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ASSESSMENT OF THE
USAID-FUNDED FAMILY PLANNING SERVICES PROGRAM
IN BANGLADESH
AS OF JUNE 30, 1983
(FUNDED BY AID GRANTS NOS. 388-0001 & 388-0050)
AUDIT REPORT NO. 5-388-84-2

DECEMBER 22, 1983

The USAID has fashioned a well balanced Family Planning Services program to complement the Government's highly publicized National Population Program. Government constraints, however, adversely affect program progress. Moreover, effective USAID measures were never taken to correct critical problems which have been reported by AID-funded evaluations over the past several years. For example, the USAID has provided inputs of over \$40 million for contraceptives and related commodities for the Government's supply system; however, no physical inventories were ever taken; the system lacks accountability and controls and accurate reporting; and a trained Government staff is not available to manage the commodities country-wide. The commodities are thus vulnerable to waste and undeterminable losses.

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ACRONYMS AND TERMINOLOGY
(AUDIT OF FAMILY PLANNING PROGRAM/BANGLADESH)

AID/W	--	Agency for International Development/Washington
APHA	--	American Public Health Association
BACE	--	The Bangladesh Association For Community Education
BAVS	--	The Bangladesh Association For Voluntary Sterilization
BDG	--	Government of Bangladesh
BFPA	--	The Bangladesh Family Planning Association
CARE	--	The Cooperative For American Relief Everywhere
CBR	--	Crude Birth Rate
CBS	--	Community Based Services
CDC	--	U.S. Center for Disease Control
CIDA	--	The Canadian International Development Association
CG	--	The BDG's Controller General
CRS	--	Commercial Retail Sales
DANIDA	--	Denmark International Assistance Association
DG	--	The BDG's Director General for Implementation
DISTRICT	--	One of BDG's 21 Geographic Areas
FIFO	--	First In, First Out
FPIA	--	Family Planning International Assistance
FPSTC	--	Family Planning Services and Training Center
FWVTI	--	Family Welfare Visitor Training Institute
GC	--	AID General Counsel
HKI	--	Helen Keller International
ICDDR/B	--	The International Center for Diarrheal Disease Research/Bangladesh
I & E	--	Information and Education
IPAVS	--	International Project: Association for Voluntary Sterilization
IPPF	--	The International Planned Parenthood Federation
LMO	--	Logistics Management Officer
MCH	--	Maternal Child Health
MHPCD	--	Ministry of Health Population Control Division
MIRS	--	Management Information Reports
NGOs	--	Non-Governmental Organizations

NIPORT	--	National Institute for Population Research and Training
PD-3	--	AID Policy Determination for Support of Voluntary Sterilization
PSC	--	Personal Services Contractor
PSI	--	Population Services International
RLA	--	Regional Legal Advisor
SCF	--	Save the Childrens Fund
SIDA	--	Swedish International Development Association
SMP	--	Social Marketing Project
TAF	--	The Asia Foundation
TFPAs	--	Thana Family Planning Assistants
TFPOs	--	Thana Family Planning Officers
THANA	--	BDG sub-districts -- more than 430 in country
TMOs	--	Thana Medical Officers
TPF	--	The Pathfinder Fund
UN	--	The United Nations
UNFPA	--	United Nations Family Planning Association
USAID	--	AID Mission to Bangladesh
VS	--	Voluntary Sterilization
WHO	--	World Health Organization

AN ASSESSMENT OF THE
USAID-FUNDED FAMILY PLANNING SERVICES PROGRAM
IN BANGLADESH

EXECUTIVE SUMMARY

Introduction

Bangladesh is roughly the size of the state of Illinois. It is located between India and Burma and is one of the most populated and poorest less developed countries in the world. The economic and social conditions of Bangladesh are exacerbated by its fast growing population and inadequate production of food grains. In 1975, the population was estimated at 80 million -- over 1,400 persons per square mile. The population increased to 90 million in 1981 and today is estimated to be about 93 million. The present annual growth rate of about 2.8 percent means that without effective family planning, the population may reach 150 million or more by the year 2000. This substantial increase can only lead to more disastrous economic and social consequences.

AID assistance has supported the Bangladesh Government's (BDG) population and family planning program under sequential grants totaling \$68 million since 1973. AID strategy gives first priority to reducing human fertility, and second priority to increasing food-grain production in order to reduce the need for food imports. These simultaneous programs are intended to result in improvements in economic and social conditions in Bangladesh. The local AID mission in Dhaka coordinates its assistance with that of other donors who are also trying to improve overall economic and social conditions.

Findings, Conclusions and Recommendations

After 10 years, the logistics system is still not adequate to ensure that the proper quantity of commodities are received and delivered to the right place at the right time; that commodities are properly stored and moved out on a first in, first out basis; that accurate records are maintained; that physical inventories are taken and reconciled to the stock records; and that proper inventory levels based on valid requirements are maintained. Moreover, the logistics staff is not properly trained in supply management, and is not fully knowledgeable of the supply manual guidelines under which the system operates.

More is needed to enable the mission to be assured that AID PD-3 requirements on voluntary sterilization are continually met throughout the country. This can best be done by development of formal annual master surveillance plan between the mission and the BDG. This arrangement should provide greater assurance that all voluntary sterilization sites will be visited by either the medical consultants or mission personnel, and thus avoid duplication of effort.

In November 1983 the office of the Regional Inspector General in Washington issued audit report 0-000-84-11 on contract claimed and reimbursed by Population Services, Inc., on several AID-financed contracts. Exhibit A of the report shows that AID is due a net refund of \$40,930 and Taka 1,115,238 from PSI under Bangladesh contracts C-1055, C-0042 and 00-1009-000. Recommendation 1 of that report directs the Office of Contract Management to ensure settlement of the refund due AID. A copy of the report was sent to the AID mission in Dhaka.

BACKGROUND

Introduction

Bangladesh is roughly the size of the state of Illinois. It is located between India and Burma and is one of the most populated and poorest less developed countries in the world. The economic and social conditions of Bangladesh are exacerbated by its fast growing population and inadequate production of food grains. In 1975, the population was estimated at 80 million -- over 1,400 persons per square mile. The population increased to 90 million in 1981 and today is estimated to be about 93 million. The present annual growth rate of about 2.8 percent means that without effective family planning, the population may reach 150 million or more by the year 2000. This substantial increase can only lead to more disasterous economic and social consequences.

