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International Planned Parenthood Federation,
Western Hemisphere Region, Inc.

The Transition Project

EXPANSION AND IMPROVEMENT OF FAMILY PLANNING SERVICES IN LATIN AMERICA AND THE CARIBBEAN: THE TRANSITION TO SUSTAINABLE PROGRAMS

ENDOWMENT FUND FOR SUSTAINABILITY

September 10, 1997
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I. EXECUTIVE SUMMARY

The mission of the International Planned Parenthood Federation/Western Hemisphere Region, Inc. (IPPF/WHR) and its family planing affiliates centers around meeting the family planning and reproductive health needs of underserved populations in Latin America and the Caribbean. IPPF/WHR's network of affiliates is the largest provider of family planning and reproductive health services in the Region; through them, more than 8 million women and men each year receive quality clinical and educational services, including family planning, primary health care, pediatrics, gynecological care and HIV/STD prevention. WHR affiliates also provide for over 4.4 million couple years of protection from unwanted pregnancies each year. In a majority of cases, FPAs provide these services to clients who would otherwise have no access to them.

USAID has played a significant role in the expansion and maintenance of services for low income populations in this Region, providing programmatic and in-kind support for over 25 years. These efforts have helped enormously in improving the health and population in Latin America and the Caribbean. However, this success has brought about changes in donor priorities that necessitate increased levels of sustainability among Latin American and Caribbean family planning associations. USAID made it possible for IPPF/WHR to initiate sustainability activities through funding the Transition Project from 1992 through 1997. During the Transition Project, 10 participating FPAs developed and tested various strategies to optimize efficiency and to increase income. The IPPF/WHR incorporated the strategies and lessons learned from the Transition Project into its new strategic plan for the Region in 1996 (Resource Mobilization Strategy) to maintain the Regional Office infrastructure to support continued development of sustainability after the termination of the Project. However, since funding to many FPAs in the Latin American and Caribbean Region is being reduced not only by USAID, but also by other international donors, WHR recognizes that significantly more capital than is currently available will be necessary to achieve meaningful results.

As the Transition Project draws to a close in September of 1997, however, IPPF/WHR has developed a plan for establishing a permanent source of financing to support sustainability in the region. This plan calls for the creation of an Endowment Fund for Sustainability (EFS), which will not only provide the necessary capital, but will also enable the sharing of knowledge and expertise regarding sustainability gained during the Transition Project to all 46 regional affiliates, and potentially other health NGOs in the Region. As such, the EFS will facilitate the transfer of knowledge in a way that is consistent with the guiding principles of the Transition Project: it will promote results-oriented projects; increase FPA business acumen; and strongly encourage financially independent FPAs via loans and a small number of grants. All the while, the EFS will not deplete itself, but will actually steadily increase in size through an indefinite period of time.

Without a mechanism such as the EFS, FPAs in the Region would be unable to generate sufficient income to assure adequate continued coverage of low-income segments of the population. The EFS, however, will provide affiliates with the necessary time and capital to build upon valuable lessons learned during the Transition Project, and to maintain continuity of family planning coverage in Latin America and the Caribbean.

We are now requesting from USAID $4 million to create the Endowment Fund for Sustainability, which will support affiliates through two distinct but complimentary modes, loans and grants. The majority of the Fund will be available to associations in the form of loans; US$100,000 will be allocated each year to finance a small grants program. An asset management firm will invest the balance to facilitate annual growth of approximately 7 to 10% per year, depending upon market conditions. In addition, at the beginning of each calendar year for a period of five years, IPPF/WHR will contribute a minimum of $200,000 to the Fund, for a total of US$1 million, or 25% of the proposed USAID contribution.

We have designed the Endowment Fund for Sustainability such that it will benefit family planning associations in the Region for many years into the future. As the largest component of the Fund, the loan program will function as a long-term rotating system, preserving the value of the Fund, and increasing the corpus through interest income. Disbursing the majority of the Fund in loans will also enable associations to have access to nearly the full amount of the Fund for investment in projects, rather than the smaller amounts (estimated at approximately $180,000 to $300,000) that would be available through a typical endowment fund, where beneficiaries would have access only to investment income. Furthermore, EFS-financed projects will themselves serve as permanent source of income for affiliates, thus assisting them in becoming more fully sustainable over time, and insulating them from fluctuations in the availability of donor funds, and/or their own political and economic environments.

Our primary objective in establishing a grants program within the Fund is to assist FPAs with the least capacity to attain sustainability in designing and implementing projects to effectively increase their self-sufficiency levels. EFS grants will accomplish this by funding small-scale projects such as feasibility and market studies; exchange of experience/technical assistance among affiliates; and short-term FPA staff training in marketing, business planning, fund-raising and other skills necessary to manage sustainability-enhancing projects. In this way, the grant program will support the loan program and ensure widespread access to the Fund.

A Fund Manager will be responsible for day-to-day management of the Fund; and an Endowment Fund for Sustainability Committee will oversee the approval of loan and grant allocation to FPAs. In addition, IPPF/WHR will establish a Board of Trustees to oversee the Fund's overall growth, management and use. Finally, an internationally-recognized Asset Management firm, to be competitively selected and approved by USAID and the EFS Board of Trustees, will manage the Fund's portfolio. IPPF/WHR and USAID will jointly select the Asset Manager and establish the EFS Board of Trustees in accordance with the relevant standard USAID provisions. USAID will monitor operation of the Fund during an initial 5 year oversight period, and USAID and IPPF/WHR will jointly review the performance of the Fund after years 2 and 5. Following successful graduation IPPF/WHR will continue to inform USAID of EFS activities through the Fund's Annual Report and the *Sustainability Matters* newsletter.

In sum, the Endowment Fund for Sustainability will disburse loans and some grants to FPAs in Latin America and the Caribbean to help affiliates to enhance self-sufficiency, and to continue providing high quality clinical and educational services to under served low income populations. This step in a long and successful partnership between USAID and IPPF/WHR will help to protect affiliates' programs from reductions in international funding, and will also allow USAID to maintain an ongoing, positive presence in development activities related to family planning and reproductive health in Latin America and the Caribbean.

II. BACKGROUND ON IPPF/WHR

The International Planned Parenthood Federation/Western Hemisphere Region, Inc. (IPPF/WHR), founded in 1954, is a grassroots organization comprised of 46 family planning affiliates in Latin America and the Caribbean. A private voluntary organization incorporated in the State of New York and registered with USAID, IPPF/WHR is also one of six regions of the London-based International Planned Parenthood Federation (IPPF), the largest voluntary family planning organization in the world. The Federation has affiliated family planning associations (FPAs) in almost every country, each of which adhere to IPPF's global standards. Each FPA, however, is an independent non-governmental organization (NGO) governed by an autonomous local body. The dual status of the FPAs, that is, their independence coupled with their membership in a worldwide network, allows each to function on its own, governed by and for the benefit of local populations, and to operate with the benefit of access to the latest ideas and practices in the field of family planning and reproductive health. The Western Hemisphere Regional Office (WHRO) provides technical assistance, sub-grants and training to its in-country affiliates, reaching more than 7 million women, men and adolescents each year.

Despite the many barriers to providing family planning and reproductive health services, IPPF/WHR and its affiliates have never in their 40 year history compromised their mission of ***promoting access to family planning and reproductive health services as a basic human right.*** In addition, IPPF's Western Hemisphere Region adheres to a strategic plan that emphasizes the need to embrace a broader, more holistic concept of sexual and reproductive health that, ultimately, will empower women and men to take control of their own lives. IPPF/WHR and its regional affiliates promote their mission by working to expand ***access*** to educational and vocational opportunities; ***empower*** women and young people; ***educate*** clients about preventing HIV/STDs and unwanted pregnancy; and ***promote sustainable development*** initiatives in and outside the Region.

A. History of IPPF/WHR

Whether through extraordinary vision or serendipity, IPPF founders were looking toward the coming millennium when they established a global network of FPAs in 1952. Responding to pioneering family planning proponent Margaret Sanger's call to "organize the Americas for family planning," the Western Hemisphere Region (IPPF/WHR) was incorporated in New York in 1954. According to one founding member, IPPF/WHR's chances seemed "close to hopeless" at first, since "all the major institutions in that Region--whether church or state--were adamant in their opposition to what they called 'birth control.'" Despite this, however, family planning caught on in the Region in the late 1960s, and the WHR network had an affiliate in almost every country by 1972.

The 1960s was a decade of growing support for family planning. Governments began contributing substantial financial support to IPPF in the late 1960s, establishing a broader base of support than IPPF's past donor base of industry, private foundations and individuals. Sweden offered IPPF's first government support in 1966, closely followed by the United States, the United Kingdom, Japan and New Zealand, who all became active supporters of IPPF and of the family planning movement in general within a short time. In 1968, delegates to the United Nations Conference on Human Rights in Tehran confirmed the growing international support for family planning, issuing the first legal recognition of the human right to family planning. IPPF played a significant role in the passage of this landmark resolution, which contended that rapid population growth was a major obstacle in protecting human rights and human welfare. Following the Tehran Conference, the United Nations established the agency now known as United Nations Fund for Population Activities (UNFPA), and IPPF was granted consultative status with the United Nations Economic and Social Council (ECOSOC).

Since the late 1970s, IPPF/WHR's affiliates have continuously offered family planning services in Latin America and the Caribbean. Due to the advocacy of IPPF/WHR and others, several governments in the Region have incorporated the right to family planning into their national Constitutions. In addition, regional affiliates have become more directly involved with community-based distribution, have begun to offer a wider variety of high quality methods and services, and have begun to employ various strategies to ensure financial sustainability in the future.

B. Organizational Structure and Administrative Capacity

1. The IPPF - World Federation

IPPF is unique among private voluntary organizations working in the field of population in that it is a federation of family planning associations from nearly every country in the world. The Federation's headquarters is in London, and six Regional Offices are located in other parts of the world, and includes the Africa Region, the Arab World, the East and Southeast Asia and Oceania Region, the European Network and the Western Hemisphere Region.

IPPF employs a democratic, participatory system of governance that involves the volunteers from local FPAs in the management, regulation, and policy development of each level of the Federation. A diagram of this system is provided in Appendix 9, and an explanation is provided below. In sum, IPPF is run by volunteer members of affiliates at the central level by the ***Member's***

Assembly and ***Central Council***, and at the Regional level by a ***Regional Council***. The Regional Office is directly overseen by an elected ***Board of Directors***.

The ***Central Council*** is IPPF's chief governing body, and is made up of volunteers from affiliates: eight representatives of each of IPPF's regions. The Central Council also includes the IPPF President and immediate Past President, and Chairpersons of the Central Council Committees. These committees include the Central Executive Committee, Budget and Finance Committee, International Medical Advisory Panel, International Programme Advisory Panel (which includes a Youth Committee), and the International Women's Advisory Panel. The main functions of the Central Council are, to admit and confirm the associate members of IPPF, receive reports and proposals for action from the regions, the FPAs and the Secretary General (the executive director of IPPF), and to appoint and oversee the executive actions of the Secretary General. A ***Member's Assembly***, which meets once every three years, reviews the role of IPPF and approves its Strategic Plan, and ratifies the amendments to the Regulations adopted by the Central Council. The Assembly also admits FPAs into full membership of the IPPF and elects the President of the IPPF.

Each Region, in turn, is governed by a ***Regional Council***, which is comprised of two volunteer representatives of each FPA in the Region. The Regional Council governs the activities of the Regional Office, and represents the FPAs of its regions to the Central Council. The ***Board of Directors*** implements policies of the Regional Council, allocates funds to FPAs and oversees the actions of the Regional Office. The role of the Regional Council and Board of Directors will be illustrated further in the description of Western Hemisphere Region's organizational structure below.

All members of IPPF's governing bodies are democratically elected from among volunteers of the affiliates and are volunteers (expert professional panels are appointed and include some IPPF staff) . The FPAs elect their board members locally, and they also nominate and elect their board members as representatives to the Regional Councils, Central Council, and Member's Assembly. FPA Boards of Directors and the Regional Boards of Directors are made up of volunteers from FPAs, other professionals from the member countries (e.g. prominent physicians, teachers, politicians, lawyers and members of other professions related to the field of family planning who are committed to the IPPF's mission). No staff have voting rights at any level of the Federation.

Administration of IPPF's Headquarters (Secretariat) is run by the Secretary General, who is appointed (hired) by the Central Council, and administration of the regional offices is headed by a Regional Director, also hired by the Board of Directors. The Secretary General's office distributes IPPF's funds to each region according to the allocation made by the Central Council, raises funds for the Federation, and provides support to the regional offices and FPAs through a number of departments, including Medical and Technical Standards and Norms, Advocacy and Public Information. The bulk of the IPPF's contraceptive and other commodities are purchased and distributed to FPAs through IPPF's Headquarters in London. A diagram "International Planned Parenthood Federation Secretariat," included in Appendix 9, details all of the departments of the central office, as well as those of each regional office.

2. *The Western Hemisphere Region*

The administrative office of the Western Hemisphere Region is based in New York City, and has one affiliated family planning association in every country in the Western Hemisphere. The Western Regional Office currently makes grants to 38 of its affiliated FPAs, all of which are autonomous local NGOs. The Planned Parenthood Federation of Canada (PPFC) and the Planned Parenthood Federation of America (PPFA) are among IPPF/WHR's non-grant-receiving affiliates. Among the range of services that IPPF/WHR provides to its grant-receiving affiliates are technical assistance and core financial support. In addition, the Regional Office plays an advocacy role with regard to issues related to family planning and sexual and reproductive health.

Western Regional Office staff include program and financial advisors assigned to each country in the Region, as well as resource development and evaluation staff, HIV/STD specialists, gender specialists, and, through its USAID-funded Transition Project, a team of staff from the above-mentioned fields plus marketing and business professionals, focused on helping select affiliates make the transition to sustainability. A Country Manager oversees the Regional Office's work with each affiliate and serves as the central point of coordination between FPA and WHR service. Country Managers do not hold altogether separate positions, but are existing financial and programmatic staff, each of whom oversees a group of countries.

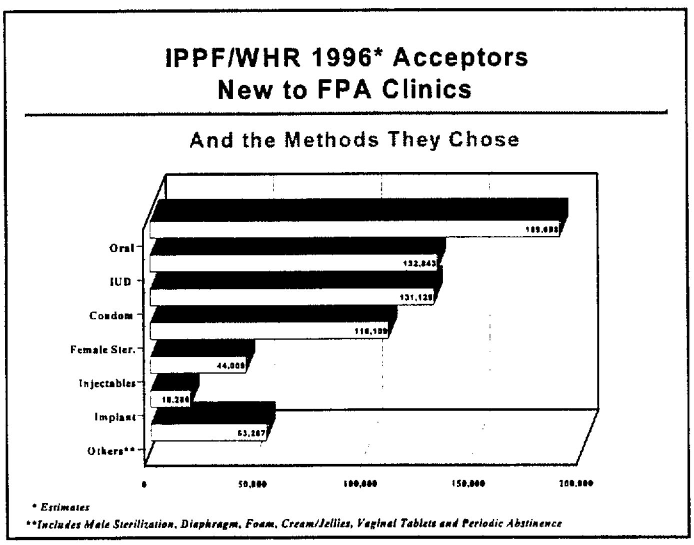
IPPF/WHR is governed by two volunteer bodies: The ***Regional Council*** and the ***Board of Directors***. The ***Regional Council*** of the WHR consists of 56 members, including two volunteer members from each FPA (the Caribbean affiliates are represented together by the Caribbean Family Planning Association, which sends two delegates to the Regional Council). The Regional Council develops policies and regulations for the WHR, and represents the concerns of the Latin American and Caribbean FPAs at IPPF's central level. Specifically, the

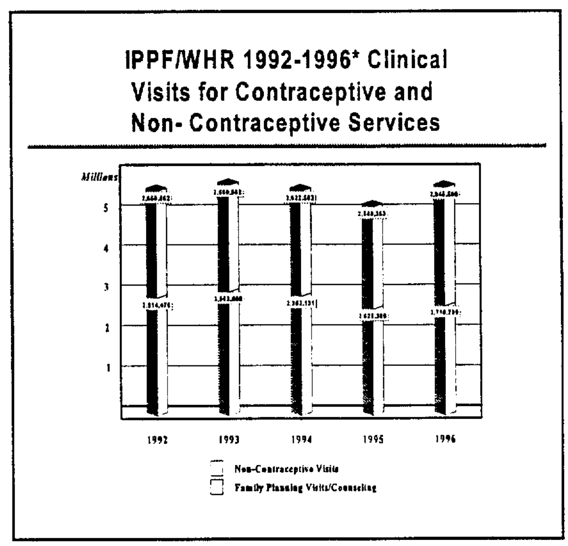
Regional Council approves the constitutions and bylaws of member organizations, promotes inter-regional activity, promotes the exchange of information and stimulates new programs to improve the effectiveness of the WHR affiliates in meeting the family planning and reproductive health needs in the Region.

The IPPF/WHR ***Board of Directors*** is composed of 25 volunteer members who are elected by the Regional Council. Board members are experts from the fields of medicine, law, government and business, are committed to IPPF's mission and have a particular interest in family planning in the WHR. Thirteen of the 25 members are U.S. based, and 12 are based in Latin America and the Caribbean. While the Board members may be members of FPAs, they are not necessarily affiliated with FPAs. The Board of Directors oversees the administration of the affairs of the Regional Office. Specifically, the Board of Directors implements the policies set by the Regional Council, approves the annual work programs and budgets of affiliates and authorize grant allocations to affiliates, cooperate with the IPPF Secretariat in its dealings with member organizations in the Western Hemisphere, develop financial resources for meeting the needs of the WHR and, finally, review the actions of the Regional Director. For more detail regarding the functions and rules governing each of these volunteer structures, see the attached IPPF/WHR Bylaws, Appendix 10.

B. Programs & Accomplishments: How IPPF Improves the Lives of Millions

Despite considerable barriers to providing family planning and reproductive health services to those in the Region who want them, IPPF/WHR and its affiliates have never in their forty year history compromised the mission of ***promoting access to family planning and reproductive health services as a basic human right***. IPPF affiliates are the largest family planning providers in Latin America and the Caribbean: overall, IPPF/WHR affiliates currently provide almost ***4.4 million couple years of protection*** (CYP) to women and men throughout Latin America and the Caribbean. Each year, the FPAs ***increase the number of women using contraceptives by over 715,000***; provide contraceptive users with almost ***2.3 million follow-up sessions***; and provide more than ***3.2 million visits for non-contraceptive services.*** Regional office and FPA staff develop service delivery strategies at both local and regional levels; these range from direct provider-to-client services to broader-based community distribution and education via the media. Affiliates provide comprehensive and gender sensitive information on all available methods so that clients can make their own informed decisions. Women and men in the Region now have more legitimate family planning





options, more opportunity to use the methods they choose, and more information and understanding about method use and its impact upon health and sexuality. IPPF/WHR's grassroots approach makes it possible for family planning programs to respond to ***local***

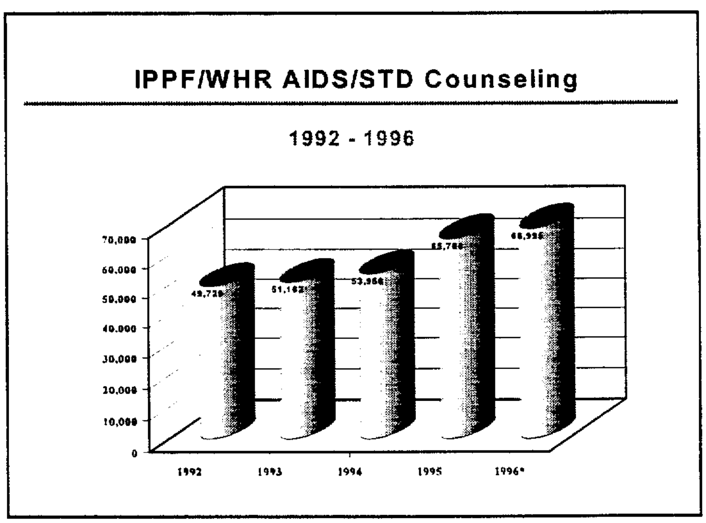
needs as determined by local people. IPPF/WHR's family planning and reproductive health programs in Latin America and the Caribbean include ***four primary components***:

- ***Clinics***: Affiliates run over 2,100 clinics in 45 countries in the Region, using every legal and available family planning method, including oral and injectable contraceptives, intra-uterine devices, spermicides, diaphragms, male and female voluntary sterilization, Norplant and condoms.
- ***Outreach***: These include temporary and limited service clinics, mobile services and community-based distribution in slums, rural areas, workplaces and other places where there is no ready access to contraceptives or reproductive health services.
- ***Information and Education***: Affiliates' information, education and communication (IEC) programs have been praised for their innovation and ingenuity in reaching people with information about subjects that are often sensitive and controversial. IEC campaigns employ the print and electronic media in their efforts, and also make use of sexuality education programs and trained peer counselors to reach their target audiences.

- ***Special Services***: Programs addressing special needs are in many ways the most crucial, and are often the first to be eliminated as funding becomes more scarce. In some countries, only IPPF/WHR affiliates provide services such as prevention, diagnosis and treatment for HIV/AIDS and other sexually transmitted diseases; services for young people; services for men, and maternal and child health care.

Some examples of our affiliates at work include:

- ***APROFE/Ecuador:*** provides family planning, primary health care, environmental awareness education and basic infra structural improvements to impoverished populations in Puna and surrounding islands, an environmentally sensitive area near the Galapagos off the coast of Ecuador; in its information, education and communication program, APROFE has focused on sexuality education for adolescents, and its projects for women that seek to improve income generating



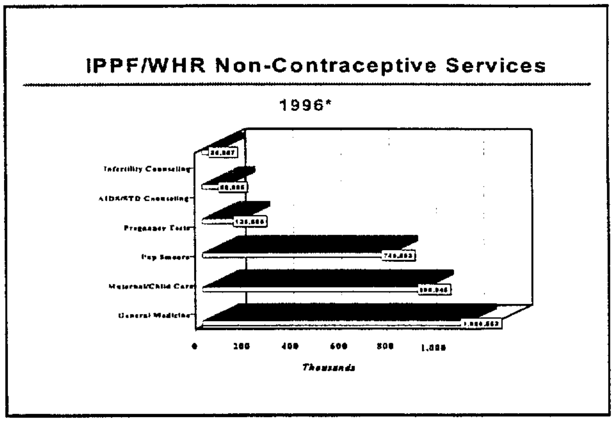
skills as well as self-esteem.

- ***BEMFAM/Brazil, ASHONPLAFA/Honduras, and FAMPLAN/Jamaica:*** offer clients unique integrated sexual and reproductive health services, including HIV/STD prevention and family planning.

- ***APROFAM/Guatemala***: works to reach the country's rural, indigenous population through training Mayan midwives and health promoters using informational theater and video *translated into regional dialects.*

- ***BFLA/Belize***: includes in its outreach strategy house-to-house visits in rural areas to educate prospective clients about available reproductive health services.

- ***PROFAMILIA/Colombia***: mobile health brigades bring family planning and primary health services to hard-to-reach populations in areas ravaged by guerilla violence.



C. Over 25 Years of USAID Support

Since the late 1960s, the United States Agency for International Development (USAID), as one of the main supporters of IPPF/WHR's activities in the Region, has provided substantial assistance to countries in Latin America and the Caribbean (LAC) for population-related activities, through IPPF/WHR and its Regional affiliates. During this period, many countries in the Region have undergone dramatic declines in fertility and population growth. Increased use of contraceptives and the availability and quality of services are among the major factors behind these changes. Also responsible are other factors, including, changing socio-cultural norms and economic development which have led to later marriage among women, perceived changes in the cost/benefit relation of children and higher child survival rates.

Working in partnership, USAID and IPPF/WHR have had a substantial and direct positive impact upon the above population trends. Through support to Regional affiliates, and in USAID's case to the public sector, the two organizations have enabled FPAs to expand access to family planning via a range of service delivery outlets, including static and mobile clinics, community-based distribution (CBD), social marketing and collaboration with other providers, including government health posts or private physicians. IPPF/WHR's affiliates have also assisted in this effort through information, education and communication (IEC) campaigns, and by providing the larger public sector with replicable models to improve their own programs. In addition, USAID made substantial indirect contributions to greater contraceptive use via its economic development projects.

III. CHANGES IN THE DONOR ENVIRONMENT: Reductions in Funding and Sustainability as an Emerging Priority

A. Reductions in Funding to Latin America and The Caribbean

Major reductions in funding from the WHR'S two principle donors have begun to present a substantial challenge to Latin American and Caribbean FPAs in continuing to achieve their mission. The first and most significant reduction in funding will be the upcoming reductions in US government support to the Region through USAID. As outlined earlier in this document, USAID support has for the last 25 years represented a significant portion, ranging from 15 to 40%, of the IPPF network's work in the Region. As such, without action to prepare for the impact of these measures, funding reductions could have an serious adverse effects on programs in the Region.

The Matching Grant and Transition Projects, specifically designed to strengthen IPPF/WHR's network of affiliates so that they could successfully withstand funding reductions, have significantly improved the sustainability prospects of country affiliates who participated in these projects. In addition, the general mood of sustainability established by these projects as well as lessons learned through them have increased awareness of sustainability among IPPF/WHR's other 36 Regional affiliates. Nonetheless, to prevent the potential loss of valuable programs after the conclusion of the Transition Project at the end of 1997, and from the phase out of other countries in the Region, affiliates must make a concerted effort to become more efficient and more financially sustainable.

A second reduction in funding to the Region reflects the recent shift in international donor priorities to other regions in the world. Starting in 1997, IPPF headquarters in London adopted a new resource allocation system to align spending with shifting donor priorities. This system mirrors the United Nations classification of countries according to categories of economic development. As expected, the bulk of international funding is thus being allocated to African countries, since they represent the greatest gross economic need. For the most part, Latin American and Caribbean countries, with the exceptions of Haiti and Nicaragua, fall into categories of moderate need. Accordingly, IPPF core funding to these countries will be reduced over the next five years by approximately 10% per year beginning in 1998.

Although the overall economic profile of Latin American and Caribbean countries has improved over the last 20 years, significant poverty remains in many areas, as does serious unmet need in family planning and basic reproductive and sexual health services. ***IPPF/WHR and its affiliates are committed to maintaining their mission to provide such services to under served populations even in the changing donor context***

outlined above. Accordingly, IPPF/WHR is taking additional steps to offset the potential adverse impact of these cuts. The ***Endowment Fund for Sustainability*** will be indispensable in this effort.

B. Building Sustainability in the Region

In recognition of shifts in the availability of future funding in Latin America and the Caribbean, IPPF/WHR and its affiliates are intensifying efforts to increase levels of sustainability. IPPF/WHR promotes FPA efforts to increase sustainability via a variety of ventures that are consistent with the IPPF mission.

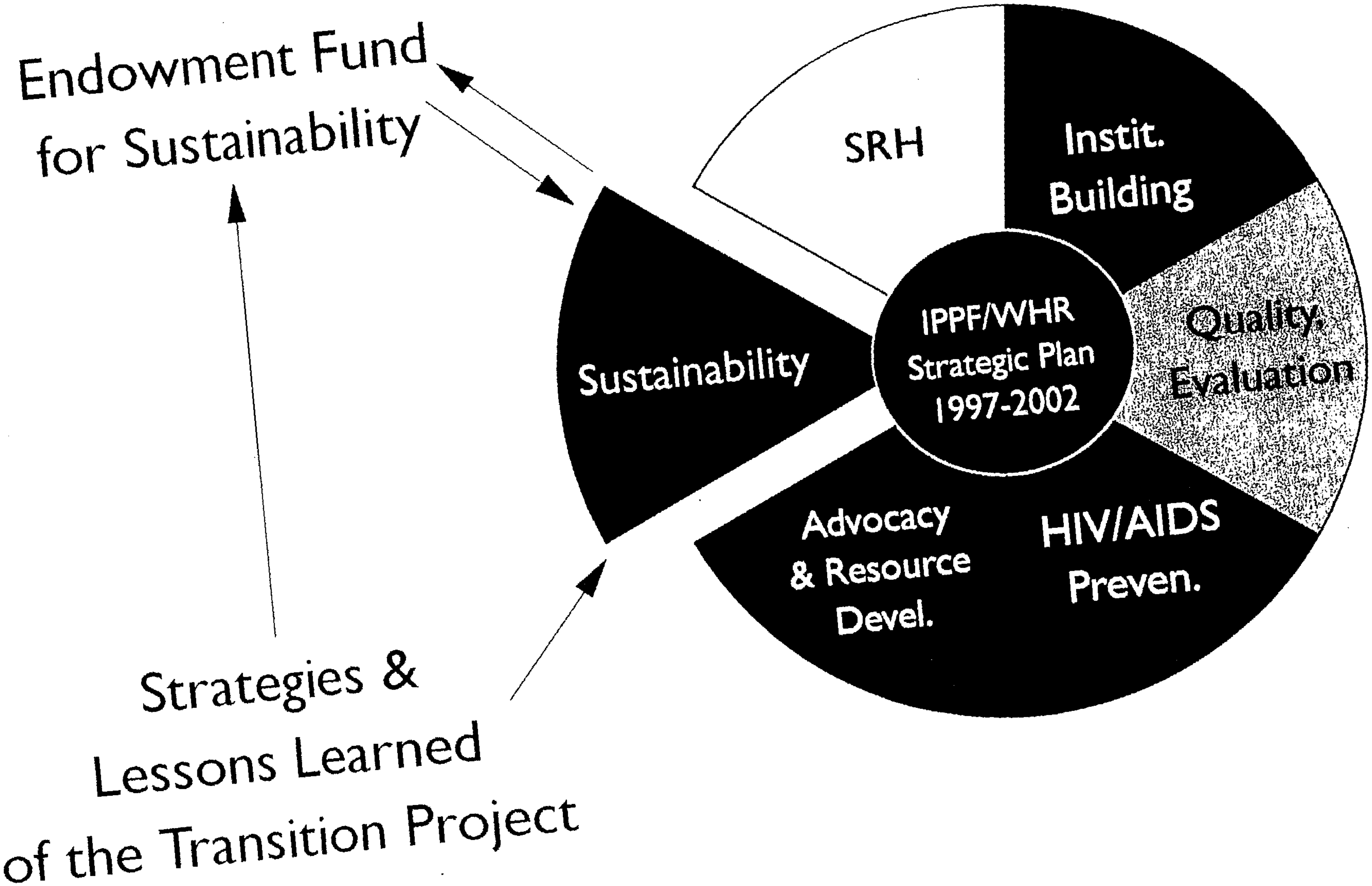
The pursuit of sustainability at IPPF/WHR began with USAID-funded Matching Grant Project in 1986, and continued with its USAID-funded successor, the Transition Project, which began in 1992. The Transition Project was an exploratory effort to develop and test sustainability strategies through ten of the Region's largest FPAs; the project's express purpose was to enhance the capacity of participating FPAs to absorb USAID funding cuts. As the Transition Project draws to a close, Regional Office staff have built upon lessons learned from the Project in developing a broader working definition of sustainability to help guide FPAs toward sustainability in the coming years. This new definition has now been incorporated into IPPF/WHR's new strategic plan, developed in 1996, both in anticipation of the end of the Transition Project in 1997 and the imminent withdrawal of USAID funds from the regional family planning network.

The strategic plan now guides work in the Region in light of the changing donor environment; the shift toward offering family planning services within a broader, more comprehensive sexual and reproductive health context; and increased involvement of the private sector. Initiatives such as these provide a framework in which IPPF/WHR can effectively utilize the Endowment Fund for Sustainability to effectively support all regional affiliates in their efforts to attain greater self-sufficiency. We provide more details on this and other initiatives in the sections below. (See diagram, "Sustainability in the Latin America and Caribbean Region and the Endowment fund for Sustainability," next page.)

