

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

PD ARG-490
87201

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE
FOR EAST AND SOUTHERN AFRICA (REDSO/ESA)

United States Postal Address
U.S.A.I.D./REDSO/ESA
UNIT 64102
APO AE 09831-4102

International Postal Address
POST OFFICE BOX 30261
NAIROBI KENYA

November 1, 1992

Mr. Richard A. Frank, President
Population Services International (PSI)
1120 Nineteenth Street, N.W., Suite 600
Washington, DC 20036

Subject: Cooperative Agreement No. 623-0249-A-00-3010-00
Botswana Population Sector Assistance
Project No. 633-0249

Dear Mr. Frank:

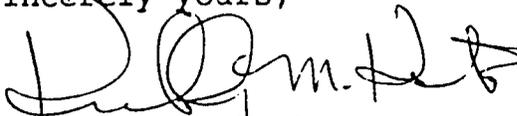
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to Population Services International, (hereinafter referred to as "PSI" or "Recipient") the sum set forth in Section 1C.2 of Attachment 1 of this Cooperative Agreement. This sum is to provide support for PSI's Condom Social Marketing Program in Botswana. This program is fully described in Attachment 1 of this Cooperative Agreement with PSI entitled "Schedule" and Attachment 2 entitled "Program Description."

This Cooperative Agreement is effective and obligation is made as of the date set forth in Section 1B.1. of this Cooperative Agreement and shall apply to commitments made by the Recipient in furtherance of program objectives for the indicated period set forth in Section 1B.1. of Attachment 1 of this Cooperative Agreement. Commitments made by the Recipient shall not extend beyond the indicated period.

This Cooperative Agreement is made between USAID and PSI on condition that the funds will be administered in accordance with the terms and conditions as set forth in this Cover Letter, Attachment 1 entitled "Schedule", Attachment 2 entitled "Program Description", and Attachment 3 entitled "Standard Provisions", which together constitute the complete Cooperative Agreement document and have been agreed to by your organization.

Please sign the original and six (6) copies of this letter to acknowledge your acceptance of this Cooperative Agreement, retain one copy for your records, and return the original and five (5) copies to the undersigned. Please ensure that all copies stamped "Funds Available" are returned.

Sincerely yours,



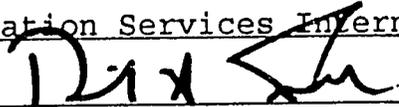
Kimberley M. Kester
Regional Agreement Officer
REDSO/ESA

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

Population Services International (PSI)

BY: 

TYPED NAME: Mr. Richard A. Frank

TITLE: President, Population Services International

DATE: December 14, 1992

FISCAL DATA

A. General

A.1. Total Estimated Amount: \$1,064,924
A.2. Total Obligated Amount: \$ 355,483

A.3. Project No. : 633-0249
A.4. Project Office : USAID/Botswana
A.5. Funding Source : USAID/Botswana, DFA
A.6. Paying Office : FM/PAFD; AID/W
A.7. DUNS Number : 04-005-4827
A.8. Tax I.D. Number : 56-0942853
A.9. Letter of Credit No. : 72-00-1584

B. Specific

B.1. (a) PIO/T No. : 633-0249-3-00126 - \$115,639
B.1. (b) Appropriation : 72-1101014
B.1. (c) BPC : GSSA-90-21633-KG13
B.1. (d) RCN : BO24901
B.1. (e) ECN : BO24903 Element 04

B.2. (a) PIO/T No. : 633-0249-3-20010 - \$239,844
B.2. (b) Appropriation : 72-112/31014
B.1. (c) BPC : GSS2-92-21633-KG13
B.1. (d) RCN : B224901
B.1. (e) ECN : B224903 Element 04

SCHEDULE

1A. PURPOSE OF COOPERATIVE AGREEMENT

The purpose of this Cooperative Agreement with PSI is to provide support for PSI's Condom Social Marketing Program in Botswana. This program is more fully described in Attachment 2 of this Cooperative Agreement entitled "Program Description".

1B. PERIOD OF COOPERATIVE AGREEMENT

1B.1. The effective date of this Cooperative Agreement is November 1, 1992 and the estimated completion date is October 31, 1995. Funds obligated hereunder are authorized for program expenditures beginning November 1, 1992 and are anticipated to be sufficient through October 31, 1993.

1B.2. Costs incurred prior to the effective date of this Agreement related to the mobilization and relocation of the PSI Country Representative are authorized for expenditure and reimbursement beginning October 1, 1992.

1C. AMOUNT OF COOPERATIVE AGREEMENT AND PAYMENT

1C.1. The total estimated amount of this Cooperative Agreement for its full period, as set forth in Section 1B.1. above, is \$1,064,924.

1C.2. A.I.D. hereby obligates the amount of \$355,483 for program expenditures during the indicated period set forth in Section 1B. above. A.I.D. shall not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.

1C.3. Payment shall be made to the Recipient in accordance with procedures set forth in the Standard Provision of this Agreement entitled "Payment - Letter of Credit", as shown in Attachment 3.

1C.4. Documentation required by the payment provision noted above shall be submitted to:

AID/M/FM/PAFD
Washington, DC 20523

1D. COOPERATIVE AGREEMENT BUDGET

1D.1. The following is the Budget for this Cooperative Agreement. The Recipient may not exceed the total estimated amount or the obligated amount, whichever is less (see Section 1C. above). Except as specified in the Standard Provision of this Agreement entitled "Revision of Grant Budget", as shown in Attachment 3, the Recipient may adjust costs among line items by +/- 15% as may be reasonably necessary for the attainment of program objectives. Any adjustment greater than this requires the prior approval of the Agreement Officer. In no case shall the total obligated amount shown in 1C.2. above be exceeded. Revisions to the budget shall be in accordance with Section 1C. above and the Standard Provision entitled "Revision of Grant Budget".

