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ASSESSMENT OF SUSTAINABILITY: USAID POPULATION ASSISTANCE TO THE SALVADORAN DEMOGRAPHIC ASSOCIATION

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ACRONYMS

ADS	Asociación Demográfica Salvadoreña (Salvadoran Demographic Association)
CAPEX	Capital Expenditures
CDC	Centers for Disease Control and Prevention
CPR	Contraceptive Prevalence Rate
CPT	Contraceptive Procurement Table
CYP	Couple Years of Protection
DELIVER	DELIVER Project, managed by John Snow, Inc.
DIGESTYC	Dirección General de Estadísticas y Censos (General Directorate of Statistics and Censuses)
EBIT	Earnings Before Interest and Tax
FESAL	Encuesta Nacional de Salud Familiar (National Family Health Survey)
FPLM	Family Planning Logistics Management
GOES	Government of El Salvador
G/PHN	USAID, Global Bureau – Population, Health and Nutrition
ISSS	Instituto Salvadoreño de Seguridad Social (Salvadoran Social Security Institute)
IMR	Infant Mortality Rate
IPPF	International Planned Parenthood Federation; (headquarters in London)
IPPF/WHR	International Planned Parenthood Federation / Western Hemisphere Region; (headquarters in New York)
IUD	Intra-Uterine Device
LAC	Latin America and the Caribbean

MCH	Maternal Child Health
MSPAS	Ministry of Public Health and Social Assistance
POPTECH	Population Technical Assistance Project
SDA	Salvadoran Demographic Association
SMT	Sustainability Modeling Tool
SO	Strategic Objective
SOMARC	Social Marketing of Contraceptives Project
TFR	Total Fertility Rate
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
VAT	Value Added Tax
WC	Working Capital

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EXECUTIVE SUMMARY

Since July 1999, through a $9.0 million cooperative grant agreement, USAID/El Salvador has assisted the local private family planning association, the Salvadoran Demographic Association, SDA, in its efforts to attain higher levels of financial sustainability, without disruption in the delivery of quality contraceptive services, particularly services for the rural poor. The agreement, scheduled to end in September 2002, allows for the expansion of SDA programs that generate income in excess of cost in order to cross-subsidize and benefit the SDA social services activities.

In order to consider any future assistance to the SDA, USAID requested that the POPTECH Project conduct an assessment of the SDA's sustainability level and cross-subsidization capacity. Because of programmatic and budgeting constraints, the mission considers that it cannot commit future assistance to the SDA beyond a possible two-year extension of the present agreement and at an annual funding level that would range between 50 to 100% of the 2001 level. The two-person team worked in country, (February 27 to March 13, 2002), interviewing SDA and USAID staff and reviewing program and financial reports.

The overall objective of the present agreement is to assure that by September 2002, the SDA will have reached an overall self-sufficiency rate of 101%, based on the following formula: total income, (sales, less cost of sales), over total operational costs, including amortized investments. Applying the formula for the year 2001, the SDA had attained a sustainability level of 82%. While this measurement of sustainability does provide a general picture as to the size of the SDA operations during a given year, as well as the gap (profit/loss) between income and expenses, it does not allow for strategic planning for those activities that would support the generation of additional income in order to cross-subsidize social service programs. Furthermore, the presently applied indicator, while fostering the need to concentrate on revenues, without adequately assessing cash flow, creates a distortion in the institution's true financial sustainability.

Historically, the major portion of USAID funding to the SDA supported social service activities and covered administrative expenses. Those areas have little, if any, potential for cost recovery. On the other hand, the income generating activities of the SDA, (i.e., business lines), received very limited USAID support. The funding for the business lines has been provided primarily with the SDA's own resources; and the investments have produced some promising results, although at current levels of operation, they all are not financially self-sustainable.

Cash flow analysis shows that on the average, for the period 1999-2001 and excluding funding from donors, for every $1.00 earned, the SDA spent $1.25, (i.e., a net loss of $0.25) to maintain a level of coverage of 47,755 active users in the Rural Services program and 17,185 youths in the Adolescents Integrated Services program. Projected to the year 2007, and assuming no USAID assistance and a 10% decline in IPPF support per year, the SDA cash flow for cross subsidization would support only 50% of the current coverage levels for both the Rural Services and Adolescents Integrated Services programs.

Implementation of the project suffered numerous constraints. This often resulted in delays in activity start-up, in some cases up to one year. The SDA was faced with the lengthy process in obtaining local commercial sales permits and product registration; feasibility studies that revealed the low-profitability of proposed clinical and marketing activities; and delays in delivery of USAID-funded equipment. These constraints, together with the impact of the two 2001 earthquakes, contributed to the SDA's inability to fully meet agreed upon income generation targets.

Despite the constraints, the social service programs had good results, as USAID invested the bulk of its donations for the implementation and strengthening of those programs and for the management infrastructure required to support them. However, such large, short-term capital infusions, especially when used for non-income generating activities, such as SDA administrative costs, can have a detrimental affect on the institution's sustainability capacity. While the short-term capital can create an immediate programmatic impact, if it is not productive in terms of future cash flow, such impact cannot be sustainable.

It is recommended that the primary objective of any future USAID support should be for those business line interventions that will generate additional cash flow for the SDA but not necessarily increase family planning coverage. On the other hand, all activities to benefit from the additional cash flow should have a direct impact on increased use or improved quality of reproductive health services, particularly services for the rural poor and adolescents.

In keeping within the USAID purpose of "sustainable development," any new SO and project indicators should be related to SDA performance in areas such as cost cutting, (particularly with regard to administrative costs), as well as the area of income generation, i.e., business line activities. At the same time, secondary indicators should be in place to assure that the focus on family planning and reproductive health services is maintained at levels consistent with available cash flow.

A major concern of the USAID mission relates to the timeframe for the termination of assistance to the SDA, particularly within the context of an anticipated new USAID/San Salvador Strategic Plan. The mission wishes to identify specific areas, such as the provision of contraceptive commodities, where USAID assistance could be terminated immediately or on a phase-out schedule. At present the mission is obtaining services of the DELIVER Project to assess the SDA's capacity to assume full responsibility for all future contraceptive procurement. That information, together with the Sustainability Modeling Tool, SMT, developed by the POPTECH team, should provide the mission with sufficient guidance in designing its contraceptive commodities and general exit strategy.

In discussions with USAID and the SDA, the team explored various possible business line activities where support could assist the SDA attain greater levels of financial sustainability during a possible two-year extension. Each proposed activity must yet be studied in view of its feasibility and potential for increasing the institution's cash flow. Unfortunately, critical information for USAID strategic planning, (such as contraceptive prevalence rates and the positioning of the SDA among other contraceptive providers), will not be available until the next national family health survey is completed in 2003. While some of the proposed activities represent new areas for USAID assistance, (such as health insurance packages financed by expatriate Salvadorans to benefit families here), others involve expansion of successful interventions presently supported by USAID, (such as the pharmacy network and the PROFAMILA Hospital).

As a legacy, USAID support under the present cooperative agreement has given the SDA a good start in diversifying its services into those business line areas offering greater profitability to the benefit of the social services activities through cross-subsidization. Furthermore, in addition to the institution's long commitment to the provision of quality family planning and reproductive health services to the poor, a strong sustainability ethic now exists at all levels within the institution.

INTRODUCTION

Since July 1999, through a \$9.0 million cooperative grant agreement, USAID/El Salvador has assisted the local private family planning association, the Salvadoran Demographic Association, SDA, in its efforts to attain higher levels of financial sustainability, without disruption in the delivery of quality contraceptive services, particularly services for the rural poor. The agreement, scheduled to end in September 2002, allows for the expansion of SDA programs that generate income in excess of cost, (such as the Clinical Services Program, the PROFAMILIA Hospital, and the Marketing and Communications Program), in order to cross-subsidize and benefit the SDA social services activities, (such as the Rural Services Program and the Adolescents Integrated Services Program).

The purpose of the agreement is to introduce mechanisms that will assure the continuity of the SDA sexual and reproductive health social programs, with emphasis on the family planning services. This is in keeping with the USAID mission's Strategic Objective #3, "Sustainable improvements in the health of women and children achieved". The work with the SDA will contribute to the attainment of two of the intermediate results: "Increased use of appropriate reproductive health practices and services"; and "An enhanced policy environment to support sustainability of child survival and reproductive health programs."

The overall objective of the agreement is to assure that by the completion date, the SDA would have reached an overall self-sufficiency rate of 101%, based on the following formula: the total income, (sales, less the cost of sales), over the total operational costs, including amortized investments. Therefore, applying the formula for the year 2001, based on income of over \$7.277 million and expenses of \$8.922 million, the SDA had attained a sustainability level of 82%. That compares with the levels of 75% for the year 2000, and 76% for 1999.

While this measurement of sustainability does provide a picture as to the size of the SDA operations during a given year, as well as the gap (profit/loss) between income and expenses, it does not allow for strategic planning for those activities that would support the generation of additional income. Furthermore, the present system, while fostering the need to concentrate on revenues, without adequately assessing cash flow, creates a distortion in the true financial sustainability of the institution. For example, by applying the cash flow analysis modeling tool, (discussed further in this report), for the year 2001, the SDA had attained a sustainability level of only 76%, and not 82% as previously computed.

Since July 1999, when the cooperative agreement began, the infusions of the USAID funding represented a sizeable proportion of the annual SDA budgets. For example, for the year 2000, the first full year of the grant, SDA expenses under the agreement totaled \$3,143,269, or approximately 43.2% of total SDA expenditures. However, for the year 2001, the USAID financed expenses dropped to \$2,545,605, representing 28.53% of the total SDA expenses. Unfortunately, such large, short-term capital infusions, especially when used for non-income generating activities, such as the SDA administrative costs, can have a detrimental affect on the institution's sustainability capacity. While the short-term capital can create an immediate impact, if it is not productive in terms of future cash flow, the impact cannot be sustainable.

In order to discuss any future assistance to the SDA, USAID requested that the POPTECH Project perform a quick assessment of the SDA's sustainability level and cross-subsidization capacity. As outlined in the Scope of Work, (Appendix A), the two-person team would assess the institution's general level of financial sustainability as well as that of each of the five program areas. Recognizing that the USAID agreement does not have indicators or milestones to measure progress towards sustainability or cross-subsidization, the team was also requested to provide USAID and the SDA with a financial modeling tool that would link the cash flow generating capacity of the SDA programs to the per person beneficiaries of the Rural Services Program and the Adolescents Integrated Services Program. (Those are the two programs identified by USAID that might be considered for future support). The tool allows SDA and USAID the ability to quantify their assumptions for a valid exit strategy, (see Appendix D).

During the two-week assignment in country, the team met with USAID/San Salvador staff, the SDA central level staff, and the SDA Board President. SDA financial documentation for the institution's entire operation was reviewed, with special concentration on the data for the calendar years 1999, 2000 and 2001. The POPTECH report provides the requested sustainability assessment, taking into consideration the past constraints, and addresses the concerns of the USAID mission, with suggested areas and timeframe for USAID assistance during a graduation/phase-out period.

BACKGROUND

The purpose of the following discussion is to provide the context within which the USAID family planning support to the SDA has been framed. For more than 30 years, the United States Agency for International Development, USAID, has provided assistance to the local public and private sector institutions in El Salvador in order to increase the awareness and use of contraceptive methods. Throughout the years, USAID has maintained a continuous partnership with the Salvadoran Demographic Association, the SDA, which serves as the national affiliate of the International Planned Parenthood Federation, IPPF. As a result, the support from USAID has positioned the SDA on a solid financial and institutional footing. Today the SDA is recognized as the leading private sector advocate for family planning as well as provider of quality family planning and reproductive health care.

By 1998, the support from USAID allowed El Salvador, considered to be the most densely populated country in Latin America, to reduce its annual rate of population growth to 2.02%, and the crude birth rate to 27.6. At the same time, through the dedicated efforts of the SDA, the contraceptive prevalence rate (CPR) increased to a respectable 59.7%, helping to bring down the total fertility rate (TFR) to 3.6. Unfortunately, there remains a tremendous and alarming discrepancy between the rural and urban areas in this regard. As of 1998, the observed TFR, (which is the number of children that a woman would have throughout her reproductive years), was 4.5 in rural El Salvador, compared to 2.8 in the urban areas. USAID has justifiably focused its support to benefit the rural poor and to assure equity with regard to quality family planning and reproductive health services.

The following table, based on data available in 2001, provides a comparative picture of a few demographic and health indicators of El Salvador and its neighbors.

Table No. 1: SELECTED DEMOGRAPHIC AND HEALTH INDICATORS FOR EL SALVADOR AND OTHER CENTRAL AMERICAN COUNTRIES

INDICATOR / COUNTRY	Percent of Population Under Age 15	Rate of Natural Increase	Infant Mortality Rate	Total Fertility Rate	Contraceptive Prevalence Rate	
					All Methods	Modern Methods
EL SALVADOR	36%	2.3%	30	3.5	60	54
HONDURAS	43%	2.8%	42	4.4	50	41
NICARAGUA	43%	3.0%	40	4.3	60	57
GUATEMALA	44%	2.9%	50	4.8	38	31
COSTA RICA	32%	1.8%	12	2.6	80	72
U.S.- (For Comparison)	21%	0.6%	7	2.1	76	71

Source: Population Reference Bureau, "2001 World Population Data Sheet", PRB, Washington, D.C. 2001.

The "1998 National Family Health Survey - (FESAL-98)" provides the most recent available data on contraceptive use in El Salvador. (The next survey is scheduled for early 2003). With respect to the source of contraceptive methods and supplies for those women married or in union at the time of the 1998 survey, the three major sources were: the Ministry of Health (MSPAS) 47 percent; the Salvadoran Social Security Institute (ISSS) 18 percent; and the SDA 16 percent. Pharmacies accounted for 6 percent and other private physicians and clinics only 4 percent. (A portion of the pharmacies coverage could be attributable to the work of the SDA's contraceptive marketing activities, thereby raising the SDA share of total coverage to about 18 to 19 percent). It appears that while the SDA is a key provider of contraceptive services, particularly in the rural areas, nevertheless the public sector institutions carry the greatest share of the burden.

The FESAL-98 also provided an outlook for contraceptive use beyond 1998. At the national level, the three methods with the largest potential demand were: injection (37.4 percent); female sterilization (23 percent); and oral contraceptives (18 percent). Of those women aged 15 to 44 who were married or in union and wanting to use a contraceptive method but not currently using one, the injection was the most favored method across categories of pregnancy status / preference, with the exception of those currently pregnant who reported a stronger preference for female sterilization, (42 percent). Data provided by the FESAL surveys serve all institutions providing contraceptive services in their strategic planning.

The Ministry of Health facilities were the most commonly cited source for future contraceptive use, independent of method preference and including women with no preference. The percentage who would seek services from the MSPAS ranged from a high of 72.8 percent among those who would use oral contraceptives to 34 percent of those who would use methods classified as "other", including condoms, Norplant, vasectomy and vaginal methods. (It should be noted that the Ministry of Health offers all of its family services free. The SDA, on the other hand, charges for all methods, although the rural poor are provided the contraceptives at highly subsidized prices).

The Salvadoran Social Security Institute was the second most cited source for potential future contraceptive services among those stating a preference for female sterilization, IUD or "other methods", and it was tied for second with the SDA among women who would use the injection. The SDA was the third most cited source for those who would seek female sterilization, IUD and "other methods, and was tied for second place with pharmacies as the source of oral contraception.

The 1998 FESAL also provided information on the estimates of contraceptive need, based on actual risk for an unintended pregnancy among those women aged 15 to 44, married or in union, and not currently using a contraceptive method. Women who need family planning are those who are not and do not want to be pregnant but are at risk of pregnancy as a result of not using contraception. Compared with the previous reproductive health survey, conducted in 1993, it was observed that the proportion needing family planning services declined at the national level from 9.2 percent to 8.2 percent in 1998.