C. USAID and IPPF/WHR Working in Partnership: The Matching Grant and the Transition Project

Two examples of the ways in which USAID, IPPF/WHR and selected FPAs have worked together to increase access to family planning services and to assist FPAs in becoming more financially sustainable are the Matching Grant Project, which ran from 1986 to 1992, and the Transition Project, which succeeded the Matching Grant from 1992 to 1997. Through these endeavors, the Regional Office provided affiliates with

Sustainability in the Latin American and Caribbean region and the Endowment Fund for Sustainability



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approximately US$5.3 million per year, plus more than $1 million in contraceptives. This represents an average of about 25% of the FPAs total budgets, and between 35% and 100% of their international donations. USAID funds typically supported from 15% to 40% of Project FPA budgets and over half of their program costs. Overall, the *Matching Grant* helped to set a "mood of sustainability" within the Regional Office and among FPAs, within which staff have become more attuned to issues of cost recovery and economic efficiency. The *Transition Project* built upon this, focusing almost completely on sustainability.

I. The Matching Grant

The Matching Grant is among USAID's most successful and cost-effective projects in recent years. Since the Matching Grant was able to leverage existing FPA and other infrastructure, its funds could go directly to expanding and improving services with very low overhead. This, in turn, enabled services to expand at a rapid pace during the project period. Service statistics were also very strong during the Matching Grant:

- couple-years of protection (CYP) moved from 2.04 million in 1985, just prior to the beginning of the Matching Grant Project, to 3.17 million at the Project's end in 1992;
- new contraceptive users rose from 604,788 to 662,659;
- Matching Grant activities directly accounted for 40 to 50% of FPA CYP.

The Project's objectives were to expand and improve family planning services in eight FPAs in the LAC Region, and to find ways to increase cost-effectiveness and self-sufficiency. The Matching Grant Project focused on low income clients who were most in need of contraceptive services. Under the Matching Grant, participating FPAs used various activities to accomplish their objectives:

- BEMFAM/Brazil formed partnerships with municipal governments throughout the country to provide family planning through existing health posts.
- APROFA/Chile formed a partnership with the Chilean Red Cross to provide family planning services through more than 40 existing clinics.
- PROFAMILIA/Colombia provided subsidized services in 20 of its small to medium-sized clinics, and supported voluntary sterilization services on a nation wide basis.
- MEXFAM/Mexico launched and expanded its well-known "Community Doctors" program, offering family planning and reproductive health services via a network of small doctors' offices. In addition, the Association expanded its CBD and clinical programs and its collaborative programs with the public sector and with certain industries.

- CEPEP/Paraguay and AUPF/Uruguay expanded their community-based distribution (CBD), clinical and associated doctors program.
- INPPARES/Peru and FPATT/Trinidad and Tobago focused on CBD and clinic.
- PLAFAM in Venezuela launched new sterilization services.

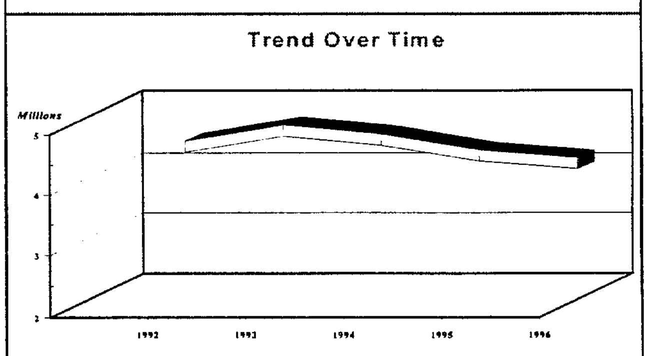
In addition to improving access, Matching Grant participants also focused on improving the quality of their services in ways that would more effectively conform to client needs. Project FPAs used client flow analysis to reduce waiting time and to allow each more time with service providers. Some participating Associations also carried out client satisfaction surveys and client profile studies. In an effort to increase client choice of family planning methods, APROFAM in Guatemala, for example, provided training in sterilization techniques to physicians from FPAs in the Region. Project participants also took part in institution-building activities such as the implementation of cost accounting systems, management information systems (MIS) and improved evaluation.

2. The Transition Project

> "The *Transition Project* has been, overall, very successful in encouraging and assisting *Transition Project* FPAs to make the extremely difficult transition form donor-oriented, philanthropic institutions, to organizations which accept and internalize the challenge of achieving sustainability. This is no small accomplishment."
>
> --*USAID Mid-Term Evaluation*

Since its inception following the end of the Matching Grant in 1992, the Transition Project has been focused on helping family planning associations in the Region to become more financially sustainable. The Transition Project was essentially an exploratory project that developed and tested sustainability strategies among the Region's largest FPAs in Latin America and the Caribbean to help prepare them for USAID's phase-outs from the Region. At the onset of the Transition Project, staff established an operational definition of "sustainability": an FPA's ability to recover (with local income) the cost of family planning services previously funded by USAID; and to continue providing the same volume and quality of services to low-income populations. They then developed an evaluation framework for use in measuring progress toward each of these

IPPF/WHR Couple-Years of Protection Achievement 1992-1996*

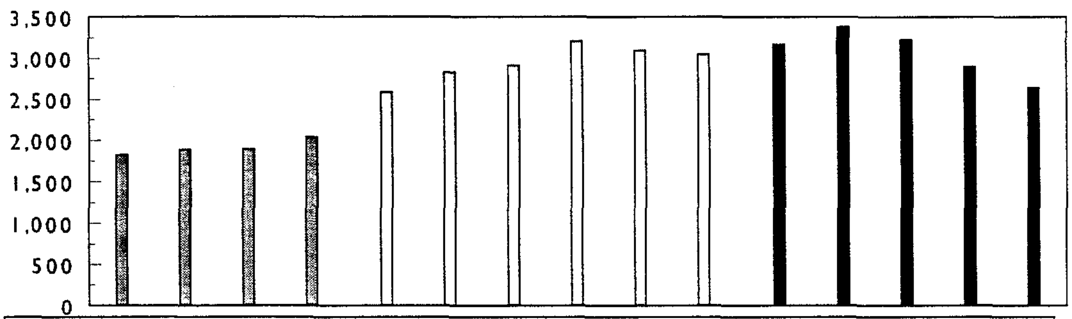


components.[1]

Using this framework, Project staff have kept an account of ***service utilization*** via two primary indicators: "new acceptors" (NA) and "couple years protection" (CYP). During the Matching Grant, service volume had been at its peak, and remained steady through the TP's first year. However, as sustainability activities began to take hold, CYP began to decline--probably due to increased services fees and loss of clients to less expensive government-owned clinics. Despite the drop from peak levels, total CYP in 1996 was nevertheless greater than it had been prior to the Matching Grant.

Transition Project Results:

CYP IN '000s (1991 - 1996)



	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
	1,825.7	1,887.6	1,889.5	2,040.8											
MG					2,584.2	2,825.6	2,912.3	3,203.9	3,094.8	3,051.3					
TP											3,168.1	3,382.5	3,225.8	2,898.2	2,642.0

Statistics for APROFA/Chile include only project CYP

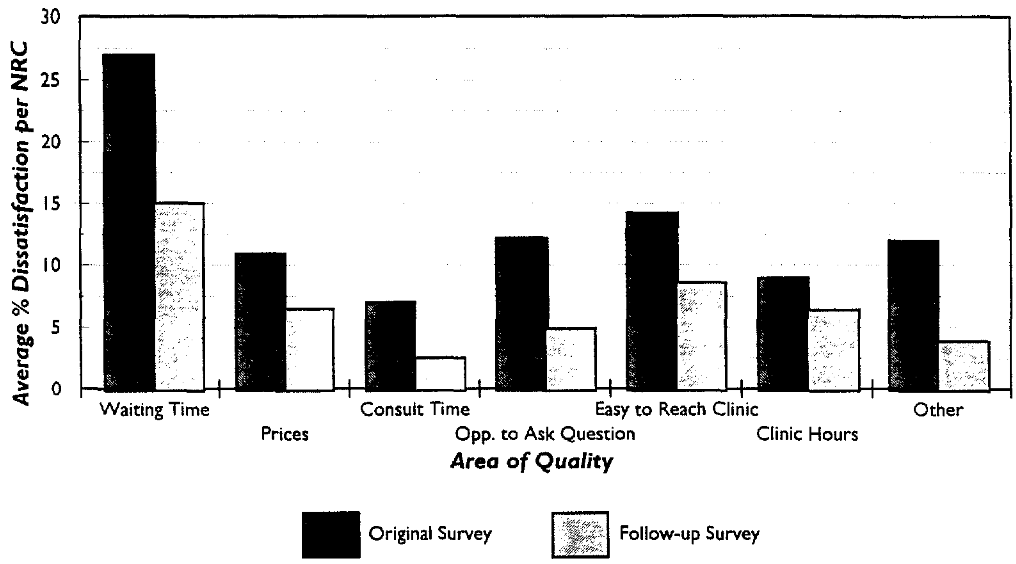
Quality of care was another important element used to measure the effects of the Transition Project. In light of the importance of client satisfaction to future FPA sustainability, TP staff developed a "client satisfaction exit interview" methodology to evaluate quality. This was in line with the idea that increased quality leads to an

[1]The evaluation framework allows Project staff to assess the following four components:

- ***financial self-sufficiency and replacement of USAID funds***; this is measured by the percentage of total FPA costs covered by local income, and replacement of USAID funds with local income;
- maintenance of service volume; measured by number of trends of couple years of protection (CYP) and New Acceptors (NA);
- improvement in the quality of services; assessed via client satisfaction surveys and special surveys;
- ability to continue serving low income populations; measured by client education levels and special, in-depth client profile studies.

increase in demand for services; conversely, failure to address quality is more costly than most service improvements. The table above illustrates the success of Transition Project affiliates' strategies to improve quality of care, as measured by the client satisfaction exit interviews.

Increase in Satisfaction Level
First Surveys to Follow-ups 1993-1996



After sharing these concepts with FPAs, staff set out to identify and implement successful ***strategies to achieve sustainability***. They solicited proposals from FPAs for sustainability-enhancing projects; these were to contain new planning tools, including feasibility and market studies and a business plan with financial projections.

As this process proceeded, the Project provided affiliates with guidelines as well as funds to support initial market studies, while staff continued to analyze past examples of sustainable projects. The FPAs have since engaged in a wide variety of strategies to increase efficiency and to generate income, many of which have proven successful.

In general, since different strategies work in different settings, participating FPAs have developed sustainability strategies that best suit their particular settings. These have included cost-cutting measures and income generating projects. Income generating strategies have included: raising fees for clinical services, service diversification,[2] commercial marketing of reproductive health-related products,

[2]"Diversified services" are non-family planning reproductive health services that serve the dual purpose of generating local income and meeting the broader sexual and reproductive health needs of clients.

project development, proposal writing and fund-raising to diversify the funding base. In employing these strategies, participating FPAs have increased their levels of financial self-sufficiency,[3] and have increased their internal efficiency . Examples of successful strategies include:

- ***Diversification of Services (PROFAMILIA/Colombia)***: PROFAMILIA's strategy of service diversification in its clinics has been the Project's, and perhaps the Region's, most successful sustainability strategy; within this plan, non-family planning services and products are priced to earn a profit, which in turn, is used to keep family planning fees below cost;

- ***Market Segmentation and Cross-Subsidization (AUPF/Uruguay)***: five of AUPF's clinics are income-generating, primarily deriving income from patient fees for clinical services and for contraceptives sold to private physicians; during the last two to three years, this income has increased dramatically, and along with a continuing IPPF grant, has allowed the two subsidized clinics to continue serving very disadvantaged clients;

- ***Contracts with Municipalities*** (BEMFAM/Brazil): most of BEMFAM's income comes from its contracts with municipalities, which has increased its local income from US$625,328 in 1992 to US$4.8 million in 1996;

- ***Mixed Strategies-Cost Reduction and Efficiency, Diversification of Services (INPPARES/Peru)***: although the Peruvian FPA has had varying degrees of success in its efforts to attain greater sustainability, it has achieved its goals of reaching greater cost-effectiveness and increasing local income generation without deviating from its mission of reaching low income, under served populations.

SPECIFIC STRATEGIES FOR SUSTAINABILITY

- Service ***Diversification*** (internal cross-subsidies);
- "Middle Class" Clinics (cross-subsidies between sites);
- ***Increase fees*** for family planning services;
- Increased ***Efficiency/Cost Savings***: management & financial reviews;
- ***Commercial marketing***;
- ***Partnerships*** with other service providers, including public sector;
- Establishment of an ***Endowment Fund*** (e.g., Colombia);
- Establishment of a ***Revolving Fund for Commodities*** (Mexico, Ecuador);
- ***Development of Diverse, External Resources.***

[3]The Transition Project defines "financial self-sufficiency" as the percent of costs covered by local income; this is calculated as follows: local income/total expenses of FPA x 100. This can be analyzed at the institutional level, the local level and the programmatic level.

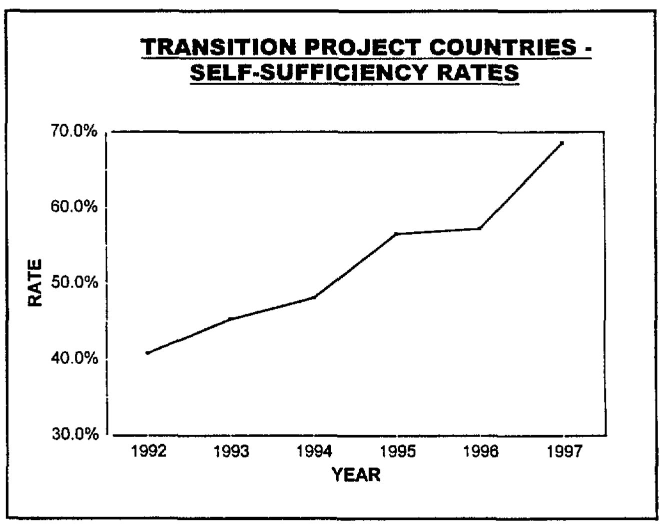
To measure participating Associations' ability to continue ***serving low income clients***, *TP* staff collected data on client income and education levels as a proxy for socio-economic status. In addition, several participating FPAs conducted more in-depth client profile studies to assess whether their client profile has changed as a result of sustainability initiatives. Results indicate that sustainability measures do indeed negatively affect FPA ability to continue their mission of serving the poor. However, we have identified certain strategies that can allow FPAs to maintain services to low income populations, including service diversification programs developed in Colombia early in the projects, and replicated in Peru last year, and the partnerships with the public sector program in Brazil.

a. Self-Sufficiency Rates of Transition Project and Non-Transition Project Countries

At the beginning of the Transition Project, the average self-sufficiency rate in TP countries was around 40.8%. The PLAFAM in Venezuela had the highest, at 70.%%, and MEXFAM in Mexico the lowest, at 13.1%. Self-sufficiency rates for TP countries had increased 38.7% from 1992 to 1997. During that time Mexico's rate had increased from 13.1% to 19%. PROFAMILIA/Colombia had attained self-sufficiency of 75% in 1995, the highest of all TP countries. By the

Belize	6.9%
Brazil	11.6%
Chile	17.3%
Colombia	29.9%
Mexico	26.9%
Paraguay	5.5%
Peru	26.6%
Trinidad	19.4%
Venezuela	6.1%

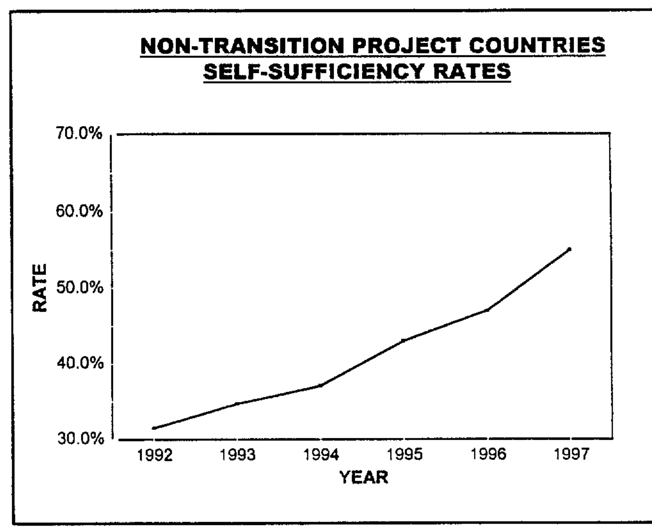
% Increases in Self-Suffiency
Transition Project Countries, 1992-1997



end of the TP, we have estimated that the average self-sufficiency rate for TP countries will be 68.8%. PROFAMILIA, one of the Project's "success stories," had attained a self-sufficiency rate of 77% at the time of its phase-out from the Project in September 1996. With regard to income and expenses of TP countries, their total income in 1992 was US$11.3 million, and their total expenses US$27.7 million. By 1995, the total income generated by TP affiliates was US$23.4 million, with total expenses of US$41.3 million. Local income had doubled in three years time, while expenses increased by an average of 49% over the same period. The figures above indicate percentage increases in self-sufficiency over the life of the Transition Project. For more information on self-sufficiency rates, see Appendix 11.

Due at least in part to the Transition Project, self-sufficiency rates have gone up in FPAs throughout the Region. For example, the FPA in El Salvador currently is operating at a self-sufficiency rate of 72.8, Panama at 68.8, and Ecuador at 65.9. Caribbean affiliates who have elicited local government support have self-sufficiency rates as high as 84.8%, in the Aruba affiliate, 77.7% in Curacao and 74.5% in the Bahamas. Presumably, the Transition Project has positively affected the way WHR and the FPAs plan and manage their resources. A map illustrating the projected 1997 self-sufficiency rates of all affiliates in the Region follows.

b. Enhanced Institutional Capacity



During the course of the TP and Matching Grant, Regional Office staff provided FPAs with technical assistance in management information systems (MIS), which allowed them to integrate financial and service statistics. Improved MIS also made it possible for staff to make more analytical, data-based management decisions. Evaluation activities became much more results-oriented, which in turn required programs to possess specific and measurable objectives, and to track and report their accomplishments. As a result, FPA use of funds became much more efficient, and overall, the Associations became more sophisticated.

In general, FPAs became more business-oriented and more like profit-making enterprises. Personnel standards also increased from 1986 to 1997. For example, prior to 1986, FPA finance officers functioned simply as accountants. However, as the FPAs became more concerned with costs, they realized they needed more financial analysis, changing their personnel make-up accordingly by replacing or retraining staff. What was once bookkeeping became a more dynamic accounting and finance system that enabled Associations to track

OVERVIEW OF IPPF/WHR
FPA PROJECTED SELF SUFFICIENCY LEVELS IN 1997

FPA	S.S. Level
Latin America:	
Argentina	79.0
Brazil	56.0
Chile	42.6
Colombia	86.4
Costa Rica	51.1
Dom. Rep.	47.6
Ecuador	65.9
El Salvador	72.8
Guatemala	53.6
Honduras	47.4
Mexico	37.4
Panama	68.8
Paraguay	42.8
Peru	36.0
Uruguay	52.5
Venezuela	67.2

FPA	S.S. Level
Caribbean:	
Belize	24.2
Jamaica	30.3
Trinidad & Tobago	67.4
(Countries receive local gvrmt. support)	
Aruba	84.8
Bahamas	74.5
Curacao	77.7
(Countries do not receive local gvrmt. support)	
Antigua-Barbuda	29.5
Dominica	31.9
Grenada	19.3
Montserrat	16.2
St. Lucia	20.3
St. Vincent	14.2

Anguilla, Bolivia, Haiti, Nevis, Nicaragua and St. Kitts are not included because self sufficiency levels are not calculated.

TP Countries are colored in blue

SELF SUFFICIENCY LEVELS

0 - 24% | 25 - 49% | 50 - 74% | 75 - 100%

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income and expenses more accurately, which has greatly improved their sustainability planning.

c. Conclusions of the Transition Project

The experience of implementing various combinations of the above strategies in the TP countries have resulted in the following lessons learned:

LESSONS LEARNED: The Transition Project

1. ***Clearly define objectives, strategies, and anticipated results*** from the outset of a project.

2. ***Sustainability takes time***:
   - The process required to achieve sustainability is always longer than anticipated;
   - It is never too early to begin working toward sustainability.

3. ***Sustainable projects employ sound business practices:***
   - At least some personnel must have private sector business experience;
   - Before beginning new income-generating activities, project staff must ***study the market carefully*** - including existing and potential demand, the existing market, fees charged by the competition, anticipated costs, client ability to pay, etc.;
   - Project staff must establish a pricing scale appropriate for the target population; service providers must be trained in setting appropriate fees;
   - ***Anticipate restrictive legislation***;
   - ***Evaluate and use project results***.

4. ***Money must be managed strategically:***
   - Obtain ***start-up capital*** for new income-generating activities in addition to ***on-going funding*** for existing programs;
   - Establish a ***restricted fund*** for generated income;
   - Replace donated contraceptives using different strategies than those for fund replacement (replacing donated contraceptives is often more difficult).

5. ***Quality of care increases demand for services (failure to address quality of care is more costly than service improvements).***

6. ***Each country's situation is unique***: there is no universal model for sustainability.

7. ***There is tension between sustainability and ability to serve the poor***.

In October, 1995, the Project organized a workshop in Cartagena, Colombia, in which TP and non-TP countries shared strategies and lessons learned from the Project.

After more than five years of work on sustainability, Transition Project staff have created a basic profile of a sustainable FPA. Association leadership will be dynamic, entrepreneurial and responsible. To excel in a more competitive market, an FPA that is to achieve sustainability must attract motivated, multi-dimensional staff, at least some of whom have experience working in the private sector To attract highly qualified staff, the FPA must be prepared to pay competitive salaries and benefits--even in a context of limited resources and increasing emphasis on efficiency. Since the field of sexual and reproductive health is constantly in flux, FPAs must always be engaged in the development of strategic plans, business plans and marketing strategies, all of which must have clearly defined, results-oriented objectives.

CHARACTERISTICS OF A SUSTAINABLE FPA:

- Dynamic, entrepreneurial and responsible leadership;
- Motivated staff;
- Well-defined objectives;
- Strategic planning as ongoing process;
- Focus on sustainability from the outset;
- Well-developed information systems (costs/service statistics);
- Capacity for evaluation and use of information;
- Willingness to be self-critical;
- Well-defined logistical and administrative procedures, including hiring policies;
- FPA staff in regular contact with service providers and clients;
- Independent board of directors with business experience.

Overall, the Transition Project has demonstrated that efforts to achieve financial sustainability result in better managed, more efficient associations that possess an enhanced capability to use scarce resources effectively. More particularly, FPAs gain a greater awareness of their respective roles within national programs and their target clientele, and are therefore better equipped to focus donor resources where there are needed most--on the disadvantaged clients who are central to the mission of IPPF. It is the goal of the EFS to facilitate the development of the above positive characteristics of an FPA throughout the Region, and to support FPAs in their effort to become more efficient, with an enhanced capability to put scarce resources to their best possible use.

D. *IPPF/WHR's New Working Definition of Sustainability*

Building upon Lessons Learned from the Transition Project, IPPF/WHR has created a new working definition of sustainability, which will be used in the coming years to inform sustainability-enhancing efforts in the Region. According to this definition, sustainability has three aspects.

1. Defining a Relevant Mission

In ***defining a relevant mission***, an organization should first assess the needs of both supply and demand within its community, thus enabling it to determine its own niche in relation to other public and private service providers, and within the larger political arena. This needs assessment should be client-oriented, and should consider areas including quality of care, sexual health needs, gender analysis and the needs of the under served. It should be an integral part of the strategic planning process.

Two of these issues, service quality and reaching the under served, deserve special mention since their compatibility with sustainability is sometimes questioned. With regard to service ***quality***, IPPF/WHR strongly believes that it should complement rather than conflict with sustainability. In fact, an important lesson learned from the TP is that quality must be continuously improved to attract sufficient numbers willing to pay the fees necessary to allow programming to continued. Given this, service ***quality must not be sacrificed for sustainability***.

> ***SUSTAINABILITY*** consists of an organization's ability to:
>
> (1) define a relevant ***mission***;
> (2) follow sound ***management*** practices; and,
> (3) develop ***diversified*** income sources to assure continuity of ***quality*** and coverage.

The relationship between sustainability and reaching the under served (particularly low-income and younger clients) is more complex. IPPF/WHR believes that sustainability can and must be understood within the context of IPPF's overall mission as well as the mission of each respective FPA. ***It is those missions and the activities that support them that we strive to sustain—not just the FPAs themselves.*** We recognize that rapid reduction of donor funding can be crippling to programs that do not generate much local income, and that the programs most apt to suffer are those serving low-income clients. Nevertheless, we believe that FPAs can and should develop institutional sustainability before their external funding is reduced. If they do so, they can overcome much of the conflict between sustainability and serving the needy. If an FPA must reduce costly services due to reduced international funding, it should focus immediately on the elements of institutional sustainability that will best help it to know its potential market, strengthen its niche in the national program, reduce costs, and tailor appropriately priced services to an appropriate clientele. Also essential are evaluation systems that continuously monitor changes in client profile and volume and the relation of these changes to sustainability levels.

2. Following Sound Management Practices

Following sound management practices entails considering the wide range of activities and procedures that allow an organization to operate effectively, achieving the greatest possible impact for the least possible cost. Experience within the TP countries and other FPAs in the Region indicates that these activities are essential to achieving institutional development and sustainability. They include, but are not limited to:

- knowing an organization's operating environment and responding effectively to market demand by offering a range of accessible, high quality services and products;
- establishing a flexible, efficient, participatory and stable organizational structure that includes ongoing strategic planning, evaluation and quality control mechanisms;
- maintaining an independent Board of Directors actively involved in and fully supportive of sustainability activities through governance, advocacy, and resource development;
- attracting and retaining professional qualified staff by adopting a competitive wage and personnel policy, and investing in staff development through adequate and intensive training;
- using systems information continuously to evaluate progress, optimize resource allocation and provide better, more effective and efficient management and services;
- implementing activity-based cost accounting and management information systems which provide managers with accurate and timely financial and service data;
- integrating sustainability and cost analysis into the strategic planning process;
- establishing a pricing policy for services based on cost and demand.

In essence, institutional sustainability depends on an organization's ability to develop the necessary administrative, programmatic and financial systems to make effective managerial decisions that are based on timely and reliable data. Usually, the impetus for these activities begins with top management, and is transmitted through the organization's technical departments through a participatory process, with continual feedback. Regarding the vital area of financial management, for example, implementation of a cost analysis function must be preceded by upper management commitment to the use of cost data in an institutional framework on a continuous basis. Once such commitment exists, the organization can proceed with the technical components of cost analysis. These components include the adaptation of the chart of accounts to reflect the organization's departments and services as cost centers, and the training of upper and middle management in decision-making based on cost information.

The regular production, analysis and use of cost data not only provides management with the reliable financial information it needs to set sound pricing policies, avoiding arbitrary shifts in service fees. It is also an excellent tool to monitor the effect of structural and resource adjustments on institutional performance. Additionally, cost information can be used as a managerial tool to spot areas of poor execution in various projects, services and functions, and develop "what if" scenarios before making decisions.

Only after most of these elements are in place can an organization begin to focus on increasing ***financial sustainability*** by generating sufficient resources to cover present and projected future costs and to assure program continuity.

3. Developing Diversified Sources of Income

If an FPA needs to generate new sources of income to maintain or expand services, it may, after determining the cost of services and studying the effect of such an action on demand, implement or increase fees for client services. Fees are an important source of FPA income, but they should not be the exclusive source, because increased fees may restrict access to low-income or younger clients, as demonstrated by the results in some TP countries, who initially increased fees too rapidly. FPAs should also seek support from other sources, including private, governmental, inter-governmental or commercial entities sympathetic to IPPF's aims, provided that the acceptance of this support does not compromise IPPF policy. Support can be cash or in-kind donations, volunteer time, or infrastructure needed to forge cost-sharing partnerships. Some examples of approaches to income generation that have been used successfully by FPAs during the Transition Project include the following:

- ***service diversification*** into services for which the FPA can charge profitable fees;
- ***commercial marketing*** of contraceptives or other products;
- ***increased cost recovery*** from family planning services (including targeting higher priced services to middle and upper class clients);
- ***subcontracting*** services to government providers and health maintenance organizations;
- ***expanding the base of national and international donors and advocates*** (submitting funding requests to government agencies, local and international foundations, corporations and raising contributions from friends and constituents of the organization);
- Enlisting the help of ***community leaders as advocates*** for resource

mobilization, and presenting public activities designed to broaden awareness of the work of the organization in the community;
- Seeking ***donations of goods and services*** at little or no cost;
- Forming ***cost-sharing partnerships*** with local government providers, local NGOs and private physicians.

Many of these strategies require feasibility or market studies before they can be implemented, as well as start-up capital and time to test them through pilot projects. If these studies indicate a low probability of generating net income within a pre-planned time frame, the strategy should not be undertaken. No matter which strategies are attempted, well-developed accounting systems must be in place to calculate costs based on activities, expenses must be kept to a minimum, fees must be set appropriately, and the highest possible rate of cost-effectiveness and organizational efficiency must be sought. In addition, income-generating and cost-saving activities should be evaluated continuously to assess whether progress is in line with objectives. A well-run organization with strong accounting, financial and evaluation systems, and with well-trained, empowered employees is not only better equipped to direct itself, but is also in a better position to capture the interest of prospective donors.

As the Transition Project concludes in September of 1997, it is this definition of sustainability that encapsulates all the TP experience in ten countries. IPPF/WHR will use this definition to continue its promotion of sustainability throughout the Region. This formula for sustainability forms an integral part of IPPF/WHR's strategic plan, which will govern the work of the Region for the next five years. In anticipation of the end of the Transition Project in 1997, and the immanent withdrawal of USAID funds from the Region, in 1996, IPPF/WHR created a Resource Mobilization Strategy to guide the Region in the changing donor environment; new efforts to adjust programs so that they offer family planning services within a broader, more comprehensive sexual and reproductive health context; and increased involvement of the private sector. The Endowment Fund for Sustainability will greatly enhance the ability of FPAs to implement the sustainability strategies that will enable them to continue their vital programs because it provides the capital needed to finance sustainability-enhancing projects developed during the TP. The RMS provides the framework in which the Fund can be effectively managed and utilized to increase sustainability in the context of the WHR's breadth of services and programs.

E. Resource Mobilization Strategy: Sexual & Reproductive Health Programs, Institution Building and Resource Development/ Sustainability

In 1996, IPPF/WHR created the Resource Mobilization Strategy (RMS), a strategic plan for the coming three to five years. The overarching goals of the strategic planning process are to prepare both the Regional Office and FPAs for the future with regard to: (1) demand for sexual and reproductive health care that is broader than traditional family planning programs; (2) maintenance, expansion and sustainability of on-going family planning programs; (3) greater competition for resources; and (4) substantial reduction in funding from traditional donors. The RMS seeks to help improve the quality and sustainability of Regional family planning affiliates, and to assist FPAs in strategic planning, governance, evaluation, and management capability as well as development of management information systems.

1. The RMS at Work: Institution Building and Sustainability

IPPF/WHR has conducted strategic planning exercises in three FPAs to assist them in identifying their roles, missions, decision-making processes, planning and resource allocation using WHR's newly developed *Strategic Planning Module*. In the course of these activities, WHR has conducted an evaluation of both the process and results of the strategic planning exercise. Using tools such as the WHR Regulations Committee's Self-Certification Protocol, the Regional Office will work with FPAs to establish an governing structure that is effective in guaranteeing compliance with the policies and standards included in a sound legal framework, and that enables FPAs to develop or maintain transparent and fairly-implemented standards and policies.

Improving evaluation capacity is an important part of the institution building process in that it strengthens the ability of both IPPF/WHR and its affiliates to plan and manage activities directed toward furthering goals, and to present convincing requests for funding to donors. Through the RMS, IPPF works to strengthen evaluation throughout the Region in order to improve ability to assess the effectiveness of programmatic activities. Evaluation activities focus on developing a "culture of evaluation" that incorporates evaluation into the functions of all Regional Office and FPA staff, and into all FPA projects and programs.

In addition, Regional Office staff carry out ***management interventions*** at the FPAs to facilitate financial management, decision-making capacity, personnel policies and a decentralization of management. These activities ensure that: (1) FPAs establish financial management safeguards, organize assets and respond to donor requirements; (2) associations are equipped to produce information to evaluate programmatic results; (3) FPAs establish and follow procedures respecting the rights and responsibilities of both staff and the Association itself; and (4) associations carry out their work in an open, dynamic and participatory fashion.

