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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

CARIBBEAN REGIONAL

PROJECT PAPER

REGIONAL PHARMACEUTICAL MANAGEMENT PROJECT

AID/LAC/P-236

Project Number:538-0134

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
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2. COUNTRY/ENTITY Caribbean Regional	3. PROJECT NUMBER 538-0134
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4. BUREAU/OFFICE Latin America/Caribbean 05	5. PROJECT TITLE (maximum 40 characters) Regional Pharmaceuticals Management Project
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 08 05 90	7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY 85 B. Quarter 4 C. Final FY 86
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2,450	350	2,800	3,102	396	3,498
(Grant)	(2,450)	(350)	(2,800)	(3,102)	(396)	(3,498)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
1.						
2.						
Host Country	-	-	-	-	700	700
Other Donor(s)						
TOTALS	2,450	350	2,800	3,102	1,096	4,198

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) DA	580	530	-	-	-	2,800	-	3,500	-
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code _____ B. Amount _____	

13. PROJECT PURPOSE (maximum 480 characters)

To increase the efficiency of 7 Eastern Caribbean health care systems by improving in-country logistics management and by reducing unit costs of pharmaceuticals through the use of a pooled procurement system.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 02 87 02 89 07 90	15. SOURCE/ORIGIN OF GOODS AND SERVICES and OECS member countries <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

BEST AVAILABLE COPY

17. APPROVED BY	Signature: <i>James S. Holtaway</i> Title: James S. Holtaway, Director	Date Signed MM DD YY 08 03 85	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
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PROJECT AUTHORIZATION

PROJECT SITE: The Eastern Caribbean Sub-region (Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines)

NAME OF PROJECT: Regional Pharmaceuticals Management Project

NUMBER OF PROJECT: 538-0134

1. Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Regional Pharmaceuticals Management Project for implementation by the Organisation of Eastern Caribbean States (OECS) (the "Grantee") involving planned obligations of not to exceed Three Million Five Hundred Thousand United States Dollars (\$3,500,000) in grant funds ("Grant") over a sixty month period from the date of authorization, subject to the availability of funds in accordance with A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of obligation.

2. The Project ("Project") consists of assisting the seven OECS member countries in developing policies and programs that will result in more efficient utilization of health sector resources, through the creation of the Eastern Caribbean Drug Service (ECDS) within the OECS, as a self-financing pooled procurement and drug supply management service.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegation of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

A. Source and Origin of Commodities

Commodities financed by A.I.D. under the Project shall have their source and origin in the participating countries of the Eastern Caribbean or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the participating countries of the Eastern Caribbean or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

In authorizing this project, I hereby approve a source/origin waiver to permit procurement of five non-U.S. made vehicles under this project with a total cost not to exceed \$50,000.

B. Conditions Precedent to Disbursement

1. First Disbursement. Prior to the first disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee, in accordance with all of its terms;

b. A statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

c. Evidence of intention to participate in the Project from at least five of the seven participating countries.

2. Disbursement for Other than Short-Term Personal Services Contracts or Rehabilitation of Office Space. Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for other than short-term personal service contracts or the rehabilitation of office space, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. A time-phased implementation plan which includes the time-frame and assigned responsibility for the following: procurement of long-term technical assistance; establishment and staffing of the Eastern Caribbean Drug Service; and, procurement of the vehicles.

b. Copies of Letters of Instruction from at least five of the seven participating countries to the ECCB, specifying the financing mechanisms that will be established to guarantee prompt and full payment to suppliers for purchases of pharmaceuticals and medical supplies through the ECDS.

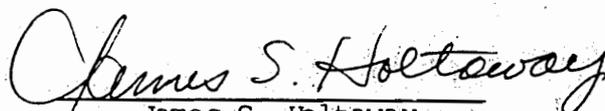
C. Special Covenants

1. Personnel. The Grantee, except as A.I.D. may otherwise agree in writing, covenants to provide such personnel as are necessary to assure the effective implementation of the Project, in particular, an accounts officer, until such time as the technical assistance team is in place and able to assume those duties; and, to assist with recruiting of permanent staff of the ECDS.

2. Cost Recovery Schemes. The Grantee, except as A.I.D. may otherwise agree in writing, covenants to seek commitments from participating countries to design and institute appropriate cost-recovery schemes for their pharmaceutical supply systems during the Project.

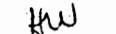
3. Organizational Setting for ECDS. The Grantee, except as A.I.D. otherwise agrees in writing, covenants to establish the Eastern Caribbean Drug Service as an agency of the OECS with its own operating mandate, and to provide the necessary organizational setting and administrative linkages to support its continued existence.

4. Utilization of Equipment. The Grantee, except as A.I.D. may otherwise agree in writing, covenants to ensure that the ECDS and participating countries utilize equipment provided under this Project for activities similar in nature to those carried out under this Project for a period equalling the useful life of the equipment.


James S. Holtaway
Director

August 3, 1985
Date

Clearances

RHPDO: Hwise 
CDO: KFinan 
C/DR: POr r 
PRM: RCoulter 
RLA: TCarter 
CONT: RWarin 



REGIONAL PHARMACEUTICALS MANAGEMENT PROJECT

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LIST OF ACRONYMS

AID Agency for International Development
BDS Barbados Drug Service
CARICOM Caribbean Community Secretariat
CMS Central Medical Stores
ECCB Eastern Caribbean Central Bank
ECDS Eastern Caribbean Drug Service
MDC More Developed Country (refers, in this case, to
Caribbean countries such as Barbados and Jamaica)
MOH Ministry of Health
OECS Organisation of Eastern Caribbean States
PACD Project Assistance Completion Date
PAHO Pan American Health Organization
PID Project Identification Document
PSC Personal Services Contractor
RDO/C Regional Development Office/Caribbean
RFTP Request for Technical Proposals
TA Technical Assistance

-1-

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

1. Funding

RDO/C recommends that a DA Grant of \$3.5 million be authorized, of which \$2.8 million is proposed for obligation in FY 1985 for the Regional Pharmaceuticals Management Project headquartered at the Organisation of Eastern Caribbean States in St. Lucia and serving the following countries: Antigua/Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, with a Project Assistance Completion Date (PACD) of August 5, 1990.

2. Geographic Code

The Project Authorization will specify that, except as AID may otherwise agree in writing, goods and services financed by AID under this Project shall have their source and origin in countries included in AID Geographic Code 000 or the LDCs of the Eastern Caribbean specified above.

3. Source-Origin Waiver

It is recommended that a source/origin waiver from AID Geographic Code 000 to Code 935 be approved to permit the procurement of five right-hand drive vehicles.

B. Summary Project Description

The proposed Project will assist the countries referred to above in developing policies and programs that will result in more efficient utilization of health sector resources through improved procurement, management, and use of pharmaceuticals and medical supplies. The Project will establish a pooled procurement mechanism and improved supply management practices through the creation of the Eastern Caribbean Drug Service (ECDS), which will be administratively situated within the Organisation of Eastern Caribbean States (OECS). Over a 5-year period, the Project will strengthen the institutional capacity of the ECDS to maintain its drug management services at a self-financing level.

The ECDS will pool country drug needs for international tendering and contracting with suppliers, which is expected to lower unit costs to the ECDS by at least 25%. It will achieve further economies of scale in the efficient monitoring of individual purchase orders for the seven countries, the management of quality assurance activities, and the publication of national formularies. Country-level activities, coordinated with the regional effort, will be aimed at improving in-country logistics systems to increase public sector management efficiency. These activities will include improving port-clearing procedures, inventory control, management information systems, in-country distribution procedures, and prescriber and dispensing practices. Cost recovery mechanisms will be instituted to decrease the public sector burden and to further increase savings for the individual countries.

The Project will provide technical assistance, training of staff at all levels, start-up financing of the ECDS, minor rehabilitation of storage facilities, computers, vehicles, and pharmaceutical reference materials to support these activities.

C. Summary Findings

This Project is ready for implementation and is considered socially, financially, and economically sound, and technically and administratively feasible.

D. DAEC Concerns and Design Guidelines

The concerns and issues raised at the DAEC review of the Project Identification Document (PID) for this Project are as follows:

1. Recognizing that RDO/C staff is thinly spread among a number of projects being implemented in various islands, confirm that the time that will be required for both negotiations and early implementation of this Project will be available.

During the preparation of this Project Paper, RDO/C has worked closely with the Director-General and a senior economist at the OECS (which is to be the implementing agency for this Project), who have taken increasing responsibility in final project design -- communicating with OECS member countries, convening meetings with Ministers of Health and

Financial Secretaries to discuss the Project, working out financing alternatives, and seeking country commitments to participate. They have demonstrated their interest in playing an active role in implementing the Project. The OECS is in the process of creating another staff position in the Central Secretariat to handle health and education matters, which will increase their capability to implement this project.

A core Project Committee composed of RDO/C staff, as described in Section III.B., will be available to assist the OECS at any point during project implementation. In addition, a short-term Personal Services Contractor will be provided after the signing of the Grant Agreement to assist the OECS in preparation of the RFTP and in initial implementation activities.

2. The Project Paper should spell out the exact mechanism by which this Project will be carried out, noting the participation and commitments of the Organisation of Eastern Caribbean States (OECS), the Eastern Caribbean Central Bank (ECCB), and the participating Governments.

The OECS will be the implementing agency for this Project and will be responsible for the creation of the Eastern

Caribbean Drug Service (ECDS) as an agency of the OECS. As a condition precedent to disbursement of funds for other than short term personal services contracts or the rehabilitation of office space, there will be Letters of Instruction from at least five of the seven participating Governments to the ECCB, specifying the financing mechanisms that have been established to guarantee prompt and full payment to suppliers for purchases of pharmaceuticals and medical supplies through the ECDS. The ECCB will serve as the payments agent for participating Governments in their purchases of drugs and medical supplies. Participating Governments' responsibilities are described in Section III. B.3.

3. The Mission should seek a commitment from each participating Government during the first year of the Project to institute a scheme for the collection of user fees during this Project.

As a Condition Precedent to first disbursement of funds under the Grant, signed Letters of Intent must be forwarded to the OECS from at least five of the seven eligible countries. This letter will state that the Ministry of Health agrees to design and institute an appropriate cost recovery scheme for their pharmaceutical supply system during the Project. The RFTP will call for technical assistance to explore the range of alternative cost-recovery mechanisms and to work toward a model for each individual health system. The technical advisors will assist with the institution of cost-accounting procedures, the development of pricing strategies, and the development of fee collection methodologies.

4. The Mission should seek commitments from Governments who are in debt to pharmaceutical suppliers for previous purchases, that they will clear those debts in a timely fashion so as not to compromise this Project.

The Ministers of Health of the OECS countries, in a meeting held at AID to discuss project design and financing issues, concluded that outstanding debt to pharmaceutical suppliers was a domestic issue and should be resolved by individual countries on their own. Nonetheless, the implications for the Project are not insignificant in terms of the risk of countries continuing to default on supplier payments and in terms of suppliers' potential reluctance to tender. With regard to the former, the specification of binding financial mechanisms for prompt and full payments will be a Condition Precedent to disbursement. With regard to the latter, potential suppliers will be assured of guaranteed prompt payment under this program and of ECDS independence from prior procurement schemes in individual countries.

Only one of the countries appears to be significantly and seriously in arrears on supplier payments, and that country has recently taken out a commercial loan to repay those debts.

5. Governments should be encouraged to set up a financing mechanism with the ECCB by which the ECCB simply debits the respective Governments' accounts for the cost of drug purchases.

The mechanisms for prompt payment of pharmaceutical purchases are described in Section IV.B.4.

6. The option of AID financing of a revolving fund for drug purchase, which was one of three options outlined in the PID, should be discarded.

AID will not finance a revolving fund for drug purchase.

7. The actual time required to create the regional procurement unit and make it functional should be reviewed during preparation of the Project Paper, with a view toward shortening it from 18 months (as suggested in the PID) to perhaps 6 months, thereby decreasing start-up costs.

The time required from project agreement until the first tender is predicted to be twelve months. The procurement unit staff will be phased in during that period as needed. A discussion of staffing is contained in Section II.C.1.

8. The Project Paper should include documentation supporting the projected savings figure of 25% in the cost of pharmaceuticals, as well as the savings level below which the Project would become uneconomical.

Any reduction in the cost of pharmaceuticals greater than 15% (set against the 15% administrative fee that will be charged to pay the recurring costs of the ECDS) will offer a net savings to participating countries. The reduction in unit cost of pharmaceuticals purchased through the ECDS is expected to be at least 25%, based on the experience of the Barbados Drug Service (BDS). Through its first tendering process the BDS experienced an immediate drop in drug purchase prices of 20% overall, and its prices prior to that time were already lower than those paid by the LDCs of the Eastern Caribbean region. In addition, Dominica, through more careful supplier selection, even without tendering and contracting, was able to

reduce some prices by as much as six-fold. These cost savings are detailed in Sections IV.A., Technical Analysis, and IV.B., Financial Analysis. Other savings, more difficult to quantify, will come about through better in-country supply management, e.g. fewer emergency orders and less expiration and deterioration of inventory.

9. The Project Paper should detail the mechanism by which the procurement unit will be funded and its actual costs.

The Financial Analysis in Section IV.B., supported by Financial Tables in Annex D, describes in detail the expected recurrent costs of the ECDS, and the method for financing those costs.

10. When selecting consultants for TA and training, serious consideration should be given to the selection of small and disadvantaged businesses, as defined in the Gray Amendment.

Every effort will be made to consider economically and socially disadvantaged enterprises (8A firms) to perform the tasks required. A listing of 8A health contractors was obtained from LAC/DR and will be forwarded to the Grantee for consideration in their contracting. As delineated in RDO/C's FY 86/87 Action Plan, a record will be maintained of all contracts and sub-contracts with 8A firms which will be included in Semi-Annual Reports and Quarterly Pipeline Reports.

11. The Project Paper should include an evaluation plan which specifies: the number of evaluations which will be performed, i.e. annual, mid-point, end-of-project; the issues to be explored in each evaluation; the data needs; and the data collection methodology.

These points are addressed in Section VI Evaluation Arrangements.

12. The Mission should ensure that project participation by any country must include pharmaceutical pooling as well as TA.

As a Condition Precedent to disbursement for other than short term personal contracts or rehabilitation

of office space the Grantee will furnish copies of Letters of Instruction from at least five of the seven countries to the ECCB, documenting commitment to the pooled procurement scheme and specifying the financing mechanisms to be employed for payment to suppliers.

E. Contributors to the Project Paper

The following individuals contributed to the development of this Project Paper:

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II. PROJECT RATIONALE AND DESCRIPTION

A. Rationale

1. Background

The concept of a Caribbean pharmaceutical service was discussed as early as 1972 at the CARICOM Health Ministers Conference, which called for the development of an information system to share pharmaceutical cost information and sources of supply. The CARICOM Secretariat acted on that recommendation by appointing a pharmacist to their Health Unit and establishing a "Master Contract" for obtaining pricing information on 51 pharmaceuticals. Through this system, CARICOM has estimated drug demands and received price quotes from potential suppliers. But the CARICOM system has functioned only as an information center. Since it does not establish firm contracts with suppliers, the CARICOM "Master Contract" has not been able to produce consistently good supplier prices. Consequently, it has not been successful in offering significant and consistent cost savings to member Governments. In addition, the CARICOM system does not address the more costly institutional problems relating to effective drug supply management.

The demand still exists for a regional system to improve pharmaceutical supply services and reduce unit costs of pharmaceuticals. The OECS member countries (See Figure 1), feeling that their health interests are sometimes eclipsed by MDC issues in the CARICOM Secretariat, are increasingly interested in developing a mechanism which will assist them at the sub-regional (OECS) level. It is from this perspective that this Project has been developed.

The drug supply systems of the OECS member countries are beset with similar problems: short supply of drugs; disorganized warehouses; out-of-date products; untrained staff; in-service and inadequately equipped with shelving and secure storage places; and unreliable transport impeding timely delivery of supplies to peripheral areas.

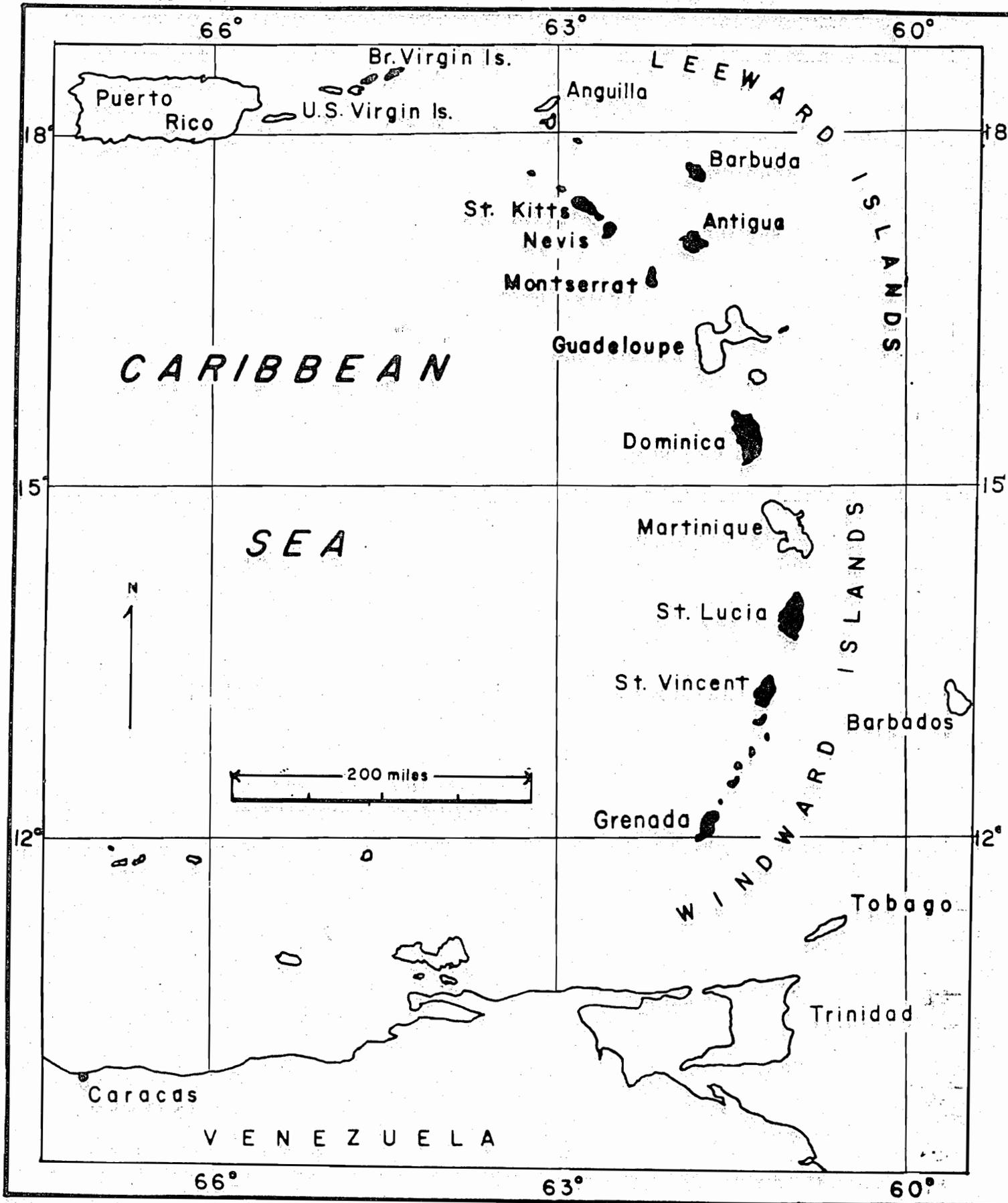
They also face fiscal constraints which further disrupt the supply process. It is not uncommon for goods to remain on the dock for six to eight weeks while the Ministry of Health awaits availability and transfer of funds from the Ministry of Finance. It also is not uncommon for suppliers to add on a large surcharge (financing credit) when dealing with countries which notoriously take six to nine months to process payments. And as a

result of both irregular and small ordering volumes from islands with limited populations, it is common for prices charged to the Eastern Caribbean countries to range upward of 30% or more than those paid by the Barbados Drug Service on nearly every item examined (See Table D5 for specific examples).

There is substantial need for technical assistance and training to improve the in-country supply management systems and to institutionalize a service which can assist OECS Governments in procuring drugs at reasonable prices.

Figure 1

THE EASTERN CARIBBEAN



■ Members of the Organisation of Eastern Caribbean States (OECS)

To respond to this need RDO/C first presented the proposed Project to AID/W in November 1983, as part of a Health Sector Resource Management Project (which included, as well, a component designed to implement a number of alternative health financing mechanisms). Design of the broader project was postponed. However, as pharmaceuticals management and financing is a discrete area for improvement, specific proven interventions are known, and OECS Governments have enthusiastically embraced the concepts, this portion of the original Project has been split off and design work has been able to proceed. The success of this activity will demonstrate to OECS Governments the potential for cost containment throughout the health and other public service sectors and leverage their commitment to undertake activities in alternative health care financing, privatization of select services, cost accounting procedures and other aspects of public management and institutional development.

Policy discussions with Ministers of Health, other senior officials from Ministries of Health and Ministries of Finance, and drug supply system managers have shaped the project design. Government officials are acquainted with the achievements of the Barbados Drug Service and the USAID/PRICOR-funded project in Dominica, both of which have succeeded in increasing the timely availability of drugs within their health systems and simultaneously decreasing unit costs of drug supplies. They are eager to replicate these successes for their own countries. Their primary constraints are a lack of technical experience in these areas, public sector budgets which are not expanding, and the absence of a regional coordinating mechanism which will offer them economies of scale in drug purchases as well as increased possibilities for regional cooperation. As a result of CARICOM's previous efforts, recent achievements in pharmaceutical supply management programs, and AID discussions at the Ninth Health Ministers Conference held in July 1984 in Dominica, the Prime Minister of Dominica called for an immediate donor funded activity to establish a financial mechanism to enable pooled procurement.

Since that time, the Ministers of Health of the seven OECS countries have agreed to the overall approach for this Project, and to the establishment of the Eastern Caribbean Drug Service (ECDS) within the OECS Secretariat in St. Lucia. They have agreed further to work out, on a country-by-country basis in collaboration with USAID, the OECS, and the Eastern Caribbean Central Bank (ECCB), appropriate financing mechanisms for drug purchase through the ECDS. The momentum is now established for this Project to get underway.

2. Economic Setting

The Governments of the Eastern Caribbean countries currently allocate 10-14% of their total recurrent budgets to health, of which 5-12% goes to the purchase of pharmaceuticals and medical supplies. During these times of fiscal constraint and amidst efforts to reduce public sector expenditure, these percentages are not likely to increase. Population figures in the Eastern Caribbean region, however, continue to rise at about 2.3% per year, with the result a decreasing allocation per capita for pharmaceuticals.

Per capita expenditure currently ranges from US\$2.55 to \$6.20 in the OECS countries, with an average of \$4.50. Even if managed effectively, this sum is not high compared to approximately \$12 spent per person in Barbados. The OECS Governments are struggling to provide high quality primary health care services in a difficult economic environment. The situation is exacerbated by wastage from poor fiscal and supply management which is estimated to be 5% or more of the annual purchase volume. These Governments can ill-afford such losses.

This Project is expected to lower unit costs of pharmaceuticals an average of 25% through the pooled tendering and procurement system, and to further increase the efficiency of health systems through in-country supply system management improvements. The design and implementation of realistic cost recovery schemes will offer countries the possibility of recapturing some of the public sector outlay. Initially, the creation and development of the Eastern Caribbean Drug Service (ECDS), which will support and maintain these improvements, will require external financial assistance.

3. Conformity With Regional Health Sector Strategy

The OECS countries have all endorsed the 1978 Alma Alta Declaration of "Health for All by the Year 2000". The concepts of primary health care. In general their National Health Plans include: programs to train nurses and other health workers for delivery of basic health services in rural areas; the upgrading of rural health facilities; immunization campaigns; and health education and promotion efforts. Their health systems incorporate secondary and tertiary care facilities through which they strive to deliver the full range of preventive and curative health services.

Ministry of Health policies and operational plans call for improved management to develop and implement their programs in the context of current budgetary constraints, without placing additional financial burden on the public sector. Further, they call for increased regional cooperation to bring about economies of scale which otherwise would not be possible. With the OECS established as a respected representative voice in other areas, member Governments have expressed interest in establishing within it a Health Desk.

The Governments have recognized the timely availability of needed drugs as a vital element of their primary health care strategies. Drugs and medical supplies not only have a direct impact on health status but also influence it indirectly by lending credibility to the health system. The current inefficiencies in drug supply systems in the OECS countries decrease the availability of already limited supplies, and thus severely constrain these Governments in bringing their health strategies to fruition.

This project, offering increased availability of needed pharmaceuticals and, at the same time, decreased unit costs through regional pooled procurement and improved stock management practices, coupled with the institution of realistic cost recovery schemes, is in line with the health sector strategies of the OECS countries.