It should be noted, however, that this decrease was the result to a great extent of a two percent decline in the proportion of urban women estimated to need services, while the proportion of rural women was basically unchanged. The percentage in need of family planning services varied from 4.9 percent among urban women to 12.1 percent of the rural women. In recent years, the intent of the SDA rural outreach program, which is supported by USAID, is to address this unmet need among the rural population.

Despite the successes to date, the population projections for El Salvador, over the years 2001 to 2006 as estimated by the General Statistics and Census Directorate of the Salvadoran Ministry of Economy, (see Table No. 2, below), would indicate an increasing demand for family planning and reproductive health services, particularly among women of fertile age and young adults in the age group 10 to 19 years old. Again, USAID/El Salvador has justifiably identified the focus of its family planning and reproductive health support on the growing number of adolescents and women of reproductive age, particularly those in rural areas.

Table No. 2: EL SALVADOR POPULATION: TOTAL POPULATION AND SELECTED AGE GROUPS 2001 to 2006

YEAR	Total Population	Male & Female 10 – 14 years old	Male & Female 15 – 19 years old	Female 15 – 44 years old
2001	6,396,890	695,670	655,150	1,553,216
2002	6,517,798	707,294	656,323	1,583,835
2003	6,638,168	720,117	661,005	1,613,927
2004	6,757,408	732,843	667,980	1,644,074
2005	6,874,926	744,245	676,296	1,674,547
2006	6,990,658	754,304	685,940	1,706,569

Source: Rep. de El Salvador, Min. de Economía, DIGESTYC, "Proyección de la Población de El Salvador, 1995-2025," Dic. 1996.

Another limiting factor regarding the outlook for the SDA is the anticipated income from the International Planned Parenthood Federation (IPPF), the only significant source of funding other than USAID. Because of the IPPF's increasing deficits in funds available to affiliate members, its donations to El Salvador have steadily declined over the past years. The total value of combined contributions, in cash, contraceptive commodities, and for special projects, declined from $444,441 in 1997, to $386,015 in 1998, to $310,561 in 1999, and $260,422 in 2001. And according to the new IPPF/WHR Board President, (who happens to also be the President of the SDA), the outlook for funding is very grim. Compared to the SDA annual operating budget for the year 2002, which according to IPPF/WHR is approximately $9.46 million, the contribution from IPPF for that same year, ($92,236 in cash and $103,770 in contraceptive commodities), is not significant. This appears to be the situation with other IPPF sister affiliates in Central America. (See Table No. 3).

Table No. 3: IPPF CASH AND COMMODITY DONATIONS TO SELECT MEMBER AFFILIATES, 2002

Affiliate	Cash	Contraceptive Commodities	Total IPPF Donation	Total Affiliate Budget	% of Affiliate Budget Represented by IPPF Donation
El Salvador	$ 92,236	$ 103,770	$ 196,006	$ 9,459,018	2.1%
Guatemala	$ 174,205	$ 15,000	$ 189,205	$10,325,322	1.8%
Honduras	$ 160,984	$ 18,856	$ 179,840	$ 6,392,696	2.8%
Nicaragua	$ 169,279	$ 87,670	$ 256,949	$ 5,709,479	4.5%

Source: Email from IPPF/WHR, Victoria Ward to Jorge Hernandez, 3/8/02.

An additional consideration as to future USAID support for the sustainability of the private family planning association is the unstable commitment of the public sector to family planning. In recent years, the political vicissitudes of the Ministry of Health with regard to its commitment to the provision of family planning services has been a valid and major concern to USAID. In order to protect its long and costly investment in assuring the availability of these services to all Salvadorans, particularly to the poor, and to guarantee the sustainability of those programs, USAID has identified the SDA as the only local NGO with the strongest commitment to family planning and with the greatest potential for long-term institutional and financial independence.

FRAMEWORK OF THE ASSESSMENT METHODOLOGY

The assessment methodology applies a corporate finance cash modeling analysis to assess the cash flow and financial sustainability of the SDA. The analysis tries to capture the real level of cash flow sustainability by incorporating financial ratios to measure, quantify and project the SDA's operations as a business. This application of cash flow analysis is based on the following assumptions:

- The levels of operating assets managed by the SDA are similar to or greater than the levels of private health care corporations in El Salvador.
- The sustainability index (defined as revenues over total operating assets including amortized payments) does not account for an assessment of cash flow management and cannot serve as a benchmark to plan and measure capital investment initiatives of the SDA.
- The cash flow analysis provides a sound structure to directly link and quantify future cash flow needs to the cost per beneficiary in the Rural Services and Adolescents Integrated Services Programs of the SDA.

The current levels and complexity of the businesses or income generating activities of the SDA have reached a size similar to or greater than other private health care corporations in El Salvador. As of 2001, with total fixed assets of US$9.6 million, inventories of US$2.1 million, and a net worth of US$8.2 million, the SDA ranks in the top five largest health care institutions in the country. Moreover, the capital investment needs and sales volumes of operating assets, such as the PROFAMILIA Hospital, the San Salvador Clinic, and the network of pharmacies, is comparable to a medium/large private health care company in El Salvador.

The sustainability index does not account for the cash management of changes in working capital. This exclusion creates a critical distortion for the SDA, which holds levels of inventory and accounts receivable similar to a private health care corporation. For instance, the SDA can have a sustainability index of 101%; however, monthly changes in working capital from the rotation of inventory and accounts receivable generate a cash deficit. The accumulation of this monthly negative cash flow over several periods can bring operations to a halt. There are cases of private health care corporations that report in the audited statements levels of revenues that exceed operating expenses, (i.e., a sustainability index greater than 100%), but these same corporations are on the brink of bankruptcy because of negative cash flow from bad cash management practices associated with managing working capital needs.

Capital investment initiatives require a cash flow return analysis to guide management in the implementation of business plans. The focus of the sustainability index on revenues, rather than a focus on cash flow, distorts the decision of management to invest in a particular project. For instance, an investment project can generate revenues in excess of operating expenses; however, net cash flow is less than the financial cost of the funds utilized.

Even if revenues exceed operating expenses and the sustainability index is greater than 100%, when net cash flow is less than the cost of capital, the project is a dead end proposition. With the vision of long-term financial sustainability in an environment with limited capital resources, the allocation of assets needs to be carefully assessed and quantified to make appropriate decisions. In this manner, the sustainability index cannot serve as a benchmark for asset allocation of future capital investment initiatives. The benchmarks are cash flow projections that measure the Net Present Value of the projects.

The corporate finance analysis of cash flow to reach a price per share is the analogy used to link the SDA's future cash flow needs and the costs per beneficiary reached in both the Rural Services and Adolescents Integrated Services programs. For a corporation, free cash flow is the added value to the shareholders. For the SDA, free cash flow is the added value to provide and maintain services to the beneficiaries of the Rural and Adolescents programs.

Likewise, with a limited number of shareholders, the value per share in a corporation is a function of the total free cash flow available in each period. For the SDA, the cost per beneficiary for each social program is the value per share. For the social impact to be sustainable in each period, the total number of beneficiaries to be reached, times the cost per beneficiary, needs to be a function of the available free cash flow. Hence, the analysis for the SDA should calculate availability of free cash flow and the future cash needs of each social program from the cost per beneficiary times the number of beneficiaries.

Free Cash Flow is calculated as follows:

Table No. 4: FREE CASH FLOW

Item	Comments
+ /- EBIT	Earnings Before Interest and Tax (EBIT) is the cash available after all purchases of inventory and expenses from operations are covered.
- Interest Expense	Payments of interest on debt, if any
- Taxes	Payments of taxes on taxable earnings, if any
- CAPEX	Capital Expenditures (CAPEX) are the cash required to maintain, upgrade, remodel and purchase equipment, plant, and properties. This is considered the cash for capital investments.
-/ + Changes in Working Capital	The cash inflow or outflow from the changes in accounts receivable, inventory, other current assets, accounts payable and other current liabilities. This is considered the cash managed to maintain monthly operations and it is a function of the rotation in days of the accounts in the current assets and liabilities mentioned above.
+ Depreciation	From the total amounts of fixed assets amortized over a specific time period. Depreciation represents a source of cash because it is an expenditure charged to the income statement but not disbursed.
= Free Cash Flow	The sum of all items mentioned above.

Cost per beneficiary is calculated as follows:

Table No. 5: COST PER BENEFICIARY

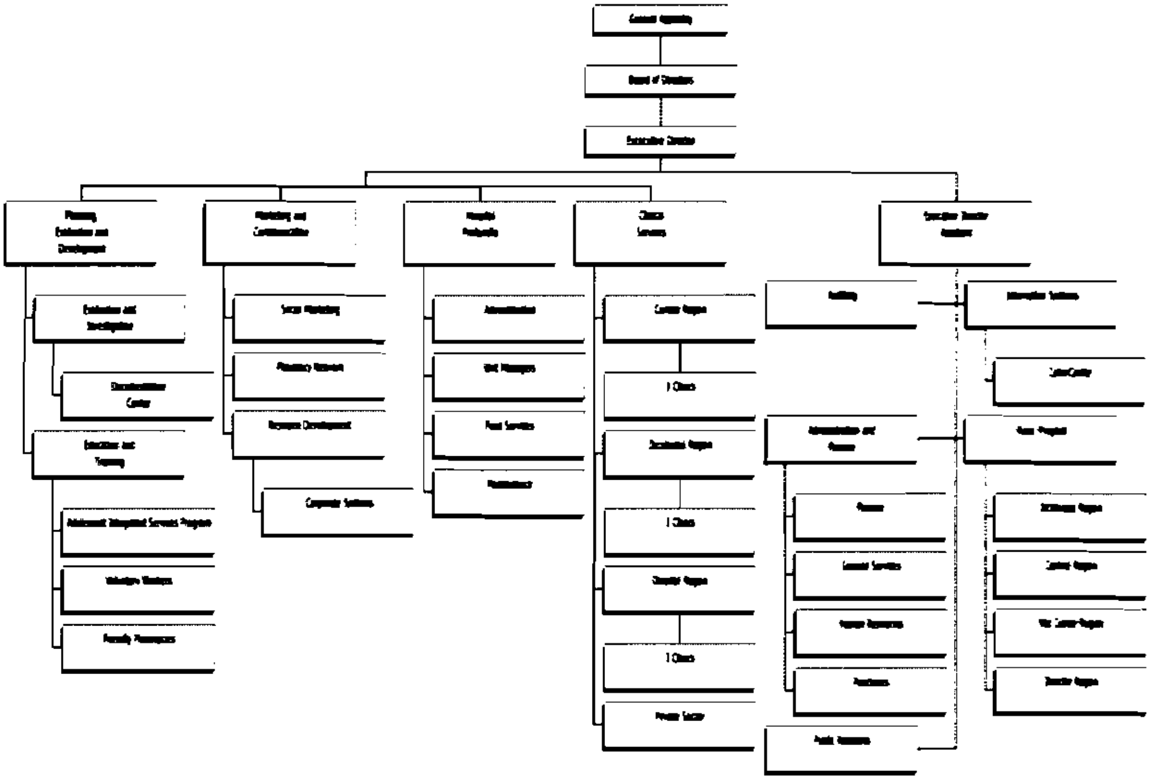
Item:	Definition/Calculation:
Direct Costs	Cash outflow associated with inventory, materials, and CAPEX
Indirect Costs	Cash outflow associated with operating expenses, and administration
Number of Beneficiaries	Active users of contraceptive methods in the Rural Program. Adolescents reached in the Adolescent Program.
Cost Per Beneficiary =	The sum of Direct and Indirect Costs over the Number of Beneficiaries

The following sections of the assessment provides a discussion of the general level of financial sustainability of the SDA as well as an analysis of the major programs, taking into consideration the cost per beneficiary and the potential for cash flow. The analysis focuses on the cash flow capacity of the institution and of its various business line activities, with specific interest in the potential for cross subsidization to support two of the SDA social service activities, i.e., the rural services and the adolescent integrated services.

GENERAL LEVEL OF SDA SUSTAINABILITY

Overview

The SDA general organizational structure is comprised of eight departments, each with a general management responsible for planning and executing budgets, developing and implementing strategic plans, assessing and evaluating results, and monitoring daily activities. Each department reports to the Executive Director, who in turn is evaluated by the Board of Directors. Recent changes in the organizational structure include the creation of an Assistant Executive Director responsible for managing and overseeing four of the departments and reporting to the Executive Director. The detailed organizational structure is as follows:



Historical Analysis:

The historical analysis, which focuses on the SDA's financial sustainability results for the period 1999 to 2001, consists of the following elements:

- USAID Cooperative Agreement Funding by Areas;
- Constraints Limiting Target Attainment;
- Programmatic Results of Social Services;
- Financial Sustainability Results;
- Activities to be Considered for USAID Graduation.

<u>USAID Cooperative Agreement Funding by Areas:</u>

The distribution of recent USAID funding can be categorized as falling into two activity areas: those activities with revenue growth potential and those areas described primarily as areas of consumption/expenditure, with little or no capacity for revenue growth. The following table presents the detail distribution of funding by areas for the years 1999 to 2001.

Table No. 6: DISTRIBUTION OF USAID FUNDING BY ACTIVITY AREAS: 1999 – 2001 (In U.S. Dollars)

YEAR / ACTIVITY AREA	FUNDING SOURCES			
	USAID		SDA AND OTHER	
YEAR: 1999	$	%	$	%
SOCIAL SERVICES PROGRAMS	1,641,793	76.46%	1,135,625	26.66%
Rural Services	960,853	44.75%	118,186	2.77%
Planning and Evaluation	86,462	4.03%	143,495	3.37%
Adolescent Services	1,343	0.06%	23,711	0.56%
Clinic Services	115,499	5.38%	88,991	2.09%
Administration and Other	477,636	22.24%	761,242	17.87%
BUSINESS LINE	505,395	23.54%	3,124,219	73.34%
Social Marketing and Communications	34,832	1.62%	316,880	7.44%
Pharmacies	8,566	0.40%	-	-
Clinic Services	461,997	21.52%	355,966	8.36%
PROFAMILIA Hospital	-	-	2,451,373	57.55%
TOTAL 1999	**2,147,188**	**100.00%**	**4,259,844**	**100.00%**
YEAR: 2000	$	%	$	%
SOCIAL SERVICES PROGRAMS	1,480,008	46.9%	1,706,502	32.2%
Rural Services	377,955	12.0%	225,619	4.3%
Planning and Evaluation	94,489	3.0%	230,830	4.4%
Adolescent Services	31,496	1.0%	37,259	0.7%
Clinic Services	340,159	10.9%	526,165	9.9%
Administration and Other	635,909	20.0%	686,629	12.9%
BUSINESS LINE	1,675,598	53.1%	3,598,689	67.8%
Social Marketing and Communications	188,977	6.1%	657,706	12.4%
Pharmacies	62,992	2.0%	583,359	11.0%
Clinic Services	1,360,637	43.0%	2,104,660	39.7%
PROFAMILIA Hospital	62,992	2.0%	252,964	4.8%
TOTAL 2000	**3,155,606**	**100.00%**	**5,305,191**	**100.00%**
YEAR: 2001	$	%	$	%
SOCIAL SERVICES PROGRAMS	1,239,871	49.3%	1,520,741	21.3%
Rural Services	370,326	14.7%	216,573	3.0%
Planning and Evaluation	91,994	3.7%	146,171	2.1%
Adolescent Services	16,146	0.6%	31,716	0.4%
Clinic Services	217,333	8.6%	141,155	2.0%
Administration and Other	544,072	21.7%	985,126	13.8%
BUSINESS LINE	1,272,734	50.7%	5,604,558	78.7%
Social Marketing and Communications	240,734	9.6%	686,023	9.6%
Pharmacies	35,657	1.4%	1,548,033	21.7%
Clinic Services	869,332	34.6%	564,622	7.9%
PROFAMILIA Hospital	127,011	5.1%	2,805,880	39.4%
TOTAL 2001	**2,512,605**	**100.00%**	**7,125,299**	**100.00%**

Source: Salvadoran Demographic Association, Annual Financial Reports

For the three-year period, the Social Services activities, or Non-Income Generating activities, received on average more than half of the total USAID funding of US$7.8 million. While the Social Services activities accounted for 55.8% or US$4.36 million total funds utilized, the Business Lines, or Income Generating activities, received the remaining 44.2% or US$3.45 million. Moreover, those Business Lines that have shown the greatest positive cash flow increments during the three-year period received less than 5% of the USAID funds. Over the period, the PROFAMILIA Hospital received an average of only 2.4%, or US$190,003 of total funds; while, the pharmacy activities received an average of 1.37%, or US$ 107,215.