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AID assistance to population and family planning activities has been provided under two major grants started in 1973 and planned through 1985:

<u>Description and Grants</u>	<u>Period</u>	<u>Authorized</u>	(\$ 000's) **	
			<u>Estimated Obligations Through FY 1983</u>	<u>Estimated Expenditures</u>
Population/Family Planning Grant # 388-0001	1973-1980	\$ 39,376	\$ 29,997	\$ 29,997
Population/Family Planning Services, Grant #388-0050	1981-1985	<u>\$ 63,336</u>	<u>\$ 58,603</u>	<u>\$ 38,885</u>
	Totals	<u>\$102,712</u>	<u>\$ 88,600</u>	<u>\$ 68,882</u>

* Cumulative obligations and expenditures through 1982 were \$63,800,000 and \$45,954,000 respectively.

** Proposed obligations and expenditures for 1984 are \$25,000,000 and \$24,469,000 respectively.

Grant 388-0001 (1973-80)

The first grant project was initiated in 1973 as project #388-11-580-001. Beginning in 1975, the project was redesignated as #388-0001 covering a three year period through 1978 to coincide with EDG's first five year plan. The project objective was to reduce the rate of natural population growth. It was to be done to assist by providing assistance for the development of a "functioning national institutional structure" that would provide continuing family planning services and population information and education to the people. The project was later extended through 1980 to assist the EDG efforts to "catch up" in shortfalls on program implementation and to strengthen the data base for the second 1981-1985 five year plan.

A mission Project Evaluation Summary issued in April 1978 showed that despite some progress, serious problems remained in the training and supervision of field workers and in the logistics and distribution system. According to the EDG statistics available at that time, the rather modest project goal of a drop in the annual population growth rate from 3% to 2.8% had been achieved. However, the EDG's more ambitious targets of lowering the level of fertility by 1985 and thus contain the population at 100 million were "completely out of reach even if the program improved rapidly".

Grant 388-0050

This follow-on grant became active in 1981 and as amended is scheduled to run through 1984. The purpose of the grant is to assist the EDG expand and improve the availability of "family planning services" and thereby increase contraceptive use.

This project aims to support the national family planning program through participant training, operations research, contraceptive commodities, voluntary sterilization, training materials, prevalence surveys, and community level family planning services. The project also supports family planning activities in the private sector through projects with twelve non-governmental organizations (NGOs) which provide services through many local organizations. Support is being given to the NGOs to enable them to expand family planning services which complement EDG programs, and perform those functions which can be best handled by the private sector. The increased NGO family planning activities are also intended to increase community support and involvement in family planning.

The main objective of the grant is to increase the prevalence of contraceptive use from the 13 percent to 25 percent. The project relies on inputs from other donors and the EDG to achieve its objective.

The overall project goal is to reduce population growth. The AID mission estimates that if contraceptive prevalence increases to 25 percent of all eligible couples, the crude birth rate (CBR) will fall from an estimated 44 per thousand in early 1980 to 38.7 per thousand by the end of the project.

If life expectancy remains unchanged during this time, the growth rate should be reduced from the 1980 estimated annual level of 2.8 percent to between 2.2 and 2.4 percent.

PURPOSE AND SCOPE

Our audit was performed at the AID mission in Bangladesh to determine whether project objectives are being achieved, the effectiveness of accounting controls and reporting on commodities, mission monitoring, extent of Government (BDG) support for the program, and the effectiveness of non-governmental organizations (NGOs) controls over AID-funded activities. We reviewed documents, records and reports at the mission and NGO offices, tested internal controls and held discussions as necessary with AID, BDG and NGO officials.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

THE BDG LOGISTICS SYSTEM FOR AID-FUNDED CONTRACEPTIVES MUST BE IMPROVED

AID funds are used to support two separate major contraceptive logistics systems. One system is administered by the BDG. The other system is administered under the social marketing projects (SMP) by Population Services International (PSI), a U.S. contractor. Under the BDG system commodities are given to recipients free of charge. Under the SMP commodities are sold to the public.

The BDG logistics system through which AID-funded commodities flow is plagued with problems. The mission has been apprised of most of the problems by various evaluations done over the last few years, and through its own monitoring procedures. However, its efforts to have the BDG make required improvements have not been successful.

For fiscal years 1977 through 1983, AID has funded more than 482 million condoms and about 79 million cycles of oral pills for the program plus over seven million various items for the voluntary sterilization (VS) program. The costs for these commodities approximates \$40 million. Our audit observations revealed that the BDG has never made a physical inventory of commodities, its personnel are not adequately trained, and its accounting system and controls over commodities are inadequate.

As a consequence, BDG reporting on distribution and stock levels are inaccurate. For example, December 31, 1982 BDG reports showed stock levels of 2.4 million condoms and 1.5 million oral pill cycles less than mission records indicated should be in the system. We estimated the value of this apparent shortage to be about \$1.7 million. The difference could be much

more or much less. We could not tell definitely because the system is unreliable.

The mission has been made aware of the deficiencies in the logistics system through several evaluations done in recent years. A first comprehensive evaluation was made in 1980 which commented on logistic and other problems. In April 1981 the mission and the United Nations Family Planning Association funded a joint evaluation of the supply system which cited various logistical problems. A second evaluation of the program, including logistics, was made by a U.S. team in August 1982 and again serious problems were found.

The 1980 Evaluation

AID funding of commodities at this time exceeded \$20 million. The evaluation team was composed of AID bureau personnel and U.S. consultants. The team held numerous discussions with mission and BDG officials, and with personnel from various non-governmental organizations. It also made field visits to five district offices and to a number of sub-district thana offices and warehouses where family planning commodities were stored.

The team report cited a number of major problems. For example, in one of the three major country warehouses at Chittagong the team found commodities stacked, without pallets, 30 feet from the floor to the ceiling covering 90 percent of the available floor space. The team observed that the warehouse contained 40,600,000 condoms and 5,500,000 monthly cycles of oral pills, and was so full that it was impossible to remove the oldest stock out on a first in, first out (FIFO) basis. In addition to those financed by AID, the warehouse contained commodities funded by UNICEF, UNFPA, the Federal Republic of Germany and Japan.