1D.2. Budget 11/01/92 - 10/31/95 (In U.S. Dollars)

<u>Cost Element</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
I. U.S. Costs				
Home Office				
Salaries	7,380	7,749	8,137	25,316
Fringe Benefits (35%)	2,583	2,712	2,848	8,143
Short Term TA	1,000	1,050	1,103	3,153
Field Support				
Salaries	33,580	33,007	34,658	101,245
Fringe Benefits (35%)	11,753	11,552	12,130	35,435
Overhead (140% Sal.& Fringe)	78,814	78,498	82,426	239,739
Travel & Transportation	19,760	20,748	19,350	59,858
Consultants	1,375	1,375	1,375	4,125
Other Direct Costs	5,000	5,250	5,513	15,763
Allowances	<u>20,193</u>	<u>6,878</u>	<u>28,877</u>	<u>55,948</u>
Subtotal (U.S.)	181,438	168,819	196,417	546,675
II. In-Country Costs				
Local Staff				
Salaries	33,893	35,588	37,367	106,848
Fringe Benefits (25%)	8,473	8,897	9,342	26,712
Office Operations	29,200	23,310	24,476	76,986
Travel & Transportation	33,212	33,493	34,771	101,476
Distribution	14,423	15,865	17,452	47,740
Training	1,500	2,000	2,100	5,600
Market Research	17,000	7,000	16,000	40,000
Advertising & Promotion	<u>50,767</u>	<u>60,048</u>	<u>66,255</u>	<u>177,070</u>
Subtotal (In-Country)	188,468	186,201	207,763	582,432
Total Operational Costs	369,906	355,020	404,180	1,129,107
Less Projected Revenues	<u>14,423</u>	<u>21,635</u>	<u>28,125</u>	<u>64,183</u>
Net Operational Needs	355,483	333,385	376,055	1,064,924

Not Included Above: Condoms valued at \$92,000 (GOB Contribution)
 Training and Orientation \$16,832 (PSI Contribution)

1D.3. Inclusion of any cost in the budget of this Cooperative Agreement does not obviate the requirement for prior approval by the Agreement Officer of cost items designated as requiring prior approval by the applicable cost principles (see the Standard Provision of this Agreement set forth in Attachment 3 entitled "Allowable Costs") and other terms and conditions of this Agreement unless specifically stated in Section 1I. below.

1D.4. Notwithstanding the effective date of this Agreement as shown in Section 1B.1. above, and subject to the Standard Provision of this Agreement entitled "Allowable Costs", costs incurred by the Recipient in pursuit of program objectives on or after the earliest date set forth in Section 1B.2. above shall be eligible for reimbursement hereunder. Such costs are included in the Agreement Budget shown above.

1D.5. In accordance with the Standard Provision of this Agreement entitled "Local Cost Financing", local cost financing is hereby authorized as shown in the section entitled "in-country costs" of the budget in 1D.2. above.

1E. REPORTING

1E.1. Financial Reporting

1E.1.(a) Financial reporting requirements shall be in accordance with the Standard Provision of this Cooperative Agreement entitled "Payment - Letter of Credit", as shown in Attachment 3.

1E.1.(b) All financial reports shall be submitted to A.I.D., Office of Financial Management, AID/M/FM/PAFD, Washington, DC 20523. In addition, two copies of all financial reports shall be submitted to the A.I.D. Project Office specified in the Cover Letter of this Cooperative Agreement.

1E.1.(c) The frequency of financial reporting and the due dates of reports shall be as specified in the Standard Provision of this Cooperative Agreement referred to in Section 1E.1.(a) above.

1E.2. Technical Reporting

1E.2.(a) Quarterly Reports

The Recipient shall submit two copies of quarterly program performance (progress) reports, which coincide with the financial reporting periods described in Section 1E.1. above, to the A.I.D. Project Office specified in the Cover Letter of this Cooperative Agreement. These reports shall be submitted within 30 days following the end of the reporting period, and shall briefly present the following information:

1E.2.(a)(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;

1E.2.(a)(2) Reasons why established goals were not met, if applicable;

1E.2. (a) (3) Other pertinent information including the status of finances and expenditures and, when appropriate, analysis and explanation of cost overruns or high unit costs;

1E.2. (b) Special Reports

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

1E.2. (b) (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 A.I.D. assistance needed to resolve the situation.

1E.2. (b) (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.

1E.2. (b) (3) If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this Agreement entitled "Revision of Grant Budget", the Recipient shall submit a request for budget revision to the Agreement Officer and the A.I.D. Project Officer specified in the Cover Letter of this Agreement.

1E.2. (c) Final Report

A final report covering an evaluation of all activities will be presented no later than the estimated completion date shown in 1.B. above. The Recipient shall submit two copies of the final report to the A.I.D. Project Office specified in the Cover Letter of this Cooperative Agreement. It will cover the entire period of the Cooperative Agreement and include all information shown in Sections 1E.2.(a)(1) through 1E.2.(a)(3) above.

1E.2. (d) Oral Reports

PSI will prepare and present monthly briefings to the Activity Management Committee designated for the Botswana Social Marketing Project, further described in Attachment 2, "Program Description".

1E.2. (e) Annual Workplans

PSI will submit to USAID/Botswana for review and concurrence annual workplans as described in detail in the Program Description, Attachment 2, of this Cooperative Agreement.

