

United States Agency for
International Development (AID)
Quito, Ecuador



PD-ABF-662
Agencia de los Estados Unidos para
el Desarrollo Internacional (AID)
Quito, Ecuador

81840

August 30, 1991

Dr. Jose Antonio Baertl
President
Apoyo a Programas de Poblacion
(APROPO)
Los Lirios 192
Lima 27, Peru

DUPLICADO
ORIGINAL

Subject: Agreement No. 527-0326-A-00-1257-00

Dear Doctor Baertl:

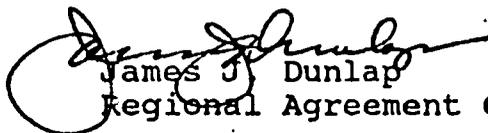
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development, (hereinafter referred to as USAID or "Grantor") hereby grants to Apoyo de Programas de Poblacion (hereinafter referred to as "APROPO" or "Recipient"), the sum of \$604,115 to provide support for a program in private commercial family planning, as described in the Schedule of this Cooperative Agreement and the Attachment 2, entitled "Program Description."

This Agreement is effective and obligation of \$604,115 is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending approximately March 31, 1992.

This grant via cooperative agreement is made to APROPO on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the "Schedule," Attachment 2, entitled "Program Description," and Attachment 3, entitled "Standard Provisions," which have been agreed to by your organization.

Please sign the original and five (5) copies of the letter to acknowledge your receipt of the Cooperative Agreement, and return the original and four (4) copies to USAID/Peru, Attention EXO/PRE. Thank you.

Sincerely yours,


James J. Dunlap
Regional Agreement Officer

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

Apoyo a Programas de Poblacion
(APROPO).

BY: _____

NAME: Jose Antonio Baenti

Title: Presidente Consejo Directivo

Date: September 5, 1991

FISCAL DATA

PIO/T No.: 1. 527-0326-3-10078
 2. 527-0326-3-10079
 3. 527-0326-3-10080

Appropriation: 1. 72-1111021
 2. 72-11X1021
 3. 72-1111021

Budget Plan Code: 1. LDPA-91-25527-KG13
 2. LDPX-91-25527-KG13
 3. LDPA-91-25527-JG13

Amount Obligated: 1. \$500,000 R100278
 2. \$84,009 R100279
 3. \$20,106 R100280

Total Obligated Amount: \$604,115
Total Estimated Amount: \$5,000,000

A. Purpose of Agreement

Provide support for a program to increase the provision of modern contraceptive methods through commercial sector channels, with the goal of contributing to improved health status for Peruvian families via increased access to modern family planning methods.

B. Period of Agreement

1. The effective date of this Agreement is the date on the cover letter. The expiration date of this Agreement is August 31, 1996.

2. Funds obligated hereunder are available for program expenditures for the estimated period from the effective date to March 31, 1992, as shown in the Agreement Budget.

C. Amount of Grant and Payment

1. The total estimated amount of this Agreement for the period shown in B.1 above is \$5,000,000.

2. A.I.D. hereby obligates the amount of \$604,115 for purposes of this Agreement.

3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 Standard Provision No. 1, entitled "Payment - Periodic Advance."

4. Additional funds up to the total amount of the grant shown in C.1 above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of the Standard Provision of the Grant, entitled "Revision of Grant Budget."

D. Agreement Budget

1. The following is the Agreement Budget, including local cost financing items, as authorized, and other contributions to the project. Revisions to this budget shall be made in accordance with Mandatory Standard Provision 4 of this Agreement, entitled "Revision of Grant Budget."

FINANCIAL PLAN (Summary)

	(US Dollars)						
	<u>Obligated Amounts</u>	<u>Year 1.</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>TOTAL</u>
I. Project Funds							
A. Program Costs-APROPO	<u>445,365</u>	<u>821,709</u>	<u>1'024,365</u>	<u>923,773</u>	<u>723,886</u>	<u>644,767</u>	<u>4'138,500</u>
- Contraceptive Social Mktg.	20,270	42,000	44,100	46,305	48,620	51,051	232,076
- CSD	20,270	42,000	44,100	46,305	48,620	51,051	232,076
- NFP Communication	254,420	426,000	727,500	700,000	500,000	400,000	2'748,500
- Other Direct Costs	99,650	206,526	162,215	131,163	126,646	142,665	769,215
- Administration	50,755	105,183	51,450	-	-	-	156,633
B. Technical Assistance - AID	<u>158,750</u>	<u>280,000</u>	<u>235,500</u>	<u>57,500</u>	<u>46,000</u>	<u>34,500</u>	<u>653,500</u>
- SOMARC (Buy-in)	101,000	110,000	100,000	23,000	23,000	17,250	273,250
- Johns Hopkins Univ. (Buy-in)	37,750	150,000	125,000	34,500	23,000	17,250	349,750
- Consultants (off-shore)	20,000	20,000	10,500	-	-	-	30,500
C. Audit and Evaluation - AID	-	<u>40,000</u>	-	<u>84,000</u>	-	<u>84,000</u>	<u>208,000</u>
- Audit	-	40,000	-	42,000	-	42,000	124,000
- Evaluation	-	-	-	42,000	-	42,000	84,000
SUB-TOTAL	<u>604,115</u>	<u>1'141,709</u>	<u>1'259,865</u>	<u>1'065,273</u>	<u>769,886</u>	<u>763,267</u>	<u>5'000,000</u>
II. APROPO's Funds							
- Administration		50,820	109,812	166,784	172,582	178,670	678,668
III. APROPO In-Kind Contribution		50,000	50,000	55,000	55,000	53,840	263,840
TOTAL		<u>1'242,529</u>	<u>1'419,677</u>	<u>1'287,057</u>	<u>997,468</u>	<u>995,777</u>	<u>5'942,518</u>

E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this grant entitled "Payment-Periodic Advance, (November 1985)" as shown in Attachment 3. USAID Controller may at his discretion require original invoices until such time as he has verified that internal controls, and operational and accounting procedures, are sufficient to ensure that grant funds are properly utilized and accounted for.

b. The original and two copies of all financial reports shall be submitted to the USAID Peru Controller. In addition, two copies of all financial reports shall be submitted to the USAID project officer.

c. The Recipient is required to maintain books and records in accordance with generally accepted accounting principles. The Recipient also is required to have an independent audit performed of the Agreement and the financial statements of APROPO as a whole. A U.S. affiliated independent audit firm must be selected in accordance with the Inspector General's guidelines, and the audit must be performed in accordance with accepted U.S. Government Auditing Standards. Sanctions may be applied if audits are not performed as required.

2. Program Performance Reporting

a. Recipient shall monitor performance under the Agreement and, where appropriate, ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. This review shall be made for each program, function, or activity of the Agreement.

b. Recipient shall submit a quarterly performance report (technical report) that briefly presents the following information for each program, function, or activity involved:

(1) A comparison of actual accomplishments with the goals established for the period, the findings of the investigator, or both. If the output of programs can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

(2) Reasons why established goals were not met.

(3) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

c. Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Recipient shall inform USAID as soon as the following types of conditions become known:

(1) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any USAID assistance needed to resolve the situation.

(2) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

d. If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in Mandatory Standard Provision 4, the Recipient shall submit a request for budget revision.

e. The USAID Project Officer shall make site visits as frequently as practicable to:

(1) Review program accomplishments and management control systems, and

(2) Provide such technical assistance as may be required.

F. Special Provisions

1. As set forth in Attachment 3, all mandatory standard provision for Non-U.S. Nongovernmental Grantees apply to this Agreement. Applicable optional standard provisions are indicated on the checklist in Attachment 3.

2. To assist in the implementation of the project, USAID from time to time will issue cooperative agreement implementation letters furnishing additional information on requirements about matters stated in this Agreement. Such letters shall not modify the terms of the Agreement.

3. The USAID Peru Chief, HR is authorized to issue all approvals or technical interpretations which can clearly and reasonably be considered within the terms of this Agreement as written. This authority includes all approvals reserved to USAID under article I (below) of the Schedule.

4. Local Cost-Financing

a. Costs qualifying as local costs are eligible for financing under the grant in accordance with the terms of this special provision. Local costs are defined as (i) indigenous goods, (ii) imported shelf items, and (iii) services provided by suppliers meeting the requirements contained in subparagraph b.

Indigenous goods are those that have been mined, grown or produced in the cooperating country through manufacture, processing or assembly. In the case of produced goods containing imported components, to qualify as indigenous a commercially recognized new commodity must result that is substantially different in basic characteristics or in purpose or utility from its components. Imported items are eligible for financing under the following situations:

(1) All locally financed procurements must be covered by source/and nationality waivers as set forth in Chapter 5 of Handbook 1, Sup. B, with the following exceptions:

(a) Locally available commodities of U.S. origin, which are otherwise eligible for financing, if the value of the transaction is estimated not to exceed the local currency equivalent of \$100,000 (exclusive of transportation costs).

(b) Commodities of geographic code 935 origin if the value of the transaction does not exceed \$5,000.

(c) Professional services contracts estimated not to exceed \$250,000.

(d) Construction services contracts estimated not to exceed \$5,000,000.

(e) The following commodities and services which are available only locally:

- Utilities including fuel for heating and cooking, waste disposal and trash collection;

- Communications --telephone, telex, fax, postal and courier services;
- Rental costs for housing and office space;
- Petroleum, oils and lubricants for operating vehicles and equipment;
- Newspapers, periodicals and books published in the cooperating country;
- Other commodities and services (and related expenses) that, by their nature or as a practical matter, can only be acquired, performed, or incurred in the cooperating country, e.g., vehicle maintenance, hotel accommodations, etc.