IPPF/WHR staff assist FPAs in ***building management information systems (MIS)*** that, in turn, facilitate various aspects of institution-building, such as evaluation and management. Activities focus on establishing micro-computer systems that collect and process administrative and program data. MIS provides the Associations with tools to: (1) assess sustainability levels and reduce costs; (2) maintain Board and donor accountability and adequate internal controls; (3) maximize resources in managing an efficient and productive staff; (4) monitor quality of services and respond to client needs; and (5) evaluate and plan for the future. The overall objectives of MIS are to recommend and promote financial, administrative and service system standards for the Region as a while; to develop new clinic management tools; to provide technical assistance to FPAs; and to provide tools to assist the Regional Office in improving efficiency.

Quality is an essential component of institutional development in that the provision of quality conditions and services is likely to result in ***increased service utilization*** by more satisfied users, which in turn, is likely to lead to higher contraceptive prevalence, increased continuation rates, more effective method use and enhanced program sustainability. Through the RMS, Regional Office staff provide support for quality-related activities, including: internal supervision and monitoring of medical quality within FPAs; the addition of new services and changes in approach, such as the integration of family planning and HIV/STD prevention; client satisfaction surveys; use of MIS to assess and improve quality; use of approaches, including total quality management (TQM), to improve the quality of internal management; and the development of an FPA self-assessment module in quality. In addition, the RMS suggests pursuit of newer strategies that emphasize quality from both the provider and the client perspective, including the formation of a Regional working group to develop quality assurance strategies within diversified service environments.

Resource Mobilization Strategy:

- Sexual and Reproductive Health
- Institution Building & Sustainability
- Advocacy & Resource Development

In addition to strategic planning, governance, management, MIS and evaluation--all of which are important elements of sustainability, WHR assists FPAs in income-generating projects via various activities. Regional Office staff provide technical assistance to FPAs in market studies, marketing plans, promotion, business planning, break-even point analysis, cash flow analysis, pricing, negotiation with international suppliers and financial planning. IPPF/WHR also make efforts to obtain funding from a variety of donors to support sustainability activities, and to market Regional Office knowledge and expertise to other regions of IPPF.

2. The RMS at Work: Advocacy & Resource Development

The overall goal of advocacy and resource development at IPPF/WHR is to maximize support for our programs and priorities named under the Programmatic and Institution-Building Components of the RMS via integrated fund-raising, advocacy and communication strategies. Finding new and expanded sources of revenue from the private and public sector is central to the RMS resource development effort. Work in this area focuses on direct mail/donor acquisitions/gift processing, major donors, planned giving, special events, Foundation and government grants, publications, media/public relations, public affairs and advocacy and donor research and information systems.

3. The RMS at Work: Sexual & Reproductive Health Programs

Regional Office and FPA programs place emphasis on a broad area of sexual and reproductive health in order to address unmet need in these areas in the Region. Within this realm, programmatic priorities include:

- reduction in the incidence of HIV/STD infection and unwanted pregnancy among adolescents via improved policy environments; stronger institutional capacity among FPAs to implement programs for youth; and evaluation and dissemination of strategies that meet the special needs of adolescents;
- promotion of the empowerment of women, client satisfaction, male involvement and quality of care through increased awareness of gender issues;
- prevention of HIV/STD infection through integrating HIV/STD prevention into FPA service delivery programs;
- reduction in morbidity and mortality due to unsafe abortion through an increase in the availability of safe techniques for treating incomplete abortions and/or terminating unwanted pregnancy; providing post-abortion clients access to contraception; and forming networks of FPAs and other interested organizations working to prevent unsafe abortion.

IV. RATIONALE FOR THE FUND FOR SUSTAINABILITY

A. Purpose

Following the phase-out of USAID funding from IPPF network activities in Latin America and the Caribbean, the Western Hemisphere Regional Office of the International Planned Parenthood Federation (IPPF/WHR) proposes the creation of a ***US$5 million Endowment Fund for Sustainability (EFS) to increase the financial sustainability of family planning affiliates in the Region***. (USAID will contribute US$4 million and IPPF will contribute US$1 million over the next five years.) In general, the Fund will enable continued implementation of successful strategies for achieving sustainability after the conclusion of the *Transition Project*, moving FPAs further toward the ultimate goal of ensuring the continuity of programs that provide family planning and sexual and reproductive health services to women and men in the Region. More specifically, the Fund will provide WHR affiliates with loans and grants to finance projects and activities that will increase their institutional capacity and their ability to generate local income.

B. Specific Objectives

- Increase Regional FPA capacity to adopt successful strategies via providing them with capital for use in developing and implementing sustainability-related projects.
- Promote and increase Regional FPA awareness of successful sustainability strategies via dissemination of Transition Project Lessons.
- Maintain 1996 coverage levels (especially family planning) in the Region, particularly among IPPF/WHR target populations.

C. Activities

- Among regional FPAs, aggressively promote ***increasing development and implementation of business-minded approaches to sustainability*** that equip them to face fluctuations in and/or reduce reliance upon donor-support.
- ***Foster the creation of well-developed businesses*** that can compete in the commercial sector by providing financial assistance primarily in the form of loans rather than subsidies.
- Provide Regional affiliates with ***access to credit*** on affordable terms not otherwise available to them in their local financial markets.
- Utilize the creation of the Endowment Fund for Sustainability to ***leverage additional funds*** from a variety of sources to assist affiliates in coping with funding reductions.

- Create opportunities for intra-Regional ***exchange of experience*** and knowledge regarding sustainability.
- ***Disseminate Lessons Learned*** from the Transition Project to all FPAs in the LAC Region and other interested parties.

D. Specific Rationale for the EFS

In *Working Paper No. 221*, USAID noted several rationales supporting the creation of endowment funds to increase an organization's financial sustainability.[4] Several of these apply to IPPF/WHR and its FPA affiliates in Latin America and the Caribbean. We have included these arguments as well as our own reasons to justify the creation of an Endowment Fund for Sustainability:

- to supply family planning affiliates with a secure source of funding as they move toward greater financial sustainability;
- to insulate FPAs from changes in both government policies and economic climate; for example, an endowment will decrease the likelihood that adverse economic conditions in the future might force an FPA to change its focus from the most under served (usually the most economically disadvantaged) client populations;
- to support local capacity-building efforts in financial management, programming, and resource development;
- to foster FPA independence and self-reliance via the loan component of the proposed Endowment Fund for Sustainability;
- to provide leverage with which FPAs themselves, and WHR on their behalf, can secure funds from local or external sources;
- to create a permanent source of USAID support of its population and health goals in Latin America and the Caribbean through the IPPF/WHR Office.

E. EFS Contribution to USAID Goals and Objectives

The proposed ***Endowment Fund for Sustainability***, in supporting sustainability of LAC regional FPA programs, contributes to USAID's Population Assistance goals and objectives in the following ways:

- ***Supporting the right of couples and individuals to determine freely and responsibly the number and spacing of their children***:

  IPPF/WHR's Regional family planning affiliates (FPAs) are the largest provider in

[4]USAID Working Paper No. 221, "Endowments as a Tool for Sustainable Development," compiled by the Center for Development Information and Evaluation (July 1996), at page 4.

Latin America and the Caribbean of information, education and services to couples and individuals with regard to contraceptives and other reproductive health issues.

- ***Reducing unintended pregnancies and promoting maternal and child health***:

IPPF/WHR affiliates provide approximately ***717,000 new clients per year*** with family planning services; around ***2.3 million follow-up family planning and reproductive health clinical services***; and ***3.2 million primary health care services*** including vaccinations and pre-and post-natal services. In addition, IPPF/WHR affiliates provide people in Latin America and the Caribbean with a total of ***4.4 million "couple years of protection" (CYP)*** from unwanted pregnancy.

- ***Stabilizing world population growth***:

Through advocacy and services provided by its Regional affiliates, IPPF/WHR has contributed substantially to the ***dramatic reductions in total fertility rates*** (TFR), ***birth rates and population growth rates*** in the Western Hemisphere Region since 1960. For example, Colombia's fertility rate dropped by more than 60% since 1960; Brazil's TFR decreased by more than 55%; Jamaica has experienced a 58% decrease in TFR; and Costa Rica's TFR has dropped almost 55%.[5] In addition, crude birth rate per 1000 persons has gone from: 46.3 in 1960 to 29 in 1995, Peru; 49.4 in 1960 to 28.3 in 1995, Dominican Republic; 41.1 in 1960 to 25.1 in 1995, Guyana, 44.2 in 1960 to 24.0 in 1995 in Colombia.[6] Finally, in Brazil, the population growth rate per 1000 has gone from 3.0 to 1.6 from 1960 to 1995; in that same period, Colombia's population growth rate has decreased from 3.0 to 1.7; and the Dominican Republic's population growth rate has gone from 3.3 to 2.0 in that period.[7]

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[5]John A. Ross, W. Parker Mauldin & Vincent C. Miller, *Family Planning and Population: A Compendium of International Statistics*," NY: The Population Council (1993) at 26, 27.

[6]*Id.* at 14, 15.

[7]*Id.* at 14,15.

- In recognition of the inextricable link between population and health, USAID seeks to ***support women's reproductive rights and health, including prevention of HIV/STDs***:

  In partnership with USAID, IPPF/WHR was among the first to develop innovative projects integrating HIV/STD prevention into existing family planning programs; these, and other programs that replicate IPPF/WHR's model, can provide women with the protection they need from HIV, STDs and other reproductive tract infections that can seriously or fatally damage their health and the health of their families.

Selected Strategic Objectives and Results
USAID Center for Population, Health & Nutrition

Strategic Objectives	Results
SO 1. Increased use by women and men of voluntary practices that contribute to reduced fertility.	***PO 1.3***. Enhanced capacity for public, private, NGO and community-based organizations to design, implement, and evaluate sustainable family planning programs.
	PO 1.4. Demand for, access to, quality of family planning and other selected reproductive health information and services increased.
SO 2. Increased use of safe pregnancy, women's nutrition, family planning, and other key reproductive health interventions.	***PO. 2.2***. Improved policies and increased public and private sector resources and capacity to deliver key reproductive health services.
SO 4. Increased use of proven interventions to reduce HIV/STD transmission.	***PO 4.1***. Effective interventions to reduce sexual transmission of HIV/STD identified, strengthened, implemented and evaluated in emphasis countries.
	PO 4.3. Enhanced capacity for public, private, NGO and community-based organizations to design, implement and evaluate HIV/STD prevention and care programs.
	PO 4.4. Knowledge, availability and quality of HIV/STD interventions increased in emphasis countries.

In addition to the above, the creation of an ***Endowment Fund for Sustainability*** will also contribute to overall USAID objectives of building indigenous capacity and thereby, ***to permanently enhance the capacity of societies to improve the quality of life in aid-receiving countries***.

The EFS will contribute directly to USAID/PHN's four strategic objectives. In relation to the Strategic Objective 1 (SO1)(see Table), the Fund will enhance PVO and NGO capacity to design, implement and evaluate sustainable family planning programs. The loan and grant programs are specifically designed to assist FPAs in institutional development, capacity-building and increasing self-sufficiency. Specifically, the Fund will provide opportunities for market research, testing income-generating strategies, strategic planning exercises via technical assistance, training and intra-regional information sharing. These will allow FPAs to improve their service delivery strategies; institutionalize training systems and improve staff capabilities in service delivery; and improve the management capacity and capability of service delivery organizations. These relate very specifically to the desired result PO 1.3.

In addition, with regard to SO1, PO 1.4, the Fund will enable associations to increase demand for, access to and quality of family planning and other health services. EFS projects might include, for example, local advertising campaigns targeted specifically toward increasing demand and access to services. The Fund would also allow associations to perform the necessary research, such as client satisfaction surveys, to improve the quality of care at their respective clinics--something which the TP has demonstrated to relate directly to increased demand for services and income generation. Such efforts would also include initiatives to increase community involvement and to obtain input from women about the services they want and need.

As the objectives are interrelated, all of the above is integral to promoting PHN SO2 (see table). With regard to PO 2.2, the Fund will enhance public and private sector resources and capacity to deliver key reproductive health services. Again, as stated above, we have specifically designed the EFS to do just this. Loans and grants will provide resources to and enhance the capacity of our FPAs to deliver reproductive health services. One strategy used by FPAs during the Transition Project was establishing partnerships with the public sector to deliver family planning and reproductive health services. An in their respective country, FPAs may decide to develop such partnerships in a EFS-funded project.

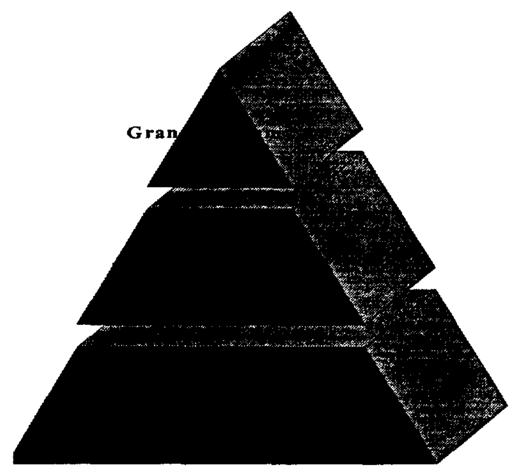
With regard to SO4, which seeks to prevent HIV/STDs, IPPF/WHR affiliates have led the way to developing effective programs that include proven interventions to reduce the spread of HIV/STDs. FPAs involved in WHR's HIV/STD Prevention Program have identified, strengthened, implemented and evaluated HIV/STD interventions in their programs in accordance with PO 4.1. Should an FPA see the need to develop their HIV/STD prevention programs, the Fund will provide them with the resources to do so in a sustainable manner. With regard to PO 4.3, as stated above, affiliates have already begun to establish partnerships with governments and NGOs with regard to HIV/STD prevention. In Brazil, for example, the government has begun to replicate a successful adolescent HIV/STD Prevention program developed by the Brazilian affiliate (BEMFAM) and WHR staff. HIV/STD prevention efforts at other IPPF/WHR affiliates have always worked as much as possible with community-based organizations and local NGOs in developing and sustaining their programs. The Fund will help these FPAs to expand their capacity with regard to building support on the ground for HIV/STD prevention, and will assist other FPAs that do not currently have fully-developed HIV/STD prevention programs to build them.

V. BRIEF OVERVIEW OF THE FUND

A. Forms in Which Fund Money Will Be Available to FPAs

The Endowment Fund for Sustainability will support affiliates through two distinct, but complimentary modes: Loans and Grants.

Amount of the Fund: $4 million.



The majority of the Endowment Fund for Sustainability will be available to associations in the form of loans. The balance of the Fund not allocated in loans will be invested by an asset manager to grow approximately 7 to 10% a year, depending upon market conditions. Investment income and interest rate payments on the Fund will go back into the Fund, and from this amount, a fixed amount ($100,000 in Year 1) will be allocated annually for a grant program. Additional IPPF/WHR fund-raising activities will grow the Fund over time.

B. Types of Projects Funded by the EFS Loan Component

Any viable project that enhances an affiliate's sustainability will be eligible for Loans from the Fund for Sustainability. Affiliates will be encouraged to design projects based upon the successful strategies developed and tested during the Transition Project such as: Service diversification and/or expansion to middle class clients to cross-subsidize services for low-income clients, commercial marketing projects and other cost-saving, income generating and institution building activities.

C. Unique Role of the Grants

We have designed the grants program with the dual purpose of complementing the objectives of the EFS loan program by funding small-scale projects that will enhance all FPAs' ability to better plan for and use loans, and by increasing the capacity of FPAs who are less capable of designing and carrying out sustainability enhancing projects (namely non-TP countries such as Nicaragua, Guatemala and the Caribbean countries) to make use of the Loan program. Grants will thus fund projects such as technical assistance and exchange of experience between affiliates, feasibility and marketing studies, pilot projects, and short-term staff-training.

VI. MANAGEMENT OF THE FUND

A. Overview of EFS Administration

The primary role of the EFS Committee and Fund Manager is to allocate the grant and loan programs according to the Fund's objectives, and to preserve the Fund's value by lending funds to worthy projects for which repayment is secure. The EFS Committee and Fund Manager will review proposals critically, provide loans only to viable, well-planned projects that demonstrate excellent potential for succeeding, and at the same time, will remain vigilant regarding opportunities to encourage the smaller, less-developed associations to use the Fund to increase their capacity and sustainability prospects.

To manage utilization of the Fund effectively, those involved in the review process must know the overall financial picture of the Region, be familiar with the programs and management capacity of the affiliates, have access to up-to-date information about the affiliates' activities and financial standing, and perhaps most importantly, have access to staff members who work with individual countries, and who are thoroughly knowledgeable about each country's situation.

With these considerations in mind, we have designed the administration of the Fund to make maximum use of the knowledge and skills within IPPF/WHR while using a cost-effective and streamlined system. We have provided an organigram describing the Fund's management scheme following on the next page.

1. Oversight

A seven member Board of Trustees will manage the Endowment Fund for Sustainability. The Board will be responsible for overseeing the adherence of the Fund to its objectives as well as the growth of the Fund, including setting investment policy and monitoring investment performance. The Board of Trustees will also determine the total amounts to be disbursed each year for the loan and grant programs and will deposit such amounts into IPPF/WHR's account, ensuring maintenance and replenishment of the principal according to agreed objectives.

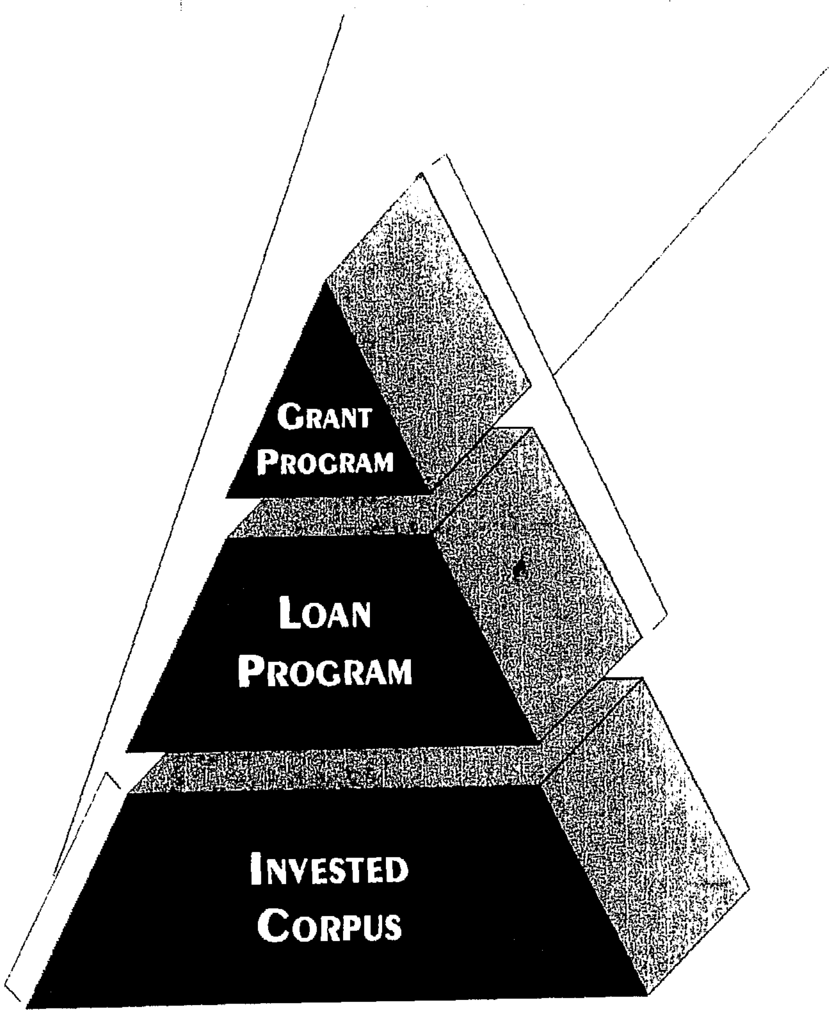
Two of the Trustees will be business-oriented volunteers from successful FPAs, one will be selected from IPPF/WHR Board of Directors, and one from IPPF/WHR Senior Staff; three will be competent financial investors appointed from outside of IPPF/WHR. This combination of members from the affiliate level, Regional Office level and financial experts from the commercial sector will provide balanced and dynamic governance of the Fund.

Endowment Fund for Sustainability Management Scheme

Endowment Fund for Sustainability Trustees

- ▲ Oversee growth of the Fund
- ▲ Ensure adherence to Fund's Objectives
- ▲ Set investment policies

Asset Manager



EFS Committee

- ▲ Final approval of loan and grant proposals
- ▲ Oversees loan portfolio

Fund Manager

- ▲ Manages loan and grant proposal review process
- ▲ Markets loan and grant program to affiliates Committee

Accountant

- ▲ Disburses and tracks loans and grants

WHR PROGRAM STAFF

FPAs

a. Fund Manager provides information about availability of funds to Country Managers and other program staff.

b. Country Managers perform initial review of loan and grant applications.

c. Fund Manager provides loan and grant program and provides instructions to FPAs.

d. FPAs submit applications and grant proposals to Fund Manager.

e. Country Managers encourage and support FPAs to use the Fund effectively

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B. *Composition of the Endowment Fund Board of Trustees and Its Relationship to the IPPF/WHR Office and Board of Directors*

Since the role of the EFS Board of Trustees is to allocate the Fund to best benefit the sustainability needs of family planning associations in the Western Hemisphere, as well as to grow the overall size of the Fund, the composition of the EFS Board of Trustees was designed to balance representatives of the beneficiaries of the Fund with outside financial expertise.

Three representatives will be selected from among volunteer members of IPPF/WHR. It is essential that there be FPA "ownership" of the Fund, and thus we have allocated two positions on the Board for volunteer members of FPAs in the Region. As the Board of Directors collectively represents the region's FPAs in overseeing the work of the WHR Office, and also we feel it that one member from WHR Board of Directors should also be on the Board of Trustees. We propose that the fourth IPPF representative on the EFS Board of Trustees be a member of IPPF/WHR senior staff, because s/he will bring an in-depth knowledge of affiliate programs and financial needs to the decision-making process from her/his day to day work at WHR. This knowledge will be important to the discussion of how to allocate the Fund to its various components, and will contribute to a decision in the best interests of the FPAs in the region. The remaining three members will be selected from outside of IPPF, and will be experts in finance and investment. We will aim to select two of these from the commercial/private banking sector, and one of these from a financial organization serving Latin America and the Caribbean, such as the Inter-American Development Bank, the World Bank, to lend their expertise in using financial tools to achieve development objectives.

The potential overlap in the roles of the IPPF/WHR Board of Directors and the EFS Board of Trustees should be addressed. The primary roles of the EFS Board will be to oversee the growth of the Fund as well as its adherence of the Fund to its objectives:

- Increase Regional FPA capacity to adopt successful strategies via providing them with capital for use in developing and implementing sustainability-related projects.

- Promote and increase Regional FPA awareness of successful sustainability strategies via dissemination of Transition Project Lessons.

- Maintain 1996 coverage levels (especially family planning) in the Region, particularly among IPPF/WHR target populations.

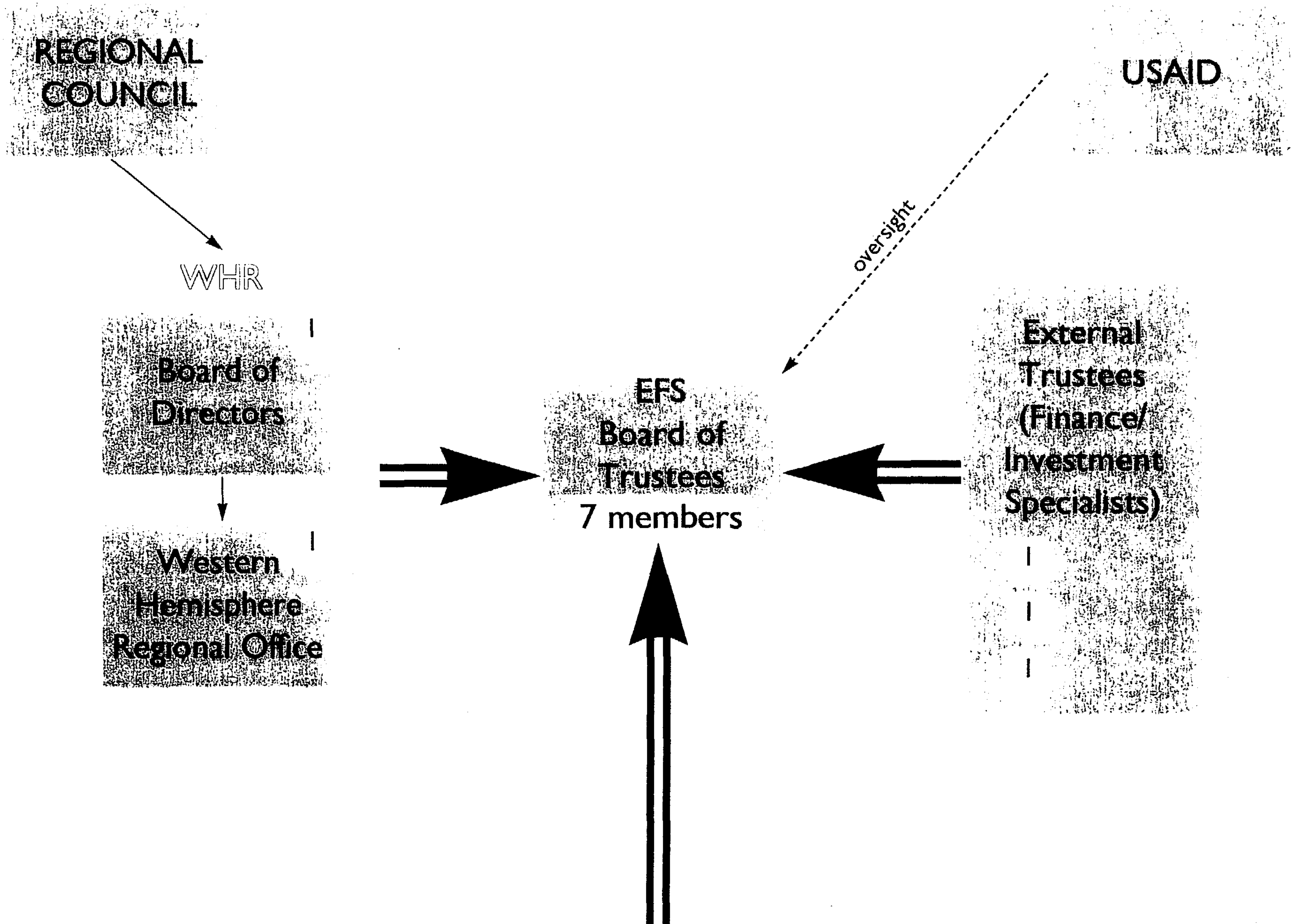
The role of IPPF/WHR's Board of Directors, on the other hand, is to represent the interests of the Western Hemisphere Region affiliates in the oversight of the Regional Office's activities, to approve the annual IPPF/WHR grant allocations to FPAs. Specifically, the IPPF/WHR Board's functions are:

- to appoint independent auditors to audit the accounts of the WHR office and approve or disapprove the annual audit;
- to make recommendations and approve the allocation of IPPF funds to member organizations;
- to implement the policies set by the Regional Council;
- appoint and review actions of the Regional Director;
- approve annual work programs and budgets and the three year plans of the WHR office;
- develop financial and other resources for meeting the needs of the WHR and member organizations;
- cooperate with the IPPF secretariat in its dealings with member and other organizations in the region and maintain and develop relations with other agencies in order to strengthen and promote the work of the WHR.

As the EFS serves the FPAs as a separate entity from the WHR Office, there isn't a functional overlap or conflict of interest in the roles of the EFS Board of Trustee members, and the IPPF/WHR Board of Directors or Senior Staff. One of the primary functions of the Board of Trustees is to allocate total amounts of the program, however, considerations involved in this decision only include the interests of the beneficiaries (the affiliates) and the objective of growing the Fund. The fact that the Fund's administrative costs are paid to IPPF/WHR could in theory be in conflict with the Board member's interest in preserving the financial health of the WHR, however, this is prevented by the fact that a 4% limit has been set on the administrative budget of the Fund, and, the Board member is only one of seven of the EFS Board of Trustees. As the EFS Board of Trustees will not be involved in approving individual grants or loans, the affiliation of any Board member with a particular affiliate, including the representatives from FPAs will not pose a problem. Nonetheless, we have for this reason stipulated that only *volunteers* from FPAs will be eligible to serve on the EFS Board of Trustees, since the FPAs are beneficiaries of the loan and grant programs, and FPA staff salaries and responsibilities may be affected by these programs. Furthermore, no staff member whose salary is in whole or in part paid for by the Fund will be eligible to serve on the Board.

As in any legal entity, all persons involved in the EFS will adhere to a standard conflict of interest policy. WHR Board of Directors vigilantly adheres to a conflict of interest policy that it views as being indispensable to effective, objective governance, and to the trustworthiness and credibility that is paramount for organizations that operate with private and government donations. The policy was adapted by IPPF/WHR's Regulations

Composition of EFS Board of Trustees



Committee from standard conflict of interest policies of non-profit boards from a number of widely used sources (references provided in policy). The Board further monitors this policy through a disclosure statement that is signed by all Board members annually. A sample "Disclosure Statement in Compliance with WHR's Policy on Conflict of Interest" form and IPPF's policy on conflict of interest is available upon request.

The above-mentioned conflict of interest policy and disclosure form, or other such policy approved or supplied by USAID, will be used to monitor conflict of interest in the EFS Board of Trustees.

B. *Administration of the Loan and Grant Programs*

1. Role of the Loan Committee, Fund Manager and Accountant Positions

The EFS's loan and grant programs will be managed on three levels:

- EFS Committee;
- Fund Manager;
- Accountant.

The EFS Committee will meet on a quarterly basis to: review and finalize all recommendations for approval of loan and grant proposals; review the loan and grant portfolio to ensure that they reflect EFS objectives; and to see that the loan portfolio is balanced for risk management and programmatic considerations.

The Fund Manager will manage the Fund throughout the year. S/he will promote the loan and grant programs to affiliates, accept and coordinate the review process for proposals to the Fund, and prepare quarterly reports of the loan portfolio for review by the EFS Committee.

The Accountant will disburse loans and grants, track loan repayments, and report on the status of loan payments to the Fund Manager.

2. Staffing of the EFS Committee, Fund Manager and Accountant Positions

The Loan Committee will be comprised of three IPPF/WHR Senior Staff members with programmatic and financial expertise. These may include, for example, the:

- Director of Finance;
- Controller;
- Deputy Regional Director.

The functions of the two key financial staff at WHR, the Director of Finance and the Controller, are well-matched to management needs of the committee. The Director of Finance oversees FPA financial situations and IPPF grant allocations to all WHR affiliates. The Controller oversees disbursement and compliance with the policies of IPPF/WHR and IPPF/London, as well as donors to the IPPF/WHR (including USAID). Since both of these members have in-depth knowledge of both the financial situations of Regional affiliates and the financial conditions in Latin American and Caribbean markets, they will provide valuable assessments of the financial viability of loan proposals as well as valuable oversight and assistance in prudent allocation of funds.

The Deputy Regional Director is aware of FPA programmatic strengths, capabilities and needs of affiliates. As such, the role of this member will be to assess the FPA ability to execute a project, as well as a project's suitability in a given country and adherence to the FPA's programmatic goals. All committee members will also be able to identify associations that should be encouraged to develop sustainability projects.

The Fund Manager and Accountant will also be selected from existing IPPF/WHR staff. The Fund Manager role will be carried out by a Financial Advisor, utilizing 20% of his/her time. All Financial Advisors at IPPF have extensive experience in managing affiliates' finances, they have knowledge of the Latin American and Caribbean financial environments. Additionally, IPPF/WHR Financial Advisors have Master's Degrees in Business Administration, and can therefore effectively evaluate and provide Technical Assistance for the preparation of business plans and other financial information included in loan and grant proposals.

The Accountant's role will be carried out as 20% of an IPPF/WHR's Accounting Finance Officer's time. Staff in this position at IPPF have advanced degrees in accounting, and have detailed knowledge of IPPF/WHR's grant disbursement and loan administration policies.