The storage problem at the Chittagong warehouse resulted from the fact that individual district offices serviced by Chittagong did not maintain a full three months supply of commodities. This happened because the Chittagong supply officer did not have authorization to move supplies to the district offices, nor did he have trucks, drivers or funds to transport the commodities. Another problem was that the staffing at the warehouse was below the authorized level. One upper division clerk had been "temporarily" assigned to Dhaka for two years, and the one assistant storekeeper had been assigned to a location at the port clearing office for almost a year.

The evaluators observed the need for a fork lift truck and pallets to lift commodities and segregate them for shipment. FIFO procedures were not being used to move older stock first thereby avoiding excess shelf life and resulting deterioration. At least one third of the stock should have been moved out to district and thana storage facilities. At the same time, however, inadequate stock levels were noted at seven thanas in the Comilla district. These conditions indicated a serious need for senior management attention to the entire logistics system.

The evaluators commented that the mission should view these conditions as unacceptable. They concluded that the supply system was adequately designed, but it lacked energetic supervision and implementation.

The 1981 USAID-UNFPA Evaluation

In April 1981 the mission and UNFPA jointly funded an evaluation of the logistics and supply system. The ensuing report, received in July 1981, made specific recommendations for improvement.

In response to certain report recommendations, the mission and UNFPA agreed that UNFPA would fund improvements in the system from its project which was directed toward improving storage, procurement, transportation, record-keeping, and accountability of supplies. The project was intended to alleviate the problems identified by the report and mission evaluations.

The project was to provide one senior logistics advisor, four program assistants, 20 drivers, training of 300 warehouse managers and storekeepers, and eleven vehicles. The UNFPA was also to provide assistance for equipment for the central and three regional warehouses, operations and maintenance, renovation of the central warehouse and construction of a Chittagong warehouse.

The BDG later deleted construction of the Chittagong warehouse from the budget. Also, the BDG has not allowed funds in the budget to be used for construction of two additional regional warehouses. As a result, UNFPA efforts had little or no effect on improving the logistics system.

In response to our draft findings, the mission commented that it should have involved itself more aggressively in the UNFPA effort. It is now instead attempting to work through UNFPA and its logistics advisor to "avoid duplication of effort".

The 1982 Evaluation

This evaluation team was composed of consultants from the American Public Health Association (APHA) and two high level officials from the Ministry of Health Population Control Division. The team made a comprehensive review of the BDG family planning program including the logistics system. The cumulative value of AID-funded contraceptives in the system at this time exceeded \$40 million.

The evaluation findings indicated that the logistics system continued to be plagued with serious problems throughout the country. The evaluators commented that the system should help to identify implementation problems, give early warning of supply shortages or overstocking, provide a reliable data base for projecting future requirements, and initiate procurement actions. These functions could be fulfilled, however, only if every worker, every clinic, and every thana and district reports accurately, completely and promptly, and only if all responsible officers receive the reports and know how to analyze and use them. Significant problems reported included the following:

- There were widespread and protracted neglect of supply reporting.
- Many of the persons who received training when the supply manual was introduced have transferred to other duties or

have left the program. Most of their replacements have not been trained in the system operations.

- The storekeepers' duties at thanas are assigned to one of several Thana Family Planning Assistants (TFPAs) who are routinely transferred to other positions in accordance with BCG personnel policies. Their replacements are not usually trained in the system operations.
- One storekeeper and one leader are the only authorized positions to handle the heavy district workload. At least one additional assistant storekeeper is needed.
- The supply system was originally designed to manage the commodities in the program at that time, i.e., two kinds of oral pills, condoms, three sizes of IUDs and foam. Additional commodities have been subsequently added including MCH and sterilization related supplies, non-expendable equipment, administrative forms, office supplies and publications.
- A shortage of adequate storage facilities exists. A proposed regional warehouse was to be funded by UNFPA, but it was not approved by the National Economic Council. Plans to construct regional warehouses in Khulna and Bogra were approved but funding was not available to construct them. The district stores, mostly rented, vary greatly in capacity and quality, and most thana stores lack capacity and quality.
- The UNFPA contributed three pickup vehicles in 1975-76 and ten trucks in 1980-81, but it is difficult to keep the vehicles maintained and operating because of lack of funds.
- The procurement function is adversely affected by unreliable, incomplete information on in-country stock levels and quantity requirements; widely varying lead time requirements among donors and among commodity items; unpredictable time requirements for the internal approval procedures in several BCG agencies involved in commodity requests to donors; turnover of procurement personnel; and lack of qualification requirements for the procurement positions.

The evaluators concluded that the logistic and supply problems are difficult and complex, but could be corrected if given a high priority. They observed that along with AFD's large annual investment in program commodities go statutory and regulatory accountability and management requirements. Thus, it is incumbent upon the mission to participate directly with the BCG in making the needed improvements possible.

Mission Monitoring

Field monitoring of the RDG supply management system has primarily consisted of field visits by one mission direct hire local employee from the population office. This monitoring has been informative, but ineffective in resolving the serious problems in the system.

We reviewed field trip reports covering the site visits made during 1982 to 15 districts and 102 thanas. The critical report findings on major weaknesses in the supply management system were repetitive at districts and thanas throughout the country. The most serious problems noted were:

- The districts and thanas were either overstocked or understocked with commodities.
- There was inadequate capacity and quality of storage space especially at the thanas.
- Storekeepers and stock clerks were not properly trained.
- There was a haphazard storage of stocks and a failure to move commodities on a first in, first out (FIFO) basis thereby leaving older stock in storage to deteriorate and become useless.
- There was a failure to maintain accurate accountability for commodities - stock record balances do not agree with physical count balances.
- Field workers fail to properly account for commodities to the thanas - thanas fail to report or accurately report stock activities to the districts - and districts fail to report or accurately report on stock activities to central headquarters and the mission.
- Stocks were not transported from central storage areas to districts and from districts to thanas because of a lack of funds.
- There was evidence of a lack of motivation on the part of supply system personnel, due in part at least to a mix of health and population workers who resent the integrated arrangement of health and population family planning program activities.
- There was a failure to provide an adequate stock of forms required for use in the supply management system.

These visits indicated that critical supply management problems permeate the system. The problems observed at specific locations have not been reported to the Ministry of Public Health. They were communicated only to the individual districts visited. This was done by letter, prepared and signed by the local employee who made the visits. Mission officials have informally discussed the problems with ministry officials, but not in specific terms regarding specific locations.

