendment. The improved political environment, along with the large unmet demand for FP services and a well developed domestic commercial marketing infrastructure, have set the stage for a successful CSM program in Peru.

1. Unmet Demand for Contraceptives

The 1981 Contraceptive Prevalence Survey in Peru indicates that as many as 56% or 1.0 million of the total 1.8 million Peruvian couples at risk desire to plan their families but are not using an effective method of contraception. Provision of services to all of these 1.0 million couples is beyond the capacity of current public sector delivery programs and budgetary resources. Demand of this magnitude permits the effective operation of a CSM program to meet part of the expressed need.

2. Receptive Political Environment

Since 1981 key institutions within Peru's public sector have become more supportive of family planning. The change in political posture and attitude is most explicitly demonstrated in the avid support now coming from Peru's National Population Council (CNP). For example, earlier, the President of the CNP had serious questions regarding the appropriateness of a CSM in Peru. These questions have now subsided as is evident in a letter to the President of APROPO earlier this year in which the Council expressed enthusiastic support for a CSM program. Under USAID sponsorship, the CNP has visited CSM projects in Ecuador, Thailand, Nepal and Bangladesh and was briefed by USAID CSM consultants and by the APROPO Board members. During these briefings, Dr. Carlos Muñoz, the President of the CNP, demonstrated an insightful understanding and approval of CSM by making the following important observations:

- the need to recognize that CSM advertising can be directed toward providing critical information to consumers who now obtain contraceptives in the commercial market without any medical attention;
- a view of CSM as an aid and extension to the essential medicines program being implemented by the MOH;
- CSM can inform the public of the availability of low priced, high quality products and thereby avoid the pharmacists' tendency to steer consumers to highly priced products because of margin controls; and
- the need to explore the possibility of obtaining a waiver of import duties for CSM products, based on the rationale that CSM is an extension of the essential medicines program.

This understanding and appreciation of the urgent need for FP services to be made available to that portion of the population desiring contraceptives but not being reached by existing programs is representative of the growing support for family planning throughout the public and private sectors. This is also illustrated by the increase in attention given to FP and population issues in the media.

3. Commercial Market Infrastructure

A feasibility study done in 1979 found that existing local distribution channels, market research and advertising resources were more than adequate to support a CSM project in Peru.* These findings were updated and reconfirmed in 1983. Approximately 2,600 pharmaceutical outlets are available to sell all CSM products nationwide. Furthermore, it is reasonable to assume that another five to ten percent or 2,500, of the roughly 30,000 non-pharmaceutical sales outlets will be recruited to participate in CSM sales. Likewise, the participation of local advertising and market research firms in the soon to be launched MOH campaign promoting immunization, oral rehydration salts and family planning evidences their ability to design social marketing promotional campaigns. By using existing commercial infrastructure (i.e., advertising agencies, packagers, distributors) the CSM program will expand upon other existing delivery systems, incur substantially reduced recurrent costs compared to other FP delivery programs, and increase private sector involvement in family planning.

(a) Complements Existing Family Planning Delivery Systems

This project will expand the market for family planning users without competing with existing programs. This CSM activity is designed

* See J. Farley and S. Samuel "A Preliminary Assessment of the Feasibility of a Subsidized Contraceptive Marketing Program for Peru", APHA, September 1979.

to increase the availability of contraceptives to individuals and couples not reached by delivery programs currently being financed under Project 230. Current users of existing programs in the public and private sectors can be expected to continue to use those same sources. The projected minimal substitution effect between programs has been demonstrated in several other countries where successful CSM projects are being implemented. On the contrary, and even more significantly, the existing commercial market tends to expand as a result of the advertising campaign undertaken in the CSM program. It should also be noted that the commercial distribution and communication network tapped by the CSM project also could be used for expanding the delivery of other health services through the private sector as envisioned in USAID's CDSS.

(b) Minimizes Recurrent Costs

Because CSM programs recover a substantial part of their costs through product sales and rely on existing commercial market infrastructure, they offer a lower cost alternative to clinic or community based distribution programs, and, in turn, a lower cost per couple-year of protection. A discussion on project cost-effectiveness is contained in the Economic Analysis of this Amendment.

(c) Promotes Private Sector Involvement

The proposed CSM program will be carried out entirely by Peru's private sector from project sponsorship by APROPO to direct implementation of program activities by private local firms. It is expected that six local firms will be sub-contracted under this project amendment. Private sector participation will be stimulated at another level, as well, through the influence of APROPO's Board of Directors. This Board is comprised of an impressive group of banking, industrial and financial leaders whose opinions and support for family planning are heard by national leaders and policy makers.

C. Project Relationship to Mission CDSS

The proposed CSM program is directly supportive of Mission's sector goal "to improve Peru's human capital base and reduce population growth so as to enhance the quality of life of the Peruvian population and increase labor productivity". Likewise, a CSM program is directly consistent with the proposed sector strategy to "improve the efficiency and financial base of health and family planning delivery systems in the public and private sectors and to expand alternative delivery systems".

The design of this project further builds upon the four major areas of AID support:

Policy Reforms: The proposed implementing agency, APROPO, has an influential Board of Directors which has access to members of Peru's CMP. Included among the more prominent Board members are Mr. Jorge Ferrand, a

Founder of the National Association of Manufacturers who has been active in business and public life for nearly 50 years and also serves as APROPO's President; Dr. Robert MacLean, legal counsel to the Central Bank of Peru; and, Ing. Alberto Sacio, President of Belco Petroleum, a major oil company active in Peru. As a result of their own and the rest of the Board's commitment to population issues, APROPO (Apoyo a Programas de Población) was established to assist in bringing population issues to the attention of the GOP and the Peruvian public.

Institutional Development: APROPO is a one-year old, non-profit organization whose development in the field of service delivery and Information, Education and Communication activities will be greatly enhanced under this project. The Mission has selected APROPO as the most appropriate implementing agency of the CSM program because of its credibility within various levels of Peruvian society, both public and private. This credibility affords it the flexibility and official support needed to carry out a highly visible family planning program such as CSM. By the end of the project it is anticipated that APROPO will have become a substantial entity and will be implementing the most cost-effective service delivery in the country.

Technology Transfer and Know-How: A major project component will be the distribution of U.S. FDA-approved contraceptive products. A supportive advertising and information campaign will be carried out to ensure correct usage of these products.

Private Sector Involvement: The entire project will be implemented through the private sector. APROPO, (or if necessary a for-profit wholly owned subsidiary*) will sub-contract with a private sector market research firm, product distributor, advertising and packaging firms to carry out an effective CSM program. This strategy speaks directly to the Mission's objective to maximize the use of private sector resources in delivery of program services and increase cost-recovery so that family planning efforts can continue after grant project funds have been expended. Towards the achievement of the latter objective, APROPO has engaged in regular policy dialogue with many population/family planning organizations in Peru and particularly with the CNP, a government agency.

D. Coordination with Other Donor Assistance

The United Nations Fund for Population Activities (UNFPA), World Bank and West German government figure prominently in terms of levels of assistance to the GOP.

The UNFPA provides approximately U.S.\$500,000 annually to the MOH for contraceptive commodities and financing of local costs for clinical operations in five MOH health regions. UNFPA assistance is administered by the

* See Institutional Analysis, Section IV.A. for a discussion of the contingency plan to establish a for-profit subsidiary.

Pan American Health Organization through its team of resident health advisers. The Program is very similar in structure to the USAID Project that currently operates in 14 of the 17 health regions, thereby facilitating close collaboration. The UNFPA also provides funding to the CNP to promote sex education in Peru's schools.

The World Bank is providing U.S.\$33.5 million to the MOH to strengthen its existing services in four health regions through experimentation with a new delivery system. If proven cost effective, the project may be replicated throughout the MOH system. Although only a modest family planning component is included under this project, the MOH delivery of FP services will benefit from broad administrative improvements and from improvement of the MOH delivery infrastructure. Likewise, the West German government is working with the MOH in integrated health/family planning projects in the Cuzco health region and on the north coast of Peru. The total value of resources committed to the German project is U.S.\$17.5 million.

In the private sector, A.I.D. bilateral funding provided under the existing Project 230 is complemented by the contributions of a number of A.I.D. contractors and population intermediaries. Nine intermediary organizations finance service delivery and training projects in the private sector. They are the Pathfinder Fund (\$100,000), Family Planning International Assistance (\$280,000), Development Associates (\$100,000), the Population Council (\$100,000), the Futures Group (\$10,000), Association for Voluntary Sterilization (\$30,000), Johns Hopkins University (\$350,000) and International Planned Parenthood Federation (\$350,000). Their annual aggregate contribution for 1984 will sum approximately \$1.3 million.

The Project 230 currently provides funding for three private organizations to delivery FP services and information. Laico Familiar, a Catholic lay organization that emphasizes natural family planning is expanding its outreach with support of this project. The national federation of sugar cooperatives (FENDECAAP) receives funding to provide services through its established health structure. AMIDEP, a Peruvian demographic research information dissemination organization, distributes a quarterly bulletin on population issues and is sponsoring a series of regional population seminars with funds provided by the A.I.D. bilateral project.

