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**ANALYSIS OF ORGANIZATIONAL  
ALTERNATIVES FOR CONTINUING  
SOCIAL MARKETING IN UGANDA**

Report to SOMARC/Uganda

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## EXECUTIVE SUMMARY

For the past eight years, USAID/Kampala has pursued its population and AIDS objectives in part through activities in social marketing, and considerable strides have been made. Much, however, remains to be done, and the question asked of this report is what might be the most appropriate mechanism for increasing and sustaining this coverage, and achieving other social marketing goals.

This report explores a series of potential strategies for achieving sustainability of social marketing functions and activities, and attempts to lay out in more detail the strategy that seems to have the most merit: Creating a local entity specifically for this purpose. In this sense, we also view this effort as an attempt to identify a viable transitional strategy for project activities, and perhaps for USAID itself as it gradually reduces support for social marketing. In the context of this report, sustainability refers to the *continuity of social marketing activities, not complete financial sustainability.*

In this context, this report examines a series of alternatives for USAID in terms of how to approach social marketing. They include the possibility of continuing through a project mode; transferring the SOMARC capability to a private-sector partner, placing it under the umbrella of an existing NGO, or creating a new local entity specifically dedicated to social marketing. We conclude that due to the potential of long-term sustainability through multi-donor support, local acceptability, and the inherent shortcomings of projects in terms of sustainability, continuity of the social marketing functions should be pursued in a form other than a project.

Examination of the pros and cons of the other approaches suggest that the most viable and potentially sustainable alternative will be to form a new local entity to carry out social marketing activities. In doing so, we perceive the existence of three distinct periods:

1. A Transition Period of about five years, during which the international contractor gradually develops the organization to evolve into a sustainable local entity.

2. USAID Oversight period of about eight years.

3. Complete Independence.

This process is further spelled out in a first attempt of a transition plan.

The creation of a local entity must face a number of important challenges. They include such things as maintenance of a high standard of quality both in terms of products and services and administrative excellence and transparency, the recruitment and development of staff capable of successfully providing leadership and managing the organization in the long term, the establishment of an appropriate legal structure, the creation and nurturing of an effective Board of Directors, the ability to attract diversified sources of funding and developing new products and services, and other factors. With proper attention to each of these aspects, an adequate and well-planned transition period, and leadership provided by a recognized international contractor until the organization is able to stand on its own, these challenges can be met, and the organization can potentially be both successful and sustainable.

Although placing SOMARC within an existing NGO does not appear to be viable, the new entity should endeavor to intensify relationships with NGOs with compatible objectives. Such synergy could benefit both by taking advantage of the clinical and distribution channels of existing NGOs, and applying the social marketing capabilities of SOMARC to their advantage.

The current management structure of SOMARC has developed incrementally in response to need and the people available rather than according to sound managerial policy. With the impending departure of key expatriate staff members, it will be important to revamp and strengthen the management structure to better perform and supervise the functions of the organization, *regardless of its legal structure*. To this end, we recommend the creation of three new positions: Director of Marketing, Director of Development, and the Director of Finance and Administration, all of whom will support and report to the Resident Advisor/Executive Director. The existence of these positions will greatly enhance the functioning of the organization, and will

allow the Resident Advisor to better oversee the development and transition to a new organization. Because of the departure of present expatriate staff members carrying out many of these functions, the cost of creating these positions may be less than at present.

As a means of both better financing social marketing goals and enhancing financial sustainability, the present functions of SOMARC should be continued and expanded. Expansion of the volume of reproductive health commodities, whether distributed directly or through the private sector, will provide increased income to support other non-income generating activities. Diversification of product lines could also enhance financial sustainability, as well as contribute to social marketing goals.

The development stage of markets for reproductive health commodities is not commercially viable because low prices are required to increase demand in dispersed and very poor populations. The overriding population and AIDS-prevention goals suggest that commodity pricing be initiated at a level within the reach of the population that is far below the full cost of the products.

A further objective and sustainability strategy of social marketing is to increasingly involve the private sector in the process of delivering social marketing products and services. This means encouraging the private sector to execute a continually growing share of social market activities, which logically excludes the less cost-effective tasks of market development and sales of commodities to populations with low demand. It furthermore favors subcontracting specific social marketing tasks to the private sector that would otherwise generate income with an in-house capability.

For these reasons, it appears unlikely that the new organization will be financially sustainable without some financial support from donors. Diversifying this support is an important element of a transitional strategy for USAID, and a primary reason for opting to create a local organization. This is also an important reason for pursuing the development of new products and services.

Because of the complex relationships and uncertainties among demand for existing and new products and services, prices and subsidies, other suppliers, costs, the development of the Ugandan economy and infrastructure, and particularly the private sector, and a host of other factors, it was beyond the scope of this report to present detailed analyses as to the financial ramifications of likely combinations of these factors. This work would be the subject of subsequent analyses, and would in any case be required periodically throughout the life of the organization.

The USAID Oversight period might be best achieved through the granting of an endowment. This would not only enhance financial sustainability, but allow USAID to protect its long-term investment by requiring period audits and other reporting requirements. The preparation of the endowment proposal would take place during the final year of the transition period, and would serve as a benchmark for ascertaining the long-term prospects of the organization and the continued value of support from USAID. At this point USAID could decide whether the newly created organization warrants further support.

We anticipate that the transition period and the period involving USAID oversight could stretch out to at least 13 years. During this time, hopefully, many positive things would occur such as the increased development of the Ugandan economy and the private sector, and maturing of the markets for reproductive health commodities. Assuming this is the case, even if the local entity should fail after achieving complete independence, much progress is likely to be made in terms of the goals of social marketing, and the creation of the organization should be judged a success.

## I. INTRODUCTION

USAID's SO4 of increasing service utilization and changed behaviors related to reproductive/maternal/child health seeks to increase couple years of family planning protection and reduce HIV prevalence rates. Social marketing activities of the SOMARC project currently being carried out through The Futures Group support those objectives through developing markets for reproductive health commodities, distribution and sales of those commodities, developing and disseminating appropriate messages in support of family planning and HIV-prevention objectives, and other related activities.

The SOMARC project has demonstrated that social marketing can be an effective means of stimulating reproductive health activities. We assume, therefore, the need and usefulness of social marketing as a fact, without which public health objectives and other factors related to population growth would not be met. The challenge is to find a sustainable mechanism for increasing and sustaining this coverage, and achieving other social marketing goals. In the context of this report, sustainability refers to the *continuity of social marketing activities* in support of USAID's SOs, *not complete financial sustainability*.

It is doubtful that financial sustainability of social marketing can be completely achieved from income derived from sales of products and services in the foreseeable future for a number of reasons. The development stage of markets for reproductive health commodities is not commercially viable in Uganda since the economy is just on the road to recovery. The overriding population and AIDS-prevention goals suggest that commodity pricing be initiated at a level within reach of the population that is far below the full cost of the products,<sup>1</sup> and that the distribution systems reach out to the dispersed rural populations that are not commercially cost effective to serve.

A further objective and sustainability strategy of social marketing is to increasingly involve the private sector in the process of delivering social marketing products and services. This means

encouraging the private sector to execute a continually growing share of social market activities that logically excludes the less cost-effective tasks of market development and sales of commodities to populations with low demand. It furthermore favors subcontracting specific social marketing tasks to the private sector that would otherwise potentially generate additional income from an in-house capability.

The necessity to subsidize commodities and provide at least some financial support to the delivery of social marketing activities will remain unavoidable for the foreseeable future. This implies significant continuing support from USAID unless donor support can be diversified.

This report explores a series of strategies for achieving sustainability of social marketing functions and activities, and attempts to lay out in more detail the strategy that seems to have the most merit: Creating a local entity specifically for this purpose. We have approached this challenge with the understanding of continued USAID support during at least the next five years, regardless of who the institutional contractor might be during the subsequent phase of the SOMARC project. In this sense, we also view this effort as an attempt to identify a viable transition strategy for project activities, and perhaps for USAID itself as it gradually reduces its support for social marketing.

### Methodology

This analysis represents the opinion of Sara Tiff, SOMARC/Uganda Project Director, assisted by The Futures Group International consultant, John Holley. In an effort to confirm the feasibility of their conclusions, the various alternatives for long-term strategies for sustainability of social marketing were discussed with SOMARC staff and representatives of a wide variety of institutions, all of which have some relationship to social marketing. Their thoughts and suggestions have been taken into consideration in preparing this report. A list of those

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<sup>1</sup>See Appendix 2 for a description of the relationship between costs and prices of one product.

individuals and institutions is included as Appendix I. It should be noted that this report represents a subsequent stage in the process initiated by an earlier report by Ms. Tiff.<sup>2</sup>

Because of the complex relationships and uncertainties among demand for existing and new products and services, prices and subsidies, other suppliers, costs, the development of the Ugandan economy and infrastructure, and particularly the private sector, and a host of other factors, it was beyond the scope of this report to present detailed analyses as to the financial ramifications of likely combinations of these factors. Additional work, particularly in the area of financial projections is still required as there was not sufficient time during this period to adequately explore the financial ramifications of a wide variety of scenarios. This work would be the subject of subsequent analyses, and would in any case be required periodically throughout the life of the organization.

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<sup>2</sup> "Sustainability Plan for Social Marketing in Uganda — Draft for Discussion," submitted by The Futures Group International to USAID/Kampala, February 28, 1998.

## **II. ALTERNATIVE STRATEGIES TO ACHIEVE SOCIAL MARKETING**

There exists a series of alternatives for USAID in terms of how to approach social marketing. The first question to be considered is whether to support social marketing at all. Assuming a decision to continue, the next consideration is whether to continue support through a project mode, or whether some other mechanism might be preferable. In the case of the latter, there are at least three general options: Incorporate the SOMARC capacity directly into a private-sector firm, place it under the umbrella of an existing NGO, or create a new entity altogether. In this section, we will briefly review each of those alternatives.

### **A. USAID Terminates Its Support to Social Marketing Altogether**

One alternative is to stop funding for social marketing and rely on other donors and possibly the government to step up their support. USAID has not indicated that this strategy is within its own plans, which is fortunate since it is unlikely that any other donors will be able and willing to immediately step in to fill the gap. A critical factor is ensuring continuity of supply of reproductive health commodities. Should gaps occur and products become unavailable, much of the effort put into promoting behavioral change will have to be reinitiated.

It is worth noting that USAID and its related institutional contractors have at least 15 years of accumulated experience in the social marketing area, and 8 years of investment in Uganda. No other bilateral agency has that experience or capability. At best, other agencies might support specific components and/or products, and even then, some momentum would inevitably be lost in this transition.

The alternative of working exclusively through the government is not acceptable for many reasons, including the general exclusion of the private sector and the history of poor accountability and inconsistency of program results in government programs.

