

PROFIT

Promoting Financial Investments and Transfers

PD-ABI-555

- *Private Health Care Providers*
- *Employer-Provided Services*
- *Innovative Investments and Transfers*

PROJECT PERFORMED FOR
**U.S. Agency for International
Development** (*Office of Population*)

**Deloitte &
Touche**



Deloitte Touche Tohmatsu International

In association with

Boston University Center for International Health

Multinational Strategies, Inc.

Development Associates, Inc.

Family Health International

FIVE YEAR STRATEGY

PROMOTING FINANCIAL INVESTMENTS AND TRANSFERS

PROFIT

Deloitte & Touche

**Contract Nos.: DPE-3056-C-00-1040-00
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January 31, 1992

January 29, 1992

Dr. Jennifer Adams
U.S. Agency for International Development
Office of Population
Family Planning Services Division
Room 809, SA-18
Washington, D.C. 20523-1819

Dear Dr. Adams:

Deloitte & Touche is pleased to submit the **FIVE YEAR STRATEGY** document for PROFIT (Promoting Financial Investments and Transfers) to the U.S. Agency for International Development.

We have appreciated the opportunity to review an earlier draft of this document with you, and have incorporated your suggestions. The PROFIT team is fully committed and enthusiastic to begin this challenging assignment.

We are looking forward to working with A.I.D. and the Office of Population on this new and innovative project. If you have any questions, or wish to discuss the document, please feel free to contact me at (202) 879-4952 or by fax at (202) 638-7303.

Very truly yours,



Donald R. Nicholson II
Project Director
PROFIT

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EXECUTIVE SUMMARY

PROFIT FIVE-YEAR STRATEGY

Introduction

PROFIT, or "Promoting Financial Investments and Transfers," is a new and innovative project of the Family Planning Services Division (FPSD) of A.I.D.'s Office of Population (R&D/POP). PROFIT was designed to increase the for-profit sector's contribution to support family planning service delivery in developing countries. The PROFIT team is the latest to join FPSD's group of cooperating agencies, or CAs. As part of this group, PROFIT will support FPSD's overall mandates. However, PROFIT fills a new and unique role. This five-year project will use financial leveraging techniques in support of private sector family planning. PROFIT represents a new way of thinking about how donor groups can contribute to family planning.

The 1990s have been characterized as "the first generation of post-aid projects" for development agencies. Because official development assistance from the U.S. has been constrained in recent years, and is likely to remain so for the foreseeable future, the essence of the challenge of PROFIT is to leverage public resources, to broaden the financial base of U.S. development aid and to develop projects that can thrive without continued donor support.

PROFIT is a remarkably innovative venture for A.I.D., in that R&D/POP is here acting more like an entrepreneur than it has in any previous project. This summary describes the strategic orientation of PROFIT and how the project team plans to operate.

The PROFIT project is composed of a consortium of five firms, led by the international financial services and accounting firm of Deloitte & Touche (D&T). Subcontractors include Multinational Strategies (consultants in international finance), Development Associates (a family planning training contractor), Boston University Center for International Health (consultants in public health finance), and Family Health International (family planning research specialists). These firms bring together a broad

range of financial and family planning skills and experience. The core PROFIT team includes fourteen full-time staff members, based in Washington, D.C. Seven staff members constitute the core team's technical unit and seven the administrative. In addition, PROFIT will place country directors in six countries. Deloitte & Touche's local offices in all the PROFIT countries will provide local business knowledge and advice to the project. PROFIT will also draw on the assistance of a four-person Expert Advisory Panel.

PROFIT will conduct financial transfers and develop projects that stress sustainable private sector initiatives. A.I.D. has established an investment fund of \$17.4 million to be used for such transfers, which may include conversions of developing country debt or of corporate blocked funds. The PROFIT team expects to be able to show, at the end of PROFIT's five years, that A.I.D.'s investment fund has resulted in considerably more in family planning resources.

Background

A.I.D. has long recognized that donor funds for family planning programs are not keeping pace with the increasing demand for family planning services. R&D/POP has estimated a shortfall of \$1.4 billion by the year 2000. A.I.D. has also begun to address the problem of making family planning programs "sustainable," that is, generating enough income to continue operating without donor funding. Further, A.I.D. has been stressing a need for efficiency and innovation in family planning in recent projects.

Worldwide, the role of the private sector is becoming ever more important. In many national economies, the public sector is shrinking as individuals and governments recognize the key role of market mechanisms. Thus, R&D/POP has also been seeking ways of increasing private sector involvement in provision of family planning services, particularly to stimulate ways of achieving sustainability, efficiency and innovation.

PROFIT is a response to these factors. PROFIT addresses such concerns with the use of financial mechanisms that have become widespread in the past decade. Briefly, PROFIT will use debt conversions, blocked funds conversions and private investment to generate both local and hard currency for use in private sector family planning activities.

Starting with "seed capital" provided by A.I.D., the project will make use of a range of financial transactions now available in the market. The family planning projects chosen for funding will have a private sector, for-profit focus, and will stress the internal creation of cash flow for sustainability.

PROFIT's Mission

The mission of the PROFIT project is twofold:

- To facilitate private sector involvement in sustainable family planning projects
- To create and use innovative financial leveraging techniques and models for those projects.

This statement of PROFIT's mission identifies both the end and the means. PROFIT will seek to use the private sector to close the resource gap. This is a propitious time to begin because:

- There are large amounts of developing country debt available at a discount
- There are new financial techniques to use "frozen assets"
- Opportunities for using debt are likely to diminish, making now the time to act.

Where PROFIT Will Operate

PROFIT will have long-term projects in **ten** countries, with full-time country directors in **six** of those. PROFIT targets for potential project sites in year one are:

Brazil
Nigeria
Mexico
India
Indonesia
Philippines.

In year two, we will select four more countries, most likely from these: Egypt, Turkey, Kenya, Morocco or Peru. Note that we will probably assess more countries than we select for long-term projects; the first six countries assessed are not necessarily those where PROFIT will place a country director. These countries are a heterogeneous group; they vary widely in economic and political conditions. PROFIT will design projects appropriate to country conditions.

These countries were selected from an initial list of PROFIT targets developed at the time of the request for proposal. The initial list was reviewed in light of current economic conditions and changing A.I.D. priorities. R&D/POP is reviewing a reorganization of its priorities, known as the "BIG country strategy." BIG countries have populations over 20 million. The new strategy focuses more of A.I.D.'s funds where the demographic impacts are likely to be greatest. PROFIT's tentative list of target countries is consistent with the BIG country strategy.

PROFIT's Goals

PROFIT has established five strategic goals for the project:

- Act as a catalyst for private sector initiatives in family planning
- Establish twenty significant and sustainable projects

- Leverage A.I.D. funds by an average of four-to-one
- Achieve a measurable impact
- Create a central resource base of information and skills.

Each goal is further defined in the sections that follow.

Goal One: Act as a catalyst

PROFIT offers an opportunity to create model projects demonstrating that family planning in the private sector can be profitable and sustainable. Once this has been demonstrated, PROFIT expects that corporations and entrepreneurs will be motivated to create additional initiatives, based on the PROFIT model. PROFIT offers three important factors as a catalyst:

- *Money.* PROFIT's investment fund will provide crucial start-up funds or risk capital, and will induce investors to team up with A.I.D.
- *Private sector skills.* The PROFIT team is primarily drawn from private sector financial institutions, and knows how to attract outside investors. The team also knows how to manage investments for longer-term success and profitability.
- *Contacts.* The PROFIT team has worked around the world, and has extensive background and contacts in the business, financial and family planning communities. These can be tapped to identify promising investments and to find partners.

Goal Two: Establish twenty projects

PROFIT resources will be focused, not thinly spread. PROFIT will establish twenty projects in ten countries -- a limited number of significant projects in a limited number

of countries. Sustainability will be emphasized. The PROFIT team has defined a "significant" project as one that involves an investment of at least \$500,000; that involves one of the three biggest health or family planning providers in the country; or that involves a corporate entity with at least 5,000 employees. A "sustainable" project will generate sufficient funds to continue after PROFIT is over, or will have access to continued local funding from other sources, and will have access to continued technical assistance if necessary.

PROFIT plans to have all twenty projects identified, and most underway, by the midpoint of its term (month thirty). This accelerated investment schedule means that all of the \$17.4 million investment fund should have been disbursed by the middle of year three. The team has planned the schedule to allow sufficient time for each investment to produce measurable returns by the end of PROFIT's five years.

Goal Three: Leverage A.I.D. funds by 4:1

For PROFIT, A.I.D. has established an investment fund of \$17.4 million. PROFIT expects to achieve a "multiplier," or leverage, of about four-to-one on those funds, resulting in \$60 to \$70 million for private sector family planning projects. This leverage will be accomplished in several ways:

- *Debt conversion.* Developing country debt, when traded in the secondary market, often sells at a discount. That is, the purchaser of debt can often negotiate a deal to receive more than the current market value when the amount is converted to local currency. For example, Brazilian debt recently traded at about twenty-five cents on the dollar. PROFIT could purchase \$250,000 worth of Brazilian debt and receive \$1 million worth of cruzeiros, the "face value" of the debt (less transaction costs), for use in Brazil.
- *Blocked funds conversion.* Blocked funds are corporate earnings, in local currency and held in local banks, that cannot be transferred out of the country. Multinational corporations may sell these funds at a discount to obtain hard currency. This is another way for PROFIT to gain local currency for local projects.

- *Investment partners.* PROFIT will structure its projects so that they are attractive to private sector investors, who may be local entrepreneurs or multinational corporations or individuals. This will spread investment risk, and help to ensure that PROFIT projects are designed with the fiscal discipline required by the market.
- *Borrowing.* PROFIT will also consider borrowing funds in local or international capital markets for projects that are expected to generate enough income both to pay back the funds during the life of PROFIT and to generate additional income.
- *Leasing.* PROFIT will also consider leasing, rather than buying, equipment or facilities. Leasing reduces risk and spreads capital costs over several years. Ideally, leases will include a purchase option, so that the enterprise can own the facilities or equipment at the end of PROFIT.
- *Guarantees.* PROFIT may offer guarantees to private sector investors and creditors, where PROFIT does not invest any initial capital but limits the risk to investors.

Goal Four: Achieve a measurable impact

The group of countries in which PROFIT will operate presents widely varying economic, political and social conditions. PROFIT will carefully select projects that can succeed under local conditions and constraints. Because of the range of countries and types of projects, evaluation will be a challenging task. It may not be feasible or realistic to look for nationwide demographic impact, for instance.

Conventional, widely used family planning evaluation criteria apply only partly to PROFIT's scope of operations. PROFIT will define success criteria, in both financial and family planning terms, specific to each project and tailored to what the project can achieve. For example, an employer-based project may focus on increasing the number of users in an employee population, reducing absenteeism and realizing cost savings to the employer. A manufacturing project may focus on increasing availability of condoms

or drugs in the country as a whole. PROFIT will look at how well the goal of financial leverage was met, and whether projects generated enough revenue to be sustainable. The important issue of evaluation requires a careful and thoughtful consideration, project by project, of where results are expected and how they can be quantified.

Goal Five: Provide a central resource

The PROFIT project expects to serve as a resource for other R&D/POP or A.I.D. offices, other cooperating agencies, and USAID Missions. The resources available include financial and managerial skills, which may be used in joint efforts with other cooperating agencies. Other central resources include a project library with background on PROFIT countries, and information about financial techniques and investment management. PROFIT includes a buy-in component, so even Missions in countries where PROFIT does not operate can request technical assistance in areas where the PROFIT team has particular skills.

Types of PROFIT Projects

PROFIT will base the design of its projects on the goals described above. Family planning projects will fall into three major sectors:

- *Private, market-based providers.* PROFIT will design projects that involve as partners groups of health care personnel, group practices, pharmacists, or professional associations. This sector may also include hospitals and insurance companies. The types of projects may include establishing new facilities, adding family planning services to an existing practice, supplying training, or supplying commodities or informational material on a market basis.
- *Employer-based providers.* PROFIT will also approach employers of large numbers of workers, such as manufacturing plants, mines and plantations, to offer family planning as a benefit. To help ensure that these projects are sustainable, PROFIT will offer managerial as well as

technical skills. Types of employer-based projects may include adding family planning as a benefit, establishing workplace clinics, establishing joint clinics for use by a number of employers in an area, and so on.

- *Manufacturing, marketing and distribution.* PROFIT will seek opportunities for investment in production or processing facilities, packaging of drugs or condoms, distribution, and in assisting to bring new technologies to market. Types of projects may include establishing new production facilities, upgrading old plants, expanding a distribution network, expanding an export market, or introducing a new type of condom, among others.

Two additional types of PROFIT projects may apply to any of the sectors mentioned above:

- *Privatization* of service delivery, production, or insurance currently in the public sector will always be an option considered. Indirect methods of privatization, such as contracting-out for services, may sometimes be appropriate. PROFIT will also look at the regulatory climate in the country as it affects the process of privatization.
- *Reduction of trade barriers* may affect family planning efforts at many levels. Such barriers may inhibit the import of raw materials or finished goods, thus limiting availability of modern methods; barriers may also affect national or regional distribution or restrict foreign investment. Indirect barriers such as price controls may inhibit the entry of the private sector into service or commodity provision. PROFIT will explore trade barriers as they affect projects. We may recommend ways to operate despite these barriers, while making policy recommendations to improve the situation.

Life cycle of a PROFIT project

PROFIT projects will progress through five stages:

- Country assessment
- Deal flow
- Operation
- Growth
- Divestment.

During the first year of PROFIT, the team will focus on completing country assessments, to select where PROFIT will invest, then getting the first investments established, that is, "making the deals." The five stages involve:

Stage One: Country Assessment

- *Country assessment.* An initial visit to the target country will establish contacts and identify promising leads. The local D&T offices will be asked to assist with ideas and contacts. Initial ideas will be discussed, and a second trip will examine promising projects in more depth. The team will prepare a country assessment, describing where PROFIT is most likely to succeed and identifying a number of potential projects.

Stage Two: The Deal Flow

- *Project selection.* A number of potential projects will be reviewed in light of the economic environment, the success of similar projects, R&D/POP's other activities in the country, and other factors. A limited number of potential projects will be selected for in-depth review.
- *Project analysis.* The selected projects will undergo more careful scrutiny. Private sector investors will be asked to make tentative commitments, and a financial review covering required capital, projected

revenues and many other factors will be completed. Like a private investor, PROFIT will carefully scrutinize financial and operational elements before proceeding. Results of the analysis will be documented in a Project Memorandum.

- *Preparation of investment.* R&D/POP and other A.I.D. parties will review and approve the Project Memorandum. PROFIT will then finalize arrangements with other investors, complete "due diligence" investigations, and prepare a Memorandum of Understanding between PROFIT and other parties to the transaction. Finally, an Investment Document will be prepared, setting out these arrangements and committing the participants. Final legal and technical arrangements will then be put in place.

Stage Three: Operation

- *Implementation.* All the elements of the project will come together for project start-up. PROFIT will play an active role in helping to ensure that the enterprise gets off to a smooth start. Where problems arise, PROFIT will put together a task force to address the problem, control potential losses, and establish a means to prevent the problem from recurring.
- *Monitoring.* Following implementation, PROFIT will remain an active participant in the project, although the team does not expect to have to "micro-manage" each project. The PROFIT country directors, however, will play an active role in management. PROFIT will define a set of "vital signs" for each project, which the country director will review on a regular basis looking for potential problems.

Stage Four: Growth

As the project unfolds, PROFIT will begin to look at opportunities to expand the project's scope or to replicate it elsewhere in the country or in the region. For instance,

PROFIT may help an enterprise to reach new markets, to link up with a multinational corporation, or to obtain additional bank financing. If the project is generating sufficient funds, another facility may be opened, for example, or a product line expanded.