Under the proposed project amendment, additional bilateral funds will be provided to a new private organization, APROPO. A.I.D. support to APROPO will be complemented by FPIA assistance beginning in April 1984. Initial funding of \$43,000 represents the first six months of an anticipated four years of FPIA support. During this initial period, APROPO will develop its administrative capacity and a plan of action to coordinate and enhance private sector involvement in family planning I,E&C, service delivery and training. During implementation of this plan in the subsequent three and a half years, APROPO will develop and experiment with various models designed to: (1) extend I,E&C, particularly to previously underserved indigenous groups; (2) provide FP services on a national scale using existing infrastructure; and (3) implement a CSM program using retail outlets throughout Peru. A.I.D. will begin assistance to APROPO by providing funds for the proposed CSM project.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal and purpose of the original project remain unchanged. The purpose of this amendment is to increase contraceptive usage by approximately 60% from the 400,000 to 650,000 Peruvian couples now using a modern method of contraception through making FP information and affordable contraceptive products available to currently unserved couples using existing commercial channels.

B. End of Project Status (EOPS)

The following EOPS is anticipated to result from the successful implementation of project activities:

- Increased Contraceptive Usage: As many as 250,000 couples currently not wanting any more children and not practicing some modern method of contraception will have received FP services under the CSM programs. This represents an increase in the production of contraceptive users among the total population at risk from the present one-fourth to more than one-third.
- Increased Availability of Contraceptives: The nation's approximately 2,600 pharmacies, and an equal number of other retail outlets would be selling products under the project. Oral contraceptives, condoms and vaginal foaming tablets supplied to the program under AID's central procurement system will be high quality products at least comparable to those currently available locally.
- Increased Knowledge of Family Planning: A nationwide advertising campaign will be providing the Peruvian public with a broad range of family planning information and promoting contraceptive products. During a five year period, a variety of messages and media will measurably increase knowledge of family planning, generally, and of contraceptive methods, their use and where they could be obtained, specifically.
- Improved Quality of Programmatic Data: Baseline data against which program achievements may be measured will be developed through the market research component. This data would provide information about contraceptive usage, acceptor attitudes and practices and consumer preferences.
- Financial Viability of APROPO and CSM Program: At the end of the five year project, product sales will have generated sufficient revenues to enable APROPO to recover its recurring costs through aggressive management. CSM program costs other than contraceptive supplies will be financed by revenues generated. The CSM project

will meet its recurrent costs through one or more of the following alternatives: 1) increase the cost of the contraceptives to the distributor; 2) increase projected sales volumes; 3) introduce a higher price contraceptive line for the upper end of the market; 4) introduce non-related products that have higher margins; and/or 5) reduce external sources. It is important to note that the financial analysis is based on the lowest possible acceptable return (U.S. 19 cents per month's supply of contraceptives) to the project. It is the intention of USAID and APROPO to maximize the net revenue consistent with the social objectives of this project. (See recurrent cost discussion in Financial Analysis Section). APROPO, as the sponsor of the CSM program, will have a strong administrative and financial base to continue and expand program coverage.

C. Project Activities

The project consists of four major commercial activities to be executed by local private businesses, under the sponsorship of a local non-profit agency. These activities are described below by their commercial function.

1. Implementing Institution

APROPO (Apoyo a Programas de Población) will serve as the sponsoring and implementing organization of this CSM program. Financial, managerial and planning functions as well as ultimate program accountability will be the responsibility of APROPO. As an incorporated, non-profit Peruvian institution, APROPO has the authority to accept grants and donations as well as to contract for sponsorship and implementation of projects such as CSM. APROPO has the independent authority to commit and disburse its funds without approval of other agencies.

APROPO is governed by a 30 member Assembly and an eight member Board of Directors, organized in sub-committees of three members each. APROPO's Executive Director reports directly to the Board of Directors and supervises four salaried staff and five local consultants. APROPO will hire a project manager for implementation of this CSM program who will report directly to the Executive Director. The project manager is expected to have at least three years of commercial sector management level experience, preferably with a local consumer products firm. He or she will have day-to-day project responsibility and will be assisted and trained by the U.S. resident project advisor during the first three years of the project. For a more detailed description of APROPO's activities see Section IV. A. "Technical Analysis". Figure 1 is a schematica representation of how this CSM project will be implemented.

2. Market Research

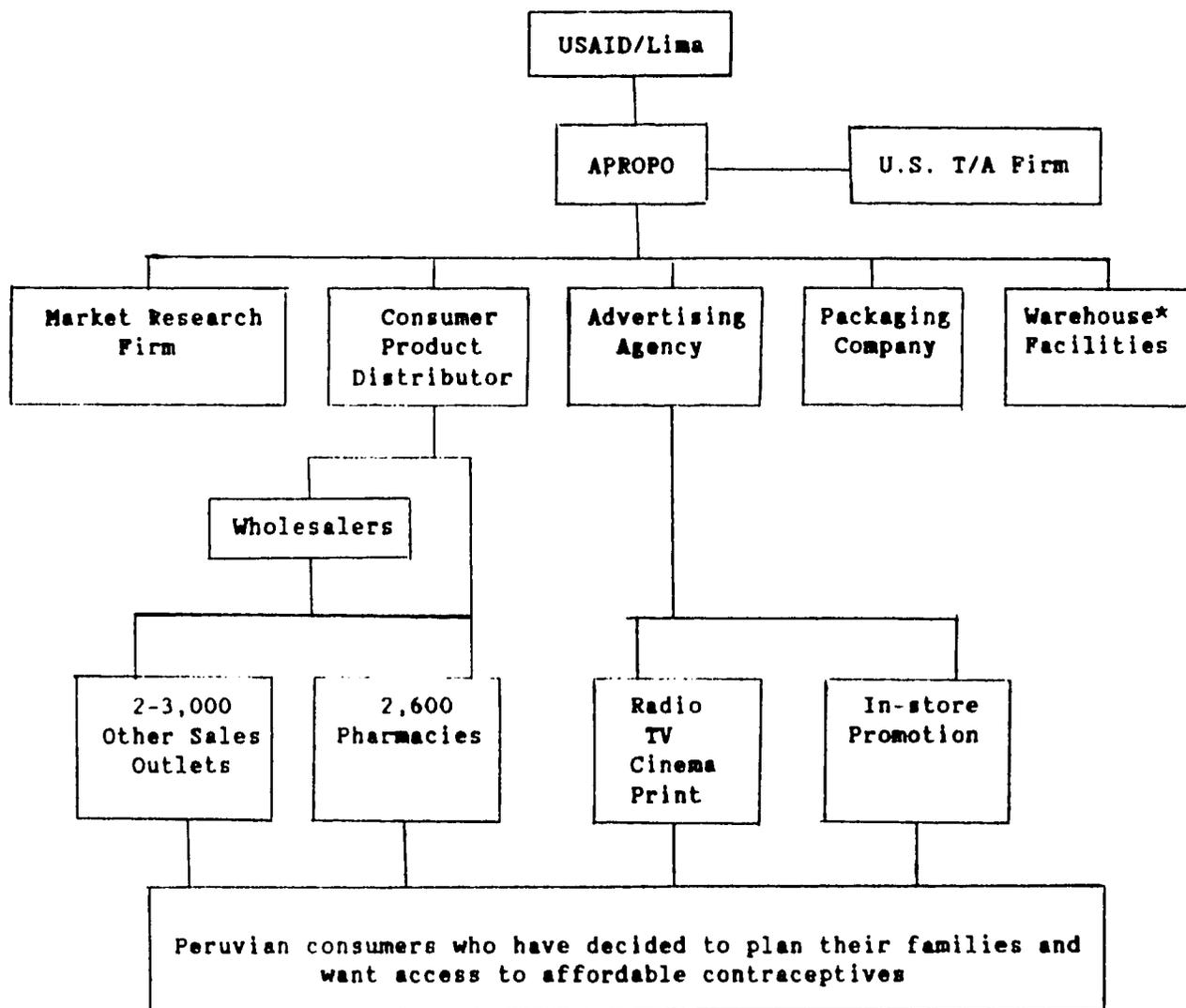
Data obtained from the project's market research component will form the basis for sharpening decisionmaking regarding the implementation of all other project activities over the five years of the project. For example, setting the consumer price for a month's supply of each contraceptive product under this program began with rough rules of thumb during the project design and PP development period. Consumer survey information that will be gathered under the market research activity will refine this preliminary price estimate, as needed, to ensure that products provided through the CSM program are affordable to the intended target group. Similarly, this component is important in the processes of assessing consumer packaging preferences such as the number of units per package and package design, deciding the appropriate media mix in the advertising campaign, selecting the most accessible retail distribution points for the intended target group and setting up the most appealing and visible products displays in the retail outlets.