In the funding distribution, it is important to note that Clinical Services activity is classified as both a Social Program Service and a Business Line. This dual classification responds to the hybrid nature of the activity. Although the Clinical Services have a potential to generate positive cash flow, the family planning and medical services are cross-subsidized internally in order to provide coverage for low income people through a price differentiation structure. The cross subsidy is absorbed within the Clinical Services cost/expense structure. Therefore, it is assumed that Clinical Services is an activity where the available cash flow supports only the cross subsidy of the services it offers to particular income groups and there is no cash flow capacity to cross subsidize income to other Social Services activities.

The two key factors identified from the assessment of the distribution of funds that had an impact in the sustainability of SDA are:

i) Mismatch of Funding Allocations: The historical allocations of funds distort the general purpose of the funding, i.e., to increase the level of SDA sustainability. The allocation of the majority of the funds to support the growth of operating expenses associated with the Social Services activities created a faster capacity to expend, and may have undermined the capacity of the Business Line activities to support the increasing overall expenditures.

ii) Expense/Cost Structure and Medium/Long Term Social Impact: The funds allocated to Social Services activities while generating immediate improvements in programmatic results, created a medium/long term financially non self-sustainable cost/operating structure. The implication is that historic programmatic results achieved with USAID funding are not sustainable in the medium/long term.

Constraints Limiting Target Attainment:

The assessment of constraints limiting target attainment places the programmatic and financial results in the actual operational context experienced by SDA over the past three years. Some of the main constraints identified by the SDA in the attainment of programmatic and financial results were:

- Up to a one year delay in delivery of USAID funded equipment. The financial implication is an estimated revenue loss of US$85,000 for the potential sales of services from the mammography and ultrasound equipment.

- An average one year delay in obtaining local permits and licenses for new products for the pharmacies. The financial implication is an estimated revenue loss of US$800,000.

- The unexpected reduction in IPPF donations which declined an average of 32%

- Changes in the tax code required that SDA had to pay the VAT of 13%.

- The impact of two major earthquakes in 2001. As a result the earthquakes, the clinic/hospital services suffered significant reductions in both revenues and number of beneficiaries. For instance, the estimated revenue loss, including the loss of ISSS contracts, for the PROFAMILIA Hospital was US$240,000. At the same time, the fund-raising cash flow declined an estimated US$11,000 as local donations normally available to the SDA were directed elsewhere for earthquake relief assistance and reconstruction. The SDA also faced unplanned costs for repairs and upgrades that generated an estimated loss of US$50,000.

Programmatic Results of Social Services:

With more than half of its funding going to the Social Services activities, the SDA was able to attain significant programmatic results, as follows:

Table 7: Couple Years Protection by Social Services Activities

PROGRAM	1999	2000	2001	Total
RURAL SERVICES	29,987	29,458	30,690	**90,135**
CLINIC SERVICES	23,450	23,074	22,162	**68,686**
SOCIAL MARKETING AND COMMUNICATIONS	43,561	46,401	44,980	**134,942**
TOTAL SDA	**96,998**	**98,933**	**97,832**	**293,763**

Source: Salvadoran Demographic Association: Annual Program Reports.

As of the end of 2001 the SDA generated an aggregate total of 293,763 Couple Years Protection, CYPs. During the past three years, the aggregate number of CYPs experienced a positive growth. The decline registered from 2000 to 2001 is a result of the reduced demand and volume of services rendered due to the earthquake.

For the Rural Services Activity and Adolescent Integrated Services Activity, the results in terms of numbers of beneficiaries, productivity and cost per beneficiary also show positive trends. The results are the following:

Table No. 8: Number of Beneficiaries and Cost per Beneficiary for Selected Activities: 1999 - 2001

	1999	2000	2001
BENEFICIARIES RURAL			
Number Beneficiaries per	**43,056**	**43,782**	**47,755**
Growth /	N/A	1.7%	9.1%
Estimated Cost per	(17.55)	(9.59)	(8.69)
Indirect Cost	10%	15%	20%
Total	**(19.30)**	**(11.03)**	**(10.43**
TOTAL CASH FLOW	**$ (831,188**	**$ (483,049**	**$ (498,007**
BENEFICIARIES ADOLESCENT			
Number Beneficiaries per	**14,183**	**11,032**	**17,185**
Growth /	N/A	-22.2%	55.8%
Estimated Cost per	(1.33)	(4.46)	(2.88)
Indirect Cost	10%	10%	10%
Total Cost	(1.46)	(4.91)	(3.16)
TOTAL CASH FLOW	**$ (20,738**	**$ (54,123**	**$ (54,372**

The number of beneficiaries in the Rural Services activity increased 9.3% from the levels of 1999 to the current levels in 2001. During this period, however, the number of promoters declined from close to 1,200 in 1999 to a current level of 680 in 2001. The remarkably improved productivity levels of the promoters contributed to an effective cost reduction per beneficiary of 85.7% from 1999 to 2001. At the same time, the Adolescent Integrated Services activities reported higher numbers of beneficiaries. From 1999 to 2001 the number of beneficiaries increased by 21%. The reduced cost per beneficiary reflects the higher efforts of the SDA each year to reach more adolescents through more cost efficient strategies.

Financial Sustainability Results:

The following analysis quantifies SDA attained levels of self-sufficiency utilizing cash flow levels as the key indicator. The general financial results are the following:

Table No. 9: Historical Cash Flow Modeling of SDA

	Historical 1999	2000	2001	Ratios / Assumptions
REVENUES	**4,501,343**	**5,355,653**	**6,781,191**	
Rural Program Services	183,437	192,407	176,701	2.6%
Planning, Evaluation and Development	12,464	13,836	16,927	0.2%
Adolescent Program	4,537	-	420	0.0%
Marketing and Communications	711,872	774,846	666,490	9.9%
Pharmacies	-	157,245	1,661,943	24.5%
Resource Development	46,549	54,122	42,447	0.6%
Clinical Services	880,731	866,012	1,215,059	17.9%
Hospital Profamilia	2,533,181	2,973,589	2,733,087	40.3%
Other	128,571	323,597	268,317	4.0%
COST OF GOODS SOLD (CGS)	**(1,197,707)**	**(1,869,963)**	**(2,851,290)**	-42.3%
Contraceptive Supplies	(158,764)	(640,474)	(528,028)	-7.8%
Medical / Laboratories Supplies	(575,135)	(741,790)	(2,028,826)	-29.9%
Other Medical Supplies	(407,864)	(393,189)	(255,572)	-3.8%
Consumables	(45,372)	(62,412)	(24,462)	-0.4%
Other Supplies	(10,571)	(32,098)	(14,403)	-0.2%
GROSS EARNINGS	**3,303,636**	**3,485,690**	**3,929,901**	58.0%
SELLING, GENERAL, ADMINISTRATIVE EXPENSES (SGA)	**(3,974,973)**	**(3,525,514)**	**(4,417,664)**	-65.1%
Personnel Expenses	(1,987,532)	(1,947,363)	(2,223,534)	-32.8%
Selling and General Expenses	(1,394,960)	(1,512,811)	(2,045,107)	-30.2%
Administrative Expenses	(592,481)	(65,340)	(149,023)	-2.2%
Depreciation	(148,998)	(218,783)	(540,271)	-8.0%
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(820,334)**	**(258,608)**	**(1,028,034)**	-15.2%
EBIT MARGIN	-18.2%	-4.8%	-15.2%	
Interest Expense	-	-	-	0.0%
Taxes	-	-	-	0.0%
NET EARNINGS	**(820,334)**	**(258,608)**	**(1,028,034)**	-15.2%
NET EARNINGS MARGIN	-18.2%	-4.8%	-15.2%	
Capital Expenditures (CAPEX)	(420,388)	(731,874)	(226,300)	-10.0%
Depreciation	148,998	218,783	540,271	v
Changes in Working Capital Historical	(675,201)	(803,348)	(1,017,179)	-15.2%
Changes in Working Capital Projected				-7.0%
FREE CASH FLOW ADS GENERAL LEVEL	**(1,764,925)**	**(1,575,046)**	**(1,731,242)**	
FREE CASH FLOW MARGIN	-39.3%	-29.4%	-25.5%	-31.4%
FUNDING SOURCES				
USAID	**2,147,188**	**3,149,624**	**2,477,080**	**87.3%**
Cash	1,902,204	3,045,765	2,184,991	77.0%
Growth / (Decline)	N/A	60.1%	-28.3%	
Commodities	244,984	103,859	292,089	10.3%
Growth / (Decline)	N/A	-57.6%	181.2%	
IPPF	**399,847**	**243,987**	**250,781**	**8.8%**
Cash	244,734	120,408	133,427	4.7%
Growth / (Decline)	N/A	-50.8%	10.8%	
Commodities	155,113	123,579	117,353	4.1%
Growth / (Decline)	N/A	-20.3%	-5.0%	
Other	-	-	**118,990**	**3.9%**
Growth / (Decline)	N/A	#DIV/0!	#DIV/0!	
TOTAL	**2,547,035**	**3,393,611**	**2,838,851**	
Cash	2,146,938	3,166,173	2,429,408	85.6%
Commodities	400,097	227,438	409,442	14.4%
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	**780,188**	**1,818,565**	**1,107,608**	
MARGIN OF CASH SUPPORT	144.2%	215.5%	164.2%	174.5%

The general environment of the historical cash flow modeling is a rapid increase in grants/subsidies to support Social Services activities with a slower grant/subsidy to support Business Lines. In this environment, the attained levels of financial self-sufficiency of the SDA are summarized as follows:

Table No. 10: General Level of SDA Cash Flow Margin: 1999 - 2001

1999 SDA General Level	2000 SDA General Level	2001 SDA General Level
Free Cash Flow Margin (39.3)%	Free Cash Flow Margin (29.4)%	Free Cash Flow Margin (25.5)%

The Free Cash Flow Margin indicates the level of self-sufficiency quantifying the excess and or deficit in cash flow of the SDA. For example, the 2001 Free Cash Margin means that for every dollar the SDA generated, it lost US 25.5 cents. Conversely, it shows that in 2001 the SDA cash flow supported only 74.5% of the cash needs from operations.

The Cash Flow Margin differs from the Sustainability Index in that the base of measurement is cash flow, not revenues. The higher levels of self-sufficiency reported by SDA, when measured by the Sustainability Index, did not include the inherent cash flow deficit in changes from working capital. In the cash flow modeling of the SDA, the changes in working capital generate an estimated loss of 15 cents per dollar of revenues, representing US$1.017 million negative cash flow for 2001.

The results show a consistent improvement in cash flow for the SDA. From 1999 to 2001, the SDA cash flow capacity increased by 54.1% reaching a Free Cash Flow Margin of negative 25.5% in 2001 from the much higher negative 39.3% in 1999.

The main reasons for the Cash Flow Margin improvement are:

- The Network of Pharmacies: In 2000, SDA invested its own resources to launch a network of pharmacies (note, USAID supported with only US$98,800 of the total SDA investment of more than US$1.4 million. Most of that was represented by US$1.2 million investment in pharmacy stock). At the end of 2001, the pharmacies generated revenues of US$1.66 million for a positive cash flow margin of 4.3%, or a US$71,617 cash flow to the SDA.

- PROFAMILIA Hospital: The Hospital continued to make consistent positive cash flow contributions to the SDA social services programs. From 1999 to 2001 the Hospital had contributed to the SDA a positive cash flow of over US$500,000. At the end of 2001, the Hospital generated revenues of US$2.73 million, with a positive cash flow margin of 5.5%, or about US$150,671. That did not include a US$245,942 cash cross subsidy charged during the year.

- Cost Reduction Measures: SDA implemented cost control measures to reduce the total operating expenses (not including stock of inventory and consumables). While in 1999 the total operating expenses represented 88.3% of revenues, by 2001 operating expenses represented only 65.1% of revenues. In other words, for every dollar earned in 1999, US 88.3 cents were consumed in operating expenses as compared to only US 65.1 cents in 2001.

Activities to be Considered for USAID Graduation:

Activities supported by USAID funding that could be considered for graduation at the end of 2002 are the following:

Table No. 11. Activities Ready for Graduation and Outlook for 2002 - 2007

Activities`	Status at the End of 2001	Outlook 2002 – 2007
3 Pharmacies	Positive Free Cash Flow US$76K; Cash Flow Margin 4.3%.	Positive trends to improve Cash Flow Margin from Economics of Scale
Pro-Familia Hospital	Positive Free Cash Flow US$150K; Cash Flow Margin 5.5%.	Positive trends to improve Cash Flow Margin from Cost Reduction Measures
Clinical Services	Free Cash Flow Margin (34%)	2 year horizon for maturity of capital investments to generate a positive Free Cash Flow Margin
Administration	All training proposed completed. SGA accounts for 65% of revenues	Positive trends with initiatives to reduce SGA and improve Free Cash Flow Margins
Contraceptives	Free Cash Flow supports 40% of total purchases (60% USAID)	2-3 year horizon for a phase-out strategy

As mentioned above, the pharmacies represent a positive cash flow for SDA. The outlook for this business is to continue expansion with additional pharmacies to reach a level of economics of scale where purchase costs are reduced.

The PROFAMILIA Hospital will continue with its costs containment measures. The outlook is good for increased increments in positive cash flow, thereby providing contributions to the SDA as the cost reduction initiatives take effect.

Presently, the Clinical Services are generating a cash flow margin deficit. However, the outlook is positive as the significant capital investments for equipment mature over the next 2-3 years. A positive cash flow margin for Clinical Services implies that there is excess cash to cross subsidize its same services.

Administration expenses supported by USAID as direct line expenditures are ready for graduation. SDA can cover all the administrative expenses of the Social Services activities with cash flow from business lines. Cost containment initiatives will continue and the outlook is that as these initiatives are implemented SDA will improve its free cash flow margin.

Contraceptives cash needs as of the end of 2001 were 40% supported by SDA. The outlook presents the need for a 2-3 year plan for a phase over strategy. (A discussion on contraceptive commodity support and USAID phase over is provided below).

Outlook:

The outlook analysis presents the future financial self-sufficiency of the SDA for the periods from 2002 to 2007. The analysis consists of the following elements:

i) Financial Projections
ii) Areas of Investment for Cash Flow Growth
iii) Scenarios for USAID Extension Funding

Financial Projections:

The cash flow financial projections of the SDA focus on the financial self-sufficiency of the SDA for the next five years and levels coverage the institution can maintain. The financial results of the cash flow projections provide a guide for management to set strategies in the short/medium term for contingencies such as a decline in grants/subsidies. For donors the financial modeling of SDA cash flow allows to quantify sustainable coverage levels.

It should be noted that this financial sustainability analysis considers a worst-case scenario. The scenario first develops in a series of assumptions, and the results are then presented and discussed. The worst-case scenario presents the maximum number of beneficiaries that the SDA can self maintain in the event of no funding from USAID. It is also the bottom benchmark to measure the financial growth or potential of an institution when industry standards are not available. For SDA the worst-case scenario will be the benchmark for management to compare the results of short/medium term financial strategies and for the USAID the measurement of actual future coverage levels that SDA can attain with no additional funding.