3. *Involvement of Other IPPF/WHR Staff to Promote Effective Management and Use of the EFS*

WHR staff have a breadth of knowledge and resources that will strengthen the management of the loan and grant programs. First, the WHR staff, including Country Managers, who are knowledgeable about both financial and programmatic issues for their assigned countries, as well as specialized IPPF staff from various departments (MIS, Evaluation, Sexual and Reproductive Health, Adolescents, Development and Communications), will be asked to review proposals to the Fund so that they may apply their intimate knowledge of the proposal's subject matter or country of origin to the evaluation process. Secondly, the Fund Manager will coordinate among IPPF/WHR staff to ensure that all are knowledgeable about the availability and purpose of the Fund, so that they can assist in generating optimal and balanced utilization of the Fund within the Region. This function will be especially valuable for non-Transition Project and less-developed associations in helping these FPAs to identify ways in which the Fund can support their institution- and sustainability-building efforts. Third, the IPPF/WHR Country Managers and other staff will be helpful in identifying needs for follow-up or site visits to monitor projects, and/or Technical Assistance to strengthen EFS-funded project success.

4. Technical Assistance

We expect that FPAs will require some technical assistance (other than that expressly requested in a grant proposal for South-to-South technical assistance) in the following areas:

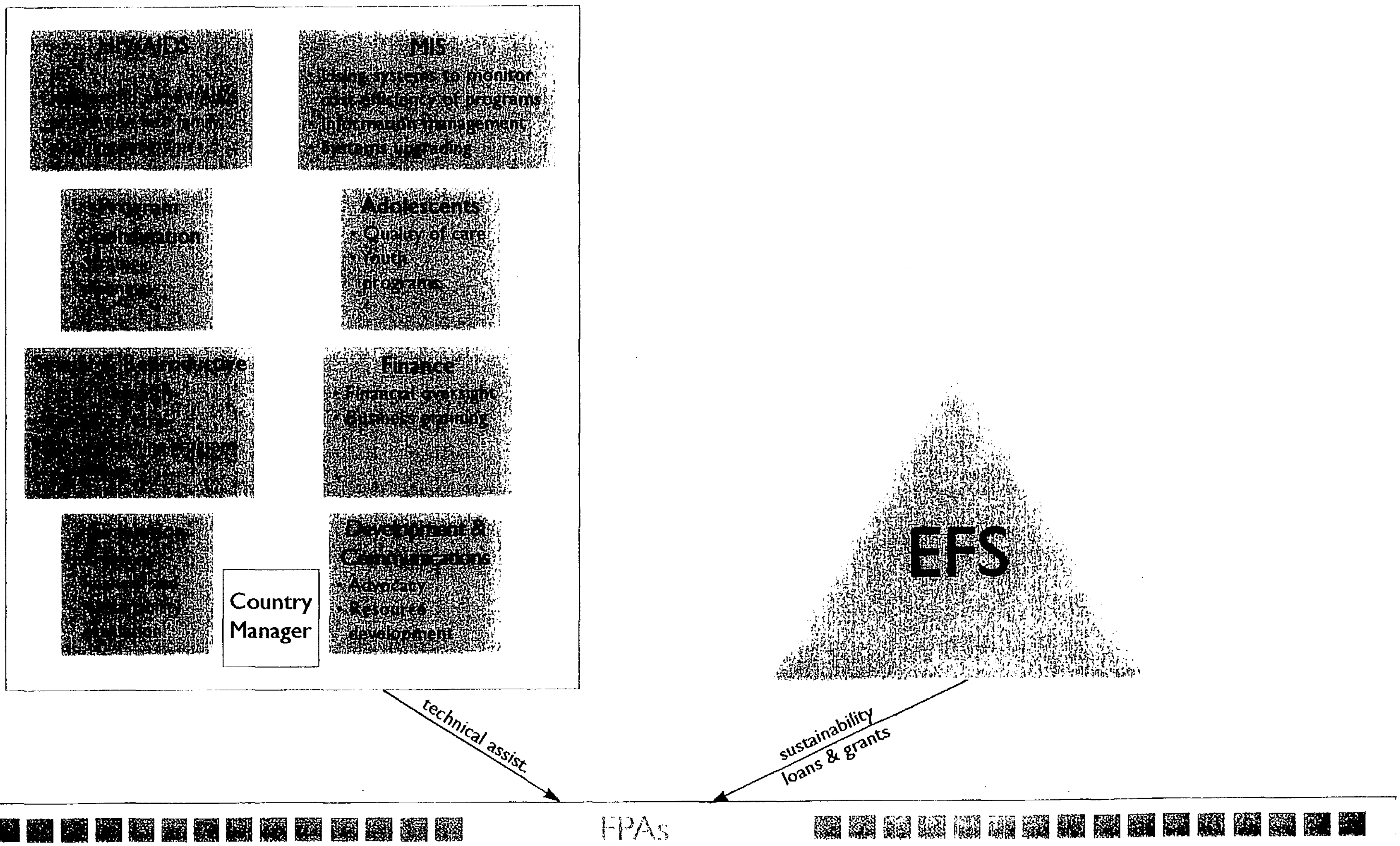
Initial project review visits may be necessary to assess the viability of a project[8] for which a particularly large loan is requested, or which otherwise warrants review. For example, a proposal to create a hospital for income generation purposes was a highly successful strategy used by ADS, the IPPF/WHR affiliate in El Salvador. However, since it was the first undertaking of its kind for the FPA, and it entailed a large capital investment and considerable risk, IPPF/WHR's Financial Advisor for El Salvador visited the site and reviewed the business and development plans for the project. In some cases, follow-up visits may also be useful to record experiences and lessons that can be shared with other FPAs, and utilized by the Fund Manager and Committee to refine the decision-making process. Similarly, project visits may be warranted to evaluate a project funded by the loan program once completed.

Technical assistance in specific areas (e.g., HIV/STD services integration into family planning programs, new marketing initiatives), can be provided by IPPF/WHR staff or FPA staff with expertise in a particular topic where it will enhance a project's prospects for success. On the next page is a diagram that describes IPPF/WHR

[8]Experience with IPPF/WHR's 21st Century Fund indicates the value of technical assistance and/or site visits to ensure success of projects funded by the Fund. The importance of this was also confirmed in discussions with two similar Funds to the proposed Endowment Fund for sustainability: PATH's Fund for the Transfer of Technology and the Environmental Enterprises Assistance Fund, Inc., two not-for-profit funds similar to the currently proposed Endowment Fund for Sustainability who we contacted during the development of the policies of the EFS.

Overview of IPPF/WHR Departments Providing Technical Assistance to Affiliates

Technical Assistance to FPAs in the areas listed below supports FPA programs, and will, as needed, assist FPAs in designing, implementing FPA sustainability projects funded by the EFS



departments and areas of expertise.

Any necessary travel by the Country Manager or Fund Manager will be scheduled and budgeted at the time of the grant or loan decision. Any additional follow-up technical assistance or site visits of projects will be subject to prior approval of the Fund Manager. Finally, reimbursement for all travel expenses paid for by the administrative budget of the Fund will be based upon USAID Maximum Travel and Per Diem Allowances for Foreign Areas (Standard Provisions). Some EFS-funded project review may also be incorporated into regular IPPF/WHR Financial Advisor or Program Advisor visits to FPAs.

5. Administrative Costs

We have outlined administrative costs associated with Fund management in the Budget (Appendix I). The cost of administration will be limited to 4% of the Fund. The current estimate of staff and other administrative costs is $100,000 per year, which represents 2% of the initial size of the Fund ($4.2 million). Inclusion of the production of the *Sustainability Matters* newsletter three times per year increases the balance of the Fund's Operating Budget to $136,000. At the Year 2 and Year 5 reviews, IPPF/WHR and USAID will consider any necessary adjustments to the administrative cost ceiling.

The percentage of time allocated to the Fund management may need to be adjusted after the first year if it is found that more or less time is actually needed to adequately carry out the administration. Any corresponding budgetary changes proposed outside of the 2 and 5 year reviews will be cleared with USAID.

C. Promotion of the EFS Loan and Grant Programs

The Fund Manager will notify FPAs of EFS programs through various information channels. Primary strategies will include:

- ***User's Guide to the Endowment Fund for Sustainability***. IPPF/WHR will create a booklet detailing guidelines for accessing EFS loans and grants. This booklet will also contain a summary of IPPF/WHR's approach to sustainability, and a list of sustainability strategies successfully implemented in the past by IPPF/WHR affiliates during the Transition Project. We will send the *User's Guide* to all FPA Executive Directors.

- ***Continued production of the Transition Project's newsletter, Sustainability Matters***. This newsletter, published three times per year in both English and Spanish, contains valuable information about strategies used and lessons learned in achieving greater sustainability. The newsletter conveys this information through technical articles and editorials written from the field by affiliates, cooperating agencies, and other authorities or persons involved in increasing the sustainability of family planning and reproductive health service organizations. *Sustainability Matters* primarily features information about the Latin America and Caribbean Region; however, it also includes new developments from work in sustainability in other Regions in the world. After the EFS is established, each issue of *Sustainability Matters* will also include reports on projects funded by the EFS and other news about the Fund. IPPF/WHR will continue to produce and distribute this newsletter free of charge to 1,200 subscribers, which include IPPF affiliates around the world, other PVOs working in sustainability, USAID and its Missions in Latin America and the Caribbean, and other international donors and interested parties.

- Quarterly meetings of IPPF/WHR program and finance staff to inform them of EFS loan and grant availability. At these meetings, we will also share results of EFS loans and grants so that staff can use this information to identify and help FPAs design projects.

- Publication of an update on the Fund in each issue of *Forum*, IPPF/WHR's semi-annual magazine, which is distributed to all affiliates, other family planning NGOs in the U.S., Latin America and the Caribbean, and private and government donors to IPPF/WHR. *Forum* will, like *Sustainability Matters*, serve as a medium for advertising the availability of loan funds and requirements for eligibility to its beneficiaries. But more importantly, *Forum* will publicize the effectiveness of the EFS as a form of financial support to the Region in order to attract contributions to the Fund from other donors.

D. *Ensuring Fair Distribution of EFS Funds Among Affiliates and Project Types*

The capacity for successfully planning and implementing sustainability-enhancing activities varies among affiliates, and therefore, some will consistently be able to develop more viable proposals for the loan program. In order to avoid a situation in which the stronger, "fitter" association would naturally monopolize the EFS loan program, we have developed measures to address discrepancies in affiliate capacity that will ensure widespread and fair access to the Fund.

It should be noted that in developing these measures, we weighed the need to balance access to the Fund against IPPF/WHR's commitment to strengthening the effectiveness of our affiliates, and not "not punish efficiency." Hence these measures do not completely deny access to the Fund by strong FPAs with efficient programs in favor of subsidizing FPAs with less capacity. Instead, the Fund's policies will hold all FPAs to the same standards of project quality and levels of programmatic impact in their respective countries, but will help FPAs with lesser capacity or with less advantageous economic environments to improve their capacity. In addition, the Fund will also help FPAs to make additional investments in research or training to help them devise plans to reach sustainability in those contexts.

1. Balancing Affiliate Capacity

Affiliates involved in the Transition Project are, in general, in the best position to borrow from the EFS because they have received the most direct training and technical assistance in financial sustainability. They are, therefore, in a relatively good position to identify opportunities and successfully design projects to further increase their sustainability. Other affiliates who have business-minded management with the foresight and drive to reduce donor dependency on their own initiative, have independently created business ventures that contribute to their local income. For example, PROFAMILIA, the commercial arm of the Costa Rican affiliate, has been profitable since 1994, and contributes 15% of the FPA's annual budget. Such FPAs will have an advantage in project design (including components necessary to demonstrate project viability, e.g., business plans), a demonstrable capacity to implement proposed projects, and probably a better credit standing than FPAs without such benefits. On the other hand, some smaller countries, most notably Caribbean affiliates, would have reduced access to the Fund because they are less equipped to incorporate new sustainability initiatives into their activities. These countries generally operate within smaller markets with less commercial potential; tend to be more risk averse than either Transition Project FPAs or associations such as PROFAMILIA/Costa Rica; and have less experience in sustainability activities.

Although the EFS loan component will offer "soft loans,"[9] IPPF/WHR will make every effort to operate the Fund as a commercial lending entity. IPPF/WHR will strictly adhere to EFS lending requirements in order to sustain the fund over time, and also to follow the Fund's objective of enhancing rather than detracting from the development of affiliates' market and business-oriented mentality. For this reason, decreasing loan standards for less developed affiliates is not an acceptable way to ensure loan diversity.

Rather, we propose the creation of a small grants component of the EFS to

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[9]EFS loans are considered "soft" loans because they offer a grace period (one year delay in repayment of principal; interest payments are not deferred) and below-commercial market level interest rates.

strengthen the ability of the less-developed affiliates to access the EFS loan component. The grant program will fund projects specifically targeted to improve weaker areas of FPAs' capacity. FPA to FPA technical assistance; feasibility and market studies; small pilot projects; and short term training, and any other project that assists FPAs in addressing the hindrances to sustainability facing smaller FPAs outlined earlier in this section. We have provided a more detailed description of the grant program in the section entitled, "The EFS Grant Program."

All parties involved in administering the Fund, including the Fund Manager, Country Managers and the EFS Committee, will be aware of these priorities and will not only award grants accordingly, but actively seek opportunities in which grant support would strengthen the capacity of less developed FPAs.

2. Degree of Self-Sufficiency and Eligibility for the EFS

An applicant's degree of financial sustainability will be an important criteria used in determining its eligibility to receive EFS funds. The Fund's purpose is to enable Latin American and Caribbean FPAs (and potentially other health NGOs in the Region) to increase their levels of sustainability; The purpose of enhancing sustainability is to support the ultimate goal of enabling these organizations to have the greatest possible positive impact on improving the health and well-being of their respective populations. For this reason, in addition to financial need, we must evaluate the potential impact of the project for which funding is being sought, or of the FPA's programs as a whole which the sustainability project is to support. Thus, FPAs that have reached a certain level of financial strength should be "graduated" from eligibility for the EFS to ensure that the Fund serves associations with the greatest need.

However, the Fund must also balance this criteria with our objective to support programs that are the most effective. It might seem that self-sufficiency rates would provide the simplest estimate of Fund eligibility since the main point of the EFS is to support programs that effectively attain USAID, IPPF/WHR and FPA goals in health and population--not to continue supporting weak links in the Federation. However, self-sufficiency rates cannot serve as an absolute benchmark or "cut-off" point for eligibility, for much the same reason that self-sufficiency rates form only one part of the Transition Project's definition of sustainability. The Transition Project definition balances financial self-sufficiency with an FPA's ability to maintain a consistent volume and quality of services to low-income populations. The EFS eligibility policy must reflect this as well.

There are two principle dangers in using the numerical self-sufficiency rate as a "cut-off" point for eligibility:

a. Increases in Donor Funding Will Decrease Self-Sufficiency Rates

While receipt of increased donor funding is always a positive event for an FPA, this will reduce its self-sufficiency rate since it reduces the ratio of locally-generated income versus donated income. This poses a problem for use of a numerical cut-off point to determine eligibility for EFS funds because, in such a case, an affiliate may have a low rate of self-sufficiency while also having ample access to funding.

b. Cutting Programs Will Automatically Increase the Self-Sufficiency Rate

An FPA faced with financial constraints may need to cut vital programs in order to sustain itself, which will in turn increase its self-sufficiency rate by increasing the ratio of income versus expenses. According to the TP definition of sustainability, such an organization is merely more financially self-sufficient, but not more sustainable, because it has reduced its programmatic impact and therefore, its value in the country.

Thus, focusing only on financial self-sufficiency can be misleading. It may falsely exclude worthy organizations from access to the EFS that, in receiving support from the Fund, would very much contribute to EFS goals, while supporting a proposal simply because it is from an FPA with a low self-sufficiency rate would not necessarily support these goals.

For the above reasons, we propose that the eligibility policy be as follows:

Loan Program. As long as funds are available, all FPAs will have equal access to loans, and applications will be analyzed on their merits according to the EFS loan review criteria:

- degree of financial need (including level of sustainability);
- value of the proposed program (in the interest of serving EFS objectives);
- capacity to repay the loan (to the end of preserving the Fund's long-term preservation).

It is in the interest of growing the fund to lend and successfully turn over as many loans as possible. For this reason, as long as funds are available, financially "healthier" organizations that are in a good position to borrow and repay money from the Fund should not be excluded on the basis of their strong financial position, because these loans will contribute to the Fund's growth--but not at the expense of less financially- secure FPAs.

Should there be a high level of competition for loans, however, FPAs that are financially self-sufficient and also have maintained their levels of coverage *will not* be eligible for loans. Under such circumstances, the Fund Manager and the EFS Committee will apply the following rules: if an FPA has greater than 90% self-sufficiency and has maintained at least 80% of 1996 levels, it will not be eligible to apply for EFS loans. The above will ensure access to the Fund for loan applicants that are in greater financial need to use the loan program to improve their sustainability. This general formula will also ensure that funds from the EFS would be denied to any FPA requesting funding to increase financial self-sufficiency, but that has also reduced its programs that serve the poor to such a degree that it is not meeting the Fund's social objectives. IPPF has not had the experience of an FPA whose commercial programs have subsumed its social objectives, but we wish to emphasize that such activities would be unacceptable not only for EFS activities, but to IPPF itself.

Grant Program. Grant Program eligibility will be assessed differently since its objectives differ from those of the Loan Program. The primary role of the Grant Program is to enhance the capacity of financially or institutionally weaker FPAs so that they can, in the future, make successful use of the Loan program to increase their sustainability. In light of this, Grant Program eligibility, unlike the Loan Program, will be more heavily based upon an applicant's degree of need. Again, it may be misleading to use a numerical cut-off point to determine eligibility; but in general, FPAs with self-sufficiency rates of 80% or more will not be eligible for the Grant Program. These rates should be evaluated periodically, and will be reviewed at the 2 and 5 year reviews with USAID. In addition, FPAs with their own endowment funds will be ineligible to apply for grants from the Fund. As with the loan program, affiliates must demonstrate that they are striving to steadily maintain their levels of programs that serve the poor. Beyond this, grants will be evaluated according to the criteria set forth in the section entitled, "Criteria for Evaluation of Grant Proposals."

E. *Existing IPPF/WHR Programmatic and Administrative Systems That Will Enhance Fund Management*

To effectively manage the EFS according to its objectives, those involved in the review process must know the overall financial picture of the Region; be familiar with the programs and management capacity of the affiliates; have access to up-to-date information about the affiliates' activities and financial standing, and very importantly; have access to staff members who work with individual countries and who are thoroughly knowledgeable about each country's situation.

The basic IPPF/WHR administrative and grant-allocation system and provide the necessary knowledge and skills to manage the Fund effectively. In addition, we have drawn upon a number of individual programs administered by the WHR in designing the administration of the EFS. These have provided the Fund's administrators with relevant experience for allocating EFS grants and loans. We have outlined these programs and their relationship to the EFS below.

I. IPPF/WHR Affiliate Review and Core Grant Allocation System

IPPF/WHR uses a very thorough annual review process which is carried out jointly by affiliates and their corresponding Country Managers. In short, affiliates submit the following reports to the Regional Office on fixed dates each year. These reports will all be used in assessing affiliate eligibility for utilizing the Fund:

- ***Half-Year Report/Annual Report:*** IPPF/WHR requires half-year and annual programmatic and financial reports from all FPAs.

- ***Three Year Plan:*** Each year in March, the Associations supply the Regional Office with a detailed "***Three Year Plan***." This plan provides an analysis of program and financial information for the current year and a description of the planned programs, financial and contraceptive supply requirements for the following three years (1998-2000). . A description of the economic and social environment in the country is also included, to help anticipate how changes might affect access to health care and the need or demand for family planning and other related services.
- ***Red Book:*** A binder known as the ***"Red Book"*** contains a summary for each FPA in the Region. Throughout the year, IPPF/WHR staff and Board of Directors refer to this book whenever they need data on a certain FPA, to evaluate a proposal, etc.

The Country Manager uses the information from the Red Book to make recommendations for the total grant size and plan for technical assistance to each of her/his affiliates. Senior Staff then discuss and agree upon these recommendations in meetings for each country that occur during a two week period in May. Finally, the recommendations are then submitted to the IPPF Board of Directors for approval.

This annual review and grant allocation system enables affiliates and Regional Office staff to make a joint decision with regard to the type of WHR funding and support will best support an FPA's strategic plan in the coming year (although estimates are made three years ahead).

Another benefit of this system is that it thoroughly informs IPPF staff and involves them in FPA programs, thus assisting EFS staff in making informed and effective EFS allocations. Country Managers are knowledgeable about all FPA functions. In addition, through this review process, IPPF/WHR Senior Staff (from whom the Controller, Financial Advisor and Deputy Regional Director will form the EFS Committee) who make final grant and loan allocation decisions have a clear picture of Regional strengths and weaknesses.

2. *IPPF/WHR's Experience in Administering Proposal-Based Grants*

In recent years, IPPF/WHR has administered a smaller grant-making fund called the 21st Century Fund, which has allowed the WHR Office to test and refine a project-based grant-making system similar to the EFS grant program proposed here. We have used elements of this system in developing the EFS grant program in order to capitalize upon existing grant-making capacity and experience in the Office.

a. Brief Overview of the 21st Century Fund

In response to a trend among donors favoring project (restricted) rather than core (unrestricted) funding, the Regional Office established the 21st Century Fund, a new resource allocation strategy, in 1996. The objectives of the 21st Century Fund are:

- to successfully implement projects that are consistent with IPPF's mission and the WHR's strategic plan (Resource Mobilization Strategy), and that meet the sexual and reproductive health and family planning needs in the Region;
- to strengthen FPA capacity to prepare good project proposals;
- to bring about more systematic documentation and sharing of WHR's accomplishments and lessons learned.

Through a competitive selection process, the 21st Century Fund seeks innovative program concepts as well as projects that apply WHR's three-part Resource Mobilization Strategy (RMS) of sexual and reproductive health programming, institution building/ sustainability and resource development. Teams of WHR staff members share the responsibility of project management and evaluation, providing the necessary technical assistance and training to ensure successful results from each project.

Committee members review 21st Century Fund proposals using a standardized evaluation format that includes criteria such as: quality of proposal rationale, and relevance to overall country situation; project goals and objectives; activities; monitoring and evaluation plan; budget; and candidates' capacity to successfully implement the project.

To date, IPPF/WHR has selected 9 projects in 7 FPAs for direct financing via IPPF/WHR unrestricted funds. Project topics include: community education programs on HIV/STD prevention (Brazil and St. Vincent); FPA staff and board member gender training (Mexico and Peru); assessment of unmet need for family planning (Colombia); improvement of quality of care for youth (Peru); community based distribution of contraceptives (Jamaica) and other projects. Since these projects are on-going, we cannot assess them at this point; however, WHR monitoring of these projects suggest that they are proceeding as planned.

A testament to the success of WHR's ability to administer this type of proposal-based grant system is that the Canadian International Development Agency (CIDA) has contributed an additional $1 million to the *21st Century Fund* to implement projects addressing adolescent sexual and reproductive health. CIDA has also funded a South to South component for FPAs to share and replicate successful programs with other FPAs in the Region.

We are proposing for the EFS a review procedure similar to that used to review 21st Century Fund applications. Proposed members of the EFS Committee, who will review all EFS grant and loan proposals, are members of the 21st Century Fund Committee, and thus have 2 years' experience evaluating FPA proposals.

b. Training to Affiliates in Proposal Writing

Through the Transition Project, WHR has provided 14 FPA affiliates with training in proposal design and project development in a two-week proposal writing workshop held in April, a follow up version of which will take place in August of 1997. The latter workshop will be a training of trainers in proposal design, a strategy that will strengthen both Regional Office and affiliates' capacity to effectively design projects; and that will help affiliates to secure funding either through the WHR's funding mechanisms or through external donors.

A second grant making project administered by WHR for its affiliates was the Vision 2000 Fund from IPPF headquarters in London. Elements of each of these grant-making systems have been incorporated into the proposed EFS grant allocation (and to some extent loan allocation) system to build upon existing grant-making capacity and experience.

c. Sustainability Self-Assessment Module

In 1997, the Transition Project developed a tool for assessing NGO sustainability:

The *Sustainability Self-Assessment Module.* The Module was created jointly by the Transition Project, the WHR Evaluation Department and the evaluation departments of four affiliates in the Region: BEMFAM in Brazil, PROFAMILIA in Colombia, ADS in El Salvador and FEMAP in Mexico.[10]

The Module, which is currently being tested in the above four countries, will be complete by the end of 1997. It will allow FPAs and other NGOs to evaluate their organizational sustainability, and more specifically, their management systems, strategic plans and activities and their impact upon the organization's prospects for greater sustainability. The Module has been designed to allow a user to pinpoint its own strengths and weaknesses, and to identify areas that need to be enhanced.

Once finalized, FPAs will apply the Module to their programs, and IPPF/WHR will then join with FPA staff in using results for long-term planning. Use of the Module will enhance FPAs' ability to use the EFS loan and grant programs by enabling them to pinpoint strengths and weaknesses affecting sustainability. In turn, they can use this information to select or develop sustainability enhancing strategies that are most appropriate to their institutional capacity. Specifically, areas of weakness can highlight cases in which a project funded by the EFS could remedy the problem, e.g., Technical Assistance from an FPA that has developed an effective system can help to improve an incomplete clinic cost accounting system that hampers another FPA's ability to analyze the profitability and/or loss associated with clinical services. On the other hand, identification of strengths through the Module can help an FPA to develop projects that capitalize on the stronger aspects of its institutional capacity.

3. *IPPF/WHR's Lending History*

In response to a need among associations for loans to finance the cost of real estate for administrative offices and clinics, IPPF/WHR developed a Building Loan Policy. The Regional office later expanded this policy for other special cases, such as the purchase of medical equipment, advertising and promotional costs, and working capital. IPPF has now expanded and adapted its loan policy to suit the requirements of the EFS.

The table and graphs in ***APPENDICES 2***, ***2a*** and ***2b*** detail lending activity for this period throughout the Region, including Central and South America as well as the Caribbean. Following clearly defined written procedures, all loan agreement documents specify the parties, purpose, amount, terms and conditions of lending.

[10] FEMAP was funded by the *Transition Project*, but is not the IPPF affiliate in Mexico.

Analysis of this table indicates that of the 12 loans processed and administered by the Regional Office during recent years, two have been repaid, and the rest are outstanding but schedule. The purpose of these loans include building construction, acquisition or renovation; purchases of equipment; working capital; debt payments; and financing of a marketing promotion campaign.

In the past, IPPF has charged an interest rate based on either the London Interbank Offer Rate (LIBOR) or a standard 6.5%. Loan terms have varied according to purpose and need; maturity dates have ranged from a short term period of 1-year, to a long-term maximum of 10 years (primarily for building loans).

VII. THE EFS LOAN PROGRAM

A. Structure of the Loan Program

An assessment of affiliates participating in the Transition Project reveals that loans will provide a more effective form of support to FPAs than grants. Thus, a majority of EFS funds will be made available to affiliates in the form of loans. We believe that this is consistent with the ultimate goal of helping affiliates shift to self sufficiency, as opposed to perpetuating their reliance upon their subsidies. Moreover, an analysis of WHR's past lending activity and a survey of 8 affiliates indicates a steady increase in demand for loans since 1993, and furthermore, that this demand for loans will increase after the conclusion of the Transition Project. Given the above, IPPF/WHR is uniquely positioned to lend to affiliates with more advantageous terms than would be available on their local markets. We have provided a more detailed description of these issues below.

B. Rationale for the Loan Program

1. Local Lending Conditions and Lack of Access to Commercial Loans

FPAs, as most NGOs and small businesses in Latin America and the Caribbean, have virtually no access to commercial sources of credit in USD or even local currency loans in their countries. In most cases, USD loans are unattainable because FPAs cannot supply adequate collateral. First, they have few if any assets that are of interest to the international market (buildings, for those that own them, pose a too complex form of collateral to be acceptable on the international market). Second, FPAs do not have sufficient liquidity (cash reserves) to satisfy international lenders.

On the other hand, loans in local currency are prohibitively expensive. In Latin America and the Caribbean, interest rates on local currency loans *average* 20 to 25% (see Appendix 7). Therefore, for such a loan to be of use to the FPAs, the rate of return on a project would need to be greater than 30% per year--highly unlikely in the sector in which FPAs operate, especially if they continue serving low-income segments of the population. In addition, in most cases, banks in Latin America provide only short-term loans (one year or less), due to high inflation and volatility in local economies. Furthermore, NGOs would have difficulty securing loans from local institutions for the same reasons they cannot access loans on the international market--lack of liquid reserves and appropriate collateral. In Appendix 3 we present results of an actual survey performed among IPPF regional affiliates regarding access to commercial credit, which supports the reasoning stated in this section.

2. Why More Loans than Grants

The EFS will provide affiliates with funds primarily in the form of loans rather than grants or subsidies (as would be the case from a typical endowment), for the following reasons:

- To ensure that the Fund is not depleted over time, and that it functions as a long-term rotating system that will maintain and increase its original value; this, in turn, will ensure that the Fund will benefit many associations indefinitely.

- To provide associations with larger amounts of money for investment in projects, rather than the smaller amounts that would be available through a typical endowment fund, where only investment income would be utilized. As a loan program, the full amount of the fund is available to Associations, rather than the estimated $180,000 to $300,000 net that would be available if the Fund were simply invested.

- To encourage and enable FPAs to use the money to create businesses or projects that will themselves be a permanent source of income for the affiliates. New permanent income generating entities will help sustain affiliates over time and insulate them from fluctuations in the availability of donor funds.

- To develop the business-minded mentality and capacity that FPAs will need to meet their future sustainability needs. (By removing risk and investment-return pressures associated with any "real" business venture, subsidies tend to remove any impetus for associations to manage business projects in a truly competitive fashion.)

3. Demand for the Loan Program: Results of Survey Among Affiliates

To assess the potential demand for loans, we conducted an initial survey of 9 of the Region's largest and most financially active associations. Affiliates were given a brief description of the proposed Loan fund, and asked whether they have access to credit in their local commercial markets; what are their country's typical interest rates for loans; if and for what types of activities might the FPA want to borrow from the Fund and in what amount.

All affiliates surveyed said that they have no access to credit in their own countries, and that interest rates are high (between 12 and 30%). Of these 9 affiliates, 8 expressed an interest in loans as early as 1998, for a total of more than US$1.6

million, thus surpassing our expectations for demand. However, since most affiliates will need time to plan loan projects adequately, such that they can demonstrate the capacity for secure repayment prospects, we expect that the Fund will lend only between US$500,000 and US$1,000,000 during its first year. The remaining amount of these loans can be made the following years. Appendix 3, "Estimated Need for Loans in 1988: 9 FPAs," summarizes the results of the survey in nine countries.

Since grant allocations to FPAs have until this time been ample, the need for loans among Regional affiliates has not been great. However, due to decreases in funding and grant allocations, and an increase in business acumen among affiliates requiring increased capital investment for new income-generating projects, the demand for loans has been increasing steadily since 1993 (*See* table, Appendix 2).

4. FPA Access to Loans and IPPF/WHR's Unique Position as a Lender

For the following reasons, affiliates have turned to IPPF for loans when the need arises. IPPF provides:

- *Favorable terms of interest charged* - this is particularly true given the financing disadvantages on the Latin American markets;
- *Difficulties in securing loans from local commercial banking institutions*;
- *Existing FPAs and IPPF have a close relationship* that allows for a thorough analysis of FPA financial situations, use of proceeds, etc.;
- *Decreases in donor funding* or an FPA's ability to generate income locally due to *changes in the country's economic situation*, which in turn creates a rapid increase in the need for cash; and cash is not accessible to FPAs on the local market on acceptable terms;
- Convenient and *guaranteed method of repayment* and "instant collateral" - that is, deducting payments directly from IPPF's Cash Grants to affiliates.