The research to be conducted under this component is broken down into two types, qualitative and quantitative. Qualitative research will pre-test the advertising copy and product brand names and evaluate program progress and socio-cultural acceptability on an on-going basis. Focus groups, each consisting of eight to ten participants from various market segments and grouped by gender, age, and economic status will be established to respond to questions regarding all aspects of project design and implementation. The information elicited will serve as a basis for designing the advertising campaign and a questionnaire to be used in quantitative research activities. Also, consumer panels will be created and surveyed as another means of obtaining similar types of information and to detect consumer response to program activities. Qualitative research will also target special groups such as doctors, pharmacists and pharmacy employees for special purposes.

Quantitative research will be conducted through national random sample surveys targeted at approximately 1,000 to 3,000 interviewees. These interviewees will be selected from urban, semi-urban and rural areas and from all economic strata of the broader target population. Interview questionnaires will be designed based on experiences in other CSM programs in Latin America. They will be comparable in some respects with the questionnaires used in contraceptive prevalence surveys conducted in Peru in 1978 and 1981. Quantitative research will also assess product sales and prices charged by conducting store audits of participating retailers before and after product sales launch. Market research will attempt to determine the motivations of the market place. The selected firm will analyze current service statistics from the public and private sector in order to more carefully measure the impact of the social marketing project. AID/W through its operational research program and centrally funded CSM project will also be studying the cause and effect of promotion and price on the target population. USAID will suggest that AID/W use Peru as one of its study locations.

Figure 1

CSM Implementation Scheme



* Warehouse facilities may be located at either or both the packaging company or distributor, depending on the quality of facilities of each.

Market research activities will be designed and carried out by a local firm competitively selected by APROPO to directly implement this project component. USAID already has identified at least three market research firms in Lima with the capability to qualify as sub-contractors under this project*. This firm will receive technical assistance, as needed, from the U.S. resident advisor and short-term consultants financed under this project.

The total cost of this project component is \$175,000, of which approximately \$125,000 will be devoted to quantitative research and the remaining \$50,000 to qualitative research.

3. Product Packaging

APROPO will sub-contract with a competitively selected local packaging or printing company to package the AID-supplied contraceptives in locally developed brand names and logos. This activity will be supported by the outputs of the market research and advertising/promotion components which, combined, will develop, test and produce product brand names and package designs.

Two major purposes are served by the packaging activity. First, local packaging of CSM program products distinguishes them from similar products provided free of charge under public sector programs. This product differentiation is important to the consumer who believes the quality of services and products provided free under government programs to be inferior to commercial products. As with any other consumer product, presentation has an enormous effect on the consumer's perception of product quality.

Second, product differentiation is significant from a logistics management perspective in assisting program managers to track the flow of commodities through the various FP delivery systems in any given country. This latter accounting function, in turn, serves as one measure of the relative success of the various FP programs in Peru in providing contraceptive products to consumers.

Typically, condoms and vaginal foaming tablets are packaged in units of three, in cardboard boxes with two color printing. Cardboard dispensers may be used to sell these products one at a time in strips or to house the three-unit package. Oral contraceptives are supplied in vacuum sealed single cycle cardboard and foil packages. An attractive plastic case for individual cycles of pills known as a "memorette" can be made available by AID/W/S&T/POP for the CSM program. These cases further enhance the attractiveness of the product to the consumer.

The total cost of this component is estimated to be \$235,000.

*These firms are Carlos Michelsen and Company, Datum, and Compañía Peruana de Investigación.

4. Distribution and Sales

Distribution of the project's contraceptive products will be undertaken by local distributors of consumer goods and pharmaceutical products. It is anticipated that both national and regional level distributors will be awarded contracts with APROPO to service different parts of the country. USAID is aware of various Peruvian companies that could implement this project activity. One such company, Química Suiza, is one of the largest distributors of pharmaceutical products in Peru and employs a detail force of 116 persons and 130 pharmacy salespersons. In addition, it has a sales force of another 100 which supplies only proprietary products.

The selected distributor(s) will sell the project contraceptive to existing retail sales outlets directly or to a wholesaler if deemed appropriate. Not until the award of the sub-contract with the local distributor can it be determined whether wholesalers will be necessary.

A USAID-funded study done by Management Sciences for Health in October 1983 contained survey data which showed the distribution of sale outlets for pharmaceutical products nationwide. As summarized below there are approximately 2,600 pharmacies, boticas and botiquines that could potentially participate in this CSM program. The Mission expects that all of these retail outlets will carry the CSM contraceptives by the end of year four of this

	<u>Pharmacy</u>	<u>Botica</u>	<u>Botiquin</u>	<u>Total</u>
Lima	1,025	323	9	1,357
Other	736	362	109	1,207
Total	1,761	685	118	2,564

project. Furthermore, it is anticipated that a like number of non-pharmaceutical outlets will begin distributing contraceptives under this project. Although non-pharmaceutical outlets most likely will not be able to sell ethical products, i.e., oral contraceptives in this program, they present an excellent opportunity to extend sales and increase accessibility to non-ethical contraceptive products outside of the more formal pharmaceutical network.

All levels of the distribution system will receive the products on commercial terms and honor prevailing profit margins set by the GOP. Currently, retailers are permitted a 25% profit margin on the consumer price and distributors are allowed an 18% profit margin of the retailer price. Wholesalers, when involved, generally share half of the distributor's profit margin. Therefore, for example, a hypothetical price structure may result in the following prices at different levels within the distribution system:

Price to Consumer:	133 soles
Price to Pharmacy:	100 soles
Price to Distributor:	82 soles

The soles price of most contraceptives sold commercially in Peru has risen sharply in the past several years. In 1978, commercially distributed pills sold for between 100 and 300 soles for a one month supply. Towards the end of 1983, the cost to the consumer for the same product was between 1,300 and 3,000 soles, a tenfold current cost increase in five years. The real cost decrease, taking into account Peru's high inflation rate, is between 20% and 38%. The limited extent to which Peruvian consumers' purchasing power has been able to keep up with these price increases is not known beyond the fact that prices have been rising much more rapidly than wages.

CSM products under this project will be made available to the public at a fraction of the present commercial prices for comparable contraceptives. Preliminary analyses indicate that a one month supply of any contraceptive provided under this program (i.e., one cycle of pills, 10 condoms or 10 vaginal foaming tablets) should cost between 1,000 and 1,900 soles, or 40 to 75 U.S. cents, to be affordable to USAID's intended target group. As mentioned earlier, market research undertaken under this project will develop further information about price.

The total cost of this project activity is \$100,000. All of these funds will be used to hire up to six product promotores to ensure that CSM products are promoted and properly ordered, stored and displayed by participating retailers. These promotores will be hired directly by the local distributor(s) or APROPO, depending on which arrangement is determined most effective. This will be decided by APROPO and the U.S. resident advisor, with concurrence from USAID, once the distributing agent(s) are selected. Although potential recipients of this sub-contract already have large sales forces, experience has shown that these persons primarily serve as "order-takers" for a large and diversified product line. In general, they are not motivated to promote particular products, especially ones which are low-priced. Therefore, the promotores to be hired under this project will have significant impact on CSM product sales. Project funds will provide for their salary or travel expense support which may be supplemented by commissions earned on product sales.

5. Advertising/Promotion

APROPO will sub-contract with a local advertising agency to design, test and implement a campaign to support CSM product sales. Based on CSM experiences in other countries, and the preliminary design of the upcoming MOH advertising program for immunization, oral rehydration and FP activities, Peru's CSM campaign will use radio and point-of-purchase materials as the most cost-effective means of advertising CSM products. More limited use of the press and television will complement these efforts. APROPO, through the influence of its Board of Directors, will make available advertising time through local TV and radio stations. In addition, a special effort will be directed at Peru's non-literate population.

The total cost of this component is estimated to be \$1,450,000. A.I.D. funding (\$850,000) will be divided among the following inputs: technical assistance to finalize the appropriate media mix and incorporate information obtained under the market research component, radio, and television spots, promotional and informational materials including pamphlets, posters, and stickers and production costs. APROPO's in-kind contribution to this project activity is valued at approximately \$600,000.

IV. PROJECT ANALYSES

A. Institutional Analysis

APROPO (Apoyo a Programas de Población) will serve as the sponsoring and implementing organization of this CSM program. Financial, managerial and planning functions as well as ultimate program accountability will be the responsibility of APROPO. Its institutional capability and intent to successfully undertake these responsibilities are discussed in the Institutional Analysis Section. Project activities - product packaging, distribution, advertising, market research - will be executed by APROPO through sub-contracting with local firms. Feasibility studies done in 1979* and November 1983* indicated that capability exists in the private commercial sector in Peru to effectively undertake these activities. Criteria for selection of these local sub-contractors is described in this section as well.

1. APROPO

(a) Organization

APROPO was established as a private, non-profit organization in April 1983 with the legal capacity to conduct activities independently and by contract. Local legal counsel** advises that, from a strictly technical legal analysis, APROPO's legal status allows it to conduct all activities necessary to implement a CSM project. Although the impact of some statutes and regulations (e.g., regarding the commercial sale of donated products) relevant to implementing CSM activities are still in question since this is the first time a CSM program will have been introduced in Peru, local counsel feels confident that none should present problems that cannot be

* See "A Preliminary Assessment of the Feasibility of a Substantial Contraceptive Marketing Program for Peru", Sept. 1979, (J. Farley and S. Samuel), APHA. Also, see "Trip Report Assistance to USAID/Lima, Nov. 1983", (S. Samuel), the Futures Group. Available from USAID, S&T/POP central files and the Futures Group.