Stage Five: Divestment

Finally, PROFIT will eventually divest itself of the project and the associated investment. Many investments will involve equity in an enterprise. PROFIT has proposed that, during the five-year life of the project, its investments will be held in a U.S.-based non-profit corporation, controlled jointly by A.I.D. and the project. This proposal seems the best way to hold equity during the life of the project; it is being reviewed by legal counsel. An "exit strategy" for each investment will be devised at the start of the project. At the end of the five years, PROFIT will turn these investments into an ongoing resource which may be used to continue the enterprise, support another A.I.D. effort, or be liquidated to obtain funds for another purpose.

PROFIT Involves Risk

PROFIT projects will face various types of risk, such as the risk of an investment losing money, the risk that a project may not be appropriately designed, the risk that a project will not achieve sustainability, and political risk that a host government's policies will become less conducive to success. PROFIT will seek the same degree of control that a private investor would; the team will plan as well as possible and identify what factors cannot be controlled.

PROFIT acts, in a sense, as a venture capital firm. A venture capitalist expects that some investments will be failures, some will be modest successes, and some will be stars. PROFIT's twenty projects most likely will include all three, although of course the team will strive to have all stars.

Project Dissemination

Finally, the PROFIT team is anxious to ensure that information about PROFIT projects and other activities is made widely available to interested parties. PROFIT will seek a wide audience among the business and financial communities, international development assistance groups, the public health and family planning communities, government and cooperating agencies, and academia. Some of its tools will be a quarterly newsletter, conferences and workshops, occasional papers, press releases, a video, and academically oriented case studies.

Conclusion

PROFIT is an exciting and well-conceived project, one that brings together a range of ideas, approaches and techniques that have not been tried before. While not risk-free, PROFIT begins at a time when it has the highest possibility to succeed. The PROFIT team is fully committed to the project's success, and is eager to begin.

SECTION 1

1. INTRODUCTION

PROFIT, or "Promoting Financial Investments and Transfers," is the newest project of the Family Planning Services Division (FPSD) of A.I.D.'s Office of Population (R&D/POP). PROFIT was designed to achieve the greatest for-profit contribution to support family planning service delivery in the developing world. The PROFIT team is the latest to join FPSD's group of cooperating agencies, or CAs. As part of this group, PROFIT will support FPSD's overall mandates. However, PROFIT fills a new and unique role.

PROFIT represents a major new initiative to promote family planning service delivery by the private sector. This document presents PROFIT's overall strategic approach, which will guide the project during its five-year term. The strategic initiatives described here are supplemented by a First-Year Work Plan, which specifies the tactical steps for the first twelve months.

1.1 BACKGROUND TO PROFIT

The 1990s has been characterized for development agencies as "the first generation of post-aid projects." Because official development assistance from the U.S. has been constrained in recent years, and is likely to remain so for the foreseeable future, the essence of the challenge of PROFIT is to leverage public resources, to broaden the financial base of U.S. development aid and to develop family planning projects that can thrive without continued donor support.

A.I.D.'s Office of Population has long recognized that continued population growth and lower direct aid to the developing world mean that the "resource gap" (resources available for family planning versus demand for those services) will widen quickly over time. A.I.D. estimates that the resource gap for family planning in the developing world could reach \$1.4 billion by the year 2000. Overpopulation may be the single biggest long-term problem facing the world today; in A.I.D.'s words, "the daunting challenges

of reducing hunger, providing basic services, expanding productive employment, increasing incomes and managing the natural resource base are all made more difficult by high rates of population growth." Alternatives to direct aid must be found.

A.I.D. has been funding conventional and creative family planning projects since 1965. The Agency has also stressed the need for efficiency and innovation in its projects. R&D/POP recently ventured into new areas through the TIPPS, Enterprise and other projects. These brought the private sector into family planning activities as a co-sponsor. Results of TIPPS and Enterprise showed promising initial success, and laid the groundwork for a more ambitious private sector project.

PROFIT has therefore been created as a family planning project that will, among other things, create, manage and invest in profitable commercial family planning ventures and activities. By operating as a venture that speaks the language of the private sector, PROFIT can attract its involvement. Since public resources are to be used to induce private investors to enter various aspects of family planning businesses, a well-developed appreciation of what makes for successful investments must guide this process. The private sector will not enter these businesses because A.I.D. wishes it; rather, PROFIT projects will have to compete in a market crowded with alternatives that are each competing for scarce investment capital.

1.2 THE WINDOW OF OPPORTUNITY

The impetus to leverage public resources comes at a time when a large pool of funds is open to A.I.D. This opportunity has been created by the following confluence of circumstances:

- A huge overhang of government and private sector debt and blocked funds exists in world financial markets. These assets have, until recently, been largely unproductive.
- New ways have been explored to make the use of these assets attractive as a result of new and innovative financial transactions such as trading debt on the secondary market

for the purpose of leverage rather than more traditional investment objectives. Leveraging techniques include debt conversion, project finance, joint ventures, leases and guarantees. In particular, debt conversions are taking place with both private and public entities. Creditor governments have found they can affect debtor policies through conditional debt forgiveness programs. Likewise, debtor governments have begun to discover that conversions and other use of "frozen assets" can have particular benefits.

- Recently, "financial engineers" have begun to create ways to make debt and blocked funds profitable. Debt swapped for equity, nature, development and other Less Developed Countries (LDC) activities are now available in some of PROFIT's indicated list of countries. Other groups are exploring similar "Debt for Social Impact" programs."
- Conversion of this debt burden and reservoir of blocked funds is, however, a one-time opportunity: the debt overhang will not be replenished. Already, the growth of the secondary market (which has gone from a volume of \$5 billion to \$75 billion in five years) and the success of debt conversion efforts are reducing the discount available on debt and diminishing the opportunities for its profitable use, particularly in more advanced countries such as Mexico.
- Appropriations of funds from traditional donors for family planning purposes are falling far short of demand.
- Economic and continuing population pressures have made the policy environments for family planning much more attractive in many countries.

- The policy environments in many LDCs have become more attractive to entrepreneurs and foreign investors as governments have moved to embrace private sector activities and foreign investment.

The coincidence of these factors offers a unique window of opportunity from which to launch the latest major innovation in family planning activities. The time is ripe to strengthen and expand the bridge between the public and private sectors.

To take full advantage of current opportunities, PROFIT will engage in activities that utilize all of the tools, methods, and practices of the market:

- **Leveraging aid money by using frozen assets**, specifically external debt and corporate blocked funds. The evolution of the secondary debt market and debtor governments' growing willingness to convert for a variety of purposes offer an opportunity for leveraging that was not previously available. PROFIT will create pioneering programs for channeling frozen assets to family planning services.
- **Focusing on high impact programs.** With money, leveraging and private sector packaging skills, PROFIT can work in areas often difficult for traditional family planning programs to affect, particularly urban industry. The large urban areas, industrial concentration, and number of women workers in the largest countries make them particularly attractive for PROFIT activities.
- **Fostering foreign and domestic investment in family planning**, particularly public-private partnerships where previously only the public sector was involved. Because PROFIT can look, talk, and react as a private sector operation, it can foster this investment where traditional programs cannot. PROFIT will engage in private sector transactions encompassing a broad palette of attractive

activities and investment options that promote family planning services.

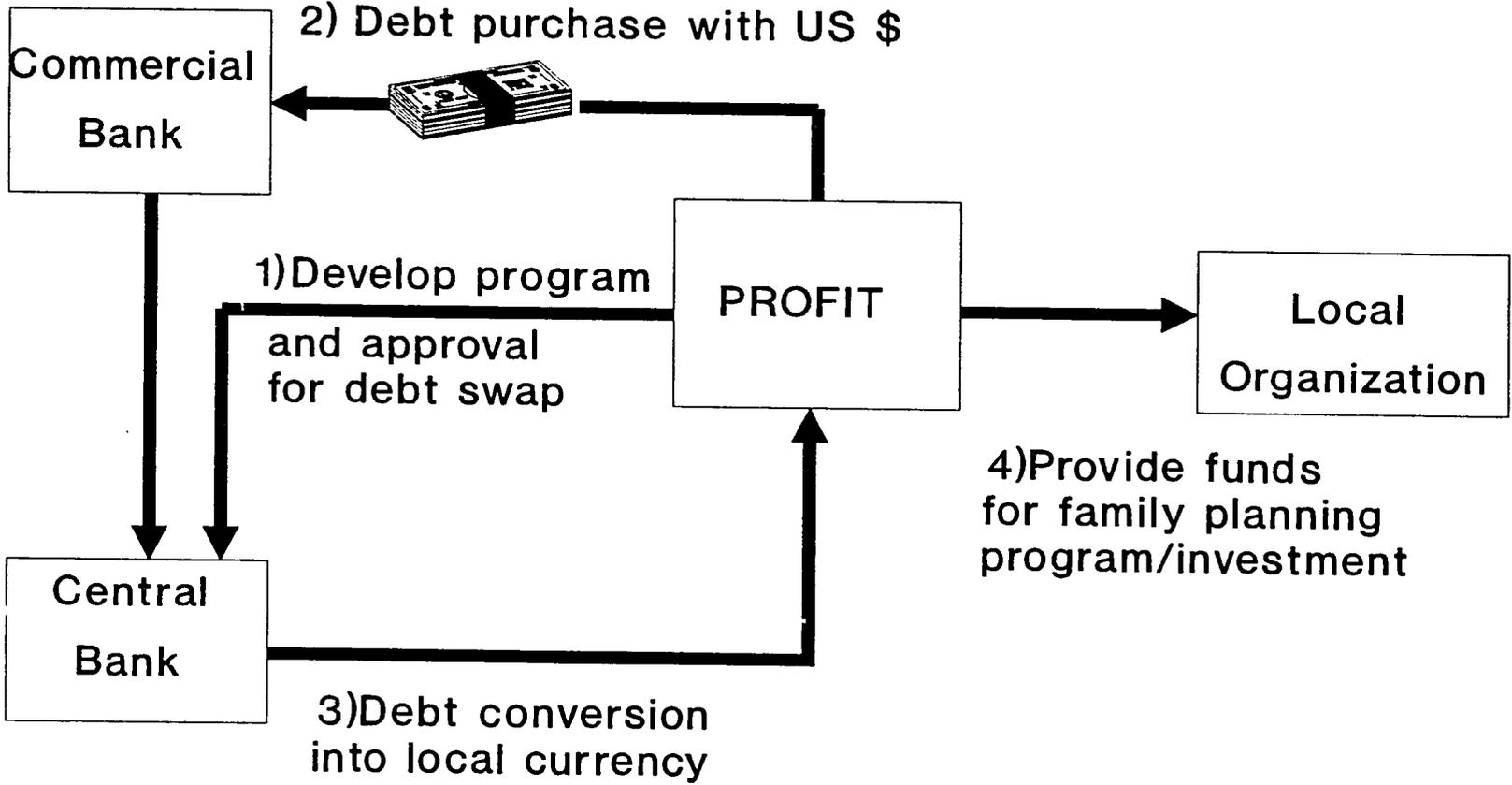
- **Building on previous family planning efforts.** Particularly in the BIG countries, PROFIT can be an additive rather than separate project, working in areas already proven to be particularly effective.
- **Stimulating existing private sector involvement in family planning.** PROFIT will have the financial and technical skills to foster the private sector in this area, helping to solidify the foundations for more sustainable activities in the future.

Serving as a model for the application of the same principles to other development uses.

1.3 HOW A DEBT SWAP WORKS

A quick summary of the debt conversion mechanism is shown graphically in Exhibit 1-1, on the next page. It illustrates how a U.S. not-for-profit organization purchases a developing country's debt from the holder (usually a commercial bank), then negotiates with the country's central bank to convert the debt to some amount of local currency. The conversion provides funds for local operations. In most cases, the use to which the converted funds will be put must be defined and approved in advance of the swap. The process can vary somewhat depending on many factors, such as whether the country has a formal debt conversion program. PROFIT will follow this process according to A.I.D.'s guidelines.

Exhibit 1-1
HOW A DEBT SWAP WORKS



1-6

Source: Debt-for-Development Coalition

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1.4. PROFIT MISSION

PROFIT has defined its mission as twofold:

- To catalyze sustainable family planning projects by facilitating private sector involvement
- To create and use a set of innovative financial and investment techniques to leverage A.I.D. funds, techniques broadly applicable to other A.I.D. programs.

The mission statement describes both PROFIT's end and its means. This dual mandate responds to escalating pressures to use A.I.D. money more effectively to bridge the growing resource gap. PROFIT uses the tools and methods of the private sector to create effective prototypes for how A.I.D. and other non-profit organizations may operate more cost-effectively and utilize leverage appropriately.

PROFIT will design and execute a series of transactions that will serve as models and become part of public-private cooperation, in much the same way that the first debt-for-nature swap in Bolivia galvanized the environmental community and ultimately became embedded in U.S. foreign policy. A number of organizations have been finding that many countries are receptive to the use of debt for "social impact programs." PROFIT falls into this category, and expands the use of debt conversion into a new field.

* * * * *

Section 1 has introduced the PROFIT project and its overall mission. The remainder of this document discusses PROFIT's five-year goals, the types of projects it will pursue, the life cycle of a PROFIT project, project evaluation and dissemination, the overall project schedule, and the managerial framework established to run PROFIT.

SECTION 2

2. PROFIT GOALS

PROFIT begins with a mandate to leverage A.I.D.'s \$17.4 million investment fund through innovative financial transactions, transfers, project finance programs, joint venturing and other means. This section describes the specific goals that PROFIT has set out to achieve; first, however, we identify the countries where PROFIT expects to operate.

2.1 INITIAL SELECTION OF COUNTRIES

PROFIT will focus its resources on a limited number of countries: ten countries with PROFIT projects, of which six will have a resident country director. The PROFIT team has tentatively selected six countries to be considered in the first year. Consideration of a country does not necessarily mean that PROFIT will operate there. During the first year, the PROFIT team will assess the opportunities in those countries and determine whether to establish a project and a country director. In the second year, at least four more countries will be assessed, until the total of ten has been reached.

In the PROFIT Request for Proposal, R&D/POP identified twelve potential target countries. Since that time, R&D/POP has begun to emphasize the "BIG country strategy," which directs resources to demographically significant countries. Most PROFIT countries are BIG, and the team plans to adhere to that overall strategy.

R&D/POP has also established a ranking methodology of three key family planning indicators: number of births of the order four or higher; number of high-mortality-risk births; and number of women with unmet family planning needs. Exhibit 2-1, on the next page, shows the initial PROFIT target countries in order of their three-factor ranking.

Exhibit 2-1			
RANKING OF INITIAL PROFIT COUNTRIES			
COUNTRY	SIZE	THREE FACTOR INDEX	SCORE
INDIA	1	1	100
NIGERIA	5	2	24
PAKISTAN	6	3	23
BANGLADESH	4	4	23
INDONESIA	2	5	19
BRAZIL	3	6	13
MEXICO	7	8	12
EGYPT	12	10	8
PHILIPPINES	9	14	6
TURKEY	11	15	6
THAILAND	10	24	4
ZIMBABWE	37	40	
EASTERN EUROPE			

Source: Presentation made by A.I.D. during meeting held with Cooperating Agencies on BIG Country Strategy (November 18-19, 1991)

Based on BIG and on its initial list, PROFIT has selected a tentative set of targets. The planned first-year countries, and possible second-year countries (all BIG, but some not initially identified), are as follows:

<u>Year One</u>	<u>Year Two</u>
Brazil	Egypt
Mexico	Morocco
India	Kenya
Indonesia	Turkey
Nigeria	Peru
Philippines	Thailand

This is a heterogeneous group. The countries share few characteristics, except possibly the maturity of their institutions supporting family planning -- a main reason for selection. The countries also vary in:

Economic Factors

- Depth of economic resources
- Debt burden
- Percent of employment in industry
- Rate of urbanization
- Rate of foreign economic penetration

Family Planning Factors

- Growth rate of population
- Percent of women in labor force
- Family planning track record
- Private sector participation in public health or family planning.

This diversity will allow PROFIT to try different types of projects in different environments. PROFIT will also take varying levels of risk into account, such as risks of political instability or graft and corruption.