Mission Comments

Mission officials commented on our draft findings to the effect that communications were handled informally with the ministry because of the belief the information would be used to punish individuals rather than improve the system. They also stated that they formally briefed the Minister of Health and Population Control on the seriousness of the problems. The mission staff believes the system can be improved under the UNFPA logistics project.

BDG Monitoring of the Logistics System

The logistics supply system for family planning commodities is in place in over 400 sub-district thanas in 21 districts throughout Bangladesh. Its problems stem in part at least from an almost complete lack of BDG monitoring and surveillance.

BDG Audit Capabilities

The BDG has never made a physical inventory of AID-financed commodities. We met with ministry officials to discuss staff capabilities and ascertain if any audits have been made or are contemplated of the family planning program. We were informed that the audits address only fiscal data -- no audits are made of commodities. We found no evidence to indicate the ministry is capable of performing a comprehensive audit of the program.

We also met with the BDG Controller General who informed us that his office has never performed an audit of the family planning program. He indicated, however, that his office has staff to perform complex comprehensive audits and can activate audits either on his own, or upon request from a ministry.

We discussed the possibility of the CG performing a comprehensive audit of the family planning program logistics system. The CG indicated he would prefer a request to do so from the ministry. Subsequently, we met ministry officials and apprised them of the CG's desire to have a formal request for audit from the ministry. Ministry officials suggested that upon receiving a request from the USAID, they would in turn make a request of the CG to perform an audit. Both requests were made. We were later informed that the CG has scheduled an audit of the logistics system, including a full physical inventory of commodities. Such an audit should permit the BDG to become involved in the problem areas and may be a first step toward a solution.

Conclusion

After 10 years the logistics system is still not adequate to ensure that the proper quantity of commodities are received and delivered to the right place at the right time; that commodities are properly stored and moved out on a first in, first out basis; that accurate records are maintained; that physical inventories are taken and reconciled to the stock records; and that proper inventory levels based on valid requirements are maintained. Moreover, the logistics staff is not properly trained in supply management,

and is not fully knowledgeable of the supply manual guidelines under which the system operates.

An abundance of correspondence available in the files indicates that mission officials and members of other donor organizations are well aware of the problems besetting the population program. Many of the problems can be attributed to bureaucracy within the BDG. The Ministry of Health and Population control has overall responsibility for the program, but does not have the authority to run it as it sees fit. For example, assignment of personnel is a civil service matter which is based upon strict seniority over which the ministry has no control. Likewise the authority to hire additional personnel is not vested in the ministry, nor does it have control over the allocation of funds for the payment of salaries, transportation of commodities and fuel.

From our reading of documents and discussions with personnel from the mission, the government and other donors, we have concluded that the BDG is committed to a family planning program. The gravity of the population explosion is immense. At the present time, Bangladesh has an estimated population of 93 million contained in an area roughly the size of Illinois. A paper prepared in March 1983 by the donor's committee in Dhaka states that "If the present rate of population growth continues it is estimated that the population of Bangladesh will be nearly 157 million by the year 2000 and 292 million by 2050."

In the relatively near future donors, including AID, are going to have two meetings with government officials. The first meeting will be held in Dhaka, the second will be held in Paris in April. The purpose of these meetings is to define the specific problems facing the population program, and enumerate steps to be taken to overcome them.

At the first meeting the donors plan to present BDG officials with a list of improvements that must be made in the population program. This list is referred to as the "characteristics of commitment". At the April meeting in Paris, the donors expect the BDG to outline the specific actions it has taken to eliminate the problems enumerated on the characteristic of commitment list, and thereby demonstrate its unqualified commitment to the family planning program.

Mission Comments

In commenting in our draft findings, mission officials emphasized the following points:

1. In late 1981 mutual agreement was reached with the UNFPA to have that organization to fund a project for upgrading the logistics system. In retrospect, the mission officials believe they should have become more involved in the UNFPA effort. Instead, they attempted to work through UNFPA and its logistics advisor in order to avoid duplication of effort.
2. Rather than focus on the logistics system, the mission gave priority to establishing informed consent and a surveillance system for the voluntary sterilization program. Progress has been made in this area to a point where mission personnel are now better able to devote increased attention to other aspects of the program such as logistics.

3. The logistics system situation was reviewed in September 1982. At that time it was decided the mission could not leave the making of needed improvements in the system solely to the UNFPA. It was also decided to hire a Logistics Management Officer (LMO) in the Population Office as a necessary pre-requisite to assisting in the improvements. The first responsibility of the LMO will be to validate or revise the 1981 UNFPA and mission logistics assessment needs.

4. The mission is aware of the problems in the logistics system, but does not have the necessary knowledge to make a detailed plan and budget for needed improvements. Until the Logistics Management Officer is in place, the mission plans to hire a local logistics officer. In the meantime, two BDG trainees and a logistics officer in Chittagong have been conducting field monitoring visits and handling paper work related to the distribution, shipping and procurement of commodities.

5. Other actions taken or planned includes sending a letter to the ministry informing it that: (1) a physical inventory of AID funded commodities must be taken; (2) the mission will provide an advisor from the U.S. Center for Disease Control to assist the ministry in the design and conduct of the inventory; (3) the mission will request a count of all oral pills and condoms manufactured in 1980 by month of manufacture to obtain aging information; (4) a survey is required to obtain needed data to develop a plan for sufficient warehouse space; and (5) the training of district and thana level storekeepers must be conducted as soon as possible and requests proposed dates for such training.

Audit Comments

A logistics officer was hired under contract by the mission and reported for work in August 1983. Unfortunately, for administrative reasons, his services had to be terminated in September. At the moment the mission is seeking a replacement. There is no telling how long this will take, but prospects for the immediate future are not good. In the first instance, it took 11 months to find and recruit an experienced advisor willing to serve in Bangladesh. In the meantime the mission hopes to find an immediate temporary replacement under one of AID's indefinite quantity contracts.

Recommendation No. 1

The Mission Director, USAID/Bangladesh, should present a description of the major problems found in the logistics system to the BDG along with a description of the actions that might be taken to alleviate the problems.