1E.3. Participant Training

If the Standard Provision entitled "Participant Training" applies to this Agreement (see Section 1K. below), the Recipient shall comply with reporting and information requirements of said Standard Provision, as well as Chapter 5 of A.I.D. Handbook 10.

1F. TITLE TO PROPERTY

Title to property acquired hereunder shall vest in the Recipient in accordance with the Standard Provision of this Agreement entitled "Title To and Care of Property (Grantee Title)".

1G. AUTHORIZED GEOGRAPHIC CODE

In addition to other applicable provisions of this Cooperative Agreement, the Recipient shall comply with paragraph (b) (2) of the Standard Provision of this Agreement entitled "AID Eligibility Rules for Goods and Services", concerning total procurement value of more than \$250,000 under this Agreement, except that said paragraph does not apply to the restricted goods listed in paragraph (a) (3) of said Standard Provision, which must be specifically approved by the Agreement Officer in all cases. Paragraph (b) (1) of said Standard Provision does not apply. The Authorized Geographic Code for this Cooperative Agreement is the Special Free World (935) and the Cooperating Country (633 - Botswana).

1H. INDIRECT COST RATES

1H.1. Pursuant to the Standard Provision of this Cooperative Agreement entitled "Negotiated Indirect Cost Rates - Predetermined" and "Negotiated Indirect Cost Rates - Provisional", a predetermined indirect cost rate or rates shall be established for each of the Recipient's accounting periods which apply to this Agreement. The rate(s) for the initial period and the base(s) to which it applies is (they are) applied is (are) as follows:

<u>Type</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Fringe Benefits (U.S.)	35%	1/	11/01/92 - until amended
Fringe Benefits (Local)	25%	1/	11/01/92 - until amended
Overhead	140%	2/	11/01/92 - until amended

1/ Base of Application: Direct Salaries and Wages

2/ Base of Application: U.S. Direct Salaries & Wages + Fringe Benefits

1H.2. Rates for subsequent periods shall be established in accordance with the Standard Provision of this Agreement entitled "Negotiated Indirect Cost Rates - Predetermined."

1I. SPECIAL PROVISIONS

1I.1. Cost Principles

For the purposes of this Cooperative Agreement, references to the cost principles of OMB Circular A-110, OMB Circular A-21, or OMB Circular A-122 include the A.I.D. implementation of such cost principles, as set forth in Subparts 731.3 or 731.7, respectively, of the A.I.D. Acquisition Regulation (48 CFR Chapter 7).

11.2. Equipment and Other Capital Expenditures

Pursuant to Section 1D.3. above and the Standard Provisions of this Cooperative Agreement entitled "Allowable Costs," and "Revision of Grant Budget", and by extension, Section 13 of Attachment B to OMB Circular A-122, whereby the Recipient must obtain A.I.D. Agreement Officer approval for the purchase of general purpose equipment (i.e., an article of nonexpendable tangible personal property which is usable for other than research, medical, scientific or technical activities, whether or not special modifications are needed to make them suitable for a particular purpose [e.g., office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment], having a useful life of more than two years and an acquisition cost of \$500 or more per unit); purchase of special purpose equipment (i.e., an article of nonexpendable tangible personal property, which is used only for research, medical, scientific, or technical activities [e.g., microscopes, x-ray machines, surgical instruments, and spectrometers], and which has a useful life of more than two years and an acquisition cost of \$1,000 or more per unit), the Agreement Officer does hereby provide such approval for the following (which shall not be construed as authorization to exceed the total estimated amount or the obligated amount of this Cooperative Agreement, whichever is less [see Section 1C. above]):

Over \$500/unit

Accounting Software for computer

This prior approval does not obviate the requirements of the Standard Provisions of this Agreement entitled "Procurement of Goods and Services", "AID Eligibility Rules for Goods and Services", "Local Cost Financing", and any other provisions, rules, regulations, and policies which may apply.

1.I.3. Closeout Procedures

1. The following definitions shall apply for the purpose of this section:

- a. Closeout. The closeout of a Cooperative Agreement is the process by which AID determines that all applicable administrative actions and all required work of the Cooperative Agreement have been completed by the Recipient and AID.
- b. Date of Completion. The date of completion is the date on which the work under the Agreement is completed or the date on the award document, or any supplement or amendment thereto, on which AID sponsorship ends.
- c. Disallowed Costs. Disallowed costs are those charges to a Cooperative Agreement that AID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions contained in the Agreement.

2. AID closeout procedures include the following requirements:
- a. Upon request, AID shall make prompt payments to a Recipient for allowable reimbursable costs under the Cooperative Agreement being closed out.
 - b. The Recipient 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 Recipient for use in other grants or agreements.
 - c. AID shall obtain from the Recipient within 90 calendar days after the date of completion of the Recipient all financial, performance, and other reports required as a condition of the Agreement. AID may grant extensions when requested by the Recipient.
 - d. When authorized by the Cooperative Agreement, AID shall make a settlement for any upward or downward adjustments to AID's share of costs after these reports are received.
 - e. The Recipient shall account for any property acquired with AID funds, or received from the Government, in accordance with the provisions of Chapter 1, paragraph T, of AID Handbook 13.
 - f. In the event a final audit has not been performed prior to the closeout of the Cooperative Agreement, AID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

1J. RESOLUTION OF CONFLICTS

Conflicts between any of the Attachments of this Cooperative Agreement shall be resolved by applying the following descending order of precedence:

Attachment 1 - Schedule
Attachment 3 - Standard Provisions
Attachment 2 - Program Description

1K. STANDARD PROVISIONS

The Standard Provisions set forth as Attachment 3 of this Cooperative Agreement consist of the Mandatory Standard Provisions, and the Optional Standard Provisions, denoted by an "X" if applicable, which are attached hereto and made a part of this Cooperative Agreement.