The general environment of the worst-case scenario is a rapid decline in grants/subsidies coupled with stagnate growth of the business lines and a rigid cost/expense structure. Specifically, USAID funding will no longer be available after 2002 and the SDA makes immediate adjustments in its cost structure since revenue growth is limited. The assumptions for the key variables are as follows:

Table No. 12: Assumptions per Accounts in the Worst Case Scenario

Accounts	Assumptions	Comments
Revenue	2% growth per annum for business lines.	Growth rate of 0.5% less than annual inflations (2.5%)
Cost of Goods Sold	At 42 % of total revenues	Consistent with historical ratios
Operating Expenses	At 51.1% of total revenues	Expense structure reduction of 14%, accrued from reduction in Personnel and other Administrative Expenses as SDA prepares for lack of funding from donors.
Depreciation	At 8% of total revenues	Consistent with historical ratios
Donor Donations	50% decline per year USAID, no funding after 2003. 10% decline per year of IPPF 50% decline per year of other grants	After 2003, only source of grants/subsidy is IPPF.
Capital Expenditures (CAPEX)	At 10% of depreciation	CAPEX representing 10% of Depreciation is consistent with the no growth assumptions.
Changes in Working Capital	At a negative 7% of total revenues	The negative Changes in Working Capital accounts for the identified cash flow deficiencies in operations of the SDA. These deficiencies are generated from the management of inventory, accounts receivable, and accounts payable. Reduction from historical level as SDA prepares for lack of funding from donors and levels of inventory are reduced.
Inflation	At 2.5% per annum	Consistent with historical figures.

The Pro-Forma modeling of cash flow capacity for the SDA shows the following results:

Table No. 13: Pro-Forma Cash Flow Modeling of SDA: 2002 - 2007

	Ratios / Assumptions	Pro-Forma 2002	2003	2004	2005	2006	2007
REVENUES		6,804,242	7,000,553	7,127,171	7,247,143	7,300,511	7,404,320
Rural Program Services	0.0%	176,701	176,701	176,701	176,701	176,701	176,701
Planning, Evaluation and Development	0.0%	16,927	16,927	16,927	16,927	16,927	16,927
Adolescent Program	0.0%	420	420	420	420	420	420
Marketing and Communications	0.0%	666,490	666,490	666,490	666,490	666,490	666,490
Pharmacies	2.0%	1,695,182	1,729,086	1,763,667	1,798,941	1,834,920	[illegible]
Resource Development	2.0%	43,295	44,161	45,045	45,945	46,864	[illegible]
Clinical Services	2.0%	1,239,360	1,264,147	1,289,430	1,315,218	1,341,523	1,368,353
Hospital Profamilia	2.0%	2,787,748	2,843,503	2,900,373	2,958,380	3,017,549	[illegible]
Other	0.0%	268,117	268,117	268,117	268,117	268,117	268,117
COST OF GOODS SOLD (CGS)	-42.0%	(2,880,824)	(2,947,310)	(2,996,764)	(3,047,300)	(3,098,661)	(3,151,143)
Contraceptive Supplies	-7.8%	(536,830)	(545,809)	(554,968)	(564,309)	(573,838)	(583,557)
Medical / Laboratories Supplies	-29.9%	(2,062,649)	(2,097,149)	(2,132,338)	(2,168,231)	(2,204,843)	(2,242,388)
Other Medical Supplies	-3.8%	(259,832)	(264,170)	(268,611)	(273,133)	(277,745)	(282,449)
Consumables	-0.4%	(24,809)	(25,285)	(25,710)	(26,142)	(26,584)	(27,034)
Other Supplies	-0.2%	(14,643)	(14,880)	(15,130)	(15,382)	(15,657)	(15,917)
GROSS EARNINGS	58.0%	3,995,417	4,062,244	4,130,407	4,199,833	4,270,850	4,343,185
SELLING, GENERAL, ADMINISTRATIVE EXPENSES (SGA)	-51.1%	(3,526,118)	(3,558,544)	(3,593,630)	(3,628,414)	(3,663,880)	(3,700,067)
Personnel Expenses	-26.8%	(1,846,948)	(1,877,840)	(1,909,349)	(1,941,489)	(1,974,271)	(2,007,710)
Selling and General Expenses	-22.2%	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)
Administrative Expenses	-2.2%	(151,508)	(154,042)	(156,627)	(159,263)	(161,952)	(164,695)
Depreciation	-8.0%	(549,278)	(558,465)	(567,836)	(577,394)	(587,144)	(597,088)
EARNINGS BEFORE INTEREST AND TAX (EBIT)	-15.2%	(79,979)	(58,765)	(31,067)	(5,875)	19,830	46,030
EBIT MARGIN		-1.2%	-0.8%	-0.4%	-0.1%	0.3%	0.6%
Interest Expense	0.0%	-	-	-		-	-
Taxes	0.0%	-	-	-	-	-	-
NET EARNINGS	-15.2%	(79,979)	(58,765)	(31,067)	(5,875)	19,830	46,030
NET EARNINGS MARGIN		-1.2%	-0.8%	-0.4%	-0.1%	0.3%	0.6%
Capital Expenditures (CAPEX)	-10.0%	(54,928)	(55,846)	(56,784)	(57,739)	(58,714)	(59,709)
Depreciation	▼	549,278	558,465	567,836	577,394	587,144	597,088
Changes in Working Capital Historical	-15.0%						
Changes in Working Capital Projected	-7.0%	(482,597)	(490,669)	(498,902)	(507,307)	(515,866)	(524,603)
FREE CASH FLOW ADS GENERAL LEVEL		(68,226)	(43,815)	(18,917)	6,479	32,304	58,088
FREE CASH FLOW MARGIN	-31.4%	-1.0%	-0.6%	-0.3%	0.1%	0.4%	0.8%
FUNDING SOURCES							
USAID	87.3%	1,603,084	-	-	-	-	-
Cash	77.0%	1,310,995	-				
Growth / (Decline)		0.0%	-100.0%	0.0%	0.0%	2.0%	2.0%
Commodities	10.3%	292,089	-		-	-	
Growth / (Decline)		0.0%	-100.0%	0.0%	0.0%	0.0%	0.0%
IPPF	8.8%	225,703	203,132	182,819	164,537	148,083	133,275
Cash	4.7%	120,085	108,076	97,269	87,542	78,788	70,909
Growth / (Decline)		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Commodities	4.1%	105,618	95,056	85,550	75,995	68,296	62,366
Growth / (Decline)		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Other	3.9%	55,495	13,874	-	-	-	-
Growth / (Decline)		-50.0%	-75.0%	-100.0%	0.0%	0.0%	0.0%
TOTAL		1,804,282	217,006	182,819	164,537	148,083	133,275
Cash	85.6%	1,486,575	121,950	97,269	87,542	78,788	70,909
Commodities	14.4%	397,707	95,056	85,550	75,995	68,296	62,366
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES		1,816,080	173,191	163,902	171,017	180,467	192,081

From the above, it appears that the SDA would be able to improve its cash flow margin consistently over the projected periods as the cost containment initiatives mature. In 2002, the free cash flow margin of negative 1% is attained since in preparation for the expected donor exit the operations are restructured immediately. The following improvements over the years 2003 to 2007 indicate the positive effects of the initiatives taken in 2002. The SDA free cash flow margin in 2007 therefore would result at a positive 0.8%

The cash flow available at the end of each period is the measurement of the coverage levels. The following table provides the worst-case scenario coverage levels for selected program activities that the SDA can attain in each period.

Table No. 14: Pro-Forma Cash Flow Modeling of Coverage Levels Supported for Each Period: 2001 - 2007

	2001	Assumptions	Pro-Forma 2002	2003	2004	2005	2006	2007
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	1,107,400		1,814,056	171,191	162,902	171,817	[illegible]	192,001
SDA Cash Flow	[illegible]		(10,917)	6,475	32,384	[illegible]	-	-
USAID Grant	2,477,000		1,603,004	-	-	-	-	-
Other Grants	[illegible]		[illegible]	[illegible]	142,819	[illegible]	[illegible]	[illegible]
BENEFICIARIES RURAL PROGRAM								
Number Beneficiaries per Package	47,755		47,755	23,878	23,878	23,878	25,071	26,325
Growth (Decline)	9.1%		0.0%	-50.0%	0.0%	0.0%	5.0%	5.0%
Estimated Cost per Beneficiary	(8.69)	0.0%	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Indirect Cost Adjustments	20%		10%	8%	8%	6%	6%	6%
Total Cost Per Beneficiary	$ (10.43)		$ (9.58)	$ (9.30)	$ (9.30)	$ (9.21)	$ (9.21)	$ (9.21)
TOTAL CASH FLOW NEED	$ (498,007)		$ (458,506)	$ (224,103)	$ (224,103)	$ (219,953)	$ (230,951)	$ (242,498)
Percentage Paid by Beneficiaries	35.5%	35.5%	(161,936)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Percentage Paid by Subsidy	64.5%	64.5%	(294,570)	(144,587)	(144,587)	(141,910)	(148,895)	(156,456)
CASH SURPLUS/(DEFICIT) AVAILABLE FOR OTHER PROGRAMS	786,303		1,321,528	28,603	10,315	29,907	21,482	15,638
BENEFICIARIES YOUTH PROGRAM								
Number Beneficiaries per Package	17,185		17,185	8,592	8,592	9,022	9,473	9,947
Growth (Decline)	55.0%		0.0%	-50.0%	0.0%	5.0%	5.0%	5.0%
Estimated Cost per Beneficiary	(2.80)	4.0%	$ (2.80)	$ (2.80)	$ (2.80)	$ (2.80)	$ (2.80)	$ (2.80)
Indirect Cost Adjustments	13%		8%	8%	3%	3%	3%	3%
Total Cost Per Beneficiary	$ (3.16)		$ (3.02)	$ (3.02)	$ (2.88)	$ (2.88)	$ (2.88)	$ (2.88)
TOTAL CASH FLOW NEED	$ (54,372)		$ (51,901)	$ (25,951)	$ (24,715)	$ (25,951)	$ (27,249)	$ (28,610)
Percentage Paid by Beneficiaries	0.8%	0.8%	(401)	(201)	[illegible]	[illegible]	[illegible]	[illegible]
Percentage Paid by Subsidy	99.2%	99.2%	(51,500)	(25,750)	(24,524)	(25,750)	(27,037)	(28,389)
TOTAL CASH AVAILABLE / (NEED)	$ 731,930		$ 1,469,625	$ 2,652	$ (5,400)	$ 3,156	$ 4,214	$ 7,015

The results show that SDA coverage levels for the Rural Services activities and the Adolescent Integrated Services activities decline 50% in 2003 when USAID funding is assumed to be no longer available. The decline results from the limited cash flow available to maintain the cost per beneficiary in both the Rural and Adolescent activities. However, as cash flow improves over the next several periods, the SDA is able to increase coverage by 5% per period in 2006 and 2007 in the Rural Services activities, to reach 26,235 beneficiaries in 2007. Similarly, the coverage for the Adolescents activities increases at a rate of 5% per period in 2005, 2006, and 2007 to reach 9,947 beneficiaries in 2007.

The cost per beneficiary in both programs follows the historical trends improving over the projected periods. The improvement of the cost structure in both programs follows from the historical productivity attained where fewer promoters achieved a higher number of beneficiaries at a lower cost.

In general, the Sustainability Modeling Tool quantifies the decline in coverage if USAID funding is not available. The link of cash flow availability and the cost per beneficiary provides the framework for future decision and strategic planning from both the donor and the SDA in order to set realistic future coverage targets.

Areas of Investment for Cash Flow Growth:

Cash flow margins, as the indicator to attain self -sufficiency linked to a specific level of coverage, implies that future investments of the SDA need to be allocated to those business lines that can generate additional cash flow. The following is a list of investment ideas that the SDA is considering to fund either with its own resources or, if possible, with donor funding in order to increase future cash flow generation.

- Pharmacies: The SDA is considering the replication of the pharmacy model to attain a required level of economies of scale to lower purchase costs. The investment items include: feasibility studies, better information technology of cost measurement and control, additional hardware/software, stock purchases, infrastructure, marketing and promotion.

- PROFAMILIA Hospital: The SDA is considering additional capital investment to improve quality, diversify services and reduce costs at the PROFAMILIA Hospital. The investment items include: equipment upgrade, remodeling infrastructure, better information technology of cost measurement and control and additional hardware/software.

- New Ventures: The SDA is considering new ventures to increase demand for services and generate hard currency needed for overseas procurement of equipment and commodities. The new ventures include: international health care insurance whereby Salvadorans living in the United States can purchase health care insurance for relatives in El Salvador through access to the medical services of the PROFAMILIA Hospital.

- Clinical Services: The SDA is considering additional capital investment to maintain quality, to expand services, and to reduce costs. The investment items include: upgrading equipment, remodeling infrastructure, expanding laboratories, improving information technology for better cost measurement and control, and additional hardware/software.

- General Cost Containment and Information Management Tools: The SDA is considering the investment in technology to drive efficiency in cost containment initiatives, measurement of cash flows levels, and decisions of capital allocations among the various business lines.

- Contraceptives: The SDA has begun dialogue with sister Central American IPPF affiliates to explore initiates to assure contraceptive commodity security. Logistics management and other technical support are being sought for the development and implementation of a phase-out plan. (See section below on Contraceptive Commodities for details).

Scenarios for USAID Extension Funding:

The following analysis provides an additional modeling exercise to quantify the coverage levels that SDA can attain with USAID funding investment initiatives for the business lines. The exercise is only a guide for the donor to set targets according to the funding support of investment initiatives. It is important to remember that the coverage levels attained are a direct function of the cash flow growth assumptions of the realized investment.

The key assumptions of the modeling exercise are:

- The funding levels in each scenario represents capital investment in business lines of the SDA that can generate an aggregate cash flow compound return of 5% per annum to support the cash flow needs of social program services.
- The SDA adjusts and rationalizes its cost/expense structure based on the funding levels of each scenario.
- The SDA rationalizes the long-term sustainable levels of coverage for the Rural Services activities based on the funding levels of each scenario.

The additional cash flow for each scenario shows the following results:

Table No. 15: Range of Possible Funding Options from USAID Agreement Extension Based on Cash Needs for Target Coverage Levels

	2001	Assumptions	2002	2003	2004
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	**1,187,400**		**1,540,286**	**(183,732)**	**(114,197)**
ADS Cash Flow	(1,731,242)		(343,995)	(320,738)	(297,016)
USAID Grant	**2,477,400**		**1,603,804**	-	-
Other Grants	361,771		281,198	217,006	182,819
CASH SURPLUS/(DEFICIT) AVAILABLE FOR OTHER PROGRAMS	**609,602**		**1,334,115**	**(306,155)**	**(316,619)**
PROPOSED LEVELS OF USAID FUNDING AND CASH FLOW CAPACITY					
SCENARIO 1 (100% Historical Level)		2,500,000	-	2,500,000	5,000,000
ADDITIONAL CASH FLOW		(Per Year)	-	**125,000**	**381,250**
SCENARIO 2 (75% Historical Level)		1,500,000	-	1,500,000	3,000,000
ADDITIONAL CASH FLOW		(Per Year)	-	**75,000**	**228,750**
SCENARIO 3 (50% Historical Level)		1,000,000	-	1,000,000	2,000,000
ADDITIONAL CASH FLOW		(Per Year)	-	**50,000**	**152,500**
Discount Rate	Discount Rate	5.0%			

The additional cash flow generated for each funding scenario is as follows:
US$381,250 for Scenario 1
US$228,750 for Scenario 2
US$152,500 for Scenario 3.