Some countries, notably Dominica, have expressed interest in expanding public sector supply systems to provide drugs to private pharmacies. This possibility is envisioned at a later stage of ECDS operation, and will be a useful model of public-private sector interaction in the health field.

4. Conformity with Regional Goals

The Eastern Caribbean countries are pursuing policies of free-enterprise-led growth combined with reductions in public sector expenditures. They are attempting to utilize better management systems to control public expenditures and to cooperate with regional bodies to bring about economies of scale which otherwise are not possible. These objectives have been the basis for forming the Caribbean Community Secretariat (CARICOM), the Organisation of Eastern Caribbean States (OECS) and other regional bodies. Evaluations of these organizations conclude that their services are most successful in areas where they facilitate economic cooperation. This Project will utilize OECS and the Eastern Caribbean Central Bank (ECCB) to continue the efforts in areas in

which a national savings can be realized through regional cooperation.

Utilizing the OECS to establish of a pooled procurement mechanism--offering economies of scale, improved stock management in individual countries and the institution and/or expansion of cost-recovery mechanisms--this Project will seek to increase public sector efficiencies. In financing the ECDS recurrent expenditures in a phased-down fashion over five years, training staff at the regional and country levels, and developing sustainable training mechanisms, the Project will strengthen the institutional capability within the Region to maintain these improvements.

5. Relationship to Mission Strategy

The Mission fully supports this Project which is aimed at increasing the cost-effectiveness of public sector programs through improved design, management and implementation. The need for action is witnessed by the fact, noted earlier, that the Governments of the Eastern Caribbean will spend an estimated US\$2.6 million on pharmaceuticals yearly of which a significant portion is wasted through poor fiscal and supply management. While this represents a small percentage of the total government recurrent budget, the Mission recognizes improved pharmaceuticals management as an area where immediate savings can be realized.

The Regional Pharmaceuticals Management Project will position the Mission to pursue the type of policy dialogue called for in the FY 86 RDSS. The RDSS has as its health sector goal improved coverage and efficiency of health services and trimming health services delivery costs. In this Project, pharmaceutical availability will increase as utilization patterns become clearer, supply inventories are improved, and forecasting of drug needs for timely procurement is enhanced. Unit costs of drugs will be substantially reduced, allowing countries to purchase more for the same quantum of funds, thus contributing to improved drug therapy. Supply management improvements in each country will reduce costs further. The quality of drugs available and dispensed will be improved through information dissemination activities aimed at consumers and providers. Public sector financial burdens will be relieved through the institution of realistic public sector cost recovery schemes.

By establishing financial incentives for the countries to combine their procurement needs, the Regional Pharmaceuticals Management Project will foster regional cooperation

to effect economies of scale and better utilization of resources. Further, it will strengthen a self-sustaining regional institution to maintain these activities.

B. Objectives

The goal of the proposed Project is to maintain and/or improve the health status of the seven OECS member countries.

The project purpose is to establish an integrated, managerially viable, self-financing drug service including a pooled procurement system serving seven Eastern Caribbean States.

C. Project Components

The Project will have two interrelated foci: the establishment and institutionalization of ECDS regional activities; and, country-level activities targetted at improving in-country supply management processes. Together these efforts will increase the overall management efficiency of drug supply systems in the region.

1. ECDS Regional Activities

The Eastern Caribbean Drug Service (ECDS), which will be set up as an agency of the OECS with its own operating mandate, will manage the international tendering-contracting-procurement process on behalf of its seven member countries. As ancillary activities to that process, the ECDS will coordinate the development of national formularies, will undertake and manage a range of quality assurance activities, will promote liaison with participating countries through the formation of regional committees and the publication of a newsletter, and will coordinate regional training programs. Individual countries participating in the ECDS will be responsible for forecasting their drug needs, and managing the in-country port clearing, storage, inventory control, repackaging, distribution and use of their respective shares of the procured pharmaceuticals.

a. Organization.

When the ECDS office is in full operation it will be staffed by an Associate Director (who will be expected to

move into the position of Director), an Assistant Director for Supply Services, an Accountant, Secretary, Clerk Typist, Clerical Officer, and Computer Operator. (An organizational structure is presented in Figure 2). The Associate Director will be "in training" from the start to assume the directorship of the ECDS in Year 3, at which point he will have ultimate responsibility for all ECDS activities. In this role, he will oversee the procurement process, provide the necessary liaison with participating countries, convene technical committees, produce an ECDS newsletter, coordinate regional training and continuing education programs, and provide technical assistance or "trouble-shooting" on the individual islands as necessary. The Assistant Director for Supply Services will manage the operational activities of the pooled tendering-contracting-procurement process.

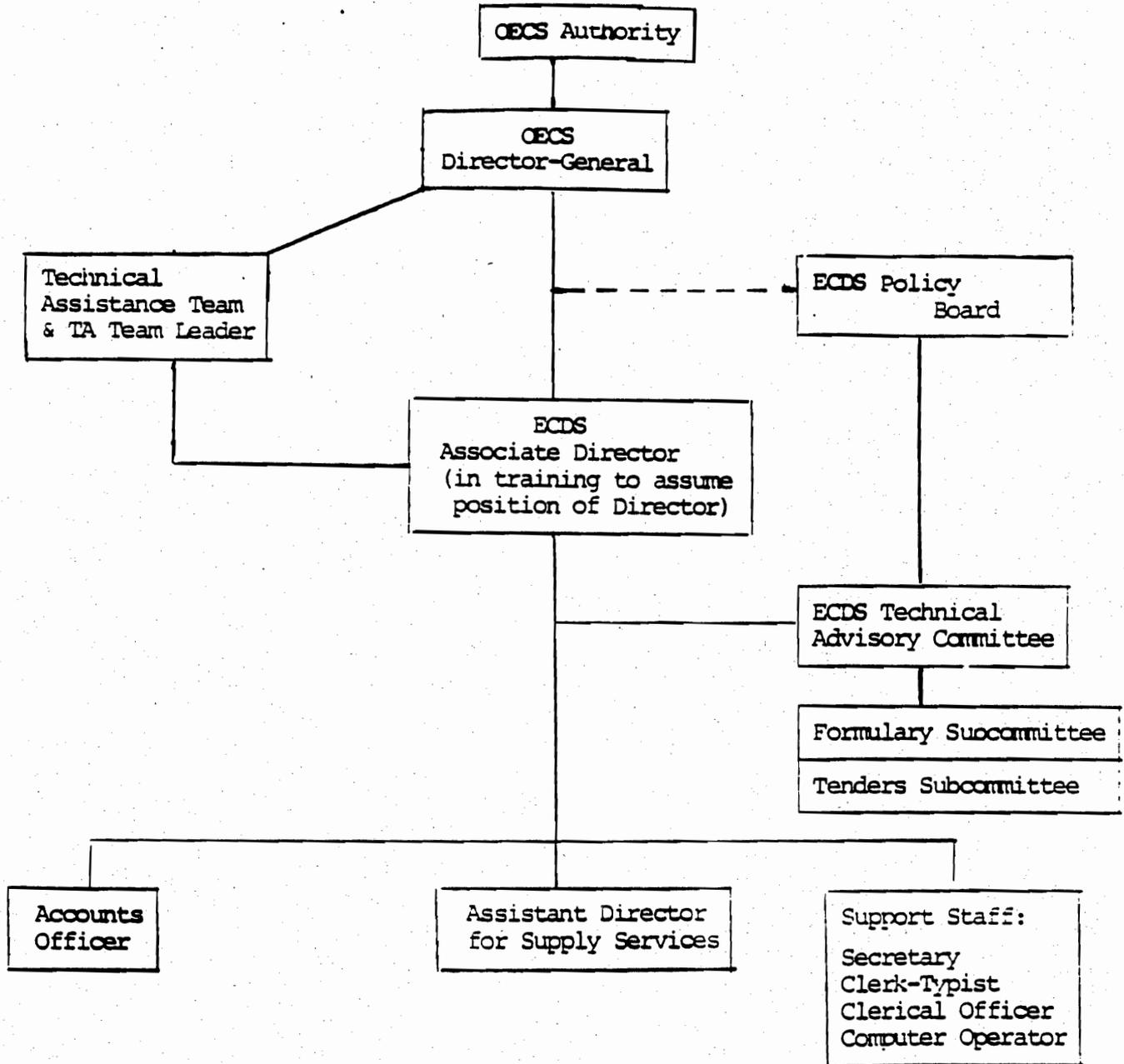
A Technical Assistance team will set up the ECDS, assume initial responsibility for its functioning, and work side by side with ECDS staff, training them and strengthening the institutional capability of the organization to function independently. ECDS senior staff will take increasing responsibility for internal organization and management as the Project progresses.

The Technical Assistance Team, particularly the TA Team Leader and the Procurement and Drug Services Advisor, will work closely with the ECDS Associate Director, the ECDS Assistant Director for Supply Services and the Accountant throughout the Project, effectively providing on-the-job training in the systems and procedures of the ECDS. By Project completion, these senior staff will be fully responsible for guiding the organization and providing its full range of services.

To prepare them for that role, the Project will finance their participation in two to four week training courses in general management, systems analysis and management information systems and pharmaceuticals supply management. The appropriate course offerings are likely to be found in the United States, although the existing training institutions in the Caribbean region, e.g. CAST and FACT in Jamaica, and BIMAP and CARICAD in Barbados, will be used to the extent possible.

FIGURE 2

ECDS ORGANIZATIONAL CHART



To ensure that the ECDS remains responsive to the needs of the member countries, a Policy Board will be established, with overall responsibility for ECDS policy direction. Its membership shall include a representative from each of the countries as well as the OECS, ECDS, ECCB, and the technical assistance team.

On an operational level, the ECDS will work in collaboration with a Technical Advisory Committee composed of ECDS senior staff and technical representatives from the each Ministry of Health. This Committee will review and provide technical advice and guidance on project design and implementation, development of operational procedures, the extent of standardization of systems and procedures among participating countries and relationships with international and bilateral assistance agencies. The Technical Advisory Committee will have two subcommittees, one to assist the ECDS with tender review, and the other to assist the member countries with resolving issues related to formulary development.

b. Pooled Procurement.

A key project activity and the major single function of the ECDS is the establishment of a system for coordinating drug needs and undertaking pooled tendering, contracting, and procurement of drugs so that economies of scale may be realized for the benefit of the member countries. The ECDS will compile the annual drug needs estimates submitted by member countries and put out international tenders for those items. At start-up, potential suppliers will be only those regional and overseas suppliers currently marketing their drug products in one or another of the OECS countries, although this list is likely to grow as the tendering system develops.

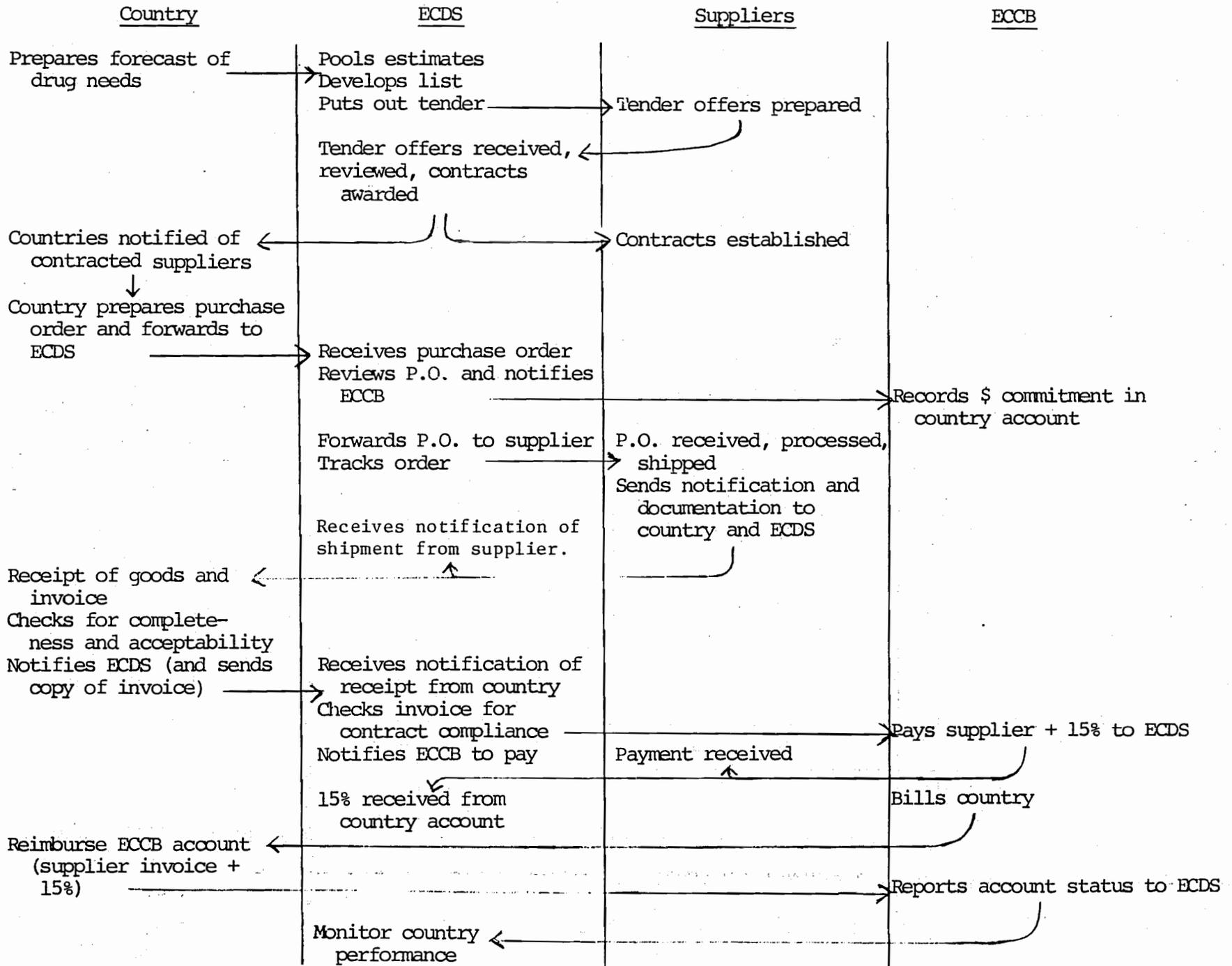
At the close of the tendering period, the ECDS will convene the Tenders Subcommittee, which will be formed with country representation, to evaluate all the tenders received and to select suppliers. The ECDS will issue Maximum Price Contracts to successful suppliers, through which the suppliers agree to a maximum price for the duration of the contract period; in turn, the participating countries guarantee a minimum purchase quantity.

Throughout the contract period, the ECDS will process purchase orders received from participating countries, forwarding them to the appropriate suppliers, monitoring order status, overseeing transshipments as necessary, verifying the arrival of shipments in individual countries, verifying that shipments meet contract terms, and authorizing payment on the

country's behalf by the Eastern Caribbean Central Bank. (Payment includes a 15% mark-up to finance ECDS services). These procedures are presented sequentially in a flow chart in Figure 3. In addition, the ECDS will oversee the "trading" of pharmaceutical stocks among member countries as appropriate -- e.g. to alleviate overstock situations, or to respond to emergencies in individual countries.

Figure 3
FLOWCHART OF

FORECASTING - TENDERING - CONTRACT - PROCUREMENT CYCLE



The pooled quantity tendering procedure and international procurement method can be expected to lower current unit costs by 25% on average and to create a smooth and continuous stock-on-hand situation.

c. Formulary Development.

A formulary is the basic document of a country's drug management system. It informs procurement personnel about what products to buy and it informs prescribers about what products are available and how to use them. Although all of the OECS countries have, at a minimum, some form of drug list, only Dominica and St. Vincent currently have true formularies including therapeutic guidelines, and indications and contra-indications for use of each item. Recognizing that the proper use of medications is a method of cost-effective use of scarce drug supplies, this Project will assist with the further development, continual updating, and printing of national formularies. This assistance will be provided at the individual country level and at the regional level through the establishment of an ECDS Formulary Subcommittee with country representation.

Formulary development will proceed with an eye toward regional standardization to the extent feasible and appropriate. A degree of commonality will be sought in selecting the drugs of preference for treatment of regional health problems and standardization will be sought for dosage forms. This will facilitate the paper work for procurement by restricting the total number of items to be ordered by the ECDS. Therapeutic norms will be developed for formulary products to promote rational prescribing and economical consumption within the health care systems of the member countries. Under a PAHO-CARICOM project, a master compilation exists on computer of all drugs currently listed by each of the Eastern Caribbean countries. The editorial content of Dominica's formulary is on the same program. Access to this background work will expedite the Project's work.

d. Management Information System.

The ECDS will require a well-organized management information system to compile country drug needs, process tenders, track purchase orders, monitor supplier performance, coordinate country developments, and monitor each country's account status. This "central level" MIS will be designed and implemented early in the Project. In addition, selected management information

routines will be implemented regionally, to facilitate communication between the ECDS and participating countries, and to assure that the member countries have the information necessary for managing their individual supply pipelines.

The Technical Assistance Team will work with the ECDS and counterparts in each Ministry of Health to develop a "generic" procedures manual, including standard forms for forecasting needs, standard purchase orders, contracts and invoice verification forms. In the context of each country's supply system, appropriate forms and procedures will be developed for inventory control and stock management. Initially, these routines will be manual but over the life of the Project many of them will be computerized. The ECDS, the ECCB, and all participating countries will be provided microcomputers and training through the Project.

e. Quality Assurance

To assure that the drugs procured meet acceptable standards of quality, the ECDS staff will carry out an active quality assurance program. This will complement the establishment of effective and binding contract terms with individual suppliers. It will include screening new suppliers for reliability, requiring Certificates of Quality for all shipments, testing samples from prospective suppliers or from shipments received at the Regional Drug Testing Laboratory in Jamaica, maintaining supplier records and evaluating the performance of current and past suppliers, providing guidance on packaging systems to member countries, and monitoring the condition of products in the storage and distribution systems of member countries. Such a quality assurance program is more cost-effective on a regional basis than when attempted by individual countries.

f. ECDS Newsletter

To promote liaison and communication between the ECDS and participating countries the regular publication and distribution of a newsletter is anticipated focusing on technical and management issues related to the selection, procurement, distribution and use of drugs. It will contain drug therapy updates, announcements or review of regional and country activities, supply news, supplier performances, and drug quality reports.

2. Country-Level Activities

a. Forecasting Needs.

In order for the pooled procurement concept to function effectively, member countries must be able to provide reasonably accurate forecasts of their drug needs in accordance with the ECDS overall schedule of operations. The Technical Assistance Team will work with counterparts in each Ministry to develop appropriate forecasting models that take into consideration epidemiological/demographic factors, health care service statistics and historical consumption data. These efforts should reduce the margins of error in individual forecasts and consequentially in the ECDS collated estimates put out for tender.

b. Facilities Upgrading.

Country facilities for central storage are frequently not adequate. In its early phase, the Project will support minor upgrading of warehouses by providing technical assistance for storage space management, as well as construction materials and equipment for atmosphere control and security as necessary. New structures are not contemplated. Each country will supply and bear the cost of necessary labor. At the peripheral level, dispensing facilities on all the islands need upgrading. They are in need of additional shelving, repairs to windows and ceilings, and security. The Project will assist in correcting these situations following needs assessments during the first year.

c. Inventory Control and Stock Management.

In each country, TA advisors will assist with the early identification and clearing away of accumulated obsolete stock and the rehabilitation of usable items. They will work with counterparts to develop routines and train personnel in the activities required to move stock efficiently from port to patient. These activities include: port clearing; receiving, handling, and issuing stock from storage facilities; and inventory control. Operations will be standardized among countries and a standard Central Medical Stores operations manual will be produced with country-specific adaptations as necessary. This will facilitate regionwide computerization in later stages of the Project.

d. Repackaging.

An alternative to dispensing from bulk containers is to have medicines packaged in advance in the appropriate quantities for treatment, e.g. 30 tablets of penicillin or 12 aspirin tablets. Such prepackaging into "courses of therapy" for dispensing at the peripheral level will be promoted through this Project, subject to each country's policies. This has both therapeutic and administrative advantages. Dispensing is safer, easier, and faster when, for example, one course of penicillin is prepackaged and "ready to go". The packaging can include standard patient-use information. It also results in less deterioration of drugs, and easier and more accurate recording of inventory. This latter benefit will be particularly important as programs begin to institute cost recovery mechanisms. Charging one price for a prescription or a package of drugs is simpler, and more likely to be accurate, than multiplying a unit cost times the number of tablets dispensed. This type of cost accounting will be a significant step in assignation of actual costs of illness by type of illness and will improve epidemiological reporting as well. The Project will provide technical assistance and the requisite equipment and materials to set up repackaging operations as necessary. It is anticipated that these benefits will more than offset the costs associated with repackaging .

In addition, the potential for cost-saving by bulk compounding of standard recipes by a country's Central Stores or major hospital will receive consideration, and technical assistance and equipment will be provided, as appropriate, for upgrading that operation.

e. Cost Recovery Mechanisms

An important component of this Project is the institution of cost recovery mechanisms in order to recover a portion of the costs of drug purchase and thus decrease the proportion of the health systems financing which derives from central revenues. The Technical Assistance Team will begin a dialogue early in the Project with each Ministry of Health in order to explore the range of alternatives and to work toward an appropriate model for each individual health system. Their discussions will complement RDO/C's policy dialogue regarding public sector management and reduction of recurrent public sector expenditures. The process of determining appropriate user fees will involve mini-surveys to determine current drug use patterns (e.g. the proportion of drug expenditure consumed by Social Security or

other insured patients, or by patients bringing private prescriptions to public sector facilities). The technical advisors will assist with the institution of cost-accounting procedures, the development of pricing strategies (incorporating subsidies and surcharges, if appropriate, to support a country's health policies), and development of fee collection methodologies. Cost accounting will begin in Year 2 and will involve identification of consumer costs as the basis for designing the cost recovery mechanisms to be instituted at an agreed upon time during the course of the Project.

f. Supply Management Training.

The Project will bring together senior supplies management staff from Member Countries several times during the life of the Project, in order to address specific technical issues and at the same time to foster regional cooperation. During these sessions, participants will exchange experiences, develop and refine generic approaches to common supply management procedures, produce a "generic" operations manual, develop microcomputer competencies, and explore alternatives for health system financing and the implementation of cost recovery schemes.

In coordination with these regional training courses, workshops for operations-level staff will be held in each country. These workshops will address specific issues in pharmaceuticals supply management while training staff to implement the new systems and procedures that have been developed. Special emphasis will be placed on user fee collection and accounting systems. These workshops will set the stage for project activities in each country and will continue in the form of on-the-job training throughout the life of the Project.

g. Prescriber Education and Public Promotion.

In addition to training supply management staff, the Project will develop educational programs directed to prescribers and dispensers and to the general public which can then be adapted at the country level. These programs are intended to gain acceptance of the new systems and to improve utilization of pharmaceuticals by health providers and consumers alike.

Professional workshops in the form of continuing pharmaceutical education are intended to begin through this Project and continue beyond it, with support from the ECDS. (This has been anticipated in the development of the ECDS annual

operating budget.) An initial workshop for prescribers and dispensers will provide an understanding of the Project and seek to gain their support of it. Technical and professional sessions will address drug therapy issues, emphasizing the choices within each country's formulary, as well as good dispensing practices.

The Technical Assistance Team will work with pharmacy and medical educators in the Caribbean to develop an appropriate curriculum which will insure the competence of ECDS staff and in-country supply personnel, making use of local educators and practicing specialists, and taking advantage of visiting lectureships in the area (e.g. those of the CIDA sponsored pharmacy program). Audio-visual training materials and equipment will provide exposure to a wider audience and facilitate the use of off-shore continuing education material.

Small libraries of selected textbooks and professional journals will be provided to each country for convenient reference by health care and supply personnel. The ECDS newsletter will carry lecture summaries, journal reprints and resumes, and therapy news to the professionals.

In-country public seminars are planned to promote public awareness of the ECDS and specific Project activities. The media (newspaper, radio, television) will be used to create consumer interest and understanding through news releases, paid advertisements and messages pertaining to the multi-country Project and the objectives of economical and rational use of drugs.

h. Private Sector Involvement.

The Project will explore existing and potential areas for interaction between the public and private sectors. Dominica has expressed interest in the possibility of private sector pharmacies purchasing some portion of their drugs and supplies through the Ministry's Central Medical Stores. This would provide the private pharmacies with the opportunity to benefit from the central contract unit prices and would encourage consumer use of private sector rather than public sector outlets.

The technical assistance team will assist each country contemplating such a mechanism to develop appropriate policies and regulations, and to review in particular the experience of the Barbados Drug Service in this regard.

III. IMPLEMENTATION PLAN

A. Implementation Schedule

All Project activities are scheduled to take place over a period of five years, from the date of the signing of the Grant Agreement with the Organisation of Eastern Caribbean States (OECS). The OECS will be the implementing agency for this Project and the Eastern Caribbean Drug Service (ECDS) will be established as an agency of the OECS with its own operating mandate. At the Project Assistance Completion Date (PACD), the ECDS is expected to be fully functional and self-financing. An Illustrative Implementation Schedule of Project activities is presented in Table 1, and a Bar Chart of the Implementation Plan in Figure 4.