## **B. Provide Continuous Support to Social Marketing Interventions through USAID-Funded Projects**

Perhaps the simplest, although not necessarily the most sustainable, option for continuing social marketing is for USAID to continue to fund projects supporting social marketing into the indefinite future. It is, of course, unrealistic to expect such funding to continue in the long term, and eventually some transitional strategy will still be required. Minimally this would assume the existence of a dynamic and competitive market for reproductive health commodities. In this case, social marketing would be pursued by private firms as a useful strategy for incrementing sales, rather than an expensive requirement for the development of markets and changing of behaviors. This scenario seems a long way in the future.

There are some advantages of choosing a project mode over that of any type of local institution. Control over both the institution and its objectives is significantly easier with a project mode. Project management is likely to be stronger than the management of a local institution, particularly in the short term, simply due to the presence of internationally experienced managers.

There are, however, some significant disadvantages of continuing with projects rather than supporting a local institution.

- Projects are temporary development vehicles with a finite life span, designed to accomplish a set of specific objectives. They normally do not create a lasting infrastructure or institutional capacity. Individuals may gain capacity and experience that is transferable, but organizational synergy is lost. When the project ends, the capacity created dissolves.
- The principal funding of projects is normally provided by a single donor, and projects thus reflect the style, requirements, and idiosyncrasies of that donor, including its overriding political policies that may affect project stability and sustainability.

- Projects are perceived as extensions of the donor, and subject to the inherent biases and prejudices of the local government and population vis-à-vis the donor agency.
- There is normally no real sense of ownership or long-term commitment by the staff of the project. They may be fully committed during the life of the project, but remain aware that at some point in time they will be looking for another job. They often see project work as a short- to medium-term opportunity to make a higher salary than they might make elsewhere. Ironically, this experience also discourages them from returning to public service, while the private sector may not offer equivalent opportunities in which to apply their acquired skills.
- Projects limit the ability to attract other donor funding, and thus cannot take advantage of shifting the funding burden as a transitional strategy.

**Balanced against the relative ease of project management and control, these factors do not bode well for sustainability. For this reason, we recommend that social marketing be carried out through a local institutional mode rather than a project mode.**

**C. Establish and/or Transfer the SOMARC Social Marketing Capability to an Existing Private-Sector Distributor of Pharmaceutical/Reproductive Health Commodities**

One of the objectives of USAID's Social Marketing effort in Uganda has been to bolster private-sector participation in this area. SOMARC has actively pursued this goal through subcontracts for specific services, but the possibility of creating a true social marketing capability in a private-sector firm does not appear encouraging in the near future for many reasons.

It is important to remember that all of Uganda, including the private sector, is just now emerging from the political turmoil of recent years. As a result, there are few established private firms working in areas even vaguely related to the work of SOMARC, and fewer still with a demonstrated long-term track record. It is instructive to note that even the multinationals have

had difficulties in partnering with local firms.<sup>3</sup> Managerial expertise is often weak, in an uncertain environment such as has been past experience, long-term perspective and integrity are typically sacrificed for short-term profits. SOMARC has already changed distribution firms twice, and has had difficulties in dealing with other private-sector firms for specific products and services.

More important, even under the best of conditions, private-sector firms are interested primarily in maximizing profits, and will always be less committed to the social marketing objectives of ensuring readily available reproductive health commodities to the entire Ugandan population. It is simply not cost effective, and thus not in their interest to invest heavily in developing markets, particularly in the rural areas. They will, therefore, tend to focus on the urban and peri-urban areas at best, and not aggressively pursue expansion to the rural areas. Should SOMARC simply transfer its capability to a private-sector firm, there is no guarantee that the expertise developed over the past four years would not quickly dissipate.

SOMARC currently has a relatively successful partnership with Kampala Pharmaceuticals Industries, Ltd. (KPI), primarily a manufacturer of generic pharmaceuticals.<sup>4</sup> SOMARC's initial experience with them was not good, but they were taken over 18 months ago by an international partnership, and management greatly improved. The experience, however, has not yielded the results either had hoped for, principally due to differing objectives: As a manufacturing company, KPI is concerned with controlling the quality of its products, and reducing the risks inherent in employing a wide range of distributors. For this reason it sells its products through only seven large distributors who then sell to sub-distributors who sell in turn to retailers. This same channel was used to distribute SOMARC products, but stockouts proved frequent as the distributors were less interested in marketing SOMARC products because of the relatively low margins, and would place orders only when they required other KPI products. As a result, to

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<sup>3</sup>Smith, Kline, & Beecham, a large multinational pharmaceutical company, has been forced to change Ugandan representatives three times since 1994.

<sup>4</sup>This relationship is, however, at present limited to packaging, warehousing, and handling of commodities as the distribution and sales of reproductive health products have proven more successful through SOMARC's direct sales program.

ensure constant availability, SOMARC currently sells directly to the distributors and beyond. Hopefully, this situation may change over time, but it must be in the interest of KPI or any similar organization to do so.

Price control is also a concern. Once reproductive health commodities are largely in the hands of a single private-sector distributor, without significant competition, there is no guarantee that prices will remain at low levels to attract a larger number of clients.

Even if a viable private-sector partner could be identified, and SOMARC's social marketing capability potentially transferred, some other conduit would still be required to import and control commodities, simply because of the need to continue to subsidize reproductive health commodities in the foreseeable future: USAID and other donors would be reluctant (if not legally prohibited) to provide large quantities of commodities directly to a private company on a continuing basis without some trusted and accountable intermediary.

**The private sector should be encouraged to take an increasingly greater role in all aspects of social marketing. Nevertheless, this does not appear to be a viable option as a primary strategy for providing continuity of social marketing objectives.**

#### **D. Transfer the SOMARC Social Marketing Capability to an Existing Ugandan NGO**

There are compelling reasons for placing the existing SOMARC capacity within an existing NGO with related objectives: A strong social marketing component will presumably strengthen whatever else they are doing. Equally important from SOMARC's point of view, any viable candidate will have passed through the initial stages of creating an organization: A management and legal structure and a Board of Directors will already exist, easing the task of institutional development within SOMARC itself.

Nevertheless, a strong argument can be made against such a move: Even under ideal conditions, imposing the current capability of SOMARC on an existing NGO might overwhelm them, and

distract them from their present objectives. Or to the contrary, as simply an additional function of the NGO, the social marketing component weakens through a lack of attention. Also, there is an implied risk in shifting priorities, particularly if the leadership of the NGO were to change. There is no guarantee that social marketing would remain a priority — which would not be the case in an NGO dedicated exclusively to social marketing.

To be successful and approach sustainability, the social marketing resources must be managed with an orientation as close to the private sector as possible. Most NGOs do not function as a business, which would jeopardize long-term sustainability.

Furthermore, while the transfer of specific functions might have economies of scale and somewhat ease the burden of institutional development for the international contractor, that contractor would have much less control over the developmental process, and other concerns would inevitably emerge. This suggests approaching this alternative warily.

In any case, the existing NGO must exhibit four characteristics to even be considered: (1) it must have a focus related to reproductive health, (2) it should have demonstrated managerial capabilities, and (3) it should ideally be national in scope, and (4) it should have a reputation as a reliable entity.

Discussions were held with three potential NGO candidates, the Uganda Private Midwives Association (UPMA), the Uganda Family Planning Association (UFPA) and the AIDS Information Center. All are national in scope, and have objectives related to reproductive health.

The UPMA is very weak managerially, and has a very narrow programmatic focus. The addition of SOMARC activities as a component would completely overwhelm them, and objectives of neither organization would be fulfilled. SOMARC has worked with the UPMA in the past, and should continue to collaborate with them in the future on specific activities, as a useful actor in the reproductive health arena, but placing SOMARC under the UPMA umbrella is out of the question.

As the UFPA focuses on the clinical provision of reproductive health services and a community-based distribution program for family planning commodities, it represents a potentially useful channel for both distribution of commodities and as a mechanism for enhancing social marketing. It does have some multiple donor support, and a restructuring apparently has improved both its image and its management, although a new director has not yet been named. Nevertheless, USAID cut off funding for this organization three years ago due to a lack of accountability, and should be wary of placing SOMARC under this particular organizational umbrella. As in the case of the UPMA, collaboration on specific activities might be useful, but placing the SOMARC social marketing capability within the UFPA would be a very risky venture.

In our preliminary investigation, the only existing organization identified that warrants further exploration in terms of incorporating into its structure the functions and structure of SOMARC as a component is the AIDS Information Center (AIC). This is an NGO established eight years ago for the purpose of providing AIDS counseling and testing. Among its other activities are a small component of family planning, and an active "Post-Test Club" that provides internal support to HIV-positive and AIDS-infected members, and promotes preventive measures against AIDS.

It presently has 4 centers where its activities take place, and through USAID funding is in the processing of expanding services into existing public-sector health centers. At present, these include 23 sites in 10 districts.

The AIC is well-funded and well-managed. It apparently has considerable support from a variety of donors, and a well-developed and transparent accounting system to serve their needs. Its Board of Directors consists of representatives from a variety of recognized national and

international organizations<sup>5</sup> It receives considerable technical support from the Center for Disease Control in Atlanta.

Clearly these characteristics make AIC a potential candidate for sustaining social marketing. Its objectives are compatible with SOMARC, it has an established legal structure, management structure and track record, it could both benefit from an enhanced capacity for social marketing, and provide additional channels for the distribution of reproductive health commodities. Furthermore, given the nature of AIDS in Uganda, the AIC is not likely to disappear in the foreseeable future.

There are, however, indications that such a union could result in more problems than benefits for both organizations. It is not clear that the missions and messages of the two organizations are entirely compatible. As in the case of the other organizations discussed, there remains a danger that the addition of a large set of activities such as SOMARC would detract from the mission of AIC, and overwhelm the management of the organization. The staff of the AIC is apparently already stretched thinly, not only carrying out their day-to-day operations, but constantly involved with special large-scale events such as the visit of Hillary Clinton and preparation for the international AIDS Conference in Geneva; but hosting local conferences, experts from CDC; and constantly writing proposals for funding. Finally, for reasons of physical space, SOMARC would have to continue to operate in a separate physical location. These reasons suggest that if SOMARC were to be placed within the structure of the AIC, it would still continue to act quite independently, and few economies of scale could be achieved.

**In conclusion, the possibility of transferring SOMARC capabilities to an existing NGO is probably not the most viable option of achieving continuity of social marketing objectives. However, a dedicated social marketing project or local NGO can and should take advantage of existing NGO health services and networks wherever they exist, and support them to the extent possible.**

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<sup>5</sup>These include among others, representatives of WHO, UNAIDS, Uganda AIDS Association, Uganda Blood Bank, Uganda Red Cross, Makerere University, and the Ministry of Health.