1L. COST SHARING

1L.1. The Recipient is exempt from any cost sharing, other than that listed in Section 1D.2 above, under this Cooperative Agreement.

1L.2. The Standard Provision of this Cooperative Agreement entitled "Cost Sharing (Matching)" makes reference to project costs. "Project Costs" are defined in Attachment E of OMB Circular A-110 as all allowable costs (as set forth in the applicable cost principles [see the Standard Provision of this Agreement entitled "Allowable Costs"]) incurred by a Recipient and the value of in-kind contributions made by the Recipient or third parties in accomplishing the objectives of this Agreement during the program period.

ATTACHMENT 2

PROGRAM DESCRIPTION

Attachment

PROGRAM DESCRIPTION

I. EXECUTIVE SUMMARY

The rapid increase in HIV sero-prevalence over the last few years and high infection levels among groups tested indicates that the disease is spreading in Botswana at an alarming rate. The Botswana National AIDS Control Program has increased public awareness of HIV/AIDS and the need for safe sex practices. A complementary aggressive and innovative condom promotion and distribution program is now needed in the effort to stop the spread of the HIV virus.

PSI will implement a condom social marketing program that will create demand for and make available to consumers, where and when needed, an affordable, high-quality condom.

The overall goal of the social marketing program is to reduce the spread of AIDS in Botswana by increasing condom usage. The program will focus on getting an affordable condom product into the hands of consumers and motivating them to use it.

To implement this program, PSI will establish the Botswana Social Marketing Program (BSMP) that will produce the following outputs:

- * the sale of over 2 million BSMP condoms over a three year period;
- * the ubiquitous availability of the BSMP condom through a knowledgeable, efficient and effective wholesale and retail distribution network that will actively promote the BSMP condom; and
- * motivating advertising and promotional campaigns that will enable the public to translate AIDS prevention knowledge into condom demand for, the BSMP condom as a means of protection against AIDS.

II. BACKGROUND

A. Country Overview

Botswana is a landlocked country of 1.375 million people. Since achieving independence in 1966, the Botswana government has operated as a multi-party democracy. President Masire has been in office since 1980, following the death of Botswana's first president, Sir Seretse Khama.

Botswana's economy, based principally in diamonds, is the fastest growing in Africa. Gaborone, the capital city, is the fastest growing city in the African continent, increasing from a population of 6,000 at independence to more than 130,000 today. Botswana has extraordinary foreign exchange reserves currently valued at over \$3.5 billion. The Botswana Pula is an easily convertible currency, and currently trades 2.08 to the dollar. Within the international development community, Botswana is considered a model country to implement economic development projects due to its stable and cooperative government and an economy with great potential.

Perhaps the country's greatest need is for trained manpower. Unemployment is high (25%), and many line positions in government and industry are filled by foreign nationals because of the lack of qualified Botswana to fill the jobs. In addition, per capita income (\$1,000 per World Bank figures) and other indicators are misleadingly high due to mining revenues and don't reflect actual living standards. Most people are relatively poor, and any social marketing program needs to consider this fact when setting prices.

Health care in Botswana is provided free of charge through a pyramid of facilities. These consist of 3 referral Hospitals, 12 District Hospitals, 14 Health Centers, 164 Clinics, 305 Health Posts, and 336 Mobile Health Stops. Contraceptives are distributed free of charge and 95% of acceptors receive their contraceptives through these facilities. Botswana's family planning program is regarded as highly successful, having achieved a 32% prevalence rate among married women of reproductive age (MWRA). Despite this success, teenage pregnancy rates are high: 25% of women 15-29 are mothers; and STDs are considered a serious problem.

B. The Problem: AIDS in Botswana

The first case of AIDS in Botswana was officially identified in 1985. Since then, Botswana has declared 250 AIDS cases among its population of 1,375,000 (Provisional Aug 1991 census). Cases have been evenly divided among men and women and 75% have been individuals aged 20-49. Heterosexual transmission is recognized as the principal mode of infection.

A sentinel surveillance system to monitor the spread of HIV/AIDS infection has only recently been implemented, making it difficult to accurately track the epidemic's progress. However, available information indicates a rapid increase in sero-prevalence over the past few years. Among blood donors sero-prevalence increased from 1% in 1987 to an estimated 6% in 1990, and an estimated 7-11% among urban and peri-urban populations. A recent pilot study revealed sero-prevalence rates of 17% and 24%

among pregnant women in Gaborone and Francistown, respectively, alarmingly high figures. The link between AIDS and other sexually transmitted diseases (STDs) is being confirmed by recent HIV testing among STD patients: 26% tested positive in Gaborone, and 46% in Francistown.

This rapid increase in sero-prevalence in a short time, and alarmingly high rates overall among groups tested, indicate that HIV/AIDS could have a potentially devastating effect in Botswana. Given that the cases diagnosed to date have largely affected the most productive sector of the population, (individuals 20-49) it is likely that the spread of the disease will have dire economic consequences in addition to the tragic loss of human life.

C. Accomplishments to Date

A Botswana National AIDS Control Program (NACP) has been established and is operating under a Medium-Term-Plan (1989 - 1993). The Program's Coordinator, Dr. M.R. Moeti, is also the head of the Epidemiology Unit of the Primary Health Care Services Division of the Ministry of Health. The Ministry of Health is responsible for a significant portion of the NACP's operating budget.