Upon the signing of the Grant Agreement, the OECS, with RDO/C concurrence, will initiate procurement of a short-term Personal Services Contractor (PSC) to assist the OECS in undertaking the following activities: 1) drafting the RFTP for Technical Assistance, 2) finalizing Letters of Intent from five of the seven OECS Governments, 3) satisfying the Conditions Precedent to Disbursement of Funds, and 4) seeking office space for the ECDS and overseeing furnishing of that space. The need for this assistance is based upon the fact that this Project is an added responsibility for the OECS and they currently lack the requisite staff to implement it.

1. Technical Assistance Inputs

Technical assistance for the Project, both short-term and long-term, will be procured from one institution with experience in health management in less developed countries. Due consideration will be given, prior to publication of an advertisement in the Commerce Business Daily, to the availability of 8A firms to perform the tasks required. Submitted proposals will be evaluated and a host contract awarded by the OECS in concurrence with AID.

Most of the technical assistance will be provided early in the Project as the new ECDS is being set up, in-country procedures are being established and harmonized to support the regionalized system, and the process of institutionalization is taking place. Over the life of the Project this technical assistance will be phased down, and in the final year will consist of only short-term consultants as required.

The technical assistance team will be led by a long-term advisor who will be resident in St. Lucia for 36 months. As TA Team Leader, he will be responsible for liaison with RDO/C and the OECS Director-General. His responsibilities will include the monitoring of Project activities for adherence to AID contractual implementation requirements, completion of all Project reporting requirements, coordination of all Project activity in accordance with the Project objectives and workplan, and the coordination of individual consultant workplans and travel.

TABLE 1
ILLUSTRATIVE IMPLEMENTATION SCHEDULE

(R) denotes regional ECDS office activity
 (C) denotes country-based activity
 (R/C) denotes country activity requiring standard approach at the regional level
 * denotes activity vital to Project timetable

<u>Year 1</u>			
Month			
1	*	Grant Agreement with OECS signed	
2	*	PSC short-term arrives to assist with preparation of RFTP and meeting of Conditions Precedent	
4	*	RFTP issued	
7	*	Contract awarded for technical assistance	
9	*	Technical Assistance Team arrives ECDS office established; Countries name counterpart Project Implementation Officers; Technical assistance to participating countries begins	
	R/C	* Countries review and update their essential drug lists; designate drugs as vital, essential, non-essential, (VEN system).	
9-10	C	* Civil engineer (STC) assesses, designs, costs, and schedules essential warehousing reconstructions.	
	R/C	* Countries, with TA, count active stock-on-hand and begin inventory rehabilitation.	
	C	Countries, with TA, organize and tabulate past records required for data base and ongoing statistics.	
	R/C	Design and implement revised management information system (MIS), manual but computer adaptable.	
	R	Recruit/hire ECDS staff; develop job descriptions; establish Technical Advisory Committee and sub-committees.	
	R/C	Design programs of training, education and promotion.	
11	R	* TA reviews country Drug Lists; begins drafting drug product monographs and other editorial material required for formularies.	
	R	TA team reviews status of cost recovery activities in the sub-region and prepares "options paper" for clearance and dissemination.	
	C	* Monitor scheduled warehousing reconstructions, the procurement and installation of materials and equipment (and continue).	
	C	* Continue the rehabilitation of stock leading to its orderly placement upon completion of renewed storage space.	
	R	Gather and analyze baseline data; continue to record new procurements by existing/refined country methods.	
	C	Review current in-country distribution methods; revise forms and procedures.	
	R	Initiate computerization of ECDS Office and operate parallel to manual.	
	R/C	Conduct regional drug supply management course (for policy and management decision-makers). Establish schedule of regional and country training courses specific to the management and procurement design of the project.	
	R/C	* Countries provide ECDS with lists of suppliers (past two years; rated).	
	R	Convene implementation meeting of Board of Directors.	
12	R/C	Refine country selections of essential drugs.	
	R	Convene implementation meeting of Technical Advisory Committee. (Review cost accounting procedures and discuss cost recovery potential.)	
	R/C	Operate parallel systems; continue their refinement; Test-run computer adaptable methods of operations and MIS; initiate procurement and installation of micro-computers.	
	R/C	Conduct regional and country training courses specific to management and procurement design objectives of the project.	
	R/C	Conduct computer training courses regionally and in-country; both familiarization and specific to the project.	

Year 2

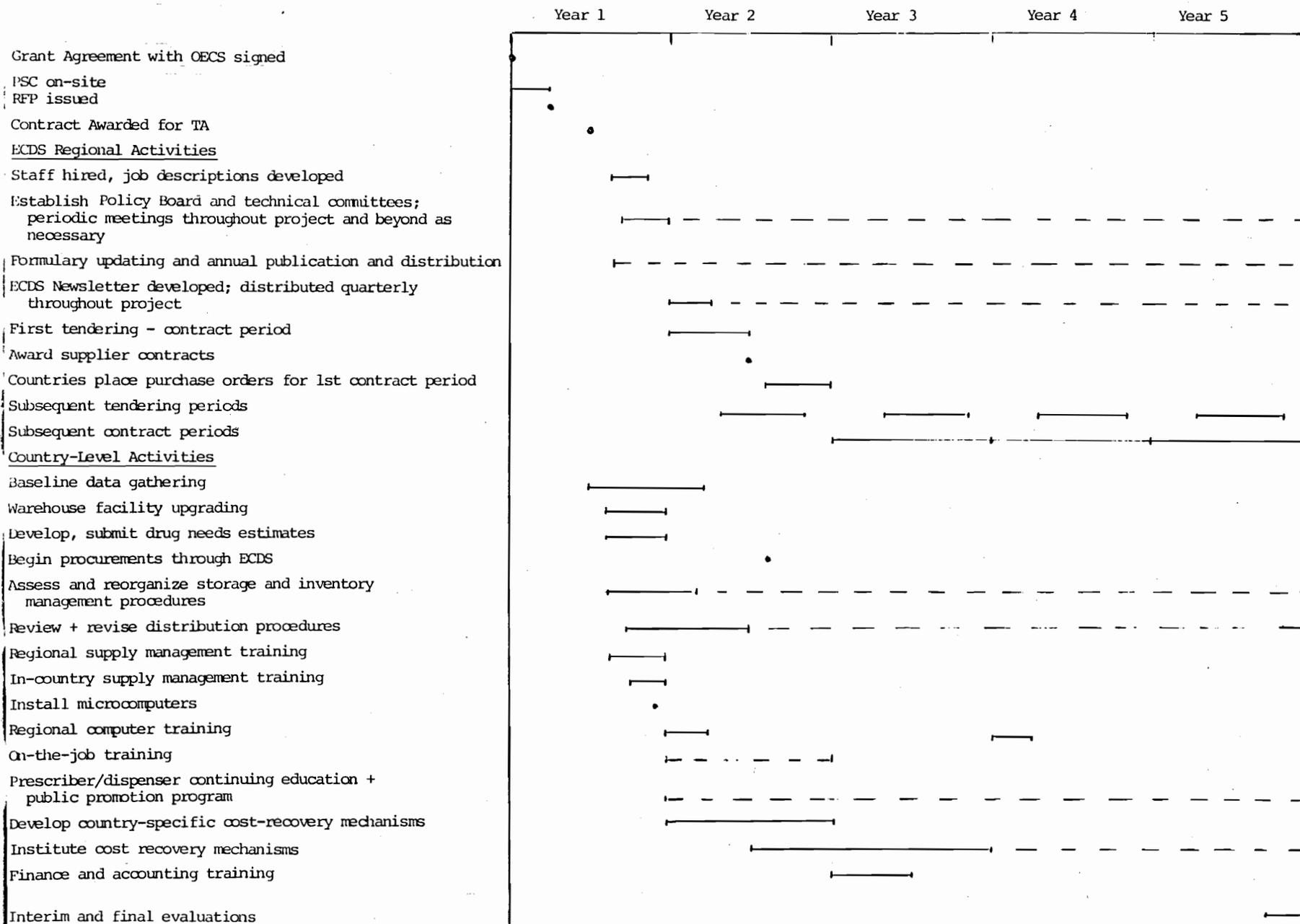
- Months 1-2 C * Complete warehousing rehabilitations as per schedule.
- R * Confirm regional procedures, information flow and methodologies of tendering, contracting, procurement and accounting.
- C Operationalize full inventory control procedures of revitalized stock; continue their refinement.
- R/C * Countries submit forecasts of annual quantitative needs of Formulary drugs to ECDS.
- C Continuing courses and on-the-job training of managers and staff respecting drug supply techniques including electronic processing.
- C Initiate public knowledge and understanding of the project and its components (public relations).
- C * Countries confirm their accounts in ECCB in accordance with earlier agreement.
- 2 R * ECDS collates country forecast, and prepares tendering documents.
- 2-3 R/C * Complete computer inputs of descriptive information of Formularies.
- 3 R * ECDS prints tendering documents specifying the quantities of required drugs by generic terminology.
- 4 R * ECDS advertises and distributes tendering documents by mid-Sept.
- 6 R * ECDS receives tendered offers to supply, collates and summarizes in easily-referenced format for evaluation purposes.
- 8 R * Convenes meeting of Tenders Committee to review and evaluate tendered offers and select suppliers; ECDS issues contracts to successful bidders for 4 - 5 months period and notifies countries.
- R/C * ECDS initiates print-out of Formulary master-copies inclusive of the selected contracted 'brands' and the competitive prices offered by other bidders.
- 9 R/C * Print Formularies and distribute to respective countries.
- R/C Countries initiate procurement orders and forward to Regional Office for transmission to contractual suppliers after commitment of funds; continue on month-to-month basis.
- 11 R/C Country receives shipment from supplier and confirms its acceptance to ECDS (within 5 days).
- R ECDS verifies that invoice meets contractual terms and authorizes payment (within 5 days); ECCB pays supplier and bills country for reimbursement.
- 12 R * Clearing away of commitments respecting guaranteed minimum purchasing, if any; conclusion of first Contract Period.

With the first contract being valid through June 30, 1987 (to permit adjustments which stay clear of pressure of country fiscal year-ends), the second tendering procedure must severely overlap the early months of the first contract to accommodate lead times.

- October, 1986 C * Country forecasts of annual requirements submitted to Regional Office.
- November, 1986 R * ECDS collates the forecasts, calculates the 12 month guarantees and prepares tendering documents.
- December, 1986 R * ECDS obtains printed copies of tendering document.
- January, 1986 R * ECDS advertises and distributes tendering documents by early January.
- March, 1987 R * Tendered Offers to supply are received by ECDS which collates their information and presents it in easily referenced format for evaluation process.
- April, 1987 R * Tenders Committee meets to select successful bidders; contracts awarded for 12 month period July 1, 1987 through June 30, 1988.

This forecasting-tendering-contract-procurement cycle continues on an annual schedule. The overlaps of the first year do not reoccur.

FIGURE 4
BAR CHART OF IMPLEMENTATION PLAN



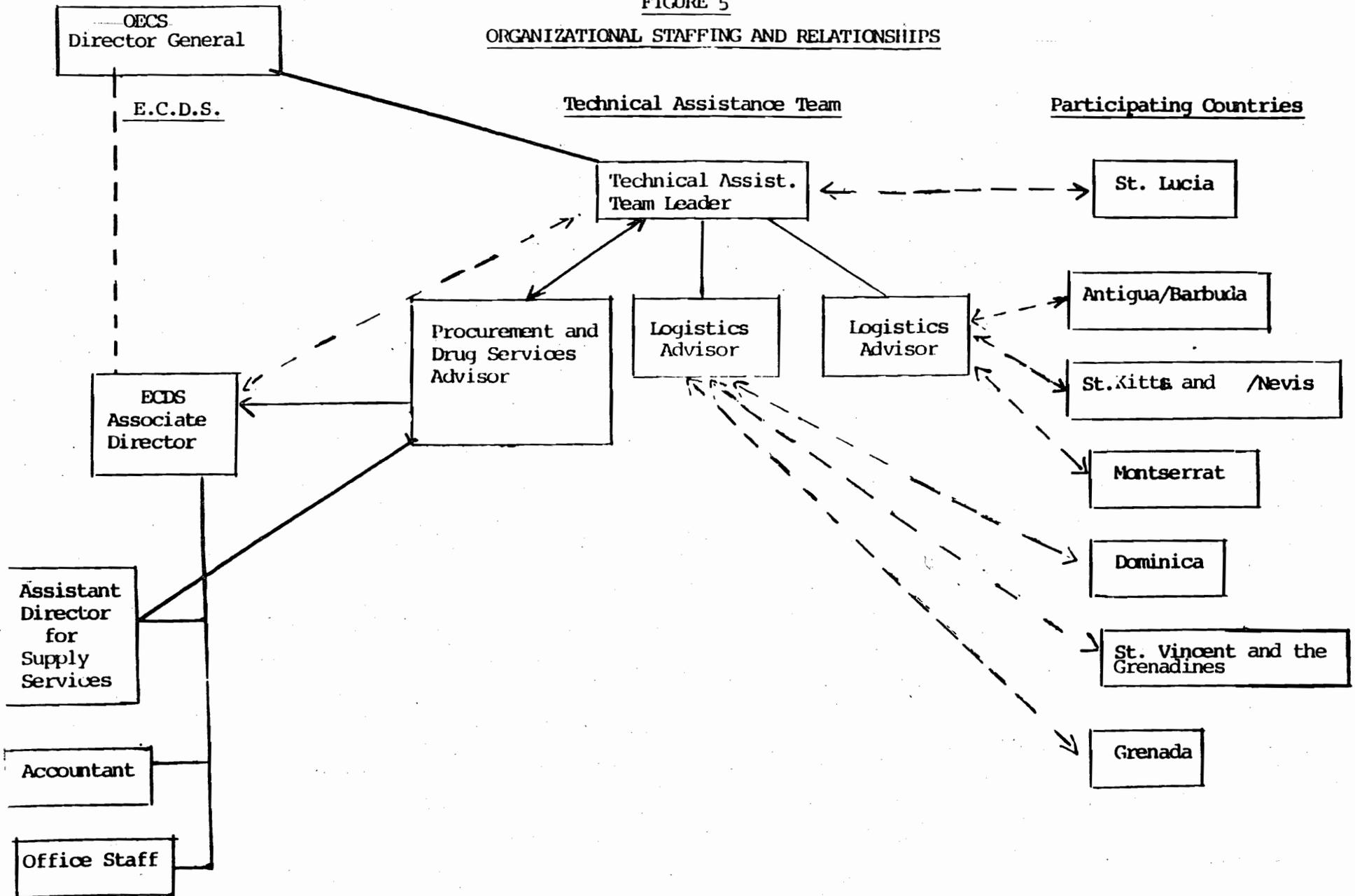
This Project will require constant and vigilant attention to the coordination between ECDS regional activities and developments in each participating country, in order to ensure a consistent pace of development and to provide the necessary political liaison. The TA Team Leader, being located in St. Lucia, is well-suited to fulfill this role. Within the ECDS regional office, he will oversee its initial organization, the development of management information and financial systems and the training of ECDS staff. In this role will work in coordination with the ECDS Associate Director. Working at the country level, he will be responsible for all in-country supply management activities in St. Lucia, working in a counterpart relationship with an identified Ministry of Health official.

A second member of the TA team will be the key technical advisor to the ECDS, functioning as its Procurement and Drug Services Advisor for the first 18 months. He will have primary responsibility for setting up the ECDS office, recruiting and hiring staff, and establishing detailed operating procedures for the pooled procurement function. Additional responsibilities will include the development, coordination, and publication of national formularies, and the development of a comprehensive quality assurance program. This advisor will work closely with the ECDS Associate Director, who will ultimately have overall responsibility for all ECDS activities, and with the ECDS Assistant Director for Supply Services who will have operational responsibility for the tendering-contract-procurement cycle.

Two additional advisors, logistics management specialists, will assume technical responsibility for in-country logistics management activities in the other six islands; one taking primary responsibility for Antigua/Barbuda, St. Kitts and Nevis, and Montserrat; and the other, Dominica, St. Vincent and the Grenadines, and Grenada. The experience of the USAID centrally funded PRICOR project, underway in Dominica since May 1983, supports the approach of periodic visits by the same technical advisor, who develops close working relationships at the operational level, introduces Project components one at a time, and returns repeatedly to monitor progress, trouble-shoot and introduce the next step. Each of these advisors will be present on a long-term basis for 18 months. They and the Team Leader will collaborate closely in order to guide and coordinate Project developments in all the islands to the extent necessary for adherence to the ECDS procurement timetable and for overall Project success.

Figure 5 depicts the relationships between the members of the TA team and ECDS staff and participating countries, as well as with the OECS Secretariat and AID.

FIGURE 5
ORGANIZATIONAL STAFFING AND RELATIONSHIPS



Approximately 24 person months of short-term technical assistance are envisioned throughout the Project, at both the ECDS level and at the country level. This short-term assistance will be required for two reasons: 1) to help carry the workload at points in the project when, by necessity, in order to keep to the procurement timetable, the workload will be especially heavy and will therefore exceed the capabilities of the long-term staff, and 2) to bring technical expertise to specific aspects of the Project. With regard to the timing, it is expected that short-term assistance will be required in the early phases of the Project when the ECDS is being established, new management and financial procedures are being designed and introduced at both the ECDS and country levels, and staff are being trained. Again, later in the Project, when the long-term assistance is being phased out, additional short-term inputs may be required.

The exact nature of the short-term assistance required will depend upon the specifics of the management systems designed as well as the skills of the long-term advisors in various fields. An illustrative list of the possible areas for short-term assistance includes the following: logistics management, systems analysis, management information systems, microcomputer applications, civil engineering, formulary development, finance, accounting, curriculum development, training, and evaluation.

2. Sequencing of Project Activities

a. ECDS

Project activities at the ECDS regional level and the country level will begin simultaneously. By the end of the Project, the ECDS will be a self-financing unit which will manage the pooled procurement function, will serve as a coordinating center for drug supply management activities, and will be able to provide technical assistance and offer training at the regional and country level as required.

The creation and development of the ECDS will begin immediately upon the arrival of the TA team. It will be located in St. Lucia, administratively situated under the OECS, which will be the parent organization to which it will be responsible. Through this Project AID will provide not only the start-up technical assistance but also will provide funds for the office space, a vehicle, office furnishings and equipment, a microcomputer, and library and reference materials. Over the life of the Project AID will pay a decreasing portion of the ECDS recurrent costs; the other portion (which by the end of the Project will be 100%) will be covered by revenues from country purchases of drugs and supplies through the ECDS.

The TA Team Leader and Procurement and Drug Services Advisor will give first attention upon arrival to staffing the ECDS office. (A proposed staffing arrangement was presented in Figure 2 in Section II.C.). Operational procedures will be developed and institutionalized for the first tendering-contract-procurement cycle which is expected to begin 4 to 6 months later upon submission of drug needs forecasts by the participating countries. Subsequent tendering-contract-procurement cycles will take place in Project Years 2, 3, 4 and 5 with increasing responsibility taken by the ECDS local staff.

A short term advisor in accounting and finance will assist the ECDS and the ECCB at early stages, and later the individual countries in establishing suitable, simple-to-maintain, financial procedures to ensure financial accountability and viability. These procedures, manual at first, will be designed for computerization.

It is expected that the ECDS will use a computer service during the first 18 months of the Project, before the Drug Service's own computer system is fully operational so that the procurement schedule can go forward without delay. Considerable regionwide data already are computerised, including the drug lists of all seven countries and sample tender documents from the Barbados Drug Service. Each list is on a different operating system; therefore the ECDS computer will be installed as early as possible, to coordinate all information under one data base and still provide for a period of parallel operation. Microcomputers will be provided to the ECCB and to each country.

Early in the Project, ECDS senior staff members will be encouraged to participate as necessary in the overseas management training courses previously outlined in II.C.l.a. These programs will complement on-the-job training and develop the capabilities of these senior staff to manage the ECDS, to provide technical assistance and training to member countries, and to make the most effective and efficient use of the ECDS computer capabilities, once the AID funded advisors have gone.

As liaison with member countries is an important component of ECDS activity, the Policy Board will be established early in the Project to give policy direction to the ECDS. Its membership will include the OECS Director-General, the Technical Assistance Team Leader, the ECDS Associate Director, the ECCB Governor or his appointee, and the Minister of Health or his nominee from each country's Ministry of Health. It is expected that the Board will meet at least annually with several additional meetings envisioned in the first two years. The funds required to convene the annual meetings have been anticipated in the estimate of the ECDS recurrent operating budget, with the AID grant providing funding for the additional early meetings.

Likewise, the Technical Advisory Committee will be established to give technical direction. It will be composed of the Procurement and Drug Services Advisor, the ECDS Associate Director and the ECDS Assistant Director for Supply Services, a senior drug management officer of each participating country, persons in the region having particular expertise required for ECDS services, and other members of the TA team. This technical committee will name its subcommittees responsible to it for formulary development and tenders evaluations. The Technical Advisory Committee will meet regularly at times and locations coordinated with subcommittee meetings.

The Formulary subcommittee will be an expert committee activated early in the Project to assist the ECDS in pulling together the national formularies for the pooled tendering process. It will continue to meet on an annual basis, in coordination with country formulary committees, to update and publish the national formularies. It will attempt to move towards standardization to further rationalize the procurement of pharmaceuticals for the participating countries. The Tenders Subcommittee, with representation from each country will meet annually to evaluate tenders and award supplier contracts.

The ECDS newsletter will be started by the second year of the Project, or as soon as is feasible.

b. Country Level

Simultaneous with the activities originating from the ECDS central office will be a range of activities and inputs at the country level, managed primarily by the TA Team Leader and the two logistics management TA advisors. In each country the TA advisor will begin a dialogue with senior Ministry of Health officials early in the Project to ensure a common understanding of the purposes and expected benefits of the Project and to discuss the design and implementation of cost recovery mechanisms. Each Ministry of Health will name a Project Implementation Officer directly responsible to the Permanent Secretary, who will be the counterpart to the TA Team logistical advisor. The Implementation Officer will organize country inputs such as the provision of local transportation, local materials, labor for stock clearing and disposal, and the carpenters and other craftsmen required for construction and installation of equipment; and will oversee all Project activities to ensure that tasks are being carried out in a timely and effective manner.

Technical advisors will focus their early attention on baseline data gathering and on activities that are required for regional coordination of procurement activities and for adherence to the procurement timetable. This will involve compiling country drug lists, supplier lists, and estimates of annual drug needs for submission to the ECDS; rehabilitating central level drug storage warehouses, as needed; clearing away unusable stock; reorganizing current active stock, and reassessing the drug supply management information system, particularly at the central level. These early activities will, by necessity, be initiated sequentially on the seven islands, but it is expected that, once underway, activities will continue between consultant visits under the supervision of local staff. It is expected that microcomputers will be installed in each country by the end of the first year of the Project.

Regional training courses for supply management personnel from the participating countries will address pharmaceuticals supply management issues as well as management information systems in Year 1 augmented by microcomputer applications training in Year 2. These regional courses will be followed by in-country courses and operational follow-up. The capabilities of regional training institutions, (e.g. FACT and CAST in Jamaica, and BIMAP and CARICAD in Barbados) will be explored and utilized to the extent feasible. To reinforce training experiences, each country will be provided a small library of essential reference books and periodicals.

The continuing education programs for prescribers and dispensers will begin in Year 1 and will be institutionalized as part of the ECDS annual recurrent budget. These programs will consist of seminars, lectures, and meetings, making use of audio-visual methods and publications to disseminate regional and extra-regional knowledge. Technical advisors will assist Caribbean pharmacy and medical educators in developing a curriculum. Concurrently, public information campaigns will begin in each country, making use of all appropriate and available media.

As the Project progresses, countries will continue to improve their inventory control and stock management procedures, refining their drug needs estimation methods and coordinating more effectively and efficiently with the ECDS tendering-contracting-procurement cycle.

When the central level systems and procedures in each country are effectively in place, the focus of attention will shift to the peripheral or user level. Dispensing facilities will be upgraded as necessary, management information systems in the Project countries will be extended to the peripheral level,

course-of-therapy packaging operations will be established where appropriate, cost recovery schemes instituted, and in-country revolving funds designed and implemented as required.

During these later stages, public education and promotion efforts will be given even greater emphasis. Regional training workshops will focus on health system financing issues and user fees, as well as refresher courses offered in management information systems and the use of micro computers. At the country level dispensers will be trained in user fee collection and accounting systems.

B. Administrative and Monitoring Arrangements

1. A.I.D. Responsibilities

The Health and Population Office of RDO/C will be responsible for managing the Project. The health staff currently consists of one U.S. Direct Hire and three Personal Services Contractors. A core Project Committee will be established to include of the Regional Health/Population Officer, and representatives of the Project Development Division and Controller's staff.

The Project Committee will be assisted in contracting and procurement actions by the Regional Contracting Officer; in evaluation matters by the Program Office; in training matters by the Human Resources Development Office; in legal matters by the Regional Legal Advisor; and in environmental matters by the Mission Environmental Officer.

