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AGENCIA PARA EL DESARROLLO INTERNACIONAL
DE LOS ESTADOS UNIDOS EN EL PERU (USAID/PERU)
C/O EMBAJADA AMERICANA
LIMA - PERU

TELEFONO 288200

June 28, 1984

Ing. Jorge Ferrand I.
President
Apoyo a Programas de Población (APROPO)
Conquistadores No. 905
San Isidro

Subject: Cooperative Agreement No. 527-0230

Dear Ing. Ferrand:

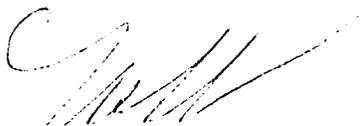
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Donor") hereby grants to Apoyo a Programas de Población, a Peruvian nonprofit organization (hereinafter referred to as "APROPO" or "Recipient"), the sum of \$550,000 to provide support for a program in contraceptive social marketing as described in Attachment 1, the Schedule of this agreement, and the Attachment 2, entitled "Program Description". Additionally, subject to the availability of funds, A.I.D. plans to provide a sum not to exceed \$2,350,000 to finance the continuation of project activities. A sum not to exceed \$1,200,000 will be transferred to AID/W for the purchase of required contraceptives.

This agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending June 30, 1989.

This agreement is made with APROPO, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, the Schedule, Attachment 2, entitled "Program Description", and Attachment 3, entitled "Standard Provisions", which have been agreed to by your organization.

Please sign the original and seven (7) copies of this letter to acknowledge your receipt of the agreement and return six (6) copies to me.

Sincerely yours,



Michael Snyder
Regional Contract Officer

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions (AID 1420-54 of 2/82)

ACKNOWLEDGED:

APPROVE



By: ing. Jorge Ferrand I.

Title: President

Date: June 28, 1984

Fiscal Data:

Appropriation	:	72-1141021
Budget Plan Code	:	LDAA-84-25527-BG13
Project Number	:	527-0230
Total Estimated Amount	:	\$2,900,000
Total Obligated Amount	:	\$550,000

SCHEDULE

A. Purpose of the Agreement

The purpose of this Agreement is to provide support for contraceptive social marketing, as more specifically described in Attachment 2 to this Agreement, entitled "Program Description."

B. Period of Agreement

1. The effective date of this Agreement is June 28, 1984, and the expiration date is June 30, 1989.

2. Funds obligated hereunder are available for program expenditures for the estimated period June 28, 1984 to Jan. 30, 1985 as shown in the Financial Plan below.

C. Amount of Grant and Payment

1. The total estimated amount of this Agreement for the period shown in B.1 is US\$2.9 million.

2. AID hereby obligates the amount of \$550,000 for program expenditures during the period set forth in B.2 above and as shown in the Financial Plan below.

3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3, Standard Provision 9A, entitled "Payment - Periodic Advance."

4. Additional funds up to the total amount shown in C.1 above may be obligated by AID subject to the availability of funds, and to the requirements of the Standard Provision of the Agreement entitled "Revision of Financial Plans."

D. Financial Plan

The following is the Financial Plan for this Agreement, including local cost financing items. Revisions to this Plan shall be made in accordance with the Standard Provision of this Agreement entitled "Revision of Financial Plans."

FINANCIAL PLAN

(U.S. \$000)

Cost Element	Amount Obligated From June, 1984 to Jan. 30, 1985		Estimated Additional From Jan., 1985 to June, 1989		Total Estimated From June, 1984 to June, 1989		Total APROPO Contribution
	US\$	Local Currency	US\$	Local Currency	US\$	Local Currency	
1. Contraceptive Social Marketing Program Activities		275		1,490		1,765	795
2. Contraceptive Commodities*	150		1,050		1,200		
3. Technical Assistance		200		515		715	
4. Administrative and Personnel Support		50		160		210	305
5. Contingencies		<u>25</u>		<u>185</u>		<u>210</u>	<u>150</u>
Totals	350	350	1,565	1,835	1,915	2,185	1,250

* Funds for the contraceptive commodities are not and will not be granted to APROPO under this Agreement. Subject to the availability of funds to A.I.D. for this purpose and to the agreement of A.I.D. at the time of each procurement of contraceptive commodities, A.I.D. intends to provide not to exceed US\$1.2 million for the purchase or purchases of contraceptive commodities including transportation to Peru. Such purchase or purchases will be carried out directly by A.I.D.'s Washington office.

E. Reporting and Evaluation

The Recipient shall submit to A.I.D. quarterly financial and technical reports in form and substance satisfactory to A.I.D.

F. Conditions Precedent to Initial Disbursement

Prior to any disbursement under the Cooperative Agreement, except for Foreign Technical Assistance, APROPO shall, except as A.I.D. may otherwise agree in writing: (1) obtain from A.I.D. written approval of the financial management and accounting systems established for the use of A.I.D. resources and, (2) obtain A.I.D. approval of a plan for reporting progress under the Project.

G. Special Provision

The following Standard Provisions in Attachment 3 are deleted: 8A, 8B, 9b, 12A, 15B, 15C. Local currency financing of up to \$350,000 is authorized under the Agreement. Additional funding up to a total of \$1,835,000 will be authorized subject to the availability of funds.

H. Overhead Rate

APROPO agrees that it shall not be reimbursed by AID under this Agreement or otherwise for any indirect costs or fee. No overhead will be applied to this Agreement.