The first few years of the medium-term-plan did not put a priority in the promotion and distribution of condoms for AIDS prevention. However, the most recent Re-programming Document, which covers the period January 1992 through December 1993, calls for a drastically increased level of effort in this area. Particular emphasis is to be paid to condom education, promotion and distribution activities among groups identified as having high risk behaviors. These groups include youth, truck drivers, migrant and factory workers, women frequenting bars, and commercial sex workers. The Government has committed \$150,000 for these activities.

Activities used thus far to promote safe sexual practices include a number of billboards produced for World AIDS Day, prominently displayed around Gaborone. The impact of the billboards is regarded as extremely positive and more are scheduled to be erected around the country.

Other prevention activities include a pilot, USAID funded AIDS-in-the-workplace project and a condom vending machine pilot project. The AIDS-in-the-workplace project provides training modules and materials for peer education to large employers. Another component of the project is distributing condoms to employees at the workplace. The vending machine program has been reasonably successful despite chronic problems with maintenance and resupply. The GOB is looking for a private company to take over and continue the project.

D. Opportunities for the Future

A condom social marketing program is the logical next step in the Government of Botswana's fight to stop the spread of HIV infection. In February 1992, at the invitation of the National AIDS Control Program, PSI Regional Representative Duncan Earle visited Gaborone to assess the feasibility of starting a condom social marketing program. In addition, the fast growing private sector in Botswana is well suited to implement a social marketing program and key members of the Botswana Confederation of Commerce, Industry and Manpower and Botswana Wholesalers' Association expressed support for such an initiative.

The major constraints to a condom social marketing program in Botswana are: 1) the tradition of free health care services and products; and 2) the relatively expensive working environment compounded by a small market spread over a large geographical area. However, recognizing these constraints from the onset has allowed the implementing institutions (PSI, USAID, GOB) to design the social marketing program with appropriate marketing, financial and management strategies to achieve realistic objectives in the most cost-efficient manner possible.

III. DESCRIPTION OF ACTIVITIES

A. Introduction

PSI will launch a national condom social marketing program to reduce the spread of AIDS in the Republic of Botswana. The program will dramatically expand the availability and use of condoms through aggressive, systematic and innovative marketing activities. In addition to marketing programs designed to teach the general population, targeted efforts will focus on high-risk groups including young adults, truck drivers, migrant workers, women frequenting bars, and commercial sex workers.

B. Program Objectives

Over a three-year period the program will accomplish the following:

1. Sell over 2 million condoms, with targets of 500,000 in year one, 750,000 in year two and 975,000 in year three.
2. Achieve broad distribution of the socially marketed condom brand in all urban and commercial centers. In addition to traditional retail outlets, condoms will be distributed in non-traditional outlets such as employee workplaces, bars, hotels, barbershops, kiosks and market stalls.

3. Train and develop a local distributor. The project will contract with a proven distribution partner for distribution activities. To foster institutional sustainability, training will be provided in marketing, finance, logistics management and quality assurance.
4. An Aggressive Promotion and Advertising campaign will generate awareness for and motivate purchase of, the socially marketed condom brand. Appropriate message pre-testing and tracking studies will ensure the effectiveness of these campaigns.

C. General Strategy

PSI will design and implement a nationwide condom sales and promotion program to be known as the Botswana Social Marketing Program (BSMP). The BSMP will complement and supplement the current activities of the National AIDS Control Program and Family Health Division of the Ministry of Health to significantly increase the awareness of, access to, and use of affordable condoms.

The program will market a high quality condom under a brand name and package design proven to appeal to the Botswana market. Existing commercial distribution networks will be utilized. Sales will be motivated by competitive profit margins and aggressive sales incentive program to sell, merchandise and promote the condom use for AIDS prevention and motivate purchase of the social marketing brand. Specifically targeted campaigns will reach high-risk groups. Appropriate monitoring and evaluation measures will be used to track program success and refine marketing activities as necessary.

D. Organization Structure

Under an agreement to be signed with the Botswana Ministry of Health, PSI will manage the condom social marketing program. This agreement will define the responsibilities and rights of both parties in the overall management and supervision of the program. As part of its agreement with the MOH, PSI will ensure its freedom to establish contracts and working relationships with private sector partners such as distribution, research and advertising companies, etc., as required to meet program objectives. PSI will be responsible for the management of all sales revenues which will be reinvested in the program.

During the first year of the program, PSI will establish a local non-profit affiliate. This affiliate will be a non-government organization (NGO) formed as a not-for-profit company under Botswana law. The exact structure and make up of this NGO will be determined through discussions with government, donors,

and private sector partners. Over the course of the program, responsibility for the management of the Botswana Social Marketing Program (BSMP) will be gradually transferred to this NGO and local staff. It is anticipated that the full management responsibility for the BSMP could be turned over to the local affiliate in five to seven years. This program is designed for an initial period of three years. At the end of the second year, an evaluation will be conducted to assess the impact of the project, its progress in achieving its goals, and to determine the future direction of the BSMP's activities.

E. Social Marketing Activities

1. Formative Market Research

Formative market research will be conducted to ensure the effectiveness of all elements of the marketing mix. This research will include:

- a) Consumer Research - Focus group discussion will be used to segment the market and define target audiences by their values, lifestyles, attitudes and needs regarding sexual practices, AIDS prevention knowledge and condom use. This information will be utilized to develop a brand image, advertising and promotion strategies and messages, and to provide input for baseline information regarding knowledge, attitudes, beliefs and practices (KABP).
- b) Brand Name/Package design - Focus groups will be used to determine the brand name and package design of the BSMP condom.
- c) Advertising/Promotional Materials Pre-test - Focus groups and individual interviews will be used to evaluate messages and creative formats for all advertising and promotion materials.
- d) KABP Study - An initial KABP survey will establish base-line levels of AIDS awareness and knowledge, attitudes toward prevention practices and condom use.