### **E. Create a Local NGO Specifically for the Purpose of Long-Term Social Marketing**

After examining the alternatives, it is apparent that at least through the medium term (minimum of five years), that with the exception of the SOMARC project, there is no existing institution, public or private who could effectively carry on the thrust in social marketing in Uganda.<sup>6</sup> Particularly considering that USAID will sooner or later require a transitional strategy, this alternative becomes one worth exploring.

It should be noted that virtually all of the persons interviewed with respect to the creation of a local NGO applauded the idea in principle, recognizing that this would represent a possible means for sustaining social marketing beyond the time frame of a USAID project.

By shifting the capability developed under SOMARC to a local NGO created specifically for that purpose, that capability would remain intact, at least through the medium term. This would provide a transitional strategy for USAID, and a vehicle for continued importation of subsidized commodities even if further support to other activities were not required.

A principal advantage of a local NGO is its potential for diversifying its funding sources, particularly from other donors. This would enhance both the transitional strategy as well as the financial sustainability of the organization. There are many advantages and some disadvantages of creating a local organization with multiple funding sources:

- It is far more likely that other donors will provide resources to a local organization than another donor project. Likewise, a local organization is much more likely to find local support, both public and private, than a project. On the other hand, multiple funding sources also imply possible conflicts of objectives and interests.

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<sup>6</sup>With the exception of MSI, which is a UK-based NGO, and is not Ugandan and cannot receive funding from USAID.

- Multiple funding sources also complicate activities for any organization through their differing reporting requirements. This will require a stronger administrative capacity than that required to comply with a single donor.
- Multiple funding sources also imply that other funding sources will have a voice in how the organization functions. Inevitably this will result in less control by USAID.
- Multiple funding sources channeled through a single organization definitely enhance the possibility of donor coordination. This should help complementarity, have economies of scale, and improve the cost effectiveness of service and product delivery.
- The organization must develop the capacity to field proposals for activities and funding. This is a specialized and time-consuming task, and requires additional support if it is to be pursued in earnest. Otherwise, it may detract from the ability to manage and execute on-going activities.

It appears to be a propitious moment to offer other donors an effective channel for social marketing resources. The Futures Group is, in fact, already doing so on a quasi-pilot basis, through implementation of a CARE project in Mbale funded through DFID<sup>7</sup>; and through the STI project with World Bank funding. A local organization created and responsive to USAID regulations in the medium term would be welcomed by other donors for its strong accountability.

Furthermore, a local organization will likely be better perceived and culturally acceptable to other local organizations and the government than an international project. On the other hand, political rivalries and personal animosities between organizational staff and government officials could arise, possibly making relations difficult. Local organizations will also be subject to local pressures and corruption. This may be partially offset by coordinated donor involvement.

The creation of a local organization opens up the possibility of the provision of technical assistance to the private sector, other NGOs, and the government in areas that would be

unacceptable and inappropriate for a project. They include assistance in policy formulation, management, and marketing.

The subsequent SOMARC project due to commence in the first quarter of FY 1999 offers the ideal opportunity to develop such an organization. USAID has indicated its continued support over the medium term, during which both financial support and technical assistance and leadership can be provided to nurture the local institution to the point of full technical and financial sustainability. Nevertheless, the creation of a local NGO presents a series of challenges that will be explored in the next section.

For convenience, we will refer to this organization as the Uganda Social Marketing Foundation (USMF), although this name may change should this organization become a reality.

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<sup>7</sup>The Department for International Development of the British High Commission.

### III. CRITICAL ISSUES IN THE CREATION OF A LOCAL SOCIAL MARKETING ORGANIZATION

#### Quality of Services

The quality of SOMARC services is perceived as good by the clients, particularly the donor agencies, and enhanced by the presence of a respected international institutional contractor that inspires confidence and a willingness to contract for additional services — critical for the long-term sustainability of the organization. Such confidence is difficult to establish, and can be rapidly eroded by a single lapse. For this reason, it is important that an international contractor continue to provide leadership during the transition period. The presence and support of an experienced and trustworthy group in the new organization will be important to ensure continuation of high levels of quality and ethics, and instill the confidence required to attract funding from the donor community.

International contractors have an inherent interest in maintaining high standards of quality: Their long-term market is worldwide and based on demonstrated performance. Should their reputation for the quality of their work diminish, further contracts will not be forthcoming, and in a very competitive market they will go out of business.

A purely local organization, on the other hand, would be tempted to follow a cultural norm to maximize short-term gains by cutting corners, resulting in a lower quality of product and/or service, and other factors touched on below. While such practices might be tolerated by local clients, the primary clients are likely to be the international donors who expect a higher standard, and would not tender contracts to organizations in which they do not have confidence to meet those standards.

Prior to leaving the organization entirely in the hands of the local staff, the international contractor must instill the critical importance of maintaining quality in all those involved in the

organization, and the awareness of the consequences of not doing so. The creation of such a “culture of quality” is already well underway, but must be continually reinforced.

### **Sophisticated and Transparent Accountability**

This is arguably the most critical function for attracting donor-related contracts. Even more than in the case of quality of services, should doubts arise as to the veracity of the reporting, contracts might be summarily cancelled, and no new ones forthcoming.

SOMARC staff are already accustomed to dealing with more than a single source of funding, but accounting systems will need to be greatly enhanced to provide responsive and accurate reporting to a variety of contracting agencies, each with its own requirements. In addition to the creation of local computerized accounting systems, additional staff will be required, particularly a Director of Finance and Administration with experience in managing such systems for international donors. This is discussed further in Section V.

### **Leadership Skills and Abilities**

If a local staff is to take over successfully from the international contractor, it must have a strong set of leadership and managerial skills. These include the ability to develop and implement plans and budgets; the utilization of information for decision-making; the ability to develop and make full use of staff; the ability to develop and maintain excellent interpersonal relationships both within and outside the organization; the ability to stimulate creativity and initiative; the ability to anticipate problems and solve them; in summary, the ability to provide management and leadership in a difficult and constantly shifting environment.

These skills and values are not easily taught, and must be transferred from the international contractor through a gradual process of example, training, and increased responsibility. Errors will be made, and are an important part of the learning process. The key will be to ensure that

the errors do not damage the long-term prospects of the organization. This can be done, but expectations should not be exaggerated.

One means of enhancing the managerial capacity will be to continue developing managerial systems that help reduce the introduction of random idiosyncrasies of human behavior. Administrative controls must be standardized and very tight. Supervision must be strong and positive. Logistic systems must be well developed and transparent. And information systems must be well developed and utilized for all aspects of the operation. The international contractor would have to ensure that these systems are all developed and in place, and that local staff demonstrated their willingness and ability to utilize them prior to turning over the operation completely.

### Staffing

One of the major challenges to creating a viable institution will be staffing, and specifically, recruiting and training the future leadership of the organization. This will be a combination of promotion from among existing staff members, and external recruitment. It should be noted that **regardless of whether SOMARC evolves to a local NGO or remains a project, professional staffing must be enhanced: the functions of the organization have already grown beyond the scope of a single director.** This aspect will be more fully discussed in Section V.

Selection of the eventual Executive Director is especially critical. This person must understand social marketing and the other functions of the organization, be able to deal with international and bilateral organizations, demonstrate the leadership skills mentioned above, maintain high ethical standards, and preferably be knowledgeable and respected in the local community.

It will be a formidable task to find and prepare such a person. Nevertheless, it can be done, and in fact, can greatly enhance the present operations of SOMARC by making the person responsible for one of the primary departments of the organization. A transitional period of two to three years would not only serve to provide the person with a strong knowledge of the

organization, its products, culture, clients, etc., but would relieve the present international director of much of the day-to-day activities and allow him/her to focus more directly on transitional activities (See Section V).

Another problem of staffing is selection. Unless rules are made very explicit, and some form of control exists from outside, the local Executive Director will be under a great deal of pressure to hire family, friends, and tribal members. This could severely affect both the quality and the sustainability of the organization by employing unqualified and unnecessary staff, or by recruiting primarily from specific groups, causing resentment among the others. This might in turn demoralize existing staff who were hired because of their abilities.

Particularly as the staffing pattern must immediately expand to better serve the immediate needs of the organization (even if SOMARC remains a project), an immediate priority will be to establish norms and procedures for recruitment. This should greatly alleviate future problems of this nature.

### **The Board of Directors**

This is a necessary part of any private organization. Its existence, however, can be a mixed blessing. Valuable skills and influential members of the community may be present to provide invaluable support and service. Nevertheless, personal interests of Board members may take precedence over organization objectives, and contribute to the downfall of the organization.

The question of responsibility of the Board is a critical one. Placing considerable power in the hands of an untested Board is a recipe for disaster. As the Board has authority over even the Resident Advisor of the international contractor, the authority and ability of the international contractor to perform its job effectively may be undermined. In fact, most reputable international contractors would be unwilling to work under such circumstances.

Thus, both the selection of the Board and the transferring of powers should be a gradual one. Rather than immediately identifying Board members, the organization should over time form a cadre of interested, useful, and committed people who would eventually be constituted as the Board. In the beginning, it would be largely advisory, with little decision-making power. As it reaches a level of maturity in which the interests of the individual members are demonstrated to coincide with the interests of the organization, more and more authority may be vested. This is a tricky process and not an easy one to manage, particularly from a legal point of view. The skill and effort required by the Executive Director to “manage the Board of Directors,” should not be underestimated.

Contrary to many opinions, we see little advantage of recruiting Board members simply because of their local influence. It must be remembered that the primary clients for services are international donor agencies for whom local power brokers may be more of a liability than an asset. More important for the long-term sustainability will be to recruit Board members with specific skills that will enhance the *capacity* of the organization. Examples would be local experts in areas such as finance and banking, law, and communications. This is not to say that such people might not be influential, but their skills and commitment to the organization should be valued ahead of their contacts.

Furthermore, creating a Board composed of a smorgasbord of organizational representation may also be a recipe for disaster. Decision-making, and particularly *quality* decision-making will be difficult with a Board specifically designed to represent clients and donors, i.e., a sort of miniature “United Nations.” Each organization brings its own interests and biases to the table, and representatives of international organizations will undoubtedly change. Again, this is not to negate the value of having such representation, but this is of secondary importance to the provision of skills and commitment to the well-being of the organization.

Creation and nurturing of the Board will be one of the most important tasks of the organization, and can be done successfully. But it must be done gradually, keeping the best interests of the organization in mind.

## **Legal Structure**

The choice of a legal structure is critical for a number of reasons. Principal among them are liability, speed and difficulty of establishing the organization, structural requirements, and tax considerations.

An important next step will be for a local legal expert to lay out the parameters of all viable options, clearly advising SOMARC on the full implications of each. SOMARC and the USAID legal advisors should carefully consider the ramifications of all options before committing to any. Should no options appear to be reasonable, the idea of creating a local NGO should be dropped.