(2) When local procurement of U.S. origin commodities is planned under a project, such a decision should be supported by an analysis of the prices of goods expected to be procured, and a determination that the prices are reasonable, taking into account comparable delivery terms and prices from the United States, and the implementation schedule of the project.

b. To qualify as local costs, goods and services must also meet the following additional requirements:

- (1) They must be paid for in local currency.
- (2) The supplier must be located in the cooperating country and must be of cooperating country nationality as defined in AID Handbook 1B, Chapter 5.
- (3) Any component from a country not included in AID geographic code 935 renders a commodity ineligible for financing.

c. Ineligible Goods and Services: Under no circumstances shall the grantee procure any of the following under this grant:

- (1) Military equipment,
- (2) Surveillance equipment,

- (3) Commodities and services for support of police or other law enforcement activities,
- (4) Abortion equipment and services,
- (5) Luxury goods and gambling equipment, or
- (6) Weather modification equipment.

d. Ineligible Suppliers: Funds provided under this grant shall not be used to procure any goods or services furnished by any firm or individual whose name appears on AID's Consolidated List of Debarred, Suspended, or Ineligible Awardees (AID Regulation 8, (22 CFR 208)). AID will provide the grantee with this list upon request.

e. Restricted Goods: The grantee shall not procure any of the following goods and services without the prior written authorization of the grant officer:

- (1) Agricultural commodities,
- (2) Motor vehicles,
- (3) Pharmaceuticals,
- (4) Pesticides,
- (5) Rubber compounding chemicals and plasticizers,
- (6) Used equipment,
- (7) U.S. Government-owned excess property, or
- (8) Fertilizer.

f. If AID determines that the grantee has procured any of the restricted or ineligible goods and services specified in subparagraphs (c) through (e) above, or has received reimbursement for such purpose without the prior written authorization of the grant officer, the grantee agrees to refund to AID the entire amount of the reimbursement.

5. APROPO agrees that none of the funds made available under the Cooperative Agreement for family planning activities will be used to finance any costs relating to:

1. the performance of abortion or involuntary sterilization as a method of family planning;
2. the motivation or coercion of any person to undergo abortion or involuntary sterilization;
3. biomedical research which relates, in whole or in part, to methods of, or the performance of, abortion or involuntary sterilization as a method of family planning;
4. the active promotion of abortion or involuntary sterilization as a method of family planning; or
5. the procurement of any equipment or materials for the purpose of abortion or involuntary sterilization.

G. Title to Property

Title to property obtained under this grant shall vest in the Recipient.

H. Authorized Geographic Code

The authorized geographic code for procurement of goods and services under this Agreement is 000 (the United States), plus Peru to the extent authorized under local cost financing guidance set forth in the Special Provisions, above.

I. Substantial Involvement Understandings

APROPO and USAID agree that the nature of the activities to be carried out under the Agreement require the substantial involvement of USAID. APROPO, therefore, agrees to:

1. Key Personnel. Prior to the hiring of key personnel under the Project, A.I.D. shall approve, in writing: the CSM Manager, CSD Manager, IEC Specialist and Contracts Administrator.
2. Buy-ins to AID/W centrally-funded projects. USAID may recommend and will review and approve all requests for buy-ins to A.I.D./W centrally-funded projects under the Cooperative Agreement.

After such approval. APROPO will request USAID to issue the necessary PIO/Ts.

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3. Local contracts for technical services and consultants. USAID will participate in the preparation of scopes of work for all subcontracts consultants for local technical services and issued by the APROPO under the Cooperative Agreement. This will include, but not be limited to institutional financial audits of the Implementing Agency. Prior approval from USAID will be required for all Requests for Proposal (RFPs), and selection of subcontractors and consultants.
 4. External Evaluation and Audits. Using funds under this Cooperative Agreement, USAID will conduct a project evaluation during PY 3 and PY 5 as described in the Implementation Plan. USAID will use the results of this evaluation to make adjustments in the project objectives and implementation plan APROPO will authorize USAID to issue the necessary PIO/Ts and other documentation to carry out this evaluation. Three project audits will be conducted by an independent auditor, through RIG/A/T: one each at the end of project years one, three, and five. Audit requirements applicable to APROPO are set forth in the mandatory standard provisions.

J. Close-Out Procedures

This section prescribes uniform closeout procedures for this grant.

1. The following definitions shall apply for the purpose of this section:
 - a. Closeout: The closeout of a grant is the process by which AID determines that all applicable administrative actions and all required work of the grant have been completed by the Grantee and AID.
 - b. Date of Completion: The date of completion is the date on which all work under grants is completed or the date on the award document, or any supplement or amendment thereto, on which sponsorship ends.
 - c. Disallowed Costs: Disallowed costs are those charges to a grant that AID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions contained in the grant.

2. AID closeout procedures include the following requirements:
 - a. Upon request, AID shall make prompt payments to a Grantee for allowable reimbursable costs under the grant being closed out.
 - b. The Grantee shall immediately refund any balance or unobligated (unencumbered) cash that AID has advanced or paid and that is not authorized to be retained by the Grantee for use in other grants.
 - c. AID shall obtain from the Grantee within 90 calendar days after the expiration of the Grant all financial, performance and other reports required as a condition of the grant. AID may grant extensions when requested by the Grantee.
 - d. In the event a final audit has not been performed prior to the closeout of the grant, AID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

PROGRAM DESCRIPTION

I. PROJECT DESCRIPTION

A. Project Goal and Purpose

The Project goal is to contribute to improve the health status of Peruvian families through increased access to modern family planning methods. The Project purpose is to increase the provision of modern contraceptive methods through commercial sector channels.

B. End-of-Project Status Indicators

The objectives of the Project are (1) to firmly establish a range of self-supporting CSM brands of oral contraceptive within the commercial sector to give consumers a wider choice of products and prices; (2) to establish a range of self-supporting CSM brands of condoms within the commercial sector; (3) to pilot test other self-sustaining CSM products; (4) to increase the number of employers and health insurance companies that provide family planning benefits to their employees and policy-holders; (5) to develop a national family planning communication strategy and participate in a national communication program; and (6) to establish a strong institution to carry out commercial family planning and other social marketing projects. At the end of PY 1, once the market research and target group analysis has been carried out, more specific, quantifiable objectives will be established for the Project, in terms of additional family planning outlets and contraceptive protection to be provided.

In more detail, these objectives are as follows:

1. Self-Supporting CSM brand of Oral Contraceptives within the Commercial Sector

A "self-supporting" CSM brand means that the retail sale price pays for the manufacturing and marketing costs of the product, plus on-going promotion at levels that increase sales. In addition, within five years product sales should cover the administrative costs of management of the CSM line at APROPO. While there is obviously a tension between these goals and maintaining prices that are affordable by target consumers, initial discussions with pharmaceutical and marketing companies indicate that both sustainability and affordability objectives can be achieved.

APROPO will need technical assistance in negotiating contracts with its commercial partners. Ultimately, the APROPO share of product sales profits established in the contract must cover the salary of

13'

the CSM component manager plus other administrative costs. Given the uncertainties of the Peruvian economy, it may be necessary for APROPO to accept a phased cost-recovery scheme, but the five-year goal of full sustainability will be made clear to all participants. An incentive system will be instituted at APROPO, and the CSM component manager will receive a sales commission in accordance with product performance.

2. Addition of Other CSM Brands of Oral Contraceptives

Expanding the number of CSM brands of oral contraceptives, including some higher-priced options, is a worthwhile objective of this Project. While only the lowest priced CSM brand will be promoted directly by this Project, that promotion could result in a general increase in sales of oral contraceptives, and sales of other brands will contribute to overall product category sales. More brands, and a range of prices, will improve the image of oral contraceptives and address quality of care issues. Preliminary discussions with local pharmaceutical and marketing companies indicate support for the idea. The marketing strategy to be developed in PY 1 will explore this possibility further and outline APROPO's role.

3. A Self-Supporting CSM Brand of Condoms

As with oral contraceptives, the condom brand will be self-supporting by EOP. Preliminary discussions with Quimica Suiza, a likely importer and distributor of condoms, indicate that the sales price could support the promotion of the product. The CSM component manager could handle this product as well as the oral contraceptive. Addition of condoms is important for sustainability of CSM brands. Single product and brand lines are harder to sustain than multiple product and brand lines.

A preliminary analysis of the market indicates that the business environment for commercial sale of condoms has improved in recent years. It appears that inflow of donated condoms into the commercial sector has been reduced. Additional measures recently taken by USAID should reduce the problem further. One distributor's condom sales in the last three months have amounted to more than its total sales for last year.

4. Other Products Pilot-tested on a Commercial Basis

Other potential CSM products include IUDs, spermicides,

injectables, and non-family planning health products. A marketing study in PY 1 will examine the feasibility of social marketing effort of IUDs. It is recommended that APROPO continue to handle (but not spend A.I.D. funds to promote) Lorophyn, a vaginal foaming tablet. APROPO should explore introduction of a faster-acting foaming tablet, as well as social marketing of injectables financed with non-A.I.D. funds. Ultimately, APROPO should seek funding to social market other health products such as Oral Rehydration Salts (ORS). To achieve sustainability, APROPO needs to position itself squarely in the commercial sector as the institution with comparative advantage in marketing health products.

5. The Number of Employers and Health Insurance Companies that offer Family Planning Services Increased

In the first year of the Project, APROPO will determine priority targets and develop a detailed strategy to convince companies to provide family planning benefits to their employees and policyholders, using lessons learned from Milpo Mining and other companies. As with all projects involving the commercial and industrial sector, the state of the economy is a very important factor. Incentives or assistance with start-up costs may be offered in the initial years of the project.

Experience has shown that the success of industrial promotion of family planning depends on delivery of services and contraceptive supplies. APROPO will identify reliable sources and providers of the full range of services needed by both spacers and limiters to ensure that once companies have agreed to provide services, their needs are met. Part of APROPO's challenge will be to broker supplies and services and to arrange training for the medical staff of participating companies.

As different employers use different arrangements to finance health services for their employees, the project will work also work with insurance companies, brokers, and third party service providers. In addition, APROPO will explore possibilities of marketing supplies, training, information, or other services to independent physicians and medical groups.

6. A National Family Planning Communication Strategy Developed and a National Communication Program Coordinated

Comparing the large number of Peruvian women (64 percent) who do not want any more children to those using modern contraception (23

percent), it is clear that a massive communication effort is needed. Rumors and negative publicity about modern methods must be counteracted for method- and brand-specific messages to have optimal impact. Communication research has shown that use of multiple channels increases the impact of messages. Non-traditional advertising methods such as folk singers, theater groups, and interpersonal communication could have a powerful impact with different target groups.

An effective communication program could reverse prevailing attitudes and achieve behavioral change, ultimately converting the demand for fewer children into greater use of modern contraceptive methods. APROPO will support Peru's National Family Planning Communication Program. At the beginning of PY 2, a national family planning communication conference and workshop will be held to divide responsibilities between the IEC programs of the most active agencies and to train specialists in modern targeting and evaluation methods. The conference could be a major publicity event itself. Materials for the press could be prepared beforehand and President Fujimori should be invited to give the opening address.