2.2 STATEMENT OF GOALS

To fulfill its mission, PROFIT has set itself five principal goals:

- 1) Serve as a catalyst for private sector involvement in family planning in the target countries.
- 2) Establish twenty significant and sustainable projects.
- 3) Leverage A.I.D. funds an average of 4:1 over the life of the project.
- 4) Achieve a measurable impact on family planning in the PROFIT countries.
- 5) Create a resource for A.I.D. and the family planning community.

The following subsections discuss these goals in greater detail.

2.3 GOAL ONE: SERVE AS A CATALYST FOR PRIVATE SECTOR INVOLVEMENT

In most developing countries, family planning has not been perceived as a money-making activity by the private sector. This situation is gradually changing, and some developing countries host significant private sector efforts in family planning. PROFIT can contribute to expanding these efforts because it offers a unique combination of incentives: *money and private sector skills*. PROFIT has significant financial resources and the management skills to use them effectively to attract private sector participation in its projects. In addition, PROFIT shares project risk by investing its own funds in conjunction with local investors.

PROFIT expects to build up local private sector capacity in family planning. PROFIT will find and make available needed financial and technical assistance to make such expansion possible. PROFIT will creatively package funding and assistance from a range of organizations: local entrepreneurs, multinational companies interested in joint

ventures, multilateral donors, and bilateral aid programs. PROFIT will work with both local and foreign companies, providing the financing, packaging and sales skills necessary to facilitate joint ventures and "greenfield investments" successfully.

2.4 GOAL TWO: ESTABLISH TWENTY LARGE SUSTAINABLE PROJECTS

PROFIT will focus on twenty significant projects in ten countries over the five-year life of the project. R&D/POP feels that it will be more meaningful to invest in fewer, larger projects, rather than spreading PROFIT resources thinly over many countries and projects. The types of PROFIT projects are discussed in Section 3 of this document; broadly, they will cover private providers, employer-provided programs, and a range of investment options. Each PROFIT project will be significant in size. Each will be designed to be self-sustaining at the end of five years.

PROFIT defines as "significant" any project that incorporates at least one of the following criteria:

- **Involves a firm or associated group of firms with 5,000 employees or more; previous experience indicates that desirable economies of scale and impact are achieved when working with 5,000 or more employees.**
- **Involves one of the three largest health care providers in the target area; seeking to maximize the impact of programs by working with groups that reach the widest possible number of people.**
- **Involves a minimum \$500,000 investment by PROFIT; investment experience shows that the greatest impact per dollar for such efforts is usually achieved with investments of \$500,000 or more.**

PROFIT defines a "sustainable" project as one that incorporates at least one of the following criteria:

- **Generates sufficient funds internally for effective long-term operation;** one that will not rely on continuing public sector donations for viability.
- **Has assured alternative funding in the long term;** one that has secured private sector/user fees to cover full costs.
- **Has continued access to essential technical assistance in the long term;** one that will be in a position to receive technical support through the support of its private sector sponsors or as a result of self-generated funds to pay for such support.

The PROFIT team considers profitability essential to sustainability because it ensures that self-generated capital will be available for continuing activities in family planning, thus freeing A.I.D. from continuing subsidies. PROFIT will therefore seek projects with significant potential for profit to assure their sustainability.

2.5 GOAL THREE: LEVERAGE A.I.D. FUNDS

A key objective of PROFIT is to leverage A.I.D. funds through the application of innovative financing techniques. PROFIT will accomplish this goal in several ways:

- **Using External Debt.** PROFIT will establish a dialogue with LDC debt traders, commercial banks, and members of the London Club. Through these and other relationships, the PROFIT team will be aware of debt swap opportunities. The debt swap process was illustrated in Section 1. When executing a deal, PROFIT will negotiate the best available market rate for the purchase of LDC debt in order to convert it into local currency. While most transactions will

be conducted for and on behalf of PROFIT, other CAs may be accommodated as well. Some deals may simply be brokered to third parties.

- **Using Blocked Funds.** PROFIT will identify sources of corporate blocked funds in target countries. Not every country's laws result in the existence of blocked funds. Where they exist, these resources can play a significant role in achieving leverage. In countries where blocked funds are plentiful, deep discounts may be obtained. The blocked funds may be purchased and converted by PROFIT, or may be used by the holder to invest in PROFIT projects.
- **Making Investments.** PROFIT may use some of the \$17.4 million allocated for investments rather than swaps. Such investments may be in the form of equity, quasi-equity, debt or guarantees. Investment vehicles may be "packaged" into specially tailored project finance programs. This investment capability means that PROFIT can talk to potential private sector partners as equals, in that PROFIT will also be sharing the risk and have "money on the line." A key ingredient for PROFIT's success in leveraging funds is its ability to attract other entrepreneurs to PROFIT as joint venture partners. The potential for a profitable project is the key factor in attracting local investors.
- **Borrowing.** Some PROFIT projects will be able to borrow money from third parties, such as multilateral or regional lending agencies or possibly commercial banks. Such borrowings would be incorporated into specially tailored project finance packages that could include an equity component and be complemented by borrowing from export credit agencies, private sector lenders and entrepreneurs.

- **Take advantage of Lease Financing.** Lease financing can be an attractive leverage technique in selected countries and projects that will require capital equipment (factories, finishing plants, vehicles, etc.). PROFIT will evaluate lease/purchase options as alternatives to capital purchases, where appropriate to a project.
- **Offering Guarantees.** PROFIT may issue guarantees in favor of third parties that offer financing on behalf of PROFIT projects. Such guarantees could enable PROFIT projects to obtain more favorable terms and conditions and therefore enable PROFIT to maximize leverage possibilities.

PROFIT will have to use its full range of options to assure the greatest possible leverage of A.I.D. funds and to control risks. Countries with better investment environments and better credit standings tend to have lower "conversion multipliers" -- the premium achievable in converting debt. In those countries, PROFIT will require more "matching funds" (other types of finance, such as private investment) to reach the desired multiplier. In countries with a more favorable investment climate, there should be more readily available matching funds.

PROFIT will seek matching funds from both the private and public sectors. Foreign companies, especially in the industrialized countries, may be enticed to participate in a family planning project if mixed credits are available. In general, mixed credits can be used to reduce the risk to any single investor in a commercial venture in which the investors perceive significant risk. Spreading risk among several public and private investors can be a very effective way of promoting new or higher than average risk opportunities.

2.6 GOAL FOUR: ACHIEVE MEASURABLE FAMILY PLANNING IMPACT

A long history of projects around the world provides numerous examples of how family planning impact may be measured. However, PROFIT's dual mandates of profitability

and enhancing family planning are unusual goals to try to meet simultaneously. These standards are usually measured by different time frames and criteria. PROFIT, therefore, must define a method for measuring its impact on family planning that is consistent with its dual mandates.

Ideally, PROFIT's projects will result both in an increase in users of family planning and in an increase of private sector resources devoted to family planning -- thus freeing public resources for those who cannot afford to pay. PROFIT projects will have to do this in at least one of the following ways:

- **Increasing the number of services or products provided;** projects that increase the number of persons that can be supported through the delivery of family planning products or services.
- **Increasing the private sector family planning infrastructure (facilities) available in the target area;** projects that increase the number of persons that can be served through family planning facilities.

It is unlikely that the different types of PROFIT projects will be evaluated in the same way. Although PROFIT will develop an evaluation method to assess broad measures of impact, more meaningful evaluation will stress specific criteria tailored to each project. This approach is further described in Section 5 of this document.

2.7 GOAL FIVE: CREATE A RESOURCE OF SKILLS AND INFORMATION

In its role as an experimental pilot project, PROFIT will create a comprehensive and readily available central resource base for A.I.D., not-for-profit and other organizations. This will include the already established PROFIT library, which will provide information on family planning projects, demographics, finance and economics, and so on to a wide variety of users.

Further, the PROFIT team with its technical skills will be available for consultation and advice to other agencies that may wish to design similar transactions. We anticipate consulting with other cooperating agencies on financial matters, offering advice to agencies contemplating debt conversions for other purposes, and even designing projects to be executed jointly by PROFIT and another CA or non-profit agency. Details of such cooperation will be worked out as the opportunities evolve.

The PROFIT library will be located in the team's offices. Interested parties may use it on request. It will include the following types of information:

Countries

- **General policy tracking apparatus**, macroeconomic conditions, political trends, policy outlook, current events summaries to monitor investment and operating conditions in PROFIT countries.
- **Family planning policies and programs** in PROFIT countries, with regular updating.
- **Key influential people or contacts**, both public and private sector, in family planning, investments, and finance.

Family Planning

- **General family planning**, monitoring of product and service developments and of interesting family planning efforts in both PROFIT and other countries.

Finance

- **General international data on innovative finance**, tracking of LDC debt market, blocked funds, transactions, appropriate multilateral and bilateral programs, and contacts

in the financial sector useful for innovative finance transactions.

Investment

- **General information** on innovative investments, tracking of interesting private sector transactions, appropriate multilateral and bilateral programs, and contacts in the business sector useful for innovative investment transactions.

PROFIT Internal Documents

- **PROFIT project design and results**, with regularly updated information on PROFIT operations in each country, PROFIT investment performance, investment environment, and record of PROFIT-related discussions and agreements.

PROFIT will develop a program for compiling, analyzing and comparing this information and organizing it for internal and external users. The team will also disseminate material from the library, information about its resources and how to use it. The PROFIT library will be available to the family planning community as a whole during PROFIT's operations, and will be turned over to R&D/POP after the five-year term is complete.

* * * * *

Section 2 has identified the countries that PROFIT will consider during its first two years, and described in detail PROFIT's five principal goals. The next section provides more specifics about the types of projects to be designed in pursuit of those goals.

SECTION 3

3. TYPES OF PROFIT PROJECTS

This section describes PROFIT's strategic approach to the various types of projects to be considered. These can be divided generally into three sectors (private providers; employer-based programs; and manufacturing, marketing and distribution), plus two additional types that may apply in any of the sectors (privatization and trade barrier reduction).

3.1 DISTRIBUTION OF PROFIT PROJECTS

The original Project Paper (PP) for PROFIT estimated a split among the types of projects as: 50% for "innovative investments," 20% for private providers, 15% for employer-based programs, and 15% for technical assistance.

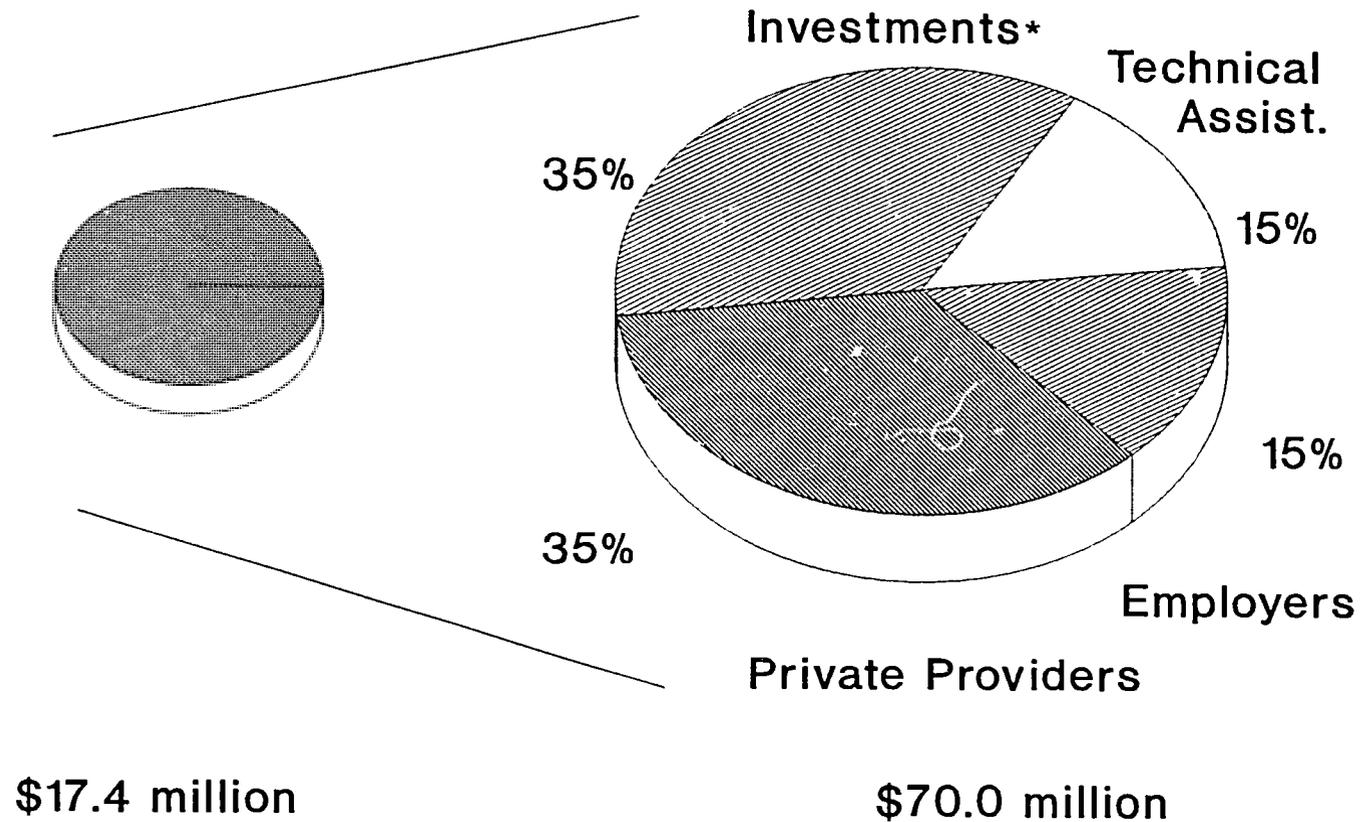
The PROFIT team proposes to aim for a slightly different distribution of PROFIT resources. Exhibit 3-1 graphically illustrates the proposed distribution of resources, combined with the four-to-one leverage goal.

3.2 PRINCIPLES UNDERLYING PROFIT PROJECTS

R&D/POP/FPSD has identified six important principles required for future family planning programs if the resource gap in family planning is to be closed:

1. Service delivery must expand to serve larger populations in more cost-effective ways.
2. All sectors -- government, private voluntary organizations (PVOs), and business -- must cooperate in family planning service delivery.
3. Projects must be sustainable.

Exhibit 3-1
Distribution of PROFIT Projects



* Manufacturing, Processing & Distrib.

3-2

4. Greater attention must be paid to comparative advantage, strategic position and managerial efficiency.
5. Service delivery must emphasize quality of care.
6. Service delivery must evolve to accommodate a diverse, younger population and improved method mix.

These are the principles underlying PROFIT. Its innovative design is focused in particular on the first five principles, emphasizing *cost-effectiveness, cross-sector cooperation, sustainability, comparative advantage, and quality*.

With these principles in mind, the following subsections detail ideas for PROFIT projects in the five project areas.

3.3 PRIVATE/DIRECT MARKET-BASED SERVICE PROVIDERS

In dealing with private direct market-based providers, a key focus will be on demonstrating that family planning services can be profitable and in the provider's best interest to incorporate. The size and range of the sector will vary by country, so PROFIT will seek out providers willing to make an initial investment in family planning, and willing to generate publicity for their projects.

To assess the desirability of private providers to add family planning, PROFIT will consider the various financial aspects of health care provision:

- Does the provider know how to market existing services, much less new ones?
- Is the financial system adequate to show whether a particular line of business is profitable?
- Does the provider have access to reliable sources of supplies at reasonable market prices?

- Do the provider and staff have the necessary technical and financial training to make a success of a new line of business?

As part of the overall country assessment, which will include demographic and contraceptive prevalence surveys by region, additional surveys will be conducted by local CAs to identify the extent of overall unmet need for services. This unmet need will be broken down by category of need (such as clinic services, contraceptive sales, local availability) to allow investors to focus more clearly on areas of opportunity.

The potential for expanding private sector services will be assessed in countries where there are indications that government authorities wish private providers to assume responsibility for the provision of services. **Market research surveys** for family planning will also be carried out with a view to identifying opportunities for health and health-related organizations to expand their activities into the family planning field, such as **health insurance companies, marketing and advertising companies** for which there are information, education and communications (IEC) opportunities. The PROFIT team will use this information to design promising projects.