It is to the advantage of the USMF to be established relatively quickly since additional donor sources cannot be actively pursued until the organization is registered with a local legal status and a permanent name. Nevertheless, this is not something to be rushed into, and it must be understood that creation of a local entity is only one of a series of steps that must be taken to make this organization viable. While no organization can exist without this legal framework, a number of the other issues are deemed to be more critical to its long-term success.

It should also be noted that once an organization of some kind is formed, under some circumstances, it may also need to be registered in the United States as a potential USAID contractor.

## **Relationships with International and Bilateral Agencies**

If the USMF is to have the ability to attract funding from a variety of sources, it must have the ability to cultivate those sources, develop relationships with them, understand their needs and how they operate, and respond to their expectations on all fronts. The difficulty of this task is highlighted by the fact that most funding agencies have a cadre of organizations with whom they typically work. Over time, those organizations and the individuals working in those

organizations (who often shift around) develop strong working relationships with the donor agency and individuals in the agency. The funding agency and their implementing counterparts become part of the same general culture, all understanding and playing by the same rules and norms, dependent on one another, and mutually respecting one another. In this environment, aside from rules-limiting competitiveness, it becomes very difficult for anyone unfamiliar to break into the environment and successfully compete with others familiar with and well-known within the environment.

It is quite likely that with experience, the USMF could develop such a relationship with USAID. There are many successful examples throughout the world of local organizations doing this. This is particularly true since as the principal funding agency, USAID would have a vested interest in making the relationship succeed. The same could be said for the USMF working with other donors, but this will take time and effort, and is a good reason for extending the transition period, and involving the eventual USMF leadership in the process.

### **Financial Sustainability**

As indicated in the Introduction, in the foreseeable future, it is unlikely that the USMF will be able to cover its full costs through income generation. In FY 1997/1998, for example, SOMARC had a local operating budget of about \$1.1 million (excluding institutional contractor costs and the cost of commodities themselves), and for reproductive health commodities, predicted recoverable income for 1999 of about \$80,000.<sup>8</sup> This clearly indicates the need for continued support.

This situation would be the case regardless of the choice of vehicle for carrying out social marketing: The objective is to develop the market for reproductive health products throughout a country to people who do not presently recognize the need for these products, and who cannot

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<sup>8</sup>See "Sustainability Plan for Social Marketing in Uganda — Draft for Discussion," submitted by The Futures Group International to USAID/Kampala, February 28, 1998.

pay a price that will cover the costs.<sup>9</sup> This is a deliberate policy in pursuit of population and AIDS-prevention objectives that are significantly more important than financial sustainability at this point in time.

Assuming the market does expand in the years to come, one of two things may happen in terms of commodity sales: The USMF may continue to be a major wholesaler of commodities, in which case the income generated will contribute more and more toward the financial sustainability of the organization itself. On the other hand, other distributors and brands may step in and take advantage of the market created by the USMF, and income generation may stagnate. Ironically, it may be preferable for USAID in the sense that the commodities are heavily subsidized, and the more that other donors and the commercial sector take over the market, commodity costs for USAID should diminish, perhaps significantly. At the same time, the USMF will appear apparently less financially sustainable, but in fact should be considered a success.

Indeed, one of the primary reasons for establishing the USMF is to create an organization that is better able to diversify its activities and funding sources. The best of both worlds would be to have other donors channel commodities through the USMF since this would not only help better segment the market and avoid simple brand substitution, but would provide an additional source of income for the USMF.

Furthermore, by creating an organization capable of diversifying and expanding activities through the acquisition of additional contracts, expansion of more profitable product lines, etc., some economies of scale can be achieved, and additional income can be generated.

Fortunately, financial sustainability is probably not an issue that needs to be decided immediately.<sup>10</sup> Sustainability of the social marketing capacity is far more important for the moment in order to pursue and sustain the primary public health and population objectives of the Mission and Uganda.

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<sup>9</sup>See Appendix 2 for an example.

<sup>10</sup>The reason why we have not included financial analysis at this time: it is essentially premature.

The possibility of an endowment has been raised as a part of a long-term sustainability strategy. This could possibly become a significant source of funding, but cannot even be pursued in the short run. Any strategy involving a significant endowment will require that an organization has a demonstrated track record. It will take several years to develop an institution to the point where it can be effectively managed without considerable input from outside. In particular, the Executive Director and staff must demonstrate managerial and systems skills to ensure the long-term sustainability of the organization in order for any outside funding agency to justify the establishment of an endowment. Furthermore, and most important, the potential income from such a mechanism would probably not approach the amount required to keep the organization afloat at its current level of functioning. The possibility of an endowment should, however, be reconsidered in the context that USMF finds itself in approximately three to four years from now. Should funding be available from other donors, an endowment may form a useful means of contributing to long-term sustainability (See Section VI for additional discussion on this point).

**In the meantime, we believe that the creation of a local social marketing organization represents a potentially useful and viable alternative for extending the social marketing into the foreseeable future in Uganda. With proper attention, the critical issues mentioned above can be successfully dealt with, and funding sources diversified making a transitional strategy a real possibility.** For these reasons, we have opted to explore in more detail the feasibility of establishing a local NGO specifically focusing on Social Marketing. The following sections attempt to describe such an organization, and how it might be created.

#### **IV. PROPOSED FUNCTIONS OF THE UGANDA SOCIAL MARKETING FOUNDATION (USMF)**

In this section, we describe what we envision to be possible and useful functions of a newly created social marketing NGO.<sup>11</sup> These draw on the present capacity and functioning of the SOMARC project; but represent our vision of how the present functions could be expanded in the future. They are, of course, subject to modification. In addition, we assume that the USMF should have four overriding characteristics:

- Long-term.
- Ugandan both in legal structure and in spirit.
- Managerially independent.
- Eventually financially sustainable through multiple funding sources.

#### **Objectives of the Organization**

Principal Purpose: Support sustainable reproductive health, including family planning, AIDS prevention, and other related goods and services. This includes a commitment to developing markets and use for reproductive health commodities, and of assuring easy access at reasonable prices and quality to anyone in Uganda desiring them.

Specific Objectives:

1. Promote the development of markets for reproductive health services.

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<sup>11</sup>A summary of this Section may be found in Appendix 3.

2. Provide technical, managerial, and logistical support to institutions involved in reproductive health.
3. Support the distribution and use of products related to AIDS prevention.
4. Facilitate ways to optimize the contribution of private-sector activities related to family planning and AIDS prevention.
5. Make this institution financially self-sustaining through multiple donor support, internally generated income, and other resources.

### **Proposed Activities**

We envision the need for the USMF to engage in four general areas of activities all related to reproductive health. They are:

- Acquisition of commodities related to reproductive health.
- Distribution and sales of those commodities.
- Demand creation for reproductive health products.
- Facilitation and promotion of the private-sector involvement in reproductive health.

Within each of these general areas, there are many specific and potentially useful activities. We will now briefly explore each in terms of its necessity within the context, usefulness, feasibility and contribution toward sustainability.

### *Acquisition of Commodities Related to Reproductive Health*

Because of the large amount of capital required, we do not envision the USMF purchasing large quantities of reproductive health commodities directly from manufacturers as a wholesale distributor. It could and should continue to act as a conduit for donated commodities, in the same way that SOMARC presently operates. To this end, it could provide specific services related to acquisition. They fall into the following types of activities.

#### *Product Development*

- Develop appropriate product presentations.
- Sales forecasting.
- Pricing strategies.
- Inventory planning and management.

#### *Reception of Commodities*

- Facilitation of importation.
- Provide administrative systems to enhance accountability.
- Warehousing and inventory control.

### Packaging

- Assistance in design of packaging, including research and graphic design.
- Contracting printers.
- Importation and customs clearance.
- Contract the packaging of bulk commodities to private-sector firms.

Most of these activities are currently being carried out by SOMARC in reference to USAID-purchased commodities, but potentially represent an extremely valuable service for other donors as well. It is not unlikely that other donors would welcome the existence of an entity that could both help with planning and importation, provide accountability, and arrange packaging.

### Distribution and Sales

National retail distribution channels in Uganda are very underdeveloped. This fact was highlighted by a recent statement by the head of the Manufacturers Association that indicated that the absence of such distribution channels was the primary challenge for private-sector business.<sup>12</sup> The few private sector firms with reasonably developed channels have well-established and popular products such as beer and Coca-Cola. These firms have developed regional mechanisms and controls to ensure adequate supply and stable prices. While reproductive health commodities can look to these examples for guidance, those same channels and mechanisms cannot be directly adapted due to the nature of the products and the stage of market development. For these reasons, the capacity to ensure that reproductive health

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<sup>12</sup>*New Vision* newspaper, June 2, 1998, page 5.

commodities eventually reach the end users would make the USMF attractive to other donors. Without this capability, having the commodities in a warehouse serves no useful purpose.<sup>13</sup>

SOMARC currently distributes commodities through a variety of arrangements. They include:

- Direct distribution and sales.
- Sales of products to private distributors:
  - Central/national distributors.
  - Local/regional distributors.
  - Distribution through NGOs.

In the farthest reaches of the country where, in fact, most people live in dispersed small villages, basic supplies such as batteries, sugar, salt, matches, and other such items are acquired in the marketplaces of the larger villages. Eventually, once demand is created for family planning commodities, the same distribution channels could be used as for other basic commodities. Meanwhile, more direct distribution will be required.

Market creation and penetration has been the main thrust of SOMARC, and has been remarkably successful. SOMARC has established a distribution network of between 15,000-18,000 sites. An experienced sales staff sell directly to both wholesalers and retailers, and continually monitors these sites, and in addition takes advantage of special events to push condom sales even farther. The effort thus far has been to open up as many outlets as possible without much regard for potential sales volume.

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<sup>13</sup>It is specifically this weakness that prevents the Ministry of Health from being an effective channel for reproductive health and other commodities.

Another channel that is SOMARC has used to limit its own direct distribution responsibilities is to use reliable NGO networks in certain sections of the country. This effort should intensify in the future.

Ideally, responsibility for distribution, and, therefore, the costs related to distribution and sales, would be transferred to the private sector. As indicated in Section III, this has not been very successful to date due to differing objectives, but it is hoped that once distribution channels are better developed, and more demand for reproductive health commodities created, the private sector will more willingly do the distribution themselves, accepting some of the costs of doing so. The goal of the USMF will be to divest itself of this responsibility in the medium to long term.

In the meantime, the distribution and sales strategy will be to market commodities through the private sector to the extent that private-sector firms are willing to do so; continue direct sales as a means of creating new markets; carry out extensive market research as a means for better focusing education, sales, distribution, etc.; and explore additional possible channels of distribution on a pilot basis. These might include such strategies as contracting local trucks to make deliveries.