Based on the additional cash flow generated in each scenario, the level of coverage that can be maintained is the following:

Scenario 1: Funding Levels at 100% of Historical

	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
[illegible]	[illegible]			[illegible]		[illegible]		[illegible]
SDA Cash Flow	[illegible]			[illegible]		[illegible]		[illegible]
[illegible]	[illegible]			[illegible]		-		-
Other Grants	[illegible]			[illegible]		[illegible]		[illegible]
[illegible]								
[illegible]	[illegible]			[illegible]		[illegible]		[illegible]
Total Cost Per Beneficiary	$ [illegible]		$	[illegible]	$	[illegible]	$	[illegible]
TOTAL CASH/(CASH NEED)	$ [illegible]		$	[illegible]	$	[illegible]	$	[illegible]
Percentage Paid by Beneficiaries	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
Percentage Paid by Subsidy	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
[illegible]								
Number of Beneficiaries	[illegible]			[illegible]		[illegible]		[illegible]
Total Cost Per Beneficiary	$ [illegible]		$	[illegible]	$	[illegible]	$	[illegible]
TOTAL CASH/(CASH NEED)	$ [illegible]		$	[illegible]	$	[illegible]	$	[illegible]
Percentage Paid by Beneficiaries	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
Percentage Paid by Subsidy	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
TOTAL CASH AVAILABLE / (NEED)	$ [illegible]		$	[illegible]	$	[illegible]	$	[illegible]

The results show that coverage levels in the year 2004 are 33,429 beneficiaries for the Rural Services activities and 17,185 beneficiaries for the Adolescents Integrated Services activities. The decline in coverage level from the 2001 historical level is due to the fact cash flow accumulation is only projected for two years, whereas the maturity of the investment can take between 5 to 7 years. Hence, the immediate coverage levels reduction experience in the earlier years is totally offset in the long term with consistent increases in cash flow as the investment matures.

Scenario 2: Funding Levels at 75% of Historical

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
SDA Cash Flow	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	-	-
Other Grants	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]					
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]

Results show that coverage levels in the year 2004 are 31,041 beneficiaries for the Rural Services activities and remain constant at 17,185 for the Adolescent Integrated Services activities. The decline in coverage is due to the reduced additional cash flow and to the time needed for maturity of the investments as explained in Scenario 1.

Scenario 3: Funding Levels at 50% of Historical

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	-	-
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]					
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]

Results show that coverage levels in the year 2004 are 28,653 beneficiaries for the Rural Services activities and remain constant at 17,185 for the Adolescent Integrated Services activities. The decline in coverage is due to the reduced additional cash flow and to the time needed for maturity of the investment as explained in Scenario 1

THE SDA BUSINESS LINES AND SOCIAL SERVICES PROGRAMS

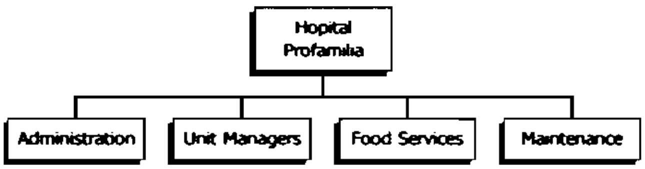
This analysis of SDA programs presents the general operational structure and cash flow results of all the areas considered as Social Services Programs and Business Lines.

The section is comprised as follows:

i) PROFAMILIA Hospital
ii) Marketing and Communications
 - Social Marketing
 - Pharmacies Network
 - Resource Development
iii) Clinical Services
iv) Rural Services
v) Planning, Development and Evaluation
 - Adolescents Integrated Services

PROFAMILIA Hospital

The general operational structure of the PROFAMILIA Hospital is as follows:



The four units of the PROFAMILIA Hospital are under the direction of the general manager. The unit managers include areas such as nursing, whereas the food services unit includes the SDA cafeteria as well as patient kitchen services. The historical cash flow for the PROFAMILIA Hospital is as follows:

Table No. 16: Cash Flow Modeling of PROFAMILIA Hospital: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions Ratios
REVENUES	2,533,181	2,973,589	2,733,087	
Products	1,145,790	1,245,192	1,190,782	2.3%
Services	1,387,391	1,728,397	1,542,305	1.8%
COST OF GOODS SOLD (CGS)	(829,429)	(921,109)	(831,660)	
Contraceptive Supplies	-	-	-	0.0%
Medical / Laboratories Supplies	(384,837)	(458,345)	(548,655)	-20.1%
Other Medical Supplies	(407,864)	(393,189)	(255,572)	-9.4%
Consumables	(26,157)	(37,477)	(13,031)	-0.5%
Other Supplies	(10,571)	(32,098)	(14,402)	-0.5%
GROSS EARNINGS	1,703,753	2,052,480	1,901,427	69.6%
Personnel Expenses	(873,213)	(953,200)	(1,023,961)	37.5%
Selling / General / Administrative Expenses (SGA)	(697,942)	(597,223)	(667,682)	24.4%
Depreciation	(70,937)	(79,193)	(130,381)	-4.8%
EARNINGS BEFORE INTEREST AND TAX (EBIT)	61,660	422,864	79,402	2.9%
Interest Expense	-		-	0.0%
Taxes	-			0.0%
NET EARNINGS	61,660	422,864	79,402	2.9%
Capital Expenditures (CAPEX)	(159,654)	(100,415)	(59,112)	-2.2%
Depreciation	70,937	79,193	130,381	
Changes in Working Capital Historical	-	-	-	0.0%
Changes in Working Capital Proyected				0.0%
FREE CASH FLOW	(27,057)	401,642	150,671	5.5%

The main findings of the historical cash flow analysis are:

- The free cash flow margin at the end of 2001 was a positive 5.5%, representing US$150,671. This cash flow margin excludes a US$245,942 cash cross subsidy charged by SDA to PROFAMILIA Hospital as an expense. Taking into consideration this cross subsidy charge of 2001 would account for an additional positive 8.9% to the free cash flow margin

- Consistent cost reduction measures with total operating expenses accounting for 66.7% of total revenues.

Marketing and Communications

The general operational structure of the Marketing and Communications Program area is as follows:

The Marketing and Communications Program is comprised of three unit managers, supervised in turn by a general manager. The units are: Social Marketing, Pharmacies Network (comprised of three pharmacies) and Resource Development, which includes corporate services.

Social Marketing:

The historical cash flow for the social marketing program is the following:

Table No. 17: Cash Flow Modeling of Social Marketing Program: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	**711,872**	**774,846**	**666,490**	
Social Marketing	711,872	774,846	666,490	0.0%
Other	-	-	-	0.0%
COST OF GOODS SOLD (CGS)	**(107,878)**	**(349,872)**	**(306,014)**	
Contraceptive Supplies	(107,792)	(348,277)	(302,178)	45.3%
Medical / Laboratories Supplies	(86)	(1,594)	(3,836)	-0.6%
Other Medical Supplies	-	-	-	0.0%
Consumables				0.0%
Other Supplies	-	-	-	0.0%
GROSS EARNINGS	**603,994**	**424,975**	**360,476**	54.1%
Personnel Expenses	(125,161)	(124,477)	(157,484)	23.7%
Selling / General / Administrative Expenses (SGA)	(115,674)	(317,710)	(379,150)	-56.9%
Depreciation	-	(1,807)	(1,739)	-0.3%
EBIT	**362,956**	**(18,969)**	**(178,101)**	26.7%
Interest Expense	-	-	-	0.0%
Taxes		-	-	0.0%
NET EARNINGS	**362,956**	**(19,969)**	**(170,101)**	[illegible]
Capital Expenditures (CAPEX)	(2,659)	(2,023)	(3,534)	-0.5%
Depreciation	-	1,807	1,739	
Changes in Working Capital Historical	-	-	-	0.0%
Changes in Working Capital Projected				0.0%
FREE CASH FLOW	**360,297**	**(19,985)**	**(175,896)**	-22.1%

The main findings of the historical cash flow analysis are:

- The free cash flow margin was a negative 27% at the end of 2001. The negative cash flow margin indicates the rate at which the program needs to be subsidized. In this case, the program needs a subsidy of US 27.3 cents of every dollar earned. The cash flow deficit is generated mostly from the costs of contraceptives, which in 2001 accounted for 45.3% of total revenues.

- This program is the largest consumer of USAID donated contraceptives. In 2001, Social Marketing represented over 60% of all contraceptives donated to SDA.

<u>Network of SDA Pharmacies:</u>

The historical cash flow for the pharmacies network is the following:

Table No. 18: Cash Flow Modeling of Pharmacies Network: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	-	157,245	1,661,943	
Pharmacy 1	-	62,517	654,236	0.0%
Pharmacy 2	-	55,800	527,001	0.0%
Pharmacy 3	-	38,928	480,707	0.0%
COST OF GOODS SOLD (CGS)	(24,298)	(167,803)	(1,267,217)	
Contraceptive Supplies	-	-	-	0.0%
Medical / Laboratories Supplies	(24,298)	(167,803)	(1,267,217)	-76.2%
Other Medical Supplies	-	-	-	0.0%
Consumables	-	-	-	0.0%
Other Supplies	-	-	-	0.0%
GROSS EARNINGS	(24,298)	(10,559)	394,726	23.8%
Personnel Expenses	-	(23,449)	(106,735)	6.4%
Selling / General / Administrative Expenses (SGA)	(22,257)	(108,430)	(184,703)	-11.1%
Depreciation	-	(7,993)	(26,903)	-[illegible]%
EBIT	(46,554)	(150,431)	76,385	4.6%
Interest Expense	-	-	-	0.0%
Taxes	-	-	-	0.0%
NET EARNINGS	(46,554)	(150,431)	76,385	4.6%
Capital Expenditures (CAPEX)	-	(38,282)	(31,671)	-1.9%
Depreciation	-	7,993	26,903	
Changes in Working Capital Historical	-	-	-	0.0%
Changes in Working Capital Proyected				0.0%
FREE CASH FLOW	(46,554)	(180,720)	71,617	4.3%

The main findings of the historical cash flow analysis are:

- The free cash flow margin was a positive 4.3% at the end of 2001. The cash flow generation capacity of the pharmacies is fully illustrated in 2001 since the project was initially implemented during 2000.

- The cost structure of the business line shows that the largest item is inventory of US$1.2 million in 2001, accounting for 76.2% of total revenues. The SDA developed and invested in this business line with little support from donors. All the stock purchases were realized with institutional resources.

Resource Development:

The historical cash flow for resource development is the following:

Table No. 19: Cash Flow Modeling of Resource Development Program: 1999-2001

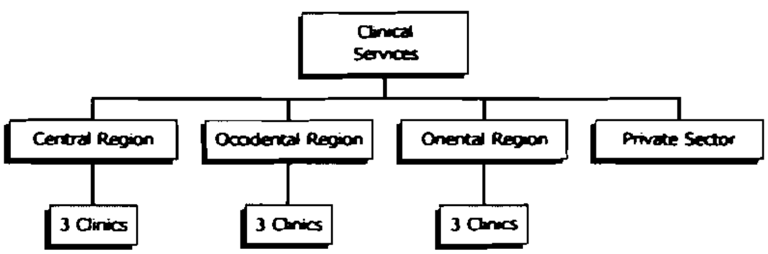
CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	**46,549**	**54,122**	**42,447**	
Resource Development	46,549	54,122	42,447	[illegible]
Other	-	-	-	[illegible]
COST OF GOODS SOLD (CGS)	**(4,102)**	**(4,471)**	**(2,902)**	
Contraceptive Supplies	-	-		[illegible]
Medical / Laboratories Supplies	-	-	-	[illegible]
Other Medical Supplies	-	-	-	[illegible]
Consumables	(4,102)	(4,471)	(2,902)	[illegible]
Other Supplies	-		-	[illegible]
GROSS EARNINGS	**42,447**	**49,650**	**39,545**	93.2%
Personnel Expenses	(10,033)	(10,731)	(11,953)	28.2%
Selling / General / Administrative Expenses (SGA)	(8,799)	(12,369)	(25,587)	60.1%
Depreciation	-	-	-	[illegible]
EBIT	**23,616**	**26,551**	**2,089**	4.9%
Interest Expense	-			[illegible]
Taxes	-	-	-	[illegible]
NET EARNINGS	**23,616**	**26,551**	**2,089**	4.9%
Capital Expenditures (CAPEX)	-	-	-	[illegible]
Depreciation	-	-		[illegible]
Changes in Working Capital Historical	-	-	-	[illegible]
Changes in Working Capital Proyected				[illegible]
FREE CASH FLOW	**22,616**	**26,551**	**2,089**	4.9%

The main findings of the historical cash flow analysis are:

- The free cash flow margin was a positive 4.9% at the end of 2001, representing US$2,089. The significant reduction reported from 2000 to 2001 is due to the fact that in the aftermath of the two major earthquakes in early 2001, local donors who in prior years had supported the SDA, now allocated most of their donations to earthquake reconstruction efforts.

Clinical Services

The general operational structure of the Clinical Services Program is as follows:



The area is comprised of three geographical regions each with three clinics under the direct supervision of a general manager. The regions are: Central, Occidental and Oriental.

The historical cash flow for the Clinical Services Program is the following:

Table No. 20: Cash Flow Modeling of the Clinical Services Program: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	**880,731**	**866,012**	**1,215,059**	
Products	251,375	171,307	364,528	[illegible]
Services	629,356	694,705	1,215,159	[illegible]
COST OF GOODS SOLD (CGS)	**(216,887)**	**(216,797)**	**(264,186)**	
Contraceptive Supplies	(50,972)	(102,749)	(55,067)	-4.5%
Medical / Laboratories Supplies	(165,914)	(114,047)	(209,118)	17.2%
Other Medical Supplies	-	-	-	0.0%
Consumables	-	-	-	0.0%
Other Supplies	-	-	-	0.0%
GROSS EARNINGS	**663,844**	**649,215**	**950,873**	78.3%
Personnel Expenses	(476,210)	(556,526)	(660,527)	-54.4%
Selling / General / Administrative Expenses (SGA)	(146,601)	(343,124)	(627,943)	51.7%
Depreciation	(78,061)	(86,166)	(330,594)	-27.2%
EBIT	**(37,027)**	**(336,601)**	**(668,181)**	-55.0%
Interest Expense	-	-	-	0.0%
Taxes	-	-	-	0.0%
NET EARNINGS	**(37,027)**	**(328,801)**	**(668,161)**	-55.0%
Capital Expenditures (CAPEX)	(158,301)	(523,902)	(77,288)	6.4%
Depreciation	78,061	86,166	330,594	
Changes in Working Capital Historical	-	-	-	0.0%
Changes in Working Capital Proyected				0.0%
FREE CASH FLOW	**(117,267)**	**(774,237)**	**(414,866)**	-34.1%

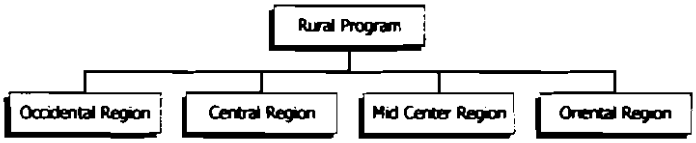
The main findings of the historical cash flow analysis are:

- The free cash flow margin was a negative 34.1% at the end of 2001, representing a cash flow loss of US$414,866. The reasons for the negative cash flow include: (1) the significant capital investment during the last three years, (totaling US$759,491 in equipment and expansion of laboratories), have not reached maturity, and (2) the hybrid nature of the program whereby there is internal cross subsidization to beneficiaries of medical and family planning services.

- Regarding the capital investment realized during the last three years, the expected maturity of the investments would be in the next two to three years, based on historical trends in utilized capacity and volume of services-provided that reflect a five- to seven-year maturity period. At the end of maturity for the investments there is a real possibility that Clinical Services will attain a positive free cash margin where the excess cash flow will be utilized to continue the internal cross subsidization of the services.

- Cost containment efforts have been effective as personnel expenses accounted for 54.4% of revenue in 2001 compared to 64% in 2000.

Rural Services Program



The Rural Services Program is comprised of four regions under the supervision of a general manager. The regions are identified as: Occidental; Central; Mid-Center; and Oriental. The reach of the operations of the program consists of 680 local rural promoters distributed among the four regions.