The Johns Hopkins University Population Communication Services (JHU/PCS) project will provide technical assistance to APROPO to plan the conference, conduct training, and assist in implementation and evaluation of communication campaigns, using a base of in-country specialists previously trained in communication planning.

7. A Strong Institution able To Carry Out Commercial Family Planning Established

APROPO has had some significant successes in carrying out commercial family planning. At this stage, it needs to establish itself more solidly in the commercial sector. The Project will help APROPO to adopt management techniques from the private sector such as incentives for employees, and performance evaluations based on the level of sales achieved by the products they handle.

Technical assistance is needed in both social marketing and commercial service delivery. Each of these areas should be self-sustaining, technically and financially, after five years. To continue the promotion of commercial family planning activities after the project completion, it will not be necessary to maintain the same funding levels. Therefore, APROPO will adjust its operation according to the level of income generated.

C. Project Components

The CFP Project consists of three separate components: Contraceptive Social Marketing, Commercial Services Delivery and National Family Planning Communication. All three components will be implemented by APROPO with assistance from experts in the fields of social marketing, commercial services delivery and communication strategies. The Project has a life-of-project of five years and will be funded at a level of approximately US\$5.7 million over the five year period, of which amount US\$5 million will be provided directly by A.I.D. The first year of the Project will consist of pre-implementation activities such as gathering demographic and market data and setting targets for the Project. Actual implementation of project activities will begin toward the end of PY 1, based on the results obtained from these preliminary studies.

In more detail, the project components are as follows:

1. Contraceptive Social Marketing Component

a. Participating Agencies

(1) APROPO

(2) Local pharmaceutical companies that manufacture OCs and injectables, will competitively selected to supply the Project's CSM brands. These companies will be required to provide in-kind and/or financial contributions to project activities such as medical detailing, retailer training, communication materials and brand advertising.

(3) A local commercial distributor of OCs and injectables will be competitively selected. It will also import and distribute condoms and other CMS products and brands. Other commercial distributors may be invited to participate in project activities as needed.

(4) Local advertising agencies will be competitively selected and contracted to develop an advertising campaign for the CSM products.

(5) Local market research firms will be competitively selected and contracted to implement studies required to design, track and evaluate the CSM component's impact. Studies will be contracted for on an as needed basis.

b. Market Coverage - Target Audience

The CSM target audience includes those moderate and lower-income Peruvian couples willing and able to pay for contraceptive methods who are not contracepting or are using traditional methods and who do not want more children or want to delay the next birth, and those who are using public family planning sources when they could afford commercial outlets.

Concrete socio-economic categories have not been specified at this time, in light of the current economic situation in Peru which makes it very difficult to determine the proportion of the population falling into the various socio-economic categories usually used to quantify CSM target audiences, or to determine the purchasing power of the minimum wage. This qualitative definition will be quantified more clearly in the CSM Marketing Strategy to be prepared in PY 1 once the appropriate economic analysis of consumers' purchasing power has been completed.

c. Objectives of CSM component

The principal objective of the CSM component is expanded access to commercial family planning products. This requires careful consideration of all aspects of marketing, including program management, product/brand selection, price setting, distribution and integrated communications.

The specific objectives of the CSM component are listed below. These objectives will be quantified in the Marketing Strategy which will be developed during PY 1:

(1) Expand the CSM product line to include different products (i.e., condoms, IUDs and/or injectables) as well as the number of brands within each product category.

(2) Expand distribution by increasing the number and type of retail outlets so as to be able to reach all target groups with CSM brands, including those in the provinces and the informal sector.

(3) Increase annual sales of the CSM brands and the overall product categories (condom, pill, injectable).

(4) Achieve increased levels of cost recovery each year of the Project.

d. Promotion of CSM Products/Brands

CSM products and brands will be promoted according to an Integrated Marketing Communication (IMC) Plan developed jointly by the CSM component manager and the advertising agency in PY 1. The IMC plan will coordinate all communication messages and materials for all target groups and all media. This will support and amplify the effect of each distinct activity and more effectively reach consumers with information and promotion appropriate to their needs. The Plan will include promotion for both consumers and retailers, and include a variety of approaches, such as mass media, print materials, hotlines, public relations activities, medical detailing, retailer training program and non-traditional media. Maximizing impact at the lowest possible cost will be a critical concern.

The IMC Plan will be coordinated with the National Communication Plan to achieve the maximum impact of each effort.

The CSM Component will take full advantage of the legality of brand-specific advertising in Peru. The marketing advantage of brand-specific advertising is that it captures consumers' interest and gives them something to focus on instead of diluting that curiosity and attention by emphasizing various brand alternatives of the same product.

Brand specific advertising will be paid by the producer. The brands selected for mass media promotion will be the lowest priced alternative within each product category (i.e., the lowest-priced OC, condom, etc.). Brand-specific, informational materials for the other CSM brands will be available at the point of purchase, although not all brands may be promoted at all outlets (for example, pharmacies in pueblos jovenes may choose not to carry the most expensive brand). In this way, the brand that is economically accessible to the majority of the target audience becomes the popular brand of choice, with an attractive quality image, and retailers will maintain adequate stocks to fulfill consumer demand.

Brand-specific promotion of the lowest-price CSM brand within each product category, with promotion of the remaining CSM brands at the retail site, encourages consumers with greater purchasing power to feel they are "buying up" when they purchase the higher-priced, but still affordable CSM alternative brands. This is a natural consumer tendency and helps motivate the retailer to stock the entire CSM brand line.

Consumer acceptance of, and familiarity with, modern contraceptive methods promoted by the CSM component may be enhanced by using APROPO's name as an "umbrella" under which to promote all its products and brands of quality health and family planning care. This umbrella concept opens possibilities for future promotion of other reproductive health services and products under the name of a familiar and respected organization.

The umbrella concept may be made more concrete by designing and using a common logo, tag line and/or packaging colors for all the products APROPO promotes. Careful consideration should be given to placing the manufacturer's and APROPO's names together on the package so as to tie into the promotional and communication activities. This is particularly important in Peru where the CSM component will be working with brands that are produced, packaged and distributed by local participating agencies. These issues will be defined more specifically when the marketing strategy is developed during the course of PY 1.

e. Pricing Structures

The end retail price for each brand of CSM product should be established so as to make it accessible to target groups with varying levels of purchasing power, as established by the pricing studies carried out in PY 1. The retail price structure must cover the CIF (cost, insurance and freight) price of the product and provide the distributor(s), retailers and the project account with sufficient margins of profit.

There should be a range of prices established for the brand alternatives in each CSM product category, with high and low versions, but all within the guidelines of economic accessibility to the CSM target groups.

f. Distribution

Local commercial distribution firms will be competitively selected according to their current level of coverage of both traditional and non-traditional retail outlets as well as their flexibility in expanding to new outlets. This is a particularly key issue in Peru where the informal sector is growing rapidly in both urban and rural areas and where distribution to market stalls in the provinces is also increasing. At a minimum, the firm or firms selected must provide coverage to the 3,500 pharmacies registered in Peru and be capable of reaching the informal sectors.

Retailers will be encouraged to place CSM products in fixed display cases provided by the distributor. The use of such point of purchase cases enhances the brand image, reminds consumers as they enter the outlet, to purchase or query about contraceptives, and enables them to request a brand without embarrassment. The display cases also provide space for informational and promotional materials.

g. Retailer Training

Retailer training is a crucial element in contraceptive marketing. Training increases the retailer's interest in, and commitment to selling products he/she formerly knew little about and had not been known to counsel clients on. The national retailer training program will include contraceptive technology as well as interpersonal relations skills. This has been demonstrated to be effective in increasing product sales and correct use in other Latin American countries.

The training program strategy and agenda will be amended annually according to participating retailers' evaluation and suggestions, and to their attendance patterns during the first year.

h. Policy Support

APROPO will identify any remaining legal or regulatory barriers to project activities, and will pursue policy change. Such areas may include:

- Requirement for sales/consumption tax
- Limitation on sales of ethical contraceptives to pharmacies

i. Market Research

Qualitative and quantitative market research will be conducted to develop marketing strategies, define target group(s) and their purchasing power, prepare communication messages and materials and monitor and evaluate project progress. Techniques typically used by CSM programs include consumer baseline and tracking studies; consumer profiles of users and non-users; message and materials design; advertising concept testing; materials pre-testing; market retail audits; and "mystery shopper" and training evaluation studies.

The CSM component manager will receive regular sales information for each product category and for each CSM brand, preferably on a monthly basis, to track component performance and adjust marketing activities accordingly. These sales data will also form the basis for commissions paid to APROPO by participating pharmaceutical firms.

2. Commercial Service Delivery

a. Participating Agencies

(1) APROPO

(2) Five medical centers and one clinic (private hospital) will be identified, selected and trained in FP/MCH, and will provide family planning services under the Project.

(3) Two PVOs with expertise in FP/MCH training and promotion will be selected and contracted on a fee-for-service basis to support the participating family planning services providers.

(4) One or two brokers or insurance companies will be contracted to review previous cost-benefit analyses for including family planning services in insurance company health plans, and prepare new ones as needed for presentation to the insurance industry.

(5) Local advertising agencies will be competitively selected and contracted as needed to support the component's communication plan.

(6) Local market research will be conducted or selected and contracted to help design the CSD component's "product" and later track and evaluate its performance.

(7) A local software firm or individual computer service providers will be selected and contracted to develop and maintain a database of potential clients for CSD.

b. Market Coverage - Target Audiences

The target audience of the CSD component will be divided into three groups:

- 1) The Primary Target Audience will consist of enterprises with 200 employees or more, and the workers/dependents of these companies.

- 2) The Secondary Target Audience will consist of private health care providers, insurance companies, and brokers. It will also include employers with fewer than 200 employees who offer employee health plans or who would be interested in underwriting family planning services.
- 3) The Tertiary Target Audience will be health policy makers who can establish legal and regulatory incentives to increasing commercial sector FP/MCH services provision.

In establishing the primary target audience, it is important to distinguish between permanent employees ("planilla") and non-permanent workers ("contrata"). Peruvian labor laws confer considerable guarantees and financial benefits for permanent employees. As a result, many large companies, especially those with seasonal labor requirements such as the construction industry, maintain the bulk of their labor force under fixed-term contracts, which are exempt from the labor laws. This practice poses two obstacles for the CSD component: (1) Fixed-term workers usually receive no supplemental benefits and therefore incur fewer costs to the employer. Providing family planning to this group is less attractive from the employer's point of view and presents greater administrative requirements than providing family planning for permanent employees; (2) Only permanent employees are listed in company registers for such organization as the Society of Industries, the Society of Mines, etc. This makes it difficult to ascertain the number and identity of those companies which maintain a large and stable work force.

