

PROJECT ASSISTANCE COMPLETION REPORT
April, 1995

I. BACKGROUND DATA:

A. Project Title: Private Pharmaceutical Distribution Project

B. Project Number: 518-0093

C. Grant No. 518-0093-G-00-0245-00

D. PACD - Original September 30, 1992 - \$151,000
 Revised September 30, 1993 - \$ 81,313
 Revised December 30, 1993 - -0-

Total \$232,313

E. Implementing Agency

Asociacion Ecuatoriana de Industriales e Importadores de Productos Farmaceuticos / Fundacion PROMESA.

F. Purpose:

To provide low cost high quality brand name drugs to under served populations in urban marginal and rural areas on a self-sustaining basis.

II. PROJECT STATUS:

A. Financial Summary:

Grant	\$ 232,313.00
Counterpart	\$1,359,794.00
Total	\$1,592,107.00

The total amount disbursed during the life of the project was \$231,332.

By the end of the project the total counterpart contribution was \$511,845, equivalent to 38% of the US\$1,359,794, according to the final reports presented by Fundacion PROMESA.

B. Summary of Agreements:

The original grant was signed on September 24, 1990 for a two-year period and a LOP funding of \$151,000. Amendment No. 1 dated September 30, 1992 increased the LOP funding by \$81,313 and changed the project completion

date to September 30, 1993. Amendment No. 2 dated September 15, 1993 authorized a non-cost extension through December 30, 1993.

During the life of the project Fundacion PROMESA has signed agreements with fifty two non-governmental organizations. These agreements contributed to a nation wide geographic coverage of the project.

C. Progress Toward Achievement of Project Purpose:

The purpose of this project was to provide ASOPROFAR with operational studies and market research in order to improve the implementation of the program and to define new areas for expansion.

According to the terms of the original grant, it was agreed that a total of 60 botiquines would be implemented.

In June, 1992, ASOPROFAR submitted a proposal for expansion of the original grant in order to establish an additional 100 botiquines.

By the end of the project the total number of botiquines was 182 in 16 provinces.

The project had seven components under which assistance was provided:

1. Salary
2. Logistic System
3. Administration
4. Publication
5. Medicines
6. Inst. Medical kits
7. Audits

All components but four and five were financed under grant funds.

For the implementation of the botiquines PROMESA followed the strategy described below:

1. Identification of an NGO working in the health area.
2. Preparation of a social feasibility study.
3. Presentation of a positive report.
4. Signature of an agreement.
5. Selection of drugs required by each area.
6. Preparation of a financial study.
7. Reception and delivery of drugs.
8. Delivery of medicines to the distributor.
9. Replacement of stocks in all botiquines.

10. Monitoring and evaluation of the operation.

The areas selected by PROMESA had the following characteristics: low-income population, no access to a private pharmacy, an NGO with a program in execution and a physician to prescribe medicines.

Each NGO signing an agreement with PROMESA was responsible for the management of the botiquin, the provision of an adequate area for the establishment of the botiquin, a consulting room and the implementation of an information system for the control and evaluation of the program.

On the other hand, PROMESA was responsible for the training provided to all botiquines administrators and NGOs staff on medical information (including stock/inventory control, procurement and logistics), word processing, spread sheet analysis and software.

The drugs were sold at an average price which was 42% lower than the public commercial price. Eighty percent of laboratories participating in the program offered a 30-day grace period for payment of purchases and the remaining fifteen percent provided a credit up to 60 days.

With the expansion of the grant in September, 1992, increased emphasis was placed on education through art (theater, puppet shows, music and dance) and communication activities including: analysis of alternatives for the diffusion of messages; selection of the most adequate alternative; organization and coordination of a puppet group; tests of the selected alternative; elaboration, application and analysis of surveys to measure: comprehension, attraction, credibility, self-identification, and persuasion. The puppet group had presentations in different provinces of the three regions. A methodological guide for NGOs which plan to use the "education through art" strategy was developed and disseminated. Project achievements were disseminated through a bimonthly letter, health fairs, and festivals. In addition, a catalog listing data from 196 NGOs, including 172 educational sources, was published.

The counterpart contribution included ASOPROFAR, PROMESA, and NGO's as sources, and salaries, construction, forgone income, credit, and supplies as budgetary items. An audit by Romero & Ascciadós indicated that counterpart contribution was substantially less than projected, although at the end of the project this contribution was equivalent to 38% of the total amount planned, which exceeded the 25% required by USAID.

During the life of the project three external audits have been conducted. The first one covered the period October 1, 1990 through December 31, 1991. The second one from January 1, 1992 through December 31, 1992. The third and last audit for the calendar year 1993 was completed and the final report submitted in April, 1994. The results of the audits indicated that PROMESA satisfactorily complied with the U.S. Government Accounting Standards and AID audit requirements. The recommendations suggested by Deloitte & Touche have been incorporated by PROMESA.

In December, 1993, a final evaluation was carried out by Fundación Eugenio Espejo, a local NGO with extensive experience in the matter, which was selected out of a bidding process in which two other NGOs participated.