SURVEILLANCE OF THE VOLUNTARY STERILIZATION
PROGRAM CAN BE IMPROVED

From grant 388-0050 the mission made a sub-grant to the BDG for a voluntary sterilization (VS) program. In order to comply with the restrictions contained in AID Policy Determination No. 3 on sterilization, pertinent covenants were included in the sub-grant. The covenants require the Ministry of Health and Population Control to, (1) maintain informed consent procedures satisfactory to the mission; (2) make payments only for the actual costs of sterilization services and compensation; (3) not increase sterilization program payments without the prior written consent of AID; (4) have a sterilization program surveillance system acceptable to AID that will be maintained; and (5) maintain other systems to monitor and verify improvements in the sterilization program.

The BDG submitted evidence of its compliance with the covenants which was approved by the mission. To satisfy the covenant on surveillance, the BDG is to provide four expatriate and four Bangladeshi medical consultants to supervise the VS program. The eight physicians are to be funded by the World Bank and the Swedish Government.

At the time of our audit, only three of the expatriates were in country, but all four of the Bangladeshi consultants were in place. The major problem is that no formal arrangements have been worked out between the mission and the BDG to ensure adequate surveillance of the program throughout the country. Surveillance for the mission is being conducted by a U.S. direct-hire medical advisor and several other staff members from the mission population office. The U.S. medical advisor speaks the local language and travels extensively throughout the country. As a result of his field visits, the mission has found it necessary on several occasions to cut-off funds for VS activities because of non-compliance with the covenants.

For example, mission monitoring disclosed that two of the Bangladeshi medical consultants had left the BDG surveillance team. This meant that the Government was no longer in compliance with the covenant that stipulates "a sterilization program surveillance system acceptable to USAID will be maintained". Consequently, payments to the program were stopped for several months until the BDG had all four Bangladeshi medical consultants again in place and operational. Other deficiencies have been found at some sterilization sites include consent forms not completed before surgery, and some unacceptable medical practices.

There is, however, evidence that the program is progressing well. More than one million tubectomies and vasectomies have been performed since 1978. The AID medical advisor has commented that in spite of problem areas "the sterilization program is the finest medical program in Bangladesh". We observed that other means of contraception are available in the system as required by PD-3. These other means of family planning are readily available, and thus provide a choice for acceptors.

Conclusions and Recommendation

The BDG has a team of medical consultants in place to perform surveillance over the VS program which meets the requirements of PD-3. What needs to be done is for the mission to work out a plan of coordination and reporting between the AID medical advisor and the consulting team.

A first step to improve communications with the surveillance team has been taken. For example, in the beginning, the mission medical advisor was not invited to attend team meetings. This was subsequently corrected when the BDG's Director General responsible for implementation of the program issued a letter stating, "that a representative of USAID may be invited to attend all the meetings of the surveillance team". The letter indicated that the purpose of the team meetings was to discuss details on problems and difficulties and "finding solutions to facilitate smooth functioning" of the team aimed at "improvement of the quality of sterilization services".

However, more is needed to enable the mission to be assured that AID PD-3 requirements are met continually throughout the country. This can best be done by development of formal annual master surveillance plan between the mission and the BDG. This arrangement should provide greater assurance that all VS sites will be visited by either the medical consultants or mission personnel, and thus avoid duplication of effort.

In order to give the AID medical advisor a better overview of existing field conditions, the mission should also receive written reports on result of the medical consultants' inspections. Ancillary to the surveillance team and mission inspections are the chartered accountants quarterly field verification of statistics and local costs that are used as a basis for AID reimbursements.

Recommendation No. 2

The Director, USAID/Bangladesh, should formally request the BDG surveillance team, in coordination with the mission medical advisor to develop plans to ensure that all VS sites are inspected periodically for compliance with Policy Determination 3. Formal arrangements should also be agreed upon to ensure that the surveillance team prepares and submits periodic reports to the mission and the BDG.

THE SOCIAL MARKETING PROJECT REQUIRES AN INDEPENDENT COMPREHENSIVE ASSESSMENT

Introduction

The Social Marketing Project has been administered by Population Services International (PSI) since the mid-seventies under a series of AID contracts. In November 1983 the office of the Regional Inspector General in Washington issued audit report 0-000-84-11 on contract claimed and reimbursed by PSI on several AID financed contracts. Exhibit A of the report shows that AID is due a net refund of \$40,939 and Taka 1,115,238 from PSI under Bangladeshi contracts C-1955, C-0042 and 00-1009-090. Recommendation 1 directs the office of Contract Management to ensure settlement of the refund due AID. A copy of the report was sent to the AID mission in Dhaka. Unlike the BDG public logistics system which provides free contraceptives, the SMP operates in the private sector and sells contraceptives through retailers to the general public. AID funds commodities for each system, and both are in place throughout the country. The SMP system has its own brands of condoms, oral pills and other items which are highly advertised.

Population Services International Contracts

Population Services International (PSI) has administered the Social Marketing Project (SMP) under AID contracts since inception in 1974. The first contract was awarded and funded in Washington and complete information on it is not available in Bangladesh. The second contract, AID/DSPE-C-0042 funded under grant 388-0001, terminated April 30, 1981. The present contract, 388-0050-C-00-1009 is funded by the current family planning services grant 388-0050. Cumulative funding of the two contracts totals \$6,174,903 of which \$3,397,597 had been expended. Contract cost excludes mission funded contraceptives for the project.

PSI Contract Responsibilities

PSI maintains one American project advisor in Bangladesh. The SMP director and all other project staff members are local personnel. Contract objectives are to utilize the commercial sector to maintain and increase sales of non-clinical methods of contraception (complementary to BDG's public sector program), and commercially market contraceptive products in a cost effective manner.

PSI is required to administer to the Social Marketing Project, and provide advisory services to a project council which has overall responsibility for the project. Specifically, PSI is required to give advice in the following areas:

- (1) Marketing of contraceptives and related family planning products through the existing network of wholesalers and retailers;
- (2) Expansion of the existing market through increases in the SMP sales force, increases in wholesale and retail outlets and use of other delivery systems appropriate in Bangladesh to increase practices of family planning;
- (3) Management of market research, product promotion and advertising strategies for existing and new products. Advisory services in marketing include pricing, advertising, packaging and innovative sales and delivery strategies; and,
- (4) Formulation of management policies and procedures to sustain the project growth. This includes manpower planning and development, personnel logistics, and operations research management, and liaison with both government and private family planning agencies.