The size of the Peruvian labor force in 1990 was estimated at 7.57 million people, of whom 34 percent (2.02 million) were employed in services, 16 percent (1.18 million) in commerce, 10 percent (795,000) in manufacturing, and the remainder (40%) in agriculture and other sectors (Cuanto, Peru en Numeros, 1991). The Society of Industries represents 13,712 member organizations drawn primarily from the formal manufacturing sector, as well as a few members from other sectors. Their data base includes fewer than 304,000 permanent employees, less than half of the number estimated to be employed in the manufacturing sector. Only 204 companies report 200 or more employees; they represent a total of 92,000 workers.

During PY 1, APROPO will contact other commercial organizations, such as the Society of Mines, to complete the classification of the primary target audience. Members of APROPO's board of directors will be enlisted to provide estimates of the non-permanent labor

force and the companies for whom they work. The primary target audience will be the first focus of the CSD component: to market services to enable them to offer family planning benefits for their employees. Among the desired behavior changes in this group include an increased awareness on the part of managers of private firms of the demand among their workers for MCH and reproductive health services. Workers and their families should also learn more about modern contraceptive methods, and freely choose those appropriate to their lifestyle and health conditions.

The secondary target audience is responsible for influencing the utilization of FP/MCH services. It includes private physicians, clinics and medical centers, and health insurance companies and independent brokers. Figures for 1988 list 135 private hospitals and 41 medical groups for the entire country (Cuanto, 1991), over 70 percent of which are located in Lima-Callao. The major providers are limited to approximately 10-15 large clinics and medical groups and 10 insurance companies. By the end of the Project, members of the secondary target group will be actively involved in promoting and providing reproductive health care services to private industry clients.

Key among the tertiary target audience are government policy makers who can authorize tax breaks or other incentives to companies that offer family planning services to their employees. This group also include such opinion leaders as politicians, journalists and artists. By the end of the Project, it is hoped that this group will clearly recognize the role of the private commercial sector as suppliers and financiers of preventive health care services including FP/MCH, and will encourage their active participation in expanding the family planning market.

c. Objectives of CSD

The key objective of the CSD component is to broaden the base to finance family planning services in Peru by increasing the participation of the commercial sector in family planning service delivery. In essence, it seeks to increase the provision of family planning services financed directly by the private industry or through private insurance systems.

Promoting employer-financed family planning services should not only increase total family planning resources but also lead to increase the commercial sector market share relative to the subsidized sector (PVOs and MOH). It is expected that industrial expenditures in family planning will encourage the private commercial sector to grow faster than the subsidized sector. This

transfer may also allow the subsidized sector to recruit new users. This general recomposition of the family planning market is the main expected outcome of the CSD component rather than producing only new users or increases in CYP.

The first step in the CSD component is to convince employers that it is in their best interests to under-write family planning services for their employees and dependents, many of whom may currently use subsidized services in the public and PVO sectors at no cost to the employer's health plan. This will require case-by-case analyses, beginning with the utilization and cost of the social benefits the employer currently offers. In many cases, employers may be paying for pregnancy-related benefits, but are unaware of the extent of these costs or the potential for cost reduction by implementing family planning. In other cases, the costs of unwanted pregnancies to the employer may be indirect, such as lowered productivity due to employee turn-over or maternity leave.

In addition, APROPO must confront many attitudinal barriers on the part of company management. It is important to note that, with the exception of Milpo Mining Company, none of the other companies represented on APROPO's board of directors offers family planning for employees or dependents. Among the attitudinal barriers encountered in the preparatory research for this Project are:

- Perception that FP/MCH services are responsibility of MOH and IPSS only
- Managers who do not think social benefits should cover preventive health care services or who place low priority on FP/MCH services
- Managers who think that urban or skilled employees do not need assistance in obtaining family planning services

Once company management has been convinced to include family planning in employee health plans, the CSD component must make resources available to serve them. Depending on the nature of the health plan, APROPO will work with the company's own health services, health fund administrator, health insurance policy, and/or third party service providers to ensure that employees or dependents who want to utilize the family planning benefit have a reliable source of services. In so doing, it will be necessary to confront other obstacles.

Own Services:

This segment is the most predisposed to see the benefits of

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including preventive health services and family planning in their programs. Barriers to implementation include uncertain economic conditions, personnel policies, strikes, and lack of knowledge about what these services cost and how to offer them.

Insurance companies and brokers:

The Peruvian insurance industry has no experience with preventive care. In order to keep premiums low, it imposes restrictions on the kinds of services that will be covered and on coverage ceilings, to the extent that many policy-holders are forced to use public sector outlets for maternity care and hospitalization for major illnesses. Private insurers do not urge clients to pay for preventive health coverage for their employees, even those linked to covered benefits such as prenatal check-ups prior to hospital delivery and Pap smears to detect early uterine cancer.

Private Health Care Providers:

Most health care providers see themselves in a reactive role, providing services covered by insurance policies but not taking an advocacy position. Most are physician-run and lack sophisticated management and marketing strategies. Attending physicians enjoy considerable autonomy, and the medical groups themselves are under minimal external supervision or control. The Project will assist private providers to gear up for the increase in demand for family planning services generated by health insurance companies and self-insurance funds. In addition, APROPO will be prepared to certify that the providers who collaborate with the Project are trained to offer a full range of high-quality family planning services.

d. CSD Product Design

The "products" of the CSD component are two sets of services that APROPO will market to private sector employers. The first consists of diagnostic services to assess the potential demand for family planning among employees and dependents and the most cost-effective way of meeting that demand. The second includes assistance in implementing family planning services under the employer's social benefits plan and promoting the new services among employees and dependents. For the first product, diagnostic services, APROPO will rely primarily on its own staff, including those contracted especially for the Project. For the second product, family planning services implementation, APROPO will rely on third party providers for clinical training and supervision and clinical services; training of educators and IEC services will be performed by APROPO staff.

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Clients (employers) will be able to purchase any combination of services that best suits their needs. Some will need only assistance negotiating with their insurance company or broker to include family planning. Others will need to train and supervise medical staff in company clinics, and others will need to be put in touch with clinical service providers. When required, APROPO will handle billing arrangements or offer pre-paid arrangements with selected providers. Careful design of the product package and development of a client database will enable the implementing agency to adopt a modern, "business-to-business" approach to marketing its product.

(1) Market research

At the outset of the Project, the CSD component manager will review sectoral studies in health care financing and other formal and informal research to refine the product design, avoid past mistakes, and prevent duplication of research efforts. APROPO will conduct or commission research for each target group listed above to further clarify their needs for preventive and family planning services. At this initial stage, qualitative, as opposed to quantitative studies produce more insights into why people think and behave as they do.

APROPO will carry out two research studies in PY 1 to further define and identify the three target groups and to guide the product design and development of the marketing strategy. The first study will focus on employees and dependents as potential users of FP/MCH services and products. The research objective is to identify health care and FP/MCH demands of this potential user group, and other characteristics, such as purchasing power, consumer profile of users and non-users (employee and dependent), usual point of acquisition of services and products.

The second study will focus on employers as purchasers of social benefits, including FP/MCH services. The objective is to define the role of social benefits, especially family planning and preventive health care, in increasing the productivity and loyalty of employees. The results of this research will be disseminated through a workshop with entrepreneurs, professionals and teachers in human resources and social sciences.

The workshop will serve to:

- position APROPO as a consulting organization in preventive and reproductive health care;
- provide data to refine the APROPO database;
- promote APROPO's products and services;

- obtain consensus about benefits and the attractiveness to firms offering FP/MCH services as a social benefit;
- obtain more data about messages and components to help the communication effort.

In PY 2, APROPO will study private physicians to identify their needs for FP/MCH products and training, especially in long-lasting methods such as IUDs, tubal ligation, and vasectomy. The results will be used to develop a specific strategy to work with these professionals. In PY 3 and 5, research will focus on evaluation of component impact and lessons learned.

(2) Product Concept

Clients buy a product to solve a problem or fulfill a need. The product concept of the CSD component will be refined by the CSD component team and will be a key factor in the performance evaluation of the CSD component manager. The initial task will be to create a "product" focused on preventive health care.

The principal components of this product may include, but not be limited to:

Clinical Services

- Consultations in gynecology/family planning
- Consultations in prenatal and child care
- Screening (Pap-smear)
- Other exams, to be negotiated with the health care providers.

Consultant Services

- Situational diagnostic plans
- Cost/benefit analyses
- Implementation and monitoring of FP/MCH and other preventive programs.

IEC Services

- Lectures
- Focus group studies
- Scientific fora
- Folders, books, materials development

Training

- Service providers
- Community

e. Promotion and Pricing of the CSD Product/Brands

APROPO and its advertising agency will develop a list of possible brand names and pre-test them to determine which brand name and logo APROPO should use for the CSD component. With the assistance of an external commercial sector consultant, APROPO will conduct a study to determine the pricing strategy for this product and establish a mark-up strategy. A key objective in price-setting is to include an adequate profit margin for APROPO.

f. Production/Distribution

To assure production/distribution of the product, APROPO will identify, select and establish agreements with five medical centers and one clinic in Lima/Callao. An ideal geographical balance would include one center each in the north, south, east, west, and downtown Lima, to provide conveniently-located clinical services for APROPO's clients. One medical center might be MEDIC, S.A. which has experience in providing FP/MCH services.

Depending on demand, APROPO may also establish agreements with PVO service providers to offer family planning to non-permanent workers and other employees who are not covered by private health plans. In return for preferential treatment, employers would pay a higher price than the subsidized price charged by PVOs to the general public, but lower than the price charged by commercial providers. Uniform prices would be established for all participating PVOs, but separate billing arrangements would be negotiated for each PVO-industrial contract.

For employers who provide their own medical services, APROPO will broker contracts for training and supervision of clinical staff and procurement of contraceptives and other commodities. For activities such as lectures, training, and development of IEC materials, APROPO will use its own personnel.

The key to production and distribution of APROPO product is establishing formal agreements for services. Agreements must be clear about prices, period of services and other conditions normally included in this type of document. Prices will be set according to health insurance tables, private provider clinic service costs, and through cost-comparison of profit margins added to PVOs' services. (See Annex XII for a "model contract" used by brokers in Peru for similar types of agreements).