#### *Customer Databases by Type and Location*

SOMARC has amassed a huge database of retail outlets that can be accessed in many different ways. This database represents a valuable resource for any organization interested in national retail. It could be used as a bargaining chip to encourage distribution and sales through the private sector.

#### *Development of Computerized Geographic Information Systems (GIS)*

A further possibility is to link SOMARC's extensive sales databases with a GIS program to enhance analysis of potential markets. This might also be attractive to private-sector firms. This is an optional activity and needs to be further explored.

### **Demand Creation**

This is one of the primary goals and functions of SOMARC, and would intensify under the USMF. A key activity that will help focus existing social marketing efforts, and stimulate new areas is market research. This includes research in terms of what consumers want; how to reach them; and the specific characteristics of products, advertising, etc. Such research would typically be contracted out to private-sector firms rather than create an in-house activity. Nevertheless, this activity may not only contribute very positively toward social marketing goals, but could potentially be a source of income for the USMF.

As a service to both the goals of social marketing, and as a way of stimulating the private sector to distribute and sell SOMARC commodities, SOMARC currently provides considerable support to the advertising of its commodities. Without this effort, market creation would be much slower, and private-sector distribution even more sluggish. Private-sector wholesalers receive a relatively small margin for selling reproductive health commodities, and normally do not advertise at all for any of their products. In order to continue to expand markets and push sales, this function should continue into the foreseeable future.

The USMF would follow SOMARC's lead in subcontracting advertising to the private sector. It would, however, use its market research and technical expertise to help design appropriate and effective advertising. Through the same means, it would promote social marketing behavioral change through mass media campaigns. It should be noted that the objective is not only to enhance the immediate goals of social marketing, but also to create a capacity in the private sector to carry out this work in a sustainable fashion in the future.

Another means of creating demand would be through training. Such training would largely be channeled through the private sector through subcontracts, and would focus on social marketing

technology, product technology and use, and other related areas. It would be directed toward health workers, distributors, policymakers, and others involved in reproductive health matters.

### **Facilitation and Promotion of the Private Sector**

Finally, in addition to various efforts to enhance private-sector involvement in social marketing mentioned above, the USMF would make a deliberate effort to stimulate further involvement of the private sector in social marketing. In the first instance, it would do so by providing private-sector partners with valuable research information that should strengthen their sales and distribution efforts.

The USMF would also attempt to facilitate links between the public and private sectors. This might be done through the identification of private-sector distribution mechanisms for government commodities; identification of market gaps; and dissemination of government policies through publications, mass media, forums, etc.

Another strategy for strengthening the public and private sector would be through the provision of technical assistance. This might include many of the technical aspects of social marketing mentioned above, technical assistance to private partners and NGOs in management and marketing, and perhaps to the government in terms of policy formulation. Much of this effort would come from in-house capability, and could provide a valuable source of income through contracts with various agencies.

## V. Suggested Organizational Structure of the USMF

SOMARC has grown considerably since its inception, and its current management structure as shown in Figure 1, has developed incrementally in response to need and people available rather than according to sound managerial policy. The current structure, while functional at this moment, does not suit the long-term needs of an organization that is expanding. Furthermore, several key members of the staff will be retiring shortly, leaving significant gaps that cannot be adequately filled by other existing personnel. With a new project about to begin, it is an opportunity to restructure the organization for the future, whether the USMF is created, or whether SOMARC continues as a project.

Figure 2 presents the key positions suggested for the new organization. With the exception of the Board of Directors, the same structure is suggested for SOMARC should it remain a project. Generally speaking, the purpose of this structure is to group the necessary functions in logical and manageable work loads.

Presently, the managerial level below the Executive Director/Resident Advisor does not exist, obligating the Resident Advisor to oversee virtually all aspects of the program. Adequate staff have been recruited and developed to gradually perform well at the operational level, but are not yet capable of successfully taking on a position of broader responsibility. The three positions of Director of Marketing, Director of Development, and Director of Finance and Administration will have to be externally recruited, and will require a demonstrated level of professional skill unavailable in the present staff, which will demand a reasonable level of remuneration. Another reason for creating this level is to usefully employ these staff members during a transition period during which they would thoroughly learn the intricacies of the USMF. Eventually one of the three, most likely either the Director of Marketing or the Director of Development, would take over as Executive Director when the Resident Advisor of the institutional advisor departs after about three years. This structure is, therefore, suggested both as a more effective means of spreading the work load and supervision, as well as a training ground for eventual advancement.

FIGURE 1:

*The Futures Group International Uganda Organization Chart, February 1998*

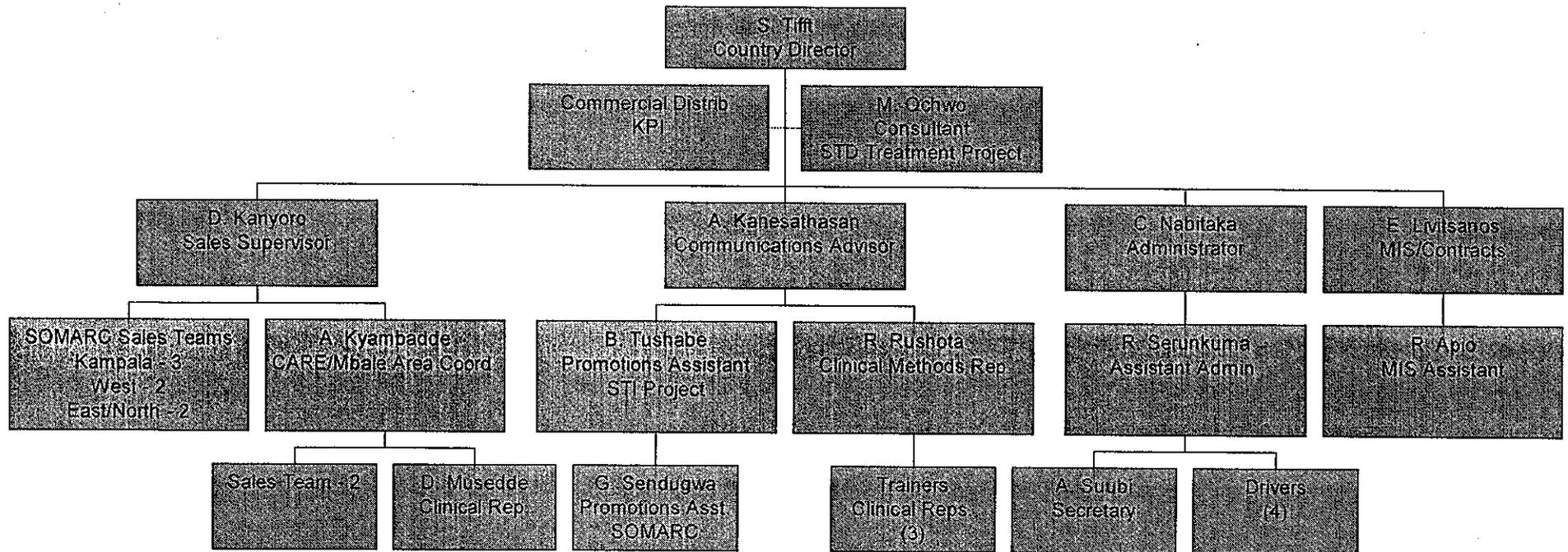
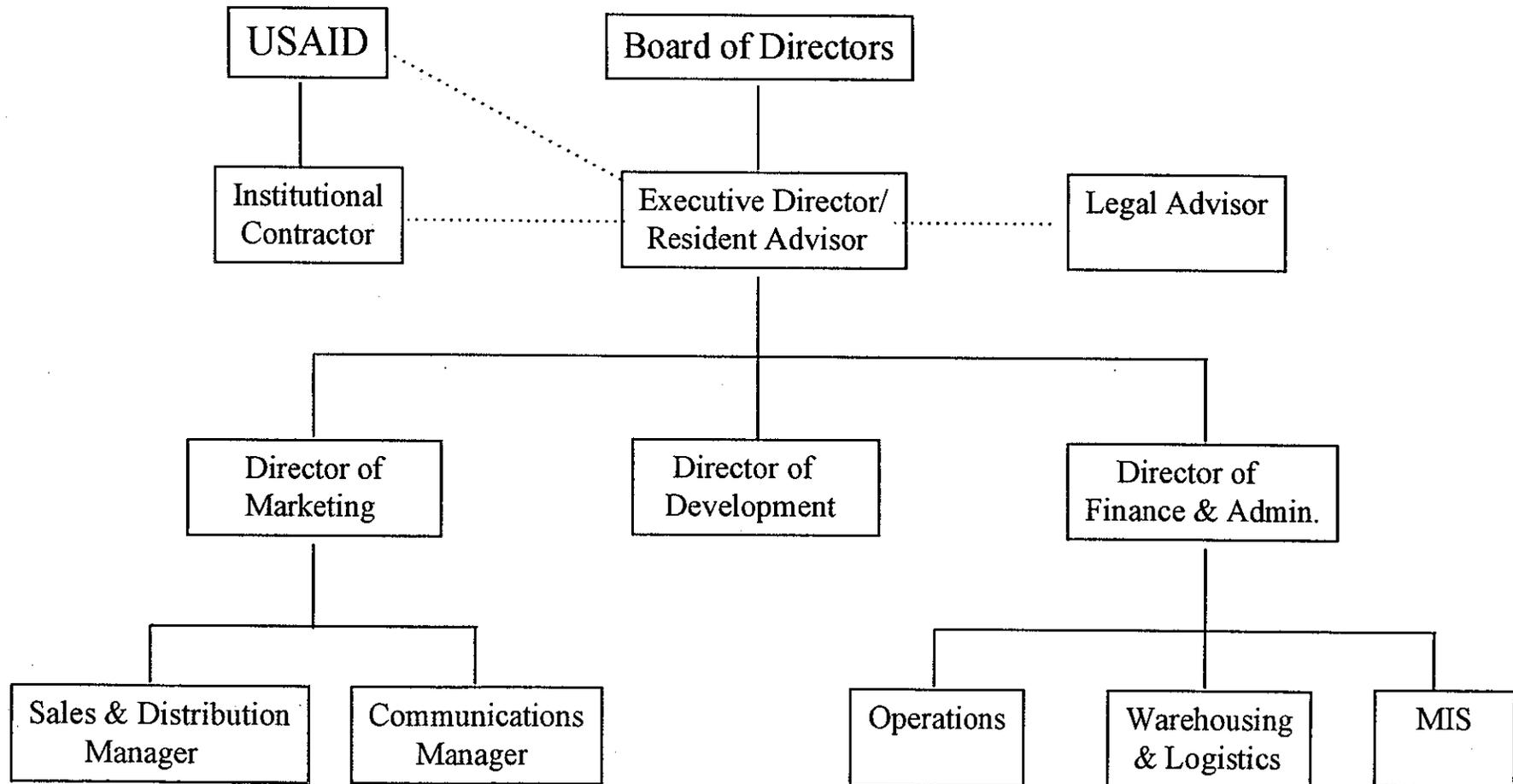


Figure 2:

# Proposed Organizational Structure



It will also provide the Resident Advisor the support required to be able to focus on longer-range planning, institutional development, and transition.