** Dr. Fernando de Trazegnies, Dean, Faculty of Law, Universidad Católica, Lima.

resolved under this project.* At most, he foresees some potential implementation delays during program start-up. For example, if an existing statute is interpreted to prohibit APROPO, as a non-profit organization receiving donated contraceptives, from selling these commodities on the commercial market, he will advise local incorporation of a profit-making subsidiary wholly-owned by APROPO to comply with the law and still carry on the program. By being wholly-owned by APROPO, the subsidiary will distribute revenue only to APROPO and only for FP purposes. Services of legal counsel have been retained to advise APROPO and USAID in complying with all applicable Peruvian legal requirements during this project development period and will continue to provide on-going assistance during the life of the project.

As an incorporated, non-profit Peruvian institution, APROPO has the authority to accept grants and donations as well as to contract for sponsorship and implementation of projects such as CSM. APROPO has the independent authority to commit and disburse its funds without approval of other agencies. Like other entities which import and sell products, APROPO will be subject to regulation by various Peruvian agencies which govern these activities. Legal counsel will ensure and advise APROPO and USAID of compliance with all applicable regulations.

Although APROPO is a relatively new organization, the business expertise of the Board of Directors represents more than 200 person-years of professional expertise in Peru. These negotiating and contracting skills will be augmented by a project manager and a project adviser who will be selected for their knowledge and experience with subcontractors of the sort described in Section III of this paper.

APROPO is governed by a 30 member Assembly and an eight member Board of Directors, organized in sub-committees of three members each. Dr. Guillermo Guardia, APROPO's Executive Director, reports directly to the Board of Directors and supervises four salaried staff and five local consultants. APROPO will hire a project manager for implementation of this CSM program who will report directly to the Executive Director. The project manager is expected to have at least three years of commercial sector management level experience, preferably with a local consumer products firm. He or she will have day to day project responsibility and will be assisted and trained by the U.S. resident project advisor during the first three years of the project.

* In order to foster a cooperative working relationship between the Ministry of Health (MOH) and the CSM Project, a covenant will be included in the 527-0230 Project Agreement between the GOP and AID. Under this covenant, the GOP will agree to support the CSM project by assisting in obtaining any MOH approvals, resolutions or other administrative actions necessary to permit the CSM project to operate in Peru.

As of April 2, 1984, APROPO began receiving funds from Family Planning International Assistance (FPIA) for administrative and program support. An initial tranche of \$43,000 will be followed by a larger three and one-half year commitment from FPIA, assuming a satisfactory progress report after this initial six months of assistance. In addition, APROPO receives contributions from its members in the form of annual dues. These dues have been used mostly to support office operations. Funding provided under this project will represent the bulk of APROPO's initial financial base.

The proposed CSM project will be APROPO's first substantial activity. In spite of its limited track record, USAID is convinced that APROPO is the best organization in Peru to implement this project. In fact, the organization's newness is considered an asset in some respects, given the rivalry and fragmentation that characterizes the existing community of private family planning organizations in Peru. After independent evaluations by USAID and FPIA, both agencies concluded that APROPO has unique capability to mobilize Peruvian private sector resources in support of family planning efforts. This is largely attributable to APROPO's impressive Board of Directors comprised of the former President of the National Association of Manufacturers, legal counsel to the Central Bank of Peru, the President of BELCO Petroleum, a major oil company operating in Peru, and other Peruvian business and political leaders, all of whom share a commitment to implementation of the national family planning program including delivery of contraceptive services. Following APROPO's expression of interest in the project, USAID briefed six of the eight members of the Board of Directors about specific aspects of implementing a CSM program. All responded enthusiastically to APROPO assuming responsibility for a CSM program in Peru.

In sum, APROPO may be expected to motivate other private sector organizations to support family planning, effectively oversee CSM project management activities with understanding drawn from years of business experience, and articulately and effectively advocate family planning at the highest private and public levels and forums. APROPO's singular and outstanding capabilities have been identified by independent assessments of FPIA, CSM consultants and USAID and endorsed by the Peruvian National Population Council.

2. Criteria for Selection of Local Sub-Contractors

(a) A local market research firm or firms will be selected on the basis of their ability to meet as many of the following criteria as possible:

1. Has operated in Peru for more than five years and employs a competent permanent staff;
2. Staff experience in qualitative as well as quantitative research methodologies and has previously conducted surveys involving national coverage, taking into consideration differences

between urban and rural populations in Peru and socio-cultural characteristics of the large Quechua-speaking population;

3. Staff experience with focus-group and consumer panel research;
4. Has access to interviewers who are natives of the region in which they work;
5. Has the ability to construct an adequate sampling frame;
6. Has designed satisfactory questionnaires; and
7. Has a record of on-time service delivery.

(b) Local Advertising Agency (or agencies) selection to participate in the CSM project will be based on the following:

1. Subjective evaluation of the agency's understanding of the CSM project and of the agency's creative department presentation;
2. Being a full-service agency, i.e., having all of the capabilities necessary for the production and placement of advertising campaigns in all available media;
3. Capacity to offer coverage in all regions and languages;
4. Demonstrated capability in producing and placing advertising in all media available in the market;
5. Experience in the advertising of mass marketed consumer products.

(a) Local Distributor (or distributors) will be selected on the basis of the firm's ability and willingness to:

1. Achieve nation-wide distribution;
2. Reach the number and types of retail outlets identified by the market research activity as appropriate to the CSM target market;
3. Service these outlets with adequate frequency;

4. Maintain adequate delivery vehicles or systems;
5. Retain a sufficient, permanent sales and detail force;
6. Maintain accounting and inventory reporting adequate to meet CSM needs;
7. Sell competitive products without restraining CSM product sales;
8. Provide adequate credit to wholesalers and retailers;
9. Maintain warehouse facilities adequate and appropriate to CSM products and supply levels;
10. Promote sales of CSM products;
11. Demonstrate at least a five year record of financial and operational stability.

(d) A local packaging sub-contractor will be selected on the basis of the following characteristics:

1. Adequate space and administrative organizations to ensure proper receipting, accounting and storage of commodities;
2. Reputation for dependability in meeting delivery dates and satisfactory care of commodities while in packager's custody;
3. A creative and innovative firm with sufficient in-house capacity to satisfy packaging requirements for the CSM project;
4. A record of operational and financial stability.

B. Social Soundness Analysis

The primary beneficiaries of the CSM program will be those Peruvians who desire FP services and can afford to pay a fraction of prevailing commercial prices for contraceptives, but presently are not served by existing

public or private sector FP programs.* By the end of year five of the project, an estimated 250,000 new users will have gained access to FP services under this program. The number of new users is estimated as follows:

(a) 1.8 million women in Peru are exposed to risk of pregnancy, i.e., married or living in consensual union and of fertile age (15-44);

(b) of these, approximately 1.0 million (56%) do not want more children or wish to postpone their next birth and are not using a modern contraceptive method;

(c) of these, approximately 600,000 live in urban areas and 400,000 in rural;

(d) of these, approximately 450,000 (75%) in urban areas and approximately 160,000 (40%) in rural areas have sufficient household income (at least 130,000 soles or \$50 U.S. monthly) to afford to buy a low-priced contraceptive;

(e) at the end of the project, the CSM program is forecasted to reach the following portion of these 610,000 couples:

<u>Forecasted Coverage</u>		
<u>Low</u>	<u>Medium</u>	<u>High</u>
10-25%	25-40%	above 40%
60-150,000 couples	150-250,000 couples	greater than 250,000 couples

These preliminary estimates are based on the 1981 Contraceptive Prevalence Survey and additional information provided by local market research firms and advertising agencies. The estimated 250,000 new contraceptive users (Medium Forecast) represents up to a 60% increase over the current 400,000 contraceptive users supplied by all sources, public and private.

Some of the CSM project's users may be current users supplied by other sources. Based on experience with other CSM programs, total contraceptive usage from all sources of supply increases after implementation of the project's advertising campaign. It is anticipated that current users switching sources will be replaced by new users. The substitution effect will be measured during the life of the project.

* The commercial purchase of contraceptives is a standard social practice. It is estimated that more than half of the oral contraceptives used in Peru are purchased, without prescription, from retail pharmacies. The orals of every major pharmaceutical laboratory in the world are represented in the Peruvian market.

Secondary beneficiaries include a larger target population that will benefit from the FP information disseminated by the project's advertising campaign. All forms of media will be used in this campaign with an emphasis on radio spots and point-of-purchase materials to reach the largest percentage of the target market. In addition, the participating distribution firm(s), pharmacists and small store owners will benefit from the training provided by APROPO in handling and promoting contraceptive products as well as from the revenues generated by product sales. It is estimated that as many as 5,000 retailers nationwide will be involved in selling contraceptives in this project. Finally, the public sector will benefit in that the delivery of FP services through existing commercial channels under the CSM program will meet a significant portion of unsatisfied consumer demand without incurring additional local public sector expenditures.