When selecting health care providers to work as partners in the CSD program, APROPO will carefully analyze the organization's capacity to provide high quality preventive health and family planning services. Once found acceptable, the implementing agency will

arrange for training for their medical staff, develop a promotion plan to promote their services to the client companies, share costs of commodities (e.g., IUDs and minilap kits) with them and provide them with IEC materials.

g. Communication mix

(1) Database

One of the first tasks under the CSD component will be to develop a database of potential clients to support promotion and sales. The information contained in the database will be used to segment the market and tailor promotional strategies. APROPO will identify and contract a software firm or similar organization to design and develop the database program. The data base itself will be housed at APROPO.

(2) Advertising agency

APROPO will identify and contract an advertising agency with experience in direct marketing and materials development. Together they will develop an Integrated Marketing Communications (IMC) Plan in PY 1 to promote the CSD product. Advertising activities will be carried out in five steps:

- Development of the IMC Plan
- Preparation of draft prototype materials
- Testing of materials

- Final production
- Implementation

The IMC will contain a detailed description of all the product's components and a media plan for each target audience. Experience in CSD projects proves that

the best media to reach the target audience are the following:

- Direct mail/newsletters
- Telemarketing
- Workshops
- Company presentations
- Folders and other sales support materials
- Newspapers (articles, press releases, product advertising)
- Magazines (industry trade journals)
- Radio (interviews, product advertising)

In PY 2, APROPO will arrange a workshop on social benefits as described above, and will study other approaches for reaching the Project's target audience.

(3) Sales

The CSD component manager will be responsible for developing APROPO's commercial structure. He/she will be supported by the CSD Educator who will make contacts with potential clients. One possible sales approach may be to develop a "preventive maternal and child health care policy" through collaborative agreements with an insurance broker. The CSD component team will study the feasibility of this idea.

h. Policy Support

APROPO will develop a plan for persuading the public sector (MOH/IPSS) to offer incentives to private enterprises that provide FP/MCH services. Providing incentives could enhance the transfer of users from overburdened MOH/IPSS programs to private providers, enabling the public sector to serve the kinds of users who can only afford public programs, and would further the Project objective of increasing the relative participation of the private sector in preventive health care and family planning.

3. National Family Planning Communications

a. Participating agencies

- (1) APROPO
- (2) PRISMA
- (3) The National Population Council
- (4) Advertising agencies

b. Component Description

APROPO will work in collaboration with PRISMA, the implementing agency for USAID/Peru's PVO family planning project, and the CNP to carry out this component. APROPO can play an important coordinating role in the development and implementation of a national family planning communication strategy, based on its commercial sector and experience with advertising, marketing, and media firms.

Project funds will be provided to contract a director of the communications component. While each major family planning organization will continue to have its own institutional IEC strategy and retain complete autonomy in allocating its communication budget, APROPO will work with PRISMA to coordinate the IEC programs of these various organizations.

Sharing print materials among organizations is one area of possible collaboration. Some organizations have a comparative advantage in communication with a particular audience; others in a particular medium or particular family planning method. Collective purchases of media time can result in a savings for all. Experience shows that a powerful multi-media family planning communication program can emerge from modest beginnings in collaboration.

The Johns Hopkins University Population Communication Services (JHU/PCS) Project will provide support to APROPO and its collaborators in developing institutional communication strategies and a national communication strategy. At the end of PY 1, APROPO and JHU/PCS will collaborate with the CNP to organize a national family planning communication conference and workshop to develop the national strategy. JHU/PCS will call upon a previously-trained cadre of Peruvian communication specialists to assist with the conference and provide technical assistance to individual family planning organizations. The conference will be a media event in itself. President Fujimori, who has demonstrated a keen interest in family planning, should be invited to speak. Materials and expert spokesperson will be available to the news media. In addition to transmitting useful information about family planning to the public, the workshop during the conference will produce detailed plans for a sustained family planning communication effort.

JHU/PCS will also provide technical assistance to APROPO in the CSM project component. Specifically, they will be asked to assist with the use of non-traditional advertising media -- folk singing, theater groups, etc. -- for promoting CSM products.

II. IMPLEMENTATION PLAN

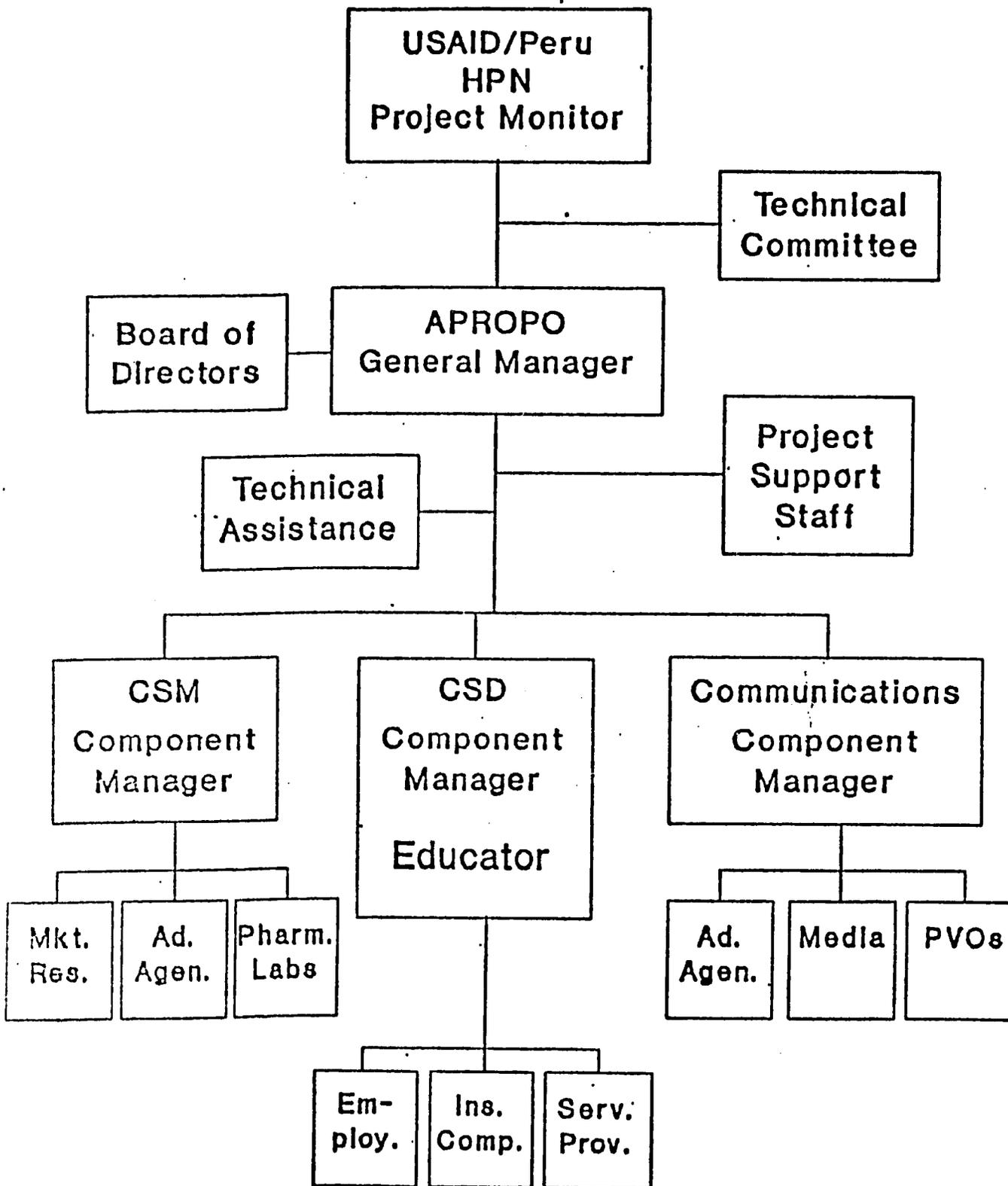
A. Overview

The anticipated organizational structure for overall project implementation is depicted in Figure 1 below, which illustrates the basic lines of communication and responsibility for PY 1.

FIGURE 1.
PROJECT ORGANIZATIONAL STRUCTURE: PY 1

(See next page)

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As can be seen from the diagram, APROPO will be the main implementing agency for the Project but will be assisted in this effort by various technical assistance consultants, contracted service firms (advertisers and market researchers), other participating agencies and the guidance of the USAID Project Officer. To enable APROPO to implement this Project effectively, several new project personnel will be added to its staff. The employment of these persons will begin with the Project, and will continue after it terminates only if APROPO can generate sufficient non-A.I.D. income to maintain these positions or, as in the case of the Component Manager, they generate sufficient income themselves through sales commissions. The new project staff will include the CSM and CSD Managers, a CSD Educator, a CSM Trainer, a IEC specialist, a Contracts Administrator, an Accounting Assistant and a Secretary. Some existing APROPO staff, such as the Executive Director and the Promoter who may take on the responsibilities of the CSD Educator, will have significant roles in the Project as well. All other APROPO personnel will dedicate a certain percentage of their time to support of project activities. Additional personnel will be hired with the approval of the USAID Project Manager.

APROPO's General Manager will devote the majority of her time to strengthening the agency's financial and technical status, to building coalitions with public, NGO and PVO organizations and to adopting a leadership role in family planning in Peru, beginning with the National Family Planning Communication Campaign. In addition, the Executive Director will pursue other projects in related areas for APROPO and raise funds both locally and internationally. The General Manager will also maintain relations with the APROPO Board of Directors. The General Manager will be ultimately responsible for the successful implementation of the Project, and as such, reports to the USAID/Peru Project Officer.

B. Contraceptive Social Marketing Component

1. Implementing Mechanism

The CSM project component will be managed on a daily basis by the CSM Manager. The CSM Manager will be a person with extensive experience in commercial sector marketing. He/she will operate fairly independently but will report, ultimately, to APROPO's General Manager. The CSM Manager will be responsible for

monitoring the component's progress, at a minimum on a quarterly basis, to determine if project objectives are being met. The CSM Manager will submit quarterly and annual reports to the Executive Director for review and approval, and the reports will then be submitted to the USAID/Peru Project Officer.

The CSM Manager will receive administrative support from the APROPO staff, including the administrative assistant, the accountant and the secretary. A qualified person (the CSM Trainer) will be trained in contraceptive technology and interpersonal relations skills and will implement the national retailer training program.