5. Types of Projects Funded by the EFS Loan Program

While affiliates will design projects that suit their respective markets and capabilities, most projects will be variations on sustainability strategies developed during the Transition Project. Thus, we expect that the projects will fall into one or more of the following three categories:

- Clinical services (costs of clinic expansion, renovation, service diversification, marketing and promotion);
- Commercial Sales (start-up costs, marketing and promotion);
- Institution Building: (MIS upgrades, staff expansion, e.g. hiring marketing manager,

consultancy services, management reviews);
- Fixed Assets: (purchase, construction or renovation of FPA property).

IPPF/WHR will encourage affiliates to develop innovative new strategies or adaptations of existing strategies. We will then distribute the results of these for the benefit of all affiliates in the Region.

C. Loan Policies and Administration

1. *Management of Overall Portfolio*

While each loan will be reviewed individually (according to the guidelines (described below), the loan portfolio will be managed as a pool of assets, with dual considerations for risk management and program fulfillment. The portfolio will be tracked in accordance with the following considerations, and portfolio review information will be compiled in the format shown in Appendix 4 "Loan Program Portfolio Summary."

a. Geographic Diversification

Programmatic Considerations: It is important that all FPAs have access to EFS loans to the greatest possible extent. The established limits on EFS loan size will naturally diversify the portfolio among at least 15 countries. Nevertheless, in reviewing loan applications, the Loan Committee will make an effort to diversify loans among various countries of the region. Furthermore, through the EFS promotional plan, the Fund Manager, with the assistance of WHR staff, will take steps to ensure that each FPA is aware of the loan program, and will encourage loan applications from all FPAs. We have addressed this issue in more detail in the section entitled, "Promotion of the Loan and Grant Program to Associations."

Risk Management Considerations: Geographic diversification is also important in order to spread risks across a variety of macroeconomic environments.

b. Project Diversification

Programmatic Considerations: The funding of various types of projects will maximize the opportunity for learning about successful sustainability strategies for FPAs. Generally, we expect that projects funded with EFS loans will naturally vary in project type because of the broad range of strategies for increasing sustainability and the variations in need among affiliates. Furthermore, the existing portfolio of loans in the WHR span a number of project types, including: building construction, acquisition or renovation, purchases of equipment, working capital, debt payments and financing of a marketing promotion campaign.

Risk Management Considerations: Typically, projects funded by a loan portfolio are diversified in order to minimize financial risk by limiting dependence upon a particular location, customer base, or technology. We do not expect that this type of risk will apply to the range of FPA projects. However, the Loan Committee will remain aware of this factor.

c. Diversification of Loan Terms

Risk Management Considerations: Loan repayment schedules will be varied and will include periodic amortization of principal to avoid a preponderance of debt service (repayments of principal and interest) on any particular period. This is important to protect the Fund from unforseen economic volatility or distress in the Region as a whole.[11]

We expect that 50% of outstanding loans will mature within three years of disbursement, and the remaining 50% within five.

d. Expectations for Composition of Loan Portfolio

Although loan sizes will vary, we estimate that loan sizes over five years will be distributed as follows:

- 5 to 10 loans of US$200,000 or greater;
- 5 to 10 loans of US$100,000 to 200,000; and,
- 15+ loans of US$100,000 or less.

This estimate is based upon loan capacity as determined by project, and by loan limits of projected IPPF grant levels as discussed in the section "About the Loans," below.

[11]Historically, Latin America has faced several crises affecting every country in the Region, e.g., foreign currency loan rescheduling in the 1980's of approximately $100 billion, and the Mexican peso devaluation in December of 1994.

e. Pricing

While specific market comparisons and project needs will determine individual loan pricing, management of the overall portfolio will set pricing so that interest rates will, at minimum, cover the costs of administering the loan program and generate an annual surplus to the extent possible. This will promote the Fund's stability as well as acceptable financial and programmatic returns.

2. *Management of Loan Process for Individual Loans*

a. Eligibility for Loans

For the first two years, access to EFS loans will be limited to IPPF/WHR affiliates, primarily because collateral and payment is much more secure.

1) IPPF/WHR Affiliates

All FPAs receiving grants from IPPF/WHR will be eligible to apply for loans from the Fund. This includes all affiliates of the Western Hemisphere Region (with the exception of the U.S., Puerto Rico, Canada and Cuba). *See* section entitled, "Policy and Actions to Ensure Fair Distribution Among EFS Affiliates and Project Types."

2) Non-IPPF/WHR NGOs in the Region

In the past, IPPF/WHR has provided grants to several other NGOs in the Region that are financially sound and have valuable programs in their countries (e.g., FEMAP in Mexico, supported through the *Transition Project*; CEMOPLAF in Ecuador, funded by WHR through a USAID Cooperative Agreement). If feasible, IPPF/WHR may, after two years of the EFS loan program, consider expanding eligibility for the loan and grant programs to other NGOs in the Region whose work is consistent with USAID's and WHR's population and health objectives; if we do so, we will submit to USAID a proposal outlining a plan for such expansion. We believe that such expansion would improve the Fund's positive impact on sustainability and breadth of service coverage in the Region.

b. Loan Application Process

FPAs' loan requests will include:

- Loan Application;
- FPA Financial Information.

3. Loan Proposal Contents

An outline of the basic information that will be required in loan requests is provided below. The *User's Guide to the EFS*, which will be distributed to all affiliates, will contain these basic information requirements, as well as a checklist for assessing the FPA's suitability for the loan program, helpful hints for successfully completing applications, sources of help in completing applications and a sample loan application to follow.

a. Outline of Loan Application Contents

Term Sheet summarizing requested loan provisions (amount, term, disbursement, overview of use of funds, etc.).

Project Description summarizing programmatic benefit, business logic, and use of proceeds:

- What is the project? (3 paragraphs, or less);
- List the expected uses of proceeds by specific category (e.g. number of salaries, types of equipment, etc.);
- Include a business plan and summaries of feasibility and market studies if available/appropriate.

Applicant's Assessment of Risk:

- List business risks and plans to manage them (supply, demand, competition);
- List country risks and effects on project (economic, political, other).

Financial Projections for Project

- Formulate income statement or cost benefit analysis for each year until loan is to be fully repaid;
- List and explain assumptions for above.

b. FPA Financial Information

In addition, the FPA must have filed the most recent version required of the following IPPF documents

- Annual report;
- Most recent audited financial statements with management letter (providing information about internal controls);
- Three Year Plan;
- Current WP/B;
- Six month report.

c. Additional Guidelines For Loan Application Booklet

- Description of loan review process;
- Checklist for assessing own risk level;
- Format for a business plan;
- Resources to contact for assistance;
- Sample Loan Requests.

4. Proposal Review

a. Content of Proposal Review Process

Reviews of loan proposals from eligible FPAs will follow a three step process:

1) Review by the Country Manager

The first reviewer will be the Country Manager, since s/he is the single person most knowledgeable about the FPA's total program, financial and country situation.

FPAs will submit proposals to the Country Manager for preliminary review; the Country Manager will respond to the FPA with follow-up questions and clarifications. The Country Manager will examine project viability, FPA capacity to execute the project, overall financial strength of the FPA and potential for the project to enhance the FPA's sustainability. The Country Manager will then summarize her/his review and pass the application to the second reviewer.

2) Review by Fund Manager

The Fund Manager will serve as the second tier of the review process. As a reviewer of all loan applications, the Fund Manager will be able to maintain consistent credit standards, gain transferable knowledge from the review of other loans, and will have the benefit of tracking overall portfolio usage. The purpose of the second review will be to ensure consistency in the Country Manager's analysis of the application, and to ensure that the first review did not overlook any credit risks. The Fund Manager will provide recommendations on both pricing and terms of repayment.

3) Review by EFS Committee

The EFS Committee will meet quarterly to review the initial reviewer recommendations, to oversee the program implications of proposed projects, to ensure proposals' consistency with Fund objectives, and to vote (approve/disapprove) on loan requests. The Committee will also complete any necessary annual reviews of outstanding loans.

b. Loan Evaluation Criteria

The EFS Guidelines booklet will contain these evaluation criteria. In addition, FPAs will be able to prepare loan requests addressing these concerns. IPPF/WHR will create a complete listing of these to be used as a guideline and checklist by loan reviewers. Below is an overview of loan evaluation criteria:

Reviewers will evaluate loan requests based on the following criteria:

- Required information;
- Potential contribution to FPA sustainability;
- Project Viability;
- Consistency of Project with FPA mission and capacity to execute/manage the project;
- Overall financial strength of FPA.

1) Required Information

- Does the loan request include sufficient project information and financial projections? If not, revert to FPA.
- Is all necessary FPA financial information on file? Check with

Finance Department. If not, revert to FPA.

- Is sufficient information available on future grant expectations? Check with Finance Department.

2) Potential contribution to FPA sustainability

- Can the project generate meaningful net income in a reasonable amount of time?
- Is there a mechanism for allocating income to support social programs?
- Will the proposed activity create a new structure that will last beyond the loan period and contribute to applicant's long-term viability?

3) Project Viability

- Does the project generate at least 125% of cash required to meet debt service on a timely basis (i.e., to make each principal and interest payment as it comes due)? Are the assumptions in the financial projections realistic, or should they be changed? *(We will use a minimum of 125% coverage to include some "breathing" room in the projections submitted since in general, projections tend to be overly optimistic.)*
- Has the applicant completely and realistically assessed project risks?
- Can the applicant manage these risks adequately?
- How will risk affect financial projections (e.g., insufficient cash to pay debt service)?

4) Applicant's Capacity to Execute/Manage Proposed Project

- Does the proposal clearly define direct functions/roles necessary to execute the project?
- Can the applicant's staff fulfill those roles in addition to their current duties?
- Does the applicant provide adequate management oversight for the project?

5) Applicant's Overall Financial Position

- Does the applicant have a record of paying loans on a timely basis?
- Has the applicant complied with local legal requirements (payment of taxes, social security, etc.)?
- Does the applicant comply with IPPF management standards (e.g., self- certification on file, functional Board of Directors, etc.)?
- Does the applicant possess sufficient working capital (as defined by IPPF/WHR)?
- Does the applicant have outstanding loans from other sources with debt service of more than 25% of expected total IPPF grants in any year?
- Is the size of loan requested from IPPF/WHR less than the expected grant in any year in which the loan will be outstanding?
- Is the debt service on the loan requested less than 33% of the expected grant in that particular year?

c. Time Line of Loan Proposal Review Process

TIMING	***ACTION***
	FPA sends completed loan proposal to New York.
Week 1	First review of loan proposal in New York (Country Manager).
Week 2	Questions on loan proposal.
Week 3	Second review of loan proposal (Fund Manager).
Week 3	Recommendation on loan proposal (Fund Manager)
Week 4	Loan proposal to Loan Committee for review. (Loan Committee members can contact initial reviewer and Fund Manager for additional details and information.)
Week 5	Final approval of loan proposal at quarterly Loan Committee meeting.
Week 6 - 7	Documentation of loan and preparation for on-going loan administration.
Week 8	Disbursement of loan.
Year 2, Weeks 2 - 3	Annual loan review by IPPF/WHR Office (Country Manager and Fund Manager, then Loan Committee).

See horizontal annual time line on next page.

d. Loan Policies

About the Loan Fund - Summary of Parameters

TOTAL IN LOAN FUND:
US$4,000,000 initially (IPPF will contribute US$200,000 annually for five years at the beginning of each calendar year).

BORROWER: FPA/NGO
LENDER: IPPF/WHR

LENDING LIMITS:
1. Not to exceed 100% of expected IPPF grant to the FPA in any year in which the loan is outstanding.
2. So that debt service in any year is less than 33% of that year's expected IPPF grant.

INDIVIDUAL LOAN SIZE:
Minimum - None.
Maximum - US$300,000 or as determined by Lending Limits.

LOAN TERM:
Maximum - 5 years from initial disbursement. Generally, to correspond with project needs. E.g., Personnel, training up to 2 years; Clinic expansion, up to 5 years.

CURRENCY: US Dollars

REPAYMENT-Either of two repayment schedules below will be used as guidelines:

	Schedule A	*Schedule B*
Period 1	0%	0%
Period 2	25	20
Period 3	25	20
Period 4	25	20
Period 5	25	40

For a five year loan, the periods will be divided into years. For a shorter loan (e.g., 6 months), the Lender will determine the loan period. Finally, the Loan Committee will have the option to set a different schedule altogether for a particular project.

INTEREST RATE:
Fixed rates, to be set with EFS Loan Pricing Formula, with interest payable quarterly in arrears on fixed dates (e.g., March 31, June 30, September 30 and December 31). Rates will be determined based on the project and on market rates paid by entities in respective FPA's country to borrow in international markets.

DISBURSEMENT:
One disbursement of loan proceeds on one of the four regularly scheduled IPPF grant disbursement date (e.g., March 31, June 30, September 30, or December 31)

PAYMENT DATES FOR PRINCIPAL AND INTEREST:
To correspond with grant disbursement dates (e.g., March 31, June 30, September 30, December 31.)

DOCUMENTATION:
IPPF/WHR and the FPA will enter a Loan Agreement based on commercial documents. As security, the loan agreement will authorize the Lender to make deductions out of the IPPF grant as repayment. A draft form of the loan agreement is attached.

EXPENSES:
FPAs will not pay fees on the loans as they would to a commercial lending institution. Administrative costs will instead be covered by the interest charged on loans.

CREDIT EVALUATION:
Described more fully in the Credit Review section.

1) About the Loan Fund - *Explanation of Loan Parameters*

- Why lend in US dollars?

  - *Currency convertibility* - Since the major countries in Latin America have freely convertible currency, it is not unrealistic to make US$ denominated loans. Exceptions to currency convertibility, such as Haiti, will be monitored carefully to avoid difficulties. We realize that convertibility may not always be possible in the future and that devaluation risks still remain. Accordingly, to monitor potential inconvertibility in the Region, we will enlist the help of the FPAs in the relevant countries. We will also establish a contact with a bank in New York that deals in the various local currencies.
  - *Security* - As has been IPPF's lending policy in the past, loan repayment is secured by future IPPF grant money, also denominated in US$, so that security and repayment currencies are the same. In practice, most repayments will be deducted directly from the cash grant issued to the FPAs through an inter-account mechanism before the funds are ever transferred to the FPA. This is the current procedure for repayment of loans and greatly facilitates monitoring (as it is done on regular grant disbursement dates). The loan agreement will include the authorization for IPPF/WHR to make necessary deductions for interest and principal payment directly from IPPF grant monies.

  - *Ease of administration* - Most FPAs already maintain a US$ bank account in the United States. The local affiliate will be responsible for any necessary currency conversion. This policy mirrors the existing disbursement process for grants. The Fund will employ the same disbursement dates.

  - *Lower Real Interest Rates and Longer Terms* - Generally, local currency loans in Latin America have short lending periods and are very expensive, on both a nominal and a real basis. Lending periods are short because many countries have a volatile market. When inflation is hard to predict, it is difficult for banks to obtain longer-term local currency funding. Consequently, banks lend only for as long as their funding is available, and then do so at high real interest rates. See the attached Table summarizing some of the local borrowing capabilities in Latin America.

- Given high real interest rates and the lack of realistic pricing comparisons, we also believe that the loan program will be more beneficial and predictable when denominated in US dollars. As mentioned above, the security of a set-off from IPPF grants to affiliates mitigates the risk of inconvertibility.

▸ Why a 5 Year Maximum Loan Term?

Ideally, the EFS could offer FPAs very soft loans, with subsidized interest rates and for very long terms (lengths). A schedule of smaller payments over a longer period of time (with subsidized interest rates) would allow FPAs to enjoy larger and earlier "profits" on their projects. However, as much as IPPF/WHR would like to administer such a loan program, it not financially feasible, and indeed, doing so would jeopardize the objectives of the EFS.

As the table entitled "10 year Loans-7 Year Average Loan" (see Appendix 8) illustrates, the Fund cannot sustain any more than a small proportion of long term loans due to its size. For illustrative purposes, we calculated the cash flow of the loan fund if its maximum loan limit were extended to 10 years (we used a 7 year average). In that case, If a strong loan demand were to occur, the total available capital would have been disbursed during the first four years, and the EFS would have to severely limit the number of loans it disbursed in years 4 through 9. Moreover, no principal would be available for investment.

We performed a similar analysis with a 6 year loan average, and the results were similar. Clearly, the EFS cannot, at its present size ($4.2 million in Year 1) sustain loan terms of 10 years. During the first 5 years, it would be prudent to keep the maximum loan term at 5 years.[12] This will preserve the value of the Fund and maintain an increased rather than decreased lending

[12]Indeed, PATH's Fund for Technology Transfer, a loan program similar to the EFS in size (US$6 million), social objectives, and in that it also operates from a limited fund financed by donations, only issues 4% of its loans for terms greater than five years. The Small Business Administration, on the other hand, offers building loans for up to 25 years, although it can afford to do this because it lends through commercial banks which don't have a finite source of capital as does our loan program.

capacity over time. Furthermore, this will enable IPPF/WHR and USAID to safely observe the loan program during the first years of the EFS, without committing the EFS funds for such a long period as 10 years. In addition, limiting the loan term to 5 years during the first five years of the EFS will allow the EFS to build up a "good track record," which will be essential to attracting other donors to contribute to the Fund.

The maximum loan term will be reviewed during the 5th year of the Fund. If at that point, the size of the Fund can sustain longer term loans, and the repayment track record is good, the IPPF/WHR will propose an extension of the term.

- Does a 5 Year Limit Meet FPA Borrowing Needs?

We looked at FPA past borrowing patterns and projected needs for loans to determine an ideal diversification of loan terms that will balance FPA needs and Fund capacity. Until recently, IPPF/WHR had a building-loan only lending policy, and these were automatically extended for 10 years. As a result, 50% of IPPF's loans historically have been greater than 5 years (5 were 10 year, one 6 year), and these were all building loans (*See* Table: IPPF/WHR Loans to FPAs, 1989-1997 in Appendix 2). However, only 33% of the loans made in the last five years have been for building loans, and all of the rest of the loans were for four year terms or less. The borrowing trend by affiliates in the WHR's lending experience also reveals that as the types of projects for which loans are requested in the last five years has changed, i.e., to loans to assist in income-generating projects, the terms shorten, all of these types of loans are for four years or less.

Another problem with building loans, is that they tend to be for larger amounts of money, further burden the EFS. Although 33% of the loans requested in the last five years have been building loans, for 10 year terms, but of the 9 FPAs surveyed about their borrowing needs in the next few years, only one requested a building loan. As the purpose of the EFS is to fund projects to enhance FPA sustainability, we expect (and as the survey indicates) that most loans will be income-generating projects for a period of 1 to 5 years. We therefore believe that limiting the loan terms to 5 years during its first years of operation will adequately (if not ideally) meet FPA borrowing needs, while prudently preserving the value of the Fund.

- Why Fixed-Rate Loans ?

  For predictability of repayments (and better project planning by applicants), we prefer to extend fixed rate term loans rather than floating rate loans. This is possible because the Loan Fund will have been funded prior to initial loan disbursement. Unlike a commercial bank, which must match-fund its loans, we will not borrow at a short term floating rate cost such as LIBOR, and then lend at LIBOR plus a risk. Instead, we will charge a risk premium on loans over fixed rates established at the time of the loan, just as bond yields of varying credit quality are quoted as a risk spread over the US Treasury (least risk) fixed rate for the same loan period.

  - How Will Loans be Priced ?

    In determining a formula to be used for pricing EFS loans, many alternatives were generated and analyzed. The formula that the EFS will use is based upon several issues and assumptions that derive from the objectives of the EFS that we have listed below. The formula should be reviewed during each of the Fund's first years of operation to determine if it needs to be adapted to better meet the needs of the affiliates and the growth targets for the Fund.

    Assumptions and issues considered in determining pricing formula for EFS loans:

- Pricing should not be subsidized below market rates because:

  - rates will always be better than what FPAs could obtain locally;
  - subsidization may help FPA profitability in the short run, but in the long run, it would not serve to enhance the FPAs credit standing and ability to do business in its local country;

- at minimum, interest rates should cover the costs of loan administration, and should generate an annual surplus to grow the loan program over time, thus increasing availability of loans in the Region;

- the objective of growing the fund should be balanced against the importance of providing affiliates with economically accessible loans that will maximize the success of their sustainability efforts;

- the fact that loans are secured with IPPF grants allows the elimination of some standard penalties applied in pricing of commercial loans;
- pricing should be based upon market rates in order to appear viable to other potential donors or investors in the Fund whose contributions IPPF/WHR will seek in order to augment the EFS.

In keeping with these assumptions, the following formula best follows market lending rates and practices, and will grow the Fund according to the targets established for the EFS, yet will provide affiliates with advantageous borrowing rates in all countries of the Region.

PRICE = Applicant Country's Eurobond Corporate Rate[1] + 0.5% Administrative % + 1% EFS Fund Growth Premium.

Definitions used in Formula:

Country Eurobond Corporate Rate = the rate at which top-quality corporations in the country borrow USD. For reference purposes, the Eurobond Yield is equal to:

U.S. Treasury Rate[a] + Country (Government) Premium[b] + Corporate Premium[c]

a. US Treasury Rate: the market-determined US dollar rate paid by US Government for comparable maturity.
b. ***Country Premium:*** (Rate US Treasury Rate) the market-determined premium (spread) over the US Treasury Rate at which the government of the applicant's country can borrow US dollars.
c. ***Corporate Premium***: the market-determined premium paid by a very good quality corporation in the applicant's country.

   This formula will be used for all countries that are on the international market (e.g. Mexico, Chile, Brazil).

For countries that are *not* on the international market (e.g. Nicaragua, Haiti, Honduras), the rate available to the lowest ranked country of those on the international market (i.e. with the highest country premium) will be used as the basis for the formula.

Examples (figures are based on data presented in Appendix 7):

1. Three year loan for Brazil:

8.00%	3 year Brazil corporate rate
0.50%	Administrative %
1.00%	Fund Growth Premium
9.50%	EFS loan program interest rate

2. Five year loan for Nicaragua:

Nicaragua cannot borrow internationally, thus we base its rate upon the lowest ranked country among those on the international market: Ecuador

10.30%	5 year Ecuador corporate rate
0.50%	Administrative %
1.00%	Fund Growth Premium
11.80%	EFS loan program interest rate

We further propose that this alternative Fund will establish a limit on interest rate levels each year based upon market conditions in the US and Latin America, i.e. the rate at which it is reasonable to expect the fund to grow. This limit would be approved annually by the Board of Trustees (and USAID during the oversight period). For 1998, the growth rate is expected at 10%, and as the rates at which the more robust economies in the region would be borrowing is approximately 9%, we will set a cap at 11%.

In this case, the Fund Growth Premium will be waived, thus, in the example of Nicaragua above, the interest rate would be 11.8% - 1%, or 10.8%.

Advantages and Disadvantages of this Pricing Formula:

The main disadvantage of the proposed formula is that countries with weaker economies, and thus, presumably, that have greater difficulty in making money in their local markets (and larger poor contingencies) are slightly penalized in having to pay higher interest rates. However, these countries are at the same time receiving the greatest "subsidy" in interest rates from the Fund, due to their almost absolute lack of access to other sources of credit.

On the other hand, there are several key advantages to the proposed formula:

- affiliates will be able to build a viable credit history, and will become conditioned to using standard business practices;
- Fund will foster affiliate independence and sustainability, rather than dependency upon subsidies and "crutches";
- the Fund's lending practices will better approximate the commercial sector, and will thus:
    - allow the EFS to better able to expand the program to other NGO's in the future;
    - allow the EFS to attract other donors to the Fund;
- more closely approximates level of economic risk in country (while providing a measure of assistance to affiliates in less economically developed countries); and finally,
- other similar funds determine their rates based on market rates (We consulted two private funds as well as the IDB).

    - What are Principal Repayment Alternatives?

      The Loan fund will offer two basic alternatives for the repayment of principal to provide some flexibility for project needs, while at the same time reducing administrative complexity. These repayment schedules would work well with the purchase of equipment, for example. One alternative will require principal payback in the form of equal periodic payment of 25% each over four periods (Repayment Schedule A). The second alternative will also have principal repayment in four periods, but each of the first three periods' payments will represent 20% of the total borrowed principal with a larger final payment of 40% of the borrowed amount (Repayment Schedule B). We expect that all loans will be provided with a one-year grace period.[13] See the table in the attached term sheet, *About the Loan Fund - Summary of Parameters* (page 69).

While an applicant may request either schedule, IPPF/WHR will make the final determination of repayment schedule for a particular project. This determination will consider the level of acceptable risk in any single year for the applicant. Please also note that grace periods before any principal payment begins will be limited such that in no case will the grace period extend beyond the end of the second year of the loan. We have attached a loan repayment schedule that includes both principal and interest in the Peru loan example.

Finally, in the case of any extenuating circumstances or unusual project needs, IPPF/WHR may decide to use a different schedule.

- How Will Funds Be Disbursed?

The Lender will transfer loan proceeds to the loan recipient in one disbursement, which will be at one of the regular grant disbursement dates (March 31, June 30, September 30, or December 31). IPPF/WHR will disburse loans shortly after completion of loan documentation. From disbursement until actual expenditure, the loan recipient will be responsible for all proceeds, and as such, will be charged interest.

2) About the Loan Fund - *Staffing*

Primary Responsibilities of the Fund Manager and Accountant responsible for the day-to-day management of the EFS:

Fund Manager

Loan review

[13] Grace period: Experience with past affiliate lending has shown that a grace period is beneficial, if not necessary, for most projects.

- Assign first reviewer for loan request: Country Manager or other program or financial staff member familiar with the FPA situation.
- Evaluate all loan requests after relevant Country Manager.
- Make recommendation on loan request.
- Recommend loan pricing after reviewing market pricing and project needs.
- Recommend loan period (justify if not Schedule A or B alternative).
- Prepare brief document stating recommended action, pricing and period of loan.

Reporting to Loan Committee

- Prepare overview of loan portfolio geographies, project types, and tenors before quarterly Loan Committee meeting.
- Obtain an updated review of expected future grants from the Director of Finance before each quarterly Loan Committee meeting.
- Ensure distribution of loan request and Fund Manager's brief document to Loan Committee members prior to quarterly meeting.
- Ensure distribution of portfolio overview to Loan Committee members prior to quarterly meeting.

Ongoing Loan Administration

- Oversee Fund Accountant, who will make disbursements, collect interest and principal, and maintain records thereof.
- Notify the Loan Committee of any payment default immediately.
- Work with the Loan Committee to manage any problem loans.
- Assign loans to Country Managers for Annual Reviews.
- Check with loan recipient (and/or Country Manager) periodically to assess the project's progress. Identify any need for technical assistance. Receive and review periodic reports from loan recipient on project, project's financial condition, country situation, and loan recipient's financial situation.

Fund Accountant

Bookkeeping Tasks of Ongoing Loan Administration

- interest rate calculations - payable quarterly in arrears (may also be set at semi-annual intervals);
- receipt of interest payments;
- reconciliation of differences;
- notification of Affiliates of Upcoming Interest Payments;
- principal Calculations based upon pricing and repayment terms set by Fund manager and loan recipient - e.g., Quarterly or Annual Principal Payments;
- receipt of Principal Payments;
- reconciliation of Differences;
- notification of Upcoming Principal Payments;
- maintenance of File on Each Individual Loan;
- maintenance of File on Entire Loan Portfolio (fed from spreadsheet on each loan).

3) About the Loan Fund - *Annual Loan Review*

To assess the repayment record on the loan, and the progress of the project according to its planned objectives and time table, the Fund Manager will conduct an annual review on the anniversary of each outstanding loan (this may also be delegated to the Country Manager when possible). The annual review process will mirror the original lending process, but will be less administratively burdensome. The review will examine the following:

- payment record;
- project information supplied by loan recipient;
- affiliate's overall financial information;
- macro-economic situation in country (based on information filed by loan recipient);
- security that can be derived from available grants extending throughout the term of the loan.

The reviewer will prepare a brief report and forward it to the Fund Manager. The Fund Manager will then review the file and prepare a brief report, adding comments and signature. Finally, the report will go through the Loan Committee for review.

If problems arise during this process, the Fund Manager and Loan Committee will meet to determine an appropriate course of action. If necessary, they can adjustment the loan agreement to modify its terms. Payment default will require direct notification of IPPF/WHR management and a plan to manage the loan, beginning with an immediate set-off of any available IPPF grant money for the FPA. The plan will also consider ways in which to increase the likelihood of future principal repayment without additional outlays from the Fund. Steps necessary for other issues will depend upon the magnitude and type of the problem encountered. In cases of breach of covenant , the Committee will seek information from the FPA, and will investigate the situation and determine the appropriate course of action.

Example of Loan Fund at work: Loan to Peru for $120,000.

PERU: LOAN EXAMPLE

Recently, our Peru affiliate (*hereinafter* "Borrower") has expressed interest in a loan for US$120,000 for use in expanding and remodeling a clinic to increase service volume and expand the client profile to include higher fee-paying middle class clients. We will use this as a case study to illustrate various aspects of the loan process.

TERMS AND SECURITY

Given the use of the loan proceeds the Borrower has proposed extension of the loan repayment period for as long as possible. However, under the loan program, the longest available tenor calls for final repayment is 5 years, with amortization of principal during the life of the loan. The rationale for this shortened tenor is the degree of certainty concerning the offshore security for the building and anticipated grant funding in future years. Since the project involves a building, it provides a hedge against inflation in the event of economic uncertainty and high inflation instability in Peru, that is, if prices are going up rapidly in Peru the price of the building should also appreciate. However, unlike holding a mortgage as security, as a bank does in conventional housing finance in the US, we will obtain less practical security from a mortgage on a building in Peru, since the time and cost of taking control of the asset through the local legal system could prove to be excessive.

Through the two repayment schedules, the longest amortization schedule we could offered would require principal repayment as follows:

Time of Principal Repayment	***Amount***
end of year 2	$ 24,000
end of year 3	$ 24,000
end of year 4	$ 24,000
end of year 5	$ 48,000

Depending on the need demonstrated in the actual loan proposal, the Loan Committee may consider a repayment schedule.

INTEREST RATE

As a starting point, we consider market rates paid by the country and its leading corporations in the international markets. Neither Peru nor any of its companies have currently outstanding Eurobonds. The country does, however, have Brady bonds, which are comprised of its converted sovereign loans. These bonds (from all the major Latin debtor countries) trade actively in the international markets, though they are generally of a longer tenor than the proposed EFS loans. For example, the Peruvian risk portion of the Peru Par Bond (a 30 year bond) had a yield of 10.80% as of June 26. A shorter Peru Brady bond (the past due interest with average life of 13 years) recently had a market yield of 10.10 %. This gives us the beginning of a yield curve.

Government of Peru	9.0%
Corporate Premium	0.5%
Administrative Fee	0.5%
Sustainability	1.0%
TOTAL	***11.0%***

In addition, we know that Peru's Brady yields are lower than those of neighboring Ecuador, which has an outstanding 5 year Eurobond with a yield of 9.80%. Finally, Peru's rating suggests its pricing should not be better than pricing in Brazil, where a 5 year Eurobonds yield between 8.5% and 9.5%, depending on the quality of the corporate issuer. Based on this exercise, pricing for the loan to the Peruvian affiliate with a maximum term of 5 years should probably be on the order of 9.25 to 9.75% per year.

DEBT SERVICE SCHEDULE

With our amortization schedule from above and interest rate of 11% per year (and assuming only one payment per year), the total debt service schedule for the life of the loan becomes the following:

TIME	*PRINCIPAL*	*INTEREST @ 11 %*	*TOTAL DEBT SERVICE*
Year 1	0	13,200	13,200
Year 2	24,000	13,200	37,800
Year 3	24,000	10,560	34,560
Year 4	24,000	7,920	31,920
Year 5	48,000	5,280	53,280

SIZING THE LOAN

The maximum size of the loan depends on the guidelines for the maximum in any country, which is US$300,000 on the implicit security derived from anticipated, though not certain, possible future grant funding, and on the nature of the project itself. In this case, the requested amount is less than the maximum for any particular loan. The attached table shows anticipated future grant receipts and lays out realistic expectations for the next five years. In the judgement of IPPF/WHR, this horizon is the longest estimate possible, given the current state of flux in the sector. To tie the loan amount to the potential security, we have imposed lending limits:

(a) no total loan size may exceed the amount anticipated in the lowest of any of the years in which the loan will be outstanding; and,

(b) annual debt service in any year of the loan may not exceed 33% of annual expectations under anticipated future grant receipts.