Although RDO/C staff will not be involved directly in Project implementation, significant staff resources are anticipated to be required. Recent experience with bilateral projects which utilize short and long-term technical assistance for project implementation indicates that during the first nine months of the initial procurement and compliance stages significant AID managerial attention is devoted to approving host country actions. The regional and policy dialogue aspects of this Project (cost recovery schemes and private sector participation) will require RDO/C attention during Year 2 of the Project.

An initial Project design team worked in the seven countries of the OECS to gather the information necessary to ensure that the Project was consistent with the needs of the region. Further design work determined that the ECDS would be established

within the OECS itself, and that OECS would be the implementing agency for this Project. To ease the burden of initial implementation activities on both OECS and AID the final design incorporates a short-term PSC who will assist the OECS in putting together the RFTP, in meeting Conditions Precedent and in managing early disbursements for furnishing of office space to house the ECDS.

2. Implementing Agency Responsibilities

a. Organisation of Eastern Caribbean States (OECS)

Project implementation will be the responsibility of the OECS Central Secretariat in St. Lucia, through its Director-General. The Director-General or his appointee will carry out the administrative functions necessary for procuring the services of a technical assistance contractor; creation of the ECDS; establishment of the ECDS office; development of administrative relationships between the ECDS, the OECS and member countries; the recruitment of ECDS staff; and general support for technical implementation of Project components. The OECS will be assisted initially by the PSC noted above and later by the long-term team.

b. Eastern Caribbean Central Bank (ECCB)

The ECCB, located in St. Kitts, will serve as the payments agent for individual countries in their purchase of drugs and medical supplies through the ECDS. A "drug account" will be established within the ECCB for each participating country as per a Letter of Instruction they will issue to the ECCB. The ECCB will make prompt payment of suppliers' invoices and obtain reimbursement from the country on whose behalf it has acted. It will collect, in addition, a 15 percent ECDS administrative fee applicable to each invoice payment. It will be essential for the ECCB and ECDS to work together closely, which will require good communications, reporting systems and financial transaction records.

3. Government Responsibilities

Project implementation will necessitate a high level of cooperation and involvement of each country with the ECDS office and the technical assistance personnel. Each country will appoint a Project Implementation Officer who will be directly responsible to

the Minister of Health through the constitutional authority of the Permanent Secretary. The Country Project Implementation Officer will work directly with the technical assistance advisors, facilitating their access to appropriate persons and offices and generally ensuring smooth, on-time implementation.

Government inputs will include the provision of supply management personnel to work in close counterpart relationships with the TA team, labor and disposal vans for clearing away obsolete stock, labor for the necessary warehousing rehabilitation, and any other support deemed necessary to accomplish the in-country activities.

C. Procurement Plan

1. Technical Assistance

a. Personal Services Contractor

To facilitate the initiation of Project activities, a short-term personal services contractor will be employed to assist the OECS in drafting the RFTP for long-term technical assistance and processing the paper required to meet the initial conditions precedent to disbursement; and begin to procure furnishings for the ECDS office in St. Lucia. Approximately 24 weeks of service will be required. The contract will be incrementally funded using a combination of PDS funds and, once initial CP's have been met, Project funding.

b. Long and Short Terms Advisors

One hundred and two months of long-term and 24 months of short-term technical assistance have been budgeted in the Project. All technical assistance will be procured from one firm to ensure a consistent and coordinated approach to developments within seven Ministries of Health and two sub-regional organizations. This firm should have expertise in drug supply management (including computerization, management information systems, finance, formularies, and training), and the demonstrated ability to organize and manage a large technical project of this nature. The short-term PSC will assist the OECS in drafting the RFTP. The procurement will be carried out in accordance with AID Handbook 11 procurement procedures for Host Country Contracting. The OECS will evaluate the responses to the RFTP, and undertake contract negotiations with the technical assistance firm.

2. Commodities

a. Computers

It is proposed to purchase computer systems for the ECDS office, the ECCB and for each of the participating countries. The ECDS computer system will consist of a CPU with hard disk, a monitor, a back-up CPU, 2 printers, software and other supplies. It will be required to maintain and manipulate the data base of all country drug lists, formularies, suppliers, price lists, tender documents, and other forms, records, and communication. The computer systems purchased for the ECCB and individual countries will consist of microcomputers, printers, and software. Detailed specifications for these computer systems are given in Annex D, Table D 4.

The technical assistance team will make final recommendations as to hardware and software, and will be responsible for their procurement from the United States. The TA team also will be responsible for installation of the computer systems and training of ECDS, ECCB, and country staff in their use.

b. Vehicles

It is proposed to purchase one vehicle for the ECDS office in St. Lucia to assist in supporting the Policy Board, the Technical Advisory Committee, the ECDS staff and the technical assistance team.

None of the Central Medical Stores has a vehicle for its dedicated use. Past studies have indicated a variety of problems with this situation, including undue delays in pick-up of commodities from the port, delivery from the CMS to the dispensaries and hospitals, and risk of deterioration of supplies. After a needs assessment, it is proposed to purchase a vehicle for each of the seven countries. These vehicles would be used for port clearances, routine commodity distribution, local pick-ups, emergency deliveries and inter-departmental communication. The five vehicles to be used in the Windward Islands must be right hand drive (See Annex H for waiver), while the three planned for the Leewards will be of U.S. source and origin.

c. Construction Materials and Equipment

A technical advisor will assess and make recommendations as to the lumber and other construction materials required to achieve adequate storage space capacity and to accommodate administrative needs in the existing warehouses and at dispensing sites in the seven countries. Equipment such as improved lighting fixtures, air-conditioners and fans for atmosphere control, fire extinguishers and other security items may be required. These materials and equipment will be procured locally in the individual countries, utilizing small value procurement procedures. Funding for these purchases will be included in the technical assistance contract and the advisors will be responsible for assuring that these procedures conform to AID geographic code and advertising regulations.

d. ECDS Office Furnishings

The Project will procure the necessary furnishings to set-up the ECDS office including desks, chairs, tables, typewriters, and telephone, photocopy and telex equipment if not otherwise conveniently available. These furnishings will be procured in St. Lucia, following AID geographic and competition procedures.

e. Office Equipment and Training Equipment

The Project will require typewriters and calculators for the Central Medical Stores of participating countries. Audio-visual equipment and supportive materials will be provided, following the recommendations of the TA team, to enhance the training, educational and promotional component of the Project. This equipment will be procured through the technical assistance contract giving due consideration to local repair and maintenance capabilities. Waivers for the calculators (which are Japanese) and the typewriters (which may be European) will be processed as required.

f. Drug Repackaging and Compounding Equipment

Equipment for the prepackaging of drugs from bulk containers into appropriate quantities for dispensing, and equipment

for local compounding will be provided, subject to Project developments and policy decisions within each country. This equipment will be procured through the TA contract from the United States as required.

g. Library and Professional Literature

A minimum of pharmaceutical and drug therapy references texts and literature exists in the Project countries. Where it does exist it is seldom up-to-date. For each country, the TA team will purchase a selection of appropriate reference books and subscribe to regional periodicals.

3. Training

a. Regional and In-Country

Regional training courses for senior country-level supplies management personnel in general management, pharmaceutical supplies management, management information systems and microcomputers, and health system financing will be arranged by the TA team. To the extent possible, they will be arranged in collaboration with regional training institutions or with regional technical experts, and, in those cases, the Project will provide honoraria for the individuals involved. Other courses, both regional and in-country, will be conducted by the employees of the technical assistance firm and will be included under that contract.

Additional in-country professional workshops for physicians and pharmacists, and public education programs for consumers will be organized with the assistance of TA advisors, making use of local and regional experts and educators to the extent possible. Because these are envisioned as continuing programs of the ECDS, honoraria and travel for local experts have been included in the estimate of the ECDS recurrent budget and will be covered by AID financing of ECDS start-up costs.

b. Overseas Short Courses

ECDS senior staff will be encouraged to attend as appropriate specialized training courses of 2-4 weeks duration in the United States or elsewhere in: general management and finance;

systems analysis, management information systems; the use of computer systems; and pharmaceutical supplies management. This training will prepare them for assuming full responsibility for managing the ECDS at the completion of the Project. The TA Team will identify appropriate training courses. PIO/P's will be prepared by RDO/C's Training Staff.

A proposed Training Plan for the Project is presented in Table 2.

4. Outside Services

a. Computer Service

It is proposed that outside computer services be procured for the initial 18 months of operation of the ECDS office. This will ensure the efficient on-schedule implementation of the first pooled procurement program, including publication of tender documents and formularies. It will provide a period of parallel operation with the newly installed ECDS computer system, to assure adequate functioning and compatibility. These outside services will be procured upon the advice of the TA Team and AID approval and will be included as a subcontract to the TA contract.

b. Printing

The Project will provide for the design and printing of forms for the ECDS and for the supply systems of the individual countries. Printing services will be procured locally using informal competitive procedures as a subcontract of the TA contract.

TABLE 2
TRAINING PLAN

<u>Level of Participants</u>	<u>Location of Course/Workshop</u>	<u>Topic</u>	<u>Length of Course</u>	<u>Training Staff</u>	<u>No. of Participants Trained by PACD</u>
ECDS Senior Staff	U.S.A. or Regional Training Institute	General Management Training	3 - 4 wks	Outside Management Trainers	2
▪	▪	Systems Analysis & Management Information Systems/Computer Training	3 weeks	Computer Experts	1 - 2
▪	▪	Pharmaceuticals Supply Management	2 weeks	Pharmacists & Supply Management Experts	2
Senior Country-level Supply Management Personnel	Regional/rotating among countries or within Regional Training Institute	General Management & Pharmaceuticals Supply Management	2 - 3 wks	Regional experts and TA advisors	18 - 24
▪	▪	Management Information Systems and Micro-computer Applications	2 weeks + 1 week refresher	▪	18
▪	▪	Health System Financing & Cost Recovery Mechanisms	2 weeks	▪	18
Country-level Supply Management Staff	Within each country	Pharmaceuticals Supply Management/ Inventory Control Systems	3 days	TA advisors	12 per country = 84
▪	▪	Cost Accounting and Collection Systems	3 days	TA advisors	12 per country = 84
Country-level Prescribers & Dispensers	▪	Topics in Drug Therapy, Good Dispensing Practices	1 - 2 days (at least annually)	Regional experts and TA advisors	Unlimited
Public	▪	Promotion of ECDS Programs	1 - 2 days (periodic)	Local MCH officials/ Supply Management Staff/Media Personnel	Unlimited

IV. SUMMARIES OF ANALYSES

A. Technical Analysis

1. Project Design

The Ministries of Health of the seven OECS countries all experience difficulties in being able to deliver needed drugs and medical supplies to their populations. The right drugs are not available when needed. There are frequent stockouts, frequent emergency orders and consequent high prices for low-volume air shipments. Because of poor planning, scarce resources are spent for little return, and fewer funds are available for the next procurements. The drug supply systems are trapped in a downward spiral of inefficient use of resources. This constrains the ability of Ministries of Health to provide quality health care services.

The roots of the problem is the attempt by Ministries of Health, to provide the full range of preventive and curative services at little or no cost, with very limited funds and inadequately trained personnel using ineffective management systems.

Fortunately, drug supply systems are relatively discrete management systems, and good models are available for analyzing them. Drug supply systems may be viewed as having four functional areas--drug selection, procurement, distribution, and use. This is a framework both for identifying problem areas and for planning and developing interventions for change. Each functional area can be analyzed further and separated into a series of discrete activities. Management interventions aimed at individual activities, or at coordination between them, are more readily identified and implemented, improving the functioning of the system as a whole.

Through a series of discussions with Ministry of Health and other Government officials, survey data gathering, and site visits to the seven countries, the following issues and problems were identified, existing at varying levels of seriousness and complexity in the OECS countries.

Regarding selection of drugs, all of the countries have some form of drug list of what is available and recommended for a specific illness, but only Dominica and St. Vincent at the present time have true formularies which incorporate prescribing guidelines, indications, and contra-indications. These elements are essential to improved and uniform prescribing habits, ensuring better usage, and encouraging the use of generics for a more cost-effective use of resources.

None of the countries have well-developed systems for estimating the quantities of drugs needed resulting in frequent stockouts, and emergency ordering, or alternatively funds tied up in overstocks of non-essential items.

Procurement involves purchasing methods, finance, terms of payment, sources of supply, and quality assurance. None of the countries report using competitive tendering processes with the consequence that they pay prices two to three times higher than those paid by the Barbados Drug Service, which tenders. Furthermore, without financial liquidity to permit bulk purchasing, unit costs are higher and additional administrative time is required to process individual small orders. Delayed payments to suppliers often increases prices further.

Procurement problems result not only in high costs. In the absence of established contract terms, good methods for returning incomplete or faulty shipments, or viable drug testing procedures, countries also face early expiration or spoilage, decreasing the therapeutic benefit of pharmaceutical expenditures.

Distribution includes all of the activities required to bring drugs "from port to patient"--import management, inventory control, storage and transport. The port clearing process often is delayed due to cash flow problems in the Government treasuries resulting in high port fees and a loss of shelf-life in the drugs once they are brought into Central Medical Stores. Prompt, accurate inspection of drugs upon receipt, which is essential to monitoring supplier performance, is rarely integrated into CMS procedures.

Inventory management is among the most serious problems both at the central level and in peripheral facilities, e.g. warehouses are disorganized; CMS staff are not trained in receiving, storing, and shipping drugs; proper inventory forms and document procedures are inadequate.

At the central level, there is no adequate information system designed: to ensure that drugs are available when needed; to permit bulk purchasing; to minimize waiting time; to increase transportation efficiency; and, to guard against deterioration, spoilage, expiration, and pilferage. The result is frequent supplemental and rush orders, and again, increasing costs.

Prescribing and dispensing practices, and patient education to improve drug use is hampered by minimal availability of current drug information for physicians, pharmacists, or the consumer/patient. Although national drug committees generally exist with physician and pharmacist representation, there is no formal continuing education program for prescribers and dispensers. The medical professions depend almost exclusively on pharmaceutical industry detail men for drug information.

Experience proves, however, that management improvements directed at specific activities that are part of the supply process can remedy this situation dramatically, avoiding previous losses and increasing the therapeutic benefit obtained from the pharmaceutical expenditure.

The oft-cited changes that offer significant impact include careful drug selection, improved purchasing procedures, quality assurance, better storage, security systems, careful inventory control, altered prescribing habits, and effective dispensing practices.

The experiences of Barbados and Dominica are convincing models for the other OECS countries. The Barbados Drug Service (BDS), created in 1980, began a system of international tendering for drug needs. In the first contract period, the unit prices dropped an immediate 20% overall. This system has continued successfully, with prices dropping even further. In addition to improving their procurement system and as an essential preliminary step to this activity, the BDS focused a great deal of attention on its Formulary, involving physicians and pharmacists in its development, and, consequently, gaining their acceptance of the formulary concept and the use of generic drugs. The acceptance of generic drugs reduced the variety of identical pharmaceutical preparations resulting in lower costs. Additionally the reference material in the Formulary is helping to rationalize drug therapy and facilitate cost-saving inventories. The BDS has succeeded in reducing the cost of drugs, in both the public and private sectors, while at the same time assuring continuous availability.

Dominica is continuing to make significant progress in improving its drug supply system under a USAID/PRICOR-funded project. Dominica's Ministry of Health set up a revolving drug fund in November 1983 which provided the financial liquidity to plan procurements on a longer term basis. This has enabled Central Medical Stores (CMS) to purchase in bulk instead of placing frequent emergency orders as had been the norm previously; to pay suppliers promptly, re-establishing its reputation as a buyer; and to clear supplies promptly from the port, resulting in significantly lower port fees. CMS also began to search for lower-cost suppliers, concentrating the effort on high-volume, high expenditure items where the impact would be greatest. Some prices fell to 1/6 of what they had been previously. At the same time, stockout rates dropped 63% in the first 18 months.

These experiences support the view that there is not one ideal solution that suits all circumstances. Different approaches are useful in different situations. International tendering, for example, with the additional administrative burden it

creates, would not necessarily be cost-effective for the seven OECS countries to undertake, each on an individual basis.

This Project aims at improving the overall management of the supply process, using a combination of approaches that are known and are cost-effective. It aims at targeting specific management improvements at all the functional areas of the supply system -- selection, procurement, distribution, and use -- thereby, through synergistic effects, strengthening the functioning of the whole. To the extent possible, it will target these improvements at the regional level, profiting from the potential economies of scale in coordinated efforts and increased regional cooperation with its expected multiplier effects.

The Barbados and Dominica experiences support the approach that will be taken in this Project -- making procurement improvements a primary focus of Project efforts, where significant visible improvements can be achieved readily. By focusing this activity at the regional level, and pooling the seven countries' supply needs, international tendering becomes a cost-effective procedure. With carefully constructed tendering documents and contract terms, suppliers are guaranteed sale of a minimum quantity over the year, and thus are encouraged to bid lower to win the contract. Quality assurance activities, e.g. the sending of drug samples to quality control labs to be tested, also will be more cost-effective at the regional level. The Eastern Caribbean Drug Service (ECDS) will be formed as the central focus of these activities.

Individual countries will be assisted in making improvements in other areas of their supply systems. Some of these will be required in order to mesh with the regional procurement scheme -- e.g. preparation of drug lists in standard format, development of annual drug needs estimates on a schedule set by the regional program, development of a financing mechanism which will allow prompt payment of supplies, and implementation of specific key elements of a common management information system. Other management improvements in-country will have additive effects on the overall functioning of the supply system -- e.g. more efficient port clearing procedures, upgraded warehouses and dispensing facilities, improved inventory control, and better trained staff at all levels.

Institution or expansion of existing cost-recovery schemes will relieve, to some extent, the financial burden on the public sector. The precedent exists in these countries to collect user fees for some health services; they were common under British rule and currently are collected on a nominal basis in a few of the countries. (The Barbados Drug Service successfully sets prices and collects charges for drugs in the public sector, with subsidies or

exceptions under the Special Benefit Service). The people of the OECS countries already are used to paying for drugs in the private sector; virtually all of the countries report the filling of public sector prescriptions in private pharmacies, when government facilities are out-of-stock, or due to "preference". Studies in other parts of the world have shown that people even in poor rural areas are willing to spend a significant proportion of their income on health care.

In-country developments will be coordinated with ECDS activities through regional training programs, the development of regional committees, and dissemination of information through a regional newsletter.

Standardization of drug lists is another area for greater regional coordination. At the present time, the countries together purchase a total of 1176 different pharmaceutical preparations, of which 717 preparations are purchased by only one of the countries each. These 717 items will substantially increase the workload of the ECDS as the procurement unit -- not only in putting out tenders and establishing contracts for these items, but also, and more importantly perhaps, in processing purchase orders. To the extent that the number of these items could be reduced, the work of the ECDS would be facilitated and streamlined.

Agreement on prescribing norms or standard dispensing practices would further standardize formulary content, and also would offer economies of scale in the development of prescriber education or training materials. The extent of standardization that is achieved in these areas will depend on the smooth introduction of other Project components and on the interest of the countries.

2. Institutional Development

The major outputs of this Project will be a fully functioning and self-financing ECDS coupled with better functioning country level Central Medical Stores. Many Project inputs will be geared toward the development of the ECDS. One TA advisor, functioning as Procurement and Drug Services Advisor for 18 months, will work closely with the Associate and Assistant Directors so that by the third year, the Associate Director will assume the directorship of the ECDS. The TA advisor will remain full time in an advisory capacity for one more year. In addition, senior staff of the ECDS, will participate in technical and managerial training opportunities in the United States and on-site.

At the regional and country level, local managers and operational staff will participate in courses and workshops in the region, designed to improve their technical skills, facilitate the exchange of ideas and experiences, and promote new avenues for regional cooperation. These training opportunities will be complemented by ongoing TA and in-service training. Skilled staff in each country will further strengthen the regional capability for maintaining the ECDS.

B. Financial Analysis

1. Financial Plan

The total Project is estimated to cost \$4.198 million over 5 years, of which AID will contribute \$3.498 million and the participating Governments \$700,000. Fifty-five percent of AID's contribution will be for short- and long-term technical assistance, 22% for start-up financing of the ECDS, 17% for equipment and renovation of facilities at the regional and country level, and 6% for training. All of these contributions will be greatest in the early years of the Project.

Three summary tables are provided on the following pages. Table 3 presents a summary of Project costs by fiscal year and source of funding; Table 4, by expense category and source of funding; and Table 5, AID contributions by expense category, fiscal year, and source of funding. More detailed financial tables are presented in Annex D.

The Governments of the participating countries will be making significant contributions to this Project: provision of counterpart and operational staff, provision of labor as necessary for warehouse renovations and district level dispensary refurbishment, maintenance and operation of project-funded vehicles, and Project administration support. Budgetary allocations are not expected to be affected by these requirements.

Each Government also will make an arrangement with the ECCB for prompt payment for pharmaceuticals purchased through the ECDS. Those countries that choose to make an advance deposit to the ECCB will need to arrange that the necessary funds be allocated in the budgeting process.

2. Project Analysis

The critical financial question in the Regional Pharmaceuticals Management Project is the long-term financial viability of the Eastern Caribbean Drug Service (ECDS). The financial viability of the ECDS depends upon a series of assumptions that affect the revenue and cost of operation of the ECDS. These assumptions include estimates of ECDS recurrent costs, the volume of purchases through the ECDS, unit cost savings achieved through bulk tendering, and prompt payment of suppliers. These issues will be discussed in turn.

a. ECDS Recurrent Costs

The recurrent costs of the Eastern Caribbean Drug Service has been estimated in detail. (See Annex D, Tables D1 and D2). Table 6 below gives a summary breakdown of the estimated recurrent costs.

TABLE 3

Summary of Project Costs^{a/}

By Fiscal Year and Source of Funding
(in \$000)

	Fiscal Year						TOTAL FY85 - 90
	1985 ^{b/}	1986	1987	1988	1989	1990 ^{b/}	
A.I.D.	85	1,220	1,145	703	249	96	3,498
Participating Governments ^{c/}	0	34	93	154	197	222	700
TOTAL	85	1,254	1,238	857	446	318	4,198

a/ A.I.D. dollar Grant Project costs are defined as anticipated sub-obligations or commitments of funding through, e.g., PIOs, contracts, or purchase orders.

b/ Partial year

c/ Counterpart contribution is defined as the administrative fee paid to the ECDS as a percentage of the volume of pharmaceuticals purchases. It will be at least \$700,000 over the life of the project. This cash contribution is in addition to the in-kind country contributions of labor, materials and office space and equipment.

TABLE 4
Summary of Project Costs^{a/}
By Expense Category and Source of Funding
(in \$000)

Expense Category	Life of Project Funding				
	AID Grant			OECS Countries	
	FX	LC	TOTAL	TOTAL	TOTAL
1. <u>Technical Assistance</u>					
a. Long-term	1,469		1,469	b/	1,469
b. Short-term	320	26	346		346
<u>Sub-total</u>	<u>1,789</u>	<u>26</u>	<u>1,815</u>		<u>1,815</u>
2. <u>Training</u>					
a. Overseas	31		31		31
b. Regional and In-Country	150	14	164		164
<u>Sub-total</u>	<u>181</u>	<u>14</u>	<u>195</u>		<u>195</u>
<u>Equipment and Renovation</u>					
a. Office Furnishing and equipment	44	25	69		69
b. Computers	110		110		110
c. Vehicles	67	50	117		117
d. Compounding/ packaging equip.	101		101		101
e. Office and Facility Renovations		177	177		177
<u>Sub-total</u>	<u>322</u>	<u>252</u>	<u>574</u>		<u>574</u>
4. <u>Other Costs</u>					
a. Personal Services Contractor	27	-	27	-	27
b. Computer Sub -contract	25	-	25	-	25
c. ECDS Start-up and recurrent costs	611	85	696	700	1,396
<u>Sub-total</u>	<u>663</u>	<u>85</u>	<u>748</u>	<u>-</u>	<u>1,448</u>
<u>TOTAL</u>	<u>2955</u>	<u>377</u>	<u>3,332</u>	<u>700</u>	<u>4,032</u>
Contingency (@ 5%)			166		166
<u>Grand Total^{b/}</u>			<u>3,498</u>	<u>700</u>	<u>4,198</u>

- a/ Project Costs are defined as anticipated sub-obligations or commitments of funding through, e.g., PIOs, contracts, purchase orders, or work orders for civil works.
- b/ In kind contributions for items 1., 2., 3., and 4.a.b. not costed due to difficulties in measuring and monitoring.