The historical cash flow analysis for the Rural Services Program is the following:

Table No. 21: Cash Flow Modeling of the Rural Services Program: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	183,437	192,407	176,781	
Products	183,437	192,407	176,781	[illegible]
Services	-	-	-	[illegible]
COST OF GOODS SOLD (CGS)	-	(189,448)	(170,782)	
Contraceptive Supplies	-	(189,448)	(170,782)	-96.7%
Medical / Laboratories Supplies	-	-	-	[illegible]
Other Medical Supplies	-	-	-	[illegible]
Consumables	-	-	-	[illegible]
Other Supplies	-	-	-	[illegible]
GROSS EARNINGS	183,437	2,959	5,910	[illegible]
Personnel Expenses	(457,241)	(217,500)	(196,121)	-111.0%
Selling / General / Administrative Expenses (SGA)	(390,274)	(111,677)	133,364	-75.5%
Depreciation	-	(35,936)	(40,567)	[illegible]
EBIT	(859,082)	(362,054)	(364,225)	-216.1%
Interest Expense	-	-	-	[illegible]
Taxes	-	-	-	[illegible]
NET EARNINGS	(859,083)	(362,054)	(364,135)	-214.1%
Capital Expenditures (CAPEX)	(96,541)	(57,989)	55,871	[illegible]
Depreciation	-	35,836	40,567	[illegible]
Changes in Working Capital Historical	-	-	-	[illegible]
Changes in Working Capital Projected				[illegible]
FREE CASH FLOW	(758,626)	(394,307)	(374,439)	-211.9%
BENEFICIARIES RURAL PROGRAM				
Number of People Reached	42,058	43,782	47,755	
Estimated Cost per Beneficiary	$ (17.55)	$ (8.70)	$ 7.84	

The main findings of the historical cash flow analysis are:

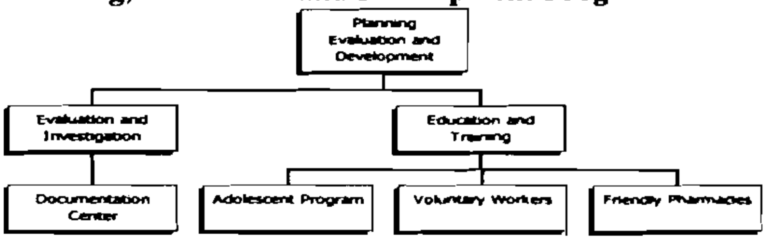
- The free cash flow margin was a negative 211.1% at the end of 2001, representing a cash flow loss of US$314,866. The negative cash flow margin indicates the rate at which the program needs to be subsidized. In this case, the program needs a subsidy of US $2.11 for every dollar earned. The cash flow deficit is generated mostly from both the costs of contraceptives, which in 2001 accounted for 96.7% of total revenues, and personnel expenses, which accounted for 111% of total revenues.

- The program has reported some operational efficiency regarding personnel. Personnel expenses, although representing a significant portion of total expenses, have declined as a percentage of revenues from 247% in 1999 to 111% in 2001. The improvement in personnel expenses is due to the reduction in number of promoters from almost 1,200 in 1999 to 680 in 2001.

- Coupled with the reduction in personnel expenses, the promoters have increased productivity. In 1999, the number of beneficiaries totaled 43,056 at a direct cost per beneficiary of US$17.5 (excluding indirect costs) compared to the number of beneficiaries in 2001 of 47,735 at direct cost per beneficiary of US$7.84 (excluding indirect costs).

- The level of subsidy for the cost per beneficiary as of 2001 is 65%. The beneficiary pays the remaining 35%. This indicates that the level of cash flow generation of the program as a whole will be limited to the capacity of beneficiaries to absorb part of the cost of contraceptives.

Planning, Evaluation and Development Program



The Planning, Evaluation and Development Program is comprised of the evaluation and investigation unit which includes national surveys, feasibility studies, the Documentation and Cyber Center, and the education and training units. It also includes the Adolescents Integrated Services activities, Volunteer Workers, and the Friendly Pharmacies activity. The present assessment looks only at the Adolescents Integrated Services activity and the Documentation and Cyber Center, which have been supported in recent years by USAID. (Whereas the national Salvadoran Family Health Survey, FESAL, is carried out by the SDA, the USAID funding is provided for separately).

Adolescents Integrated Services Activities:

The historical cash flow analysis for Adolescents Integrated Services activities is the following:

Table No. 22: Cash Flow Modeling of Adolescents Integrated Services: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	4,537	-	420	
Products	-	-	-	[illegible]
Services	4,537	-	420	[illegible]
COST OF GOODS SOLD (CGS)	(3,439)	(13,191)	(4,944)	
Contraceptive Supplies	-	-	-	[illegible]
Medical / Laboratories Supplies	-	-	-	[illegible]
Other Medical Supplies	-	-	-	[illegible]
Consumables	(3,439)	(13,191)	4,944	[illegible]
Other Supplies	-	-	-	[illegible]
GROSS EARNINGS	1,098	(13,191)	(4,524)	[illegible]
Personnel Expenses	(15,482)	(23,659)	[illegible]	[illegible]
Selling / General / Administrative Expenses (SGA)	(4,072)	(12,605)	(12,252)	[illegible]
Depreciation	-	-	[illegible]	[illegible]
EBIT	(18,453)	(48,454)	(49,388)	[illegible]
Interest Expense		-		[illegible]
Taxes		-		[illegible]
NET EARNINGS	(18,453)	(48,456)	(49,388)	[illegible]
Capital Expenditures (CAPEX)	-	(746)	42	[illegible]
Depreciation	-	-		[illegible]
Changes in Working Capital Historical	-			[illegible]
Changes in Working Capital Projected				[illegible]
FREE CASH FLOW	(18,853)	(49,283)	(48,430)	[illegible]
BENEFICIARIES YOUTH PROGRAM				
Number of People Reached	14,103	11,032	17,185	
Estimated Cost per Beneficiary	$ (1.33)	$ (4.46)	$ 2.88	

The main findings of the historical cash flow analysis are:

- The free cash flow margin is not applicable because the program (as considered by the SDA and USAID) has no historic or future cash flow generation capacity. At the end of 2001, the total program cost of US$49,850 served to reach 17,185 beneficiaries at a direct cost of US$2.88 per beneficiary, (excluding indirect costs).

- The improvement in productivity of the program is evident when comparing the cost per beneficiary and number of beneficiaries over years. In 2000, the cost per beneficiary totaled US$4.46, (excluding indirect costs), and reached 11,032 adolescents, while in 2001 the unit cost totaled US$2.88, (excluding indirect costs), and reached 17,185 beneficiaries.

Documentation and Cyber Center:

The historical cash flow analysis for the Documentation and Cyber Center is the following:

Table No.23: Cash Flow Modeling of Documentation and Cyber Center: 1999-2001

CASH FLOW	Historical 1999	2000	2001	Assumptions
REVENUES	**12,464**	**13,836**	**16,927**	
Documentation Center	6,748	6,892	5,752	0.0%
Cyber Center	5,716	6,944	11,175	0.0%
Other	-	-	-	0.0%
COST OF GOODS SOLD (CGS)	**(11,674)**	**(8,273)**	**(3,586)**	
Contraceptive Supplies	-	-	-	0.0%
Medical / Laboratories Supplies	-	-	-	0.0%
Other Medical Supplies	-	-	-	0.0%
Consumables	(11,674)	(8,273)	(3,586)	-21.2%
Other Supplies	-	-	-	0.0%
GROSS EARNINGS	**790**	**5,563**	**13,341**	78.8%
Personnel Expenses	(34,991)	(37,872)	(35,842)	-211.8%
Selling / General / Administrative Expenses (SGA)	(8,938)	(9,672)	(14,609)	-86.3%
Depreciation	-	(7,788)	(8,110)	47.9%
EBIT	**(43,139)**	**(49,769)**	**(45,219)**	-267.1%
Interest Expense	-	-	-	0.0%
Taxes	-	-	-	0.0%
NET EARNINGS	**(43,139)**	**(49,769)**	**(45,219)**	-267.1%
Capital Expenditures (CAPEX)	(3,230)	(7,716)	(3,783)	-22.3%
Depreciation	-	7,788	8,110	
Changes in Working Capital Historical	-	-	-	0.0%
Changes in Working Capital Projected				0.0%
FREE CASH FLOW	**(46,369)**	**(49,697)**	**(40,892)**	-241.6%

- The free cash flow margin was a negative 241.6% at the end of 2001, representing a cash flow loss of US$40,892. The negative cash flow margin indicates the rate at which the program needs to be subsidized. In this case, the program needs a subsidy of US$2.41 for every dollar earned. The cash flow deficit is generated mostly from operating expenses where personnel expenses accounted for 211% of total revenues.

- The program has reported some operational efficiency regarding personnel. Personnel expenses, although representing a significant portion of total expenses, have declined as percentage of revenues from 281% in 1999 to 211% in 2001. The improvement in personnel expenses is due to cost containment initiatives of the SDA.

The "Sustainability Modeling Tool" (SMT) used for this financial assessment of the SDA is contained as Appendix D.

CONTRACEPTIVE COMMODITIES

This section of the assessment addresses the USAID mission's special concern regarding the provision of USAID-donated contraceptives and its plans to transfer this responsibility to the SDA.

Historically, USAID has been the largest donor of contraceptives to El Salvador. Since 1985, (and with planned deliveries into 2003), USAID will have provided more than $8,106,000 worth of contraceptive supplies to El Salvador. Over the recent nine-year period, 1993 to 2001, while the Ministry of Public Health received some $2,141,000 in contraceptives, the SDA received a near-equivalent amount, valued at $2,088,000.

While in recent years the SDA has taken on more responsibility for the provision of contraceptives, (purchasing supplies with local funds and seeking out other providers, such as a possible consortium of the Central American IPPF affiliates), there yet remains a valid concern for the SDA's high dependency on the USAID donations. Furthermore, in recent years, the provision of USAID contraceptives was sometimes not properly coordinated with SDA, at times resulting in stock-outs and disruptions to services, particularly in the rural areas.

With technical assistance from the USAID/Washington-managed DELIVER Project, the mission is in the process of designing a rational phase-over plan in order to transfer complete responsibility for the procurement of contraceptive commodities, including procurement of USAID-funded contraceptive commodities, to the local partners in both the public and private sectors. To do this, the institutions basically will require sufficient time and some technical assistance to set up procurement systems, acquire the skills, and to guarantee that the budgetary requirements are in place for an orderly phase-over. Experiences in other family planning programs in the LAC region would indicate that such phase-overs require from three to five years.

A valid concern of the SDA is with the "minimum contraceptive stock levels" recommended over the years by the USAID-CDC logistics management advisors, (six months), and that of IPPF, (nine months). As long as those donors provided the contraceptives free to the SDA, and in such large quantities, there has been little concern. USAID would usually replace any product that had been lost or damaged or that had passed the expiration dates. And there has never been any concern by the SDA to maintain an adequate cash flow to maintain the stock levels of these donated commodities. However, once USAID ceases to provide donated contraceptives, the SDA will have to rethink, and most likely adjust downwards, its future minimum stock levels, more in keeping with the rational re-supply flow of product from other sources, as well as the availability of cash flow for this purpose.

In the case of the SDA, whereas work has begun in this area, it is estimated that a successful phase-over could take up to three years beyond the presently scheduled September 2002 termination date. Phase-overs of contraceptive supply responsibility involve a large number of time-consuming tasks, many of which occur sequentially.

The timeframe for the cessation of USAID-donated contraceptives must figure into the broader picture of the overall sustainability of the SDA and its social service programs. At present, the sale of USAID contraceptives provides some of the income to support the social service programs. Taking away those contraceptives would require the institution to either raise the prices to the rural poor far beyond their reach, thereby defeating the intent of USAID and the SDA to serve that target population, or to reduce or eliminate other social service activities, such as the Adolescent Integrated Services Program. Any abrupt cessation in the provision of contraceptive supplies would not only cause considerable damage to the image of the SDA as a reliable source of quality family planning services, but could lead to numerous unwanted pregnancies. Fortunately, however, USAID is working closely with the SDA and is providing technical assistance to develop a schedule and plan for the rational phase-over of responsibility for commodity procurement from USAID to the SDA.

In contemplating any future assistance to the SDA beyond the present cooperative agreement, USAID might consider the creation of a "contraceptive security fund". Other USAID missions have employed this mechanism successfully as they planned for phase-over of assistance to the local family planning NGOs. The fund can be designed in various ways, according to the needs of the program and the availability of USAID funding. Some funds have been designed as endowments, capitalized with income generated from the sales of USAID-donated contraceptives and matched with additional grant funds. The USAID Office of Population projects can provide technical assistance in this area.

An overall concern of USAID is to determine whether or not the SDA has the financial capability to absorb the purchase of USAID-funded contraceptives. The premise of the consultants is that, based upon the financial analysis of the institution and its free cash flow capacity, (as documented in this report) it is feasible for the SDA to purchase its own contraceptives, but at a cost to the program, both in quantity and quality of services and to the SDA's long term financial sustainability efforts. Therefore, any phase-over strategy in the area of contraceptive procurement must take into consideration these factors.

Finally, it should be noted that El Salvador is not alone in attempting to address this problem. Recognizing that without an adequate and reliable source of contraceptives no country can have an effective family planning program, the Office of Population is placing greater emphasis on "contraceptive security". Particular attention is being given to those countries positioned for graduation from USAID population assistance, such as the case with El Salvador.

DEBRIEFING PRESENTATION TO USAID

At the end of the visit, the POPTECH team met in a full session with the USAID SO #3 Team members and with the SDA Executive Directorate and Program Directors in order to discuss the preliminary findings. The Sustainability Modeling Tool that had been developed by the POPTECH consultants, with application to the recent past performance of the SDA, (for the three years, 1999 – 2001), and projected cash flow and cross subsidy analysis for the future years, (to 2007), was presented and discussed. Both the SDA and USAID recognized the usefulness of this tool and considered that the team's findings would be helpful as the two institutions strategize for an eventual phase-out of the USAID support.

The USAID staff explained that, because of its programmatic and budgeting constraints, the mission considers that it cannot commit future assistance to the SDA beyond a possible two-year extension of the present agreement and at an annual funding level that would range between 50 to 100% of the 2001 level. In response to the USAID request for suggested areas of future financial support, within the discussed parameters, the POPTECH team worked with the SDA Executive Directorate to prepare the following presentation that will form the basis for future USAID/SDA negotiations.

The presentation to USAID/San Salvador (see Appendix E), includes a summary of accomplishments to date under the existing cooperative agreement, an historical (i.e., recent three-years) cash flow analysis, the cash flow needs for the maintenance of two subsidized social services programs, (the Rural Services Program and the Adolescents Integrated Services Program, and suggested scenarios for USAID funding support, based on a possible two-year extension beyond September 30, 2002, and at levels ranging between 50 to 100% of the 2001 funding level. This presentation was made to the USAID/San Salvador Mission Director and the senior staff at the debriefing held on March 12, 2002.

APPENDICES

A. SCOPE OF WORK

B. PERSONS CONTACTED

C. REFERENCES

D. SUSTAINABILITY MODELING TOOL: CASH FLOW ANALYSIS RESULTS, 1999 – 2007

E. DEBRIEFING PRESENTATION TO USAID

APPENDIX A: SCOPE OF WORK FOR THE SUSTAINABILITY ASSESSMENT OF THE SALVADORAN DEMOGRAPHIC ASSOCIATION

Revised SOW:

1. Background
For many years, USAID/El Salvador has supported the Salvadoran Demographic Association (SDA), which is the local IPPF affiliate. Support has been given to basically strengthen and expand their capability to provide reproductive health services (RH), with an emphasis in family planning (FP) for rural women. The current agreement with SDA (which ends September 30, 2002) provides support for the diversification of SDA's products and services, to increase SDA's sustainability level in such a way that the generated revenues allow SDA to cross-subsidize the social programs (Rural Community-based Distribution Program and Adolescent's RH Program) and the purchase of USAID funded contraceptives.