Project acceptance by the intended target group will be demonstrated by its purchasing of contraceptive products sold under the CSM program. In analyzing the feasibility of this project, information about the beneficiary population was gathered from several nationwide contraceptive surveys. In addition, during project implementation, especially during the first year (and throughout the life of the project), market research will be carried out to ensure that consumer needs are being satisfied. Therefore, research is planned not only during the pre-sales launch phase but also throughout the project as outlined in Section V, Implementation Plan.

Findings of the market research activity will be complemented by the collective judgement of APROPO and the other local suppliers participating in this project. The request for proposals from local firms to carry out the various project activities will be drafted in a manner allowing evaluation of the socio-cultural sensitivity of the various bidders. For example, the advertising firm will be expected to design informational and promotional materials targeted at consumers not literate in Spanish. Given the commitment and sensitivity of the APROPO Board of Directors to population related concerns and the high level of respect they command locally, the Mission is confident, from a socio-cultural perspective, that APROPO will exercise sound judgement in the selection of the various sub-contractors.

C. Technical Analysis

1. Contraceptive Technology

The CSM project will rely on the standard variety of non-permanent modern contraceptive methods: pills, condoms, and vaginal foaming tablets. These contraceptive methods are beyond the experimental stage and their effectiveness under a variety of conditions is known. The relatively safety of the various methods will depend on particular characteristics of the users with respect to age, health, parity, personality, user application, and other factors. In addition, while the theoretical effectiveness of contraceptive methods is known, failure resulting from the way a method is used is very difficult to ascertain. Educational and information activities necessary to ensure proper and continuing usage will be

included in the advertising campaign and monitored by the six promotores to be hired under this project.*

2. CSM Program Methodology

Design of this CSM project was based on substantial theoretical work and actual project experience in other developing countries. Research conducted with the support of various donor organizations (Population Council, Ford Foundation, A.I.D., UNFPA, IPPF) during the 1960's provided the theoretical basis for on-going CSM projects. To date, programs originally funded by A.I.D. or IPPF in Jamaica, Costa Rica, El Salvador, Ecuador, Honduras, Nepal, Guatemala, the Caribbean, Bangladesh, Mexico, Colombia and Thailand are in various stages of operation. The collective experience of these programs allows the following lessons learned about the CSM program approach.

- (a) Market research should be undertaken in each location by a local firm which meets international standards of research methodology. Survey research implemented by these firms should be similar in approach to that used by the commercial sector in the development of marketing strategies for other consumer products.
- (b) Advertising should be implemented by sub-contracting with local firms having substantial experience in the design of campaigns for mass-marketed consumer products. Design and implementation of the campaign should be comparable in quality and creativity to the best of locally developed campaigns.
- (c) Distribution of CSM products should be undertaken by sub-contractors with experience in distributing similar items to the target population. CSM programs should attain a number of sales outlets which is a multiple of the total of all other health product delivery points in the public or private voluntary sector.

* It is the intention of the CSM project to establish a referral system for the few women who experience abnormal side effects. This system will be built upon the existing informal referral system but will be reinforced by the trained promoters. These people will provide information to the vendors and consumers, which will include information on side effects and when to seek proper attention. APROPO has established relationships with the Ministry of Health and the Colegio Médico (the Peruvian medical society) to insure a strong backup referral system.

- (d) Packaging of CSM products should be done by local firms at levels consistent with the highest local standards.
- (e) Costs of CSM implementation should compare favorably with all other methods of delivery of contraceptive products and family planning services.

D. Financial Analysis and Plan

1. Financial Plan

The total cost of this five year CSM project activity is estimated to be \$5,450,000. Of this amount A.I.D. will contribute \$4,100,000 in grant funds and APROPO will provide \$1,350,000 in budgetary support and in-kind contributions. Tables I and II provide information on sources and applications of funds, foreign exchange and local currency requirements, and expected annual disbursements.

A.I.D.'s resources will provide for; sub-contracting activities under the marketing research, advertising, packaging and distribution and sales components (\$1,315,000); contraceptive commodities (\$1,450,000); technical assistance, including a long-term U.S. advisor in-country for three years (\$715,000); some administrative support to APROPO (\$210,000), most of which will be gradually assumed by APROPO by the end of the project; and inflation and contingencies (\$410,000).

APROPO's contributions will provide support for: administrative and personal costs (\$305,000), assuming partial financial responsibility for CSM local manager, secretary and other office support staff, accountant and six sales representatives in year three of the project and entire financial responsibility by the end of year five. In addition, similar to the overhead charges of the U.S. contractor, backstopping support of the rest of APROPO not directly involved with this particular CSM project is included in this cost; advertising activities arranged for free or minimum charge by APROPO's Board (valued at \$600,000) over the life of project; distribution sales (\$45,000); volunteered time of APROPO's Board of Directors devoted to programs development (valued at \$250,000); and inflation and contingencies (\$150,000).

Table I
Summary Financial Plan
 (U.S. \$000)

Project Component/Investment Category	A. I. D.		APROPO		TOTAL
	FX	LC	FX	LC	
1. CSM Program Activities					
a. Marketing and Research		175			175
b. Advertising (Intensive)		100		150	250
c. Advertising (Maintenance)		750		450	1,200
d. Packaging		235			235
e. Distribution and Sales		55		45	100
2. Contraceptive Commodities	1,450				1,450
3. Technical Assistance (TA)					
a. U.S. Long-term Advisor <u>a/</u>	560				560
b. U.S. Short-term TA <u>b/</u>	140				140
c. Local Short-term TA		15			15
4. Administrative and Personnel Support		210		305	515
5. Program Development <u>c/</u>				250	250
Sub-Total	2,100	1,540		1,350	4,890
Inflation/ Contingencies (10%)	210	200		150	560
TOTAL:	2,360	1,740		1,350	5,450

a/ Costs of U.S. long-term advisor over five years include: salary and related benefits (\$325,000), overhead (\$190,000) and 8% fixed fee (\$45,000).

b/ Costs of U.S. short-term technical consultants over five years include: salary and related benefits (\$80,000), overhead (\$45,000) and 8% fixed fee (\$15,000). During the third year of the project, an in-depth evaluation will be carried out requiring one outside ST consultant (\$11,000) to assist in assessing sales program after at least one year from launch. Other major evaluation is scheduled for end of project and to be funded by S&T/POP.

c/ The time and talents of a very dedicated and influential Board of Directors and others will continue to be volunteered during the implementation of this project primarily in the area of CSM program development and promotion. In light of the substantial amount of time to be contributed and the opportunity cost of that time in terms of income forgone by some highly paid business persons on APROPO's Board, \$250,000 is considered a reasonable quantification of these donated inputs. (See Annex for listing of APROPO's Board.

Table II

Detailed A. I. D. Funding by Project Year
(U.S. \$000)

	<u>YEARS</u>					<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4 a/</u>	<u>5 b/</u>	
A. <u>Program Activities</u>						
- Marketing and Research	50	25	50	25	25	175
- Advertising (Intensive)	75	-	25	-	-	100
- Advertising (Maintenance)	-	225	225	175	125	750
- Packaging	-	15	45	75	100	235
- Distribution and Sales	-	25	15	15	-	55
B. <u>Administrative Support To APROPO</u>						
- Local Manager	20	20	15	10	-	65
- Secretary/Office Support	20	20	15	10	-	65
- Accountant	10	10	5	5	-	30
- Auditor	5	5	5	5	5	25
- Legal Counsel	5	5	5	5	5	25
C. <u>Products</u>	-	95	285	470	600	1,400
D. <u>Technical Assistance</u>						
- U.S. LT Advisor	120	95	110	-	-	325
Overhead	60	65	65	-	-	190
-U.S. ST Consultants	35	15	-	15	15	80
Overhead	20	5	-	10	10	45
- Fees <u>c/</u>	20	15	15	5	5	60
- Local ST Consultants	5	5	5	-	-	15
SubTotal	445	645	885	825	890	3,690
Inflation/Contingencies (10%)	60	70	100	90	90	410
TOTAL	505	715	985	915	980	4,100

a/ & b/ Line items in years four and five that show a decrease in A.I.D. support from the previous year or no A/I.D. support usually reflect a gradual assumption of costs by APROPO. For example, APROPO will be fully funding all administrative support (except auditing and legal services) costs by the end of the project.

c/ Includes fixed fee applied to both U.S. LT and ST technical assistance.

2. Financial Viability and Recurrent Cost Analysis

Several financial models have been prepared to analyze the viability of this project.

These models indicate that if a minimum price of 15 cents per cycle is received and maintained by APROPO throughout the life of the project, sufficient revenues will be generated to carry the project at least 5 years beyond the PACD if contraceptive commodities continue to be provided to APROPO by AID, the GOP or some other international donor.