To further understand the need for these new positions, and the logic employed in the overall design, let us now focus on each of the three major departments.

### **Marketing Department**

The Marketing Department would consist of two of the existing three departments: The Sales and the Communications Departments.

The current Sales Supervisor would continue in basically the same function as the Sales and Distribution Manager. Under his supervision are currently four distinct sales teams. The number of teams and employees may or may not grow depending on the logic of continuing with the same organization. To the degree that the private sector is able and willing to take over the distribution and sales of commodities, these teams involved with direct sales will be better able to support underdeveloped areas and expand the market. If this doesn't prove to be the case, it may be necessary to add additional teams in order to more adequately serve the rural areas.

It may also eventually prove more effective to divide teams according to products. Each has a different set of customers and requirements. Should this be the case, a restructuring would need to take place.

The communications area is closely linked with sales and distribution, and their organization within a single division should enhance that collaboration. This department is responsible for all communications that include general marketing and product advertising. It negotiates contracts and works with subcontractors to design graphic arts, videos, packaging, radio spots, and other means of advertising. Within the new USMF, it would also be responsible for publications and brochures.

Midwifery training for injectables also falls under the general rubric of communications, but for cultural reasons may have to be treated as a separate department.

The Director of this department must be a person skilled in all aspects of marketing. He/she must not only be technically skilled, but must command the respect and trust of everyone else in the department. It is envisioned that this person would eventually become the Executive Director.

### **Development Department**

Development incorporates a number of features currently carried out largely by the Resident Advisor amidst many other responsibilities. This involves the development of new products, the development of proposals for new contracts, market research, and public relations. Clearly these functions need to be bolstered if the USMF is to be a success, and will be beyond the physical capacity of the Executive Director to be done properly.

We envision that this department would initially be staffed by a single person responsible for financing and developing proposals. Much of the work would be contracted out, but as contracts for specific items are brought in, the need for additional personnel will hopefully be satisfied within the new contracts themselves. As many of the development activities will require inputs from others in the organization, it will be the responsibility of the Director for Development to assure the timely participation of those inputs required.

Market research would also be managed by this department. We believe that one of the principal areas of expansion of the USMF vis-à-vis a project mode will be its ability to gain contracts in this area that will help make the organization more sustainable as well as greatly improve social marketing in Uganda.

The Director of Development would work closely with the Executive Director in all activities. This must be a person very knowledgeable of social marketing, creative, and outgoing. This person could also evolve to be Executive Director.

It should be added that should SOMARC remain a project rather than evolve into a local institution, this position might be optional in the sense that a project mode will limit this person's ability to attract additional funding from other sources. The absence of such a person, however, would also limit the scope of project activities.

### **Finance and Administration**

Strengthening the present capacity of SOMARC in the area of finance and administration will be critical for the USMF. Operations include managing the accounting, the general administration of the office, and contract development and administration. Warehousing and logistics include the administrative procedures for managing duty-free importation licensing, management of freight forwarding, and inventory control. MIS currently focuses primarily on sales information, but must be expanded to cover all aspects of USMF operations, particularly an integrated accounting system.

All of the functions mentioned above are presently covered one way or another by two principal staff members with some support staff. One of those two staff members, the person directly responsible for contract administration, logistics management, and MIS will be leaving shortly, and must be replaced.

**Regardless of how SOMARC evolves, we propose that the new structure suggested in Figure 2 be adopted.** Operations can be adequately managed by the current office manager, and another staff member is being trained to take over the Warehousing and MIS functions. In all probability, a bookkeeper will be required in another year, as will an additional person to focus exclusively on maintaining the hardware and software of the MIS, as well as produce many of the reports required for the other departments.

The Director of Finance and Administration is a new position that will be critical for the USMF. This person will be responsible not only for making sure that the systems and accounting required for satisfying different donors are in place and functional, but provide additional support to contracting. This person will also provide significant inputs to the other departments in terms

of budget preparations, cost estimates, proposals, and long-term planning. Personnel recruitment and administration would also be a part of this person's responsibilities.

We suggest that recruitment for such an individual begin immediately. Preferably he/she will have a strong background in administration, and also experience managing the accounting for USAID projects and/or donors.

### **Financial Feasibility**

Tables 1 and 2 demonstrate that because the level of effort of expatriate staff is reduced, the new positions can be added, and the total management cost will likely cost less than at present. The first column represents the actual cost of management positions during FY 1997-1998. This includes salaries, allowances, and home office costs related to these positions.<sup>14</sup> Table 1 reflects the estimated cost of the envisioned sequence of events in the transition from management by the institutional contractor to the naming of the Director of Marketing as the new Executive Director in Year 4. The figures shown are preliminary estimates, as not even the level of the institutional contractor is likely to remain the same.

Salaries for the three new Directors are estimated to be an average of \$30,000. This may vary considerably depending on the person. It is based on previous recruitment efforts, but could increase if no adequate local candidates are found, and recruitment must proceed internationally. It is assumed that the most qualified person, with consequently the higher pay rate, would assume the position of Executive Director in Year 4. He/she would probably be replaced by existing staff who currently earn a lower salary.

From the fourth year onward, it is assumed that the institutional contractor will provide two weeks of technical assistance every three months to the Executive Director at an estimated cost of \$15,000 per trip. In practice, this may taper off over time.

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<sup>14</sup>Only subtotals are shown for the institutional contractor to maintain a level of confidentiality.

**Table 1. Estimates Management Costs of the USMF**

	Transition Period						
	FY 1997-1998	1	2	3	4	5	6
International Resident Advisor Communications Advisor (Includes Home Office Loading and Allowances)							
MIS/Commodities Coordinator Short-Term Assistant Support to Management (Includes Home Office Loading and Travel and per Diem — Four 2-Week Trips/Year)							
Subtotal	428,920	247,101	259,456	272,429	60,000	63,000	66,150
Executive Director					50,000	105,000	110,250
Director of Marketing		30,000	31,500	33,075	25,000	26,250	27,563
Director of Development		30,000	31,500	33,075	34,729	36,465	38,288
Director of Finance and Administration		30,000	31,500	33,075	34,729	36,465	38,288
Total	428,920	337,101	353,956	371,654	204,458	267,180	280,539

All costs are incremented 5 percent per year.

It can be observed that substituting local staff for their expatriate counterparts could yield significant savings, even if some of the salaries were higher than expected.

Table 2 shows the consequences of hiring local staff for the three Director positions, but maintaining the institutional contractor's resident advisor for the full length of the contract. Costs are clearly higher, suggesting the more cost-effective approach of Table 1 might be more advisable for the project mode as well.

**Table 2. Estimated Management Costs of a Social Marketing Project**

**(With a Long-Term Advisor throughout the Life of the Project)**

	Year of Project					
	FY 1997- 1998	1	2	3	4	5
International Resident Advisor Communications Advisor (Includes Home Office Loading and Allowances)						
MIS/Commodities Coordinator Short-Term Assistant Support to Management (Includes Home Office Loading and Travel and per Diem — Four 2-Week Trips/Year)						
Subtotal	428,920	247,101	259,456	272,429	286,050	300,353
Executive Director					0	0
Director of Marketing		30,000	31,500	33,075	34,729	36,465
Director of Development (Optional)		30,000	31,500	33,075	34,729	36,465
Director of Finance and Administration		30,000	31,500	33,075	34,729	36,465
Total	428,920	337,101	353,956	371,654	390,237	409,748

## VI. DEVELOPMENT OF THE USMF

The establishment and development of the USMF would probably be done in three stages:

1. A Transition Period of about five years, during which the international contractor gradually develops the organization to evolve into a sustainable local entity.
2. USAID Oversight period of about eight years.
3. Complete Independence.

These stages are not arbitrary, but in fact, governed by contractual arrangements. The first stage is Transitional: gradually moving through a series of logical steps to move from a project managed by an institutional contractor to a local organization managed by a local Executive Director. It would continue through the end of the institutional contract. The second stage is optional, but recommended as a means of both enhancing the sustainability of the organization, and safeguarding USAID's investment. It could be called a USAID Oversight period, and would be part of a contractual arrangement between USAID and the USMF for an endowment. Finally, at the end of this period, judged to be some 13 years from its initiation, the USMF would operate as a completely independent organization — assuming that it still exists, and serves a useful purpose at that point.

Coupled with the four preceding years, this would give the USAID's investment in social marketing a long-term opportunity to reach its goals. During that period, much can and will change. People with experience in Uganda unfailingly remark at the progress made in terms of economic growth during the past four years. The process of growth and stability has barely begun, but is definitely underway. If this trend continues during the next 13 years, Uganda will presumably be a very different place. Thus, in a sense, USAID would be buying time — time for social marketing to take hold in a greatly improved environment to the degree that progress toward the public health and population objectives is solidified, and with luck, social marketing

may either be less necessary, or may be taken over largely by other private and public organizations.

The process has also been designed in such a way that a full commitment is not required from the outset. Along the way will be decision points at which USAID can decide to continue or terminate support. The first decision point will be toward the end of the Transition Period. At this point, the situation can be reevaluated. Should USAID feel at that point that the USMF is an unsatisfactory mechanism for meeting its goals, support can be withdrawn, and the organization will be forced to retrench with existing contracts, and will most likely face a rapid demise.

### **Transitional Period**

The Transitional Period will be the most critical period in the life of the USMF. It is during this period that the organization is created and solidified. It is a period of expansion of activities and a gradual withdrawal of the institutional contractor. The critical activities of this period are shown in Figure 3. The timing is governed by both circumstances and logic. What is implied, is that present activities continue at least at the current level.

### **Initiation of Activities**

There are two factors that will determine when serious efforts toward the creation of the USMF can begin: The timing of the award of the new institutional contract for the continuation of SOMARC; and subsequently the assumption of duties of a new institutional contractor Resident Advisor. The contracting procedures have been in process for several months, but through delays will likely push back the actual award time several more months. At that time, the group awarded the contract will be able to appoint a new Resident Advisor to SOMARC. Even if the contract is awarded to the present contractor, The Futures Group International, it seems unlikely that the present incumbent will remain for another three to four years in that position.