TABLE 5

Summary of AID Funding^{a/}
By Expense Category, Fiscal Year, and Source of Funding
(in \$000)

Expense Category	Fiscal Year												TOTAL	
	1985 ^{b/}		1986		1987		1988		1989		1990 ^{b/}		FY85 - 90	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
1. Technical Assistance														
a. Long-Term	-	-	461	-	633	-	317	-	58	-	-	-	1,469	-
b. Short-Term	-	-	72	-	58	-	40	4	76	10	74	12	320	26
<u>Sub-total</u>	-	-	533	-	691	-	357	4	134	10	74	12	1,789	26
2. Training														
a. Overseas	-	-	10	-	9	-	7	-	5	-	-	-	31	-
b. Regional and In-Country	-	-	64	4	23	4	51	4	12	2	-	-	150	14
<u>Sub-total</u>	-	-	74	4	32	4	58	4	17	2	-	-	181	14
3. Equipment and Renovation														
a. Office furnishings and equipment	-	12	38	13	4	-	2	-	-	-	-	-	44	25
b. Computers	-	-	110	-	-	-	-	-	-	-	-	-	110	-
c. Vehicles	-	12	-	105	-	-	-	-	-	-	-	-	-	117
d. Compounding/Packaging equip.	-	-	15	-	30	-	56	-	-	-	-	-	101	-
e. Office and facility Renovations	-	30	-	57	-	50	-	30	-	10	-	-	-	177
<u>Sub-total</u>	-	54	163	175	34	50	58	30	-	10	-	-	255	319
4. Other Costs														
a. Personal Services Contractor	27	-	-	-	-	-	-	-	-	-	-	-	27	-
b. Computer Sub-contract	-	-	15	-	10	-	-	-	-	-	-	-	25	-
c. ECDS start-up and recurrent costs	-	-	153	45	236	34	153	6	64	-	5	-	612	85
<u>Sub-total</u>	27	-	168	45	246	34	153	6	64	-	5	-	663	85
TOTAL	27	54	938	224	1,003	88	626	44	215	22	79	12	2,888	444
CONTINGENCY (@ 5%)	1	3	47	11	50	4	31	2	11	1	4	1	144	22
GRAND TOTAL	28	57	985	235	1,053	92	657	46	226	23	83	13	3,032	466

^{a/} Project Costs are defined as anticipated sub-obligations or commitments of funding through, e.g., PIOs, contracts, purchase orders, or work orders for civil works.

^{b/} Partial year.

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TABLE 6

ECDS Estimated Recurrent Costs

1. Salaries and Benefits	\$ 84,000
2. Office Operations	70,060
3. MIS Support to Countries	23,000
4. Coordination Training & Supervision	67,425
5. Quality Control Testing	10,000
6. Amortization Expense	<u>29,900</u>
TOTAL	\$284,385

In constructing this estimate, liberal assumptions were used; i.e. estimates on individual items are thought more likely to be in excess of actual needs. Approximately \$200,000 per year is thought to be required for "core" recurrent costs essential to the operation of the regional procurement operation. This estimate will be refined during the course of operation so that by the time the countries assume the full cost of operating the ECDS, actual costs will be well established. AID will assume the start up costs of the ECDS and cover operating costs in decreasing proportions over the life of the Project. These costs will be monitored carefully and are not to exceed \$700,000 over the five years.

In addition to "core" recurrent costs, there is an estimated \$80,000 budgeted for country level support. ECDS support for country activities was included because the items were considered of high priority to continuation of the sub-regional drug management system and because it was felt that the ECDS could be developed into an institution capable of providing that support. These budget items, as with the total ECDS operating budget, will be subject to the approval on an annual basis by the ECDS Policy Board which will include representation from each of the participating governments.

b. Volume of Purchases Through the ECDS

i. Public Sector

It is anticipated that the ECDS will earn its revenue by applying a mark-up to the drugs purchased through the pooled tendering system. The size of the mark-up required to cover the recurrent cost will depend upon the magnitude of the recurrent costs and the dollar volume of purchases made through the ECDS. The

dollar volume of purchases is not precisely predictable, however this analysis uses a most likely scenario, i.e., that the public sector budget for pharmaceuticals and medical supplies will increase at 3% per year, or just slightly faster than population growth.

The estimated volume of purchases of pharmaceuticals and medical supplies is provided in Table 7. For several countries these estimates are probably lower than the actual volume, since some hospital medical supplies are purchased directly, i.e. not through Central Medical Stores. Thus the potential public sector market for ECDS-procured medical supplies and pharmaceuticals is expected to be greater than indicated in Table 7.

TABLE 7

1981 - 1985 ANNUAL DRUG AND SUPPLY EXPENDITURES (US\$000)

Antigua and Barbuda	1981 - 1983	377
Dominica	1983 - 1985	258
Grenada ^{a/}	-	281
Montserrat	1982 - 1984	71
St. Kitts and Nevis	1982 - 1984	227
St. Lucia	1982 - 1985	776
St. Vincent/Grenadines	1983 - 1984	<u>444</u>
TOTAL		2,434

^{a/} The figure for Grenada is an estimate, given the fact that the majority of their pharmaceutical stocks have been donated over the last several years.

A somewhat arbitrary target is for the ECDS to handle approximately 87.5% of public sector purchases of pharmaceutical and medical supplies by the end of the Project. (It is assumed that there will continue to be some emergency and other purchases made outside the ECDS system.) Purchases through the ECDS tender contracts are expected to be initiated about 18 - 21 months after the Grant Agreement with the OECS is signed and about 14 - 17 months after the arrival of the project-funded technical assistance team. Volume of purchases will increase rapidly during each successive year as more items become included in the tendering process and as countries develop supply systems that depend more on programmed purchases and less on emergency purchases.

It is anticipated that 80% of the net savings achieved through the lower unit prices from bulk tendering will be used to purchase greater quantities of pharmaceutical and medical supplies. Further, it is assumed that one or more countries will begin to sell relatively small quantities of ECDS-procured pharmaceuticals to private sector retailers.

ii. Private Sector

The volume of sales to private sector retailers is difficult to predict. There are several reasons why Governments will be encouraged to consider such sales. First, private sector retailers typically buy in small quantities at high unit costs using more foreign exchange than necessary. Second, they typically favor more expensive brand-name preparations to equally effective, lower-cost generic pharmaceuticals. Although little is known about the size of the private sector pharmaceuticals market in the OECS countries, it is thought to exceed the public sector market in some countries, and thus constitutes a significant drain on foreign exchange.

Countries that feel the need to reduce foreign exchange expenditures could do so by selling ECDS-purchased pharmaceuticals to private sector retailers. In so doing they could make inexpensive generic pharmaceuticals more available to the benefit of private sector consumers. Additionally, the availability of lower cost generics in private pharmacies should encourage greater consumer use of private dispensaries thereby reducing the reliance on public sector resources.

Sales to the private sector are likely to increase only slowly however, because private sector financial incentives generally favor the sale of expensive, high margin products. Sales to the private sector should be made only when the country has achieved a high degree of reliability in its public sector pharmaceuticals management system. When that has been achieved it is possible that import taxes could be applied to brand-name equivalents of pharmaceuticals in the national formulary. If this were done, sales of ECDS purchased pharmaceuticals to retailers could increase swiftly. The Project's financial analysis is based on very slow growth of such sales.

c. Unit Cost Savings Achieved Through Bulk Tendering

The unit cost savings to be achieved through the establishment of the ECDS has been projected at 25% of the current weighted average unit cost. Aggregate information on average unit costs of OECS countries currently is not available. (It will be developed for Project evaluation purposes by supply management TA during the first year of the Project.) However, several AID-funded studies have found that the OECS countries pay consistently more than Barbados which has developed a tendering system. (See Annex D, Table D5.)

The Barbados experience is particularly instructive in this regard. Barbados introduced a tendering system, with the first contract effective September 1, 1980. The first tender achieved an immediate 20% reduction in the average unit cost of purchases. Subsequent tenders drove unit costs down a total of 26% under pre-tender unit costs. Furthermore, as indicated in Table D5 (Annex D), Barbados already, prior to the introduction of tendering, was paying lower prices than the smaller OECS countries.

On the basis of this information, a unit cost savings of 25% is anticipated with the introduction of international tendering through the ECDS. This figure also is supported with examples of savings achieved in Dominica through an AID-funded PRICOR project in supply management in which savings of over 50% on individual items have been achieved simply by searching for less expensive suppliers of high volume expensive items.

d. Prompt Payment of Suppliers

A prerequisite for achieving, on a continuing basis, favorable prices from suppliers is prompt payment of supplier invoices. Dominica, using a loan from its Social Security Fund, set up a revolving fund to finance pharmaceutical and medical supply purchases. The fund reduces the possibility of payment delays as a result of either bureaucratic red tape or cash flow constraints in the Government Treasury.

Other OECS countries have expressed interest in the system established in Dominica. This project anticipates that each country will make an arrangement with the Eastern Caribbean Central Bank under which the ECCB will make prompt payments to suppliers according to their invoice terms. The ECCB then will bill reimbursement plus 15% for the ECDS from the country receiving the drugs. These arrangements will be detailed in the Letters of Instruction from each country to the ECCB.

e. Financial Feasibility

Table 8 on the following page presents an analysis of ECDS revenues and expenditures during the life of the Project and for the first five years after the Project. Sales volume is based on the assumptions discussed above. It is assumed that the ECDS will charge the 15% administrative fee on all purchases made through the tender contracts. The revenue generated is to be used to defray the recurrent cost of the ECDS. Financial viability of the ECDS

depends upon the service charge being less than the gross savings in unit costs achieved by bulk tendering.

As anticipated, the ECDS operating expenses exceed surcharge-generated revenues the first 2 years of the Project. After the first 2 years, ECDS losses decline rapidly as the volume of purchases handled by the ECDS rises toward the 87.5% target. In Year 5 of the Project ECDS revenues are only \$5,000 less than projected costs including the \$30,000 amortization expense included in the ECDS budget. During the Project, the operating expenses of the ECDS not covered by surcharges will be paid by AID.

Beginning the year after the Project, the ECDS earns a "profit" which increases gradually due to increasing purchases by the public sector as demand for pharmaceuticals and medical supplies increases with population and/or per capita income growth. It is suggested that, as long as the "profit" is small, it be put in a reserve account to be called upon in emergencies.

If a small, slowly increasing volume of country sales to private sector pharmacies and dispensaries is initiated in the fourth year of the Project, the ECDS might earn a very small profit in the fifth year of the Project. After a couple of years of slow growth, deposits to the reserve fund would reach more than 20% of ECDS recurrent costs in Year 7. At this time, the ECDS Board of Directors might decide to reduce the ECDS service charge, or to undertake some small projects to support further improvements in pharmaceutical supply management in the sub-region.

As indicated above, the probable unit cost savings to be achieved through bulk tendering is estimated to be 25% or possibly more. Table 8 shows the estimated gross savings to be achieved, given the volume of anticipated purchases. The difference between estimated gross savings and estimated ECDS revenues represents estimated net savings to the governments of the OECS, 80% of which is realized as increased value of products purchased and 20% of which is realized as cash savings.

The value of net savings increases rapidly as purchase volume increases. By Year 5, net savings exceed ECDS expenditures. In other words, by the end of the Project, the operating budget of the ECDS will be less than 50% of the gross savings which bulk tendering is expected to achieve. Put another way, if purchase volume were reduced by 50% due to the withdrawal of several countries from the ECDS, the ECDS could continue to operate by raising its service charge while still generating some net savings for the countries. Of course, if countries left the ECDS early in the Project, AID would have to increase its start-up financing as the growth in both purchases and ECDS revenues would be slower.

The stream of net savings depicted in line F of Table 8 provides the principal economic rationale for the ECDS. While there are many other benefits of the Project, the stream of calculated net savings to the Governments of the OECS provides a strong argument for the Project. By Year 6 the sum of annual net savings plus the ECDS reserve fund deposit exceeds 12% of AID's inputs into the Project.

While this financial analysis clearly demonstrates the financial feasibility of the Project, care has been taken during design to ensure that critical financial constraints are adhered to. Thus, for example, ECDS staff will not be hired before Project-financed TA is contracted as expenditures might increase on schedule while income could be delayed by late start-up of the procurement cycle. One evaluative tool of the TA will be the regular revision of this model based on implementation experience, giving careful attention to the validity of the assumptions that were made during Project design.

Table 8
PROJECTED ECDS REVENUES AND EXPENDITURES (THOUSANDS US \$)

KEY ASSUMPTION LIST											
BUDGET GROWTH RATE	3%	HAND CALCULATED PARAMETERS									
GROSS SAVINGS RATE	25%	SUPPLIER'S SHARE OF BUDGETED EXPENDITURE									84.215%
ECDS SERVICE CHARGE	15%	RATIO OF GROSS SAVINGS TO BUDGETED EXPENDITURE									28.072%
NET SAVINGS PLOUGHBACK RATE	80%										
ECDS RECURRENT COST	\$284										
VARIABLES	PROJECT YEARS										
	1	2	3	4	5	6	7	8	9	10	
A. COUNTRIES DRUG & SUPPLY PURCHASES (without project)	2452	2526	2601	2679	2760	2843	2928	3016	3106	3199	
B. % PURCHASES THROUGH ECDS (implementation target)	0.0%	15.0%	40.0%	65.0%	80.0%	87.5%	87.5%	87.5%	87.5%	87.5%	
C. ESTIMATED ECDS PURCHASE VOLUME (A*B*supplier's share budgeted exp.)	0	319	876	1467	1859	2095	2157	2222	2289	2358	
D. GROSS SAVINGS ON ECDS PURCHASES (A*B*ratio gross savings to budg.exp.)	0	106	292	489	620	698	719	741	763	786	
E. ESTIMATED ECDS REVENUES (C*ECDS service charge)	0	48	131	220	279	314	324	333	343	354	
F. NET SAVINGS ON ECDS PURCHASES (D-E)	0	58	161	269	341	384	396	407	420	432	
G. ESTIMATED ECDS RECURRENT COST (from detailed line item estimate)	153	284	284	284	284	284	284	284	284	284	
H. ESTIMATED ECDS OPERATING PROFIT (E-G)	-153	-237	-153	-64	-5	30	39	49	59	69	
I. PROPOSED AID START-UP FINANCING (to cover operating deficit; yrs. 1 - 5)	153	237	153	64	5	0	0	0	0	0	
J. ECDS RESERVE FUND DEPOSIT (H+I)	0	0	0	0	0	30	39	49	59	69	

K. ADD. ECDS PURCHASES FOR PRIVATE SECTOR (% of public sector purchases: line C)	0%	0%	0%	2%	4%	6%	8%	10%	10%	10%	
L. EST. ECDS PURCHASES FOR PRIVATE SECTOR (C*K)	0	0	0	29	74	126	173	222	229	236	
M. EST. ADD. ECDS REVENUES (L*ECDS service charge)	0	0	0	4	11	19	26	33	34	35	
N. EST. TOTAL ECDS PROFIT W/O AID (H+M)	-153	-237	-153	-60	6	49	65	82	93	105	
O. EST. TOTAL ECDS RESERVE FUND DEPOSIT	0	0	0	4	11	49	65	82	93	105	

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C. Economic Analysis

As stated above, one of the objectives of the member states of the OECS is the improvement of health services available to their populations. To this end, individual states allocate 10-12% of their individual annual budgets to the health sector. Of these sums, amounts varying from 5-12% are expended on the purchase of drugs and other medical supplies. However, under the existing system whereby commodities are purchased on a country-by-country basis, a substantial portion (approximately 30%) of this funding is eroded through losses incurred due to (a) high unit cost of drugs, (b) spoilage and the expiration of the shelf life of pharmaceuticals and supplies, (c) the use of brand names instead of generic drugs and (d) wastage by private patients who receive these commodities from public dispensers. The purpose of this project is to address the above issues and to enable the OECS countries to increase the cost effectiveness of the provision of pharmaceuticals and other medical supplies.

RDO/C has proposed that the sum of US\$4.198 million (US\$3.498 million from AID and US\$0.700 million from the OECS countries) be provided as initial funding for the ECDS over the first five years of the project, at the end of which time it is believed that the project will be self-supporting. At present, Governments of the OECS spend US\$2.6 million annually to provide pharmaceuticals; of this an estimated US\$780,000 is lost through wastage and other problems. Successful implementation of this project will reduce the unit costs by approximately 25% of the pre-project price of drugs and other supplies through the introduction of (a) a pooled tendering and procurement system, and (b) improved management of supplies. However, the service will institute a 15% administrative mark-up chargeable against the reduced unit price which will translate into an overall pre-project unit price saving of nearly 15%. In addition, the project is expected to reduce the level of wastage incurred each year. Quantifiable benefits are, therefore, the countries' net savings on purchases and reduced wastage. A 20-year stream of net savings on the expected annual purchases made by the ECDS has been computed.

Wastage due to spoilage and expiration of pharmaceuticals and supplies is estimated to represent about 5% of annual expenditure. However, actual levels of wastage are difficult to determine given the present inefficient manner in which supplies are handled. Therefore, in the absence of information in relation to wastage levels, RDO/C conservatively assume that this project will reduce wastage in the sub-region by 2.5% of the pre-project purchases in years one and two, 3.75% in years three and four, and 5% for the remaining 16 years of the project. Based on the above

stream of costs and benefits, an internal rate of return (IRR) of 13% was calculated indicating that the project is economically viable. (Computations are shown in Table 9). Other less easily quantifiable benefits are (a) improved quality of health services due to a reduction of the frequency of stock-outs, (b) enhanced quality of service resulting from improved prescriber and dispenser knowledge and (c) increased productivity from a reduction in sick leave among the labor force. We estimate they would raise the IRR by perhaps five percentage points. The proposed systematic introduction of cost recovery mechanisms will further enhance the revenue earning capacity of the service. In addition to the revenue generated from the partial cost recovery, the ECDS will plough back 80% of its net savings to finance its operations, thereby reducing its reliance on budgetary finance from OECS member countries. Consequently, OECS countries will be able to divert to other sectors funds which they would otherwise have to spend on the supply of pharmaceuticals and medical supplies.

D. Administrative Analysis

This Project is characterized primarily as an institution-building Project. It is a complex endeavor involving not only the creation of a new entity, the ECDS, but also the strengthening of health care services and personnel in each of the OECS countries. Consequently, it was necessary at the design stage to develop clear lines of authority, and well-defined roles for institutions and personnel. It was recognized that Project roles of the contractor, host country counterpart institutions and personnel, and the regional institutions are critical to success. Major institutions to be examined are: The OECS Secretariat, Eastern Caribbean Drug Service (ECDS), the Eastern Caribbean Central Bank (ECCB), and the Host Country Ministries of Health.

1. OECS Secretariat

a. Administrative Functions

The OECS Central Secretariat located in St. Lucia will be the implementing agency of the Project. The Director-General or his designee will be responsible for all of the administrative functions involved in creating the ECDS including liaison between the ECDS, the OECS and member countries, and overseeing the procurement of a Personal Services Contractor.

As the Director-General and the Central Secretariat already are heavily burdened with responsibilities of administering this sub-regional organization, it would be counter-productive to add to these responsibilities. Thus, assistance to the OECS will be provided by a short-term PSC and a long-term technical assistance team. The PSC will be under contract to the OECS to assist the Director-General in executing all the actions necessary to procure technical assistance.

The OECS will be responsible for the hiring of ECDS staff. The OECS, through the office of the Director-General, also will sit on the ECDS Policy Board to ensure that ECDS policy decisions are in accord with OECS health policy. The Director-General will have primary responsibility for policy decision-making, rather than general administration of the Project and the ECDS, although he will be the ultimate authority on administrative matters as well.

b. Primary Considerations in Design Process

Given the number of actors at the higher administrative levels, the relationships between the contractors and the host country institutions and personnel will be delineated clearly. This will involve adequate briefing sessions to ensure that all parties understand and concur in the direction and sequencing of activities.

2. Eastern Caribbean Drug Service (ECDS)

a. Functions

The Eastern Caribbean Drug Service (ECDS) will be established as an agency of the OECS located in St. Lucia. The functions of the ECDS as the procurement unit for OECS drug supply systems will include (1) assisting in formulary development; (2) tendering, evaluating bids and awarding contracts; (3) processing drug orders from countries; and, (4) monitoring shipments.

The ECDS, through the technical assistance of a U.S. firm, also will oversee all sub-project activities including (1) upgrading warehouses and dispensaries; (2) training; (3) labelling/packaging activities; (4) newsletter publication; and (5) instituting recordkeeping and quality control mechanisms.

b. Organization

As outlined in the body of the project paper (II C and Figure 2) the ECDS will operate as an agency under the authority of the Director-General of the OECS. The unit will be headed by an Associate Director, who will be in training for the ECDS Director's position, counterparted to the Procurement and Drug Services Advisor for the first three years of the Project.

The Associate Director will be assisted by a Technical Advisory Committee comprised of two subcommittees: a Formulary Subcommittee and a Tenders Subcommittee. Membership on these Committees will be made up of country representatives from each island (Permanent Secretaries of Health or their designees), the Procurement and Drug Services Advisor, the ECDS Associate Director, the ECDS Assistant Director for Supply Services and the TA Team Leader. In many cases, the PS designee will be the Chief Pharmacist; in some instances the latter also may operate as the country's Project Implementation Officer.

The Assistant Director for Supply Services will operate as Chief Procurement Officer. As such he/she will manage the operational activities of the pooled procurement process. Other staff include a computer operator and secretarial support.

c. Management

i. Delegations of Authority

The establishment of the ECDS entails clear conception of lines of authority in order to avoid potential conflicts and bottlenecks.

Ultimate authority rests with the Director-General of the OECS. Both the Associate Director and the TA Team Leader will report to him. The TA Team Leader will have overall responsibility for the operations of the ECDS and the coordination of country sub-project activities for the first three years. The Associate Director also will hold a substantive post, however, and will assume responsibility as Director in the third year. For the remaining two years, the TA Team Leader will advise the Director on management issues. The Procurement and Drug Services Advisor of the TA team will provide technical assistance to the Associate Director on procurement issues. The TA Team Leader will operate as overall advisor to the Assistant Director for Supply

Services and the Associate Director for the life of the Project. This person's role will primarily be that of management trainer and coordinator. Hence, the person selected will have expertise in all aspects of institution building and preferably a knowledge of the OECS countries.

The TA Team Leader will be assisted by two other long-term advisors based, one each, in the Windwards and the Leewards, who will ensure that sub-project activities in each project country are synchronized and the timeframe leading to the first procurement maintained. Other specialists called in for specified activities will provide technical assistance in areas such as forecasting, computerization, and supply management.

The Project will entail technical assistance provided by one firm which will have the responsibility for coordinating their input and defining roles and relationships of their team members.

ii. Experience and Capability of Managers

It is recognized that the persons hired for management positions in the ECDS will not have the required training either in their field of expertise or in managing an entity such as the ECDS which will be serving seven countries. The technical assistance team will assist in the establishment of the ECDS, support individual countries in setting up the pooled procurement system, and provide training to ECDS staff.

Additional training in the US for ECDS managers is proposed. This will involve specialized courses in management and finance, systems analysis, management information systems, and pharmaceutical supply management. Courses will be of 2 to 4 weeks duration and will prepare the staff to assume full responsibility for management of the ECDS at the end of the Project.

d. Staffing

Qualifications and adequate salaries for levels of expertise are critical to ensuring that the Project is not delayed through an inability to secure needed personnel. Responsibility for hiring staff rests with the Central Secretariat of the OECS. It is expected that the short term PSC will assist the OECS in evaluating proposals of technical assistance and meeting Conditions Precedent. The latter will include working with the Director-General and/or his

designees to establish the qualification requirements for job positions within the ECDS and their salary ranges. Actual recruiting and hiring of staff will occur with the arrival of the technical assistance team, specifically with the TA Team Leader. Advertisements for positions will occur during the period of short term PSC assistance.

e. Linkages and Coordination Mechanisms

Establishing good coordination mechanisms among the technical assistance team with responsibilities in seven countries, and between the ECDS as an institution and the Ministries of Health, will require establishing good working relationships among all staff members, the TA team and Ministry personnel. It also will require the acceptance and follow through of an Implementation Plan which acknowledges the number of moving parts, their synchronization, and the necessity for constant monitoring.

Key actors in project implementation will be the TA Logistics Advisors for the Windward and Leeward groupings and their liaison with the individual Country Project Implementation Officers who will be their counterparts at the local level. The Project Implementation Officers will report directly to the Permanent Secretaries of Health. The former are expected to be given sufficient leverage to ensure successful implementation of sub-project activities within the required timeframe.

Coordination mechanisms are being built on a number of fronts. The first is the ECDS Policy Board comprised of the OECS Director-General, the TA Team Leader, the ECDS Associate Director, the ECCB Governor or his designee, and the Minister of Health or his nominee from each Ministry of Health. This Board will meet at least annually, although it is envisioned that the first two years will call for several meetings per annum.

The Technical Advisory Committee with its subcommittees, will be comprised of the Procurement and Drug Services Advisor (TA Team), the ECDS Associate Director, the ECDS Assistant Director for Supply Services, and a senior drug management officer from each country. Subcommittees which focus on operations such as formulary development and tenders evaluations will provide the necessary linkages between the ECDS and the Ministries of Health.

Additionally, there will be frequent meetings (about every 6 weeks) between the TA Team Leader and the logistics advisors with ECDS staff and the OECS to ensure that Project components are being effectively implemented.

f. Project Design Considerations

Coordinating considerations are paramount to the successful institutionalization of the ECDS and the inauguration of the procurement process. Recognizing this, necessary steps to assure smooth functioning are being built into the contract for technical assistance and into the Implementation Plan.