Table III presents an analysis of the financial viability of the project including the anticipated product mix and expected revenue over the life of the Project and through the next five out years. This table indicates that contraceptive commodities valuing \$1.45 million will be required during the 5 year life of this Project if the Project is to have 248,512 continuing users at the end of year 5. These projections are based upon demand and usage ratios in the 1981 Contraceptive Prevalence Survey.

Table III also shows the cash flow that would accrue to the Project assuming the contribution to revenue were 19 cents per contraceptive cycle. This table assumes that in year six APROPO will continue to receive donated contraceptives for subsequent resale from AID, the GOP, or some other International donor.

If this assumption is correct, at a minimum price of 15 cents per cycle the project will generate surplus cash in year two through five which would allow APROPO to accumulate a reserve fund amounting to approximately two thirds of the projected operating expenses for year six.

Two other issues have been subject to analysis and consequently addressed in the Project design:

One issue is the importance of maintaining a dollar value price for products sold in a deteriorating Peruvian economy where price increases can effect consumer demand.

A second issue is what can be built into the Project to ensure that reserves generated in excess of current operating costs in one year are set aside to cover possible cash flow shortages in succeeding years?

Both issues will be addressed as covenants in the Project Agreement. APROPO will covenant to readjust its minimum sale price per cycle periodically and APROPO will covenant that for the first five years of the project, it will aggressively manage its cash flow to provide for continued operation in lean years.

TABLE III
Project Revenue Costs
and Cash Flow (at \$0.19 per cycle)

INFLOWS	ONE	TWO	THREE	FOUR	FIVE	TOTAL 5 YRS	SIX	SEVEN	EIGHTH	NINE	TEN	TOTAL 6-10	TOTAL 1-10
OPALS REVENUE	10.00	161,220.00	1189,292.00	1306,971.60	1401,187.28	1961,580.88	1423,941.38	1451,065.10	1478,164.00	1497,443.26	1512,866.61	12,366,480.43	13,328,061.31
CONDONS REVENUE	10.00	17,980.00	123,628.00	136,890.40	147,980.32	1115,878.72	151,800.26	158,614.60	161,666.08	164,107.27	166,060.21	1305,248.43	1421,127.15
TABLETS REVENUE	10.00	17,980.00	123,628.00	136,890.40	147,980.32	1115,878.72	151,800.26	158,614.60	161,666.08	164,107.27	166,060.21	1305,248.43	1421,127.15
AID GRANT	1630,000.00	1695,000.00	1800,000.00	1401,027.60	1117,467.00	12,616,194.60							12,616,194.60
FPIA GRANT	143,000.00	143,000.00	143,000.00	121,000.00		1150,000.00							1150,000.00
TOTAL	1673,000.00	1818,180.00	11,078,758.00	1805,780.00	1611,614.92	13,181,832.92	1533,541.89	1571,294.31	1601,496.25	1623,657.80	1644,987.04	12,976,977.28	16,966,810.20
OUTFLOWS	ONE	TWO	THREE	FOUR	FIVE	TOTAL 5 YRS	SIX	SEVEN	EIGHTH	NINE	TEN	TOTAL 6-10	TOTAL 1-10
MANAGER	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	1100,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	1100,000.00	1200,000.00
SECRETARIAL	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	1100,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	1100,000.00	1200,000.00
ACCOUNTANT	110,000.00	110,000.00	110,000.00	110,000.00	110,000.00	1100,000.00	110,000.00	110,000.00	110,000.00	110,000.00	110,000.00	1100,000.00	1100,000.00
OFFICE EIP	143,000.00	143,000.00	143,000.00	143,000.00	143,000.00	1215,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	1150,000.00	1345,000.00
AUDITING	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	125,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	125,000.00	150,000.00
LEGAL	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	125,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	125,000.00	150,000.00
TECHNICAL ASST	1260,000.00	1200,000.00	1195,000.00	130,000.00	130,000.00	1715,000.00							1715,000.00
SALES REPS	10.00	125,000.00	125,000.00	125,000.00	125,000.00	1100,000.00	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00	1125,000.00	1225,000.00
MARKET RESEARCH	150,000.00	125,000.00	150,000.00	125,000.00	125,000.00	1175,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	1250,000.00	1425,000.00
ADVS-INTENSIVE	1200,000.00	10.00	150,000.00	10.00	10.00	1250,000.00							
ADVS-MAINI	10.00	1300,000.00	1300,000.00	1300,000.00	1300,000.00	11,200,000.00	1300,000.00	1300,000.00	1300,000.00	1300,000.00	1300,000.00	11,300,000.00	12,700,000.00
PACKAGING	10.00	115,000.00	145,000.00	175,000.00	1100,000.00	1735,000.00	1111,000.00	1118,000.00	1125,000.00	1130,000.00	1134,000.00	1618,000.00	1833,000.00
INFL/CONTR	160,000.00	170,000.00	1100,000.00	190,000.00	190,000.00	1410,000.00							1410,000.00
TOTAL	1673,000.00	1738,000.00	1868,000.00	1618,000.00	1673,000.00	13,600,000.00	1576,000.00	1583,000.00	1590,000.00	1595,000.00	1599,000.00	12,943,000.00	16,793,000.00
NET CASH FLOW	10.00	180,180.00	1210,258.00	1157,780.00	1158,385.00	1389,832.92	1842,450.11	1111,705.61	111,496.25	130,657.80	145,987.04	133,977.28	1423,810.20
AID CONTRACTS	10.00	198,570.00	1287,407.00	1463,376.60	1604,152.28	11,453,505.88	1663,872.64	1710,550.91	1747,893.53	1777,767.62	1801,666.90	13,701,751.60	15,155,257.48
AID GRANT	1630,000.00	1695,000.00	1800,000.00	1404,027.60	1117,467.00	12,616,194.60							12,616,194.60
AID TOTAL	1630,000.00	1793,570.00	11,087,407.00	1867,404.20	1721,619.28	11,100,000.48	1663,872.64	1710,550.91	1747,893.53	1777,767.62	1801,666.90	13,701,751.60	17,001,732.08

3. Financial Implementation Arrangements

During the design phase of this PP USAID met with the implementing agency to discuss the financing arrangements for Project implementation. Table IV shows that two methods of financing will be used. These methods are Host Country Reimbursement and AID Direct Payment. Both methods are in conformity with the 16 policy statements on financial and administrative management and will be implemented in accordance with agency policy.

TABLE IV

Methods of Implementation and Financing

<u>Methods of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u>
1) CSM Program Activities Local Contracts	HC Reimbursement	1,315
2) Contraceptive Commodities AID/W procurement	Direct Payment	1,450
3) Technical Assistance Small Business Set Aside	Direct Payment	700
Local Consultants	HC Reimbursement	15
4) Administrative and Personal Support	HC Reimbursement	210
5) Contingencies HC Reimbursement	Direct Payment	210
		<u>200</u>
	TOTAL	4,100
		=====

E. Economic Analysis

The cost-effectiveness of the proposed CSM program will be measured by dividing the total cost of the program by the total units of output. This unit cost per output will then be compared to the cost-effectiveness of ongoing CSM programs in other countries. For purposes of carrying out this analysis, output was measured in terms of couple-years of protection. The concept of couple-years of protection (CYP) was developed to compare the effects of different contraceptive methods or combinations of methods. It is useful in assessing total program output and cost-effectiveness. CYP does not measure the number of contraceptive users but rather provides a composite measure of the total amount of protection against pregnancy resulting for a certain supply of contraceptives provided. *

Using this approach, the estimated costs per CYP under the proposed CSM activity were calculated and shown in Table V below. These costs compare favorably with the findings of analyses performed in other countries as shown in Table VI. The figures demonstrate major declines in costs per CYP as the CSM programs mature. For example, the cost per CYP has been reduced to less than half since operations began in the two oldest programs, India and Sri Lanka. Likewise in Jamaica and Nepal, costs per CYP have dropped sharply within just a few years of project implementation. Similar declines are projected under this project.

* For a full discussion of CYP see Population Reports, Series J, Number 21, January 1980, Population Information Program, JHU.

Table V

Estimated Annual Cost per Couple-Years of Protection (CYP)
(U.S. \$000)

	<u>Project Years</u>				
	1	2	3	4	5
Project Costs a/	630	713	852	487	224
CYP	-0-	33	97	157	205
Cost/CYP	-0-	21.60	8.80	3.15	1.10

a/ Advertising provided "in-kind" through the influence of APROPO's Board and valued at \$600,000 over life of the project was not included in total project costs in this analysis. Exclusion of these costs is justified because sufficient A.I.D. funding has been budgeted under the project for the production of informational/motivational materials, radio and, to a much more limited extent, television campaigns needed to reach this projects target group and implement a successful CSM program. The "in-kind" advertising to be contributed by APROPO represents a valuable project input which will complement the advertising campaign to be systematically designed under this project and therefore has been included as part of APROPO's counterpart contribution. However, it cannot be substitute for the formal and intensive campaign to be launched under a sub-contract with a local advertising firm and, if deleted, would not risk the effectiveness of the proposed CSM program. Likewise, the opportunity cost of providing this advertising cannot be translated into foregone income by the Board since their influence is such an integral part of their ongoing activities and is not exerted instead of doing something else. Therefore, since the effect of this particular input can only be positive through its support of a core project component, it has not been counted as a cost.