Unfortunately, the agreement does not have any indicator or milestones built in to measure progress towards sustainability or cross-subsidization. USAID/El Salvador and SDA have agreed on the need to perform an assessment of SDA's sustainability level and cross-subsidization capacity. For USAID this assessment is a key piece of information for the Mission's decision on future support for SDA.

2. Basic Description
Consultants should carry out an assessment in order to determine not only the percentage of sustainability of the SDA and its various programs (as traditionally calculated by USAID and the SDA), and the percentage of cross-subsidization, but also to assess the cash flow capacity of the SDA programs in order to more adequately determine an effective cross-subsidization of funding from the income-generating programs to those social services activities with limited income-generating capability.

Evaluation of General Level of Financial Sustainability.
After September 30, 2002, if USAID does not continue to support SDA, what percentage of current operating costs is SDA able to absorb?

Describe the circumstances that negatively affected ADS in obtaining the planned level of sustainability. Quantify to the extent possible this negative effect.

If SDA proves not to be able to obtain 100% of sustainability at the end of the current agreement, how much time, effort and external financing would they need to obtain it?

Evaluation of SDA's Sustainability Level by Program.
Same analysis as above, but by Program.

At the end of the current agreement, which parts of the SDA's programs/activities or interventions are 100% self-sustainable and ready for a graduation of USAID financing?

Evaluation of SDA's cross-subsidy capacity among programs.
Which programs/activities/interventions can SDA generated cash flow cross-subsidize at 100% (contraceptives, for example), and to what extent can SDA's positive cash flow cross-subsidize SDA's social programs in 2003, 2004 and beyond?
At the end of the current agreement, what percentage of the operating costs of the Rural Program and the Adolescents Program is SDA able to cross-subsidize using the revenues generated from other programs?

Evaluation of contraceptive purchasing capacity (as part of a Plan for Phase Out of USAID contraceptive donations). At the end of the current agreement, what percentage of the cost of USAID funded contraceptives is SDA able to absorb?

Absent any final decision by USAID as to the optimum number of SDA beneficiaries in the two targeted programs at the termination of USAID assistance, the team will provide USAID and SDA with a financial modeling tool that will link the cash flow generating capacity of the SDA programs to the per person beneficiaries of the Rural Community-based Distribution Program and the Adolescent Reproductive Health Program. This tool will offer the Mission and SDA the ability to quantify their assumptions for a valid exit strategy.

3. Estimated number of consultants
Two Persons

4. Qualifications required
- Knowledge/experience performing financial analysis
- Knowledge/experience in the area of RH/FP
- Excellent analytical skills
- Good interpersonal skills and team work approach
- Spanish speaking (at least 3/3)
- Prefer experience working in Latin America
- Prefer knowledge/experience of USAID's work with local IPPF affiliates.

5. Timeframe
USAID/El Salvador needs the final report of the Assessment by March 15, 2002.
It is estimated that the consultants should review background materials and information for about one week prior to the fieldwork.
A list of documents to be reviewed could include:
- Program Description of the Current Agreement
- SDA's financial reports by program
- SDA's history and projections of USAID funded contraceptives (amounts, types)
- Other reports that SDA could produce as requested by POPTECH.

6. Extent of in-country travel required (for budgeting purposes).
We expect that the consultants will need to schedule at least one day for a visit to see a couple of health promoters and to visit one SDA clinic, (besides the one located at the SDA headquarters in San Salvador).

APPENDIX B
PERSONS CONTACTED

USAID/El Salvador:

Mark Silverman, Mission Director

Richard Goughnour, Deputy Mission Director

Connie Johnson, Strategic Objective #3 Team Leader

Karen Welch, Strategic Objective #3 Deputy Team Leader

Maricarmen de Estrada, Reproductive Health Results Package Team Leader

Martin Schulz, Strategic Objective #3 Team - Controllers Office Representative

Ileana de Párraga, Strategic Objective #3 Team - Contracts and Grants Office

Ana Cristina Mejía, Strategic Objective #3 Team - Strategic Development Office

Beth Paige, Regional Contracts and Grants Officer

USAID/Washington:

Carol Dabbs, LAC/RSD, Regional LAC PHN Strategic Objective Team Leader

Lisa Luchsinger, G/PHN/POP, El Salvador PHN Country Team - G/PHN Point-Person

SDA: Asociación Demográfica Salvadoreña

Marta Márquez de Trabanino, President

Jorge Hernández, Executive Director

Ana María Quiñonez de Espinoza, Assistant Executive Director

Fermín Rodríguez, Administrative and Finance Director

Samuel Castro, Medical Director

Jose Antonio Valle, Director, PROFAMILA Hospital

Jose Mario Cáceres, Planning and Evaluation Director

Liliam de Franco, Manager of Adolescent Integrated Services

Ricardo Emiliano Palacios, Manager of Rural Services

Agustín Cardoza, Accounting Manager

Cossette Ramírez, Marketing Director

Gerardo Lara, Sales Manager

APPENDIX C
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APPENDIX D
SUSTAINABILITY MODELING TOOL
CASH FLOW ANALYSIS RESULTS 1999 – 2007

CASH FLOW / CROSS SUBSIDY ANALYSIS

SOA GENERAL LEVEL

CASH FLOW

	Historical 1999	2000	2001	Ratios Assumptions	Pro Forma 2002	2003	2004	2005	2006	2007
REVENUES	**4,501,343**	**5,355,653**	**6,701,191**		**6,894,242**	**7,009,553**	**7,127,171**	**7,247,142**	**7,369,511**	**7,494,328**
Rural Program Services	181,437	192,407	176,701	0.0%	176,701	176,701	176,701	176,701	176,701	176,701
Planning, Evaluation and Development	17,404	11,888	16,927	0.0%	16,927	16,927	16,927	16,927	16,927	16,927
Adolescent Program	4,517		420	0.0%	420	420	420	420	420	420
Marketing and Communications	711,872	774,846	666,490	0.0%	666,490	666,490	666,490	666,490	666,490	666,490
Pharmacies	-	157,245	1,661,941	2.0%	1,695,182	1,729,086	1,763,667	1,798,941	1,834,920	1,871,618
Resource Development	46,549	54,122	42,447	2.0%	43,296	44,161	45,045	45,945	46,864	47,802
Clinical Services	880,211	880,012	1,215,059	2.0%	1,239,360	1,264,147	1,289,430	1,315,218	1,341,523	1,368,353
Hospital Profamilia	2,511,180	2,075,989	2,711,087	2.0%	2,767,748	2,841,501	2,900,673	2,958,381	3,017,549	3,077,899
Other	120,571	124,507	208,117	0.0%	208,117	208,117	208,117	208,117	208,117	208,117
COST OF GOODS SOLD (COS)	**(1,197,707)**	**(1,880,063)**	**(2,851,290)**	-42.0%	**(2,898,824)**	**(2,947,310)**	**(2,996,764)**	**(3,047,208)**	**(3,098,661)**	**(3,151,143)**
Contraceptive Supplies	(158,764)	(640,474)	(528,078)	7.8%	(538,830)	(545,809)	(554,968)	(564,308)	(573,838)	(583,557)
Medical - Laboratory Supplies	(575,115)	(741,790)	(2,028,876)	30.0%	(2,063,649)	(2,097,199)	(2,132,180)	(2,168,241)	(2,204,861)	(2,242,186)
Other Medical Supplies	(407,861)	(491,189)	(255,572)	3.8%	(259,832)	(264,170)	(268,611)	(273,111)	(277,745)	(282,449)
Consumables	(45,372)	(62,412)	(24,462)	0.4%	(24,869)	(25,285)	(25,710)	(26,143)	(26,584)	(27,034)
Other Supplies	(10,571)	(12,098)	(14,403)	0.2%	(14,641)	(14,880)	(15,138)	(15,397)	(15,657)	(15,917)
GROSS EARNINGS	**3,303,636**	**3,465,480**	**3,929,901**	58.0%	**3,995,417**	**4,062,244**	**4,130,407**	**4,199,833**	**4,270,850**	**4,343,185**
	68.1%	65.8%	65.1%							
SELLING, GENERAL, ADMINISTRATIVE EXPENSES (SGA)	**(3,974,073)**	**(3,525,554)**	**(4,417,664)**	-51.1%	**(3,526,118)**	**(3,559,544)**	**(3,593,638)**	**(3,628,414)**	**(3,663,886)**	**(3,700,067)**
Personnel Expenses	(1,987,512)	(1,947,361)	(2,223,534)	26.8%	(1,846,940)	(1,877,840)	(1,909,140)	(1,941,489)	(1,974,271)	(2,007,750)
Selling and General Expenses	(1,794,900)	(1,512,011)	(2,045,107)	22.7%	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)	(1,527,662)
Administrative Expenses	(192,961)	(65,180)	(149,023)	-2.2%	(151,588)	(154,012)	(156,627)	(159,263)	(161,952)	(164,695)
Depreciation	(140,990)	(218,781)	(540,221)	8.0%	(549,278)	(558,465)	(567,836)	(577,394)	(587,144)	(597,088)
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(830,334)**	**(258,806)**	**(1,028,034)**	15.7%	**(79,979)**	**(55,765)**	**(31,067)**	**(5,875)**	**19,820**	**46,030**
EBIT MARGIN	18.7%	4.8%	15.2%		1.2%	0.8%	0.4%	0.1%	0.3%	0.6%
Interest Expense				0.0%						
Taxes				0.0%						
NET EARNINGS	**(830,334)**	**(258,806)**	**(1,028,034)**	15.7%	**(79,979)**	**(55,765)**	**(31,067)**	**(5,875)**	**19,820**	**46,030**
NET EARNINGS MARGIN	18.7%	4.8%	15.7%		1.2%	0.8%	0.4%	0.1%	0.3%	0.6%
Capital Expenditures (CAPEX)	(420,880)	(731,874)	(226,580)	10.0%	(54,928)	(55,846)	(56,784)	(57,739)	(58,714)	(59,709)
Depreciation	140,990	218,781	540,221	Y	549,278	558,465	567,836	577,394	587,144	597,088
Changes in Working Capital Historical	(675,201)	(803,140)	(1,017,170)	15.0%						
Changes in Working Capital Projected				7.0%	(487,927)	(490,069)	(498,912)	(507,180)	(515,806)	(524,601)
FREE CASH FLOW ADS GENERAL LEVEL	**(1,766,925)**	**(1,575,046)**	**(1,731,142)**		**(68,236)**	**(43,815)**	**(18,917)**	**6,479**	**12,884**	**30,806**
FREE CASH FLOW MARGIN	39.1%	29.4%	25.5%	31.4%	1.0%	0.6%	0.3%	0.1%	0.4%	0.8%
FUNDING SOURCES										
USAID	**2,147,188**	**3,140,024**	**2,477,080**	**87.3%**	**1,803,064**	-	-	-	-	-
Cash	1,902,204	3,035,705	2,184,991	77.0%	1,410,995					
Growth (Decline)	N A	60.1%	28.1%		0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Commodities	244,984	103,890	292,089	10.1%	392,069					
Growth (Decline)	N A	57.0%	181.2%		0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
IPPF	**399,847**	**142,987**	**250,781**	**8.8%**	**225,703**	**203,132**	**182,819**	**164,537**	**148,083**	**133,275**
Cash	244,736	120,408	133,427	4.7%	120,085	108,076	97,269	87,542	78,788	70,909
Growth (Decline)	N A	50.8%	10.8%		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Commodities	155,111	121,579	117,354	4.1%	105,618	95,056	85,550	76,995	69,296	62,366
Growth (Decline)	N A	20.3%	3.0%		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Other	-	-	**110,090**	**3.9%**	**55,405**	**13,874**	-	-	-	-
Growth (Decline)	N A	#DIV/0!	#DIV/0!		50.0%	75.0%	100.0%	0.0%	0.0%	0.0%
TOTAL	**2,547,035**	**3,291,611**	**2,838,851**		**1,884,382**	**217,006**	**182,819**	**164,537**	**148,083**	**133,275**
Cash	2,146,938	3,156,173	2,329,888	85.6%	1,486,575	121,990	97,269	87,542	78,788	70,909
Commodities	400,097	227,438	509,443	14.4%	497,707	95,056	85,550	76,995	69,296	62,366
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	**780,108**	**1,618,965**	**1,107,809**		**1,816,056**	**173,191**	**161,902**	**171,017**	**160,467**	**152,081**

CASH FLOW / CROSS SUBSIDY ANALYSIS

SDA GENERAL LEVEL

CROSS SUBSIDY

	Historical				Pro Forma					
	1999	2000	2001	Assumptions	2002	2003	2004	2005	2006	2007
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	**780,109**	**1,818,565**	**1,107,608**		**1,816,056**	**173,191**	**163,902**	**171,017**	**180,467**	**192,081**
SDA Cash Flow			(68,226)		(18,917)	6,479	17,884	58,806		-
USAID Grant			**2,477,080**		**1,603,084**	-	-	-	-	-
Other Grants			161,771		281,198	217,006	182,819	164,537	148,083	133,275
BENEFICIARIES RURAL PROGRAM										
Number Beneficiaries per Package	**43,056**	**43,782**	**47,755**		**47,755**	**23,878**	**23,878**	**23,878**	**25,071**	**26,325**
Growth (Decline)	N A	1.7%	9.1%		0.0%	50.0%	0.0%	0.0%	5.0%	5.0%
Estimated Cost per Beneficiary	(17.55)	(8.78)	(7.84)	0.0%	$ (7.84)	$ (7.84)	$ (7.84)	$ (7.84)	$ (7.84)	$ (7.84)
Indirect Cost Adjustments	10%	15%	20%		10%	8%	8%	6%	6%	6%
Total Cost Per Beneficiary	**(19.30)**	**(10.09)**	**$ (9.41)**		**$ (8.62)**	**$ (8.47)**	**$ (8.47)**	**$ (8.31)**	**$ (8.31)**	**$ (8.31)**
TOTAL CASH FLOW NEED	**$ (831,188)**	**$ (441,838)**	**$ (449,326)**		**$ (411,883)**	**$ (202,197)**	**$ (202,197)**	**$ (198,452)**	**$ (208,375)**	**$ (218,794)**
Percentage Paid by Beneficiaries	22.1%	43.5%	39.3%	39.3%	(161,976)	(79,516)	(79,516)	(78,043)	(81,945)	(86,042)
Percentage Paid by Subsidy	**77.9%**	**56.5%**	**60.7%**	**60.7%**	**(249,906)**	**(122,681)**	**(122,681)**	**(120,409)**	**(126,430)**	**(132,751)**
CASH SURPLUS/(DEFICIT) AVAILABLE FOR OTHER PROGRAMS	**132,358**	**1,569,134**	**834,983**		**1,566,150**	**50,509**	**41,221**	**50,607**	**54,037**	**59,330**
BENEFICIARIES YOUTH PROGRAM										
Number Beneficiaries per Package	**14,183**	**11,032**	**17,185**		**17,185**	**8,592**	**8,592**	**9,022**	**9,473**	**9,947**
Growth (Decline)	N A	-22.2%	55.8%		0.0%	50.0%	0.0%	5.0%	5.0%	5.0%
Estimated Cost per Beneficiary	(1.33)	(4.46)	(2.88)	0.0%	$ (2.88)	$ (2.88)	$ (2.88)	$ (2.88)	$ (2.88)	$ (2.88)
Indirect Cost Adjustments	10%	10%	10%		5%	5%	0%	0%	0%	0%
Total Cost Per Beneficiary	**(1.46)**	**(4.91)**	**$ (3.16)**		**$ (3.02)**	**$ (3.02)**	**$ (2.88)**	**$ (2.88)**	**$ (2.88)**	**$ (2.88)**
TOTAL CASH FLOW NEED	**$ (20,738)**	**$ (54,123)**	**$ (54,372)**		**$ (51,901)**	**$ (25,951)**	**$ (24,715)**	**$ (25,951)**	**$ (27,248)**	**$ (28,610)**
Percentage Paid by Beneficiaries	21.9%	0.0%	0.8%	0.8%	(401)	(201)	(191)	(201)	(211)	(221)
Percentage Paid by Subsidy	78.1%	100.0%	99.2%	99.2%	(51,500)	(25,750)	(24,524)	(25,750)	(27,037)	(28,389)
TOTAL CASH AVIALABLE / (NEED)	**111,621**	**1,515,011**	**$ 780,611**		**$ 1,514,249**	**$ 24,559**	**$ 16,506**	**$ 24,657**	**$ 26,789**	**$ 30,720**
PROPOSED LEVELS OF USAID FUNDING AND CASH FLOW CAPACITY										
SCENARIO 1 (100% Historical Level)				2,500,000		2,500,000	5,000,000	5,000,000	5,000,000	5,000,000
ADDITIONAL CASH FLOW				(Per Year)		**125,000**	**381,250**	**519,063**	**525,953**	**526,298**
SCENARIO 2 (75% Historical Level)				1,875,000		1,875,000	3,750,000	3,750,000	3,750,000	3,750,000
ADDITIONAL CASH FLOW				(Per Year)		**93,750**	**285,938**	**389,297**	**394,465**	**394,723**
SCENARIO 3 (50% Historical Level)				1,250,000		1,250,000	2,500,000	2,500,000	2,500,000	2,500,000
ADDITIONAL CASH FLOW				(Per Year)		**62,500**	**190,625**	**259,531**	**262,977**	**263,149**
Discount Rate				5.0%						

APPENDIX E
DEBRIEFING PRESENTATION FOR USAID

General Agreement Overview

- **Funding Level**: US$9 Million
- **Period:** July 99 – Sept 02 (3 years 2 months)
- **Purpose:** Support SDA to attain Financial Self-Sustainability through the diversification of products and services for the long term cross subsidization of social services programs.