2. Product and Packaging

The BSMP will market a high quality condom sold in an attractive outer cardboard package containing 3 or 4 condoms. These packs will then be sold to wholesalers and retailers in display boxes containing 12-30 packs. The exact packaging configuration will depend on the source of the condoms and the outer packaging and display box selected. PSI currently uses two types of packaging configurations in other social marketing

programs. One is a gravity fed dispenser containing 12 to 15 square packs of 3 or 4 condoms each. The other is a counter-top display box containing 20-30 3-pack envelopes.

The GOB has agreed to provide commodities for the program for a limited period (e.g. the first 3 years). PSI will offer assistance in identifying a suitable supplier of a branded condom for the BSMP and an unbranded condom for free distribution through government clinics.

BSMP will conduct qualitative market research to determine the brand name, package design and package copy for the social marketing condom. This research will test a range of packaging presentations including existing PSI brands, versions of those brands adapted to the Botswana market, and altogether new brands. BSMP will utilize a local advertising and marketing company with experience in brand and logo design to assist in this effort.

BSMP will also conduct compliance and monitoring testing to ensure the quality of the condoms it distributes. Testing can be done either through the WHO-established laboratory in Harare or the South African Board of Standards laboratory in Pretoria. Both of these options will be evaluated for quality, cost, and convenience.

3. Pricing

The retail price of the BSMP condom brand will be set so as to encourage consumer purchase while allowing for competitive retail and wholesale margins. Preliminary research suggests a price to the consumer of between 8 and 12.5 Thebe a piece. This translates to a suggested selling price of 25 Thebe for three-pack (\$.04 per condom) or 50 Thebe for four-pack (\$.06 per condom). It is PSI's experience that setting prices at a number that is the sum of readily available notes or coins encourages purchase. Margins for retailers, wholesalers, and the distributor will be structured competitively for the Botswana market, while remaining within the legal limits of 15% markups for wholesalers and 40% markups for retailers. At the suggested pricing levels, BSMP could therefore hope to recover up to 50% of the retail price for the condom.

4. Distribution

The BSMP distribution goal is to make the socially marketed condom widely available. This requires gaining distribution among a wide variety of outlet types in addition to maximizing the total number of distribution points. Therefore, the BSMP retail distribution system will include non-traditional outlets (bars, hotels, gas stations and newsstands) in addition to regular commercial outlets (pharmacies, super-markets, village and neighborhood shops, and bottle stores).

Condom distribution activities will be handled by a private sector partner with whom PSI will negotiate a sub-contract for an initial period for six months to one year. The agreement will cover a variety services, including procurement, storage, and central distribution of product, in addition to specific trade marketing and promotional aspects of the program. It is hoped that the partnership contract would be negotiated as a joint venture, with much if not all of the Botswana partner's participation being in-kind contributions of facilities, warehousing and staff time. PSI's participation will be in the form of product subsidy, marketing staff, technical assistance, and performance-based financial incentives.

PSI has identified two potential partners who could serve as the national distribution agent for the BSMP condom. They are Pharma-Medichem/Jenkins and CAPS Botswana. Both are involved in the manufacture and distribution of over-the-counter (OTC) and ethical drugs, and personal health care products. As such, they are experienced in both quality control handling of perishable and dated products, and in the management of packaging operations. In addition, an association with these companies would provide the BSMP immediate and important credibility with private pharmacists and health care providers. PSI will seek and evaluate other potential partners before a decision is made on the distribution arrangement to be used by BSMP.

Most of Botswana's retailers are supplied through a dozen wholesale goods distribution companies, known as Cash and Carry's, which only sell to retailers. The BSMP will capitalize on this highly competitive network to reach these retailers. Sefalana, the wholesaler with the largest network of stores (12) around the country, expressed a willingness to handle a socially marketed condom, provided it were supported with advertising, promotion, and a sales force. In addition, Mr. Manhar Mooney, the chairman of the Wholesalers' Association and head of Trans African, one of the largest wholesalers, offered to support and promote participation in the BSMP by his Association's members. Tapping into this system will be critical to the BSMP's success.

The distribution system will initially rely on the partner's existing distribution network, and the wholesale "cash n' carry" system to launch the product nationwide. Once these distribution pipelines are in place, more effort will be devoted to expanding the system's reach to all levels of the market.

PSI will also collaborate with the Occupational Health Unit's existing workplace-based project to market the BSMP and its product to employers of large work forces. This collaboration will be in the form of participation in the development and use of condom education modules, as well as through workplace-based sales of the BSMP's condom brand.

5. Promotion and Advertising

BSMP will use a wide variety of promotional and advertising vehicles to garner trade support, educate and motivate target consumer groups about AIDS-prevention and condom use, and stimulate purchase at the point of sale.

Initially, BSMP will design a trade promotion campaign to gain acceptance of and support for the new condom among wholesalers and retailers. This will be accomplished through intensive detailing by the BSMP and national distributor's sales staff. Detailing materials will include product information, give-away items such as t-shirts and hats printed with the condom name and logo, and sales contests.