Figure 3. Approximate Time Table for Establishing the Uganda Social Marketing Foundation

	Month												Year				
	1	2	3	4	5	6	7	8	9	10	11	12	2	3	4	5	6 to 13
Award New Institutional Contract	X																
Orientation of New Executive Director of Institutional Contractor			XXXX	XXXX	XXXX	XXXX											
Develop Recruitment Procedures						XXXX											
Recruit and Hire New Director Positions							XXXX	XXXX									
Explore Legal Structures				X	XX												
Decide on Legal Structure					XX	XX											
Establish Legal Structure						XX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX					
Prepare Launch of USFM										XXXX	XXXX	XXXX					
Launch USFM													XXXXXX				

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	Month												Year				
	1	2	3	4	5	6	7	8	9	10	11	12	2	3	4	5	6 to 13
Design and Establish New Accounting System										XXXX	XXXX	XXXX					
New Product Development										XXXX	XXXX	XXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Selection of Board Members									XX	XX	XX	XX	XXX				
Board Acts in an Advisory Capacity													XXX	XXX	XXX	XXX	
Board Fully Constituted																XXX	XXX
Development of an Endowment Proposal															XXXX	XXXXXX	
Local Manager Becomes Executive Director															XXXXXX	XXXXXX	
Former Position of New Executive Director Filled															XXX		
Institutional Contractor Provides Technical Assistance															XXXXXX	XXXXXX	XX
USAID Oversight																	XXXXXX

Therefore, it would appear in the best interests of all concerned to replace that person quickly, since a new Executive Director, regardless of who it is, should have several months to get firmly established before starting the transition itself. Two areas seem particularly critical: Thoroughly learning what SOMARC presently does, its strengths and weaknesses, etc., and establishing his/her authority with the staff. Relationships need to be established, and the continuation of ongoing activities assured, prior to embarking on a new adventure and hiring new managerial staff. This will be particularly important if there is a change of institutional contractors unfamiliar with the present operations of SOMARC. This could easily take four to six months in the latter case.

### *Establishment of the Legal Structure of the USMF*

It is important to establish the legal structure and name of the organization relatively quickly. Until this is done, no contracts may be pursued from other donors.<sup>15</sup> The first step would be to analyze the alternatives. Since this is primarily a task to be contracted out to a lawyer, it could be pursued relatively soon after the new Resident Advisor gets his/her feet on the ground. It is not the matter of greatest urgency; however, and without a firm grounding in the present organization, the Resident Advisor would not be in a strong position to evaluate the results of the analysis. In any case, the results must be vetted and a selection made in consultation with USAID's Legal Advisors.

Once a determination is made as to the most appropriate legal structure, the process can be put in motion. Depending on the structure chosen, the capacity of the lawyers to facilitate the process, etc., this could take anywhere from four months to one year or more.

### *Preparatory Steps*

When a time table is established for the actual creation of the USMF, some preparations will need to be made to establish a launch. Prospective clients may be visited informally to inform

them of the pending creation of the organization. Brochures and other forms of identification must be designed and prepared. Preliminary proposals might be drafted, and other related activities pursued.

In anticipation of the launch, it would be helpful to have the new managerial staff on board. Prior to recruiting, however, it would be advisable to create a series of hiring procedures that assure that the process is entirely open and transparent. It is assumed that given the nature of these positions, both the institutional contractor and USAID would approve the final choices. It should also be added that the recruitment process could be a lengthy and difficult one as relatively few qualified candidates for these positions will be found in Uganda.

In any case, while rapid recruitment will extend the orientation period of new staff, and facilitate the eventual hand over to a local director, it should not be done hastily. Not only must the institutional contractor become established first, but the stress should be on the excellence of the candidates rather than simply filling the positions.

Another activity that the institutional contractor should undertake relatively early (and preferably prior to launching the USMF), is the establishment of a computerized accounting system capable of meeting the reporting needs of prospective clients. This would probably be done through short-term assistance from the institutional contractor, preferably in collaboration with the new Director of Finance and Administration. Should recruitment be delayed for that position, development of the system should proceed in any case. As a means of both gaining and servicing new contracts, this system will be critical.

Product development can proceed as quickly as someone, in principal the new Director of Development, has time to do it. This will be an ongoing task, probably throughout the life of the USMF, as it shifts to adjust to existing markets and enters new markets, activities and sources of funding.

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<sup>15</sup>Except perhaps directly through the institutional contractor as is currently the case.

### *Selection and Development of the Board of Directors*

As noted in Section III, the creation of the Board should be a gradual one. Hopefully, the legal structure chosen will not require the immediate constitution of a Board. If this is not the case, limitations on the powers of the Board must be very carefully inserted into the bylaws.

As noted earlier, the selection of members should also be a gradual one, based primarily on the skills they bring in support of the USMF. The Board's authority should be primarily advisory during the first several years. It should be noted from Figure 3, that the full constitution of the Board is not suggested to take place until Year 5. This has been done deliberately as it would seem imprudent on the part of USAID and its institutional contractor to vest in the Board the decision of who will replace the Resident Advisor as the Executive Director. Logically, this should be a primary responsibility of the Board, and should be so following the departure of the institutional contractor.

### *Transition from the Institutional Contractor*

Depending on how quickly the preliminary steps are taken, the success of establishing systems, recruiting excellent personnel, orienting and training them, etc., the Resident Advisor of the institutional contractor could and should be replaced with the local Executive Director during the fourth year of the next contract. This timing would presumably allow sufficient time to ensure that the new Executive Director is thoroughly familiar with the organization and has been groomed for the job. This period is also important to give the USMF the chance to mature, and give other donors the confidence that it is backed by a respected internationally based contractor.

The proposed timing would also allow the new Executive Director the opportunity to exert leadership through the end of the project. The latter is important as a benchmark as to how the USMF is likely to proceed without the resident leadership of the institutional contractor. Support could and should be provided on a periodic basis by the institutional contractor who still remains

responsible for the actions of the USMF through the end of the project period. Nevertheless, the performance of the local Executive Director during the last year or so of the project will help determine what, if any, further support USAID might be willing to give to the USMF.

### *Preparation of an Endowment Proposal*

It is strongly suggested that a proposal for an endowment be undertaken toward the end of the fourth year. This will act as a sort of "acid test" for the USMF. It makes little sense to consider it much before that as no significant endowment will be approved for an organization without a demonstrated track record. Eventually, the performance of the new Executive Director becomes part of that track record, and also the ability of the staff, perhaps with technical assistance, to formulate an adequate proposal.

The preparation of the proposal is a long and arduous process that requires the organization to thoroughly review its entire operation, particularly in terms of financial sustainability. By this point in time, several years of market development will have gone by, staffing expanded and stabilized, relationships and contracts with other donors established, thus placing the USMF in a much better position to project into the future.

The endowment must compete with other requests for funding, and its role in the process of sustainability must be thoroughly determined and justified. Since the creation of a small endowment requires virtually the same amount of work as a large endowment, and since the idea would be to generate interest income that could then be used for operations, an organization the current size of SOMARC would have almost no benefit from a small endowment; and even a large endowment of say, \$5,000,000, would generate only about \$300,000 annually. This support must be evaluated in the context of the organization and its other funding sources to see if it makes sense. This requires a solid financial analysis that is useful to the organization even if the endowment is never approved. To be approved by the end of the project period, it must be started at least a year in advance.

### USAID Oversight Period

The process of preparing the endowment proposal will help USAID decide whether and how to continue support to the USMF. One option would be to continue direct support through yet another project for some period of time. This would allow continued support from an institutional contractor or other periodic technical assistance.

An additional alternative would be to provide the endowment mentioned above. If this makes sense financially, it carries with it an additional significant benefit: The existence of an endowment would give USAID the legal right to continue to oversee the functioning of the USMF, at least periodically. Typically a large endowment would not be given in a lump sum, but tied to some preconditional indicators that the organization is required to meet prior to receiving the next installment. Assuming that the endowment is not fully funded for three years, USAID would then reserve the right of oversight for some extended period of time, probably a minimum of five years. This means that USAID would have the right of approval of certain actions, including periodic audits, for a period of not less than eight years. The temptation to adopt local norms and business practices would be greatly reduced with USAID Oversight.

In the case of failure to comply, or a total contextual disaster such as resumed war, USAID could presumably liquidate the endowment since it would be held in dollars in the United States. This seems a potentially useful way of providing help for sustainability and minimizing investment and risk.

As mentioned at the outset, reproductive health commodities will require heavy subsidies into the foreseeable future. It would appear that perhaps another realistic scenario might be to greatly reduce non-endowment support after the endowment reaches full funding, allowing the USMF to continue basically as a channel for commodities, financed by the income of the endowment and whatever resources it is able to obtain from other non-USAID sources.

## Independence

Finally, at the end of the oversight period, the USMF would become an independent organization. Most likely by this time, it will have reinvented itself several times in response to changing environmental and funding patterns. Hopefully it will be able to continue in one form or another, but even if it fails to survive, the concept and practice of social marketing will have made great strides in Uganda in the meantime.

## VII. SUMMARY AND CONCLUSIONS

The following points attempt to summarize the most important points discussed in this report:

- Given the large unmet need in terms of population objectives and AIDS prevention, social marketing should be continued in the foreseeable future. Because of the state of the Ugandan economy, and the objective to expand private-sector participation in social marketing, this will require a long-term commitment to continue to subsidize reproductive health commodities.
- Because of the potential of long-term sustainability through multi-donor support, local acceptability, and the inherent shortcomings of projects in terms of sustainability, continuity of the social marketing functions should be pursued in a form other than a project.
- USAID will eventually have to consider a transitional strategy. Diversifying funding sources and expansion of the markets for reproductive health commodities will potentially serve as a means for achieving a sustainable transition. Particularly given the uncertainty of indefinite funding, the following commercial-sector project about to begin offers an excellent opportunity to move toward a transitional strategy. The possibility of attracting support from other donors would potentially allow USAID to gradually diminish its support of social marketing in Uganda. This includes both support for commodities and the organization itself. This is an important reason for pursuing a legal structure that would attract other donors, and a key to USAID's transition strategy.
- The objectives of potential private-sector distributors of reproductive health commodities are not entirely compatible with population and public health objectives. Nor are they able and willing to invest in the development of markets. The possibility does exist, however, that as markets develop, the private sector will be increasingly more interested in distributing reproductive health commodities for purely commercial reasons. Furthermore, because of the need to continue to supply subsidized reproductive health commodities indefinitely, USAID

and other donors will require an entity other than private-sector firms through which to channel and control the flow of commodities. For these reasons and others, the possibility of SOMARC being incorporated into a private-sector firm is not possible.