The purpose of the evaluation was to: 1) determine the adequacy of project design for achieving desired goals within time frame. Also evaluate specific project implementation components including: a) establishment of botiquines; and b) health education, and 2) determine the adequacy and effectiveness of project management and technical assistance on the part of Fundación PROMESA, including planning and marketing, logistics, pricing, quality control, training, financial management, and supervision.

Some of the questions to be answered by the evaluation follow: 1) Were adequate criteria used to select drug distribution sites?; 2) How effective has the logistics system been?; 3) How responsive have drug stocks been to local market conditions?; 4) How have prices affected accessibility of drugs to the local population?; 5) How sustainable (financially) are botiquines? and 6) What has been the effect of the health-education-through art component in the distribution and adequate utilization of drugs at the community/family level?

In January, 1994, Fundación Eugenio Espejo submitted a draft report of the evaluation which has been extensively discussed with the project's main implementing agency, Fundación PROMESA. The evaluation finds the results of the project to be mixed. The evaluation begins with the assumption that PROMESA always had a hidden agenda which was to expand the market share of the pharmaceutical industry. The evaluation also implies that the beneficiary NGOs are not necessarily acting in the best interest of the community since the "profit margin" of the botiquines is "substantial". PROMESA has provided a rebuttal to the draft evaluation document. In order to fully establish the successes and limitations of the project, another evaluation would be needed, something which is not feasible for the Mission to carry out at this time due to financial and personnel limitations.

D. Conclusions:

Despite the shortcomings of the evaluation, USAID Project Officer's field visits and interviews with beneficiary organizations clearly demonstrate the feasibility of a pharmaceutical distribution network which relies on the private sector for the provision of essential medications at low cost to under served populations.

The project has required relatively little USAID input in terms of financial support and management effort. Moreover, the interest of the pharmaceutical industry has been such that it has agreed to continue funding PROMESA for several more years. Many of the pharmaceutical company's headquarters have learned of the PROMESA experiment and are interested in duplicating the effort in other countries.

PROMESA has taken on the role of an "umbrella" to a large number of NGOs. The NGOs have benefitted from the training and support they have received from PROMESA. Many of the NGOs have strengthened significantly their administrative and financial systems, and are running the organization as a micro-enterprise.

E. Post-Project AID monitoring responsibilities:

1. On March 1, 1994, FUNDACION PROMESA submitted a check in the amount of S/. 1,961,322.33 to liquidate the last advance of funds. All the accounts were totally liquidated.
2. On May 3, 1994, USAID/Ecuador officially transferred four computers, five printers, one magnabyte, one hand scanner and three regulators to FUNDACION PROMESA. In addition, the computers, printers and regulators assigned to Fundación Ayuda en Acción, Vicariato del Coca, Unidad Médica San Pedro Claver, Tierra Nueva, Club de Leones Quito Central Hospedería Campesina La Tola, Sociedad de Damas del H. Cuerpo Consular (Guayaquil) and Fundación Vicente Rocafuerte will be formally transferred.
3. A final copy of the last audit report has to be submitted by Deloitte & Touche.

F. Data Collection and Evaluation:

Excepting the evaluation mentioned above, no further data collection and evaluation of project areas is considered necessary.

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III. Summary of Lessons Learned and Post-Project Recommendations:

Lesson No. 1. This project demonstrates beyond doubt that a well designed project aimed at improving the life conditions of under served populations can be implemented by the private commercial sector. There is no conflict between the private provision of goods and services and the goal of reaching target populations.

Lesson No. 2. Well trained and well motivated employees in pharmacies can change the medication habits of a community. This is crucial in a country where there is significant over medication and self medication. The PROMESA pharmacies were strictly ordered never to provide a single medication without a prescription. Community based health education messages were prepared to further transmit the message that medicines must be used carefully and always under prescription.

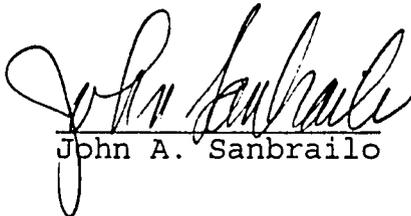
Lesson No. 3. Training NGOs in administrative and financial management has a definite pay off not only in terms of improving the operations of the NGOs, but also in terms of their ability to better negotiate terms and conditions with private providers. Many of the larger NGOs have "graduated" from PROMESA and are negotiating discounted prices directly with the pharmaceutical companies.

Recommendation No. 1. USAID/Ecuador should make sure that the success of PROMESA is linked with the redesigned Child Survival Project, especially the Private Sector Program Strengthening Component. In this regard, the private sector entities that are beneficiaries of the Child Survival Project should establish contact with PROMESA in order to ensure a smooth flow of essential medications.

Recommendation No. 2. USAID/Ecuador should take advantage of the "umbrella" role that PROMESA has played with the beneficiary NGOs by selecting a number of these NGOs to be beneficiaries of the Child Survival Project.

Approved

Disapproved


John A. Sanbrailo

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