Looking at the table of expected grants, we can see that the lowest grant amount in any of the next five years is US$378.626. Therefore, a loan of US$120,000 is acceptable under constraint (a). With regard to constraint (b), the maximum acceptable debt service in any year would be US$126,000. Since this is more than 2.4 times the largest debt service due, the loan size appears acceptable relative to IPPF grant security. Actual project information must be evaluated as it becomes available, but the outlook in this case is positive.

The logic for constraint (a) is that an advance of more money than anticipated in grant receipts in even the lowest expected outcome is inadvisable. Such conservatism will allow some flexibility, if necessary, in arranging payments to some extent such that the Borrower could meet them over time and still avoid undue disruption of other on-going operations of the affiliate. Constraint (b) operates in a similar way, but also attempts to address the special concerns of a shorter term loan in which the actual amount due in any particular year may be a very large percentage of the overall loan. An example of this is a loan of two years or less in which the overall loan amount is acceptable, but the amount due in year two could consume an excessive amount of other program money.

VII. THE GRANT PROGRAM

A. Unique Role of the Grants

We have designed the EFS Grant Program to directly complement the Loan Program by increasing associations' ability to successfully make use of EFS loans.

I. Objectives

- to enhance the capacity of FPAs who are less capable of designing and carrying out sustainability enhancing projects (such as non-TP countries such as Nicaragua, Guatemala, and the Caribbean countries) to make use of the Loan program thereby balancing access to the loan fund throughout the Region;
- to enable FPAs to carry out preliminary studies to improve the design of sustainability-related projects;
- to enable the exchange of experience and transfer of skills acquired during the Transition Project between FPAs; and ultimately,
- to increase FPA capacity to successfully repay loans.

B. EFS Grant Policies and Administration

I. Types of Projects Eligible for the Grant Program

To meet its objectives, the grants will fund activities such as those outlined below, although we will consider for funding any activities supporting the Grant Program objectives.

- ***Feasibility and market studies, pilot studies*** - to identify opportunities for income generation.
- ***Exchange of experience/technical assistance between affiliates*** - to transfer lessons learned and technical skills from FPAs with a successful sustainability track record to less sustainable FPAs;
- ***Short term training/staffing upgrade*** - to enhance staff capacity to in crease local income levels, either by upgrading the qualifications of

existing staff by offering training in marketing, business planning , fund-raising or other skills, or by hiring a staff marketing expert;

a. Feasibility and Market Studies

Many of the *Transition Project*'s sustainability strategies require feasibility or market studies before implementation; sometimes they also require time to test them via pilot projects. Investing in appropriate preliminary studies will determine the project's probability of generating net income before a significant investment is made in the final project. In the case of a positive outcome, the information gleaned in these studies will greatly enhance the planning of the main project.

Furthermore, experience in the Region indicates that FPAs facing funding cuts may be reluctant to spend their increasingly precious and limited resources on feasibility or market studies to identify possible business opportunities. This is especially true of FPAs who have less experience in initiating new income-generating activities or who are less financially secure. Grants from the EFS can make such studies possible, and can also assist FPAs in identifying opportunities. Once opportunities have been identified, the associations can with more confidence spend a portion of their reserves, take out a loan, or raise funds for the initial start-up costs required for a business initiative.

A project funded by the *Transition Project* earlier this year illustrates the effectiveness of this strategy:

BEMFAM, IPPF/WHR's affiliate in Brazil, provides laboratory services in three of its clinics that generate US$150,000.00 surplus income annually, operate at only 60% of capacity, and offer only a narrow range of diagnostic services. For the past several years, BEMFAM has recognized this as a potential source for increased local income. However, they have not felt comfortable spending money on the analysis necessary to plan the expansion of services, because programmatic needs and general operating expenses have always taken priority in consuming available funds. During an IPPF/WHR visit to BEMFAM to assess their sustainability status, we jointly recognized the potential value of expanding these services, and allocated US$60,000 to BEMFAM to conduct: a market study to determine with what services and in what market segments BEMFAM can expand and market its laboratory services; and a feasibility study to determine the profitability of these various scenarios. BEMFAM now has the information it needs to develop a business plan that will enable it to raise the funds needed to carry out the expansion.

b. Technical Assistance

1) Exchange of Experience among Affiliates

Exchange of experience among affiliates has been and will be a very cost effective manner of building the knowledge and skills necessary to increase the sustainability of less developed associations. This is particularly true as the Transition Project comes to a close, as this aspect of the Grant program will serve to transfer the knowledge and lessons learned from the TP to all Regional affiliates.

Below are two examples of successful South to South Technical Assistance funded by the Transition Project:

AUPF of Uruguay and Profamilia/ADC Costa Rica

In 1992, the Transition Project funded a market analysis and feasibility study for generating income from the sale of a new brand of condoms and other latex products on the commercial market in Uruguay. IPPF/WHR requested that Profamilia/ADC, the commercial arm of the Costa Rican FPA, provide technical assistance to AUPF. Transition Project staff chose Profamilia because of their market similarities, and, Profamilia has a very successful track record in establishing just the type of marketing project planned by AUPF. Profamilia/ADC helped AUPF to interpret the results of the AUPF market study (paid for by IPPF) and also assisted AUPF in designing a business plan appropriate for the FPA and the local market.

AUPF launched a commercial condom and other latex product marketing project in 1994. The Project broke even in 1996, with AUPF having captured 12% of the local condom market. In 1998, the project is expected to contribute between US$30,000 to US$36,000, or 10% of AUPF's local income. (Note: AUPF is also a successful example of use of loans from IPPF; in 1996, AUPF took out a loan for US$50,000 to provide additional working capital for its condom marketing project).

FPATT of Trinidad & Tobago and Profamilia/Colombia

During the Transition Project, Family Planning Association of Trinidad & Tobago (FPATT) requested technical assistance from IPPF/WHR in designing its first marketing project: a new condom social marketing brand. In addition to technical assistance provided by IPPF, Profamilia/Colombia's marketing manager also provided valuable technical assistance to FPATT. Technical Assistance was provided not only by the IPPF office, but also by the marketing manager of Profamilia/Colombia. The marketing manager of Profamilia was particularly skilled in the areas of need identified by FPATT, including: outlining the profile for a new marketing manager position at FPATT; establishing contact with potential suppliers; and elaborating on basic business and marketing plan.

With their help, FPATT successfully created the condom brand Panther, which in 1996 brought in 15% of FPATT's local income.

2) Technical Assistance from the Regional Office or from Local Consultants

Some affiliates may need assistance in developing marketing or business plans, management reviews, or advertising campaigns. The most appropriate source of assistance in those cases may be a local professional company. In other cases, expertise from the Regional Office will be the best source of assistance for an FPAs needs.

An IPPF/WHR staff member will review all requests or needs for TA identified by the EFS Committee to determine the best source of technical assistance. In this process, priority will be given to exchange of technical knowledge *between* FPAs. This form of TA has several advantages: it helps to build the FPA network by strengthening connections between affiliates; it capitalizes on past donor investments in affiliate training; affiliates are often the most appropriate source of assistance since they are uniquely familiar with the challenges common to not-for-profit, socially-oriented organizations trying to generate income; and it is often the most cost-effective method of assistance.

3) Areas of Technical Assistance

The table below outlines the key strategies for sustainability as well as FPAs that have special skills in each of these areas for use in future technical assistance to other FPAs. This table will be included in the guidelines for the EFS Committee who review loan and grant proposals, to assist in the matching of Regional expertise to needs for technical assistance:

AREA OF EXPERTISE	COUNTRY
Adolescents	Mexico, Peru
Clinic Management, Quality of Care	Ecuador, El Salvador, Mexico
Commercial Business, Commercial Sales	Chile, Costa Rica, Dominican Republic
Commodities	Brazil, Chile, Colombia
Diversification	Brazil, Colombia Ecuador Guatemala, Mexico, Peru
Evaluation	Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Peru
Marketing	Colombia, El Salvador Trinidad & Tobago, Uruguay
MIS	Brazil, Guatemala
Sustainability	Ecuador, Colombia
Work with Other NGOs and Local Government	Brazil, Mexico, Peru, Chile, Venezuela

a. Short-term Training/Staff Upgrade

In order to assist affiliates in upgrading their capacity in an area that they have identified as being weak, the EFS will provide funds for:

- short-term training to upgrade existing staff with necessary skills, e.g. marketing training, business plan preparation, fund raising;
- management search to create and staff a new position, e.g. marketing manager.

Associations can hire local experts from commercial sectors, including market research firms, advertising agencies, local business schools, and others, to conduct this training.

2. *Administration of Grants*

a. The Size of the Grant Program

In light of the Fund's overall purpose, the grant program will be limited to a total of US$100,000 for the first 2 years of the Fund, with any unused balance to be carried over to subsequent years. The demand for and success of the grant program will be evaluated at the 2 year EFS review. If analysis shows that the grant program would help to achieve the Fund's objectives, IPPF/WHR will request USAID authorization to do raise the total amount of the grant program. However, in no case will the size of the grant exceed $200,000.

b. Grant Eligibility

The primary role of the Grant Program is to enhance the capacity of financially or institutionally weaker FPAs so that they can, in the future, make successful use of the Loan program to increase their sustainability. In light of this, Grant Program eligibility, unlike the Loan Program, will be more heavily based upon an applicant's degree of need. Again, it may be misleading to use a numerical cut-off point to determine eligibility; but in general, FPAs with self-sufficiency rates of 80% or more will not be eligible for the Grant Program. These rates should be evaluated periodically, and will be reviewed at the 2 and 5 year reviews with USAID. In addition, FPAs with their own endowment funds will be ineligible to apply for the Fund. As with the loan program, affiliates must demonstrate that they are striving to steadily maintain their levels of programs that serve the poor. Beyond this, grants will be evaluated according to the criteria set forth in the section entitled, "Criteria for Evaluation of Grant Proposals."

c. Access and Applications to the Grant Program: Grant Proposal Contents

Below is an outline of information required in grant proposals. The *User's Guide to the EFS*, which IPPF/WHR will distribute to all affiliates, will set out these requirements in detail, and will also contain a checklist for assessing eligibility for the program, hints for successful completion of applications, sources of help in completing applications and a sample grant application.

I) Outline of Grant Proposal Contents

Since grant proposals will be for activities that are specific and limited in scope, requirements for grant proposals will be relatively simple. A simplified process will increase access to the program by decreasing administrative burdens, both of which are in direct conformity to the purpose of the Fund.

OUTLINE OF GRANT PROPOSAL CONTENTS

1. ***Summary (one page)***
   Briefly describe:
   - proposed activity;
   - expected results/outcomes of this activity;
   - ways applicant will utilize results to increase sustainability;
   - duration and total cost.
2. ***Background and Justification***
   Describe:
   - sustainability-related problem or obstacle to overcome;
   - ways in which proposed activity will increase capacity to improve sustainability;
   - proposed activity's relation to applicant's mission and programmatic goals;
   - proposed activity's expected contribution to sustainability, and/or follow-up sustainability enhancing project;
   - if proposed activity is to be followed by a sustainability-enhancing project, briefly describe the latter project its potential contribution to applicant sustainability.
   - ways in which applicant will use information gleaned from proposed activity?
   - reasons why applicant cannot undertake the proposed activities with its own resources?
3. ***Description of activity for which funds have been requested***
4. ***Objective(s) of proposed activity***
5. ***Evaluation***

   Briefly describe how the achievement of the outcome will be assessed according to its purpose as stated in the objective.
6. ***Budget and Time line***

   Describe the time frame and costs for the activity.

2) Criteria for Evaluation of Grant Proposals

IPPF/WHR will award grants on the basis of the following general criteria.

Required Information:

- Does the grant proposal contain a clear description of the proposed activity?

Potential to Enhance FPA Sustainability:

- Is there a clear link between the activity and improving future sustainability?
- Does the project enhance the applicant's capacity to increase its sustainability (e.g., in the case of training or technical assistance)?
- Or, will the project provide useful information that will assist the applicant in planning a larger sustainability-enhancing initiative (e.g., in the case of feasibility, market or pilot studies)?

Eligibility-Grant program eligibility will be based on the following criteria:

- Does the applicant have financial reserves or other sources of funding for the proposed activity?
- What is the applicant's current level of self-sufficiency and degree of need for the proposed sustainability enhancing activity?
- What is severity of the need (as measured by general socio-economic evaluations such as DHS data) and the potential for the proposed project to address that need.?

3) Grant Administration

The Fund Manager will accept grant proposals throughout the year. As with loan applications, the Fund Manager will distribute proposals for initial review to an appropriate IPPF/WHR staff member who works with the applicant country, and who is familiar with the subject of the proposal (e.g., a proposal concerning MIS training would be directed to the MIS officer who works with the applicant country; a proposal concerning a feasibility study for commercial marketing of condoms would be forwarded to a financial or marketing Advisor). The Fund Manager will then pass the results of the initial review, along with his/her own recommendation to the Fund Committee, who will make the final decision to issue grants at each of the four quarterly loan review meetings.

4) Measures to Ensure Equitable Access to Grants

Grants will be limited to $30,000 each. Thus, we estimate that the Fund will support three to five projects ranging from $20,000 to $30,000 each. To ensure equitable distribution, no association may receive more than one grant per year. In the event that all grant monies are not distributed in a given year, the remaining amount will be carried over to the following year.

Additionally, IPPF/WHR program and finance staff, who will be aware of the purpose of the grant program and the relative levels of need among associations, will assist eligible associations in developing EFS grant proposals.

5) Evaluation of EFS Grant-Funded Projects

At the end of the award period, grant recipients will submit a brief narrative and financial report to the Fund Manager. The Country Manager who reviewed the proposal initially will, along with the grantee, review the project's success in achieving its objectives, and will submit his/her comments as well as the association's report to the Fund Manager, who will, in turn, compile the results of the year's grant activities for the Committee on a quarterly basis. This will enable the Committee to monitor the impact and/or success of different types of projects and of the grant program as a whole. Finally, IPPF/WHR will include results of the year's grant program activity in its Annual Report to the Fund Trustees and USAID.

The Fund Manager will disseminate lessons learned from projects funded by the grant program to other associations in the Region through IPPF's quarterly magazine FORUM, as well as to IPPF/WHR staff in the quarterly meetings on the Fund (as outlined in the Fund Promotion Section, above). In addition, IPPF/WHR will continue publication of its Transition Project newsletter, *Sustainability Matters*, three times per year in order to diffuse information, results and lessons learned from the Endowment Fund for Sustainability.

VIII. EVALUATION

A. Fund Yield

The EFS Trustees will rigorously evaluate the Endowment Fund for Sustainability's returns on investment and relative performance versus market indices. The primary indicators in this evaluation are as follows: growth of total fund assets (annual); growth of invested assets (annual; decreases in fund value due to loans will not be construed as a negative result); the amount of interest (or other liquid) income available for grants at the end of each year; and adherence to by-laws and regulations. During the period of USAID oversight, IPPF/WHR will submit to USAID for approval:

- Annual reports of EFS activities at the end of each calendar year.
- Annual financial plan at the beginning of each USAID fiscal year.
- Annual audit report on IPPF/WHR and the Fund.
- Semi-annual reports from the Board of Trustees showing overall portfolio value, investment holdings, and earnings and losses for the period.
- Quarterly reports showing consolidated income and expenses for the quarter and the year; the balance of the Operating Account; and anticipated consolidated income and expenses for the following quarter. Although we do not anticipate requests for draw-downs on the Investment Account, any such requests will accompany this report.

B. Loan Performance and Repayment

IPPF/WHR will evaluate loans and quarterly reviews of the overall portfolio on an annual basis, using both financial and programmatic criteria (as outlined above). In terms of financial assessment, we will use standard criteria for assessing compliance with repayment, such as loans in default, total interest earned versus projected, etc. With regard to programmatic evaluation, FPAs will report to IPPF/WHR with regard to successful implementation of proposed project activities.

C. Overall Contribution to Sustainability in the Region

This evaluation will also report on progress made in achieving EFS objectives as stated in this proposal. The indicators used to assess such progress will include:

- level of financial self-sufficiency of loan- and grant-receiving FPAs, and change over time;
- number of CYP provided by loan- and grant-receiving FPAs, and change over time;
- number of materials distributed to FPAs describing successful sustainability strategies

implemented by loan- and grant-receiving FPAs; and

- number of South-to-South technical assistance visits and exchanges of experience among loan- and grant-receiving affiliates, and between them and other FPAs.

IPPF/WHR will absorb the costs of evaluating the Fund's impact in the Region.

IX. FINANCIAL MANAGEMENT OF THE FUND

A. Oversight

1. Board of Trustees

A seven member Board of Trustees will manage the Fund for Sustainability. The Board will function independently of IPPF/WHR, and will be responsible for setting investment policy and monitoring investment performance, determining the total amounts to be disbursed each year and depositing such amounts into IPPF/WHR's account, and ensuring maintenance and replenishment of the principal according to agreed objectives.

One of the Trustees will be selected from IPPF/WHR Senior Staff, one from IPPF/WHR volunteer Board of Directors, and three Trustees will be competent financial investors appointed from outside IPPF/WHR; and two will be business-oriented volunteers from successful FPAs. This affiliate-level, Regional office level and outside expertise will provide for balanced and effective Fund governance.

2. USAID Oversight and Life of the Endowment

USAID's oversight period on the Fund for Sustainability will be five years. Each year during this period, USAID will monitor IPPF/WHR's management of the portfolio and use of funds generated to achieve mutually agreed-upon objectives. Reports to USAID during the oversight period will include the following:

- An annual EFS Work Plan at the beginning of each calendar year. The Work Plan will include estimated operational expenses for the year, amounts allocated for loans, grants and the investment portfolio. Semi-annual and annual reports from the Board of Trustees showing overall portfolio value, investment holdings, and earnings (losses) for the period.
- Quarterly reports showing consolidated income and expenses for each quarter and year to date, the balance of the operating account, and anticipated consolidated income and expenses for the following quarter. Requests for draw downs from the investment account will accompany this report.
- Annual audit reports on the Fund's financial activities.

Since the principal is to be maintained and increased over time, the life of the Fund will be indefinite. Following the period of oversight, IPPF/WHR will provide USAID with annual reports on Fund activities and finances. In addition, IPPF/WHR will continue to issue its own Annual Report, and will have annual independent financial audits in accordance with A-133. We will submit both of these to USAID as requested. Negative findings during the 5th Year Review may result in an extension of the oversight period or other actions, as deemed necessary.

C. Joint Reviews of the EFS

At the beginning of year three of the EFS, USAID and IPPF/WHR will conduct a comprehensive joint review of the EFS to determine that all conditions of the grant have been met, and that the EFS is meeting its objectives. In addition, this review will allow IPPF/WHR to fine-tune and modify EFS guidelines and procedures based on the experience gained during the first two years of the Fund's operation. The expansion of the loan and grant programs to benefit other NGOs in the Region will also be considered at this time.

D. Investment and Asset Management

IPPF/WHR will invest the Fund under the guidance of an internationally-recognized securities firm (Asset Manager), who will provide portfolio management expertise, adequate custody of the funds and up-to-date record-keeping of all transactions. In addition, IPPF/WHR will competitively select and negotiate a contract with a US-based firm to serve as Asset Manager, subject to approval by the Board of Trustees and USAID.

E. Growth of the Fund

1. IPPF/WHR Contribution to the Growth of the Fund

IPPF/WHR intends to contribute a total of $1 million to the Fund over a period of five years, with US$200,000 payable to the Fund at the beginning of each calendar year, or an equivalent of 25% of USAID's contribution to the Fund.[14] Further WHR contributions to the Fund will be absorption of the cost of evaluating EFS programs, as well as 50% of the costs of Technical Assistance.

In addition, IPPF/WHR's Resource Development and Finance departments will seek donor contributions to the Fund through existing fund-raising mechanisms. Any additional (non-USAID) contributions to the Fund will be kept separately from the USAID contribution during the USAID oversight period to facilitate clear auditing

[14]USAID and IPPF/WHR will discuss any changes to the counterpart commitment as set forth in this proposal and the final EFS agreement between USAID and IPPF/WHR, and if necessary, will jointly agree upon an alternative plan.

and tracking of usage of USAID monies.

2. *Flow of Fund Monies and Growth of the Fund*

Each year, the Board of Trustees will allocate specific Fund monies to the Loan Program for the investment pool, the grant program and administrative costs. Amounts allocated for loans and grants may not be shifted without prior USAID approval, and Funds allocated to the grant program may not be used for the loan program and vice versa. Income generated on the invested principal (approximately 7 to 10%) will be used for grants to FPAs and for the Fund's administrative costs. IPPF/WHR will propose an estimated budget to cover operating expenses, which is not to exceed 4% of the total corpus of the endowment. This amount will not be increased without USAID approval. We anticipate a drawing-down of the Fund's principal for disbursement of loans and the first year's disbursement of grants. However, we will maintain and increase the principal of the Fund over time as loans are repaid with interest, and as the Fund receives other income and contributions.

We have provided an analysis of the Fund's activity and potential for growth in Appendix 8. In performing this analysis, we considered two scenarios of demand for loans. These assume a strong demand: US$1 million in Year 1 and US$2 million each year thereafter.

3. *Managing the Re-Flow: Repayments of Loans and Investment Income*

Money repaid to the Fund from loans made on the first generation of the EFS, as well as investment income, will be placed in a separate bank account in order to distinguish between first and second generation funds.

4. *Restrictions*

- Source/origin: IPPF/WHR will make a good faith effort to follow the general parameters of USAID's source origin rules.

- In accordance with PD-21 (USAID, July 18, 1994), none of the funds made available through this Fund, including investment income, will be used:

- To coerce any person to practice abortion;

- To finance the provision of abortions;

- To pay for the performance of involuntary sterilization, or to coerce or provide any financial incentive to any person to undergo sterilization;

- To support military or paramilitary purposes;

- To attempt to influence legislation in the U.S., in the host country or elsewhere; or

- To accrue, directly or indirectly, to the personal benefit of private persons, or be distributable to the principals of IPPF/WHR or the Asset Manager, except as reasonable compensation for goods and services rendered on behalf of IPPF/WHR.

- In managing the Endowment Fund for Sustainability, IPPF/WHR will abide by and follow all of USAID guidance and requirements specified in the *Guidelines for Endowments* (PD-21; USAID, July 18, 1994), any other applicable USAID guidance and requirements, and any applicable United States law

- The EFS is only for the benefit of IPPF affiliates. At no time may the IPPF Secretariat, the IPPF/WHR office, or any other IPPF Regional Office receive loans or grants from the Fund.

5. *Covenants*

- During the period of USAID oversight, IPPF/WHR will notify USAID regarding any change to the Board of Trustees, and will seek USAID approval for any change in Asset Manager.
- If IPPF/WHR or the Fund are dissolved at any time, any remaining funds must be returned to the U.S. Treasury as miscellaneous receipts unless USAID provides otherwise.

6. *Audits*

During the period of USAID oversight, IPPF/WHR will have annual independent audits following the standard provisions of A-133. The audit reports will cover both the operating expense account and the principal and earnings of the Fund.

7. *Termination*

During the period of USAID oversight, in the event that any funds are improperly used without USAID approval, USAID may terminate the Endowment Fund for Sustainability Agreement and request that the remaining Fund balances be returned to USAID. Failure to provide scheduled audit reports to USAID during the oversight period or seriously detrimental findings in the yearly reports or annual audits will constitute default under the Agreement and may be deemed grounds for termination. In addition, IPPF/WHR's failure to provide its counterpart contribution (described above) of $200,000 at the beginning of each calendar year for the first five years of the Fund will be deemed grounds for termination unless USAID approves a modified contribution for reasons of *force majeure*. Finally, an excessive[15] rate of default by EFS borrowers will also be considered as grounds for terminating the EFS.

[15]An "excessive rate of default" will occur when 5% of the EFS loan portfolio is in arrears. The IPPF lending record to date is 0% default. Although any rate of default in commercial lending institutions above 2% is cause for concern, other funds similar to the EFS loan program (e.g., PATH's loan fund), has sustained losses of 4%. IPPF will strive to not exceed 1 to 2% rates of default, in terms of grounds for termination, we suggest a rate of 5%.

APPENDICES

ANNUAL OPERATING BUDGET:
Endowment Fund for Sustainability [a]

Personnel		
	1 Fund Manager (20% FT)	16,000
	1 Accountant (20% FT)	12,000
	1 Secretary (10% FT)	3,000
	3 Country managers - for loan review (5% FT)	13,500
	Evaluation [b]	0
	Sub-total	44,500
	Fringe benefits (32%)	14,240
	Sub-total	58,740
Operations		
	Office supplies/Equipment/Communications	4,000
	Miscellaneous	2,000
	Audit (annual)	3,000
	Asset management fees [c]	20,000
	Annual meeting costs - Board of Directors [d]	4,000
	Travel - 50% of annual cost	7,500
	Sub-total	40,500
	TOTAL	**99,240**

Sustainability Matters Newsletter - 3 issues/year

Staff time (planning, editing, layout)(30 days x 152/d	4,500
Printing (4000 issues: 2000 Spanish, 2000 English)	4,000
Translation and miscellaneous	1,500
Postage	2,000
Sub-total/issue	12,000
TOTAL	**36,000**

Start-Up Costs - First year only

Legal Fees to Finalize Loan Agreement	0
ERR	
Production of Users Guide to the EFS - staff, including translation & printing costs	4,000
TOTAL	**4,000**

[a] Calculated based on 1997 rates. Budget needs will increase by approx. 4% p.a. due to inflation and corresponding salary increases.

[b] Evaluation costs will be absorbed by IPPF/WHR.

[c] Includes travel for 2 members from LAC countries.

[d] Asset Management fees will fluctuate based upon amount invested.

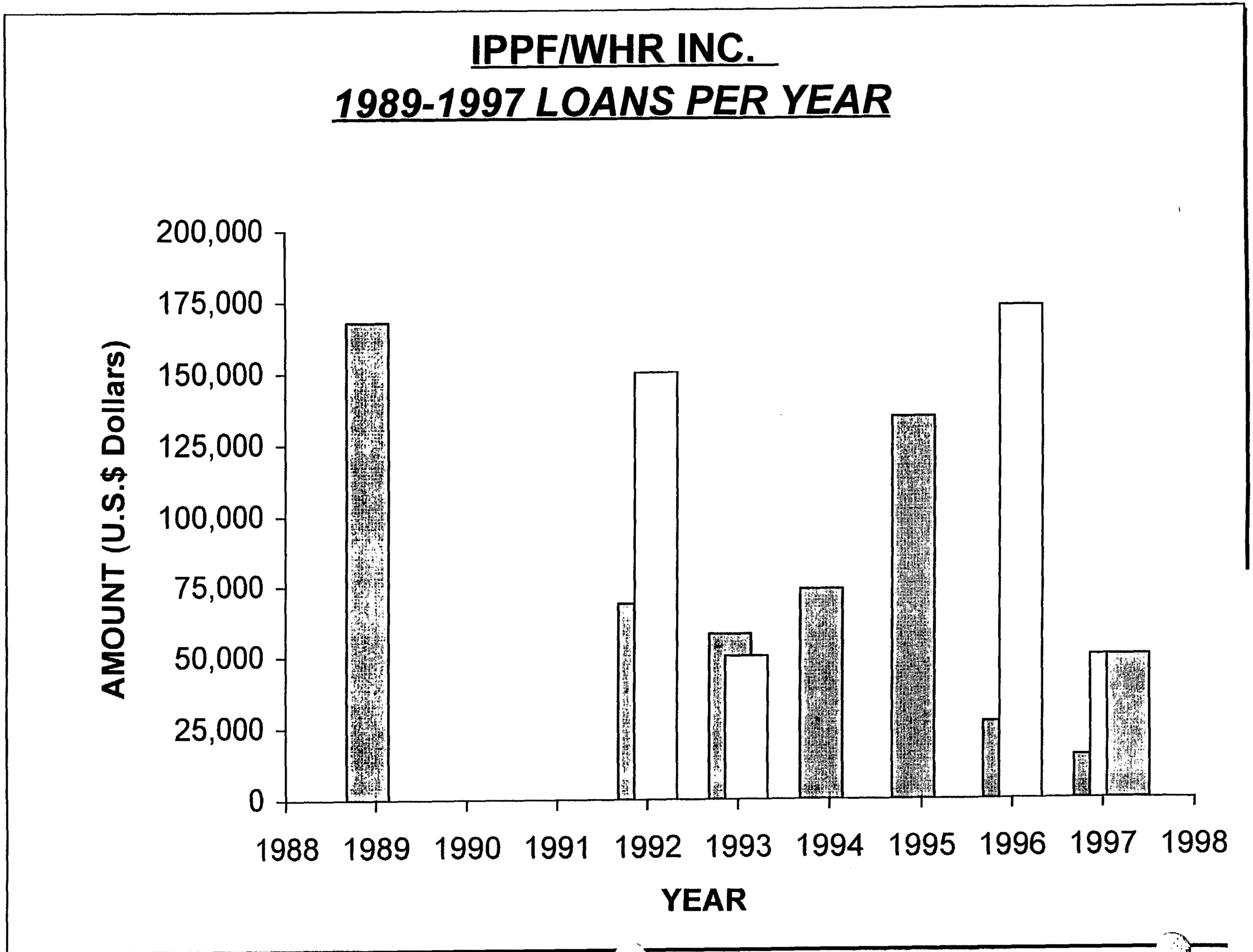
IPPF/WHR, INC.
TABLE 1-A
LOANS TO FPA'S

DATE	COUNTRY (FPA)	*LOAN ACTIVITY*								
		AMOUNT	TERMS		MATU-RITY DATE	PURPOSE	ANNUAL INSTALLMENTS			
			%	YRS			AMOUNT PRINCIPAL	AMOUNT INTEREST	NO. OF PAYMENTS	ON SCHEDUL
1989	1. BRAZIL (BEMFAM)	167,715	8.75%	10	1998	BUILDING ACQUISITION	16,772	8,451	10	YES
1992	2. DOMINICAN REP. (PROFAMILIA)	150,000	4.50%	10	2002	BUILDING CONSTRUCTIO	7,500	1,827	2	YES
							15,000	3,655	9	
	3. PERU (INPPARES)	68,649	4.50%	6	1998	BUILDING RENOVATION		3,154	1	YES
							11,442	1,635	6	
1993	4. PARAGUAY (CEPEP	57,910	6.50%	3	1995	DEBT PAYMENTS	24,910	3,764	1	***REPAID***
							20,000	3,764	1	
							13,000	3,764	1	
	5. PERU (INPPARES)	50,000	6.50%	4	1997	DEBT PAYMENTS	16,666		1	YES
							6,666		1	
							5,334		5	
								8,764	1	
1994	6. URUGUAY (AUPF)	73,750	5.00%	11	2005	BUILDING ACQUISITION	7,375	2,176	10	YES
1995	7. HAITI (PROFAMIL)	134,250	6.50%	10	2005	BUILDING RENOVATION	13,425	5,250	10	YES
1996	8. ARGENTINA (AAPF)	27,000	5.00%	1	1997	EQUIPMENT-MEDICAL	9,000	450	3	***REPAID***
	9. SURINAME (LOBI)	172,988	5.19%	10	2006	BUILDING CONSTRUCTIO	17,299	5,308	10	YES
1997	10. COSTA RICA (ADC)	15,000	6.00%	1	1997	EQUIPMENT-COMPUTER	3,750	225	4	YES
	11. PANAMA (APLAFA)	50,000	6.00%	2	1998	WORKING CAPITAL	6,250	750	8	YES
	12. URUGUAY (AUPF)	50,000	6.00%	2	1998	PROMOTION	12,500	3,750	1	YES
							12,500	563	1	
							12,500	375	1	
							12,500	187	1	
	TOTAL	**1,017,262**								

SUMMARY OF LOAN ACTIVITY:

	NO. OF LOANS	TERMS ** SHORT	INTER-MEDIA-TE	LONG	TOTAL
1989 - 1992:	**3**		**1**	**2**	**386,364**
1993 - 1995:	**4**		**2**	**2**	**315,910**
1996 - 1997:	**5**	**2**	**2**	**1**	**314,988**
TOTAL					**1,017,262**

*****TERMS:***
SHORT TERM: UP TO ONE YEAR
INTERMEDIATE: MORE THAN ONE YEAR, BUT LESS THAN 9 YEARS
LONG TERM: MORE THAN 9 YEARS



APPENDIX 2a

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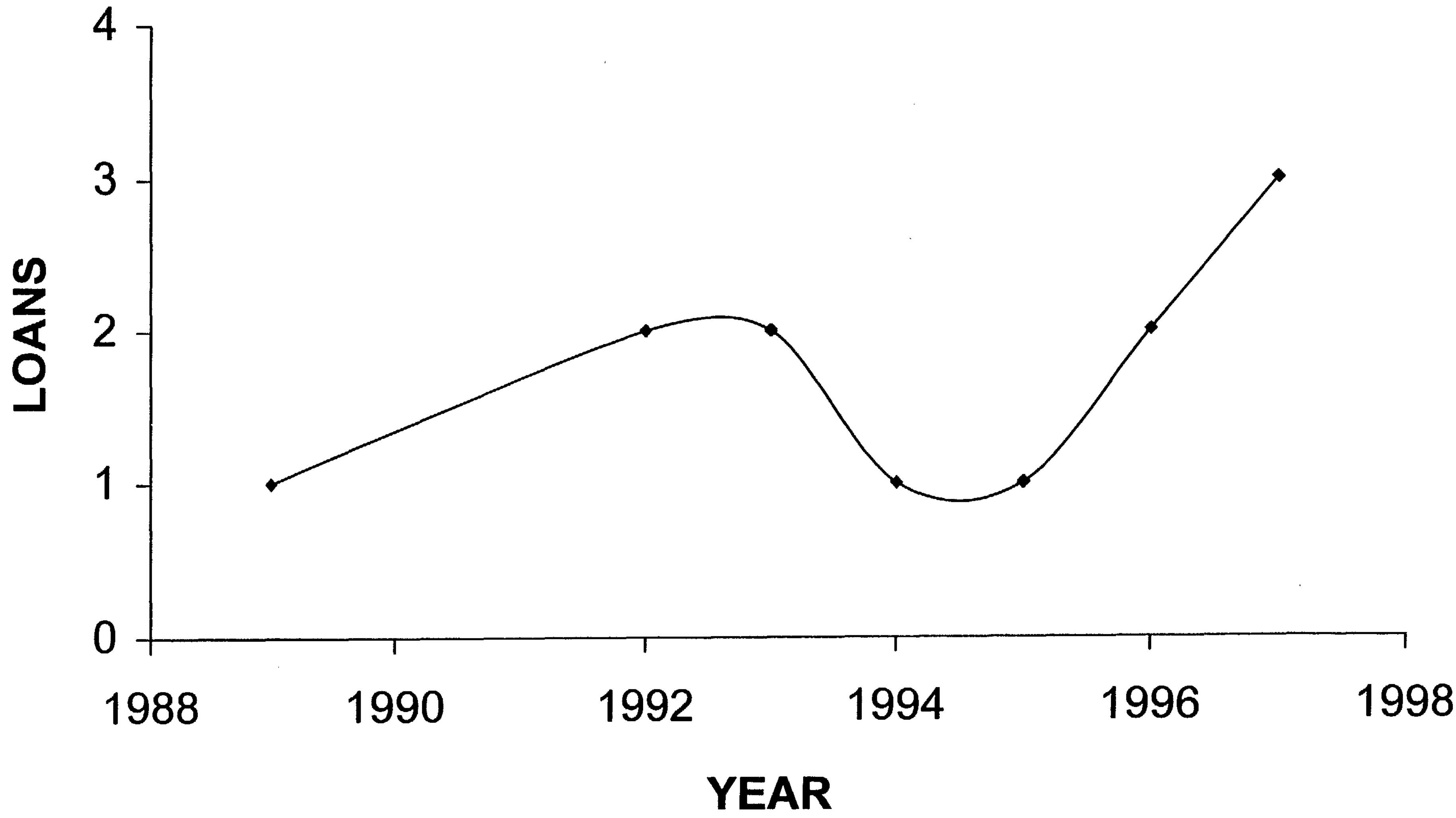
IPPF/WHR INC.