PROFIT will target providers who can reach large numbers of people and therefore plans to expend more effort with **group practices, professional associations, large hospitals** and the like in reaching:

- Health Care Personnel such as **private physicians, nurses, and midwives** who are prime candidates for recruitment as private sector family planning service providers. Physicians in particular have fixed office facilities, with fixed costs, for whom the variable cost of adding another service may make sense. PROFIT project "seed money" will provide the initial equipment or training in financial or marketing methods to commence family planning service delivery.

A further inducement to involving health workers will be to invest in projects that provide training related to the **non-medical aspects of family planning programming**, such as **marketing, program management,**

counselling, procurement and logistics, cost containment, recordkeeping, IEC and health facilities management.

- Health Insurance Providers: Effective arguments can be made to health care insurance plan providers regarding the inclusion of coverage for family planning services as part of an overall **health package**. Reduction in the costs associated with pre- and post-natal care and the attractiveness of the overall health package when compared to other health plans available are several reasons which PROFIT will put forth in its strategy in dealing with health insurance providers. PROFIT will assess how much the insurance company should be required to **invest up-front**, and where PROFIT funds could best be used. The understanding will be that after a stated period of time (perhaps two years, which should be sufficient to establish the profitability of family planning service delivery) the insurance companies will be responsible for the **continuing operation** of the clinic.
- Group Practices: An abundance of well-trained physicians and other medical personnel in some developing countries such as Thailand, Indonesia, and India has given rise to large numbers of group practice entities in urban and peri-urban settings. PROFIT will assess the feasibility of funding branches and franchises in rural areas.
- Hospitals: PROFIT will approach large private hospitals with heavily used outpatient clinics. As with physicians, PROFIT will develop a cost/benefit model illustrating the income potential of family planning services. Training in business and marketing skills will be proposed and coordinated with that offered to other types of providers.
- Pharmacists: PROFIT will also consider the feasibility of approaching pharmacists as potential **suppliers of contraceptives**. It may be difficult to reach sufficient numbers of pharmacists, or their customers, to have a significant impact, unless there is a pharmacist's association or a large country-wide chain of stores. A potential opportunity might be to provide a revolving credit line to pharmacists for purchase and distribution of contraceptives.

- Professional Associations: Groups such as **trade unions, cooperatives and professional associations** will be legitimate targets for technical assistance by the project. Cooperatives in the **agricultural and fishing industries** are not only numerous but tend to be influential with their membership and in communities as a whole. Although family planning may not be a priority interest of such groups, PROFIT will consider using such groups because they represent a unique avenue of approach to widely dispersed rural populations.

3.4 EMPLOYER-BASED SERVICE PROVIDERS

PROFIT's first task will be to identify the commercial sectors and specific enterprises offering the greatest potential return on project resources invested. Exhibit 3-2, on the following page, illustrates some aggregate data regarding companies we have already identified in the initial PROFIT target countries. The percentage of female employees is a particularly useful indicator relating to selection of target companies. We expect to refine this data during our country assessments for companies employing over 5,000 employees, as stated in our goals.

In dealing with employers, PROFIT will:

- Identify commercial sectors and specific enterprises evidencing the greatest potential return on project resources invested in terms of self-sustaining, quality family planning services. Enterprises with **large employee populations** include **mines, plantations, hotel chains** and **large state-owned enterprises**. PROFIT will gather basic aggregate data on total recorded employment by sector (using the standard industrial classification or SIC code) in all of the countries targeted. In developing individual country strategies, PROFIT will review the data to ensure that it covers the important baseline information needed by sector or industry: number of employees, demographic profile of employees, location, ownership, growth potential, benefits programs, and ability to pay and to serve as an example in such programs. Where there are gaps in the data, PROFIT

Exhibit 3-2
SELECTED DATA ON CORPORATIONS IN PROFIT TARGET COUNTRIES
 (Excluding Eastern Europe)

	NUMBER OF COMPANIES WITH 250 OR MORE EMPLOYEES	NUMBER OF EMPLOYEES	% FEMALE EMPLOYEES
BRAZIL	1,059	1,774,600	25%
MEXICO	2,143	3,355,600	24%
NIGERIA	142	310,000	30%
ZIMBABWE	26	83,600	32%
TURKEY	290	1,028,000	34%
EGYPT	124	689,600	10%
PAKISTAN	152	396,000	11%
INDIA	728	3,712,000	22%
BANGLADESH	40	324,000	7%
THAILAND	100	202,000	41%
INDONESIA	308	890,400	27%
PHILIPPINES	156	447,200	28%
TOTAL:	5,268	13,213,000	

will develop a plan to obtain the necessary information during project design.

- Tap the cumulative experience of Enterprise, TIPPS and SOMARC projects, plus our knowledge of Private Enterprise Bureau projects, to determine how to apply lessons learned by previous A.I.D.-supported projects and CAs which have worked with commercial companies.
- Seek to deliver technical assistance to employers designed to develop and provide:
 - Administrative and financial management capabilities
 - Trained family planning service delivery staff
 - Facilities and equipment
 - Continuing source of contraceptives and other relevant commodities
 - Information and motivation capabilities and materials
 - Target population and user profile information system.
- Design projects in which employers will co-finance the cost of technical assistance, in accordance with the overall goal of PROFIT leverage.

3.5 MANUFACTURING, MARKETING AND DISTRIBUTION

PROFIT will invest in joint ventures aimed at increasing the **production, processing and packaging** of a full range of contraceptives. Opportunities will be explored by working with the manufacturers of condoms, oral contraceptives, implants, injectables, foams/jellies, diaphragms and vaginal rings. The PROFIT team has begun approaching major producers of commodities used by A.I.D., as a beginning, and has identified a high level of interest in local joint ventures. These ventures may involve the expansion of current facilities or the establishment of new ones.

In countries and settings where oral contraceptives (OCs) are available without a prescription, PROFIT will consider joint ventures with pharmaceutical companies for

production, packaging, distribution of OCs, or training of pharmacists in oral contraceptive technology, counselling, and customer service. This would enhance the legitimacy and cost-effectiveness of pharmacists as private providers and expand their role in the marketing of OCs. Other ventures to expand direct marketing will include joint ventures with manufacturers and distributors. By linking manufacturers and distributors with community-based distributors, **for-profit sales forces** could be organized. Sales operations using home or workplace sales (similar to Avon, Mary Kay or Tupperware) may be designed to ensure proper inventory supply and logistical support. Profits and benefits from such promotional efforts will be shared with PROFIT. Joint ventures in the areas of **packaging and distribution** will also be considered, such as using free trade zones (e.g., Manaus in Brazil), to import, package, and distribute contraceptives without incurring import and export duties.

PROFIT will also explore opportunities for bringing new and promising contraceptive technologies to market. PROFIT will look into the possibilities of investing in research activities being carried out by the South-to-South Group and research organizations supported by A.I.D.'s Partnership Program in Eastern Europe. Particular attention will be given to those contraceptive products which are concluding the trial level and perhaps need assistance in marketing. Family Health International, for instance, which is a member of the PROFIT consortium, has been developing a plastic condom whose shelf life will exceed that of latex. PROFIT could assist with market trials of this product, and provide advice on marketing and overseas production strategies.

3.6 PRIVATIZATION

Privatization is an area not confined to any of the three sectors mentioned above. PROFIT will support privatization plans in any appropriate area.

While working with market-based providers, employer-based providers and manufacturing and marketing entities, PROFIT will be especially attentive to identifying opportunities to privatize publicly financed operations. Government authorities, local groups and CAs will be made aware of privatization options that have been used around the world in assisting and guiding the public and private sectors toward acceptable areas of compromise. Potential areas for development will include:

- **Feasibility studies** of privatizing any government-owned contraceptive production facilities
- **Removal of regulatory impediments** to foreign (or local) investment in production facilities and family planning-related service businesses
- Allowing government facilities to **retain user fees** to achieve and maintain quality standards
- Encouragement of third-party family planning insurance coverage through **appropriate tax and regulatory policies**
- Encouragement of **private investment** in the family planning service industry through tax and regulatory policies which facilitate capital investment in family planning and family planning-related businesses
- Consideration of **contracting on a competitive basis** with private businesses to provide "ancillary" support services to family planning service providers, both public and private (IEC, logistical supply services, procurement, in-service training, etc.) -- a form of indirect privatization
- Removal of **restrictive legal and policy impediments** to establishing private full-service family planning clinics, or to adding family planning to existing private practices.

3.7 TRADE BARRIERS

Trade barrier reduction is another area where PROFIT can look at several sectors. National regulations may restrict foreign investment, limit privatizations, limit family planning product development, maintain price controls on contraceptive products, or impose tariffs on contraceptive imports. Consequently, where PROFIT looks at trade barriers, its activities will focus on bringing about positive changes in national trade policy and improve the overall regulatory environment toward family planning activities and investments.

PROFIT's approach in this area will consist of:

- **Identifying Trade Barriers.** The core team will identify trade barriers that are likely to affect PROFIT projects. Examples of trade barriers that impede family planning activities and projects include:
 - Brazilian requirement to use domestic natural latex for the manufacture of condoms and diaphragms when neither the quality nor the price may be suitable.
 - High import duties on contraceptives that are not on the national list of "essential drugs."
 - Exclusion of foreign investors in key facets of national health care industries.
 - Unduly long delays in processing and approving new contraceptive products for registry.
 - Unreasonable price controls that impede private sector initiatives in family planning service and/or product delivery.
- **Evaluating the Impact of Trade Barriers on PROFIT Goals.** The impact of certain trade barriers on PROFIT investments will vary. To focus on areas that will benefit PROFIT directly, the core team will:
 - Evaluate tariff schedules, excise duties, and other trade-related taxes on the domestic supply of family planning products, either locally produced or imported

- Evaluate the extent of price controls' impact on supplies of family planning products, and the elasticity of supply in relation to price fluctuations
- Evaluate the presence and impact of import licensing requirements on family planning products
- Determine how trade barriers may affect potential manufacturing investments such as capital goods.
- Determine secondary effects of trade policies, such as the impact of trade barriers on local distribution capabilities in the health sector, and whether government policy appears to be shifting.

These evaluations will be used as a basis for developing alternative policy options, and for assessing the viability of specific PROFIT project opportunities.

- **Developing Policy Options.** PROFIT will develop concrete and realistic policy options for discussions and negotiations with government officials. In general, the objective in developing these policy alternatives will be to:

- Offer quantifiable benefits to the target country
- Have specific family planning and financial goals
- Reduce trade barriers for family planning products
- Enhance the availability of such products
- Reduce or remove price distortions for such products
- Avoid significant reduction of government revenues
- Not conflict with government political or social agendas.

PROFIT will also consider appropriate negotiating strategies with particular countries or government officials, and will coordinate

with A.I.D. officials to the utmost in presenting and negotiating these alternatives.

- **Providing Technical Assistance.** To assist in the implementation of any trade policy reforms, PROFIT will make available technical assistance. Such assistance could consist of helping the government to examine the full financial, social, and economic implications of proposed policy changes, or in assisting to implement change.

3.8 COLLABORATION WITH OTHER CAs

PROFIT hopes to learn from previous efforts in private sector family planning completed by other cooperating agencies. In the same way, PROFIT will seek opportunities to collaborate with other CAs to achieve even greater impact. Although not a specific requirement imposed by FPSD, the PROFIT team considers that cooperation can be a powerful tool to supplement its expertise, multiply the impact of PROFIT projects and to explore additional avenues.

Examples of potential means of cooperation include:

- Assisting with a debt swap to fund another CA's activities in a particular country
- Requesting a CA training specialist to provide training where it is needed in a PROFIT project
- Designing a project to be funded jointly by PROFIT, another CA and a local investor
- Offering other types of financial and managerial technical assistance to support the sustainability of other CA projects.

We will carefully balance requests for cooperation with the need to focus on PROFIT's own goals. R&D/POP should be of great assistance in defining priorities and selecting the most promising avenues of cooperation.

3.9 SOME EXAMPLES IN FIRST YEAR TARGET COUNTRIES

During the first few months of the PROFIT project, the team has had a number of preliminary, informational meetings with producers and providers in target countries. These meetings have uncovered a number of promising leads, which will be pursued as projects are more carefully defined. The team has been encouraged by the positive response of those approached, and feels that they have only begun to scratch the surface of opportunities.

Some of the discussions have been with:

- Ansell, regarding condom manufacturing plants in Brazil, Mexico and Nigeria
- Golden Cross, regarding HMO-provided services in Brazil
- Syntex, regarding manufacturing opportunities in oral contraceptives
- The Population Council, regarding joint-venture Norplant manufacturing opportunities in Indonesia, India and Mexico
- Schering, regarding several different manufacturing opportunities in Brazil
- Peru-USAID regarding a buy-in
- Family Health International, regarding plastic condoms

- An Indian entrepreneur regarding the use of mobile TV trucks for IEC purposes.

* * * * *

Section 3 has described the types of projects that PROFIT will pursue, including the sectors of principal focus. The next section discusses the life cycle of a PROFIT project, from the "deal flow" that gets it underway to the means of monitoring its results over the five-year life of PROFIT.

SECTION 4

4. THE PROJECT CYCLE

The PROFIT project, as a whole, extends over five years. It will include twenty projects in ten countries. Each of these will follow a well-defined development cycle, with several built-in review points. The cycle helps to ensure that each project is adequately designed, properly analyzed, and effectively managed to meet PROFIT's goals.

PROFIT projects, then, will evolve through five stages:

- Country assessment
- Deal flow
- Operation and oversight
- Growth
- Divestment.

This section discusses each stage and defines the necessary documentation and deliverables.

4.1 COUNTRY ASSESSMENT

Before any projects are initiated, PROFIT will consider the economic and family planning environment of the target country as a whole. PROFIT will start by assessing each country in terms of what is known, prior projects and experiences, current indications and priorities. Other information will also be gathered from R&D/POP, CAs, Regional Bureaus, Missions, and other institutions and organizations such as the World Bank, IMF, IDB, and local chambers of commerce. During the first year, six of these country assessments will be completed for the initial target countries identified in Section 2: Brazil, Mexico, India, Indonesia, Nigeria and Philippines.

As the first step, a country contact list will be assembled. The list will include names from the public and private sectors, and will focus on how the designated contacts could

be of assistance to PROFIT, such as providing leads on potential opportunities, background, or references. The PROFIT team member who makes the first visit to the target country will have access to:

- Contacts in Government
- Contacts in private sector
- Special contacts, based on recommendations of the local D&T office, personal experiences, other CAs, and other referrals
- Known situations and activities that might have some bearing on PROFIT's intentions and proposed activities.

The initial visits will establish contacts with the private sector, including:

- Bankers
- Health and family planning providers
- Attorneys
- Manufacturers
- Investors
- Others who may be beneficial to PROFIT.

Additional contacts will be made with governmental authorities and others from the public sector and non-government organizations.

The output of the initial visit will be a trip report.

After discussions with R&D/POP and other members of the PROFIT team, a second visit will be made to the target country to collect additional information and develop some project ideas in more depth. For most countries, a Country Assessment Report will be completed after the second trip. With delivery of the Country Assessment Report,

R&D/POP will comment on and approve the overall country approach. The remaining four countries will be assessed during Project Year (PY) 2.

PROFIT will use the Country Assessment Report to decide jointly with A.I.D. whether or not to proceed with that country. If affirmative, PROFIT will assign country responsibility to a member of the core team and immediately begin looking at specific opportunities. If negative, PROFIT will report its findings to R&D/POP and a joint review will be conducted to determine if other action should be adopted or the target country replaced.

A draft outline of a Country Assessment Report is shown in Exhibit 4-1, on the following page. This outline presents, in general, what will normally be included in such a report. Variations may be presented when special factors must be considered for a particular country.

PROFIT intends to have completed all targeted country assessments by the end of PY2, and to have committed to all twenty projects by the thirtieth month. PROFIT's aggressiveness in planning project commitment dates is due to the following considerations:

- To seize the current window of opportunity
- To assure that each project will have as much time as possible for nurturing and management by PROFIT
- To allow for adequate evaluation and dissemination of major PROFIT projects.