Next, a consumer promotion and advertising campaign will be launched to encourage trial of the condom. Promotional vehicles will include point of purchase materials such as posters and mobiles, and local promotional events including sample giveaways. BSMP will design a product advertising campaign promoting condom use and the social marketing condom brand. The creative challenge will be to develop messages that are informative and motivating but executed in a tasteful manner. The BSMP advertising campaign will include radio, print, TV and billboard advertising. A tracking study will evaluate consumer response to various promotion and advertising vehicles. Lessons learned from these initial campaigns will be incorporated into future plans.

Subsequent advertising and promotion campaigns will focus on creating demand among consumers who did not try the condom initially. The advertising campaigns will be more educational in approach to generate interest among non-condom users and concentrate on building the link between AIDS awareness and condom use for prevention. Promotional events will reinforce awareness of the BSMP condom and will include contests, giveaways, and special events such as sponsorship of a sports team or sporting event.

6. Monitoring & Evaluative Research

In order to determine the degree to which the program is being successfully implemented, BSMP will develop a management information system that will report on a monthly basis:

- a) Product inventory status - number of condoms on order, in shipment, in warehouse, at packaging state, in distribution pipeline.
- b) Distribution performance - number of outlets by type, disturbing condoms, % regional coverage; average inventory levels (quarterly basis).

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- c) Product performance (sales) - number of condoms sold by outlet type and by locality; average wholesale and retail prices.
- d) Cost record - expenditures by category vs. revenue and cost per couple-years-of-protection (CYP's).

PSI is well experienced in conducting these standard monitoring activities and will be responsible for their execution.

Evaluative research will be conducted to assess the effectiveness of program efforts and to refine elements of the marketing mix. Specific research which will be undertaken is as follows:

- a) The initial KABP study will establish base-line levels of AIDS awareness and knowledge, attitudes toward prevention practices and condom use.
- b) Intercept studies of condom purchasers will be conducted at the end of the first year of program implementation and again at the end of the second year to determine when, why and with whom condoms are used. These consumer intercept studies will be carried out at both commercial and non-commercial outlets.
- c) A second KABP study will be conducted at the beginning of the third year to measure knowledge and awareness of AIDS, attitudes toward prevention practices, and the use of condoms in order to identify areas within the marketing strategy that may need to be modified.
- d) A final evaluation report will be submitted at the end of the 3-year project. This will include the result of the KABP studies, focusing on changes in knowledge of AIDS and condom usage, as well as actual or intended behavior modification; sales and distribution data; results of campaign-specific opportunities; a cost-benefit analysis; and strategies for the future.

F. Management

The BSMP will hire a marketing manager, two salesmen, and an administrative and accounting assistant. This team will be responsible for overall program implementation, including the administration of the distributor contract and all marketing activities. The team will be supervised by the PSI Marketing Associate. Two vehicles will be purchased for the BSMP by USAID to facilitate program activities.

Day-to-day management will be provided by a PSI Marketing Associate resident in Gaborone. The Marketing Associate will

recruit and supervise the local staff of the Botswana Social Marketing Program (BSMP) and duly register the program as a tax exempt NGO. In coordination with local partners and the staff of the BSMP, (s)he will coordinate and monitor planning, implementation, and evaluation of performance under this cooperative agreement, including:

- Administration of subsidiary agreements between PSI and its local partners;
- Supply, packaging, distribution and quality control of the socially marketed condom;
- Promotion and advertising campaigns;
- Formative and evaluative research; and
- Draft and submission of requisite reports to USAID and other agencies which participate in the monitoring system established for this cooperative agreement.

Managerial oversight for the Botswana Social Marketing Program will be provided by PSI's regional representative, who is based in Durban, South Africa. PSI's regional representative will direct BSMP's development through regular telecommunications with the PSI Marketing Associate, and periodic visits to Botswana. Additional technical and logistical support will be provided by PSI Washington.

G. Cost-Effectiveness

Socially marketing is inherently the most cost-effective way to get needed products and services into the hands of consumers and motivate uses existing distribution and sales channels and other local business resources, in does not incur the cost of creating new infrastructure in order to accomplish program goals. Social marketing techniques used the world over to match consumers to the products they need or want.

The success of social marketing in increasing contraceptive prevalence rates and reducing the spread of AIDS is well established in Africa. PSI's experience provides some guidelines for estimating the expected cost for social marketing programs. In Africa, PSI programs cost an average \$25.00 per couple year of protection (CYP) and some countries have achieved costs as low as \$11.00/CYP.

Implementing a social marketing program in Botswana presents a special case, however, due to its small population spread out over large geographic area. With a relatively small total market, the fixed costs of implementing a social marketing

program will make it difficult to achieve cost efficiencies comparable to those achieved in larger countries. The costs of conducting an advertising campaign or a baseline KABP study are fairly constant regardless of the size of the market. In addition, the costs for a resident marketing advisor along with appropriate technical and administrative support do not vary substantially from one country to another. Thus, it is important to realize that the cost-efficiencies possible in a large market cannot be realized in a small market such as Botswana.

In recognition of this limitation, this program has been designed to incorporate mechanisms that will reduce costs wherever possible. The most significant of these is the decision to manage the project by a marketing associate with assistance from a regional advisor rather than budgeting for a PSI resident project manager. PSI is confident that this arrangement will provide the marketing and management expertise necessary for the program's success at a fraction of the cost of fielding a more senior manager. Secondly, relying heavily on PSI's resident advisor in South Africa for technical assistance reduces the amount of home-office technical assistance required. Thirdly, the budget recognizes the relative sophistication of the Botswana private sector which will minimize the need for extensive technical training and assistance.