Obtaining the necessary qualified personnel is also of critical importance. Technical assistance will be provided to the OECS in establishing guidelines for personnel development, writing up job descriptions, and ensuring that steps to secure qualified staff are taken within the first months of the Project. Inability to do so would significantly delay Project implementation.

3. Eastern Caribbean Central Bank (ECCB)

a. Administrative and Fiscal Functions

The Eastern Caribbean Central Bank was established on July 5, 1983, by the Governments of Antigua & Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines to assume the tasks previously performed by the Eastern Caribbean Currency Authority (ECCA) and to: (a) regulate the availability of money and credit; (b) promote and maintain monetary stability; (c) promote credit and exchange conditions and a sound financial structure; and, (d) actively promote, through means consistent with its other objectives, the economic development of the territories of the participating Governments.

The establishment of the ECCB represents a clear movement toward regional harmonization of financial systems. ECCB's scope for the exercise of monetary policy has been widened in comparison to ECCA's limited regulatory powers. ECCB is empowered to impose reserve requirements on commercial banks, and to set minimum and maximum interest rates for liabilities and maximum interest rates on loans. The ECCB also has a supervisory role in the regulation of commercial banks, and is in the process of creating a new department of banking supervision.

The ECCB is governed by a Monetary Council comprised of one Minister from each participating Government. Responsibility for policy and general administration of the Bank is vested in a nine member Board of Directors including a Governor and a Deputy Governor.

The success of the ECCB will depend on the ability of its governing bodies to act upon financial issues in a decisive manner. In the area of external finance, such as the setting of the external exchange rate, unanimous approval by Member Governments is required. In areas of regional monetary policy, more flexibility is given in the charter, requiring only a simple majority of Member Governments. However, ultimately, implementation of Bank regulations remains in the hands of the Member Governments. Thus the effectiveness of the ECCB critically depends on the willingness of participating Governments to take necessary action.

The ECCB recently has assumed implementation responsibility for the AID-funded Infrastructure for Productive Investment Project (538-0088) and, in so doing, has demonstrated the Bank's willingness to expand its participative role in regional credit operations. It also has become a signatory to the Trade Support Grant (538-0131), acting as a pass through instrument for grants to member countries. Since both activities are banking functions and have limited administrative requirements, the RDO/C feels the additional burden of the proposed Project activity is within the operational ability of current ECCB staff and resources. No operating costs or payments to ECCB are anticipated.

b. Primary Considerations in Design Process

Success of the Project is dependent upon prompt payment by the countries of monies advanced by ECCB on receipt of supplier invoices. Should short-term costs to governments for administration of Project components rise steeply cutting into savings, there may be reticence to continue. For this reason each country is being urged to work out an individual repayment plan with the Bank.

4. Ministries of Health

a. Assessment of Capabilities

All of the OECS countries accord a high priority to the provision of health services to their populations. Ministry of Health budgets average from 10 to 12% of recurrent expenditure throughout the sub-region. Drug procurement accounts for 5 to 12% of Ministry of Health budgets. Personal emoluments are a high percentage of health budgets averaging around 40%. A heavy emphasis is placed on primary health care which has involved decentralization

of services in several instances. In all countries an administrative structure is in place which clearly delineates responsibilities for various components of health services, including drug procurement and distribution.

Thus, this Project will be concerned with reorganization of existing systems to make them more efficient and cost effective. Much of the focus will be on improving the capability of the Central Medical Stores in procurement, storage, quality control, inventory control, recordkeeping, and distribution. All countries exhibit weaknesses in these areas, although not to the same degree. Many of the problems are associated with the lack of training available to Central Medical Stores personnel and the shortage of personnel. The collection of baseline data on present procurement systems early in the Project will aid planning and sequencing country activities which will culminate in the first procurement in 1986. Some comparative data already exist and have been utilized in Project design.

Administrative systems are basically in place and should be capable of implementing the Project with initial technical assistance. While Project Implementation Officers are yet to be identified, it is anticipated, that skill levels of these personnel will require some upgrading though training.

b. Project Design Considerations

Although each OECS country has basically the same organizational structure in their Ministries of Health including their drug supply management systems, they exhibit varying strengths and weaknesses in recordkeeping, inventory control, state of facilities, and numbers of staff trained. These variances compound the already onerous task of coordinating country Project components with the establishment of ECDS and the first procurement of drugs.

Constant monitoring by the technical assistance advisors will be necessary to overcome inherent logistical, intra-ministerial, administrative and staffing problems, and the generally cumbersome movements of country bureaucracies. Additionally, Country Project Implementation Officers will need to be individuals capable of wielding the necessary leverage to ensure sub-components are accomplished within the requisite timeframe.

E. Social Soundness Analysis

1. Social-Cultural Feasibility

Regional Cooperation and Integration

The concept of a Regional Pharmaceuticals Management Project which offers the opportunity for small countries to pool their resources and engage in international tendering of drug purchases is highly compatible with the goals of the Caribbean Community (CARICOM) and those of the Organisation of Eastern Caribbean States (OECS).

Additionally, the historical background of each of the islands as colonies and Associated States within the British Commonwealth ensures that the prevailing systems are nearly identical and based on similar policies, and practices. Thus, technical assistance across the board can have widespread effect.

The Project is being implemented through the Central Secretariat of the OECS, which further promotes its acceptability at the sub-regional level. As the Secretariat has major responsibility for coordination of all cooperative activities including implementation of economic integration policies, additional leverage will be given to the ECDS in its early stages of implementation which will be critical to the success of the Project.

2. Social Consequences and Benefits

The social impact on the host countries of a regional project of this nature, while difficult to quantify, is highly positive on various levels ranging from technicians at the Ministry of Health, dispensers at health clinics, pharmacists, and the ultimate consumer who purchases the drugs.

a. Consumers

Surveys conducted in OECS countries indicate that a significant percentage of consumers receive drugs or drug prescriptions through the public health clinics. Project benefits for these consumers include:

- Improved quality of health services due to a reduction in the frequency of stock outages. The Project should result in a 25% reduction in the frequency of stock outs at Central Medical Stores, thus allowing more patients to receive the right drug at the right time.
- Improved quality of health services as a result of enhanced prescriber and dispenser knowledge and practice. Presently, with great variations in drug lists and formularies, therapeutic information is not standardized and varies in depth of guidance.
- Increased cost/effectiveness of drug services which will indirectly benefit citizenry/drug users through costs savings to the Ministry of Health. Individual health clinics will, therefore have more funds available for other line items. This project could reduce waste in procurement by health centers by 25% to 75%.

b. Ministry of Health Technicians

Developing more efficient drug supply systems and the new pooled procurement mechanism will depend in large measure on the provision of technical assistance in a number of strategic areas to the Ministries of Health. Technical assistance provided by the Project will improve both professional expertise in drug supply systems and better management. Training will include use of microcomputers in forecasting models for drug needs and the development of data bases. Public sector employees will also benefit from workshops in supply management procedures including inventory control. The regional nature of the Project, and the establishment of a Technical Advisory Committee in the ECDS, will facilitate discussion on appropriate techniques and comparisons of experiences. Both individual professional development and implementation of better management systems will result.

c. Pharmacists and Dispensers

The quality of the work environment and efficiency of pharmacists and dispensers will improve as a direct result of Project implementation. Improvements in forecasting, development of drug formularies, better packaging, simplified supply procedures and

the renovation of facilities will benefit staff and should contribute to improved morale and motivation. At present, poor facilities discourage dispensers from operating most effectively at some health clinics.

Establishment of the ECDS and the provision of in-service training will be a major step forward from the present situation in which prescribers and dispensers depend almost entirely on pharmaceutical industry sales personnel for drug information.

d. Cost Recovery Schemes

There is a fairly long tradition, associated with British welfare state policies, of government provision of a full range of preventive and curative services for the majority of the population at little or no cost. This ethic, which has been fully endorsed by decolonizing governments, has contributed to fairly high health indicators in OECS countries. It also has created fiscal problems often resulting in shortages of drugs, supplies and skilled personnel, and administrative problems within Ministries of Health.

Although a majority of the population is accustomed to utilizing public health clinics and receiving free medical attention and drugs, the private practices of doctors and pharmacists also are heavily patronized. There is high social status attached to utilizing the services of physicians in private practice. There are also cultural biases towards purchasing pharmaceuticals from private pharmacies. Patients have come to believe that professional services rendered at public facilities are not of a high value.

There is scope for introducing cost recovery schemes into the public sector for two reasons. First, it will contribute to reducing the proportion of health systems financing which derives from central revenues; and second, it will facilitate the public education process by adding value to services rendered by public sector pharmacists and dispensers.

There is no across the board formula for all OECS states in the institution of cost recovery schemes. In the first year of the Project, surveys will be carried out to determine drug use patterns and to develop cost accounting procedures and fee collection methodologies. The surveys also shall assess attitudes toward user fees.

e. Private Sector Pharmacies

It is estimated that about one-half of drug services in OECS countries are provided by the private sector. The public and private sectors have different procurement systems and often different drug services. The Project focuses on the public sector as this offers the best scope for pooled procurement at the present time. It is hoped that at a later date private sector pharmaceutical needs can be folded into the pooled procurement scheme. This would expand drug orders as well as create a uniform, quality controlled drug supply system throughout the region.

Nevertheless it is necessary that consultation with private sector pharmacists occur from early in the implementation process, as they will be benefiting from the development of national formularies and training programs. The private pharmacies will be encouraged to participate in pooled procurement once the ECDS has been institutionalized and the individual countries have improved their transport and storage facilities.

3. Spread Effects

a. Public Education

A public education program to inform patients and develop a "consumer ethic" with respect to drugs is a component of the Project. This activity is aimed at expansion of knowledge on drug use to residents of the Commonwealth Caribbean, particularly to the least educated, less informed patients who disproportionately utilize public sector health services. As the project will be diffused throughout the countryside in all the islands, problems associated with attempting to multiply effects from a singular project area will be avoided and actual impact will be magnified. A key component in this public education program will be via training programs for prescribers which target communicating proper drug use to consumers. Pictograms, labelling and consumer packaging will be other tools designed to upgrade consumer services and education on proper drug use. The public media also will be used to create consumer awareness and understanding.

b. Education and Training for Health Services Personnel

Through a series of workshops, seminars, courses and audio-visual material, health service personnel in the Project countries will be made aware of the most up-to-date information and technical skills in the areas of pharmaceutical education, drug therapy, and inventory management. Small libraries of selected textbooks, professional journals and an ECDS newsletter will be provided to project countries. Institutionalization of an information system will occur through continuing pharmaceutical education.

c. Transfer of Management and Technical Skills

The project aims at improving prescribing, dispensing and patient use of pharmaceuticals; and also at providing lower cost, higher quality pharmaceuticals through better supply management, drug selection and procurement services. Successful implementation involves considerable technical assistance through various institutional levels, from the creation of the ECDS itself down to local prescribers and dispensers.

F. Environmental Analysis

The approved Initial Environmental Examination (IEE) recommended a Negative Determination. The Project consists of rehabilitation activities rather than new construction. No long-term negative environmental impact will be attributable to the limited construction work under this Project.

V. CONDITIONS PRECEDENT AND COVENANTS

The following conditions and Covenants will be included in the Grant Project Agreement:

A. Conditions Precedent to Disbursement

1. First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

a. An opinion of counsel acceptable to AID that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee, in accordance with all of its terms;

b. A statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

c. Evidence of intention to participate in the Project from at least five of the seven OECS countries. A draft Letter of Intent is attached as Annex I.

2. Disbursement for Other Than Short Term Personal Services or Rehabilitation of Office Space

Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made for other than short term personal services contracts or the rehabilitation of office space, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

a. A time-phased Implementation Plan which includes the time frame and assigned responsibility for the following: procurement of long term technical assistance; establishment and staffing of the Eastern Caribbean Drug Service; and procurement of the vehicles.

b. Copies of Letters of Instruction from at least five of the seven participating countries, specifying the financing mechanisms that have been established to guarantee prompt and full payment to suppliers for purchases of pharmaceuticals and medical supplies through the ECDS.

B. Special Covenants

1. Personnel

The Grantee covenants to provide such personnel as are necessary to assure the effective implementation of the Project, in particular, an accounts officer, until such time as the technical assistance team is in place and able to assume those duties; and to assist with the recruiting of permanent staff of the ECDS.

2. Cost Recovery Schemes

The Grantee covenants to seek commitments from participating countries to design and institute appropriate cost-recovery schemes for their pharmaceuticals supply systems during the Project.

3. Organizational Setting for ECDS

The Grantee covenants to establish the Eastern Caribbean Drug Service as an agency of the OECS with its own operating mandate and to provide the necessary organizational setting and administrative linkages for the ECDS, in order to support its continued existence.

4. Utilization of Equipment

The Grantee covenants to ensure that the ECDS and participating countries utilize equipment provided under this Project for activities similar in nature to those carried out under this Project for a period equalling the useful life of the equipment.

VI. EVALUATION ARRANGEMENTS

The evaluation plan for this Project incorporates baseline reports, which will be produced within 6 months of the arrival of the technical assistance team, two interim evaluations--one after 18 months and a second after 42 months, and a final evaluation which will be conducted just prior to the PACD. All evaluations will be coordinated by the TA team, with outside resources brought in to assist as necessary.

Baseline data will be collected in each of the seven participating countries, and will include but will not be limited to the following: (1) information on the previous year's procurements, (2) what suppliers were used, (3) unit costs paid, (4) current stock levels, (5) the proportion of items out-of-stock, (6) levels of expired/deteriorated/obsolete stock, (7) inventory in customs, (8) usage rates by therapeutic group, and (9) mechanisms currently in use for cost recovery.

These data will be collected by the TA team, following a standard format for easy comparison among countries and to facilitate comparisons at the time of interim and final evaluations. They will be obtained from general ledgers, bin cards, requisition/issue records, receiving reports, and delivery vouchers, depending on the existing recordkeeping system in each country.

The Management Information System put in place during the course of the Project will be designed to allow ongoing monitoring of crucial performance indicators. Throughout the Project, TA advisors will make periodic reports on developments in each country. These will be necessary to successfully coordinate activities of the seven countries. These reports will be shared with all Ministers of Health and their staffs who are interested in quantitative performance information. Technical summaries of developments also will be communicated to participating countries through the ECDS newsletter or some other medium.

The first interim evaluation will examine the functioning of the ECDS and the progress being made in each country, as compared to what was set forth in the original workplan. This evaluation will review, for example, (1) the problems encountered in the initial tendering-contract-procurement cycle, (2) the volume of purchases made through the ECDS, (3) the adequacy of ECDS revenue to cover expenditures, (4) the roles and interrelationships of the participating organizations and countries, (5) the degree of warehouse renovations, (6) progress in national formulary development, (7) the extent to which systems have been computerized, and (8) the numbers and types of staff trained. In addition, key

indicators will be looked at to assess progress toward the achievement of Project objectives.

A second interim evaluation will serve to assess the continuing validity of the Project rationale and strategy, will identify problems and constraints, and will make recommendations for changes in strategy as necessary to facilitate achievement of Project objectives within the remaining Project timeframe. This evaluation will focus primarily on several key indicators of Project success. Data will be collected in each of the seven countries and compared to the baseline data collected initially to assess whether Project objectives have been attained. These data will include measures of (1) the frequency of stockouts, (2) the operation of country level supply systems within specified norms, (3) unit costs paid for pharmaceuticals and medical supplies, (4) rates of expiry/deterioration/obsolescence of stock, (5) demonstrated "cost-consciousness" among prescribers and patients, and (6) the institution of cost recovery schemes.

A final evaluation will assess Project success given five years of implementation, refinement and adjustment. It also will examine the extent to which activities occurring under the Project have been documented and carried out in a manner consistent with expectations and in such a way as to permit replicability, and the extent of institutional capability within the ECDS to continue the activities begun under the Project.

It is fully anticipated that progress reports and evaluations from this Project will be of interest to a wider audience. The experiences from this Project could provide the basis for case studies to be used by local training institutions (e.g. CARICAD) and for conference presentations.

ACTION AID-7 INFO AMB DCM PE CERON 10

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RR RUEEWN
DE RUEHC #6344/01 3571023
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E.O. 12356: N/A

TAGS:

SUBJECT: DANCE CABLE FOR RDO/C PHARMACEUTICALS
MANAGEMENT PROJECT (538-0134)

1. A DAEC REVIEW OF THE REFERENCED PROJECT WAS HELD ON WEDNESDAY DECEMBER 5.

2. STAFF WORKLOAD. IT WAS NOTED IN BOTH THE PIPELINE AND CDSS REVIEWS THAT RDO/C'S STAFF IS THINLY SPREAD AMONG A NUMBER OF PROJECTS BEING IMPLEMENTED IN VARIOUS ISLANDS. THIS PROJECT, DESPITE ITS RELATIVELY SMALL SIZE, WILL REQUIRE A GREAT DEAL OF TIME ON THE PART OF THE PROJECT DEVELOPMENT STAFF AND HEALTH PERSONNEL, IN BOTH NEGOTIATIONS AND IMPLEMENTATION. AID/W QUESTIONS WHETHER THE MISSION WILL NOT BE OVER BURDENED BY HEAVY DEMANDS DURING THIS PROJECT'S PREPARATION AND INITIAL IMPLEMENTATION. IF MISSION DECIDES TO PROCEED TO PP DEVELOPMENT, IT MAY AUTHORIZE PROJECT IN THE FIELD, SUBJECT TO FOLLOWING GUIDANCE.

3. PROJECT MECHANISM. THE MECHANISM BY WHICH THIS PROJECT IS TO BE CARRIED OUT WAS NOT MADE CLEAR IN THE PID. IT WAS DETERMINED AT THE DAEC THAT THE GRANT AGREEMENT SHOULD BE SIGNED WITH THE ORGANIZATION OF EASTERN CARIBBEAN STATES (O ECS). THE O ECS AND PARTICIPATING GOVERNMENTS WOULD EXECUTE SIDE LETTERS OF AGREEMENT. (ECCB'S PARTICIPATION WOULD LIKEWISE BE SPELLED OUT IN A SEPARATE SIDE LETTER AGREEMENT WITH THE O ECS.) WHEREBY THE PARTIES' COMMITMENTS TO IMPORTANT PROJECT OBJECTIVES WOULD BE SPELLED OUT. FOR EXAMPLE A GOVERNMENT'S COMMITMENT REGARDING INSTITUTING USER FEES AND PARTICIPATING IN PHARMACEUTICALS POOLING ARRANGEMENT WOULD BE SPELLED OUT IN SUCH A LETTER.

4. USERS FEES. ONE OF THE MOST CRITICAL DEVELOPMENT ASPECTS OF THIS PROJECT IS THE INSTITUTING OF USER FEES. IT WAS BROUGHT OUT IN THE DAEC THAT USERS FEES FOR PHARMACEUTICALS WERE COMMON UNDER THE BRITISH AND NOMINAL FEES ARE CURRENTLY BEING COLLECTED BY ONE OR TWO OF THE ISLAND STATES. THE COLLECTION OF THESE FEES COULD FURTHER OFFSET THE COST OF PHARMACEUTICALS OR, IF THE RECEIPTS MUST BE TURNED OVER TO THE RECIPIENT COUNTRY'S TREASURY, WOULD INCREASE GOVERNMENT REVENUES WHICH SHOULD

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INCREASE OUR PROJECT'S SUPPORT BY THE RESPECTIVE MINISTRIES OF FINANCE. IN EITHER CASE OUR PROJECT'S IMPACT WOULD BE CONSIDERABLY INCREASED AND AN IMPORTANT POLICY ESTABLISHED. IN VIEW OF THIS, THE MISSION SHOULD NEGOTIATE A FIRM COMMITMENT WITH EACH OF THE GOVERNMENTS TO INSTITUTIONALIZE USER FEES DURING THE FIRST YEAR OF THIS PROJECT. WHILE AT THE START SUCH FEES MIGHT NOT COVER ALL COSTS, THEY SHOULD NEVERTHELESS BE SUBSTANTIVE.

5. BACK DEBTS. THE DAEC DISCUSSED THE FACT THAT ALL THE ISLANDS ARE, TO ONE DEGREE OR ANOTHER, IN DEBT TO PHARMACEUTICAL COMPANIES FOR PRIOR DRUG PURCHASES. AS INDICATED IN THE PID THESE DEBTS WOULD HAVE TO BE CLEARED IN ORDER FOR THIS PROJECT TO BE A SUCCESS. IT IS UNDERSTOOD THAT THIS WOULD IMPOSE AN ADDITIONAL FINANCIAL BURDEN ON THE PARTICIPATING GOVERNMENTS AS THEY WOULD HAVE TO PAY OFF OLD DEBTS WHILE FINANCING NEW PURCHASES. AS A CONDITION TO PROCEEDING WITH THIS PROJECT DELINQUENT GOVERNMENTS MUST MAKE FIRM AND BINDING COMMITMENTS TO CLEAR UP DEBTS IN A TIMELY MANNER.

6. DEBITING OF GOVERNMENT ACCOUNTS BY THE ECCB. THE PID OFFERS THREE OPTIONS FOR FINANCING THE PURCHASE OF PHARMACEUTICALS BY THE PARTICIPATING GOVERNMENTS. THE FIRST OPTION, BY WHICH THE ECCB SIMPLY DEBITS THE RESPECTIVE GOVERNMENTS ACCOUNTS FOR THE COST OF THE DRUG PURCHASE, IS BY FAR THE MOST STRAIGHT FORWARD. EVERY EFFORT SHOULD BE MADE TO CONVINCE THE GOVERNMENTS OF ITS ADVANTAGES, IN TERMS OF MINIMAL PAPER WORK, PROMPT PAYMENT AND CONSEQUENTLY BETTER TERMS FROM PHARMACEUTICAL COMPANIES.

7. AID FINANCED REVOLVING FUND. THE THIRD OPTION OFFERED, OF HAVING AID FINANCE A REVOLVING FUND TO FINANCE PHARMACEUTICAL PURCHASES, WAS REJECTED, AND SHOULD NOT BE REPEATED NOT BE CONSIDERED FOR INCORPORATION INTO THIS PROJECT. OUR CREATING A FUND WOULD NOT ADDRESS THE PROBLEMS OF INEFFICIENT PLANNING, BUDGETING AND MANAGEMENT PROCEDURES. FURTHERMORE IT WOULD BE A STEP BACKWARD AS WE WOULD BE FINANCING COSTS CURRENTLY BEING COVERED BY THE PARTICIPATING GOVERNMENTS. IT IS FELT THAT AID'S GRANT FUNDING AND ASSISTANCE IN CREATING AN ORGANIZATION WHICH WILL RESULT IN SAVINGS FOR THE PARTICIPATING GOVERNMENTS IS SUFFICIENT. THE GOVERNMENTS SHOULD BE EXPECTED TO CONTINUE ARRANGING THEIR OWN FINANCING OF PHARMACEUTICAL PURCHASES.

8. START-UP COSTS OF PHARMACEUTICAL PROCUREMENT UNIT (PPU). THE PID INDICATES THAT THE PPU WILL BE FORMED SOME 18 MONTHS PRIOR TO THE PLACING OF THE FIRST DRUG

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ORDER. WHILE IT IS UNDERSTOOD THAT TIME WILL BE REQUIRED TO ORGANIZE THE PPU, ITS PRIME FUNCTION IS PROCUREMENT, START-UP OPERATIONS AND ORGANIZATION WILL BE CARRIED OUT BY AID-FINANCED TA, NOT THE PPU ITSELF. IN VIEW OF THIS IT WAS FELT THAT AN 18-MONTH START-UP PERIOD FOR PPU OPERATIONS SEEMED EXCESSIVE. THE ACTUAL TIME REQUIRED TO CREATE THE PPU AND MAKE IT FUNCTIONAL SHOULD BE REVIEWED DURING PP PREPARATION WITH AN EYE TOWARD SUBSTANTIALLY SHORTENING THE 18 MONTH START-UP PERIOD (PERHAPS TO SIX MONTHS) AND THEREBY DECREASING THE PPU'S START-UP COSTS. THESE SAVINGS WOULD REDOUND TO THE BENEFIT OF THE PARTICIPATING GOVERNMENTS AS IT IS THEY WHO HAVE TO COVER THAT UNIT'S COSTS (BEFORE ANY REVENUES FROM SAVINGS BECOME AVAILABLE.)

9. DOCUMENTATION OF SAVINGS. THE SAVINGS PROJECTED IN THE PID ARE PREMISED ON A 25 PERCENT DECREASE IN THE COST OF PHARMACEUTICALS. DOCUMENTATION SUPPORTING THIS FIGURE SHOULD BE INCLUDED IN THE PP AS SHOULD THE SAVINGS LEVEL BELOW WHICH THIS PROJECT WOULD BECOME UNECONOMICAL.

10. PPU FUNDING. THE MECHANISM BY WHICH THE PPU WILL BE FUNDED, AND ITS ACTUAL COSTS WERE NOT CLEARLY DETAILED IN THE PID. THESE POINTS SHOULD BE COVERED IN THE PP.