The PROFIT team feels it is important to have made all investments by the midpoint of PROFIT's five years. This would allow sufficient time to determine whether the investment will be profitable and sustainable, and to make corrections where problems are encountered.

Exhibit 4-1

COUNTRY ASSESSMENT OUTLINE

FACTORS TO CONSIDER	COMPONENTS
Basic country economic and demographic statistics	
Financial Evaluation	Balance of trade, balance of payments, foreign exchange reserves, credit availability, external/internal debt situation
Economic Factors	Consumer inflation, price and wage controls, unemployment, supply shortages, taxation, capital flight, legal and judicial factors
Political Evaluation	External factors (prospects for foreign conflict, relations with border countries, regional instabilities, alliances, policy toward United States), and internal factors (government in Power, policies, attitudes toward private sector, power networks, political parties, unions and labor movements, military, separatist movements, and other important groups)
Social Evaluation	Social legislation and policies (do they support or impede family planning service delivery?), intelligentsia, students, religious groups (are they opposed to family planning?), media, social and environmental activists; cultural, linguistic and ethnic groups, ethnic confrontations
Technical Evaluation	Review of the health care system (government expenditures as a percentage of the national budget, private sector health expenditures, family planning NGOs, health and family planning institutions, level of outside donor family planning assistance), HMOs, pharmaceutical manufacturing and distribution, analysis of critical variables (percent of women in work force, percent of employment in industry, percent employed in large firms, urban/rural breakdown)
Risk Assessment	Rating of individual and collective factors
A.I.D. Past Efforts	Previous involvement by R&D/POP or Mission, CAs who have been active

4.2 THE DEAL FLOW

PROFIT will establish a "deal flow," that is, a stream of opportunities that are candidates for PROFIT financing. The team fully expects that there will always be a greater number of possible transactions in the project pipeline than PROFIT can fund and implement. During analysis, many of the proposals will be either rejected or delayed. Others, if of interest, may be brokered by PROFIT to other organizations and interested CAs.

A potential project may be identified by a number of sources. A local entrepreneur may make a suggestion to a PROFIT team member; the country assessment may identify a promising sector; PROFIT may approach a manufacturer and find positive interest. When a project is identified, the PROFIT team will prepare a project identification sheet containing whatever information is known at the time. A sample Project Identification Sheet is shown in Exhibit 4-2 on the next page.

These sheets will be kept on file and used repeatedly while a project is under consideration. For instance, a PROFIT team member will pull all Project Identification Sheets relating to a particular country before making a visit there. The sheets will be discussed among the team and with R&D/POP, to determine whether a project should be looked into further. If a project is rejected, the rejection will be recorded and the project will be relegated to a "dead" file; however, the information will be retained in case circumstances change and the project revisited at some future time.

Exhibit 4-2

SAMPLE PROJECT IDENTIFICATION SHEET

Country:

Date Identified:

Proposed Title:

Number:

Address/Contact:

Referred By:

Summary Description:

Potential Partners/Roles:

Key Factors:

Background:

Preliminary Estimate of Funds Needed:

Next Step/Follow-up:

Distribution:

Finally, the initial information will be expanded and developed in depth as promising projects undergo financial and technical analysis. The process of turning a project from an idea into a reality is the "deal flow."

We present the **deal flow** in graphic form in Exhibit 4-3, on the following page. The process begins with project identification.

When a project appears to be a good opportunity, the PROFIT team will develop more information in a preliminary analysis. PROFIT will apply standard financial techniques, tailored to the particular requirements of the project and the country, which will examine all aspects of the transaction, especially:

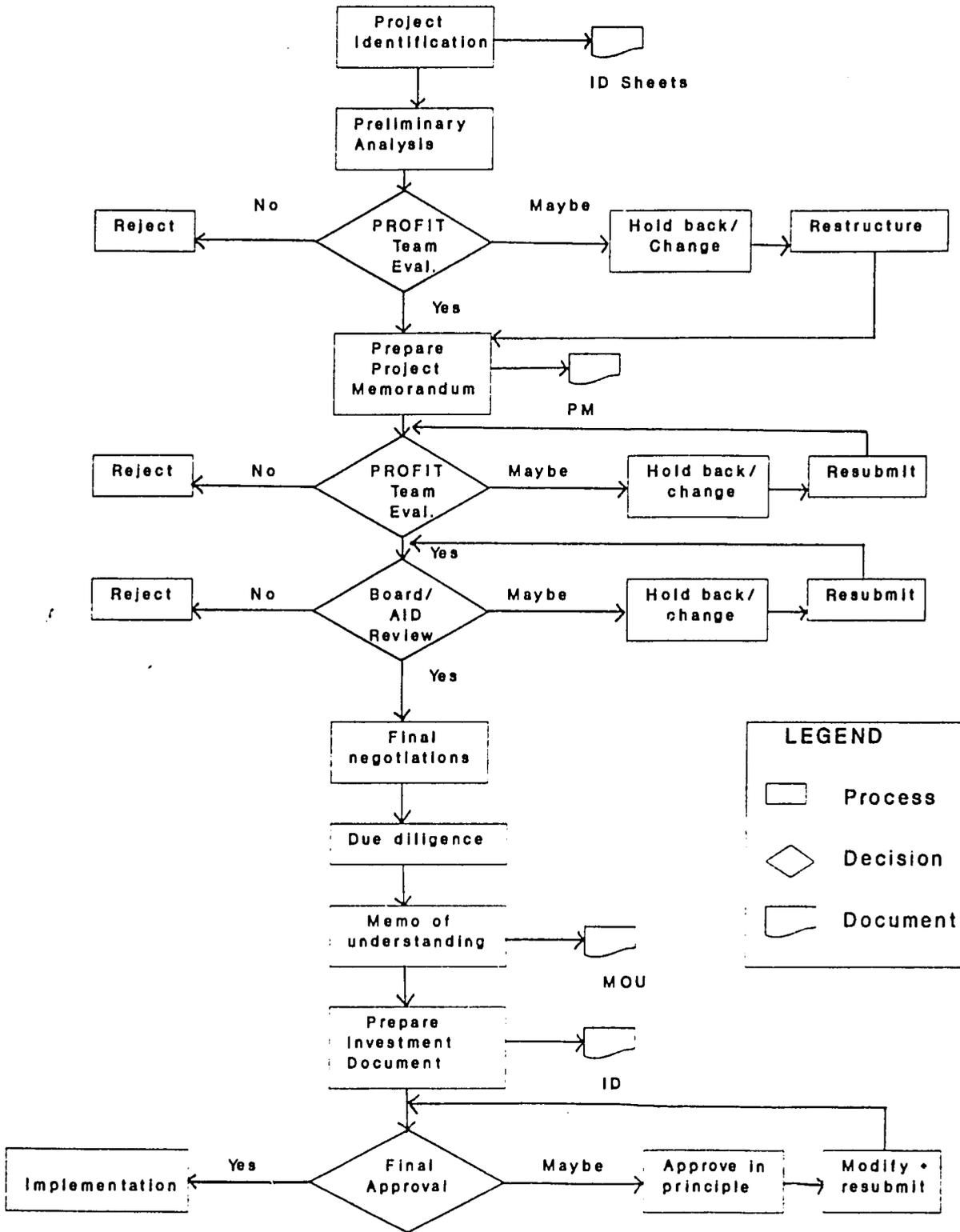
- In situations where hyper-inflation or multiple exchange rates are prevalent, PROFIT will judge the merits of the project on the same basis that a local investor/entrepreneur would use.
- PROFIT will also apply its own standards to analyze the project in terms of its impact on family planning and PROFIT's overall mission.

Once the initial analysis is completed, the PROFIT team will review the information and determine whether to go further. A decision at this point could be to reject the candidate project, to restructure it or to approve it. If approved, it becomes a "live transaction."

The PROFIT team will then proceed with several concurrent activities related to the transaction:

- Initial due diligence on the parties involved
- Contacts with banks and other funding sources
- Review of legal aspects
- Appraisal of management
- Definition of requirements for technical assistance.

Exhibit 4-3.
The Deal Flow



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These results will be compiled into a Project Memorandum (PM) detailing the transaction. A sample outline of a PM is shown in Exhibit 4-4. In its first draft, the PM will be circulated among the PROFIT staff and the members of the Expert Advisory Panel.

If changes are necessary, they will be incorporated into a revised PM to be presented to R&D/POP, the local USAID Mission, and PROFIT's Project Oversight Board for review. Any of these reviewers may also request further clarification or changes to aspects of the project.

If accepted by all reviewers, the next steps in the project's life cycle are:

- Final negotiations of arrangements
- Completion of due diligence
- Preparation of a Memorandum of Understanding between PROFIT and other parties to the transaction.

Exhibit 4-4

SAMPLE PROJECT MEMORANDUM (PM) OUTLINE

- A. Executive Summary
 - Introduction and Background
 - The PROJECT
 - The Proposal and Use of Proceeds
 - Capitalization -- Actual and Pro forma
 - Summary of Expected Results
- B. Financial Considerations
- C. Description of the Project
- D. Management, Directors and Participants (Ownership)
- E. Risk Factors
- F. Financial Analysis and Projections
- G. Summary of Proposed Terms
- H. Addendum: Country Assessment, Product Literature

Once the Memorandum of Understanding has been signed, PROFIT will prepare the final Investment Document (ID) for formal approval by R&D/POP and the Project Oversight Board. A tentative outline of a typical ID is shown in Exhibit 4-5.

With an approved project, PROFIT will now undertake several actions to get the project started:

- **Complete funding arrangements** and establish disbursement schedule. PROFIT's investment funds are accessible through a Letter of Credit set up by A.I.D., which makes funds available quickly once approvals are in place.
- **Sign final agreements** with other participants.
- **Obtain local approvals**, if not already obtained, and legal opinions.
- **Confirm management assignments** and roles of the various parties to the agreements.
- **Prepare and distribute press releases** advising of project kickoff.

Exhibit 4-5

SAMPLE INVESTMENT DOCUMENT (ID) OUTLINE

<p>A. Summary</p>	<p>Name of PROJECT (New or Existing Activity) Location Activity Sales: Annual if existing, projected if new Shareholders/Participants Directors Management Total Investment Amount Proposed Form of Investment/Participation Conditions: Special Provisions/Standard Provisions</p>
<p>B. Evaluation</p>	<p>Economic Priority/PROFIT Priority Sponsorship Marketing and Sales Technical Feasibility Return (ROI), Profitability Financial Condition Currency/Exchange Risk Management Political Risk</p>
<p>C. Background</p>	<p>History of the business/activity Status of the industry/sector Description of what the PROJECT is looking to achieve How does the PROJECT measure in size</p>

Exhibit 4-5 (Continued)

<p>D. Financial Review</p>	<p><u>Financial Requirements and Capital Plan</u>: Detailed description of project costs. Detailed description of proposed capital plan, including equity, debt, leverage factors, timing of requirements and disbursement schedule</p> <p><u>Form of Investment/Participation</u>: Detailed description of proposed investment/participation, including terms and conditions for interest, dividends, over-run commitments, exit strategy and security</p> <p><u>Financial Evaluation</u>: Assessment of financial position and future projections. Assessment of sensitive and critical features, including pricing, raw, materials, imports, production/operating costs, tax considerations, and currency factors; insurance</p> <p><u>Return on Investment/Profitability</u>: Assessment of projections and sustainability. Review of ROI/benefit to PROFIT</p>
<p>E. Sponsors, Management and Personnel</p>	<p><u>Sponsors/Participants</u>: History and background; Evaluation as prospective partners</p> <p><u>Board of Directors</u>: Size, composition and qualifications of proposed members</p> <p><u>Management</u>: Description of organization; list and evaluation of executive management; description of external assistance and PROFIT TA</p> <p><u>Employees</u>: Number, skills, method of payment (e.g. by task or hourly wage), unions, labor turnover, labor record</p>
<p>F. Marketing and Sales</p>	<p><u>Market</u>: Description and characteristics; Detailed description of market size, location, composition, price structure, price elasticity, growth, past and future, export possibilities, and projected volume in amounts, units and percentages</p> <p><u>Competition</u>: Detailed description by product, quality, pricing, competitive advantages, price controls, tariff protection, and financial strength</p> <p><u>Sales and Distribution</u>: Description of channels, organization, pricing policy, advertising, packaging and product development plans</p>

Exhibit 4-5 (Continued)

<p>G. Technical Aspects and Evaluation</p>	<p><u>Plant/Program description</u>: Location, site improvements, utilities, infrastructure, access, logistics <u>Buildings/Machinery and Equipment</u>: Detailed description including cost, maintenance, insurance and requirements <u>Materials Supply</u>: Cost, quality and availability of raw materials(including indication of imports), inventory requirements, and alternative sources of supply <u>Operating Costs</u>: Details on direct/indirect costs, cost sensitivity, breakeven levels, and details on fixed and variable costs <u>Production/Operating Program</u>: Details on volume, normal levels, capacity, production process, production organization and quality control <u>Implementation Program</u>: Timing and schedule <u>Technical Feasibility</u>: Description of sensitive and critical features; assessment of risk</p>
<p>H. Contribution to PROFIT's Goals and Objectives</p>	<p>Effect on FAMILY PLANNING Size, impact and visibility Other considerations to region, nation or sector</p>
<p>I. Taxation and Legal</p>	<p><u>Corporate/Project taxation</u>: Review of sales, turnover or value added taxes. Income taxes; effective rate of taxation; PROFIT's status <u>Government Regulation of Business/Activity</u>: Basic legislation, controls and authorities <u>Government economic controls</u>: imports/exports, prices, competition and subsidies, monopolies, overall degree of intervention</p>
<p>J. Other Considerations</p>	
<p>K. Annexes</p>	

These steps complete the first stage. Each of PROFIT's twenty projects and activities will go through the same process, with some variations for special participants or local conditions. PROFIT will track each of the projects throughout the entire process, keeping accurate records of each step and of the responsibilities assigned.

4.3 OPERATION AND OVERSIGHT

PROFIT will not be merely a passive investor in its enterprises. Through the core team and the country directors, PROFIT will keep a close eye on its investment portfolio and will step in where necessary to correct problems.

Before the first disbursement takes place, PROFIT will have:

- **Established a monitoring system** to provide a timely profile of the project. Monitoring data will be delivered to the Country Director or PROFIT headquarters within fifteen days from the end of each month. Such data will include a report of the current "vital signs" designed for each PROFIT project. "Vital signs" are key indicators of the operational and financial status of an enterprise; PROFIT will define a set of vital signs specific to each project. Exhibit 4-6 shows a list of some possible vital signs, in this case only illustrative and not related to a specific project.

This early warning system will enable PROFIT to react to any deterioration from planned progress and take corrective action in order to maintain project integrity.

- **Clearly established its role in each project's life cycle and day-to-day operations.** PROFIT does not intend to dominate and/or micro-manage its projects, but PROFIT does intend to be a participant, and not merely a passive partner.

Exhibit 4-6

Examples of "Vital Signs"

Market-Based Providers

- Number of clients
- Revenues/client
- Market share of FP services

Employer-Based

- Employee participation in FP program
- Labor turnover rate
- Cost experience of FP program

Manufacturing, Marketing & Distribution

- Monthly sales
- Inventory levels
- Product rejection rate

As the projects proceed through this stage, they will be monitored, tracked and, most importantly, supported. PROFIT's Country Directors, core team, and short-term consultants will regularly visit the projects and will also be expected to look for ways to enhance, improve and expand the project.

Finally, some projects may require external audits and annual audited financial reports. In those cases where a PROFIT representative serves on the Board of Directors of a PROFIT project, appropriate liability insurance will be obtained, as a pre-condition to the PROFIT representative accepting the appointment.

For handling problems, PROFIT will utilize a **task force** approach. When problems or unexpected difficulties arise, possibly leading to a financial loss, PROFIT will form a special task force composed of members of the core team and, if additional skills are needed, short-term experts. In such cases, the work of the task force will resemble a "fire brigade." Its primary objective will be to identify the problem, stop the losses, prevent or control the project from "hemorrhaging," and put in place a permanent means of preventing recurrence.