PSI is also required to: (a) attempt to provide a more secure, long term legal basis for the project; (b) sub-contract with local agencies for development, production and placement of advertising and promotional materials through appropriate media; (c) innovate and test market techniques and implement, if found effective; (d) provide incentives to the sales staff, wholesalers and retailers; (e) employ appropriate personnel to carry out these activities; and (f) provide pre-tested informational material to suppliers and consumers

of contraceptive products. In addition, PSI is to advise the government, the project council and the mission on a long term organizational and legal framework which will best insure continued effectiveness in increasing the availability of and use of contraceptives.

In regard to providing a more secure, long term legal basis for the project, mission informed us that PSI began this effort more than two years ago. The current thinking now is to request the BIX to register the SMP as a non-profit company under the BIX "Companies Act". The SMP has already been given a flexibility of operations not accorded to other non-governmental organizations. While the project is covered by government agreement, it is exempted from the number of rules and regulations that apply to other governmental and non-governmental organizations.

Progress in Social Marketing Project Sales

Cumulative cost of AID-financed contraceptives for the Social Marketing Project from inception in 1975 through 1982 approximate \$11.5 million. The types and quantities of contraceptives provided were:

<u>Types</u>	<u>Quantities</u>
Condoms	235,114,200 (each)
Oral Pills	6,108,500 (cycles)
Foam	14,375,800 (tablets)

Project records and reports reflect significant increases in contraceptive sales each year from 1974 through 1982:

	<u>Taka</u>	<u>% Increase</u>	<u>U.S. \$ Equivalent (1)</u>
1974	Tk. 136		\$ 17
1975	40,920		2,808
1976	710,289		47,195
1977	2,102,555		137,692
1978	2,562,815	21.8%	170,287
1979	3,508,327	36.8%	230,811
1980	4,833,050	37.7%	310,607
1981	6,679,825	38.2%	382,095
1982	9,721,431	45.5%	432,064
	<u>Tk. 30,159,348</u>		<u>\$1,713,576</u>

(1) at the prevailing rate of exchange in effect each year.

The SMP has made progress in selling the highly subsidized contraceptives to the public through retail outlets. The sales increases are attributable to the visibility of the SMP brands which are highly advertised, and subsidized at affordable prices.

AID-Funded Evaluations in 1980 and 1982

An AID evaluation team reviewed the overall family planning services program in the fall of 1980. This evaluation provided a brief review of some aspects of the SMP and PSI. The evaluators were especially impressed by the SMP's high quality staff and energetic management.

The team was also impressed with SMP's contraceptive sales statistics. It noted, however, that SMP spent significant sums to repackage its own brands of condoms and oral contraceptives. The evaluators suggested this point should be reviewed with AID/W to determine if the packaging could be done by the U.S. suppliers of the contraceptives at less cost.

In the summer of 1982, local consultants were engaged to perform a field management study. The consultants' August 1982 report covered SMP's organizational structure, staffing and some aspects of its field operations. It made recommendations primarily addressed to SMP's staffing pattern, accountability for sales, accounting system, field supervision, cash sales and credit controls, personnel problems, transport administration, the role of wholesalers, training, organizational expertise and image.

Also in 1982 a U.S. consultant from the International Fertility Research Program (IFRP) was engaged to assess the needs of the SMP. The consultant's report issued in December 1982 stated that as the review progressed certain issues surfaced as the most important for the SMP project including: the "puzzling gap" between condom sales/distribution and condom user in country, the leveling off of pill sales, the cost effectiveness of SMP, and its future direction.

The report contained several recommendations regarding future evaluations of SMP. These indicated a need for preliminary planning including: (1) for future site visits and advance preparation list of available reports, documents, files, records, statistics and the like; (2) sales density maps prepared periodically by division, district and sub-division; (3) a need to fill the vacant research officer position with a senior level consultant; (4) a need to cooperate with other research projects in an effort to obtain information; (5) a need to commission certain small studies; and (6) a need to identify future SMP options.

The report also included several "action" recommendations that: (1) the SMP divisions might invite prominent businessmen, physicians and others working in the population field to serve as honorary advisors to the SMP; (2) since the SMP has ready access to men through retail shops and bazaars, it might concentrate on promotion of vasectomy; and (3) SMP should hold a training course to improve the knowledge and performance of sales promoters.

The report concluded that SMP's greatest need appears to be more information on the demographic impact of the project. This information should be collected mainly from surveys and studies rather than from site visits. In regard to project policies toward pill sales and future directions, site visits would be appropriate at a later date after decisions have been made about what products can be marketed. The cost effectiveness of SMP could not be compared to the BDG program because of a lack of cost information for the government system.

AID Monitoring and Evaluation

Mission monitoring of the PSI/SMP is done primarily through sales statistics and cost reports received. The project officer is required to conduct annual evaluations of the SMP before new year funds are committed.

In June 1982 the mission sent a cable to Washington which gave a brief history of the SMP and indicated that project growth has averaged about 35 percent annually. About 800,000 clients were served through over 60,000 SMP retail outlets. This was estimated to be 40 percent of non-clinical contraceptive distributions and over 50 percent of condom distribution. SMP's national advertising "has effected all family planning programs", its brand names having been adopted as "generic names". By any measure the mission considers the SMP has been a tremendous success and has provided the example which has influenced the BDG to be more receptive to liberal policies concerning non-government organization (NGO) involvement in family planning. Without this liberality "USAID could not as vigorously" have pursued its private sector strategy which currently uses about 50 percent of its \$24 million annual family planning program assistance to Bangladesh.

The cable further stated that PSI is to be commended for bringing the SMP organization along and for "sustaining such an unprecedented performance". PSI's ability to manage in LDC was cited as well as its extremely strong adherence to private sector principles. Rating performance, the cable stated is deserving of an "outstanding".

AID Funded 1983 Evaluation

In November 1983 an AID funded consultant issued yet another evaluation report on the Social Marketing Project. Basically this report concluded that the SMP has demonstrated that a large impact can be made in a low income, largely rural, developing country by harnessing a large existing marketing sector at a very low cost per unit of output. While providing credibility to the social marketing model, it has broadened awareness and legitimized discussion of family planning in Bangladesh.