The General Manager of APROPO will be responsible for ensuring that the CSM component is being managed smoothly, efficiently and according to the Marketing Strategy and annual Marketing Plans, and will do so by conducting regular staff meetings and briefings on the component's progress and reviewing quantitative indicators such as sales data on a quarterly basis.

2. Implementation Strategy for CSM Component

Successful implementation of the CSM program will require careful planning and preparation before products and communication efforts are launched. Full advantage should be taken of the experience and lessons learned during Phases I and Phase II of the CSM Project. Careful planning will be particularly critical in light of the significant changes in the economic and political climate in Peru over the last two years, as well as the emergence of new opportunities for product line expansion which did not exist in past years.

The planning process is scheduled to take place over the course of the first project year and will include: conducting market research to clearly define the new target audience(s), their purchasing power, and provide input into the Integrated Marketing Communication Plan; carrying out a pricing analysis; establishing a long-term Marketing Strategy; determining whether it is advisable to do pilot projects in key socio-economic and geographic areas before "rolling out" the CSM effort nationwide (the decision will be based on market research results regarding target audience and purchasing power); negotiating subcontracts with participating agencies; initiating a series of maintenance-level communication activities to maintain the momentum of CSM efforts over the past four years; and identifying and hiring a qualified CSM Manager.

Implementation of the CSM component also requires technical assistance in CSM from SOMARC for the implementing agency. This should be provided on an ongoing and regular basis during the first three years of the Project with intensive assistance in the first one and a half years. The type and level of assistance required for PY 3, 4 and 5 will be evaluated at the end of PY 2 by APROPO and the USAID/Peru Project Officer.

Once the Marketing Strategy has been established and is approved by APROPO and USAID/Peru, it will be implemented by the CSM Manager with technical assistance from experts in CSM and family planning communication, beginning approximately in PY 2. Implementation will commence with new product and brand introductions, launching of the Integrated Marketing Communications campaign and expanded distribution to informal and non-traditional sector outlets.

3. Annual Implementation Schedule

The following year-by-year CSM component strategy will be adjusted quarterly and refined in accordance with the results of the marketing strategy. A month-to-month schedule of activities for the first year of implementation is detailed in IV. B. 4 below:

Year I:

Select and contract CSM Manager

Conduct market research to:

Define target audience

Develop messages and materials for Integrated Marketing Communication Plan

Determine purchasing power of target groups

Define marketing strategy with plan for economic and technical self-sufficiency

Receive TA in non-traditional media

Evaluate policies affecting CSM and work for change where appropriate

Contract with local pharmaceutical and distribution firms as participating agencies

Develop Market Plan for PY2

Source and import CSM brands (pill and condom)

Consider introduction of injectables to product line

Contract advertising companies for the communication campaign

Start generic promotion of modern methods including:

Interactive radio informational campaign

Informational brochures at retail outlets

Participation in SOMARC "Training of Trainers in
Contraceptive Technology" for retailer training program
development

Build APROPO's public image as a health and family planning
promotion institute.

Year II:

Implement Marketing Strategy and Marketing Plan for PY2 (may be a
series of pilot project tests, see Section III.3.D.)

Launch Integrated Marketing Communication Plan

Introduce CSM condom brands

Possibly introduce injectable brand(s)

Track sales and monitor component progress

Prepare Marketing Plan for PY3

Year III:

Continue implementation of Marketing Strategy

Implement Marketing Plan for PY3

Monitor progress toward achievement of component objectives

Conduct necessary market research for project tracking and
evaluation as well as strategy adjustment

Prepare Marketing Plan for PY4

Collect documentation of project progress for mid-cycle evaluation
process

Evaluate component and recommend continuation or adjustment of long-term strategy

Year IV:

Implement Marketing Plan for PY4

Develop Marketing Plan for PY5

Conduct market research necessary for project tracking

Adjust IMC Plan, if necessary, based on market research results from PY3

Year V:

Implement Marketing Plan for PY5

Conduct final evaluation of CSM component, as input to overall project evaluation, with recommendations for future continuation

4. Schedule of Activities for Year One

The first project year will test the abilities of the implementing agency to coordinate the Marketing Strategy development and the import of contraceptive products for commercial distribution and sale. The Marketing Strategy will validate the viability of the proposed approach.

Generally, the implementing agency will continue a low-level maintenance information communication campaign during PY I, so as to build a base of interest and awareness of contraceptive methods as well as to make APROPO known as a source of quality products and information.

Overall objectives for PY 1 include the following: *

- key market research and market analyses completed;
- Communication activities coordinated with other PVOs and pursue policy reform to permit contraceptive sales via CBD retail outlets achieved;

- Source for low-priced, quality condom brands identified and negotiated with participating agencies to ensure that they are imported into Peru;
- Long-term Marketing Strategy developed with assistance of consulting team;

* If it is not possible to do this in PY1 with a reasonable degree of certainty due to changing economic and/or political factors, it is advisable to set up several (minimum 3) pilot areas to test the marketability of CSM brands at their various prices before launching distribution and communication nation-wide. This pilot testing would be done in PY2 and should be very closely monitored and analyzed before rolling out marketing efforts nationwide. Note: if this option is pursued in the Marketing Strategy, the activities laid out by project year will change for PY2 and PY3.

- Sub-contract agreements with new pharmaceutical companies and commercial distributor signed to ensure product supply and distribution; and
- Sub-contract signed with ad agency for communications campaigns.

Monthly Schedule of Activities for PY1: *

Months 1 through 4

- Organize extensive series of focus groups to clearly define target group characteristics for communication strategy, messages and materials development.
- Conduct focus groups among users and non-users to collect information on consumers' KAP regarding injectables.
- Carry out a demand analysis to determine a range of prices for CSM products that will be affordable to target groups according to their levels of purchasing power.
- Determine target audience in qualitative and quantitative terms (using results of focus groups and analysis of shifts and new characteristics of socio-economic levels in Peru).*

- Conduct retail audit for (condoms) and collect sales and distribution data to determine sales volumes in commercial sector of those products CSM will promote.
- Select a minimum of three (3) excellent candidates for the Account Executive position from a pool of qualified people for final interview and contracting. (Potential candidates may be named by participating agencies and their key representatives should assist APROPO and USAID/Lima in the final selection as they are more experienced in commercial sector marketing than is APROPO.) (See Annex VI for list of qualifications and job description.)
- Consult with technical assistance team to regarding the final selection of the CSM Manager.
- Contract CSM Manager in month 3-4.
- Pursue sourcing of CSM condom brands and identify viable source.

* If it is not possible to do this in PY1 with a reasonable degree of certainty due to changing economic and/or political factors, it is advisable to set up several (minimum 3) pilot areas to test the marketability of CSM brands at their various prices before launching distribution and communication nation-wide. This pilot testing would be done in PY2 and should be very closely monitored and analyzed before rolling out marketing efforts nationwide. Note: if this option is pursued in the Marketing Strategy, the activities laid out by project year will change for PY2 and PY3.

- Receive TA to identify types of non-traditional media available in Peru.
- With local PVOs, pharmaceutical companies, commercial distributors and the National Population Council (CNP), identify areas for policy change that will benefit the CSM approach in Peru.
- Conduct PR/Promotion of APROPO as leader of family planning activities in Peru.

- Implement maintenance communication campaign. Update informational radio campaign and contract for media time for national airing. Arrange for hotline support to radio campaign. May be coordinated with local PVOs and/or CNP staff.
- Produce generic informational brochures on FP, lowdose OCs and condoms.

Months 5 and 6

- APROPO will work with a team of experts in family planning communication and in CSM in the first three (3) weeks of month 5 to develop a long-term Marketing Strategy for CSM in Peru. (At this point, depending on market research results, it will be decided if full country roll out is advisable for PY2 or a series of pilots should occur first and the full roll out in PY3.)**
- Finalize the Strategy in the following month and submit to APROPO and USAID/Peru at the end of the sixth month of PY 1.
- During month 5 the consultant team will assist APROPO in the preliminary negotiation of sub-contracts with participating agencies.
- Finalize terms of sub-contracts and prepare documents for signature by end of month 6. APROPO should receive TA from a CSM expert with extensive experience with the pharmaceutical and distribution business in the final approval of these contracts, before they are signed.
- Make arrangements for import of condoms in month 6, based on the Marketing Strategy.
- Select an advertising company for national communication campaign.

** A TA team to develop the marketing strategy should include a CSM strategy development expert (must have strong background working with pharmaceutical companies and negotiating agreements with participating agencies), a financial analyst, and a non-traditional media/communication expert.

Month 7

- Sign sub-contracts for products supply, distribution, and advertising/promotion.
- CSM Manager to develop the PY2 annual Marketing Plan for approval by APROPO and submission to USAID/Peru, with appropriate technical assistance where needed.
- USAID/Peru to review and approve Marketing Strategy. Technical assistance from CSM expert should be made available.
- Import and package condoms, as needed.
- Develop and present creative brief to ad agencies so they may begin the design of the Integrated Marketing Communication campaign.

Months 8 and 9

- Provide technical assistance to APROPO in review and approval of Integrated Marketing Communication campaign.
- Ad agencies to develop communication messages and materials for presentation to, and review by APROPO.

Month 10

- Pre-test all communication materials.
- Finalize Marketing Plan for PY2.

Months 11 and 12

- Prepare national retailer training program, to be launched along with marketing interventions.
- Provide orientation on CSM products and brands to commercial distributor sales representative.
- Produce and distribute materials.
- Distribute condom brands.

C. Commercial Service Delivery Component

1. Implementing Mechanism

a. Overview

The CSD component will be managed on a daily basis by the CSD Manager. This Manager will operate fairly independently but will report, ultimately, to APROPO's General Manager. The CSD Manager will be responsible for monitoring the component's progress, at a minimum on a quarterly basis, to determine if project objectives are being met.

The candidate chosen for the CSD Manager position will not necessarily have previous experience in family planning, but must have experience in marketing of insurance, health plans and private voluntary organizations. The candidate should have extensive private sector marketing expertise in Peru and experience in development and implementation of market plans. (See Annex VII for candidate profile and job description). Once on board, The CSD Manager will be trained in all technical and operational aspects of FP/MCH services and will develop a specific program in the first month of the Project. The CSD Manager will receive administrative support from the APROPO staff, including the administrative assistant, the accountant and the secretary.