H. Sustainability

The long term sustainability of the BSMP will depend on a number of factors, most of which are economic in nature. If the economy of Botswana remains strong, and the development of human resources and training continue to evolve, the potential for a self-sustaining social marketing program in the medium term are promising. As previously stated, from a management point of view, PSI projects that management responsibility for the program could be turned over to PSI's local affiliate in 5-7 years. However, the program will definitely require a subsidy from donors or the government for at least that long.

The pricing structure being considered for the initial condom social marketing program has the potential to cover the replacement cost of the condom and its packaging, but not the associated marketing campaign and administrative costs. Several strategies exist which could, over time, increase the potential for the BSMP to attain substantial independence from subsidies. One strategy would be the introduction of other social marketing and revenue generating products such as additional contraceptive products (e.g. other condom brands, oral contraceptives, IUD's and injectable contraceptives), oral rehydration salts, Vitamin A, anti-malarial and other essential drugs. Once the foundation for a successful condom social marketing program has been established, the same infrastructure can be used to introduce

these additional products. In addition, revenues generated by the sale of higher priced products could be used to cross-subsidize the marketing campaigns for low-priced condoms and other products that require a subsidized price to make them affordable to low income consumers.

Another strategy would be to centralize packaging, logistics, management and other program elements on a regional basis to reduce overall costs. A third strategy, previously referred to, is to reduce program operating costs by the eventual transfer of the management of the BSMP to a Botswana-run NGO. While these are feasible long-term strategies, PSI recommends that the number one priority be the commitment of appropriate technical, financial and managerial resources to establish a successful condom social marketing program for AIDS-prevention within the time frame of this program.

PSI has already had open discussions with the Ministry of Health on the need for continued financing of the project after the initial three year period. PSI is committed to work with the GOB to identify domestic sources for the required funding, as well as from the other donors should USAID funding no longer be available. To this end, evaluation of the initial three years of the BSMP will be initiated towards the end of the second year in order to avoid any lapse in activities. In addition, this evaluation will include an assessment of the future financial needs of the BSMP, and potential sources of continued funding.

IV. SUBSTANTIAL INVOLVEMENT BETWEEN USAID AND THE RECIPIENT

To facilitate a supportive policy and administrative environment for the Botswana Social Marketing Program, and to promote the efficiency and sustainability of its operations, substantial involvement is anticipated between USAID and the Recipient during the performance of this agreement.

A. Personnel:

PSI will submit to USAID for concurrence bio-data sheets, resumes, and scopes-of-work for all prospective resident expatriate advisors. USAID will coordinate concurrence with appropriate representatives of the GOB.

B. Short-term consultants and technical assistance:

PSI will submit to USAID for concurrence all proposed short-term consultancies and technical assistance visits, including scopes of work, bio-data sheets for personnel, reporting requirements and deliverables. USAID will coordinate concurrence with appropriate representatives of the GOB.

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In coordination with USAID's Health and Population Advisor, PSI will arrange for short-term consultants and technical advisors to provide briefings to USAID Mission staff.

C. Annual Workplans:

PSI will submit to USAID/Botswana for review and concurrence annual workplans which will include:

- o Marketing plans and sales targets;
- o Research and other technical assistance activities;
- o Advertising strategies and plans;
- o Administrative and management objectives.

PSI will submit the first annual workplan within 60 days after the date of this cooperative agreement. Subsequent workplans will be submitted 12 and 24 months after the date of this agreement.

D. Monitoring and Reporting:

PSI will participate in the monitoring and evaluation plan established for the Botswana Population Sector Assistance Project (BOTSPA), through a schedule of meetings and reports between the primary executing agencies and the BOTSPA Reference Group or its representatives:

1. PSI will prepare and present monthly briefings to the Activity Management Committee designated for the BSMP.

2. PSI will submit to USAID and present to the BOTSPA Reference Group quarterly financial and technical reports which include:

- a) Summary of all technical assistance, training and operational activities;
- b) Summary of progress toward achievement of objectives as outlined in the annual workplans;
- c) Discussion of issues which affect implementation of the Botswana Social Marketing Program; and
- d) Summary of major actions to be taken during the next quarter.

3. USAID will compile a brief semi-annual report based on the above, for discussion in the project implementation review meetings, and produce a final version for distribution to participants.

4. PSI will provide to USAID the results and reports of formative and evaluative research which is conducted under this cooperative agreement, and make such reports available to members of the BOTSPA Reference Group and other parties as may be interested.

E. Administrative Relationships

While advisors fielded by PSI will be expected to perform within the overall administrative structure outlined in Sections III(D), III(F) and IV above, USAID, through its Health and Population Advisor, will maintain final responsibility for administration of this cooperative agreement.

USAID will procure vehicles and other non-expendable equipment, e.g. office furnishings, for use by PSI in the performance of this agreement. Such procurement will be subject to the rules and regulations set forth in FAR and AIDAR. Appropriate competitive procedures will be employed and the source/origin of goods procured will be in accordance with A.I.D. Development Fund for Africa procurement policy. USAID will retain title of all vehicles purchased for the duration of this agreement, and will insure and maintain vehicles in accordance with established procedures. Other non-expendable equipment will be transferred by USAID to PSI, at which time insurance and maintenance will become the responsibility of PSI.

USAID will assist in providing technical advisors with wide ranging logistics support through its executive office, in conjunction with the GOB, i.e., furnished housing in accordance with established standards and procedures for all USAID project personnel. Logistical support services will also include customs clearance for personal effects, services of a currently contracted travel agent for official travel, and maintenance, utilities and security for housing and appliances.