PROFIT's underlying management philosophy will be guided by the following:

- Projects will be developed in accordance with sound management principles.
- Risks will be identified and controlled to the extent possible.
- Speculation or uncontrolled growth will be avoided.
- Projects will be supported with the understanding that each is expected to reach self-sufficiency and sustainability.
- Management will be held accountable for financial and technical performance.

- Projects and project management will act and conduct business in accordance with practices acceptable in the United States.

For the first set of PROFIT projects, operation and monitoring will begin as early as PY1, and continue into PY4. While it is PROFIT's intent to move projects forward and into the growth and development stage as fast as possible, it will not be done at the cost of jeopardizing long-term sustainability.

4.4 GROWTH

Expansion of PROFIT's projects, and achievement of sustainability, will be fostered through:

- Continued access to financial markets
- Continued access to technology or technical assistance
- Assistance in reaching new markets
- Linkages with major multinational companies.

Further opportunities may be obtained through replication. What works with one project may add to the growth of another. For this and other reasons, PROFIT will organize seminars, publish reports and papers, and develop several "case studies," based on the experiences gained during the various stages.

As projects enter the growth stage, PROFIT will pay particular attention to foster and support those that have the greatest potential. Potential will be measured in terms of size, visibility and impact, assuming that sustainability is an established pre-condition.

4.5 DIVESTMENT

Finally, as PROFIT enters PY5 or the final stage in a project's life cycle, attention will center on the best means of dealing with the individual holdings in PROFIT's portfolio.

Assuming that PROFIT equity investments, or holdings, have been maintained in a non-profit corporation or trust, described below, it is likely that each PROFIT project will require a slightly different divestment strategy. The holding corporation's divestment choices will include:

- Sale or disposal of the holding so that the proceeds can be allocated to other projects or activities.
- Maintaining the holding, which, if profitable, could be a source of dividends for an endowment program. In other cases, the project may not yet have reached adequate maturity, and a further period of nurturing may be needed.
- Donating, giving, or otherwise disposing of the holding without any residual interest.

Early in the cycle of each project, PROFIT will establish an "exit strategy" defining a preferred means of divestment. The agreements with prospective partners and participants will include a number of options for PROFIT's future consideration. Typical of these agreements might be provisions such as:

- A "buy-Back" agreement that calls for PROFIT's partners or co-investors to buy PROFIT's holdings in accordance with a pre-established schedule and under pre-specified terms and conditions.
- A "put" agreement, whereby PROFIT can tender its holding and its other partners must purchase PROFIT's holding in accordance with pre-established terms and conditions.
- The "right of first refusal," in which the participants in a project agree to offer their shares to each other, before attempting to sell or otherwise dispose of the shares to a non-related third party.

- A "wind down" provision, in which the participants in a project have agreed to PROFIT's gradual and/or total withdrawal. This can be tied to project performance or untied at the option of the parties.
- A "walk away" provision, in which PROFIT is allowed to drop or cancel its support or involvement in a project, if certain conditions are not met, or certain events take place.
- Termination agreements, in which the participants have pre-established the length and duration of a project.
- Residual agreements, in which the participants have agreed to permit PROFIT to receive some future stream of earnings and/or payments, in recognition for PROFIT having brought the technology or provided some other special input.
- The right of PROFIT to dispose of its holding or participation in any manner it should choose, including PROFIT's ability to give, or transfer the holding to another organization or entity.

During the second half of PY5, PROFIT will prepare for the orderly winding down of its activities and the transferring to A.I.D., or its assignee, of its remaining holdings. For any remaining or continuing projects, PROFIT's monitoring and supervision will remain in place until the last day of PROFIT's contractual responsibility.

4.6 THE PROFIT TRUST

Since PROFIT will be making equity investments in some, if not all, of its projects, it needs a mechanism for holding those investments that will meet Government guidelines while minimizing Government and corporate liability. The precise vehicle for holding PROFIT investments is being worked out with A.I.D. contracting and legal offices.

PROFIT has proposed to establish a single, not-for-profit, US-based corporation to hold investments without tax liability, and provide a means for aggregating income earned and capital gains. This appears to be the best way to meet the project's needs. Establishing trusts in each PROFIT country would be complex, time-consuming and probably expensive, so a single entity appears to be preferable. Such a mechanism, once established, will enable PROFIT to hold its investments in a clean, stand alone vehicle that can be used beyond the end of the project to continue to generate program funds.

This non-profit corporation, perhaps called "The PROFIT Trust," would have a Board of Directors composed equally of PROFIT core team members and A.I.D. staff members. This Board would control the trust and make decisions about the control or divestment of PROFIT holdings. The trust would be set up to turn over control to A.I.D. at the end of the five-year period, or to dissolve and turn over proceeds of assets to A.I.D. Details of the trust mechanism, once resolved, will be distributed to R&D/POP and other interested parties.

4.7 PROFIT INVOLVES RISK

PROFIT projects will face various types of risk, such as the risk of an investment losing money, the risk that a project may not be well-designed, the risk that a project will not achieve sustainability, and political risk that a host government's policies will become less conducive to success. PROFIT will seek the same degree of control that a private investor would; the team will plan as well as possible and identify what factors cannot be controlled.

PROFIT acts, in a sense, as a venture capital firm. A venture capitalist expects that some investments will be failures, some will be modest successes, and some will be stars. PROFIT's twenty projects most likely will include all three, although of course the team will strive to have all stars.

* * * * *

This concludes the discussion of the PROFIT project life cycle, which will be applied to all types of projects as discussed in Section 3. The next section describes the team's overall strategic approach to project evaluation and dissemination.

SECTION 5

5. EVALUATION AND DISSEMINATION

The group of countries in which PROFIT will operate presents widely varying economic and political conditions. PROFIT will carefully select projects that can succeed under local conditions and constraints.

Conventional, widely-used family planning evaluation criteria apply only partly to PROFIT's scope of operations. PROFIT will define success criteria, in both financial and family planning terms, specific to each project and tailored to what the project can achieve. For example, an employer-based project may focus on increasing the number of users in an employee population and on reducing absenteeism. A manufacturing project may focus on increasing availability of condoms or oral contraceptives in the country as a whole. PROFIT will look at how well the goal of financial leverage was met, and whether projects generated enough revenue to be sustainable. This section describes our current thinking on evaluation, which will be refined as specific projects are selected.

5.1 EVALUATING PROJECT PERFORMANCE

Because of the range and diversity of PROFIT countries, evaluation will be a challenging task. The team feels it is unlikely that PROFIT will result in measurable, nationwide demographic results. Instead, we will define focused criteria for success for each project, including both financial and family planning indicators. These criteria will be tailored to results that the project can realistically achieve. We will also set some overall project measures to allow comparability.

In general terms, there are three main areas where PROFIT projects are expected to have an impact. First, PROFIT should increase private sector resources for family planning. Second, the increase in resources should lead to an increase in family planning provided by the private sector. Third, the increase in services should eventually be financially self-sustaining.

To determine the success of PROFIT, the following must be answered:

- On the resources side
 - How much did private sector resources for family planning increase?
 - How was the \$17 million leveraged?

- On the impact side
 - Was there an increase in contraceptive use?
 - Did the private sector provide more family planning services and did its share of the market for contraception increase?

- On the cost and sustainability side
 - Were projects eventually able to cover their recurrent costs? Were they eventually able to cover all of their costs?
 - How long did it take projects to cover costs, and was there a gradual increase in revenues and/or reduced expenditures over time?

5.1.1 Approach

The PROFIT approach to evaluation begins with the initial project design, when ongoing evaluation activities are built into the project. The design must include a clear understanding of the purpose and goals of the project, means for assessing progress toward those goals and determination of key indicators (the criteria for evaluation), and a method for analyzing the information. Baseline data will be established for evaluating project impact. As self-sustainability is a critical concern for PROFIT, cost analyses and standard financial evaluations will be a key component. Interim evaluations will be conducted as the project progresses, to determine if the project is on track and what changes should be made. At the conclusion of each project, and at the end of the five-

year PROFIT term, evaluations will be performed to determine final project performance and impact.

The PROFIT Management Information System (MIS) will be a crucial tool in evaluation. It will be used for data compilation, manipulation, and analysis. As indicators are developed, the PROFIT team will determine relationships and cross-references between them. Project variables will be cross-tabulated and analyzed against expected goals and objectives to evaluate project outputs on a continuum of investment and family planning activities. While the specific areas to be addressed and the data to be collected will vary, these steps need to be conducted for PROFIT as a whole, as well as for each individual project undertaken.

Further, the PROFIT team will remain in close touch with R&D/POP's ongoing initiatives to define appropriate evaluation criteria. For example, an evaluation contract was recently awarded to UNC/Chapel Hill, which will address methodologies. We hope to learn from their efforts, and we will use their findings to refine PROFIT's approach when appropriate.

5.1.2 Impact Indicators

At this early stage of PROFIT, it is difficult to state precisely which indicators will be used for which projects, since success may be measured differently for different types of projects. Early in project design, however, precise and measurable indicators will be developed. This section describes our early thinking about useful and relevant indicators. Examples of indicators are presented in Exhibit 5-1, on the next pages.

**Exhibit 5-1
SAMPLE PERFORMANCE INDICATORS (BY PROJECT AREAS)**

PROJECT AREAS	PERFORMANCE INDICATORS	SOURCES
1. Use of innovative financing investments to increase resources for family planning	number of financial transfer opportunities investigated	financial reporting systems
	funds leverage ratio, amount leveraged through transfers	financial reporting systems
	number of new investors involved in local production	financial reporting systems
	venture performance compared to appropriate standards	benchmark surveys
2. Increase in involvement of private providers in family planning	number of providers adding or expanding family planning services	market surveys
	amount of capital provided by private providers	financial reporting systems
	sustainability/profitability of providing family planning services to a private provider: pre- and post- cost/revenue comparisons	financial reporting systems
	sustainability / profitability of family planning to an HMO: comparison of costs associated with providing family planning versus MCH care and abortion costs	financial reporting systems
	sustainability / profitability of family planning insurance to an employer: pre- and post-insurance cost comparisons	financial reporting systems
	increase in contraceptive use (for HMOs and insurers)	KAP pre- and post-surveys on contraceptive use

Exhibit 5-1 (Continued)

	increase in contraceptive use (for private providers)	post survey only with retrospective information, endpoint KAP
	change in profile of public service users, decrease in use of public services	KAP pre- and post-surveys, service statistics of public services
	CYP provided by these programs	service statistics
3. Increase in employer-provided services	number of employers adding family planning as a benefit	market surveys
	number of employees reached	market surveys
	costs avoided (such as turnover or absenteeism reduced)	service statistics, financial systems
	seed money invested	financial reporting systems
	percentage invested by employers themselves	financial reporting systems
	sustainability, cost to employer of providing services vs. costs of maternity and child care or abortion treatment and lost productivity	financial reporting systems
	increase in contraceptive use	pre- and post-employee KAP surveys
	decrease in the use of public services	pre- and post-employee KAP surveys, service statistics
	CYP provided	service statistics

The impact indicators for PROFIT's success include the following:

- For resources for family planning
 - Amount of funding generated for family planning by PROFIT, including the contribution of entities supported by PROFIT

- For increase in contraceptive use
 - Changes in the proportion of couples that use a contraceptive method
 - The couple years of protection (CYPs) provided by PROFIT activities
 - The share of contraception provided by the private sector

- For sustainability of family planning initiatives
 - The recurrent costs covered by the entities providing services
 - The cost savings to providers (decrease in cost of health care and productivity gains) compared with the cost of family planning services

The exhibit shows how these indicators relate to the PROFIT project areas and potential sources of data.

5.1.3 Sources of Evaluation Data

Data to assess PROFIT's impact will come from a variety of sources, both existing and new. Where appropriate, PROFIT will draw upon the established sources for family planning evaluation to determine such items as use of contraception and source. In many instances, however, PROFIT will need to collect its own data, especially regarding the financial impact of its projects.

Impact on Contraceptive Use

To evaluate PROFIT's impact on contraceptive use, the following existing sources of data will be used:

- **Demographic and Health Surveys/Centers for Disease Control Surveys**

These surveys provide information on method and source of contraception. Thus, these data should make it possible to determine trends in contraceptive use and source.

The disadvantage of national surveys is that they do not provide data on regional and local activities. Therefore in situations in which information is needed on characteristics of target populations or impact on these target populations, surveys using these target groups as the sampling frame are needed.

- **Service statistics**

Data will be obtained on contraceptive services provided by projects including cycles of oral contraceptives and numbers of condoms distributed, number of IUDs inserted and number of voluntary surgical sterilizations carried out. In addition, similar information will be collected from government and private voluntary organization (PVO) programs. Thus, we will be able to make some determination if new services added to contraceptive use or private sector services substituted for government and PVO services.

- **Private, for-profit data bases**

PROFIT will also make use of existing private for-profit data banks in establishing baseline data on method and brand preference of major pharmaceutical purchasers. This will assist in determining trends in contraceptive use and source. An example of this type of data base is IMS, owned by Dun & Bradstreet. IMS is an on-line data base providing

current information on pharmaceuticals, and on how each product is used by physicians in treating what conditions.

New sources of data to evaluate PROFIT's impact on contraceptive use include the following:

- **Surveys of potential users and users of new services**

One problem with service statistics data is that they do not identify the characteristics of users of new services. Are these new users previous users of other services, or are they new to family planning? If the users are substituting PROFIT services for another type, are they previous users of PVO or government services or of the private for-profit sector?

In some instances, it may be possible to do baseline and follow-up surveys to contrast method and source before and after new services are made available. This is particularly possible in the case of employer-based family planning services as the population sampled will be essentially unchanged by the intervention. In addition, users of insurance plans could be interviewed previous to and following the intervention. However, in the case of private providers, new populations are likely to be attracted by service provision, and retrospective surveys will need to be the main evaluation tool.

Impact on Sustainability

To assess PROFIT's impact on the sustainability of family planning initiatives, the primary existing source of data will be:

- **Resource and revenue flows from financial reporting systems**

Data on funds provided by PROFIT to various projects will be obtained. In addition, data on any additional funds made available by new or expanded service delivery programs will also be collected.

For private providers, such as physicians, data on revenues obtained through user service charges will be used to determine if costs were at least partially offset by revenues. A comparison of these streams of funds will be useful in determining the ability and interest of each entity in continuing to sustain services.

Demonstrating to insurance providers (or companies or governments that provide insurance coverage) that family planning "pays" requires information on outlays for health expenditures. Such information may be necessary as an incentive for including family planning services as part of an overall health package. The information would include data on the reduction in outlays associated with pre- and post-natal care; the treatment of complications associated with abortion, and the attractiveness of a health package which includes family planning coverage when compared to other health plans available.

Similar analyses will need to be done for other groups including HMOs and employer-based programs; in the case of employer-based programs, any decrease in work days lost because of pregnancy, child care, or abortion complication should also be considered.

It is possible that data to answer these questions and to demonstrate the costs savings that result from investment in family planning may not be routinely available and so new data collection will be required.

- **Health care plan participant surveys**

It may be necessary to do special studies of how participants in health care plans use those plans and what services are used in employer-based health plans.

- **Potential revenue impact for private providers**

Studies of potential revenue of private providers may also be useful. These may require some operational studies to determine the impact of

price changes, perhaps combined with improved service delivery such as scheduling appointments or evening hours.

5.2 DISSEMINATING PROFIT INFORMATION

PROFIT's strategy for disseminating information is aimed at broadening the successful, commercial family planning experiences of the project. PROFIT will select its dissemination techniques from a variety of methods that have been successful for past projects. We will use as many of these methods as feasible.

As a first step in the implementation of this strategy, the project's mission and philosophy will be captured and packaged in introductory **brochures**, materials and **presentations** for target partners and countries. PROFIT will also obtain speaking invitations for the PROFIT Director and other technical experts. The target audience will be:

- The business and finance communities
- The health and family planning communities
- Decision makers in government and cooperating agencies and potential CAs.