- While it may be marginally easier to incorporate SOMARC's social marketing functions into an existing NGO, and there may be some synergy and economies of scale for doing so, there are many reasons for approaching this possibility with extreme caution. A combination could either detract and overwhelm the host organization, or the focus of social marketing could be significantly dissipated. To be considered as a possibility, the existing NGO would have to have compatible objectives, a strong management and track record, and preferably have both a broad geographical and programmatic scope. The only organization thus far identified that meets those criteria is the AIDS Information Center (AIC), but a preliminary analysis suggests that the potential problems outweigh the possible benefits of placing the SOMARC capability under the AIC organizational structure.
- Having examined the other alternatives, we recommend creating an independent local entity to carry out social marketing activities. In doing so, we perceive the existence of three distinct periods:
  1. A Transition Period of about five years, during which the international contractor gradually develops the organization to evolve into a sustainable local entity.
  2. USAID Oversight period of about eight years.
  3. Complete Independence.
- The creation of a local NGO must face a number of important challenges. They include such things as maintenance of a high standard of quality both in terms of products and services and administrative excellence and transparency, the recruitment and development of staff capable of successfully providing leadership and managing the organization in the long term, the

establishment of an appropriate legal entity, the creation and nurturing of an effective Board of Directors, the ability to attract diversified sources of funding and develop new products, and other factors. With proper attention to each of these aspects, an adequate and well-planned transition period, and leadership provided by a recognized international contractor until the organization is able to stand on its own, these obstacles can be overcome, and the organization can potentially be successful and sustainable.

- As a means of better financing social marketing goals and enhancing sustainability, the present functions of SOMARC should be continued and expanded. Expansion of the volume of reproductive health commodities whether distributed directly or through the private sector, will provide some income to support other non-income generating activities. Diversification of product lines could also enhance financial sustainability, as well as contribute to social marketing goals.
- Imposing the current capability of SOMARC on an existing NGO might overwhelm them, and distract it from its present objectives. Or to the contrary, as simply an additional function of the NGO, the social marketing component could weaken through a lack of attention. Thus, although placing SOMARC within an existing NGO does not appear to be viable, the new entity should endeavor to intensify relationships with NGOs with compatible objectives. Such synergy could benefit by taking advantage of the clinical and distribution channels of existing NGOs, and applying the social marketing capabilities to their advantage.
- The development stage of markets for reproductive health commodities is not commercially viable because low prices are required to increase demand in dispersed and very poor populations. The overriding population and AIDS-prevention goals suggest that commodity pricing be initiated at a level within the reach of the population that is far below the full cost of the products.

A further objective and sustainability strategy of social marketing is to increasingly involve the private sector in the process of delivering social marketing products and services. This

means encouraging the private sector to execute a continually growing share of social marketing activities that logically excludes the less cost-effective tasks of market development and sales of commodities to populations with low demand. It furthermore favors subcontracting specific social marketing tasks to the private sector that would otherwise generate income with an in-house capability.

For these reasons, it appears unlikely that the USMF will be financially sustainable without some support from donors. Diversifying this support is an important element of a transitional strategy for USAID, and an important reason for opting to create the USMF. This is also an important reason for financing the development of new products and services.

- The current management structure has developed incrementally in response to need and people available rather than according to sound managerial policy. With the impending departure of key expatriate staff members, it will be important to revamp and strengthen the management structure to better perform and supervise the functions of the organization, *regardless of its legal structure*. To this end, we recommend the creation of three new positions: Director of Marketing, Director of Development, and the Director of Finance and Administration, all of whom will support and report to the Resident Advisor/Executive Director. The existence of these positions will greatly enhance the functioning of the organization, and will allow the Resident Advisor to better oversee the development and transition to a new organization. Because of the exit of former staff members carrying out many of these functions, the financial impact of creating these positions will be minimal.
- Despite the humanitarian objectives involved in social marketing, and the necessity to continue financial support, the USMF must function as closely as possible as a private-sector entity to achieve the maximum degree of sustainability possible. The ability to achieve sustainability will, however, be tempered by the objective of involving the private sector to the degree possible in all activities, limiting the development of income generation through in-house capabilities.

- The USAID Oversight might be best achieved through granting of an endowment. This would not only enhance financial sustainability, but allow USAID to protect its long-term investment by requiring period audits and other reporting requirements. The preparation of the endowment proposal would take place during the final year of the transition period, and would serve as a benchmark for ascertaining the long-term prospects of the organization and the continued value of support from USAID.
- We anticipate that the transition period and the period involving USAID oversight could stretch out to at least 13 years. During this time, hopefully many positive things would occur such as the increased development of the Ugandan economy and the private sector, and solidifying of the markets for reproductive health commodities. Assuming this is the case, even if the local entity should fail upon achieving complete independence, much progress is likely to be made in terms of the goals of social marketing, and the creation of the entity judged a success.

**APPENDIX 1**

**PRINCIPAL PERSONS CONTACTED**

## PRINCIPAL PERSONS CONTACTED

Jay Anderson, HPN Officer, USAID/Uganda  
Sara Tifft, Resident Advisor, SOMARC  
David Kanyoro, Sales Supervisor, SOMARC  
Andrew Kyambadde, CARE/Mbale Area Coordinator, SOMARC  
Eleni Livitsanos, MIS/Contracts, SOMARC  
Anjala Kanesathasan, Communications Advisor, SOMARC  
Rachael Rusota, Clinical Methods Representatives, SOMARC  
Mary Gorret Musoke, Chairperson, Uganda Private Midwives Association  
Mary Kyewalabye, Uganda Private Midwives Association  
Joy Awori, SEATS/Zimbabwe  
Elly Mugumya, National Programme Manager, Family Planning Association of Uganda  
Dr. Elizabeth Marum, USAID Advisor, AIDS Information Center  
Peter S.J. Nsubuga, Project Manager, Sexually Transmitted Infections Project, Ministry of Health  
Dr. Elizabeth Maadra, Director of AIDS Program, Ministry of Health  
Vasta Kibirige, Manager of the Condom Control Unit, AIDS Unit, Ministry of Health  
Frances Ganges, American College of Nurse-Midwives, SEATS Project  
Dr. Pete Thompson, Health and Population Field Manager, Department for International Development, British High Commission  
Dr. James Whitworth, Country Director, Medical Research Council  
James Kuria, Representative UNFPA/Uganda  
Nick Ritchie, Country Director, CARE International Uganda  
Dr. Peter Cowley, DISH Project  
Sudir Gupta, General Manager, Kampala Pharmaceutical Industries, Ltd.  
Romano Fernandes, Marketing Manager, Kampala Pharmaceutical Industries, Ltd.

**APPENDIX 2**  
**COSTS OF PILPLAN**

## Costs of Pilplan

Commodity Cost of One Dispenser Landed in Uganda*	\$24.57
Cost of Packaging Materials*	1.71
Packing Cost*	<u>0.38</u>
Total Cost of One Dispenser Ready for Sales	\$26.66
Price to Private Distributor (Ush. 1,300 @ Ush. 1,235 = \$1)	\$1.05
<b>Subsidy from USAID per Dispenser (Excluding Advertising and Overhead</b>	<b>\$25.61</b>
Actual Sales Price per Dispenser (USH 5,000 @ Ush. 1,235 = \$1)	\$4.05
Total Cost per Dispenser (Including Sales Markups and Excluding Advertising and Overhead	\$30.71
Percent of Subsidy of the Total Cost (Excluding Advertising and Overhead	83%

\*From an analysis by Peter Cowley of the DISH project.

From this simple analysis, several important facts can be concluded. In the first instance, by the time Pilplan reaches the consumer, more than 80 percent of the costs are borne by USAID. In reality, the percentage is probably closer to 90 percent, if overhead and advertising are included.

Secondly, at present, costs are 7.5 times more than total costs excluding overhead and advertising. For a private distributor to sell this product without a subsidy, the price would probably have to be a minimum of \$40, or 10 times the current price. This is unrealistic to expect in the foreseeable future.

Note that the other reproductive health products currently offered by SOMARC show similar results.

**APPENDIX 3**

**SUMMARY DESCRIPTION OF THE  
UGANDA SOCIAL MARKETING FOUNDATION**

# Uganda Social Marketing Foundation

## Proposed Purpose of the Organization:

Provide a long-term independent Ugandan organization to support sustainable reproductive health, including family planning, AIDS prevention and other related goods and services.

# Rationale for Creating a Local Organization

- There is considerable unmet demand for reproductive health services.
- Social Marketing has demonstrated that the private sector can be an effective and sustainable channel for reproductive health activities.
- Continuity of product availability is essential for sustained behavioral change.
- Donor and donor-supported projects have limited time frames.
- Social Marketing activities carried out through projects normally do not create a lasting infrastructure, institutional capacity, or a sense of ownership by the local population.
- There presently exists no permanent independent Ugandan institution with strong social marketing capabilities or broad focus in the private sector.

# Proposed Objectives of the Organization

1. Promote the development of markets for reproductive health services.
2. Provide technical, managerial and logistical support to institutions involved in reproductive health.
3. Support the distribution and use of products related to AIDS prevention.
4. Facilitate ways to optimize the contribution of private sector activities related to family planning and AIDS prevention.
5. Make this institution financially self-sustaining through multiple donor support, internally generated income and other resources.

# Proposed Principal Activities

- Acquisition of Commodities
- Distribution and Sales
- Demand Creation
- Facilitation and Promotion of the Private Sector

# Acquisition of Commodities

- Product Development
- Purchasing
- Reception of Commodities
- Packaging

# Product Development

- Develop appropriate product presentations
- Sales Forecasting
- Pricing Strategies
- Inventory Planning and Management

# Purchasing

- Bulk purchasing of reproductive health products from a variety of sources
  - Donor Funded
  - Revenue Funded
  - Commercial Funding

# Reception of Commodities

- Facilitation of Customs Clearance
- Provide administrative systems to enhance accountability
- Warehousing and Inventory Control

# Packaging

- Assistance in design of packaging, including research and graphic design
- Contracting printers
- Importation and customs clearance
- Contract the packaging of bulk commodities to private sector firms

# Distribution and Sales

- Sales of Products to private distributors
  - Central/National Distributors
  - Local/Regional Distributors
  - NGO Distribution
- Direct Distribution and Sales
- Customer Data Bases by Type and Location
- Development of computerized Geographic Information Systems (GIS)

# Demand Creation

- Market Research
  - Product
  - Consumer
  - Contextual
- Promotion/Advertising
  - Assistance in development of advertising
  - Contracting advertising agencies

# Demand Creation

- Mass Media
  - Product Specific
  - Promoting Behavior Change
- Training for training organizations, providers, consumers, policy makers,
  - Help develop training programs
  - Contract trainers and training organizations

# Facilitation and Promotion of the Private Sector

- Provision of Research Information
- Facilitate Public/Private Sector Links
- Technical Assistance
  - Policy formulation
  - Technical
  - Management
  - Marketing