Funding by Program Areas and Source (1999-2001)

- Non Income Generating activities accounted, on average, for more than half of the total funding (54%).
- Business Lines or Income Generating Activities received the remaining funding (46%).
- The business lines with the greatest potential (Profamilia Hospital, Social Marketing and Pharmacies) received less than 5% of total funds.
- Growth of Expenditures: Operating expenses increased at faster rate than revenue generating capacity.
- Social Impact Results: Funds allocated to social programs generated immediate improvements in results but created a financially non self-sustainable cost/operating structure.

Funding by Program Areas and Source – 1999-2001

YEAR: 1999	FUNDING SOURCES			
	USAID	%	SDA AND OTHER	%
Social Services Programs		76.46%		
RURAL SERVICES	960,853	44.75%	118,186	2.77%
PLANNING AND EVALUATION	86,462	4.03%	143,495	3.37%
ADOLESCENT SERVICES	1,343	0.06%	23,711	0.56%
CLINIC SERVICES	115,499	5.38%	88,991	2.09%
ADMINISTRATION AND OTHER	477,636	22.24%	761,242	17.87%
Business Line		23.54%		
SOCIAL MARKETING AND COMMUNICATIONS	34,832	1.62%	316,880	7.44%
PHARMACIES	8,566	0.40%		
CLINIC SERVICES	461,997	21.52%	355,966	8.36%
PROFAMILIA HOSPITAL		0.00%	2,451,373	57.55%
Total	2,147,188	100.00%	4,259,844	100.00%

YEAR: 2000	USAID	%	SDA AND OTHER	%
Social Services Programs		37.0%		
RURAL SERVICES	377,955	12.0%	225,619	4.3%
PLANNING AND EVALUATION	94,489	3.0%	230,830	4.4%
ADOLESCENT SERVICES	31,496	1.0%	37,259	0.7%
CLINIC SERVICES	340,159	1.0%	526,165	9.9%
ADMINISTRATION AND OTHER	635,909	20.0%	686,629	12.9%
Business Line		63.0%		
SOCIAL MARKETING AND COMMUNICATIONS	188,977	6.0%	657,706	12.4%
PHARMACIES	62,992	2.0%	583,359	11.0%
CLINIC SERVICES	1,360,637	53.0%	2,104,660	39.7%
PROFAMILIA HOSPITAL	62,992	2.0%	252,964	4.8%
Total	3,149,624	100.0%	5,305,191	100.0%

YEAR 2001	USAID	%	SDA AND OTHER	%
Social Services Programs		49.3%		
RURAL SERVICES	370,326	14.7%	216,573	3.0%
PLANNING AND EVALUATION	91,994	3.7%	146,171	2.1%
ADOLESCENT SERVICES	16,146	0.6%	31,716	0.4%
CLINIC SERVICES	217,333	8.6%	141,155	2.0%
ADMINISTRATION AND OTHER	544,072	21.7%	985,126	13.8%
Business Line		50.7%		
SOCIAL MARKETING AND COMMUNICATIONS	240,734	9.6%	686,023	9.6%
PHARMACIES	35,657	1.4%	1,548,033	21.7%
CLINIC SERVICES	869,332	34.6%	564,622	7.9%
PROFAMILIA HOSPITAL	127,011	5.1%	2,805,880	39.4%
Total	2,512,605.00	100.00%	7,125,299.00	100.00%

3 YR Average of USAID Funding Distribution

Soc. Services: 54.3%
Business Line: 45.7%

Constraints Limiting Target Attainment

- One year delays in delivery of USAID funded equipment (e.g., estimated revenue loss of US$85,000 for mammography and ultrasound)

- Average one year delays in obtaining permits and licenses for new products (estimated revenue loss of US$800,000)

- Discouraging results of feasibility studies

- Unplanned reductions in IPPF donations (32% decline 1999-2001)

- Two major earthquakes in 2001
  - Reduced revenues and beneficiaries from clinic/hospital services (estimated revenue loss of US$240,000 for Hospital Profamilia, including ISSS contracts)
  - Reduced fund raising resources (estimated revenue loss US$11,000)
  - Unplanned costs for repairs and upgrades (estimated revenue loss of US$50,000)

- Tax code change (VAT) and payment implications for SDA since 2000 (estimated revenue loss of 13% per dollar)

Social Services Programmatic Results

CYP Results

PROGRAM	1999	2000	2001	Total
RURAL SERVICES	29,987	28,456	30,690	90,135
CLINIC SERVICES	23,450	23,074	22,162	68,686
SOCIAL MARKETING AND COMMUNICATIONS	45,425	51,375	47,607	144,407
TOTAL SDA	98,862	103,907	100,459	303,226

Cost per Beneficiary for Selected Programs

	1999	2000	2001
BENEFICIARIES RURAL PROGRAM			
Number Beneficiaries per Package	**43,056**	**43,782**	**47,755**
Growth / (Decline)	N/A	1.7%	9.1%
Estimated Cost per Beneficiary	(17.55)	(9.59)	(8.69)
Indirect Cost Adjustments	10%	15%	20%
Total Cost	**(19.30)**	**(11.03)**	**(10.43)**
TOTAL CASH FLOW NEED	**$ (831,188)**	**$ (483,049)**	**$ (498,007)**
BENEFICIARIES ADOLESCENT PROGRAM			
Number Beneficiaries per Package	**14,183**	**11,032**	**17,185**
Growth / (Decline)	N/A	-22.2%	55.8%
Estimated Cost per Beneficiary	(1.33)	(4.46)	(2.88)
Indirect Cost Adjustments	10%	10%	10%
Total Cost	(1.46)	(4.91)	(3.16)
TOTAL CASH FLOW NEED	**$ (20,738)**	**$ (54,123)**	**$ (54,372)**

SDA Sustainability Results by Program and General Level

Activities`	Status at the End of 2001	Outlook 2002 – 2007
3 Pharmacies	Positive Free Cash Flow US$76K; Cash Flow Margin 4.3%.	Positive trends to improve Cash Flow Margin from Economics of Scale
Pro-Familia Hospital	Positive Free Cash Flow US$150K; Cash Flow Margin 5.5%.	Positive trends to improve Cash Flow Margin from Cost Reduction Measures
Clinical Services	Free Cash Flow Margin (34%)	2 year horizon for maturity of capital investments to generate a positive Free Cash Flow Margin
Administration	All training proposed completed. SGA accounts for 65% of revenues	Positive trends with initiatives to reduce SGA and improve Free Cash Flow Margins
Contraceptives	Free Cash Flow supports 40% of total purchases (60% USAID)	2-3 year horizon for a phase-out strategy

1999 SDA General Level	2000 SDA General Level	2001 SDA General Level
Free Cash Flow Margin (39.3)%	Free Cash Flow Margin (29.4)%	Free Cash Flow Margin (25.5)%

Projected Scenario: Levels of USAID 2-Year Extension Funding

	2001	Assumptions	2002	2003	2004
USAID Grant	**2,477,080**		**1,603,084**	-	-
PROPOSED LEVELS OF USAID FUNDING AND CASH FLOW CAPACITY					
SCENARIO 1 (100% Historical Level)		2,500,000	-	2,500,000	5,000,000
ADDITIONAL CASH FLOW		(Per Year)	-	**125,000**	**381,250**
SCENARIO 2 (75% Historical Level)		1,875,000	-	1,875,000	3,750,000
ADDITIONAL CASH FLOW		(Per Year)	-	**93,750**	**285,938**
SCENARIO 3 (50% Historical Level)		1,250,000	-	1,250,000	2,500,000
ADDITIONAL CASH FLOW		(Per Year)		**62,500**	**190,625**
Discount Rate	Discount Rate	5.0%			

Assumptions

- Funding level in each scenario represents capital investment in business lines of the SDA that can generate an aggregate cash flow compound return of 5% p.a. to support the cash flow needs of social program services.

- SDA adjusts and rationalizes its cost/expense structure based on the funding levels of each scenario.

- SDA rationalizes the long term sustainable levels of coverage for the Rural Program based on funding levels of each scenario.

Proposed Activities for SDA

Pharmacies
Replication of the model (hardware/software, infrastructure, marketing and promotion, feasibility studies).

Capital Investments for the Profamilia Hospital
(upgrade equipment, remodeling, new business plan-international health care insurance, expand services, feasibility studies, hardware/software)

Capital Investments for the Clinical Services
(upgrade equipment, remodeling, expand laboratories, and hardware/software, feasibility studies)

Cost Reduction Investment in Administration
(technology driven cost efficiency measures)

Contraceptives
(Phase-out plan developed and implemented, suggested: Contraceptive Security Fund)

Projected Scenario: Levels of USAID 2-Year Extension Funding and Number of Beneficiaries

Proposed Funding Levels	Additional Cash Flow	Number Beneficiaries 2004
At 100% of Historical Levels US$2,500,000	US$381.2K	RP: 33,429 (30% reduction of 01 level) AD: 17,185 (same level as 01)
At 75% of Historical levels US$1,875,000	US$228.7k	RP: 31,041 (35% reduction of 01 level) AD: 17,185 (same level as 01)
At 50% of Historical levels US$1,250,000	US$152.5k	RP: 28,653 (40% reduction of 01 level) AD: 17,185 (same level as 01)

RP = Rural Services Program
AD = Adolescents Integrated Services

Scenario 1 – Future Annual Funding at Same Levels of Historic (US$2.5M)

	2001	Assumptions	2002	2003	2004
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	1,107,606		1,540,266	(103,722)	(114,197)
SDA Cash Flow	(341,995)		(297,016)	(272,819)	(248,139)
USAID Grant	2,477,000		1,403,064	-	-
Other Grants	161,771		201,198	217,006	182,819
BENEFICIARIES RURAL PROGRAM					
Number Beneficiaries per Package	47,785		33,420	33,420	33,420
Total Cost Per Beneficiary	$ (10.43)		$ (9.00)	$ (9.30)	$ (9.39)
TOTAL CASH FLOW NEED	$ (498,607)		$ (310,554)	$ (313,744)	$ (313,744)
Percentage Paid by Beneficiaries	35.5%	35.5%	(113,383)	(111,122)	(111,122)
Percentage Paid by Subsidy	64.0%	64.0%	(200,171)	(202,422)	(202,422)
BENEFICIARIES YOUTH PROGRAM					
Number Beneficiaries per Package	17,188		17,188	$ 17,188	$ 17,188
Total Cost Per Beneficiary	$ (8.16)		$ (3.02)	$ (3.02)	$ (2.88)
TOTAL CASH FLOW NEED	$ (84,372)		$ (51,901)	$ (51,901)	$ (49,430)
Percentage Paid by Beneficiaries	0.8%	0.8%	(401)	(401)	(383)
Percentage Paid by Subsidy	99.2%	99.2%	(51,500)	(51,500)	(49,047)
TOTAL CASH AVIALABLE / (NEED)	$ 781,030		$ 1,283,214	$ (356,086)	$ (288,049)

Scenario 2 – Future Annual Funding at 75% Levels of Historic (US$1.875 M)

	2001	Assumptions	2002	2003	2004
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	1,167,606		1,070,171	36,469	28,347
SDA Cash Flow	(706,111)		(154,473)	(177,876)	(100,748)
USAID Grant	2,477,000		1,003,004	-	-
Other Grants	161,771		281,198	217,006	182,819
BENEFICIARIES RURAL PROGRAM					
Number Beneficiaries per Package	47,786		31,041	31,041	31,041
Total Cost Per Beneficiary	$ (10.43)		$ (9.86)	$ (9.39)	$ (9.39)
TOTAL CASH FLOW NEED	$ (498,807)		$ (296,720)	$ (291,334)	$ (291,334)
Percentage Paid by Beneficiaries	35.5%	35.5%	(105,785)	(103,370)	(103,370)
Percentage Paid by Subsidy	64.0%	64.8%	(191,446)	(187,964)	(187,964)
BENEFICIARIES YOUTH PROGRAM					
Number Beneficiaries per Package	17,188		17,188	17,188	17,188
Total Cost Per Beneficiary	$ (8.19)		$ (3.02)	$ (3.02)	$ (2.88)
TOTAL CASH FLOW NEED	$ (84,372)		$ (51,901)	$ (51,901)	$ (49,430)
Percentage Paid by Beneficiaries	0.8%	0.8%	(401)	(401)	(382)
Percentage Paid by Subsidy	99.2%	99.2%	(51,500)	(51,500)	(49,047)
TOTAL CASH AVIALABLE / (NEED)	$ 781,930		$ 1,434,026	$ (203,406)	$ (299,047)

Scenario 3 – Future Annual Funding at 50% Levels of Historic (US$1.250M)

	2001	Assumptions	2002	2003	2004
FREE CASH FLOW AVAILABLE TO SUPPORT BENEFICIARIES	$ 1,107,600		$ 1,070,171	$ 34,182	$ 23,000
SDA Cash Flow	(706,111)		(159,111)	(114,914)	(110,754)
USAID Grant	2,477,000		1,003,004	-	-
Other Grants	161,771		201,198	217,006	187,819
BENEFICIARIES RURAL PROGRAM					
Number Beneficiaries per Package	47,788		30,653	28,653	28,883
Total Cost Per Beneficiary	$ (10.43)		$ (9.66)	$ (9.39)	$ (9.29)
TOTAL CASH FLOW NEED	$ (488,807)		$ (273,864)	$ (268,034)	$ (268,034)
Percentage Paid by Beneficiaries	35.5%	35.5%	(97,186)	(95,419)	(95,419)
Percentage Paid by Subsidy	64.0%	64.0%	(174,718)	(173,809)	(172,208)
BENEFICIARIES YOUTH PROGRAM					
Number Beneficiaries per Package	17,188		17,186	17,188	17,185
Total Cost Per Beneficiary	$ (9.10)		$ (3.03)	$ (3.02)	$ (2.88)
TOTAL CASH FLOW NEED	$ (84,873)		$ (61,001)	$ (51,003)	$ (49,450)
Percentage Paid by Beneficiaries	0.8%	0.8%	(401)	(401)	(387)
Percentage Paid by Subsidy	99.2%	99.2%	(51,500)	(51,500)	(49,047)
TOTAL CASH AVIALABLE / (NEED)	$ 731,030		$ 1,449,662	$ (301,283)	$ (199,246)