Table VI
Couple-Years of Protection and Cost-Effectiveness in Six On-Going Social Marketing Programs*

Country	Product	Year	CYP a/	Total Cost b/ (in \$US)	Cost per CYP (in \$US)
Bangladesh	Condoms & OC	1976	134,092 a	758,253	5.65
	Condoms & OC	1978	311,586 a	1,443,472	4.63
	Condoms, OC & Spermicide	1978-79	355,632 a-b	1,766,112	4.96 c
India	Condom	1970-71	527,100	1,321,000	2.51
	Condom	1978-79	1,180,000	1,966,670	1.67
Jamaica	Condom & OC	1976	14,219	346,586	24.37
	Condom & OC	1977	20,244 d	327,987 e	16.20
	Condom & OC	1979	24,442 f	111,269 f	4.55
Sri Lanka	Condom	1974	50,000	309,500	9.83
	Condom & OC	1978	132,200	341,654	3.79
Thailand					
Private Sector	Condom & OC	1975	6,150	88,613	14.40
Program g	Condom & OC	1977	26,717	142,429	5.33
	Condom & OC	1979	33,931	52,534	1.55
	Condom & OC	1975	24,142	277,922	11.51
Rural Program h	Condom & OC	1977	73,819	367,670	4.98
	Condom & OC	1979	110,436	452,044	4.09
Nepal	Condom & OC	1978	2,326	158,191	39.66
	Condom & OC	1979	7,890	173,133	14.66

*Source: Population Reports, Series J. Number 21, January 1980, Population Information Program, JHU.

- a. Based on 100 condoms, 13 OC cycles, 100 foaming tablets per couple per year.
- b. Total administrative expenses, including cost to donor of contraceptives distributed or sold to wholesalers or retailers, minus revenue generated by sales. Does not include freight or insurance costs for contraceptives, cost of contraceptives not yet distributed to wholesalers, cost of evaluation, donor agency and sponsoring agency monitoring and technical assistance.
- c. Administrative costs (including packaging) per CYP: \$1.63; cost of contraceptives per CYP \$3.33.
- d. October 1977 sales not available; estimated as equivalent of monthly average of sales for 11 months of 1977.
- e. Includes cost of developing promotional materials, stocking, and packaging contraceptives to supply the program for at least one year after the end of the sponsor agency contract in September 1977.
- f. November-December 1979 sales and costs not available; estimated as equivalent of twice monthly average for first 10 months of 1979...
- g. Operates in district capitols only, all districts.
- h. Includes minor contributions of Public Institution Program, which is both urban and rural.

Experiences elsewhere also indicate that the cost per CYP in the first year of a CSM program compares favorably with the cost per CYP in established clinical programs and, over time, with the cost per CYP under community based distribution (CBD) programs. Whereas the quality and completeness of cost data for these alternative delivery systems are very questionable and seldom consistent, a general idea can be gained of the relative cost-effectiveness of the CSM program based on the limited information on hand. For example, it is known that CSM programs consume far less physician and other personnel time than do clinical programs, and because they work through existing delivery infrastructure, require little, if any, physical plant and equipment investment and maintenance. In comparison with CBD programs, CSM programs do not incur substantial recurrent salary costs for promoters or transportation costs to ensure their mobility. Finally, in terms of outputs, clinical or CBD delivery systems rarely attain the combined strength of mass advertising and mass product distribution characteristics of CSM programs.

F. Environmental Impact

An Initial Environmental Examination (IEE) was carried out during the preparation of the original project, Integrated Health and Family Planning, and a negative determination was recommended by the Mission Director. The IEE was reviewed and approved by the LAC Bureau's Chief Environmental Advisor on January 30, 1981. Project activities to be implemented under this Amendment will not result in any changes in the impact determinations contained in the original IEE. The reader is referred to the original PP for a full presentation of the IEE.*

V. IMPLEMENTATION PLAN

A. Implementation Schedule

Obligation of project funds is scheduled for FY 1984 by the signing of a project agreement with APROPO. In order to complete the activities described herein, USAID is requesting the PACD for Project 0230 be extended till June, 1989. Because the extension period exceeds the Mission authority to approve PACD extensions, the Assistant Administrator will have to approve this three year extension. The Mission will assist LA/DR in the preparation of the requisite action memorandum to the A.A. for Latin America.

* See Annex I, Exhibit F, of the Integrated Health and Family Planning PP found in the project files at USAID/Peru and LAC/DR in AID/W.

Selection of key personnel by APROPO (Project Manager) and U.S. technical assistance contractor (Resident Advisor) is scheduled to take place during the first six months of the project. Local market research, advertising, packaging and distribution sub-contracts are expected to be solicited and awarded by December 1984 (the ninth month of Project Year 1). Pre-launch market research, which is an important element in project design and evaluation, is to be undertaken during the third quarter of the first year of the project. Remaining product and brand name registration processes are expected to be completed well before arrival of initial commodities (in the fourth quarter of Project Year 1).

Project activities during the second year will be the products of the first year's planning. Initial distribution of contraceptives in June 1985, which will be repeated annually. Non-pharmaceutical outlets will be gradually added to the projects sales points so that a total of nearly 5,000 outlets are participating by mid-1987.

Evaluation of project implementation will take place annually and will be based on market research findings supplemented by qualitative analysis. The final evaluation will be scheduled to allow maximum use of all the last year's data. Funding for the final evaluation will be requested from S&T/POP under the centrally funded, worldwide Contraceptive Social Marketing Project.

The schedule for key project events and evaluations are shown below:

<u>Event</u>	<u>Date</u>
Product Registration Process Begun	5/84
Project Authorization	6/28/84
U.S. Resident Project Advisor Arrives	7/84
Project Funds Obligated	8/13/84
U.S. Technical Assistance Contract Awarded	11/84
Pre-Launch Market Research Designed and Local Bids Solicited	12/84
APROPO Project Manager hired	2/85
Pre-Launch Market Research Local Sub-Contract Awarded	2/85
Pre-Launch Market Research Begins	2/85
Local Advertising Agency Bids Solicited	3/85
Local Advertising Agency Sub-Contract Awarded	4/85
Local Packaging, Distribution Sub-Contracts Awarded	4/85
Initial Product Shipments Arrive	6/85
Products Packaged	7/85
Advertising Campaign Begins	7/85
Six Sales Persons/Promotores Hired	7/85
Initial Distribution & First Products Sold	8/85

Distribution to Pharmaceutical Outlets (2,600)	
Completed	10/85
500 Non-Pharmaceutical Sales Outlets Participating	12/85
Market Research & Qualitative Project Evaluation	1/86
1,000 Non-Pharmaceutical Sales Outlets Participating	5/86
First Annual Quantitative & Qualitative Market	
Research and Project Evaluation	5/86
2,000 Non-Pharmaceutical Sales Outlets Participating	5/87
Second Annual Evaluation	5/87
U.S. Resident Project Advisor Departs	12/87
Third Annual Evaluation	5/88
Final Evaluation *	5/89
Project Activity Completion Date (PACD)**	6/89

* To be funded by S&T/POP centrally funded worldwide Contraceptive Social Marketing Project.

** PACD for entire Project 230, including CSM Project Amendment and Nutrition Project Amendment is June 30, 1989.

B. Contracting, Administrative Arrangements and Procurement

1. Role of APROPO

The Mission will sign a \$4.1 million grant agreement with the sponsoring agency, APROPO. All USAID project funding will be included within this grant agreement. APROPO will assume management responsibility for project implementation directly or through a wholly owned, for-profit subsidiary.* It will receive technical assistance from a U.S. consulting firm which will be directly contracted by the Mission for APROPO. In addition, the Mission will directly procure contraceptive commodities for APROPO under AID's central procurement system. Locally, APROPO will be responsible for subcontracting with Peruvian suppliers and firms to carry out the market research, product distribution, product packaging and advertising activities under the project. These sub-contracts will be bid on a competitive basis and will be subject to Mission review prior to signing.

2. USAID Contracting for Technical Assistance

As stated above, the Mission will directly contract with a U.S. consulting firm to provide technical assistance to APROPO. It is anticipated that the required technical services will be available from small business firms, and, therefore, USAID plans to set aside the technical assistance contract for competition limited to small business concerns.

3. Contraceptive Commodity Procurement

USAID will procure CSM contraceptives directly from S&T/POP's central procurement system. Each year an OYB transfer of funds will be triggered from the LAC Bureau to S&T/POP to purchase and transport this project's commodity needs. These commodities, in turn, will be donated to APROPO over the five year life of the project. Total estimated commodity requirements valued at \$1,450,000 are shown in Table VIII below.