I. Title to Property

Title to all property acquired under the Agreement and delivered to APROPO or its designee in Peru shall vest in APROPO or, with A.I.D. prior written approval, any designee of APROPO.

J. Authorized Geographic Code

The authorized geographic code for procurement of goods and services under this agreement is the United States (Code 000) and Peru.

K. Substantial Involvement Understandings

A.I.D. shall review and approve the substantive provisions of all subordinate agreements or contracts prior to execution by APROPO. At each state of program implementation, A.I.D. will review and approve the progress and status of the program before APROPO proceeds to the next stage. These stages are market research, advertising and promotion, product packaging and distribution and sales. In addition, A.I.D. will approve all arrangements with respect to importation of contraceptive commodities. APROPO also agrees and understands that A.I.D. will contract for the long term technical

assistance to be provided to APROPO with respect to implementation of the contraceptive social marketing program with funds provided under this Agreement for this purpose as provided in the Financial Plan. Funds for contraceptive commodities are not and will not be granted to APROPO under this Agreement. Subject to the availability of funds to A.I.D. for this purpose and to the agreement of A.I.D. at the time of each procurement of contraceptive commodities, A.I.D. intends to provide not to exceed US\$1.2 million for the purchase or purchases (including transportation to Peru) of contraceptive commodities. A.I.D.'s Washington office will carry out such purchase or purchases and arrange transportation.

L. Special Covenants

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

2. APROPO will periodically review and adjust the sale prices of program commodities as necessary to achieve the objectives of the program 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.

3. APROPO will cooperate in price elasticity studies carried out under an A.I.D. project with the Futures Group.

PROGRAM DESCRIPTION

I. Purpose of the Cooperative Agreement

The purpose of this Cooperative Agreement 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 family planning (FP) information and affordable contraceptive products available to currently unserved couples using existing commercial channels, described as the Contraceptive Social Marketing Program (CSM).

II. End of Program Status (EOPS)

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

- Increased Contraceptive Usage: As many as 260,000 couples currently not wanting any more children and not practicing some modern method of contraception will have received FP services under the CSM program. This represents an increase in 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 will be selling products under the program. Oral contraceptives, condoms and vaginal foaming tablets supplied to the program under AID's central procurement system but made available to the program, 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 will provide information about contraceptive usage, acceptor attitudes and practices and consumer preferences.

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-- Financial Viability of APROPO and CSM Program: At the end of the five year program, it is anticipated that 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 program 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. 18 cents per month's supply of contraceptives) to the program. It is the intention of USAID and APROPO to maximize the net revenue consistent with the social objectives of this program. APROPO, as the sponsor of the CSM program, will have built a strong administrative and financial base that will be able to continue and expand program coverage after AID funding has terminated.

III. 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 represents that it has the authority to accept grants and donations as well as to contract for sponsorship and implementation of programs such as CSM, as well as 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 program manager for implementation of this CSM program who will report directly to the Executive Director. The program 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 program responsibility and will be assisted and trained by the U.S. resident program advisor during the first three years of the program.

A. Program Components

The program consists of four major commercial activities to be executed by Peruvian private businesses, under the sponsorship of APROPO. These activities are described below by their commercial function.

1. Market Research

Data obtained from the program's market research component will form the basis for sharpening decisionmaking regarding the implementation of all other program activities over the five years of the program. For example, setting the consumer price for a month's supply of each contraceptive product. 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 program 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.

Quantitative research will be conducted through national random sample surveys targeted at approximately 1,000 to 3,000 interviewees. Quantitative research will 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 program.

2. 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.

3. Distribution and Sales

Distribution of the 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 and APROPO are aware of various Peruvian companies that could implement this activity.

The selected distributor(s) will sell the program contraceptives 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.

Furthermore, it is anticipated that a like number of non-pharmaceutical outlets will begin distributing contraceptives under this program. 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.

CSM products 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 1,300 and 2,400 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 program will develop further information about price.

Under the program, up to six product promotores will be hired 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 mutually determined to be 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 will have significant impact on CSM product sales. Program funds will provide for their salary or travel expense support which may be supplemented by commissions earned on product sales.

4. 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 education/training effort will be directed at Peru's non-literate population.

IV. Reports and Evaluations

Progress reports will be prepared and submitted jointly by the TA advisor and the Executive Secretary of APROPO every 3 months to USAID/Lima. For the first year these reports will consist mostly of descriptions of the implementation process. When sales commence the quarterly will take on the characteristics of a sales report with limited narrative.

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 program'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 program'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.

Qualitative measurements will be drawn from survey research, consumer panels and interviews with key selected program-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 program is reaching its target population.

In addition to annual sales and user targets, the program will be evaluated by its timely, successful implementation of key program activities. USAID/Lima and outside evaluators with assistance from APROPO will perform the evaluation

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

Project Component/Investment Category	A.I.D.	APROPO	TOTAL
1. <u>CSM Program Activities</u>			
a. Marketing and Research	175	-	175
b. Advertising (Intensive)	250	300	550
c. Advertising (Maintenance)	1,050	450	1,500
d. Packaging	235	-	235
e. Distribution Sales	55	45	100
2. Contraceptive Commodities	1,200	-	1,200
3. <u>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	3,890	1,350	5,240
Inflation/Contingencies	210	150	360
TOTAL	4,100	1,500	5,600

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

(U.S. \$000)

FY 84	700
FY 85	2,550
FY 86	600
FY 87	250
TOTAL	\$4,100