THE SOCIAL MARKETING PROGRAM MAY BE ADVERSELY AFFECTING THE BDG'S PROGRAM

AID finances contraceptives for both the social marketing project (SMP) and the BDG program. Evidence suggests that certain aspects of the SMP may be adversely affecting the BDG program. The SMP has both regular variety and low-dose oral pills readily available for purchase at highly subsidized prices. The BDG, on the other hand, has only the regular variety oral pill for free distribution to recipients. The problem stems from the fact that regular variety pills produce undesirable side effects to users which is not the case with the low-dose variety.

The low-dose oral pills are highly advertised by the SMP and its retail sales have increased significantly. In contrast, sales of regular variety oral pills has decreased substantially. The BDG system carries only the regular variety and as a result has an estimated three years excess stock. It is unlikely that the BDG supply of regular pills will ever be distributed and major losses may occur.

Several non-governmental organizations reported experiencing adverse effects from the fact that low-dose pills were not available to them from the BDG:

(1) In a self-assessment of its projects, the Asia Foundation (TAF) reported that one of the problems it faces is the fact that only regular variety oral pills are available from the BDG. Many users have reportedly experienced bad side effects from these pills. The new low-dose pills, however, are regularly advertised on the radio, and users want these pills, but they are not available under BDG's free system. This creates a difficult position for the family planning workers who have been told that population control is a "number 1" national priority, but who are unable to give women the pill of their choice. TAF acknowledges the problem is beyond its control, but believes it is an issue which needs attention.

(2) A similar problem is being experienced by The Pathfinder Fund (TPF). A consultant who reviewed TPF's program observed that in almost every project visited field workers complained about the quality of condoms and the lack of availability of low-dose pills from the BDG. Many women reportedly experienced side effects from the regular pills, and some acceptors have switched methods, while others now purchase low-dose pills distributed through SMP.

In discussing this matter with mission officials, we were informed that there is some medical concern about permitting the BDG to distribute the low-dose pills. The concern is that BDG workers may not understand there is a difference between regular and low-dose pills, and may from time-to-time substitute one for the other. For various medical reasons this should not be done. At the present time low-dose pills are sold to (relatively affluent) women only through doctors and authorized chemists. This is a subject that will be addressed in the forthcoming evaluation report on the SMP.

However, recognizing the BDG logistical system needs improvements, the mission is reluctant to add yet another product to its inventory. This is something that can be considered at a later date.

Given the circumstances enumerated above, we are not making a recommendation at this time.

PAYMENTS OF IMPORT DUTIES ON AID-FINANCED PROJECT VEHICLES

In May 1974 the United States signed an Economic, Technical and Related Assistance Agreement with the Bangladesh Government (BDG). One of the important provisions of the agreement was to allow duty-free import of commodities required for AID-financed projects. Nevertheless, in mid-1982, the BDG stopped Population Services International (PSI) from importing duty-free vehicles for the Social Marketing Project (SMP). Because PSI was prevented from purchasing duty-free vehicles abroad, it was compelled to purchase Japanese vehicles "off-the-shelf" from a local dealer in Bangladesh. The vehicles were brought in by the dealer and assembled in-country. Total cost to the SMP was approximately \$220,000, which included import duties of about \$70,000.

Based upon a legal determination made by the AID Regional Legal Advisor in Bangladesh, PSI paid for the vehicles out of AID-financed SMP contraceptive retail sales revenues. The legal determination states "that the proceeds that the project receives from the sale of AID donated commodities" can be used "either to procure non-U.S. source motor vehicles or to pay Bangladesh customs duties or taxes or both." The rationale behind this decision is that the proceeds are not appropriated funds and therefore are not subject to either U.S. statutory or regulatory procurement provisions.

We do not believe duties should be paid with sales proceeds from the SMP, nor that demurrage or any other charges should be assessed on AID-financed commodities by the RDG. We believe the intent of the Bilateral Agreement is that AID-financed commodities should be exempt from all duties.

Recommendation No. 3

The Director, USAID/Bangladesh in conjunction with the U.S. Embassy take formal appropriate action with the BDG to resolve the matter of customs duties, demurrage and other charges levied on AID-funded project commodities imported by non-governmental organizations.

Mission Comments

The mission does not believe the Bilateral Agreement requires clarification regarding exemption from custom duties, levies and taxes on commodities funded under AID projects. It does recognize there are bureaucratic problems which must be resolved, and is now discussing the problems with the RDG. Moreover, there is a possibility of a blanket waiver by the National Board of Revenue for the NGOs which is preferred method. If not, then the mission plans to have the Ministry of Health and Population Control pay the duties and customs. The mission plans to address this as a covenant in the family planning services grant agreement amendment No. 2.

Also, in response to our draft report, that the mission has requested the AID/W office of the General Counsel (Dhaka 2654) to make a legal determination regarding the payment of duties and similar charges from SMP sales proceeds.

THE INTERNATIONAL CENTER FOR DIARRHOEAL DISEASE RESEARCH/BANGLADESH (ICDDR/B)

ICDDR/B primary aims and objectives are:

(1) To undertake and promote study, research and dissemination of knowledge of diarrhoeal diseases; and directly related subjects of nutrition and fertility with a view to developing improved methods of health and for the prevention and control of diarrhoeal diseases and improvement of public health programs with special relevance to developing countries.

(2) To provide facilities for training Bangladeshi and other nationals in areas of the Center's competence in collaboration with national and international institutions.

Overall AID Support of the Center

AID funds a significant part of the Center's so-called core costs. Over the past 12 years 1972-83, expenditures have totaled approximately \$19.2 million. Funding over the past five years has averaged \$1.9 million which represents 40 percent of the core budget. Ten other countries, the U.N. and other organizations provide the remaining 60 percent.

The USAID-Funded Project

As a separate entity, AID is currently funding an experimental project at the Center in collaboration with the Ministry of Health and Population Control (MOHPC). It has two components. The first is an attempt to find out whether maternal and child health services, when added to family planning services, can augment the demand for family planning. This experiment is being conducted in Matlab Thana. The second component is to test whether innovations developed in the Matlab special project can be transferred to the family planning service system of the MOHPC. This is being tested in the two extension thanas. Cumulative obligations for the project total \$505,000, of which \$425,000 has been spent.

The overall objective of the project is to determine the transferability of successful family planning activities from the controlled Matlab Thana environment to other thanas in Bangladesh. As a corollary, it will also attempt to determine what probably will not, for one reason or another, be successful, and therefore should not be transferred to other thanas. Plans are to use the outcome of the research after project completion in February 1984.