* Import and sale of donated contraceptives by a non-profit organization is an activity unique to CSM and not heretofore encountered by local Peruvian government agencies with responsibility for regulating commercial activity. Project design is based on legal advice that APROPO will probably be allowed to implement directly but that it is advisable to have a contingency plan (i.e., use of a wholly-owned for-profit subsidiary) in the event that necessary approvals (i.e., of import, pricing, advertising) are denied or unreasonably delayed.

As illustrated in the Table below, the CSM project will distribute oral contraceptives, condoms and vaginal foaming tablets. Obviously the need for these commodities will not cease with the termination of this project, thereby presenting a question of contraceptive source after the life of this project. As with all A.I.D. population projects, it is assumed that donated contraceptives will be required beyond project's life and that potential sources of these commodities should be discussed at the time of project design. In Peru's case, USAID is comfortable with assuming that, given the Mission's development strategy and heavy involvement in the health and population sectors, continued A.I.D. support in donated contraceptives will be forthcoming after this project ends. This support could be channelled through various means, i.e., a new bi-lateral population project, an intermediary organization such as IPPF or Pathfinder which has representation in-country and is currently receiving A.I.D.-inkind contraceptives, or from S&T/POP's Commodity and Program Support Division directly, which has been providing CSM-packaged commodities to these types of programs worldwide for several years.

The institution responsible for importing the CSM commodities into Peru has not been definitely determined. At present, the Mission is exploring the advantages and disadvantages of three options. First, consistent with the existing procedures under Project 230, it is proposed that the MOH assume importation responsibility for products to be specifically marked for the CSM program and consigned to APROPO. The major potential disadvantage foreseen is an interruption of supplies in the event of a future change in GOP and a retraction of support for FP activities. Currently, the GOP is very supportive of FP and the MOH would be willing to assume this responsibility.

The second option calls for a private sector FP organization now importing contraceptives to also do so for APROPO. The Mission tentatively has identified the Instituto Hipólito Unanue/Asociación "Proyección Social de la Industria Farmacéutica del Perú" (ALAFARPE) as the most capable private organization to assume this responsibility. ALAFARPE now provides clinical FP services to women in marginal neighborhoods of Lima. As confirmed by a recent evaluation by the Pathfinder Fund, ALAFARPE has an excellent track record of consistently clearing its own contraceptives through customs, as well as having sufficient warehousing facilities and a well functioning logistics system to assume responsibility for APROPO's commodities. Discussions are now taking place between USAID and ALAFARPE about this alternative.

As the third and final alternative, USAID proposes that APROPO, with the approval of the GOP, obtain legal status to directly import its own commodities. The obvious advantage of this option is the attractiveness of APROPO assuming responsibility from the beginning for an activity that will give it maximum independence and control over its CSM program. The Mission has contracted with a local lawyer with PD&S funds to explore the legal aspects of such an arrangement. If APROPO were to directly import its own contraceptives, it is anticipated that provisions will be made under the sub-contract with a local distributor and packaging company to assume responsibility for the warehousing and logistic management of the commodities.

One of these three arrangements will be decided upon within the first month of project implementation as part of the initial pre-sales launch phase.

TABLE VIII

Estimated CSM Contraceptive Users, Product Volume and Cost
(000's)

	Year 1		Year 2		Year 3		Year 4		Year 5	
	<u>New</u>	<u>Cont.</u>								
A. <u>Contraceptive Users</u> ^{1/} (by method)										
Orals	--	--	52	--	70	42	70	90	70	128
Condoms	--	--	7	--	9	6	9	12	9	17
Vaginal Foaming Tablets	--	--	7	--	9	6	9	12	9	27
Total Users			66		142		202		260	
Total CYP			33		98		158		216	
B. <u>Product Volume</u> ^{2/}										
Orals	--	--	312	--	420	504	420	1,080	420	1,536
Condoms	--	--	420	--	540	720	540	1,440	540	2,040
Vaginal Foaming Tablets	--	--	420	--	540	720	540	1,440	540	2,040
C. <u>Product Cost</u> (in 000's US\$) ^{3/}										
Orals	--	--	45	--	61	73	61	157	61	223
Condoms	--	--	19	--	25	33	25	66	25	94
Vaginal Foaming Tablets	--	--	30	--	39	52	39	104	39	147
Sub-Total	--	--	94	--	125	158	125	327	125	464
Annual Sub-Total	--	--	94		283		452		589	
Total 5-Year Cost									\$1,418	^{4/}

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Assumptions and Footnotes

The following assumptions are based on the findings of the Contraceptive Prevalence Survey conducted in Peru in 1981:

- a) 80% of all contraceptive acceptors under the social marketing program will choose a standard or low-dose oral contraceptive; 10% will choose condoms and 10% will choose vaginal foaming tablets.
b) The number of continuing users in subsequent years is estimated to be 80% of new and continuing users in the previous year.

- c) New acceptors each year, except in year 1, use six months of a chosen method whereas continuing users use twelve months worth. In year 1 of the project, no product sales are anticipated .
- d) Number of new acceptors is not expected to increase greatly in years 4 and 5 due to transitional period envisaged with departure of long-term adviser.

Footnote 1: Contraceptive user projections are rounded to the nearest thousand.

Footnote 2: Based on the following usage rates:

- 13 cycles of orals per user per year
- 10 condoms per user per month
- 10 vaginal foaming tablets per user per month

Footnote 3: Based on the following cost projections:

- 14.5 cents per cycle of orals
- 4.6 cents per condom
- 7.2 cents per vaginal foaming tablet

Footnote 4: \$1.45 million in contraceptives programmed.

C. USAID Monitoring

This project will be monitored by the Population Division within USAID's Office of Health, Nutrition and Education. The project manager will be USAID's Population Officer, who prior to his assignment to Peru, was AID/W's project manager for S&T/POP's centrally funded Contraceptive Social Marketing project. He brings over ten years of experience working with CSM programs worldwide to the proposed Peru CSM project. In addition, an IDI population officer with marketing experience, will join USAID's Population Division in January 1985 and assist with project implementation and monitoring.

USAID's Population Officer also will be able to draw heavily on the project resident advisor who will work directly with APROPO in implementing this program. They will meet regularly to discuss project status, with most frequent contact anticipated during the first year. During this initial period it is envisioned that weekly meetings will be held to work through pre-sales launch activities. Furthermore, administrative backstopping of the RA will be provided by his or her home office thereby minimizing this responsibility for the USAID Population Officer.

Periodically, USAID also will call on LAC/DR and S&T/POP technical personnel to help monitor project progress. The participation of these personnel will be particularly useful during project evaluation periods. For example, USAID plans to ask S&T/POP to perform the final impact evaluation at the end of the project under the centrally funded CSM project. Findings of this evaluation will further the purposes of AID's worldwide project by enabling other country programs to benefit from the lessons learned from the Peru-specified experience.

Furthermore, APROPO will be required to submit to USAID quarterly reports primarily based on monthly reports submitted to APROPO by the participating sub-contractors. These reports will be supplemented through informal monthly meetings to be held with the Mission, APROPO and the long-term resident advisor.

In summary, USAID monitoring of this innovative project for Peru has been planned carefully to include both written and personal contact, as well as formal and informal communication between USAID and APROPO.

D. Evaluation Plan

Periodic qualitative and quantitative evaluations will measure CSM progress and provide information for modifications necessary to improve program performance. Quantitative analysis will measure progress made in increasing contraceptive usage by making affordably priced commodities more accessible. Qualitative analysis will measure the effectiveness of the project's components: advertising, packaging, product distribution and sales.

Qualitative measures will begin with sales and revenue volumes obtained from APROPO and distribution firm records. Pre-launch market research findings, nationwide Contraceptive Prevalence Studies conducted in 1978, 1981 and scheduled for 1985, and International Market Survey data will serve as benchmarks for comparison. Consumer source of supply (i.e., pharmacy, hospital, private physician) will be sought to estimate the number of new consumers and the number of consumers switching to and from CSM and other delivery systems. Furthermore, total contraceptive distribution will be tracked to determine the CSM project's impact on both commercial and public sectors. The number of distribution outlets carrying CSM products will be estimated by consumer surveys, examination of distributor records and retail outlet surveys. Survey research also will explore the variation between levels of sales and levels of effective use of products.

The evaluation process will be enhanced by qualitative and quantitative market research that will describe the target population at inception of the project in terms of current or desired usage patterns, economic level, attitudes about public/private sector as service provides. Project evaluations will be able to measure impact against this baseline information. This is also discussed in the market research section.

Qualitative measurements will be drawn from survey research, consumer panels and interviews with key selected project-related personnel. Advertising effectiveness will be measured by pre-tests during pre-launch research and post-tests in November 1985 shortly after the project's first intensive campaign. Annual survey research will measure advertising awareness as well as changes in knowledge and attitudes regarding family planning among the intended target group. Appropriateness of consumer price to the target market also will be measured as other key perceptions by the target population regarding the product, package and sales outlets. Reasons for selection and substitution of source of supply will be examined to determine whether the project is reaching its target population.

In addition to annual sales and user targets, the project will be evaluated by its timely, successful implementation of key project activities as described in Section V. A, Implementation Schedule.