These three major audiences will be segmented and appropriate communications techniques will be selected so that the information and knowledge provided regarding the success of PROFIT's projects will have maximum impact.

In the **business and finance communities**, targeted audiences will be:

- Business leaders in developing countries
- Managers responsible for international investments and benefits for foreign employees in large U.S. or multinational corporations
- Bankers and other holders of debt or blocked currency
- Established multinational companies supplying family planning products and/or services.

In the **health and family planning communities**, dissemination materials will be targeted for:

- Decision makers in international family planning organizations (particularly those with influence at Ministries of Health)
- Health care decision makers, providers and insurers
- Pharmaceutical manufacturers and contraceptive suppliers.

In **government and cooperating agencies** (including USAID Missions and cooperating agencies representing host governments) key decision makers will be targeted, especially those attending the proposed 1994 World Population Conference.

Dissemination activities will be carried out using the following approaches:

- **Business Leaders' Conferences.** The purpose of these will be to present to business leaders the cost/benefit of investing in private, for-profit family planning services. Such conferences will be scheduled at major international sites in the world's geographic regions, particularly in those countries where PROFIT has signal success stories to report.
- **Donor Conferences.** As in the case of business leaders, conferences will be held for donors and CAs. The main theme of these conferences will be the privatization, for-profit approach to the utilization of funds the donors provide and CAs expend.
- **Regional Conferences.** Regional conferences will be held to present the results of activities to for-profit sector companies and key health and family planning officials in government. Every attempt will be made to have these conferences sponsored (and paid for) by the for-profit sector as a demonstration of its commitment to family planning.
- **Training Workshops (Conferences).** Conferences and workshops will be scheduled using training materials specially developed for them. These training materials will focus on business communication, survey

development and analysis, cost analysis and computer presentations. The objective of the training will be to assist service providers interested in initiating and implementing their own for-profit family planning activities.

- **Newsletters and Occasional Papers.** PROFIT will develop a newsletter which will provide up-to-date information on a variety of issues relating to the project. Particular attention will be given to reporting on successful ventures which have potential for replicability. Targets for the newsletter mailing list, which will be updated annually, are:
 - A.I.D Bureaus and USAID Missions
 - Not-for-profit organizations
 - Private sector employers in developed and in targeted PROFIT countries
 - Multinational corporations
 - Health and family planning services providers
 - Health insurance providers
 - Pharmaceutical manufacturers and suppliers
 - Bankers and other holders of LDC debt or blocked currency
 - International development agencies other than A.I.D.
 - Government ministries (health & planning in particular)
 - Chambers of Commerce.

Occasional papers focusing on lessons learned and results of case studies will be produced to facilitate the development of additional projects. The audience for these will be similar to that for the brochure.

- **Press releases and media coverage.** Relationships will be cultivated with reporters from the pharmaceutical trade press and other special interest publications. Debt conversions and investments in local production capability will be noted with press releases to the Wall Street Journal, Financial Times and other relevant business publications.

PROFIT will also develop specialized press kits, video, and modular slide presentations which will be updated as new data on projects become available.

* * * * *

This concludes our discussion of the planned evaluation and dissemination methods to be used for PROFIT. The next sections present more information about the proposed schedule and organizational framework.

SECTION 6

6. PROFIT SCHEDULE

The PROFIT project's success depends on effective coordination of project resources based on an ambitious, yet realistic, schedule for project activities. A graphical depiction of the overall PROFIT schedule, indicating major milestones, is shown in Exhibit 6-1 on the next page. Major activities are summarized in this section.

6.1 YEAR ONE (PY1)

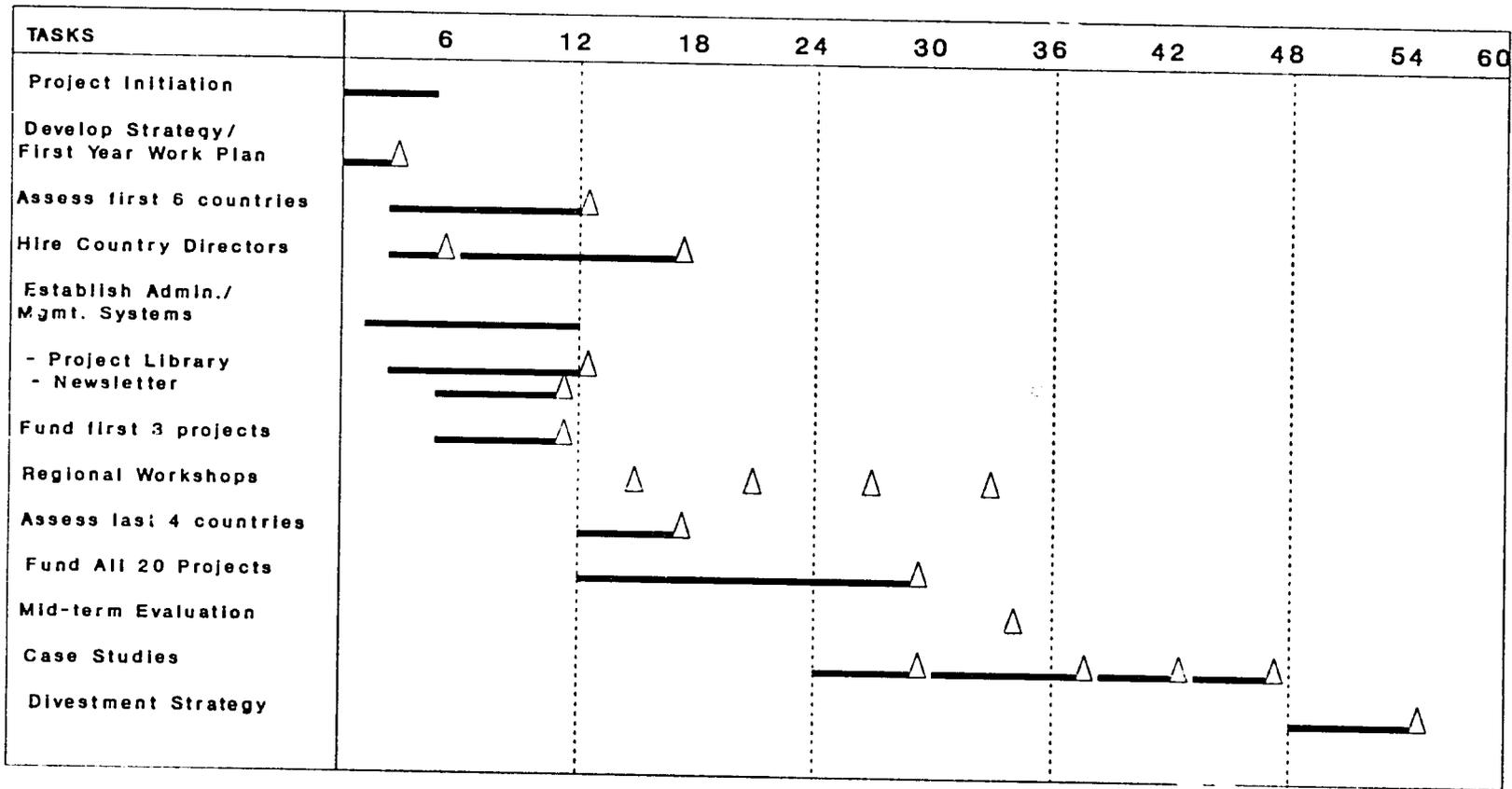
The First Year Work Plan, submitted with this Five-year Strategy, provides more detail on Year One. It is summarized as follows.

6.1.1 Project Initiation (months 0-6).

Project initiation tasks to be accomplished in the first six months include:

- Establish PROFIT core staff office in Washington, D.C.
- Hire all core staff members. The first two Country Directors will be identified during the initial country assessment visits.
- Schedule initial meeting of the Expert Advisory Panel to review PROFIT's five-year strategy (this was held January 10).
- Develop and obtain approval of Five-Year Strategy and First Year Work Plan.

Exhibit 6-1
PROFIT Milestones
 Months after project start-up



△ Milestone

6-2

5/

6.1.2 Perform Assessments in First Six Countries.

- Schedule initial trips for preliminary assessments, contacts with USAID Missions and potential project participants as follows:

Brazil	November 1991
Nigeria	January 1992
Mexico	February 1992
India	March 1992
Indonesia	March 1992
Philippines	June 1992

- Recruit Country Directors and staff in first two countries (month 6).
- Prepare Country Assessments for Brazil and Mexico by month 7.
- Develop overall implementation strategy for the next four countries. Completed Country Assessments and Strategies will be submitted by the start of month 11 to A.I.D for review and approval.
- Prepare technical assessment and funding of projects through comprehensive feasibility studies, technical and operational analyses, and discussions with A.I.D. officials.
- Obtain funding approval for the first two projects by month 12.

6.1.3. Develop Project Evaluation Data

PROFIT will develop specific evaluation data for each PROFIT project. Baseline data requirements, data collection strategies, and development of information systems to handle data collection and correlation will be completed by the end of PY1.

6.1.4 Establish Administrative/Management Support

Key management and administrative support functions have already been initiated. These will continue throughout the first year and subsequent years. Key support functions include:

- **Management information systems.** Mostly completed by the end of month 6, for administration, project management, financial reporting, and inventory of short-term consultants.
- **Project Library.** To support research and to store key project information, publications, and reports.
- **Publication of a PROFIT newsletter.** The first edition will be published by month 12. Subsequent editions will be published on a quarterly basis.
- **Establishment of non-profit corporation.** To hold PROFIT investments during the contract period and beyond.

6.1.5 Develop PY2 Work Plan

PROFIT staff will develop a PY2 Work Plan which will contain a detailed implementation report and an outline work plan for the remaining three years. This plan will be submitted by the end of PY1.

6.2 YEAR TWO (PY2)

During PY2, PROFIT will focus on the completion of remaining country strategies and the development of projects for the first six target countries.

Specific milestones include:

- Identify and implement projects in the first six countries.
- Recruit four additional representative Country Directors in selected countries (month 18).
- Select last four countries for PROFIT projects, and develop the respective country assessments (month 18).
- Develop PY3 Work Plan (month 24).
- Conduct first two in a series of four regional workshops (months 14 and 20).

6.3 YEARS THREE (PY3) THROUGH FIVE (PY5)

- During PY3, PROFIT will continue to identify and commit projects.
- Commitments will be sought to complete funding for all twenty projects to be carried out in ten countries.
- PROFIT will report initial results from established indicators.
- PROFIT will be ready to support the mid-term external evaluation.

Specific milestones for the third year include:

- Identify and commit funds for all twenty projects (month 30) in PROFIT's ten target countries.
- Develop the first two, of five, project case studies drawn from the initial group of funded projects (month 30).
- Conduct third and fourth regional workshops (months 26 and 32).
- Prepare mid-term external evaluation (month 34).
- Develop PY4 Work Plan (month 36).

During PY4 and PY5, PROFIT will wrap-up and consolidate the early projects, and will endeavor to ensure sustainability of PROFIT projects. In addition, the collection of evaluation data will constitute a key project activity. Key activities during these two years include:

- Consolidation and growth of early projects.
- Continuation and development of case studies. The third case will be completed by month 38. The last two will be completed by months 42 and 48, respectively.
- Ongoing evaluations of projects.
- Development of divestiture strategy for PROFIT (month 54).
- Preparation of final project report (month 59).

6.4 PROFIT BUDGET

Exhibit 6-2, on the next page, summarizes the PROFIT budget over the five-year project term. As a new project, the budget illustrates the amounts proposed for each line item, which appear to be realistic projections. The line items shown here indicate the relative importance of each item and may change slightly as PROFIT progresses.

It is important to note that the team expects the \$17.4 million investment fund to be expended by the midpoint of PROFIT (month 30), so that enterprises have time to mature and begin to pay back the initial investments.

* * * * *

Section 6 has presented the schedule and summary budget for PROFIT. The next, and last, section describes the organizational framework of the team. A more detailed schedule for year one can be found in the First Year Work Plan, submitted at the same time as this Five-Year Strategy.

Exhibit 6-2
PROFIT Five-Year Budget
 (US\$ 000)

	<u>PY1</u>	<u>PY2</u>	<u>PY3</u>	<u>PY4</u>	<u>PY5</u>	<u>TOTAL</u>
Services	2,196	3,303	3,478	3,619	3,633	16,229
Debt Conversion	5,000	8,000	4,400	0	0	17,400
Equipment	160	320	320	0	0	800
Travel & ODCs	362	410	390	398	404	1,964
Total	7,718	12,033	8,588	4,017	4,037	36,393

8-9

SECTION 7

7. ORGANIZATION AND RESPONSIBILITY

This section describes the administrative arrangements of the PROFIT project, including the team organization and principal responsibilities.

7.1 PROJECT ORGANIZATION

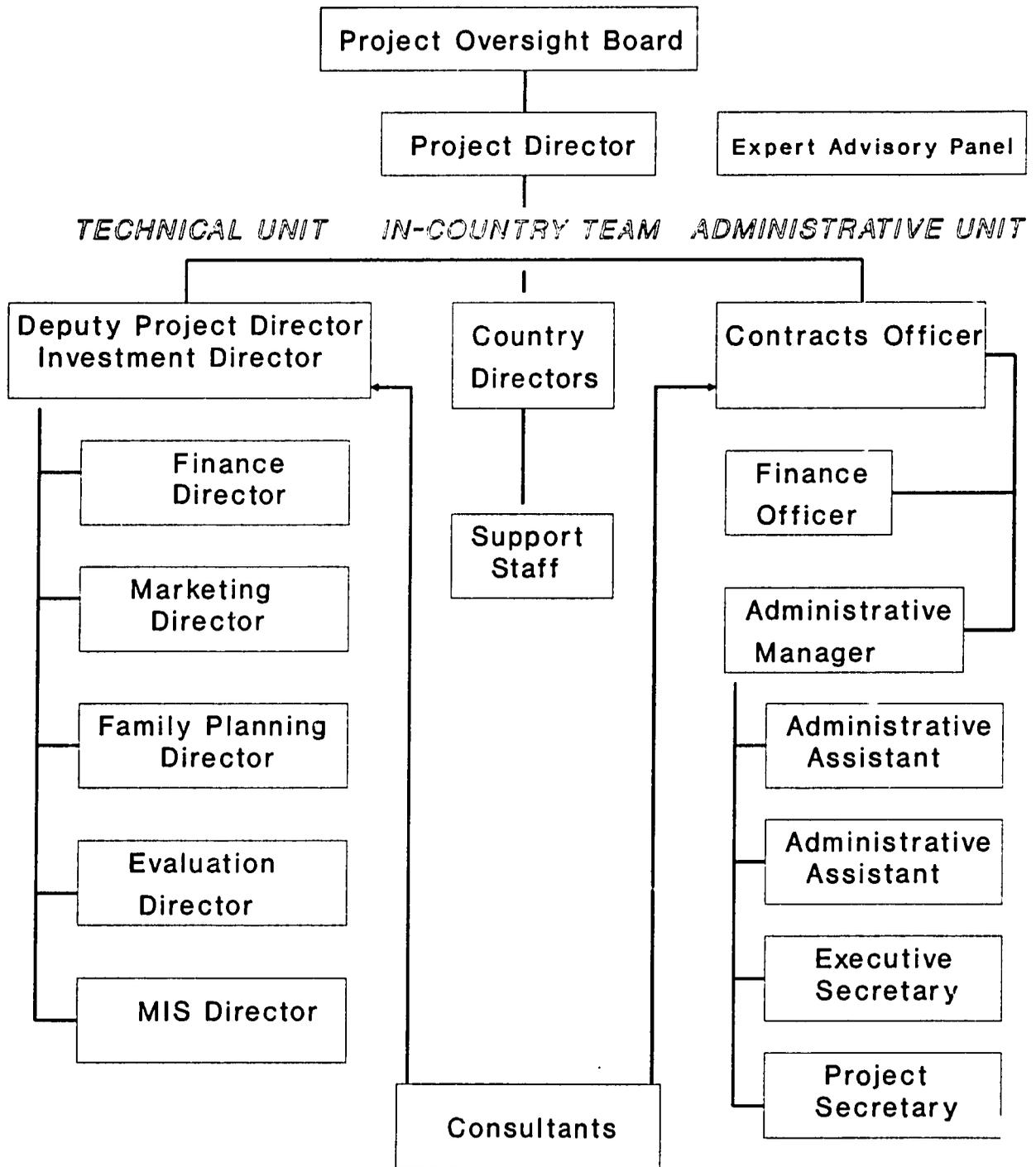
PROFIT core personnel will work together as a single team from a single location in the Washington, D.C. area. PROFIT's organizational structure is shown in Exhibit 7-1 on the following page.