1989-1997 LOAN ACTIVITY PER YEAR



APPENDIX 2b

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ESTIMATED NEED FOR LOANS IN 1998: 9 FPAs

In June 1997 the nine FPAs listed below were surveyed to acess the potential "market" for the loan program. Results clearly indicate that the need for the loan program acess: a total estimated need by these FPAs alone total 1.6 million.

	COUNTRIES/FPAs								
	BEMFAM/ BRAZIL	**APROFA/ CHILE**	**APROFAM/ GUATEMALA**	**FEMAP/ MEXICO**	**MEXFAM/ MEXICO**	**INPPARES/ PERU**	**PROFAMILIA/ DOM. REP.**	**ADS/ EL SALVADOR**	**PLAFAM/ VENEZUELA**
INTERESTED IN LOAN	YES	YES	NO	YES	YES	YES	YES	YES	YES
PURPOSE OF LOAN	Capital Investment	Marketing Program			Equip. & Ampliation	Apartment Complex	Expansion of Clinics	Exp. of Lab Services	Commercial Venture
MAXIMUM AMOUNT REQUESTED	$150,000	$300,000		$300,000	$300,000	$240,500	$300,000	$135,000	$60,000
INTEREST CHARGED BY LOCAL BANKS	15%	19%	24%	25%	25%	12%		16%	30%
EXISTING LOCAL CREDIT LINE	NO	NO	NO	NO	NO	NO	NO	YES	NO

APPENDIX 3

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LOAN FUND PORTFOLIO SUMMARY

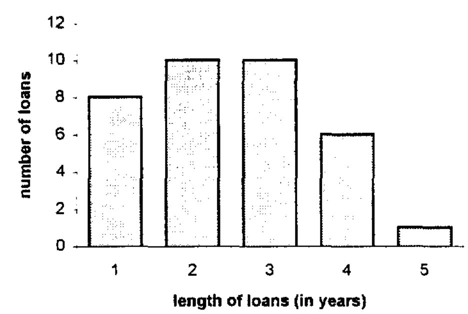
*(This form * will be used both to compile lending activity each quarter, for quarterly portfolio reviews, as well as to keep an updated cumulative summary of the fund's lending activity to be included in reports to the EFS Board of trustees and USAID).*

HISTORIC LENDING ACTIVITY	# OF LOANS	$ VOLUME
Total number of projects financed		
Number of loans currently being repaid		
Number of projects completed		
Number of projects for which financing is currently committed		

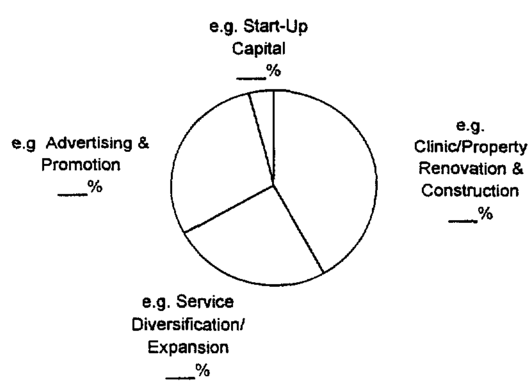
SIZE OF LOANS

Dollar Amount	# of Loans	Percentage
0 - 50,000		
51,000 - 100,000		
101,000 - 250,000		
251,000 - 500,000		
501,000 +		

LENGTH OF LOANS



LOANS BY PROGRAM AREA



TECHNICAL SUPPORT

Type of Assistance	Percentage

* Adapted from PATH's Fund for Technology Transfer Loan Program documentation.

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TERM SHEET FOR INDIVIDUAL LOAN

BORROWER	*[NAME]*
LENDER	IPPF/WHR
AMOUNT	*See Loan Limits for guidance on determining an acceptable size of loan.*
CURRENCY	US Dollars (US$)
USE OF FUNDS	*[OUTLINE OF PROJECT]*
DISBURSEMENT	Select ONE - March 31. June 30, September 30 OR December 31
PRINCIPAL REPAYMENT	(Attach desired amortization schedule as necessary) See Schedule A and B models.
PRINCIPAL PREPAYMENT	Allowed on any interest payment date without penalty
INTEREST PAYMENTS	To be made quarterly in arrears (March 31. June 30, September 30 and December 31).
INTEREST RATE	A fixed rate of χ % per annum (determined by the Lender using market rates for international borrowing and project needs).
SECURITY	Right to set-off future grants against past due amounts of interest and principal, and expenses (if any).
COVENANTS	To restrict additional borrowing by the F.P.A., to prevent the F.P.A. from pledging collateral for another loan, etc.
DEFAULT	1. Non-payment of interest or principal on a timely basis. 2. Breach of covenants. 3. Default on any other financial obligation.
REMEDY OF DEFAULT	Set-off of grant disbursements immediately until default is paid in full, including past due interest.
GOVERNING LAW	Laws of the State of New York
FEES AND EXPENSES	Fees:

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	The greater of US$1,000.00 or 1% of the loan amount to be paid by the Borrower to the Lender at closing to help cover the Lender's administrative costs. Expenses: The Borrower will be responsible for all direct out-of-pocket expenses associated with the loan (e.g. legal, travel).
LENDER CONTRACTS	Country Manager: Fund Manager:
BORROWER CONTACTS	
LENDER CONTACTS	

SAMPLE AGREEMENT

I DEFINED TERMS - to be included in actual document

1. *General*

a) The U.S.$ χ loan made by the Lender to the Borrower is authorized by the Borrower pursuant to resolutions of the Board of Directors of the Borrower, dated as of *[DATE]*.

b) The Loan is a direct, general and unconditional obligation of the Borrower, and ranks at least *pari passu* in priority of payment with all other unsecured and unsubordinated indebtedness of the Borrower, except for indebtedness accorded preference by mandatory provisions of law.

c) Interest on the Loan will be calculated at the rate of χ % per annum on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Interest will accrue from *[DATE]*. Interest will be payable on *[DATE]* and *[DATE]* of each year, commencing *[DATE]*. The Loan will cease to bear interest on the principal amount thereof from the due date for repayment of such principal amount unless such payment of principal is improperly withheld or refused or default is otherwise made in respect of payment thereof.

d) Interest not received on the scheduled Payment Date will accrue interest at a rate of 2% above the interest rate listed in 1 c) above

e) Principal of the loan will be payable as set forth in the table below:

DATE	PRINCIPAL AMOUNT DUE

e) If any payment of principal or interest is withheld or refused otherwise than in accordance with the Loan Agreement and applicable law, the party responsible for such withholding or refusal shall be liable for any and all additional interest that accrues and such payment of principal and interest.

2. *Payments*

a) Unless previously redeemed in accordance with Section 4 *Prepayment* below, payment of principal will be made on *[DATE]* (the "Maturity Date"), and payments of interest on the Loan will be made in consecutive annual installments on *[DATE]* and *[DATE]* of each year (each of such dates of payment a "Payment Date"), commencing on *[DATE]*.

b) Subject to applicable laws and regulations, the principal of and interest (which terms includes any additional amounts, unless the context otherwise requires) on the Loan will be payable in United States dollars, at the principal office of the Lender in New York. If any day for payment of principal, premium, if any, or interest is not a day on which banks are open for business and carrying out transactions in United States dollars (a "business day") in New York City, the Lender shall not be entitled to payment until the next business day following such day in such place or to any interest or sums in respect of such postponed payment.

c) Payments in respect of the Loan shall be made in such coin in or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

3. *Additional Amounts*

a) The Borrower will pay such additional amounts as may be necessary in order to ensure that the net amounts receivable by the Lender after any withholding or deduction for or on account of any present or future taxes or duties whatever nature imposed or levied by the *[COUNTRY]*.

b) Any reference in the Loan to principal and/or interest shall be deemed also to refer to any additional amount which may be payable under undertakings referred to in this Section 3. *Additional Amounts*

4. *Prepayment*

a) The Borrower will have the right to prepay the Loan, in whole or in part, upon giving of the notice described in Section 4 b) below, together with accrued and unpaid interest.

b) Notice of prepayment will be given in accordance with Section 12 *Notices* below not less than 5 calender days prior to the date designated for such prepayment.

5. *Covenants of the Borrower*

a) The Borrower will not sell, lease or otherwise dispose of substantially all of its assets without the prior written consent of the Lender.

b) The Borrower will carry and maintain in full force and effect at all times with financially sound and reputable insurers such insurance in such amounts as is customary.

c) The Borrower will not permit the existence of consolidated Indebtedness greater than the amount of "Expected Grants" from IPPF in any year in which the Loan remains outstanding. Total Indebtedness will be calculated by the Borrower semiannually and by independent auditors on an annual basis.

d) The Borrower will not permit the existence of debt service payments on Consolidated Indebtedness to be greater then one third (⅓) the amount of "Expected Grant" from IPPF in that year.

e) The Borrower will use the net proceeds received from the loan in the manner specified under "Use of Proceeds", and will provide a report of actual expenditures made within 90 days of disbursement of the Loan.

f) The Borrower will pay all taxes, assessments and other governmental charges imposed upon them or any of their properties or assets or in respect of any of their franchises, business, income or profits before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a lien upon any of their properties or assets, *provided* that no such charge or claim need be paid if being contested in good faith by appropriate proceedings

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promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by local accounting practices shall have been made therefor.

g) The Borrower will preserve and keep in full force and effect its corporate existence.

h) The Borrower will maintain or cause to be maintained in good repair, working order and condition (reasonable wear and tear excepted) all properties used or useful in its business.

i) The Borrower will provide the Lender with:

(i) the audited consolidated financial statements of the Borrower within 120 days of the close of the Borrower's fiscal year;

(ii) the unaudited semiannual consolidated financial statements of the first fiscal half or each fiscal year within 90 days of the close of such fiscal six month period;

(iii) simultaneously with the delivery of each set of consolidated financial statements referred to in clauses (i) and (ii) above, a certificate of the chief financial officer, officer of the Borrower, stating whether an Event of Default exists on the date of such certificate and, if an Event of Default exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

The Borrower shall promptly give notice to the Lender of:

(i) the occurrence of any Event of Default;

(ii) any (i) default or Event of Default under any contractual obligation (including, without limitation, any Indebtedness) of the Borrower, or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower, subsidiaries and any governmental authority;

(iii) any development or event which has had or could have a material adverse effect on the operations of the Borrower.

j) The Borrower shall not make any optional payment or prepayment on or redemption of any Indebtedness (other than the Loan).

6. *Events of Default*

In the event that any of the following (an "Event of Default") shall have occurred and be continuing:

a) the Borrower shall fail to pay any principal, premium, if any, or interest installment in respect of any of the Loan on the date when due (whether at maturity or upon a redemption or otherwise) and, in the case of failure to pay any installment of interest, such failure shall continue for a period of five days; or

b) the Borrower shall fail to perform any covenant with respect to the Loan and contained in the Loan Agreement, and such failure shall continue for 30 days; or

c) a decree or order by a court having jurisdiction shall have been entered adjudging the Borrower as bankrupt, insolvent, or approving as properly filed a petition seeking reorganization or suspension of payments (*suspensión de pagos*) of the Borrower.

d) the Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization and suspension of payments (*suspensión de pagos*), or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or *síndico* or trustee or assignee in bankruptcy or insolvency of its or its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

e) the maturity of any indebtedness for borrowed money of the Borrower or contingent liabilities incurred by the Borrower shall have been accelerated or the Borrower shall fail to pay when due the principal of any indebtedness for borrowed money; or

f) all or a substantial part of the property and assets of or shares in the Borrower shall be nationalized or expropriated by any governmental authority or any license, permit or other authorization material to the conduct of business of the Borrower shall have been revoked or it shall become unlawful for the Borrower to perform or comply with its obligations under the Loan Agreement;

then the Lender may declare the principal of the Loan and the interest accrued thereon to the date of payment be immediately due and payable by written notice to the Borrower.

7. *Negative Pledge*

a) The Borrower agrees that for so long as any principal or interest under the Loan remains outstanding, the Borrower will not create or permit to exist any Security upon the whole or any part of its asset, present or future to secure any of its or its indebtedness; any

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of its Guarantees without, at the same time or prior thereto, securing the Loan equally and ratably therewith.

8. *Right of Set-off*

The Borrower hereby agrees to the Lender recovering any amounts of the interest of principal due under the Loam through the set-off of funding from IPPF (via grant or other unrestricted source) which is intended for the Borrower. The right of set-off shall remain in effect until any and all amounts outstanding under the Loan Agreement are paid in full.

9. *Modifications, Amendments and Waivers*

The Loan Agreement may be amended by mutual consent of the Lender and the Borrower.

10. *Warranties*

The Borrower hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent of the creation and issuance of this Loan, if any, and to constitute the same the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms have been done and performed and have happened in due and strict compliance with all applicable laws.

11. *Governing Law*

a) The Loan shall be governed by and construed in accordance with the law of the State of New York, United States of America.

b) The Borrower and the Lender hereby irrevocably submit to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in the Borough of Manhattan, City and State of New York in any action or proceeding arising out of or relating to the Notes or any coupons.

12. *Notices*

Notices will be mailed to the Lender and the Borrower at their registered addresses and shall have been deemed to have been given on the date of such mailing.

13. *Fees*

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The Borrower will pay fees of χ as agreed upon with the Lender.

14. *Expenses*

To be included for the account of the Borrower.

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CURRENT MARKET RATES IN SELECTED COUNTRIES

(This information will be compiled on a regular basis for use in loan pricing)

MEDIUM TERM, US DOLLAR FIXED RATE BORROWING COSTS IN LATIN AMERICA

(Market yields as of June 26, 1997, based on most widely traded eurobonds of the respective governments, lending banks & corporations.)

COUNTRY	TENOR-YEARS %p.a. 2	3	4	5	6
ARGENTINA					
Federal	7.00	7.40	7.75	n.a.	8.00
Banks/Corporations	7.50+	7.50+	7.80	7.90	
BRAZIL					
Federal	n.a.		7.90		
Banks/Corporations	7.80+	8.00+	8.25+		9.00+
CHILE					
Corporations					7.50+
COLOMBIA					
Federal	7.00				
Banks	7.10				
ECUADOR					
Federal				9.80	
MEXICO					
Federal		7.70	7.80	8.10	
Banks/Corporations	7.75+	8.25+	8.50+	9.00+	
PANAMA					
Federal				8.00	

SOURCE: ING Barings

COST OF LOCAL CURRENCY FINANCING IN SELECTED LATIN AMERICAN COUNTRIES

(Based on June 26 - July 01, 1997 information)

LOCAL CURRENCY INTEREST RATES - % (for Government or Lending Corporations)

COUNTRY (currency)		Current	52 Week High	52 Week Low
ARGENTINA *(peso)*	*(30-day bank rate)*	7.73	11.99	7.71
BRAZIL *(real)*	*(30-day bank rate)*	20.05	26.70	17.85
ECUADOR *(sucre)*	*(1 year Govt.)*	26.00	n.a.	n.a.
MEXICO *(peso)*	*(28-day Govt.)*	20.90	32.90	18.07
PERU *(soles)*	*(Bank Loan Rate)*	31.77	32.24	29.68
VENEZUELA *(bolivar)*	*(6-month)*	21.66	34.12	12.97

SOURCE: Bear Stearns, ING Barings

5 YEAR LOANS - 3 YEAR AVERAGE LOAN

Scenario 2: Strong Loan Demand

	NOTE	YEAR 1	2	3	4	5	6	7	8	9	10
Available Fund -End Previous Year		**0**	**3244**	**2928**	**2039**	**1961**	**2312**	**2874**	**3468**	**4096**	**4761**
USAID Contribution		4000	0	0	0	0	0	0	0	0	0
IPPF Contribution		200	200	200	200	200	0	0	0	0	0
Available for New Year		*4200*	*3444*	*3128*	*2239*	*2161*	*2312*	*2874*	*3468*	*4096*	*4761*
Loans Outstanding	(1)	(1000)	(1667)	(3000)	(3667)	(4000)	(4000)	(4000)	(4000)	(4000)	(4000)
Loans Made		(1000)	(1000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)
Loans Repaid		0	333	667	1333	1667	2000	2000	2000	2000	2000
Remaining in Fund		*3200*	*2777*	*1794*	*1572*	*1828*	*2312*	*2874*	*3468*	*4096*	*4761*
Loan Interest		50	167	300	467	550	600	600	600	600	600
Investment Income		259	229	196	180	198	232	271	313	357	403
Total Income		*309*	*396*	*496*	*647*	*748*	*832*	*871*	*913*	*957*	*1003*
Grant Program		(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Administrative Costs	(2)	(140)	(146)	(151)	(157)	(164)	(170)	(177)	(184)	(192)	(199)
Start Up Costs		(25)	0	0	0	0	0	0	0	0	0
Total Costs and Grants		*(265)*	*(246)*	*(251)*	*(257)*	*(264)*	*(270)*	*(277)*	*(284)*	*(292)*	*(299)*
Annual Surplus (Income less Costs)		*44*	*150*	*244*	*389*	*484*	*562*	*594*	*629*	*665*	*704*
Available Fund - End of Year	(3)	**3244**	**2928**	**2039**	**1961**	**2312**	**2874**	**3468**	**4096**	**4761**	**5465**

NOTES:

(1) Loans outstanding is composed of loans made in the previous year, plus loans made during the year, minus loans repaid.

(2) Administrative costs include Asset Management Fee charged by bankers, administrative costs and compilation & dissemination of results.

(3) Available fund consist of Available fund for new year, plus total income, minus total cost and grants.

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10 YEAR LOANS - 7 YEAR AVERAGE LOAN

Scenario 2: Strong Loan Demand

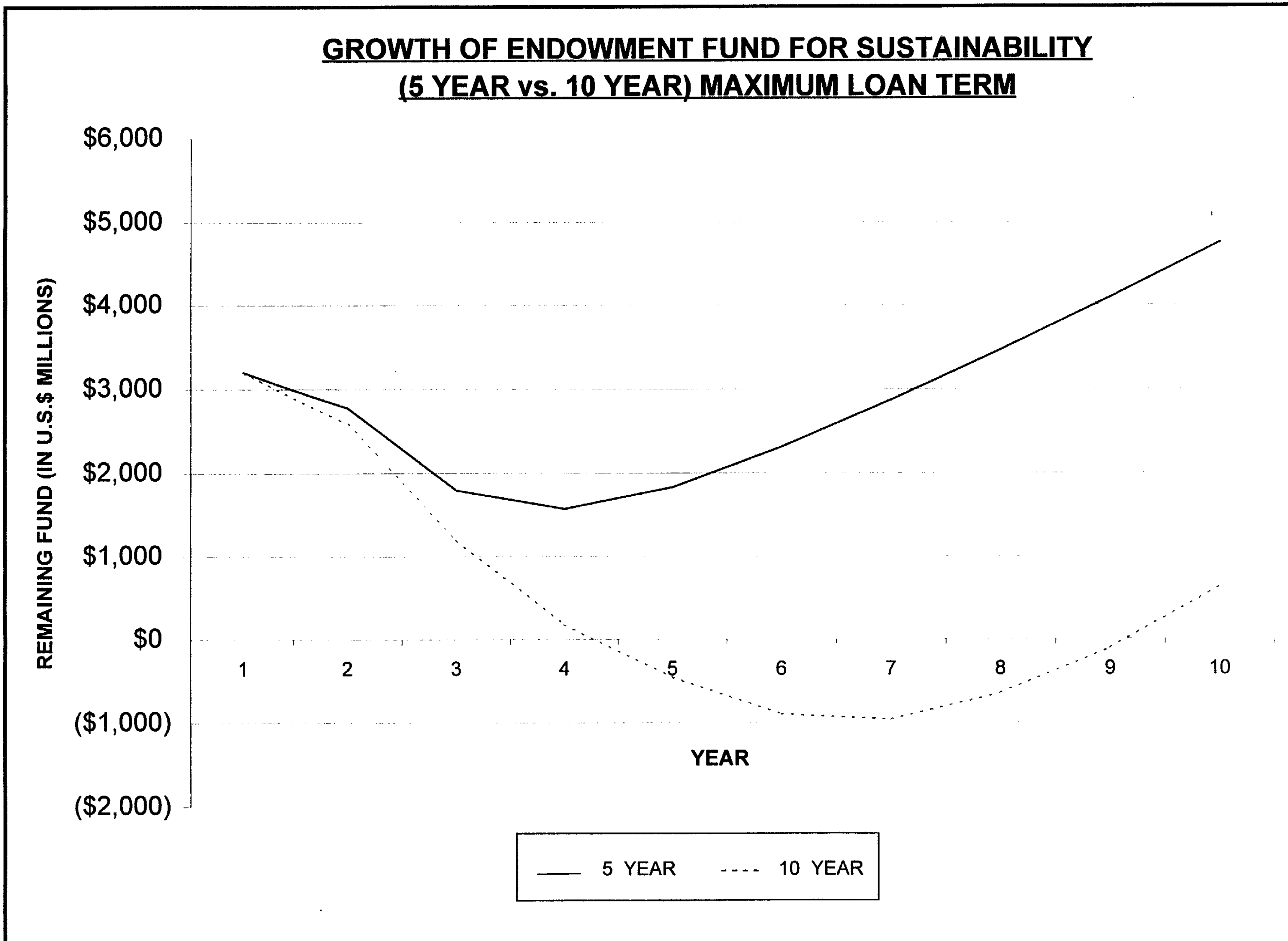
	NOTES	YEAR 1	2	3	4	5	6	7	8	9	10
Available Fund -End Previous Year		**0**	**3244**	**2714**	**1403**	**485**	**(41)**	**(390)**	**(365)**	**33**	**639**
USAID Contribution		4000	0	0	0	0	0	0	0	0	0
IPPF Contribution		200	200	200	200	200	0	0	0	0	0
Available for New Year		*4200*	*3444*	*2914*	*1603*	*685*	*(41)*	*(390)*	*(365)*	*33*	*639*
Loans Outstanding	**(1)**	(1000)	(1857)	(3571)	(5000)	(6143)	(7000)	(7571)	(7857)	(8000)	(8000)
Loans Made		(1000)	(1000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)	(2000)
Loans Repaid		0	143	286	571	857	1143	1429	1714	1857	2000
Remaining in Fund		*3200*	*2587*	*1200*	*174*	*(458)*	*(898)*	*(962)*	*(650)*	*(110)*	*639*
Loan Interest		50	157	300	486	643	771	871	943	979	1000
Investment Income		259	216	154	82	38	7	3	24	62	115
Total Income		*309*	*373*	*454*	*568*	*681*	*779*	*874*	*967*	*1041*	*1115*
Grant Program		(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Administrative Costs	**(2)**	(140)	(146)	(151)	(157)	(164)	(170)	(177)	(184)	(192)	(199)
Start Up Costs		(25)	0	0	0	0	0	0	0	0	0
Total Costs and Grants		(265)	(246)	(251)	(257)	(264)	(270)	(277)	(284)	(292)	(299)
Annual Surplus (Income less Costs)		*44*	*128*	*203*	*310*	*417*	*508*	*597*	*683*	*749*	*815*
Available Fund - End of Year	**(3)**	**3244**	**2714**	**1403**	**485**	**(41)**	**(390)**	**(365)**	**33**	**639**	**1455**

NOTES:

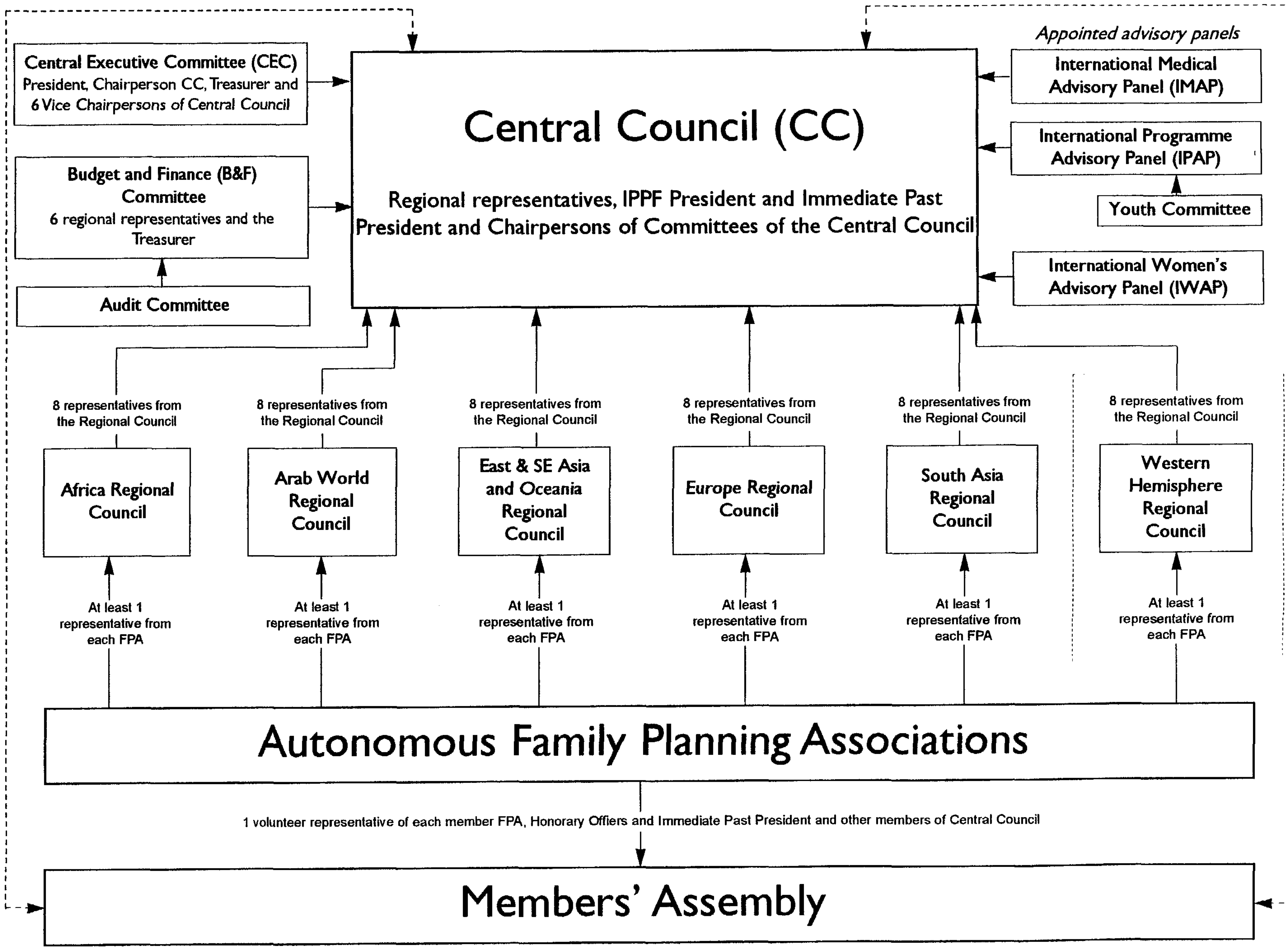
(1) Loans outstanding is composed of loans outstanding in the previous year, plus loans made during the year, minus loans repaid.