11. GRAY AMENDMENT. WHEN SELECTING CONSULTANTS FOR TA AND TRAINING, SERIOUS CONSIDERATION SHOULD BE GIVEN TO THE SELECTION OF SMALL AND DISADVANTAGED BUSINESSES, AS DEFINED IN THE GRAY AMENDMENT.

12. EVALUATION PLAN. THE PP SHOULD HAVE AN EVALUATION PLAN WHICH SPECIFIES THE NUMBER OF EVALUATIONS WHICH WILL BE PERFORMED, I.E. ANNUAL, MID-POINT, EOP, THE ISSUES TO BE EXPLORED IN EACH EVALUATION, DISCUSSES THE DATA NEEDS OF THE PROJECT AND SPECIFIES HOW THESE DATA WILL BE COLLECTED.

13. MINIMUM NUMBER OF PARTICIPANTS. IT IS UNDERSTOOD THAT AT LEAST FOUR COUNTRIES MUST PARTICIPATE IN THIS PROJECT IN ORDER FOR IT TO BE ECONOMICALLY FEASIBLE. THE PROJECT SHOULD PROCEED ON THAT BASIS. AS THIS PROJECT IS A COOPERATIVE EFFORT ON BEHALF OF THE PARTICIPATING COUNTRIES TO BRING DOWN THEIR PHARMACEUTICAL COSTS BY JOINT PURCHASING, PROJECT PARTICIPATION BY ANY COUNTRY MUST INCLUDE PHARMACEUTICAL POOLING AS WELL AS TA. THAT IS, NO COUNTRY WILL BE PERMITTED TO PARTICIPATE FOR PURPOSES OF TA ONLY. SEULTZ

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ENVIRONMENTAL THRESHOLD DECISION

Project Location : Caribbean Regional
Project Title and Number : Pharmaceuticals Management
538-0134
Funding : \$3,500,000 (G)
Life of Project : 5 years
IEE Prepared by : Louise Wise
RDO/C
Recommended Threshold Decision : Negative Determination
Bureau Threshold Decision : Concur with Recommendation
Comments : None
Copy to : Terrence Brown, Acting Director
RDO/C
Copy to : Louise Wise, RDO/C
Copy to : Wendy Stickel, LAC/DR
Copy to : IEE File

James S. Hester Date JAN 31 1985

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

H. Recommended Environmental Threshold Decision

A negative environmental determination has been recommended in the Initial Environmental Examination which is included in Annex B.

The proposed project seeks to improve the management and supply of pharmaceutical purchases. Activities in support of this objective, which are considered to have potential environmental impact, include the rehabilitation of warehouses and minor variations in transportation patterns. The warehouse rehabilitation is budgeted at \$50,000 for seven facilities and consists primarily of adding shelving, refrigeration, or improving the physical structure which currently exists. Marketing and transportation may change slightly as a result of establishing regular bulk shipments of pharmaceuticals rather than depending on the current fragmented supply system.

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Caribbean Regional
Project Title: Regional Pharmaceuticals Management (538-0134)

Funding: FY 85, DA, \$3.5 Million

Life of Project: Five Years

IEE Prepared By: Louise A. Wise
Louise A. Wise
Health and Population

Date: November 18, 1984

Environmental Action: Negative Determination

Concurrence: Terrence J. Brown
Terrence J. Brown
Acting Director
USAID, Regional Development Office/
Caribbean

Date: November 19, 1984

Chief Environmental Officer, LAC Decision:

Recommendation Approved : _____ Date: _____

Recommendation Disapproved: _____ Date: _____

CHECK LIST FOR ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

Impact Identification and Evaluation

The following symbols are used:

- N - No Environmental Impact
- L - Little Environmental Impact
- M - Moderate Environmental Impact
- H - High Environmental Impact
- U - Unknown Environmental Impact

LAND USE

1. Does the project change the character of the land through:
 - a. Erosion _____ N
 - b. Excavation and/or grading _____ N
 - c. Change in animal or plant habitats _____ N
 - d. Modification of land use _____ N
 - e. Increasing concentration/population _____ N
2. Potential natural disasters _____ N
3. Unplanned roadside activity (e.g. overgrazing) _____ N
4. Other factors _____ N

WATER RELATED IMPACTS

1. Does the project change the quality of water through:
 - a. Drainage pattern _____ N
 - b. Modification of flood patterns _____ N
 - c. Water table change _____ N
 - d. Salinity modification _____ N
 - e. Pollution of adjacent waters _____ N
 - f. Induce sedimentation of adjacent waters _____ N
 - g. Ecological balance _____ N
 - h. Other factors _____ N

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1. Does the project induce atmospheric changes through:

- a. Pollution (during construction, e.g. dust) _____ N
- b. Pollution (vehicle generated, e.g. dust, exhaust) _____ N
- c. Air pollution (cargo generated e.g. chemical, asbestos, phosphates, etc.) _____ N
- d. Noise pollution _____ N
- e. Other factors _____ N

NATURAL RESOURCES

1. Does the project change the natural resource balance through:

- a. Planned and unplanned exploitation _____ N
- b. Utilization of limited resources for construction _____ N
- c. Other factors _____ N

CULTURAL

1. Does the project affect the culture through:

- a. Changes in traditional cultural values _____ N
- b. Alter physical symbols _____ N
- c. Alter traditional modes of transportation _____ N
- d. Alter traditional living patterns through increased mobility changes in family structure _____ N
- e. Other factors _____ N

SOCIOECONOMIC

1. Does the project affect socioeconomic conditions through:

- a. Changes in ownership/land values/tenure _____ N
- b. Changes in market patterns (local, national, regional) _____ N
- c. Increase demand of services (e.g. public and private automotive, water supplies, health, etc.) _____ N
- d. Changes in transportation pattern (cost, cargo) _____ N
- e. Changes in economic employment patterns _____ N
- f. Other factors _____ N

HEALTH

1. Does the project affect health standards through:

- a. The creation of stagnant water which may result in increased disease vectors _____
- b. Increased carrier mobility (human and/or animal) _____
- c. Dietary changes (introduction of new food products) _____
- d. Increased traffic accidents (human and animal) _____
- e. Other factors _____

N
N
N
N
N

GENERAL

1. Does the project have:

- a. International impacts _____

N

5C(1) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP-TO-DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution
Sec. 525; FAA Sec. 634A; Sec.
653(b)653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;

Congressional Notification was sent forward and expired on June 3, 1985.

(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No action required

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4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec 501 If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) Not applicable
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Not applicable
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. This is a regional project.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit
a) possibly greater volumes of pharmaceuticals will be purchased as a result of project;
b) will increase utilization of competitive bidding;
c) not applicable;

unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

- d) decrease reliance on suppliers willing to extend long-term credit;
- e) aims to increase efficiency of procurement and information systems; and
- f) not applicable.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project will utilize U.S. source technical assistance. Additionally, improved tendering practices will provide increased opportunities for U.S. suppliers and manufacturers of pharmaceuticals.

9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Not applicable.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

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12. FAA 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? Not applicable.
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program taken into consideration the problem of the destruction of tropical forests? Not applicable.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? Not applicable.
15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No.

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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?
- (c) Regional cooperation will be strengthened through creation of a self-financing sub-regional agency--The Eastern Caribbean Drug Service.

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? Yes
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farm, small businesses, and small incomes of the poor)? Not applicable
- d. FAA Sec. 110(a). Will the recipient country provide at last 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? This is a regional project
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion,

equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

- f. FAA Sec 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

The Project will reduce unit cost of pharmaceuticals both to the public sector and the consumer. This will reduce foreign exchange requirements for drugs and allow a greater percentage of personal disposable income for investment in other aspects of the economy.

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

This regional activities will support expansion and development of an existing West Indian institution and will utilize Caribbean resources extensively in training activities.

2. Development Assistance
Project Criteria (Loans Only)

- a. FAA Sec. 122(b). Information on capacity of the country to repay the loan, at a reasonable rate of interest. Not applicable.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? Not applicable

3. Economic Support Fund Project
Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Not applicable.
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? Not applicable
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or

maintenance of, or the
supplying of fuel for, a
nuclear facility? If
so, has the President
certified that such use
of funds is
indispensable to
nonproliferation
objectives?

- d. FAA Sec. 609. If
commodities are to be
granted so that sale
proceeds will accrue to
the recipient country,
have Special Account
(counterpart)
arrangements been made?

Not applicable

5C)1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1985 No
Continuing Resolution
Sec.528. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in Section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully?

2. FAA Sec. 620 (c). Not applicable
If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is denied or contested by such government?

3. FAA Sec. 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? Not applicable
4. FAA Sec. 620(a), 620(f), 620(D); FY 1985 Continuing Resolution Sec. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
5. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No
6. FAA Sec 620(1). Has the country failed to enter into agreement with OPIC? Not applicable
7. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.
- (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? Not applicable

- (b) If so, has any deduction required by the Fishermen's Protective Act been made? Not applicable
8. FAA Sec. 620(q); FY 1985 Continuing Resolution Sec. 518.
- (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? Not applicable
- (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds? Not applicable
9. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Not applicable
10. FAA Sec. 620(t). Has the country severed diplomatic relations with the United

- States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
11. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) Not applicable
12. FAA Sec. 620A; FY 1985 Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? Not applicable
13. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA. No

14. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
15. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of September 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) Not applicable
16. FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs involuntary abortion? Not applicable

17. FY 1985 Continuing Resolution Sec. 530. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

No

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No/Not applicable

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

Not applicable

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the Agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing commodities and services financed? Yes
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Not applicable
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) Not applicable

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? No, Yes
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No
6. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly Yes

suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Not to be utilized

International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

FY1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Not applicable

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

Not applicable

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

Not applicable

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Not applicable

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

4. Will arrangements preclude uses of financing: Yes
 - a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to

any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes

- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons or other law enforcement forces, except for narcotics programs? Yes

- d. FAA Sec. 662. For CIA activities? Yes

- e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

- f. FY 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes

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- g. FY 1985 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? Yes
- h. FY 1985 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- i. FY 1985 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- j. FY 1985 Continuing Resolution, Sec. 511.
Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? No
- k. FY 1985 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? No

TABLE D1
ECDS Operating Costs

<u>Items</u>	<u>\$</u>
1. Salaries (7 staff on OECS salary scales)	\$ 70,000
2. Fringe Benefits (20% of salaries for pension, health insurance, etc.)	14,000
3. Rent for Office Space (\$500/mo)	6,000
4. Office Operations	
- Electricity	4,000
- Water	1,500
- Telephone (including international calls to suppliers)	12,000
- Telex (including international messages to suppliers)	3,600
- Library (texts and periodicals)	500
- Vehicle (maintenance and fuel)	4,000
- Postage (tender documents to international suppliers)	2,000
- Supplies and materials (paper, stationery, pens, audio-visual, etc.)	15,000
- Miscellaneous (messenger, taxi, cleaning, etc.)	6,000
5. Computer-related Operations	
- Retainer for maintenance engineer and/or systems analyst	3,000
- 4 trips @ 165 for engineer and/or analyst (airfares)	660
- Per diem (2 days x 4 trips x \$100/day)	800
- Supplies for ECDS micro	3,000
- Supplies and maintenance for 9 small micros (7 country, 1 ECCB, + 1 extra)	9,000
6. Printing	
- Formularies (for country use)	6,000
- Inventory forms, bin cards, ledgers, etc. (for country use)	6,000
- Tender documents	5,000
- Supply-source publications	1,000
- Accounting forms, ledgers	1,000
- Newsletter	1,000
- Purchase Order Books (for country use)	2,000
7. Supervisory + Support Travel for 3 senior ECDS staff	
- 1 multi-island airfare/mo @ \$250 for each staff member	9,000
- per diem (5 days/trip x 36 trips/yr x \$100/day)	18,000
8. Quality Assurance Testing	10,000

<u>Items</u>	<u>\$</u>
9. Committee meeting expense (3 committees - Formulary, Tenders + Technical; 1 meeting each/yr)	
- Airfares: 11 persons x 3 committees @ \$165/trip	5,445
- Per diems: 11 persons x 3 committees x 3 days x \$100/day	9,900
- Honoraria: 2 persons x 3 committees x 3 days x \$100/day	1,800
10. Board of Directors Meeting Expense (1 meeting/yr)	
- Airfares: 11 persons @ \$165/trip	1,815
- Per diems: 11 persons x 2 days x \$100/day	2,200
- Honoraria: 2 persons x 2 days x \$100/day	400
11. ECDS support for in-country professional workshops (1/yr per country to upgrade supply mgmt).	
- Airfares: 2 staff/trainers x 7 countries x \$165/trip	2,310
- Per diem: 2 staff/trainers x 7 countries x 6 days x \$100/day	8,400
- Honoraria: 7 countries x 2 days @ \$100/day	1,400
12. ECDS support for in-country public seminars (1/yr per country to promote public understanding)	
- Airfares: 1 staff/trainer x 7 countries x \$165/trip	1,155
- Per diem: 1 staff/trainer x 7 countries x 6 days x \$100/day	4,200
- Honoraria: 7 countries x 2 days @ \$100/day	1,400
TOTAL ECDS Operating Costs	\$254,485

TABLE D2

ECDS Recurrent Costs

<u>Item</u>	<u>\$</u>
1. Total ECDS Operating Costs	\$254,485
2. Amortization Expense	
- ECDS micro @ 20%/yr of original cost (system and software)	4,000
- 9 small micros @ 20%/yr of original cost (system and software)	18,000
- ECDS vehicle @ 20%/yr of original cost (\$12,000)	2,400
- ECDS office renovation and furnishings @ 10%/yr of original cost (\$55,000)	<u>5,500</u>
TOTAL ECDS Recurrent Costs	\$284,385

TABLE D3

ECDS Staff

<u>ECDS Position</u>	<u>OECS Classification</u>		<u>EC</u>	<u>US</u>
Associate Director (Admin. Pharmacist)	Chief Officer of Unit	Salary	37,750	
		House	10,200	51,790
		Car	3,840	
Asst Director: Supply Services (Supplies Pharmacist)	Senior Officer of Unit	Salary	35,500	
		House	8,160	45,580
		Car	1,920	17,500
Accountant (Certificate of Accounting)	Industry Officer	Salary	28,250	
		House	3,960	33,290
		Car	1,080	12,560
Secretary (Stenographer)	Secretary	Salary	15,500	5,850
Clerk-Typist (Forms; Routine)	Clerk Typist	Salary	10,000	3,800
Clerical Officer (Filing; Routines)	Clerical Officer	Salary	7,825	2,950
Computer Operator	Computer Operator	Salary	14,500	5,500
			<u>\$178,485</u>	<u>\$68,650</u>

Note: Approximate equivalent positions and emoluments of current OECS staffing (Budget 1985-86) are shown.

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TABLE D4
Country Computer Systems

Compaq Plus	\$ 3,500
256K Board	500
Epson FX 100 Printer	600
Cables	100
Wordstar	350
Lotus 123	350
d Base III	400
Sideways	50
UPS (Topaz)	1,000
Modem	500
Spare Parts	500
Other Software	500
Supplies (Diskettes, paper, + Contingency Flip N Files, etc.)	1,650
	<u>\$10,000</u>

OECS Computer Systems

Compaq Diskpro IV	9,000
Software	2,500
2 Printers (letter + dot matrix)	3,500
Modem	500
UPS (Topaz)	1,000
Supplies (Diskettes, etc.) Flip N Files	2,000
Ext 20 Mb Hard Disk w tape	1,500
	<u>\$20,000</u>

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TABLE D5

COMPARISON FOR CIF PRICES PAID FOR
SAME DOSAGE FORMS
BETWEEN JANUARY 1980 AND SEPTEMBER 1981

<u>DRUG/MANU- FACTURERS</u>	<u>LOW VOLUME/ COUNTRY (UNITS)</u>	<u>PRICE</u>	<u>HIGH VOLUME/ COUNTRY</u>	<u>PRICE</u>	<u>POTENTIAL COST SAVINGS %</u>
<u>Ampicillin</u> Beecham	St. Vincent (6,000)	\$75.73	Barbados (49,000)	\$45.31	40
<u>Bendro- fluazide</u> Carlisle Labs	Dominica (50,000)	28.00	Barbados (508,000)	11.72	68
<u>Methyl Dopa</u> Carlisle Labs	Montserrat (15,000)	53.21	Barbados (472,000)	30.80	42
<u>Vincristine</u> Sulphate Eli Lilly	St. Lucia (20)	34.20	Trinidad (1,000)	10.92	68
<u>Benzyl</u> Penicillin Hechst	Dominica (1600)	.55	Barbados (7,000)	.21	62

This table illustrates the potential savings from bulk purchase.

Source: Paula Feeney
Cited in:
"Strengthening and Improvement of the Pharmaceutical
Supply System in the Caribbean Sub Region"
Caribbean Community Secretariat
10 July 1984

TABLE D6

SUMMARY AID BUDGET

	Project Year					TOTAL
	1	2	3	4	5	
1. Computer Sub-Contract	15,000	10,000				25,000
2. Additional Printing Costs for Project Years 1 + 2	18,700	18,700				37,400
3. ECDS Office Start-up Costs	153,000	236,000	153,000	64,000	5,000	611,000
4. Technical Assistance Contract	532,800	691,200	360,400	144,000	85,400	1,814,400
5. PSC Start-up	26,580					26,580
6. Equipment and Renovation	348,100	111,200	90,700	24,500		574,500
7. Training	78,120	36,195	61,370	19,445		195,130
8. AID Financed Extra Committee Meetings	25,975	15,845	5,715			47,535
TOTAL	1,198,275	1,119,140	670,785	251,945	91,400	3,331,545

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TABLE D7

OTHER AID FINANCED COSTS

	<u>Project Year</u>					<u>TOTAL</u>
	1	2	3	4	5	
1. Computer Services Sub-contract (Primarily for initial formulary + tender document development prior to the full development of in-house computer capacity at ECDS)	15,000	10,000				25,000
2. Additional Printing Costs for Project Years 1 and 2						
National Formularies 7 @ \$3,000 each	10,500	10,500				21,000
Airfreight to 7 countries	700	700				1,400
Inventory forms, bin cards, country purchase order forms, etc. 7 countries \$1,000/yr	7,000	7,000				14,000
Airfreight to 7 countries	500	500				1,000
3. ECDS Office Start-up Costs Yr 1 - 60%, Yr 2 - 100%, Yr 3 - 70%, Yr 4 - 25%, Yr 5 - 10% (of total operating costs - \$254,485)	152,691	254,485	178,140	63,621	25,449	674,386

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TABLE D8

AID FINANCED TECHNICAL ASSISTANCE COSTS

	Project Year					TOTAL
	1	2	3	4	5	
1. Long-Term Personnel (\$12,000/mm)						
- Project Director/Logistics Mgmt Specialist	96,000	144,000	144,000	48,000		432,000
- ECDS Interim Director for Procurement and Drug Services	96,000	144,000	120,000			360,000
- Logistics Management Advisor # 1	96,000	120,000				216,000
- Logistics Management Advisor # 2	96,000	120,000				216,000
2. Short-Term Personnel (\$12,000/mm)						
- Assistance primarily to the ECDS regional center	36,000	24,000	12,000	24,000	24,000	120,000
- Assistance primarily to the country level	24,000	24,000	24,000	48,000	48,000	168,000
<u>Sub-total Long + Short Term TA Costs</u>	444,000	576,000	300,000	120,000	72,000	1,512,000
3. Home Office Backstopping for TA (12% of above sub-total)	53,280	69,120	36,000	14,400	8,640	181,440
4. Local Office Support for TA (8% of above sub-total)	35,520	46,080	24,000	9,600	5,760	120,960
TOTAL	532,800	691,200	360,000	144,000	86,400	1,814,400
Start-up PSC (3 months)						
- Salary \$4,000/mo	12,000					12,000
- Per diem \$100/day	9,000					9,000
- Airfares 12 trips @ \$165/trip + 1 @ \$600	2,580					2,580
- Miscellaneous expenditures @ \$1,000/mo	3,000					3,000
PSC Sub-Total	26,580					26,580

TABLE D9

ESTIMATE OF MONTHLY COST OF TA

<u>Item</u>	<u>Monthly Expense</u>
1. Salary	\$ 3,500
2. Overhead + fee	3,500
3. Housing Allow	1,000
4. Moving Expense (Family airfares, surface + airfreight) (8 moves x 10,500/move ÷ 102 mms)	824
5. Per Diem 12 local travel days/mo. average	1,200
6. Education Allow (total of 4 children for 2 1/2 years each @ \$11,000) (divide by 102 mm long-term TA)	1,080
7. Airfares (5 trips/mo local travel @ \$165)	825
8. COLA (5% of salary)	175
TOTAL	\$12,104 say \$12,000

To which must be added:

1. Home Office (Recruiting + Backstopping Support) 12% of above	1,440
2. Local Office (Accounting, Secretarial, etc. support) 8% of above	960
GRAND TOTAL	\$14,400

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TABLE D10

AID FINANCED EQUIPMENT & RENOVATION

	<u>Project Year</u>				<u>TOTAL</u>
	1	2	3	4	
1. Office Equipment					
- 16 calculators @ \$150 (2 for each country + ECDS Office)	2,400				2,400
- 10 electric typewriters @ \$1500 (1 for each country + ECDS office)	15,000				15,000
- photocopy equipment and other equipment for ECDS office	7,000				7,000
2. Computer Systems					
- 1 large microsystem for ECDS office	20,000				20,000
- 7 small micro systems for 7 countries	70,000				70,000
- 1 small micro system for ECCB	10,000				10,000
- 1 small micro system to back up other small micro systems	10,000				10,000
3. Audio-visual training material and equipment	5,000	3,000	2,000		10,000
4. Library (texts and periodicals) ECDS + 7 countries @ \$1200 each	3,200	3,200	3,200		9,600
5. Office Furniture for ECDS office (desks, tables, chairs, filing cabinets, air conditioners, etc.)	20,000	5,000			25,000
6. Office Rehabilitation of ECDS office	30,000				30,000
7. ECDS Vehicle @ \$12000	12,000				12,000
8. Supply system vehicles, 4 wheel drive for 7 countries @ \$15000 each	105,000				105,000

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TABLE D10 (Cont'd)

	<u>Project Year</u>				<u>TOTAL</u>
	1	2	3	4	
9. Supply system infrastructure support - average costs for each of 7 countries					
- Warehouse Renovation \$11,000/country	38,500	38,500			77,000
- Dispensary Rehabilitation 20/country x 7 countries x \$500 each (shelving)		35,000	35,000		70,000
- Bulk Compounding unit for each country at \$7,500 each		26,500	26,000		52,500
- Re Packaging to support user-fee schemes, 7,000 for each country			24,500	24,500	49,000
TOTAL	348,100	111,200	90,700	24,500	574,500

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TABLE D 11

AID FINANCED TRAINING COSTS

	<u>Project Year</u>					<u>TOTAL</u>
	1	2	3	4	5	
A. Participant Training for ECDS Senior Staff (to help prepare them for regional training role)						
1. General Management Training 2 senior staff						
- airfares @ \$600/trip	600		600			1,200
- per diem 28 days x \$75/day	2,100		2,100			4,200
- tuition and supplies (\$1,000/wk)	4,000		4,000			8,000
2. Systems Analysis and Management Information Systems (Micro computer Applications)						
- airfares @ \$600/trip		600		600		1,200
- per diems 21 days x \$75/day		1,575		1,575		3,150
- tuition and supplies (\$1,000/wk)		3,000		3,000		6,000
3. Pharmaceuticals Supply Management Training for 2 senior staff						
- airfares @ \$600/trip	600	600				1,200
- per diems 14 days x \$75/day	1,050	1,050				2,100
- tuition and supplies (\$1,000/wk)	2,000	2,000				4,000
B. Regional Training for senior country supplies management personnel (18 persons/course)						
1. General Management and Pharmaceuticals Supply Management. 3 weeks						
- airfares 18 x \$165	2,970					2,970
- per diems 18 x 20 days x \$100/day	36,000					36,000
- honoraria 15 days x \$100/day	1,500					1,500

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TABLE D 11 (Cont'd)

	<u>Project Year</u>					<u>TOTAL</u>
	1	2	3	4	5	
2. Management Information Systems and Micro computer Applications (2 weeks)						
- airfares 18 x \$165		2,970				2,970
- per diems 18 x 13 days x \$100/day		23,400				23,400
- honoraria 10 days x \$100/day		1,000				1,000
3. Health System Financing and User-fees (2 weeks)						
- airfares 18 x \$165			2,970			2,970
- per diems 18 x 13 days x \$100/day			23,400			23,400
- honoraria 10 days x \$100/day			1,000			1,000
4. Refresher course for M.I.S. and Micro computer Applications (1 week)						
- airfares 18 x \$165				2,970		2,970
- per diems 18 x 6 days x \$100/day				10,800		10,800
- honoraria 5 days x \$100/day				500		500
C. In-Country Workshops (Staffed through TA budget) 12 persons each, 7 countries						
1. Pharmaceuticals Supply Management - Inventory Control Systems						
- per diems 7 countries x 12 persons x 3 days x \$100/day	25,200					25,200
- honoraria 7 countries x 1 person x 3 days x \$100/day	2,100					2,100
2. User-fee collection and accounting systems						
- per diems 7 countries x 12 persons x 3 days x \$100/day			25,200			25,200
- honoraria 7 countries x 1 person x 3 days x \$100/day			2,100			2,100
TOTAL	78,120	36,195	61,370	19,445		195,130

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TABLE D12

AID FINANCED EXTRA COMMITTEE MEETINGS

	<u>Project Year</u>					<u>TOTAL</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
1. Formulary Committee Meetings (2 in year 1 and 1 each in years 2 and 3)						
- per diems (11 persons x 3 days x \$100/day)	6,600	3,300	3,300			13,200
- airfares (11 persons x \$165/trip)	3,630	1,815	1,815			7,260
- honoraria (2 persons x 3 days x \$100/day)	1,200	600	600			2,400
2. Tenders Committee (1 extra meeting each in years 1 & 2)						
- per diems (11 persons x 3 days x \$100/day)	3,300	3,300				6,600
- airfares (11 persons x \$165/trip)	1,815	1,815				3,630
- honoraria (2 persons x 3 days x \$100/day)	600	600				1,200
3. Board of Directors (2 extra meetings in year 1 and and 1 in year 2)						
- per diems (11 persons x 2 days x \$100/day)	4,400	2,200				6,600
- airfares (11 persons x \$165/trip)	3,630	1,815				5,445
- honoraria (2 persons x 2 days x \$100/day)	800	400				1,200
TOTAL	25,975	15,845	5,715			47,535

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Telegraphic Address: OECAS ST. LUCIA
Telex: 6248 OECAS LC
Telephone: 22537-8 & 23185
Our Ref: OECS 25/8 (a)
Your Ref:

Central Secretariat,
P.O. Box 179,
The Morne,
Castries,
Saint Lucia, West Indies.