The PROFIT team has been organized into three working groups, with three levels of management oversight (exclusive of the A.I.D. Project Officer and the Office of Population, who provide the highest level of oversight). PROFIT's management is composed of a team of executives from the private and public sectors, including members of Deloitte & Touche's staff, the staff of its subcontractors and from unrelated firms. The team provides the full range of skills and background needed for PROFIT. Management of the project is provided by:

The Project Director. Donald R. Nicholson II has primary responsibility for all PROFIT activities and will be the most publicly visible member of the team. He will direct PROFIT strategy and establish PROFIT policy. He will participate with key members of the team in negotiations with governments and private sector participants in PROFIT target countries. He will be responsible for PROFIT's public profile, and will normally be the PROFIT representative for press contacts and speaking opportunities.

To assist the Project Director, PROFIT has established three working groups, with clear reporting relationships within each group, to ensure that the Project Director's span of control is reasonable.

Exhibit 7-1
PROFIT
 Project Organization



7.1.1 Technical Unit

The technical unit includes the technical experts (Directors) in the key functional areas:

- The **investments director**, who will also serve as Deputy Project Director in the absence of the Project Director
- The **finance director**
- The **marketing director**
- The **family planning director**
- The **evaluation director**
- The **management information system (MIS) director**.

The Deputy Project Director assists the Project Director in ensuring that project activities are properly integrated. He also assumes command during any absence by the Project Director. In the event that both the Project Director and the Deputy Project Director are absent simultaneously, the Contract Officer will assume command.

PROFIT's team approach is to designate each technical director as the "lead" for one or two target countries in order to have a central point of focus and contact for each target country. This approach will expedite the assessment of projects and decision making, and contribute to an effective and successful project implementation. It will also delegate responsibility for monitoring country-specific activities among the technical directors, thus allowing the Project Director to focus on overall project management and direction.

7.1.2 Administrative Unit

The administrative unit will manage administrative control and compliance with contract terms. The administrative team includes:

- The **contracts officer**
- The **administrative manager**
- The **finance officer**
- **Two administrative assistants**
- **Two secretaries**.

The Contracts Officer reports to the Project Director and serves as the main administrative point of contact for A.I.D.'s contracting office. The administrative unit will handle all project finances, and all administrative support activities. The publicity and dissemination functions of PROFIT will be administratively managed within the administrative unit.

7.1.3 Country Directors

The Country Directors will be recruited after projects have been selected and will have dual reporting responsibilities. For technical matters relating to the execution of the projects, the Country Directors will report to the technical unit, with direct responsibility to the technical expert in the project area (such as investments or family planning). For administrative matters, such as monitoring of expenditures, the Country Directors will report to the administrative unit. PROFIT will develop standard procedures and schedules for reporting by the Country Directors and/or PROFIT projects.

By the end of PY2, PROFIT expects to have a total of six Country Directors. If possible, all will be recruited locally, although it is recognized that in certain countries this may not be possible, given PROFIT's requirements. The actual recruitment process will be done in close collaboration with D&T's local affiliate, in part for expediency, but more importantly to assure the high professional and ethical qualities that are essential to the position.

PROFIT's Country Directors will be required to have relevant private sector experience. The Country Directors, some of whom may have regional responsibilities, will be of critical importance to the implementation and management of the PROFIT projects. PROFIT does not intend to centralize all decision making in Washington, but rather delegate key areas of project supervision and management to the Country Directors. This implies decentralization, which is a key component of PROFIT's management system.

In addition to the three working units are the following:

7.1.4 Project Oversight Board

The Project Oversight Board is comprised of senior officials from the firms in the Deloitte & Touche team:

- **Robin McPhail:** Partner in charge of D&T's International Lending Agencies consulting practice.
- **Dr. William Bicknell:** Director of Boston University's Center for International Health.
- **Paul Sacks:** President of Multinational Strategies.
- **Leveo Sanchez:** Chairman of Development Associates, Inc.
- **William Schellstede:** Executive Vice President of Family Health International.

The range of skills and experience in this group will strengthen the overall management of PROFIT and help direct the course and progress of the project. The board will supervise the contractual and administrative aspects of PROFIT, and will meet formally in Washington approximately quarterly to review current activities.

7.1.5 Expert Advisory Panel

The Expert Advisory Panel will provide technical review of project content, and will help to determine PROFIT's overall strategy, activities and countries of operation. PROFIT will benefit from the expertise of its panel of respected members of the family planning, business and financial communities.

Members of the Panel are:

- **Ambassador Steven Bosworth**, former U.S. Ambassador to the Philippines and Tunisia and currently President of the United States-Japan Foundation. He sits on the board of Population Services International.
- **Dr. Peter P. Sumbung**, MD, MPH, Vice Chairman for the National Family Planning Coordination Board (BKKBN), Republic of Indonesia, since 1979. He formerly served in the Indonesian Ministry of Health and the World Health Organization.
- **Mr. Steven Sinding**, Director of Population Services for the Rockefeller Foundation, and former head of A.I.D's population programs and former Mission Director in Kenya.
- **Mr. Alan Stoga**, Managing Director of Kissinger Associates (KIA). Mr. Stoga's responsibilities at KIA include international and financial consulting for private sector clients.

The Expert Advisory Panel provides guidance to PROFIT on the project's strategic objectives and advises on the selection of the target countries. As PROFIT progresses, the Panel will be asked to review the proposed projects to ensure that all important aspects have been effectively addressed. The Panel members also have a wide range of private sector contacts in the U.S. and overseas. Their contributions will benefit the dissemination of PROFIT's progress and achievements.

7.2 RESPONSIBILITIES OF PARTIES

The PROFIT consortium includes five firms, of which Deloitte & Touche is the prime contractor with principal responsibility for project performance. The roles of each party are described here.

7.2.1 Deloitte & Touche

Deloitte & Touche (D&T) serves as prime contractor and manages and supervises all project activities. D&T is responsible for project execution, management, and compliance with project goals and objectives. D&T personnel will manage use of the buy-in contract. D&T will utilize its network of overseas offices to develop contacts and opportunities for the PROFIT project. Overseas D&T offices will provide office space to "local" PROFIT offices and assist with local recruitment and logistics.

D&T will staff the following core PROFIT positions: Director, Deputy Director/Investments Director, MIS Director, Contracts Officer, Finance Officer, Administrative Assistants and Project Secretaries.

7.2.2 D&T's Local Affiliates

D&T is the U.S. member firm of DRT International, a global accounting and financial services firm with offices in over 100 countries. D&T is therefore represented in every potential PROFIT country. The team expects that the local D&T member firms will make substantial contributions to PROFIT by providing knowledge of country conditions, introductions to private sector businesses, links to banks and legal services, and by supplying consultants to assist with PROFIT projects where necessary.

7.2.3 Development Associates

Development Associates is a subcontractor and Gray Amendment firm. Development Associates will staff the Evaluation Director, Family Planning Advisor, and Administrative Manager. Development Associates will provide short-term consultants as needed in response to short-term tasks or buy-in requests.

7.2.4 Multinational Strategies

Multinational Strategies is a subcontractor with expertise in financial services and investments. Multinational Strategies will staff the Finance Director position and provide short-term consultants as needed.

7.2.5 Boston University

Boston University is a subcontractor with expertise in international health and service delivery. Boston University will staff the Marketing Director position and will provide short-term consultants as needed.

7.2.6 Family Health International

Family Health International (FHI) is a subcontractor with family planning and health systems expertise. FHI will provide short-term consultants as needed.

* * * * *

This concludes the five-year PROFIT strategic plan. The document has discussed PROFIT's overall strategic approach, the types of projects to be considered, the countries in which PROFIT will operate and the way in which the projects will be managed. As PROFIT progresses, the team will prepare assessments of each target country, then a series of documents describing the particulars of each project. An annual work plan will be produced each year, detailing that year's projected activities. Finally, PROFIT will remain in close touch with R&D/POP's other projects and cooperating agencies to help ensure that information and lessons learned are shared where appropriate.

APPENDICES

APPENDIX A.
GLOSSARY OF TERMS

- A.I.D.** - United States Agency for International Development (Washington, D.C.)
- AVSC** - Association for Voluntary Surgical Contraception
- BIG Country Strategy** - Concentrates A.I.D.'s financial and technical resources in large, demographically significant countries where they will have maximum impact. The strategy builds on A.I.D.'s successful population program.
- Blocked Funds** - 1) Revenues in local currency belonging to foreign corporate investors, suppliers, and local subsidiaries, but that remain in a host country as a result of host country governmental measures that prohibit or severely limit the amount of revenues that can be changed into hard currency before being remitted, or
2) Debt reimbursement blocked at the Central Bank for lack of foreign exchange.
- Broker** - An individual who 1) matches buy and sell orders in return for a commission, or 2) matches investors with projects in return for a commission.
- CA** - Cooperating Agency
- Catalyst** - An agent that induces an action or reaction between two or more persons or forces precipitated by a separate agent
- CBD** - Community-based distribution
- CDIE** - Center for Development Information and Evaluation at A.I.D.
- Common Stock** - Shares of ownership in a corporation having voting rights but no special preference as to dividends
- Conversion** - The act of exchanging one item for another, i.e., converting foreign exchange to local currency
- Convertibility** - The ability to exchange local currency for hard currency that may be restricted by the local government
- CSM** - Contraceptive Social Marketing
- CYP** - Couple years protection (contraceptive coverage for an in-union couple per year)
- Deal Flow** - The stream of transactions from the time of identification through analysis and final decision
- Debt Financing** - Raising funds by issuing bonds, mortgages, or notes

Divestiture - The sale, transfer or other disposal of interests, such as stock in a corporation

Domicile - To establish a principal place of residence (office) for legal purposes

ENTERPRISE - A.I.D. project designed to increase the delivery and use of acceptable, affordable family planning services through private sector sources

FP - Family Planning

FPMD - Family Planning Management Development

FPSD - Family Planning Services Division

Frozen Assets - Non-convertible or blocked funds

Greenfield Investment - New start-up investment project

Guarantee - A promise to answer for payment of debt or performance of some obligation if the person liable for the debt or obligation fails to perform

HMO - Health Maintenance Organization

IDB - Inter-American Development Bank

IEC - Information, Education, and Communication

IFC - International Finance Corporation (member of the World Bank Group, dealing only with the private sector)

IMF - International Monetary Fund

Injectables - Contraceptive, such as progestin which is injected into muscle; thickens mucus, often suppresses ovulation

Initial Capital Investments - First disbursement of funds into a project

IPPF/WHR - International Planned Parenthood Federation/Western Hemisphere Region

IUD - Intrauterine device

Joint-venture - A partnership between two or more persons, corporations, or other entities formed for the purpose of carrying out a single project

KAP - Knowledge, Aptitude, Practices

LDC - Less Developed Country

Lease - A contract calling for the lessee (user) to pay the lessor (owner) for the use of an asset

Leveraging - The use of supplementary non-equity capital (as senior securities or borrowed money) to increase returns on equity

London Club Debt - Term used to denote debt owed to private creditors (such as commercial banks)

MCH - Maternal and child health

MIS - Management Information System

NGO - Non-Governmental Organization
NTIS - National Technical Information Service
Oral Contraceptives - Combination pill contains a progestin and estrogen which suppresses ovulation
Paris Club Debt - Refers to debt owed bilaterally to public creditors (but not including debt owed to multilateral agencies)
PRE - Private Enterprise Bureau at A.I.D.
Preferred stock - A class of stock that carries with it some form of preference over common stock, such as a right to dividends before any are paid on common stock or priority with respect to asset distribution upon liquidation of the company
PROFIT - Promoting Financial Investments and Transfers
PVO - Private Voluntary Organization
R&D/POP - Bureau for Research & Development/Office of Population (A.I.D.)
ROI - Return on Investment
SOMARC - Social Marketing of Contraceptives
TA - Technical Assistance
Three Factor Index - R&D/POP established this ranking methodology to assess potential impact on family planning needs. The ranking is based on: number of births of the order four or higher, number of high-mortality-risk births, and number of women with unmet family planning needs
TIPPS - Technical Information for Private Provision of Services
TFR - Total Fertility Rate is the average number of children a woman will have throughout her childbearing years
USAID - Overseas missions of the United States Agency for International Development
VSC - Voluntary Surgical Contraception
WB - World Bank

APPENDIX B.
KEY PERSONNEL JOB DESCRIPTIONS

Project Director

The Project Director (PD) has overall responsibility for promoting PROFIT goals and managing the project. The PD exercises management responsibility for all project activities and provides technical guidance and oversight, assesses the feasibility of projected activities, and is responsible for completion of project goals. The PD consults with the A.I.D. Project Officer to determine project objectives, policies and procedures, and is the principal liaison with A.I.D. The Project Director has primary responsibility for oversight and performance of country office staff and local consultant teams working on project tasks.

Deputy Project Director - Investments Director

The Deputy Project Director (DPD) is second in command and oversees day-to-day activities at PROFIT offices. The DPD works with the Project Director to develop project investment strategy, select investment projects, and assess the feasibility of investment opportunities and also leads and directs consultant teams in developing investment aspects of country strategies. The DPD also designs private sector investment programs, develops and executes investment strategies, and assists in determining evaluation criteria. The DPD will assist in establishing and training Country Directors and their staff in investment monitoring procedures.

Finance Director

The Finance Director (FD) works with the Project Director to develop project strategy, and selects, analyzes, negotiates and establishes appropriate financial transfer mechanisms to provide funds for private sector projects. The FD leads/directs consultants in

developing financial transfer opportunities and mechanisms. The FD also trains local staff in financial strategies, establishing and maintaining financial controls over projects and also will develop appropriate exit strategies for A.I.D. funds invested in projects. The FD will assist with development of financial evaluation criteria for projects.

Marketing Director

The Marketing Director (MD) works with the Project Director to develop trade/marketing aspects of the project's strategy. The MD participates in selection of production and marketing interventions in target countries, and assists with the execution of these strategies. The MD will direct consultants in the analysis of trade and marketing opportunities for organizations or projects selected for intervention or funding and will also assist local staff with identification of marketing opportunities, etc. The MD will develop appropriate marketing evaluation criteria and will be responsible for development of project marketing materials, such as a brochure, video, etc.

Family Planning Director

The Family Planning Director (FPD) develops private sector family planning aspects of the project strategy. The FPD participates in selecting target countries, and designs and executes family planning aspects of the project strategy. The FPD also leads efforts to develop private sector family planning services through providers and employers and also will develop evaluation criteria for family planning factors/issues.

Evaluation Director

The Evaluation Director (ED) designs and formulates project evaluation methodology, and develops evaluation criteria, baseline data needs, and data collection processes for implementation of project evaluation. The ED will establish a baseline monitoring data base for collection and analysis of project evaluation data and will assist with country strategies development, design of local data collection efforts, and oversight of ongoing

data collection and analysis. The ED will provide assistance to R&D/POP teams performing periodic project evaluation.

Management Information Systems Director

The MIS Director (MISD) is responsible for development and implementation of all management information systems for projects, both administrative and programmatic. The MISD will determine software and hardware requirements to implement needed systems. She will analyze data collection needs, facilitate data flows with local offices and other reporting entities, and also will be responsible for procurement and installation of all office PC equipment, software, and training of staff for their efficient use. The MISD will work with the Evaluation Director to implement the baseline monitoring data base and will work with administrative staff to establish flexible financial and administrative reporting systems.