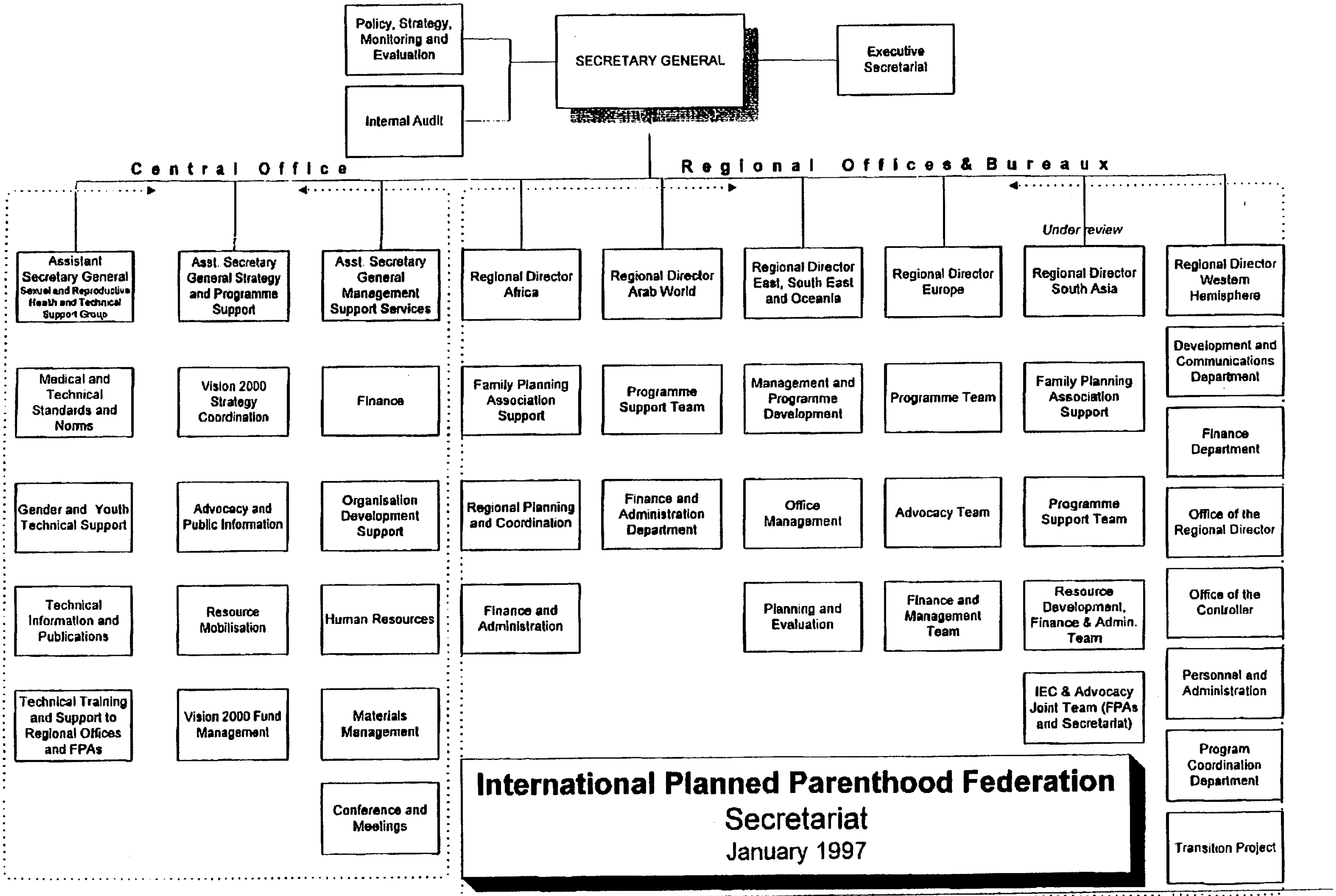
(2) Administrative cost include Asset Management Fee charged by bankers, administrative costs and compilation & dissemination of results.

(3) Available fund - End of Year consists of Available Fund for New Year, plus total income, minus total cost and grants.


GROWTH OF ENDOWMENT FUND FOR SUSTAINABILITY
(5 YEAR vs. 10 YEAR) MAXIMUM LOAN TERM
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
($1,000)
($2,000)
REMAINING FUND (IN U.S.$ MILLIONS)
1
2
3
4
5
6
7
8
9
10
YEAR
5 YEAR
10 YEAR

IPPF's Volunteer Committee Structure





International Planned Parenthood Federation
Secretariat
January 1997

INTERNATIONAL PLANNED PARENTHOOD FEDERATION, WESTERN HEMISPHERE REGION, INC.
902 BROADWAY, NEW YORK, NY 10010, USA TELEPHONE: 212-995-8800 CABLE ADDRESS: WHIPPFE / TELEX: 620661
FEDERACION INTERNACIONAL DE PLANIFICACIÓN DE LA FAMILIA, REGION DEL HEMISFERIO OCCIDENTAL, INC.

INTERNATIONAL PLANNED PARENTHOOD FEDERATION

WESTERN HEMISPHERE REGION, INC.

(A New York Not-for-Profit Corporation)

(The "Corporation")

(Adopted by the Regional Council on April 9, 1981;

Amended by the Regional Council on October 5, 1988;

and

Approved by the IPPF Central Council on November 1983 and November 1988)

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BYLAWS OF

INTERNATIONAL PLANNED PARENTHOOD FEDERATION

WESTERN HEMISPHERE REGION, INC.

(A New York Not-for-Profit Corporation)

(The "Corporation")

ARTICLE I: **OBJECTIVES**

Section 1.1. Objectives. The Corporation, believing that knowledge of planned parenthood is a fundamental human right and that a balance between the population of the world and its natural resources and productivity is a necessary condition of human happiness, prosperity and peace, has as its objectives:

(a) to advance the education of the countries of the world in family planning and responsible parenthood in the interest of family welfare, community well-being and international goodwill;

(b) to increase the understanding by people and governments of the demographic problems of their own communities and of the world;

(c) to promote population education, sex education, family life education and marriage counseling;

(d) to stimulate appropriate research in the following subjects: the biological, demographic, economic, genetic, psychological and social implications of human fertility and its regulation; methods of contraception, fertility, sub-fertility and sterility; and to collect and make known the findings of such research;

(e) to stimulate and assist the formation of family planning associations;

(f) to stimulate and promote family planning in all countries through other appropriate organizations;

(g) to encourage and organize the training of all appropriate professional workers such as medical and health personnel, educationalists, and social and community development workers in the implementation of the objectives of the Corporation;

(h) to organize regional or international workshops, seminars and conferences; and

(i) to take all appropriate measures to further the above objectives.

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Except as otherwise provided in these Bylaws, a full member shall have all the rights, privileges and duties as normally pertain to members of a corporation, including, without limitation, the right to elect delegates pursuant to Section 3.3.

Section 2.4. Associate Members. One non-governmental organization in a country or territory of the Western Hemisphere Region where there is no member organization shall be eligible for associate membership provided it fulfills the criteria in Section 2.3.(a) or (b) of these Bylaws. The membership of each associate member is subject to periodic confirmation as provided in the rules and regulations of IPPF. In all other respects, associate members shall have all the rights, privileges and duties of full members.

Section 2.5. Multiple Organizations. Notwithstanding anything contained in Sections 2.3 through 2.4, any two or more non-governmental family planning organizations, which are not member organizations, located in nearby countries or territories of the Western Hemisphere Region may join into a single organization which shall be eligible for full or associate membership, as appropriate.

ARTICLE III: REGIONAL COUNCIL

Section 3.1. Regional Council and Delegates. The Regional Council shall consist of delegates, defined as follows: two delegates from each member organization (whether a full or associate member) as provided in Section 3.3, ten delegates elected as provided in Section 3.4, the officers as defined in Section 8.1 who are not otherwise delegates, and the immediate past President.

select as delegates and alternates persons who also hold at least one of the following positions (listed in order of preference):

(a) a member of the Central Council of IPPF;

(b) a member of the Central Executive Committee of IPPF;

(c) a member of the Central Program Committee of IPPF;

(d) a member of the Central Budget and Finance Committee of IPPF;

(e) a member of other committees and panels of the Central Council of IPPF;

(f) an officer of the Corporation (other than Regional Director);

(g) a member of any of the advisory committees of the Regional Council;

(h) a member of the Board of Directors of the Corporation;

(i) a member of any committees or panels of the Board of Directors of the Corporation;

(j) a member of the board of directors of the member organization.

To the extent possible, member organizations should attempt to limit service of any delegate under this Section 3.3 to no more than ten consecutive years. Each member organization shall notify the Secretary of the names of its delegates and alternates. A member organization may change any or all its delegates and alternates from time to time, provided no such change shall be effective until ninety days after receipt of notification of the change by the Secretary.

Section 3.4 Delegates Elected at Large. At its Regular Meeting, the Regional Council shall elect ten delegates to serve on the Regional Council for terms of two years. Each such delegate shall continue in office until the close of the election of delegates at the next Regular Meeting of the Regional Council, and until his or her successor shall have been elected and qualified, or until his or her earlier death, resignation or removal. Such delegates shall be entitled to the same rights and privileges and subject to the same duties as the delegates of member organizations. Such delegates may succeed themselves in office, provided no such delegate shall serve under this Section 3.4 for more than five consecutive terms. Any delegate elected under this Section 3.4 may be removed by the Regional Council with or without cause. Vacancies occurring among such delegates for any reason may be filled by action of the Board of Directors until the next Regular Meeting of the Regional Council and until a successor is elected and qualified.

meeting, and all persons who appear from such record to be delegates or alternates entitled to vote thereat may vote at such meeting. If for any reason the person who may be entitled to vote does not appear from such record, the person presiding at the meeting may determine the issue and such determination shall be final and binding.

Section 3.9. Quorum. The presence of twenty—five percent of the delegates shall constitute a quorum for the transaction of business at any meeting of the Regional Council.

Section 3.10. Adjourned Meetings. A majority of the delegates present at a meeting of the Regional Council, whether or not a quorum is present, may adjourn such meeting to another time. Notice of the time and place of such adjournment shall be given to member organizations and delegates who were not present at the time of such adjournment.

Section 3.11. Action of the Regional Council. The vote of a majority of the delegates present at the time of the vote, if a quorum is present, shall be the act of the Regional Council, unless the question or action is one upon which a greater vote is required by express provision of law or these Bylaws. Each delegate (including delegates elected pursuant to Section 3.4) shall have one vote.

Section 3.12. Action by Written Consent of Delegates. Any action required or permitted to be taken at any meeting of the Regional Council may be taken without a meeting, if all delegates consent in writing to the adoption of a resolution authorizing such action. Such resolution and written consents thereto shall be filed with the minutes of proceedings of the Regional Council.

Section 3.13. Proxies. Every delegate may authorize another delegate to act for him or her by proxy. Every proxy must be in writing, dated and signed by the delegate. No proxy shall be valid after the expiration of three months from the date thereof. Every proxy shall be revocable at the pleasure of the delegate executing it at any time before action is taken pursuant to the proxy, or except as otherwise provided by law; provided that such revocation must be in writing or communicated in person or by telephone, telex or telegraph and received by the person presiding at the meeting (if the action is to be taken at a meeting) and the delegate holding the proxy prior to

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Section 3.16. Honored Guests. Either the President or the Chairman of the Board of Directors may invite as honored guests to attend a meeting of the Regional Council such persons whose background, experience, expertise and knowledge qualify them to provide valuable advice and assistance to the Council in the performance of its functions. Such honored guests shall have no vote.

ARTICLE IV: **REPRESENTATIVES TO IPPF**

Section 4.1. Representatives to IPPF. The Regional Council shall elect at the Regular Meeting such representatives to the IPPF Central Council and other committees and panels of IPPF as the Regional Council may determine and as may be provided for from time to time in the charter, rules and regulations of IPPF. Except as otherwise provided in such charter, rules and regulations of IPPF, each such representative shall serve for a term of two years and until the close of election of such representatives at the next Regular Meeting of the Regional Council, and until his or her successor shall have been elected and qualified or until his or her earlier death, resignation or removal. Such representatives may succeed themselves in office, provided no such representative shall serve for more than five consecutive terms. Any representative may be removed by the Regional Council with or without cause. Vacancies occurring among such representatives for any reason may be filled by action of the Board of Directors, until the next Regular Meeting of the Regional Council and until a successor is elected and qualified.

Section 4.2. Resignation. Any representative may resign at any time by giving written notice to the President, Regional Director or Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon receipt by such officer, and acceptance of the resignation shall not be necessary to make it effective.

ARTICLE V: **ADVISORY COMMITTEES AND PANELS**

Section 5.1. Advisory Committees and Panels. The Regional Council may from time to time create such advisory committees and panels as the Regional Council may determine, to make recommendations to the Regional Council in connection with the performance of its functions, and may from time to time modify and abolish such committees and panels. Each advisory committee or panel shall consist of at least three delegates. Persons who are not delegates may be elected by the Regional Council to participate on such committees and panels. A delegate or other person may be elected to succeed

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(e) implement the policies set by the Regional Council and formulate rules for that purpose;

(f) appoint and review the actions of the Regional Director;

(g) approve annual work programs and budgets and the three-year plans of the Corporation to be prepared by the Regional Director;

(h) cooperate with the IPPF Secretariat in its dealings with member and other organizations based in the Western Hemisphere Region;

(i) assist in the initiation, implementation, development and promotion of the Corporation's policies;

(j) develop financial and other resources for meeting the needs of the Corporation and member organizations; and

(k) maintain and develop relations with other agencies in order to facilitate and promote the work of the Corporation.

Section 6.2. Number of Directors. The number of directors constituting the entire Board of Directors shall be such number not more than twenty-five as the Regional Council may from time to time determine; provided that no decrease in the number of directors shall shorten the term of any incumbent director.

Section 6.3. Election and Term of Office. At its Regular Meeting the Regional Council shall elect directors for terms of two years. Except as to directors elected at the Regular Meeting in 1981, at least a majority of the directors shall, at the time of their election, be either delegates serving pursuant to Section 3.3 or delegates elected at the Regular Meeting pursuant to Section 3.4. The immediate past Chairman of the Board of Directors shall be a director (unless the immediate past Chairman is re-elected at the Regular Meeting to serve an additional term as Chairman) and shall be entitled to the same rights and privileges and subject to the same duties as all other directors. Each director shall continue in office until the close of the election of directors at the next Regular Meeting of the Regional Council and until his or her successor, if any, shall have been elected and qualified, or until his or her earlier death, resignation or removal. Directors may succeed themselves in office, provided no director shall serve more than five consecutive terms (except for a past Chairman who may serve six consecutive terms). Vacancies occurring on the Board of Directors for any reason may be filled by the vote of a majority of the directors then in office, whether or not a quorum, until the next Regular Meeting of the Regional Council and until a successor is elected and qualified, if any.

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Section 6.8. Action of the Board of Directors. The vote of a majority of the directors present at the time of the vote, if a quorum is present, shall be the act of the Board of Directors, unless the question or action is one upon which a different vote is require by law or these Bylaws. Each director shall have one vote.

Section 6.9. Action by Written Consent of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee or panel thereof may be taken without a meeting if all members of the Board of Directors or the committee or panel consent in writing to the adoption of a resolution authorizing such action. Such resolution and written consents thereto shall be filed with the minutes of proceedings of the Board of Directors or the committee or panel.

Section 6.10. Notice. Notice of the time, place and purpose of every meeting of the Board of Directors shall be given by the Secretary by mailing, telegraphing, delivering or telephoning the same to each director at least seven and no more than thirty days before such meeting. Notice of any meeting need not be given, however, to any director who submits a signed waiver of notice, before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice.

ARTICLE VII: **COMMITTEES OF THE BOARD OF DIRECTORS**

Section 7.1. Standing Management Committee. The Board of Directors from time to time by resolution adopted by a majority of the entire Board of Directors may create a Standing Management Committee, consisting of the Chairman and such two or more other directors, as the Board may determine. The Standing Management Committee shall possess and exercise, between meetings of the Board of Directors, all of the delegable powers of the Board of Directors, subject to such restrictions as from time to time may be prescribed by the Board of Directors. The Chairman shall preside at all meetings of the Standing Management Committee, and may designate another member of the Committee to preside at any meeting if the Chairman is absent, or if no such designation is made, the members of the Committee may elect a temporary chairman to preside at the meeting.

ARTICLE VIII: **OFFICERS**

Section 8.1. Officers Elected by the Regional Council. The Regional Council shall elect at the Regular Meeting from among the directors elected at such meeting the following officers of the Corporation: a President, two Vice Presidents, a Chairman of the Board of Directors, a Secretary, and a Treasurer. The Regional Council may also elect at its Regular Meeting an Honorary Chairman of the Regional Council, who need not be a director. These officers shall have all the powers and duties provided in these Bylaws, subject to the control of the Board of Directors, as well as such other powers and duties as may be authorized from time to time by the Board of Directors. Each such officer shall serve for a term of two years and shall continue in office until the close of the election of officers at the next Regular Meeting of the Regional Council and until his or her successor shall have been elected and qualified, or until his or her earlier death, resignation or removal. An officer may succeed himself or herself in office, provided no officer shall serve in the same office for more than five consecutive terms. Any officer elected by the Regional Council may be removed by the Regional Council with or without cause. Vacancies occurring in any such office for any reason may be filled by action of the Board of Directors, until the next Regular Meeting of the Regional Council and until a successor is elected and qualified.

Section 8.2. Resignation. Any officer may resign at any time by giving written notice to the President, Regional Director or Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof, and acceptance of the resignation shall not be necessary to make it effective.

Section 8.3. Honorary Chairman of the Regional Council. The Honorary Chairman of the Regional Council shall be a person whose special knowledge, expertise and experience uniquely qualify him or her to provide valuable assistance to the Corporation in the achievement of its objectives. The Honorary Chairman shall be entitled to attend all meetings of the Regional Council but shall not be entitled to vote. He or she shall be entitled to notice, pursuant to Section 3.14, of all meetings of the Regional Council, provided that failure to give such notice shall not be grounds for challenging or invalidating any action taken at the meeting.

pertain to such office, as well as such other powers and duties as may be authorized from time to time by the Board of Directors. The Board of Directors shall consult with the Secretary General of IPPF before appointing or dismissing the Regional Director. Except as otherwise provided by the Regional Council or the Board of Directors, the Regional Director may attend, or send a senior staff member as his or her representative, to all meetings of the Regional Council, the Board of Directors or any committees or panels thereof, provided that the Regional Director or his or her representative shall not be entitled to vote at any such meeting.

Section 8.9. Other Agents. The Board of Directors may appoint from time to time such other agents and employees as it shall deem appropriate, each of whom shall hold office at the pleasure of the Board of Directors, and shall have such authority and perform such duties and shall receive such reasonable compensation, if any, as the Board of Directors may from time to time determine.

ARTICLE IX: **COMPENSATION**

Section 9.1. Compensation. No delegate, representative to IPPF, director, or officer elected by the Regional Council shall receive for acting in any such capacity any compensation, payments to cover loss of earnings, or other emoluments from the Corporation, or its member organizations, nor shall any such person receive fees or honoraria for attending meetings. The Corporation may reimburse such persons for reasonable expenses, necessarily incurred by them in the performance of their duties.

ARTICLE X: **INDEMNIFICATION**

Section 10.1. Indemnification. The Corporation shall indemnify any person in the manner and to the full extent provided by law.

TRANSITION PROJECT COUNTRIES SELF-SUFFICIENCY RATES

	ACTUAL					
	1992	1993	1994	1995	1996	1997*
BELIZE						
LOCAL INCOME	40,123	76,265	103,384	85,063	108,344	196,719
TOTAL EXPENSES	232,536	379,920	364,368	342,793	465,969	812,599
SELF SUFFICIENCY	*17.3%*	*20.1%*	*28.4%*	*24.8%*	*23.3%*	*24.2%*
BRAZIL						
LOCAL INCOME	2,013,746	748,838	1,943,229	4,120,088	4,300,000	2,661,509
TOTAL EXPENSES	4,977,297	3,313,826	5,108,283	8,470,461	9,672,079	5,108,986
SELF SUFFICIENCY	*40.5%*	*22.6%*	*38.0%*	*48.6%*	*44.5%*	*52.1%*
CHILE						
LOCAL INCOME	230,725	25,519	351,522	410,162	450,000	566,473
TOTAL EXPENSES	1,174,453	523,051	1,432,064	1,405,355	1,269,392	1,535,645
SELF SUFFICIENCY	*19.6%*	*4.9%*	*24.5%*	*29.2%*	*35.5%*	*36.9%*
COLOMBIA						
LOCAL INCOME	6,825,730	9,343,353	12,478,000	15,562,094	16,352,259	18,221,778
TOTAL EXPENSES	11,869,113	14,536,941	18,645,000	20,761,672	20,726,592	20,857,906
SELF SUFFICIENCY	*57.5%*	*64.3%*	*66.9%*	*75.0%*	*78.9%*	*87.4%*
MEXICO / MEXFAM						
LOCAL INCOME	685,631	937,049	1,209,647	982,994	1,122,742	2,463,205
TOTAL EXPENSES	5,216,255	5,425,518	5,737,736	5,174,966	5,513,440	6,150,548
SELF SUFFICIENCY	*13.1%*	*17.3%*	*21.1%*	*19.0%*	*20.4%*	*40.0%*
PARAGUAY						
LOCAL INCOME	205,242	220,839	292,550	360,756	405,723	269,782
TOTAL EXPENSES	826,100	750,260	814,876	1,119,934	1,078,963	891,489
SELF SUFFICIENCY	*24.8%*	*29.4%*	*35.9%*	*32.2%*	*37.6%*	*30.3%*
PERU						
LOCAL INCOME	580,260	695,644	725,189	769,795	1,072,121	1,641,429
TOTAL EXPENSES	1,706,043	1,755,210	2,266,457	2,228,841	3,248,466	2,709,967
SELF SUFFICIENCY	*34.0%*	*39.6%*	*32.0%*	*34.5%*	*33.0%*	*60.6%*
TRINIDAD						
LOCAL INCOME	334,154	417,118	304,713	388,033	579,583	686,346
TOTAL EXPENSES	705,495	821,014	746,122	769,332	953,186	1,026,737
SELF SUFFICIENCY	*47.4%*	*50.8%*	*40.8%*	*50.4%*	*60.8%*	*66.8%*
URUGUAY						
LOCAL INCOME	127,782	249,126	323,092	514,087	767,187	901,711
TOTAL EXPENSES	631,187	741,182	748,834	707,558	1,120,542	1,261,986
SELF SUFFICIENCY	*20.2%*	*33.6%*	*43.1%*	*72.7%*	*68.5%*	*71.5%*
VENEZUELA						
LOCAL INCOME	272,550	280,266	209,862	217,945	367,183	607,153
TOTAL EXPENSES	386,846	413,306	363,831	387,569	504,191	792,768
SELF SUFFICIENCY	*70.5%*	*67.8%*	*57.7%*	*56.2%*	*72.8%*	*76.6%*
GRAND TOTAL						
LOCAL INCOME	**11,315,943**	**12,994,017**	**17,941,188**	**23,411,017**	**25,525,142**	**28,216,105**
TOTAL EXPENSES	**27,725,325**	**28,660,228**	**36,227,571**	**41,368,481**	**44,552,820**	**41,148,631**
SELF SUFFICIENCY	***40.8%***	***45.3%***	***49.5%***	***56.6%***	***57.3%***	***68.6%***

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NON-TRANSITION PROJECT SELF-SUFFICIENCY RATES

	ACTUAL					
	1992	1993	1994	1995	1996	1997*
ANTIGUA-BARBUDA						
LOCAL INCOME	10,638	13,164	16,939	19,500	17,472	28,314
TOTAL EXPENSES	78,804	69,093	79,426	87,448	87,812	95,870
SELF SUFFICIENCY	*13.5%*	*19.1%*	*21.3%*	*22.3%*	*19.9%*	*29.5%*
ARGENTINA						
LOCAL INCOME	375,785	450,661	649,266	649,324	659,816	822,383
TOTAL EXPENSES	811,537	892,870	1,043,085	1,024,506	1,118,692	1,041,179
SELF SUFFICIENCY	*46.3%*	*50.5%*	*62.2%*	*63.4%*	*59.0%*	*79.0%*
ARUBA						
LOCAL INCOME	62,154	62,935	62,605	56,443	59,557	77,576
TOTAL EXPENSES	85,640	87,255	91,999	115,786	75,471	91,517
SELF SUFFICIENCY	*72.6%*	*72.1%*	*68.0%*	*48.7%*	*78.9%*	*84.8%*
BAHAMAS						
LOCAL INCOME	253,217	89,280	229,991	141,616	171,897	214,450
TOTAL EXPENSES	305,317	150,442	240,981	229,249	238,279	287,950
SELF SUFFICIENCY	*82.9%*	*59.3%*	*95.4%*	*61.8%*	*72.1%*	*74.5%*
BARBADOS						
LOCAL INCOME	409,279	412,346	416,543	387,675	388,722	435,098
TOTAL EXPENSES	520,322	529,412	537,272	552,485	570,853	559,130
SELF SUFFICIENCY	*78.7%*	*77.9%*	*77.5%*	*70.2%*	*68.1%*	*77.8%*
CARIBBEAN						
LOCAL INCOME	6,111	25,519	19,822	12,068	39,493	14,200
TOTAL EXPENSES	445,702	523,051	537,457	429,049	358,931	379,593
SELF SUFFICIENCY	*1.4%*	*4.9%*	*3.7%*	*2.8%*	*11.0%*	*3.7%*
COSTA RICA						
LOCAL INCOME	36,786	27,174	266,511	334,400	533,354	182,350
TOTAL EXPENSES	413,114	347,922	544,587	585,375	741,320	356,626
SELF SUFFICIENCY	*8.9%*	*7.8%*	*48.9%*	*57.1%*	*71.9%*	*51.1%*
CURACAO						
LOCAL INCOME	116,826	159,953	163,415	171,320	202,980	199,717
TOTAL EXPENSES	155,026	210,102	209,301	136,915	205,194	256,996
SELF SUFFICIENCY	*75.4%*	*76.1%*	*78.1%*	*125.1%*	*98.9%*	*77.7%*
DOMINICA						
LOCAL INCOME	25,685	45,789	36,215	39,260	46,821	47,925
TOTAL EXPENSES	76,972	121,603	115,765	123,582	145,350	150,045
SELF SUFFICIENCY	*33.4%*	*37.7%*	*31.3%*	*31.8%*	*32.2%*	*31.9%*

	ACTUAL					
	1992	1993	1994	1995	1996	1997*
DOMINICAN REPUBLIC						
LOCAL INCOME	1,280,124	1,344,287	1,427,312	1,557,974	1,972,031	1,928,467
TOTAL EXPENSES	2,804,657	3,283,129	3,412,970	3,586,080	4,215,570	4,048,746
SELF SUFFICIENCY	*45.6%*	*40.9%*	*41.8%*	*43.4%*	*46.8%*	*47.6%*
ECUADOR						
LOCAL INCOME	809,113	1,165,468	1,752,983	1,361,961	1,733,006	2,405,207
TOTAL EXPENSES	1,595,710	2,070,291	2,198,141	2,126,732	2,923,220	3,650,858
SELF SUFFICIENCY	*50.7%*	*56.3%*	*79.7%*	*64.0%*	*59.3%*	*65.9%*
EL SALVADOR						
LOCAL INCOME	455,813	1,039,440	891,954	2,935,725	3,088,421	5,743,439
TOTAL EXPENSES	3,619,552	4,754,594	4,893,543	6,316,119	4,871,744	7,892,456
SELF SUFFICIENCY	*12.6%*	*21.9%*	*18.2%*	*46.5%*	*63.4%*	*72.8%*
GRENADA						
LOCAL INCOME	21,442	23,338	26,350	30,033	38,511	32,029
TOTAL EXPENSES	145,737	122,493	155,788	178,282	176,172	166,096
SELF SUFFICIENCY	*14.7%*	*19.1%*	*16.9%*	*16.8%*	*21.9%*	*19.3%*
GUATEMALA						
LOCAL INCOME	1,078,155	1,428,809	1,735,631	2,399,211	2,630,314	2,497,300
TOTAL EXPENSES	5,481,220	5,608,566	6,174,866	5,707,508	5,789,953	4,659,886
SELF SUFFICIENCY	*19.7%*	*25.5%*	*28.1%*	*42.0%*	*45.4%*	*53.6%*
GUYANA						
LOCAL INCOME	14,583	19,977	8,869	83,656	19,695	99,014
TOTAL EXPENSES	106,030	106,372	145,671	336,067	300,271	928,278
SELF SUFFICIENCY	*13.8%*	*18.8%*	*6.1%*	*24.9%*	*6.6%*	*10.7%*
HAITI						
LOCAL INCOME	80,448	23,219	96,135	61,076	64,426	75,000
TOTAL EXPENSES	799,261	838,316	2,072,316	1,767,340	1,295,912	1,527,211
SELF SUFFICIENCY	*10.1%*	*2.8%*	*4.6%*	*3.5%*	*5.0%*	*4.9%*
HONDURAS						
LOCAL INCOME	697,134	724,879	719,132	936,614	998,628	1,584,675
TOTAL EXPENSES	2,814,221	2,817,362	3,073,850	3,712,144	3,277,519	3,340,168
SELF SUFFICIENCY	*24.8%*	*25.7%*	*23.4%*	*25.2%*	*30.5%*	*47.4%*
JAMAICA						
LOCAL INCOME	42,617	320,626	102,633	81,674	113,683	125,648
TOTAL EXPENSES	175,756	188,884	261,670	258,136	296,424	414,379
SELF SUFFICIENCY	*24.2%*	*169.7%*	*39.2%*	*31.6%*	*38.4%*	*30.3%*
MONTSERRAT						
LOCAL INCOME	13,990	16,078	20,864	12,986	9,357	9,443
TOTAL EXPENSES	52,450	63,267	64,527	59,209	55,885	58,426
SELF SUFFICIENCY	*26.7%*	*25.4%*	*32.3%*	*21.9%*	*16.7%*	*16.2%*

	ACTUAL					
	1992	1993	1994	1995	1996	1997*
NICARAGUA						
LOCAL INCOME	304,677	254,697	349,734	471,906	516,439	723,289
TOTAL EXPENSES	1,172,911	1,373,113	1,443,007	2,128,218	3,655,582	3,608,737
SELF SUFFICIENCY	*26.0%*	*18.5%*	*24.2%*	*22.2%*	*14.1%*	*20.0%*
PANAMA						
LOCAL INCOME	104,898	179,014	251,386	409,350	530,757	695,709
TOTAL EXPENSES	408,072	501,686	663,079	803,481	888,624	1,011,560
SELF SUFFICIENCY	*25.7%*	*35.7%*	*37.9%*	*50.9%*	*59.7%*	*68.8%*
PUERTO RICO						
LOCAL INCOME	794,802	768,304	1,082,259	1,371,127	1,550,583	1,769,614
TOTAL EXPENSES	856,052	1,012,184	1,455,582	1,661,370	1,872,021	2,141,124
SELF SUFFICIENCY	*92.8%*	*75.9%*	*74.4%*	*82.5%*	*82.8%*	*82.6%*
ST. KITTS						
LOCAL INCOME	4,608	5,865	3,636	5,910	18,066	6,673
TOTAL EXPENSES	49,772	41,810	46,704	47,749	56,285	49,236
SELF SUFFICIENCY	*9.3%*	*14.0%*	*7.8%*	*12.4%*	*32.1%*	*13.6%*
ST. LUCIA						
LOCAL INCOME	43,720	47,905	24,551	51,423	60,881	57,747
TOTAL EXPENSES	136,604	154,862	185,401	217,196	244,131	283,843
SELF SUFFICIENCY	*32.0%*	*30.9%*	*13.2%*	*23.7%*	*24.9%*	*20.3%*
ST. VINCENT						
LOCAL INCOME	13,788	25,652	28,212	13,203	13,275	21,198
TOTAL EXPENSES	54,612	77,049	73,700	67,239	71,847	149,070
SELF SUFFICIENCY	*25.2%*	*33.3%*	*38.3%*	*19.6%*	*18.5%*	*14.2%*
SURINAME						
LOCAL INCOME	584,139	606,936	61,481	80,125	189,181	180,000
TOTAL EXPENSES	877,747	780,341	320,585	293,698	292,782	267,348
SELF SUFFICIENCY	*66.5%*	*77.8%*	*19.2%*	*27.3%*	*64.6%*	*67.3%*
URUGUAY						
LOCAL INCOME	127,782	267,858	370,955	388,033	391,286	377,927
TOTAL EXPENSES	631,487	816,083	797,352	769,332	769,538	720,473
SELF SUFFICIENCY	*20.2%*	*32.8%*	*46.5%*	*50.4%*	*50.8%*	*52.5%*
GRAND TOTAL						
LOCAL INCOME	**7,768,314**	**9,549,173**	**10,815,384**	**14,063,593**	**16,058,652**	**20,354,392**
TOTAL EXPENSES	**24,674,285**	**27,542,152**	**30,838,625**	**33,320,295**	**34,595,382**	**38,136,801**
SELF SUFFICIENCY	***31.5%***	***34.7%***	***35.1%***	***42.2%***	***46.4%***	***53.4%***