The CSD Educator will have an extensive background in technical aspects in family planning and some experience in contacts with private firms and health providers. He/she will receive training from the CSD Manager in product marketing, and additional training will be provided in sales through a short-term course in a business school in Lima, at the expense of the Project.

The General Manager of APROPO will be responsible for ensuring that the CSD component is being managed smoothly, efficiently and according to the Marketing Strategy and annual Marketing Plans, and will do so by conducting regular staff meetings and briefings on the component's progress and reviewing quantitative indicators such as sales data on a quarterly basis.

The CSD Manager will submit quarterly and annual reports to the Executive Director for review and approval, and they will then be submitted to the USAID/Peru Project Officer.

b. Responsibilities of Implementing Agency

During Project Year One, the major responsibilities of the Implementing Agency will include the following:

Human Resources

- Recruit and hire the CSD Manager
- Recruit, hire, and train a CSD Educator (or re-train current staff member)

Implementing resources

- Contact private sector firms and private risk-sharing providers who may be interested in being MCH/FP services providers or clients under the program, and begin negotiations with them.
- Provide consultant services, training, and communication materials to each firm that buys the APROPO product.

Operational Resources

- Develop a workplan for the first year, including start-up activities.
- Develop a client database.
- Identify the CSD component costs
- Select, negotiate and sign sub-agreements with private health providers and PVOs to assure that the APROPO products has the required operational support.
- Identify market research firms, negotiate and supervise two market research studies related to social benefits and users profile.
- Establish the flow of information, forms and people.

General

- Monitor the CSD component activities.
- Arrange for short-term training and TA by local and international consultants.
- Identify specialized technical assistance needs and procure them.
- Submit quarterly and annual reports.

The Responsibilities of the CSD Manager will Include:

- Developing, implementing, and monitoring all aspects of the market plan.
- Assisting in the development, supervision and analysis of market research.
- Preparation of the database.
- Submitting quarterly and annual reports to the Executive Director.

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The Responsibilities of the CSD Educator will Include:

- Supporting the development and updating of the database.
- Contacting prospective clients and selling the product.
- Maintaining regular follow-up with clients and prospective clients.
- Providing consultant services (situational diagnoses, cost/benefit analyses, program design, lectures/talks).
- Submitting monthly activity reports, outlining any problems and recommending solutions, to the CSD Manager.
- Submitting quarterly reports to the CSD Manager.

2. Implementation Strategy

Successful implementation of the CSD component requires careful development of all aspects of the marketing mix, including product design, price, promotion, distribution plan and communication program.

Product design will be carried out during the first six months of the Project. The lessons learned in previous and on-going projects in the private sector should be taken into account in the product's design and commercialization. A general strategy will be developed and adapted for each market segment identified, and will include a review of data and market research to clearly define the profile of the decision-makers in the primary target audience and the users of the services they provide. All this information will be entered into the database which will provide the basis for the communication and sales strategy.

A key component of the start-up phase will be the identification of private health providers and PVOs who may be interested in being FP/MCH services providers or clients under the program, and to begin negotiations with them. After this initial phase, the implementing team will initiate contact with other private risk-sharing providers, self-service firms and corporate members of APROPO to begin launching a trial phase for the product.

Implementation of the CSD component will require technical assistance to the implementing agency. This should be provided on an ongoing and regular basis during the first three years of the Project with intensive assistance in the first one and a half years. The type and level of assistance required for PY3, PY4, and PY5 will be evaluated at the end of PY2 by APROPO and the USAID/Peru Project Officer.

Once the marketing strategy has been approved by APROPO and USAID/Peru, it will be implemented by the CSD Manager with technical assistance from experts in CSD and family planning communication, beginning approximately in end of the PY1 or beginning of PY2.

3. Schedule of Activities for Year One

Overall component objectives for PY1 include the following:

- Conduct key market research
- Establish agreements with Private Health Care providers, including five medical centers, one clinic (small hospital) and two PVOs to assure services and training in the CSD component.
- Develop a long-term Market Strategy.
- Identify and sub-contract advertising agencies.
- Develop a database.
- Establish the organizational and operational resources to implement the CSD Component.

A month-to-month schedule of activities for the first year of implementation is detailed below:

Months 1 through 4

- Select a minimum of three (3) candidates from a pool of qualified people for final interview and selection for the CSD Manager position. APROPO should enlist the services of a professional "head-hunter" firm to recruit and select this candidate. APROPO and USAID/Peru will make the final selection.
- Hire a CSD Manager in Month 3-4.
- Develop a training program for the CSD Account Executive in FP/MCH services and begin review of existing CSD-related studies.
- Hire a CSD Educator in Month 4 (could be an existing APROPO employee).
- Provide sales training to the CSD Educator.
- Develop the database.

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- Determine primary, secondary, and tertiary target group characteristics (classification, number, profile, etc.).
- Submit a quarterly progress and financial report.
- Establish a list of potential private health care providers and PVOs that may be able to provide product support and determine the criteria (geographical, experience, image, etc.) for choosing partners.

Months 5 through 8

- Select, initiate, and sign a sub-agreement with private health care providers and PVOs to assure operational support to the product.
- Give training in FP/MCH services to medical centers/clinic.
- Develop a detailed research project to determine appropriate characteristics of primary targets, according to the description in the project component.
- Initiate market research in Month 6.
- Establish the flow of information, forms and people for product production and delivery.
- Establish the primary contacts with enterprises, enter client classification and other data into the database.
- Initiate negotiations with health plans that pay for family planning services to obtain cost/benefit data and subjective information like image of such services with consumers and users.
- Determine, with the help of technical assistance providers, the product cost, an optimal pricing strategy, and a plan for product promotion.
- Initiate negotiations with APROPO corporate members to encourage them to purchase the product for their own organizations, and focus on implementation in five firms from different sectors.
- Identify and contract an advertising agencies,

- Submit the first semi-annual progress and financial report.

Months 9 through 12

- Analyze the research data and refine the database accordingly.
- Develop, with the help of technical assistance providers, a long-term marketing plan for PY2, PY3, PY4, and PY5..
- Prepare the prototype materials (with messages appropriate to each target audience and medium) in project month 9.
- Pretest promotional materials.
- Define the brand and choose a logo for the product.
- Launch the official product campaign.
- Begin sales effort.
- Review the elements of the marketing mix and refine the market plan for PY2.

D. National Family Planning Communication Component

APROPO, with technical assistance from JHU/PCS, will be the implementing agency for this project component. An IEC specialist will be hired to manage this component.

1. Responsibilities of the Implementing Agency

The major responsibilities of the Implementing Agency will be to:

a. Conduct a complete communication needs assessments, establishing objectives and creating a complete inventory of organizations and programs active in family planning communication in Peru.

b. Carry out all preliminary work necessary for organizing a national family planning communication conference and workshop, in coordination with the CNP, Ministry of Health, PRISMA and PVOs. Preparatory activities will include:

- Identification of participants
- Contracting with resource professionals
- Securing participation of President Fujimori and other top officials

- Preparing materials for news media and ensuring press coverage
- Contracting for complete logistics support

c. Oversee the Conference, facilitate the workshop, develop the National Communication Strategy and publish a plan identifying each organization's role in carrying out the strategy.

d. Provide assistance to collaborating organizations in development of family planning communication strategies and implementation of communication programs.

e. Develop a strong family planning communication program that is complementary to those of the collaborating organizations and the CSM program.

f. Facilitate and broker purchases of services, materials, and media time on behalf of the collaborating organizations.

g. Oversee implementation of the National Communication Strategy with a view toward increasing levels of participation by all collaborators.

h. Conduct periodic evaluations to make mid-course corrections to institutional and national strategies.

i. Pursue news and public interest coverage opportunities with all media. Arrange family planning coverage at scientific, business, and civic fora.

j. Generally take responsibility for bringing the benefits of family planning into the public view at all levels of society.

The types of media employed, program content, and target audience (5) for the National Strategy will be decided only after careful research and pre-testing. Important message elements will include contraceptive image, safety and reliability of modern methods, and health benefits of family planning. For service delivery organizations, operating hours, location and quality of service will be important themes. For the CSM component, quality, convenience, and economy of the products might be stressed as well as brand identification. Research may point to radio as an effective medium for the national program, and the possibility of using grassroots channels such as folk singers and theater groups will be explored. While the entire population will be targeted at

some level, the informal sector, pueblos juvenes, slums, and other hard-to-reach groups should receive special attention.

An effective communication program focuses on process as much, or more, than products. An end-of-project output should be that all the participating organizations know how to design and carry out an institutional communication strategy and are skilled collaborators and enthusiastic participants in the National Family Planning Communication Strategy. Throughout the five years of this Project and beyond, specific messages and targets will change in accord with the needs of the program and attitude and behavior changes of the beneficiaries. If the appropriate process has been put into place, those changes will occur automatically. Effective IEC is an essential part of family planning programs in all stages of development. This project component will attempt to institutionalize the capacity to develop and maintain communication programs in Peru's most important family planning organizations. This effort will be made in coordination with other USAID Peru Projects.

APROPO will have a dual role in implementation of this component. It will be responsible for developing the National Family Planning Communication Strategy in agreement with the CNP and/or Ministry of Health and will assist collaborating organizations in IEC strategy and implementation. It will also be a major player in carrying out key elements of the National Strategy. In the first three months of the Project, APROPO will develop a complete schedule of activities for the remaining 57 months of project implementation.

2. Technical Assistance

JHU/PCS will provide technical assistance to APROPO and collaborating organizations. In the first year, they will concentrate on assisting APROPO with the National Family Planning Communication Conference and Workshop and with development of the National Family Planning Communication Strategy. In the second year assistance will also include monitoring and evaluation of communication activities.

E. LOP Project Implementation Schedule

Obligation of project funds is expected to take place in August, 1991 with the signing of a cooperative agreement between USAID/Peru and APROPO. Selection of key personnel by APROPO (in particular, the two Managers) and U.S. technical assistance contractors is scheduled to take place during the first three to four months of the Project. The key implementation events to take place during the first year of the Project have been outlined above. Local market research and advertising sub-contracts are expected to be

solicited and awarded by January 1992 (the sixth month of Project Year 1).