July 31, 1985

Mr James S. Holtaway
Mission Director
United States Agency
For International Development
c/o Embassy of the United States
P O Box 302
Bridgetown
BARBADOS

Dear Mr Holtaway

The purpose of this letter is to request a grant from the United States of America in the amount of \$3.5 million to assist the Governments of the Eastern Caribbean to accomplish the Regional Pharmaceuticals Management Project. The Organisation of Eastern Caribbean States (OECS) represents the Governments of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Christopher and Nevis, St. Lucia, St. Vincent and The Grenadines and the British Virgin Islands. The OECS through a procurement unit, The Eastern Caribbean Drug Service, will implement this project on behalf of those of its member Governments who are participating in the Project.

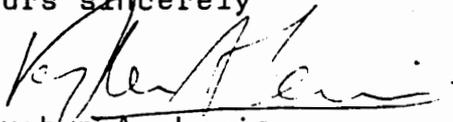
The purpose of the project is to increase the efficiency of health care systems in the region by improving in-country logistics management and by reducing unit costs of pharmaceuticals through the use of a pooled drug supply management system; establishment of a regional pharmaceuticals procurement system; and awareness programmes for public and private sector consumers and dispensers of pharmaceuticals. The Governments of the Eastern Caribbean will be providing in-kind contributions of staff, facilities and recurrent maintenance costs.

The Organisation of Eastern Caribbean States assures the United States Government of its full cooperation in carrying out the Regional Pharmaceuticals Management Project.

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We look forward to a continued, combined effort by the Organisation of Eastern Caribbean States, the individual Governments of the Organisation and the United States Government to yield a productive and beneficial programme for the people of this region.

Yours sincerely



Vaughan A. Lewis
Director-General

VAL:md

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX F
Life of Project: 5 years
From FY 85 to FY 90
Total U.S. Funding: 3.5 M
Date Prepared: May 20, 1985

Project Title & Number: Regional Pharmaceuticals Management Project 538-0134

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program Goal:			
1. To maintain and/or improve the health status of 7 OECS countries.	1. Infant mortality rates remain stable or decline. 2. Life expectancy at birth remains stable or increases.	- MOH reports - Annual National Estimate	- Increased regional collaboration possible - Morbidity/mortality patterns do not change substantially
Project Purpose:			
1. For 7 Eastern Caribbean states, established an integrated, managerially viable, self financing Drug service	Conditions that will indicate purpose has been achieved: End of project status.	- MOH reports - Ministry of Finance reports - Procurement reports - Contractor reports - Consultant reports - CMS operations manuals	- MOHs make policy decisions to pool procurements. - Acceptable mechanism established - To effect prompt payment. - MOHs commit necessary human resources to collaborate on design & implementation of improved supply management systems & national formularies - Use of rationally developed formularies leads to improved prescribing & dispensing practices as well as better patient compliance.
2. To decreasing the proportion of health systems' financing dervied from government revenues.			
Outputs	Magnitude of Outputs		Assumptions for achieving Outputs:
- ECDS Management reports Outputs	Assumptions for achieving outputs: - Magnitude of Outputs - Pooled procurement system computerized; operations manual produced. - 5 sets of tender documents & accompanying contracts issued. - 7 baseline reports completed. - 7 country-specific Central Medical Stores operations manuals developed. - 7 MOH warehouses upgraded. - 7 MOH's provided computer hardware, software, training. - 7 country-specific formularies and/or	& financial data. - MOH reports. - Ministry of Finance reports. - Contractor reports - Consultant reports - Revised & published national formularies or regional formulary. - Results of pre and post course evaluations. - Project implementation plan & evaluations	- Governments arrange financing mechanism through ECCB. - MOHs willing to adopt/modify pooled procurement procedures. - Regional technical personnel will be made available to implement improved supply management systems & to produce formularies. - Health providers, pharmacists, and supply staff willing & able to participate in training courses.
1. Development and computerization of efficient & effective drug supply management systems functioning at CMS in each country. 2. Baseline data collected & analyzed in each country on past year's procurement, issue & inventory data. 3. Country-specific formularies produced to guide drug selection and use.			

- | | |
|---|--|
| <p>5. Supply management staff, physicians, nurses, pharmacists, other providers trained in drug supply management, computers, formulary use & prescribing/dispensing practices.</p> <p>6. Institution of cost-recovery mechanism in each country.</p> <p>7. Mid-term & final evaluations conducted.</p> | <p>1 Regional Formulary produced.</p> <p>- 18 drug management personnel from 7 countries trained in stock management</p> <p>- 4 ECDS staff trained in computers, management and accounting.</p> <p>- 70 prescribers and dispensers trained in good dispensing practices.</p> <p>- Cost recovery schemes in place in 7 countries.</p> <p>- 3 evaluation reports produced.</p> |
|---|--|

Inputs:

Technical Assistance

- 102 mos long-term TA
- 24 mos short-term TA

<u>AID</u>	<u>OECS Countries</u>
------------	-----------------------

1,468,800	
345,600	

- MOH reports.
- Contractor progress reports.
- Consultant reports
- Financial data of participating organizations

- Resources of all donors will be timely & at the levels specified.

Training

- Participant training for ECDS senior staff.
- Regional Training for senior country supplies management personnel.
- In-country workshops in pharmaceutical supplies management, cost recovery schemes, and accounting systems

31,050
109,480
54,600

Equipment and Renovation

- Office equipment (16 calculators, 10 typewriters, photocopier)
- Computer system for ECDS, + 9 micro-computers
- Audio visual equipment
- Library: books and periodicals
- ECDS office furniture
- ECDS office rehabilitation
- ECDS + country vehicles
- Warehouses + dispensaries renovated
- Compounding + repackaging equipment

24,400
110,000
10,000
9,600
25,000
30,000
117,000
147,000
101,500

ECDS Start-up Costs

- PSC Start-up
- Computer sub-contract
- Recurrent costs
- Additional printing, initial mtgs.
- Contingency (@ 5%)
- Total Inputs

26,580	
25,000	
611,000	700,000
84,935	
166,577	
<u>3,498,122</u>	<u>700,000</u>

Participating Country
Health Profiles

Antigua and Barbuda

With a population of 77,000 Antigua and Barbuda is served by 33 physicians, 4 dentists, 110 nurses and 17 pharmacists (of whom 7 serve in the public sector and 10 in private). Its General Hospital has a 205 bed capacity. There are four separate hospitals and 15 ambulatory care health centers. Retail pharmacies dispense a considerable number of prescriptions to Medical Benefit Scheme patients who, because of stock-out situations, cannot have their prescriptions filled by the public dispensaries.

A mimeographed list of 169 pharmaceuticals, published in 1982, indicates to the prescriber the limits of drug therapy items normally stocked by Central Medical Stores (CMS). A formulary committee exists but it is not active.

Three persons including a pharmacist, as director, staff the CMS. The pharmacist recently attended a 3-week drug supply management course in the U.S. CMS procedures are paper-bound with repetitious rewriting of requisitions and issues-ledgers, for example. Warehouse space appears adequate but shelving and security equipment is needed to upgrade orderly storage and facilitate proper management and inventory control procedures. The lack of the latter is illustrated by the presence of \$75,000 worth of rifampicin capsules even though the incidence of tuberculosis is very low. Its supply sources, currently about 50, are shrinking due to Antigua's poor pay records. Drug debts are approximately EC\$900,000 and many are long-standing; the Government has recently taken out a commercial loan to repay these debts.

Antigua has no income tax but collects a Medical Benefit Levy of three percent employee and five percent employers. The fiscal year is the calendar year. Estimated recurrent revenue, 1983, was US\$38.5 million and budgeted expenditure \$45.1 million. Drug expense of \$377,000 consumes 7 percent of the Ministry of Health \$5.4 million budget and represents a per capita cost of US\$4.90.

Dominica

Dominica's population of 80,000 is served by 29 physicians. Thirteen of its 24 pharmacists serve in government, 11 in retail. Its three hospitals, the main general hospital being located in Roseau, offer a bed capacity of 247. There are 9 district dispensaries from which drugs are available and 44 health centers. The six private pharmacies indicate that approximately three quarters of their prescriptions originate in the public sector clinics. Most pharmacists have graduated under an apprenticeship system although a few were educated within the region in Certificate/Diploma level programs.

A Dominica Government formulary (1984) contains 413 drug products for which prescribing and usage information is presented. It was compiled by a Formulary Committee under the editorship of the Chief Pharmacist. The Formulary Committee continues to meet quarterly.

CMS is staffed by eight persons, 6 of them full-time: a Supplies Management Officer holding a Higher Diploma in Hospital and Health Services Administration, an expatriot Chief Pharmacist who oversees the bulk compounding of a considerable number of standard recipes, a Senior Dispenser holding a Certificate in Pharmacy, a Senior Clerk, Junior Clerk, and Secretary. The warehouse and its storage spaces underwent recent renovation and re-organization of its stock which includes medical/surgical items. Many of its revised management and inventory control procedures are now computerized. Its ability to promptly pay accounts under a revolving fund involving the Ministries of Health and Finance enable port clearances within two days of arrival, from one or another of its 50 suppliers. It serves 17 consumer sites whose completed requisitions are normally picked-up by the DMO or the dispenser.

The Dominica Government operates under a fiscal year of July through June. It levies income tax. During fiscal 1983-84, recurrent revenue was estimated at US\$26.3 million, recurrent expenditure \$25.9 million, of which Ministry of Health expenditures were \$3.6 million (14 percent). Drug expense of \$258,000 represented seven percent of the Ministry's expenditures and \$3.23 per capita.

Grenada

Grenada's population of 110,000 is served by 39 doctors and 340 nurses. Of 44 pharmacist/dispensers, 21 are in government service. The three governmental hospitals offer a bed capacity of 320 and there are 33 health centers and 37 public sector pharmacies throughout the island. The 12 retail pharmacies indicate that approximately one-third of their prescription volume is for orders originating in the public sector, often due to public sector stock-outs, the time of day, and/or patient preference. In addition, public sector pharmacies report that 25% of the prescriptions they fill originate in the private sector. Fees of 50¢ - \$1 per prescription are charged.

Only a drug list exists, although a formulary has been drafted but not yet approved by the Formulary Committee. One hundred and eighty (180) drug items are stocked in the CMS which appears to have adequate space but is in poor condition. Five persons staff CMS: 3 pharmacists and 2 clerical officers. One of them has taken a Medical Storage Management Course at CAST. There is currently a supplies management consultant funded through Project HOPE. Several over-stock situations exist due to recent donations, including, for example, 10,000 tablets of chloroquine although the need for malaria treatment is almost non-existent on the island. Port clearance takes 6 weeks due to cash flow problems and the non-arrival of necessary documentation. Delivery

to 34 dispensaries is on a quarterly basis, although there are frequent emergency deliveries; there is no vehicle under the control of CMS. Hospital vans are used but quite often delivery must be by private cars.

Opportunities for good inter-relationships and the exchange of information is offered through regular meeting such as those of the DMOs who meet on the first Thursday of every month and the governmental pharmacists who meet on the second Tuesday.

Grenada levies income tax and it is estimated recurrent revenue 1983-84 was US\$30.3 million, recurrent expenditure \$42.2 million. 1984 drug expenditures totalling \$281,000 represented a per capita expenditure of US\$2.55. In the past 18 months, however, sizable donations have increased that allotment considerably.

Montserrat

Montserrat's population of 11,500 is served by six physicians (4 public sector) and 50 nurses. Its general hospital offers 67 beds. There are 12 district health centers and 4 pharmacies of which 3 are private. There are no fees on prescriptions in the public sector.

The 400 drug items listed are controlled by a pharmacist who is the sole staff member of CMS; he has recently attended a 3-week drug supply management course in the U.S. CMS space is adequate but it is necessary to rent cold storage facilities downtown. Shipments from one or another of its 10 suppliers, selected through negotiation, clear the ports of entry within two days. CMS issues to 11 clinics on a monthly scheduled basis.

The calendar year is Montserrat's fiscal year. It levies income tax and in 1984 it estimated recurrent revenue at US\$8.9 million and expenditures of \$8.7 million. In 1984, \$71,269 was spent for drug procurements, representing \$6.20 per capita.

St. Kitts and Nevis

The islands of St. Kitts and Nevis gained independence in 1984. The population of 45,000 is served by 17 doctors (16 public sector) and 243 nurses, and a hospital bed capacity of 218. There are 21 government health centers and 5 pharmacies. The private sector is served by 6 retail pharmacies whose dispensers qualified under the apprenticeship system.

A drug list exists and contains 882 drug items which are maintained by a CMS staff of three: a pharmacist, clerk, and messenger. Warehousing space appears adequate. Good refrigeration exists, but the storage space is generally in urgent need of refurbishing. Supplies are purchased directly by CMS from about 45 suppliers, with an average lead time of six weeks. CMS serves five dispensing sites which receive their deliveries via the hospital van which also links with boats to Nevis.

The fiscal year in St. Christopher is the calendar year. There is no income tax but there is a social service levy of five percent by employee and five percent by employer. In 1984, recurrent revenue and expense were budgeted as US\$24.6 million. Ministry of Health recurrent expenditures in 1984 are indicated as \$2.4 million of which drug expenditures represented nine percent (\$227,000); \$5.04 per capita.

St. Lucia

Thirty-eight (38) physicians and 350 nurses serve the health care needs of St. Lucia's 123,000 population. There are 24 regional health centers. Pharmacists qualify after a two year diploma course begun by Project HOPE four years ago.

The new 1984 basic formulary replaces that of 1971 which listed 202 drug products and 34 commodity items. A formulary committee exists.

The space of CMS, which is staffed by six persons, appears quite ample but requires considerable upgrading, rehabilitation of stock and orderly placement. Purchases made from approximately 15 suppliers often suffer from port clearance periods of six to eight weeks while awaiting payment approval by the Ministry of Finance. Deliveries are made to approximately 40 consumer sites using vehicles of the motor pool and private transport. This redistribution method is said to be quite satisfactory.

The fiscal year runs from April through March. Income tax is levied. Recurrent revenue in fiscal year 1983-84 was budgeted at US\$49.4 million and expenditures the same. Of this, Ministry of Health budget was \$6.4 million (13 percent) with \$740,700 (12 percent) allocated for drug expenditures representing \$6.02 per capita.

St. Vincent and the Grenadines

St. Vincent has a population of 122,000. They are served by 35 medical practitioners and 110 nurses. In addition to its singular general hospital there are 34 district health centers. The pharmacists have qualified under the apprenticeship system and there are eight retail pharmacies.

The St. Vincent formulary, compiled and published in 1982 by a Formulary Committee, contains considerable prescribing and usage information with regard to its 231 drug products and 109 commodities. It is largely ignored by the practitioners and, as a result, is not a good guide for procurement officers. Hence, a large variety of redundant but usable products is found in CMS inventory.

CMS is staffed by nine persons including three pharmacists, one of whom is the Chief Supplies Officer. The warehouse and its space and storage capability recently underwent reconstruction to more adequately house its great variety of items which include medical/surgical hospital items and linen and housekeeping items. Procurement, redistribution and inventory control procedures are under revision. CMS receives requisitions from 40 different drug usage sites (including ward stocks in the absence of a pharmacy department in the hospital) and transactions are said to total approximately 3,500 per year.

St. Vincent's fiscal year is July through June. It collects income tax. Estimates of recurrent revenue in 1983-84 budget were US\$26 million, expenditures \$31.8 million. Of this, 13 percent (\$4.2 million) was allocated to the Ministry of Health. Provision was made for drug purchases totalling \$440,000 (10 percent) which represents \$3.61 per capita.

Summary

The 564,000 persons in the countries of the OECS can be said to have consumed drug purchases valued at US\$2.7 million which, on average, is \$4.50 each in the 1982-83 fiscal year.

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Waiver No. _____

ACTION MEMORANDUM FOR THE MISSION DIRECTOR RDO/C

FROM: Holly Wise, RHPDO

Action Requested: Approval of a waiver of source/origin requirements (A.I.D. Code 000) and of the provision of Section 636(i) of the Foreign Assistance Act of 1961, as amended, to permit procurement of non U.S.-made vehicles under the Regional Pharmaceuticals Management Project (538-0134).

Discussion: This project envisions the purchase of one vehicle for the Eastern Caribbean Drug Service Office in St. Lucia and seven (7) four-wheel drive vehicles for the pharmaceutical supply systems of the participating countries. Of the eight vehicles required, five will be used in the hilly volcanic Windward Islands. The use of left-hand drive vehicles on such terrain has proven to be hazardous. In addition, service facilities and spare parts for U.S.-made vehicles are not available in the Windward Islands. It is in the best interest of the Project to permit the procurement of locally available right-hand drive vehicles for use in these countries. Maximum cost is estimated at \$6,000 for the ECDS vehicle and \$10,000 each for the four 4-wheel drive vehicles, for a total of \$46,000.

The remaining three vehicles will be purchased from the U.S. in conformity with Code 000 source-origin requirements. These will be used in the Leeward Islands where the topography allows for safer driving with a left hand drive vehicle, and U.S. spare parts and servicing are more readily available.

The authority to waive the source/origin requirement for this procurement was delegated to you by A.I.D. Redelegation of Authority No.1 dated 11/2/84 estimated cost of the procurement does not exceed your source waiver authority for vehicles of \$50,000. Section 636(i) of the Foreign Assistance Act, as amended, requires a waiver when not procuring U.S. manufactured motor vehicles with A.I.D. financing. In approving such a waiver, the Mission Director must find that "certain circumstances" exist. The circumstances include:

- (1) The inability of U.S. manufacturers to provide the necessary vehicles, e.g., right-hand drive vehicles; and
- (2) Present or projected lack of service facilities and supply of spare parts for U.S.-made vehicles.

In addition, A.I.D. Handbook 11, Chapter 3, Section 2.6.1.3. provides that a source/origin waiver may be approved when "the commodity is not available from countries or areas included in the authorized geographic code". As set forth, such is the case here.

Recommendation: For the reason described above, we recommend that the requirement for purchasing vehicles from A.I.D. Code 000 be waived and that the Contractor be authorized to purchase the vehicles from an A.I.D. Code 935 country. Your signature below in approving the waiver certifies that (1) exclusion of procurement from a Code 935 country would significantly impede implementation of the project and attainment of U.S. foreign policy objectives; and (2) determines that circumstances exist permitting A.I.D. to finance vehicles which are not of U.S. manufacture.

Approved: _____

Disapproved: _____

Date: _____

Clearances

RHPDO:HWise _____
CDO:KFinan _____
DR:PORR _____
RLA:TCarter _____
PRM:RCCoulter _____
CONT:RWarin _____

Date: _____

Drafted by:RHPDO:HWise:cy

DRAFT LETTER OF INTENT FROM GOVERNMENTS TO THE OECS

Date

Dr. Vaughan Lewis
Director-General
Organisation of Eastern Caribbean
States
Central Secretariat
P.O. Box 179
Castries
ST. LUCIA

Dear Sir:

Reference is made to the Regional Pharmaceuticals Management Project (538-0134) financed by the United States Agency for International Development (USAID), for which the Organisation of Eastern Caribbean States (OECS) is the implementing agency, and which will create the Eastern Caribbean Drug Service (ECDS). Successful operation of the pooled procurement scheme through the ECDS will require a cooperative and interdependent relationship between the OECS/ECDS and the Eastern Caribbean Central Bank (ECCB).

It is understood that this Project will offer pooled procurement and quality assurance services through the ECDS, technical assistance for in-country supply system improvements, training of supply management staff, prescribers, and dispensers, a microcomputer for Central Medical Stores, pharmaceutical reference materials, and minor rehabilitation of the distribution system as necessary.

Pursuant to the Project Agreement and in conjunction with the other member countries who choose to participate, the Government of _____ agrees to:

1. Participate in the pooled procurement scheme through the ECDS by undertaking the following activities:
 - a. Forecast annual needs of pharmaceuticals and medical supplies, and submit this estimate to ECDS according to the timetable established by ECDS.
 - b. Make periodic purchases through the ECDS, from suppliers who have been selected through an approved tender process and awarded contracts, for a minimum fixed percentage of the submitted estimate, this percentage to be agreed with ECDS in advance.
 - c. Notify ECDS of receipt of goods and of their condition (e.g. completeness of order, compliance with contract terms) within a specified time after receipt (this time to be specified by ECDS in conjunction with participating countries).

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- d. Assure prompt and full payment to suppliers through a mechanism established with the Eastern Caribbean Central Bank (ECCB).
 - e. Agree to and assure payment of an administrative fee of 15% (or a percentage specified by the ECDS in conjunction with the participating countries) to the ECDS, through a mechanism established with the ECCB. This would be the first charge against savings effected by reduction of unit costs of purchases.
2. During the course of the five year project, to develop a design and institute an appropriate cost-recovery scheme for recovery of a portion of the cost of purchases.

In addition, the Government intends to designate a Project Implementation Officer to oversee in-country management improvements, and to contribute local personnel and facilities as necessary.

Sincerely,

(Prime Minister
of _____)

cc: Governor, ECCB

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DRAFT LETTER OF INSTRUCTION
FROM THE GOVERNMENT OF _____ TO THE EASTERN CARIBBEAN CENTRAL BANK

Date _____

Dear Sir:

Reference is made to the Regional Pharmaceuticals Management Project (538-0134) financed by the United States Agency for International Development (USAID), for which the Organisation of Eastern Caribbean States (OECS) is the implementing agency, and which will create the Eastern Caribbean Drug Service (ECDS). Successful operation of the pooled procurement scheme through the ECDS will require a cooperative and interdependent relationship between the OECS/ECDS and the Eastern Caribbean Central Bank (ECCB). The following will be the procedures for payments for pharmaceuticals and medical supplies purchased through the Eastern Caribbean Drug Service (ECDS):

1. The Government of _____ will deposit the sum of _____ (equal to approximately 1/3 of the value of estimated annual procurements) in the ECCB to create a "drug account".

or

The Government of _____ has decided to earmark the sum of _____ (equal to approximately 1/3 of the value of estimated annual procurements) from its profits due at the end of the financial year.

2. The OECS (through the ECDS), upon receipt of a Purchase Order (P.O.) from _____, will forward a copy of the P.O. to the ECCB. This will constitute a commitment of funds on the part of the country and will be recorded as such by the ECCB.
3. Within ___ (#) of days of notification by the OECS (through the ECDS) of receipt of goods in _____, in compliance with supplier contract terms, the ECCB will pay the supplier invoice on behalf of the Government of _____. The ECCB then will debit the Government of _____'s drug account for the value of the invoice plus an additional not more than 15% of that value as an administrative fee (the exact percentage to be established by the ECDS Board). The ECCB will deposit the administrative fee in an account held in the name of the ECDS.

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- d. Assure prompt and full payment to suppliers through a mechanism established with the Eastern Caribbean Central Bank (ECCB).
 - e. Agree to and assure payment of an administrative fee of 15% (or a percentage specified by the ECDS in conjunction with the participating countries) to the ECDS, through a mechanism established with the ECCB. This would be the first charge against savings effected by reduction of unit costs of purchases.
2. During the course of the five year project, to develop a design and institute an appropriate cost-recovery scheme for recovery of a portion of the cost of purchases.

In addition, the Government intends to designate a Project Implementation Officer to oversee in-country management improvements, and to contribute local personnel and facilities as necessary.

Sincerely,

(Prime Minister
of _____)

cc: Governor, ECCB

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