A preliminary schedule for key project events is as follows:

<u>Event</u>	<u>Date</u>
Project authorization	7/91
Project obligation/signing of CA	8/91
Contract with TA provider for CSD component	8/91
TA providers (SOMARC, JHU/PCS, and CSD Specialist in-country to begin pre-implementation activities (target group analyses)	9/91
Buy-ins to SOMARC and JHU/PCS completed (FY 92)	9/91
Recruitment for Managers begins	9/91
Recruitment for all other Project personnel begins	9/91
Managers hired and on board	10/91
All other new Project personnel selected and on board	10/91
Contract negotiation with advertising companies	11/91
Contract negotiations with participating agencies begin	1/91
National Communication Conference and Workshop held	5/92
USAID/Peru strategic review of project targets (quantifiable)	7/92
Project audit No. 1 completed	7/92
First project evaluation completed	7/94
Project audit No. 2 completed	7/94
Final project evaluation completed	7/96
Project audit No. 3 completed	7/96
Project Completion Date	7/96

F. USAID Project Monitoring

The Chief of the Health, Population and Nutrition Division, USAID/Peru, will have overall responsibility for Project management and the FSN Population Specialist will serve as the Project Monitor. The Project Monitor will: serve as the point of day-to-day contact between USAID and the implementing agency and between USAID and the subgrant recipients; ensure that APROPO General Manager submit required documents such as quarterly status reports, annual work plans and activities requiring USAID approval; and help USAID analyze the technical aspects of project implementation.

A review of project management will be conducted semi-annually, during one of the Semi-Annual Reviews (SAR). One of the first tasks for the Project Officer will be to develop a system for monitoring project progress.

G. Procurement Plan

1. Commodities and Services

The Project will procure a significant quantity of services, including technical assistance, advertising, market research and training, to assist the Managers in carrying out their responsibilities and to increase the training/knowledge of the personnel in participating retail outlets, distribution firms, insurance companies and private industries. Some commodities will be procured by the Project, including materials for workshops, presentations to firms, and training; a small quantity of contraceptives for the CSD component office supplies and equipment. These materials will be procured directly by APROPO.

2. Roles and Responsibilities

While USAID will handle the procurement actions related to buy-ins to centrally-funded A.I.D. projects, and will assist APROPO in developing the scopes of work for the two Managers, APROPO will carry out all other procurements actions directly. APROPO will be responsible for drafting sub-contracts with service providers such as advertising firms and market researchers.

H. Financial Plan and Cost Estimate

1. Financial Plan

The total cost of this five year CFP Project is estimated to be US\$5,942,508. Of this amount USAID/Peru will contribute US\$5,000,000 in grant funds. It is anticipated that APROPO will provide approximately US\$942,508 in financial and in-kind contributions. Tables I through III provide information on sources and applications of funds, foreign exchange and local currency requirements, and expected annual disbursements.

USAID/Peru resources will provide for the majority of project costs including the cost of any buy-ins, local technical assistance and services, the salaries of project personnel, audits, and evaluations. The budget items to be funded by A.I.D. are described below. APROPO's in-kind contribution include: a) the cost of office equipment and furniture that will be used during the project period; b) the value of APROPO's stock of educational material produced in previous years and available to be used in the project IEC component; and c) the valuation of volunteer professional services.

Financial contributions of APROPO include the projection of income to be generated during the project period. One of the project

objectives is to increase sustainability of the implementing agency. To meet this objective APROPO will develop their main sources of income: expanding its membership base, increasing its capacity to offer "brokerage" services to firms, and negotiating with pharmaceutical companies to get a commission on value of sales of CSM products. New sources of income will also be explored. Technical assistance to the project components will contribute to strengthen APROPO's capabilities to generate income.

Detailed APROPO's contributions appear in project paper annexes XVI A and B.

2. Budget Elements

Technical Assistance

Technical Assistance will be procured for each of the three project components through two different mechanisms: most technical assistance will be procured through buy-ins to AID/W centrally-funded projects (e.g., SOMARC and PCS/JHU), and a small amount may be procured directly from individual consultants through PIO/Ts prepared by USAID/Peru.

Training

In-country training will be provided to retailers, family planning service providers and selected project staff. The "training" line item under the National Communication Component provides for travel, training materials, and training-of-trainer costs.

Local Services and Materials

Advertising and market research services, as well as other types of services available from local sources, will be procured under the three project components. Office equipment, materials for training, workshops and presentations to firms will also be purchased locally.

Project Personnel

Salaries will be paid to Project personnel. They include: the CSM Manager, the CSM Trainer, the CSD Manager, the CSD Educator, an IEC specialist, a Contracts Administrator, an Accounting Assistant, and a full-time Project Secretary. Additional personnel will be determined as needed with the approval of USAID.

Administrative Costs

Among the administrative costs to be financed by the Project will be the salaries of APROPO's already existing administrative and Audits and Financial Review

Funds are provided to contract independent auditors, through RIG/A/T, to carry out three project audits: one each at the end of project years one, three and five. Financial reviews will be carried out as recommended by the auditors. The audits and financial reviews will be conducted in accordance with A.I.D. policies.

4. Financial Implementation Arrangements

During the design phase of this PP, the design team met with the implementing agency to discuss the financing arrangements for project implementation. Table IV shows the different methods of financing that will be used for each item to be procured under the Project. These methods are A.I.D. Direct Payment (PIO/T) and Advance/Liquidation. These methods are in conformity with A.I.D. policy statements on financial and administrative management and will be implemented in accordance with agency policy.

5. Recurrent Costs and Other Financial Issues

Recurrent costs are incremental expenditures associated with activities that must be made on a regular basis during the Project to achieve objectives, and after the Project has terminated to sustain accomplishments and continue activities. During the life of the Project, USAID and APROPO will be financing recurrent costs. It is expected that APROPO will assume a greater proportion of these costs as the Project progresses. After the end of the Grant, APROPO and other third parties will be financing all recurrent costs.

The primary recurrent costs are those related to payment of salaries of project personnel, and financing of the family planning promotion and communication campaign (i.e., advertising and market research costs). To the extent that additional technical assistance is required after five years, this will also be a recurrent cost. At the end of the Project, APROPO should be covering most of these costs with revenues generated from the services it provides (the APROPO "product") and negotiated contributions from contraceptive manufacturers.

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I. Monitoring and Evaluation Plan

Two evaluations will focus on the impact of the Project. As mentioned, the first will be carried out at the end of the third year of implementation and the second during the fifth and final year. The first evaluation will serve to demonstrate whether the Project will provide a cost-effective means of attaining its objectives and will provide the basis for a "go/no-go" decision regarding continued project implementation. The end-of-project evaluation will demonstrate the overall impact of the Project in terms of Couple-Years of Contraceptive Protection (CYPs) provided. The information obtained in the first year studies regarding project targets will provide the basis against which to assess the Project's performance.

J. Financial Reviews and Audits

As required by A.I.D. regulations, project financial and compliance audits will be requested from RIG/A/T as per their established procedures concerning non-federal audits, at the close of project years one, three and five. Financial reviews will be carried out as recommended by the audits, and may include an examination of the Project's internal controls and APROPO's compliance with the terms of the Cooperative Agreement. APROPO audit requirements are set forth in the mandatory standard provisions.

K. Disbursement Procedures

USAID/Peru and AID/W will assume responsibility for disbursing funds for some of the foreign exchange costs of the Project. These include technical assistance procured through buy-ins, and audits and financial reviews. Technical assistance will be provided through AID/W in the form of buy-ins with SOMARC and the Population Communication Service Project/Johns Hopkins University. In other cases, technical assistance will be contracted directly with individual consultants through the PIO/T process. Disbursements by AID/W will be charged to the Project by Advances-of-Charge (AOC). The audits will be contracted through the non-federal audit mechanism established by the RIG/A/T. Payment terms will be negotiated by the EXO or RCO, as appropriate in their contracting negotiations.

Project expenditures will be approved by USAID as follows: an annual cash flow projection will be developed presenting monthly cash requirements; quarterly requirements. Advances will be liquidated by monthly billings from APROPO. These liquidations

will be presented to USAID after the bank statements have been received and accounts reconciled by APROPO. These advance clearances will be made on or before the fifteenth day following the end of the reporting month.

Project costs will be approved by USAID in the form of a PIL - type document as follows: an annual cash flow projection of costs will be developed presenting monthly cash requirements; quarterly requirements will be presented to USAID as the basis for monthly advances of cash requirements. Monthly advance liquidations presented to USAID will be made after the bank statements have been received and accounts reconciled by APROPO. These advance clearances will be made on or before the fifteenth day following the end of the reporting month.

The Mission will perform or, if appropriate, contract accounting firms to perform on USAID's behalf (from the financial review line item) periodical post review of vouchers at the implementing office. If during the audit or financial review it is determined that the systems are no longer adequate, USAID will require all supporting documents until action is taken to resolve the problem areas.

MANDATORY AND OPTIONAL STANDARD PROVISIONS
(Appendix 4D, AID Handbook 13)

The following Mandatory and Optional Standard Provisions for Non-U.S. Non-Governmental Grantees^{1/} in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

- | | |
|---|------------------|
| 1. Allowable Costs | (May 1986) |
| 2. Accounting, Audit and Records | (May 1991) |
| 3. Refunds | (September 1990) |
| 4. Revision of Grant Budget | (May 1986) |
| 5. Termination and Suspension | (May 1986) |
| 6. Disputes | (November 1985) |
| 7. Ineligible Countries | (May 1986) |
| 8. Debarment Suspension and Other
Responsibility Matters | (March 1989) |
| 9. U.S. Officials Not to Benefit | (November 1985) |
| 10. Nonliability | (November 1986) |
| 11. Amendment | (November 1985) |
| 12. Notices | (November 1985) |

B. Optional Standard Provisions

- | | |
|---|-----------------|
| 1. Payment - Periodic Advance | (November 1985) |
| 3. Air Travel and Transportation | (May 1986) |
| 5. Procurement of Goods and Services | (May 1986) |
| 6. AID Eligibility Rules for Goods
and Services | (May 1986) |
| 7. Subagreements | (May 1986) |
| 10. Publications | (May 1986) |
| 11. Nondiscrimination | (May 1986) |
| 12. Regulations Governing Employees | (May 1986) |
| 13. Participant Training | (May 1986) |
| 14. Voluntary Population Planning | (August 1986) |
| 15. Protection of the Individual as
a Research Subject | (November 1984) |
| 18. Title to end Use or Property
(Grantee Title) | (May 1986) |
| 21. Cost Sharing (Matching) | (May 1986) |

^{1/} When these Standard Provisions are used for cooperative agreements, the following terms apply: "Grantee" means "Recipient," "Grant" means "Cooperative Agreement," and "AID Grant Officer" means "AID Agreement Officer."

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