We observed the need for ICDDR/B to establish, recruit and fill an internal auditor position. This position should be filled with a competent professional to review and strengthen internal controls, and audit USAID-funded and other ICDDR/B projects as necessary. The internal auditor should report directly to the director of the center.

Mission Comments

Mission officials informed us that after reviewing the final results of the project, the BDG will be encouraged to transfer the successful activities of the Matlab research project to other thanas. In their opinion, the project is providing a wealth of innovative information about how to best increase the demand for family planning activities.

Practical information from the project about what is possible to transfer and how to do it is being fed back to the government through the National Coordination Committee which is made up of program implementors, policy makers and researchers. The plan for the final year of the project is to utilize the cadre of trainers and change agents as trainers of transfer agents for the BDG. Details of this operation have not been developed, but an objective is to close the project with a systematic effort to develop change agent skills in the MOHPC.

The Center has established an internal auditor position which has been approved by the Board of Directors. The position has been advertised and candidates are being screened. The candidate selected will report to the director of the center.

THE BANGLADESH ASSOCIATION FOR COMMUNITY
EDUCATION (BACE)

Introduction

The BACE is a local Bangladeshi non-profit voluntary association established by a group of "distinguished" citizens in 1977. The organization's primary concerns are with the low primary school enrollment, high dropout rates, unemployment of educated persons, acute shortage of technicians and craftsmen, and the low levels of skills available in rural areas. In addition to AID, BACE receives support from the Save the Children Fund of the United Kingdom, the Canadian High Commission, UNICEF, UNESCO and others.

The Scholarship Program

An initial grant of \$54,700 was awarded by AID to BACE in April 1982 to support a scholarship program for girls in classes 6 through 10. The scholarships are to enable the recipients to continue formal education especially from the primary through secondary levels. The project envisages long term impact on fertility of scholarship recipients. The rationale is that better education may delay marriages and the recipients are likely to practice family planning after marriage. BACE had awarded 1,301 scholarships in the grant period at average cost of U.S. \$42 per student.

A local consultant evaluated the program and submitted a written report in March 1983. The report indicates that dropouts decreased significantly in 1982 compared to the two prior years. The report estimates that 1,918 girls will enroll in the 19 schools in 1983. The consultant interviewed 44 local leaders in the project area and almost all were positive that marriages of the participants will be delayed as a result of the scholarship program. As a result the consultant recommended that the program be expanded.

The funding of scholarships through BACE appears potentially successful and as a result the mission plans to add an additional \$100,000 in the pilot program. Many schools exist in more than 430 thanas throughout Bangladesh where such a scholarship program could be expanded.

Accounting System and Records

Our review of BACE records at its Dhaka office indicated the accounting system is adequate, but the posting of records is not up to date. The BACE records are audited by a chartered accountant, a final audit report was not yet available at the time of our review. In our draft, we recommended the mission discuss BACE staff requirements with the organization and obtain the chartered accountant final report. We also recommended that the USAID analyze and review the grant costs with BACE to ascertain whether administrative and indirect costs can be reduced. If so, this may make more grant funds

available for scholarships, and determine if any expenses being charged as direct may also be included in overhead costs.

Mission Comments

(1) The USAID stated that total number of scholarship recipients in 1982 was actually 1,376. This included 1,301 scholarships awarded to girls in classes 6 through 10. This occurred because of dropouts and other reasons and therefore an additional 75 girls in classes 11 and 12 were awarded scholarships.

The mission indicated that a part of the consultant's conclusions were either based on a small sample of opinion leaders or were not directly based on any quantitative data collected for the report. This was stated to be "a fairly common trait among local consultants". The BACE scholarship scheme has good potential, but evaluation of such an education project frequently required several years. Plans are to strengthen long-term evaluation, possibly incorporating information on age at marriage for scholarship recipients.

(2) The grant provides for two accountants, one at the BACE office in Dhaka and one at the field office. These accountants have responsibility for the timely posting of records. The need to upgrade its current accounting staff is a matter that will be discussed with BACE.

(3) The only direct management costs specified in the grant budget are salaries of BACE staff members working directly on the AID scholarship project. The costs of other BACE staff time, travel, office accommodations, supplies, etc., are all to be paid as indirect costs. The mission plans to examine these costs carefully before finalizing the 1983 grant amendment to insure the indirect rate is properly computed.

THE COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)

From its family planning services grant, AID is funding a CARE program for the faculty of the Family Welfare Visitor Training Institutes (FWVTI). The grant was awarded in June 1981 and provides \$525,000 for this program. Its primary objective is to strengthen and build the training infrastructure required to meet the faculty manpower needs for the FWVTIs. This CARE project is being implemented through the BDG's National Institute for Population Research and Training (NIPORT) which has primary responsibility for health manpower training.

Start-Up Problems

The program encountered start up problems primarily caused by lack of trained and motivated counterparts, lack of cooperation of counterpart at NIPORT, cumbersome bureaucratic system and rules, constantly changing regulations, lack of BDG administrative capability and support for the project, and constant shifting of BDG personnel. AID funding was \$200,000 for the first year and \$325,000 for the second year. Project expenditures totaled about \$248,500. CARE has requested the mission to extend the grant through 1985, because of early delays encountered in project implementation.

Mixed Progress to Date

CARE's most recent report indicates mixed progress. Some positive factors reported were that the first group of field trainers had completed six months of training and were posted to FWVTIs, the faculty was revising the field trainers curriculum in preparation for the second group of students, one comprehensive training module had been developed, and one class of field trainers had graduated.

Lack of progress was reported in other areas:

- (1) Preliminary observations indicate that more emphasis should be placed on developing specific technical skills and practice teaching;
- (2) Two target areas were not being adequately met. The first is locating and implementing counterpart training sites outside of country. Many potential training centers have been contacted but no suitable program has been found. The outlook for meeting this target was not good. The second is the lack of continuing educating programs for the existing faculty in the FWVTIs;
- (3) There are only five core faculty members assigned to the project by the BDG;
- (4) Providing three weeks of training in the South Asia region for six core faculty members had not been accomplished;
- (5) Implementing specific training courses for the currently working FWVTI faculty has not been adequately achieved because there was a need to closely monitor the development of the first six months training course;
- (6) At present only two institutions have active home visiting programs; and,
- (7) CARE has only just started to conduct continuing education for FWVTI the faculty.

AID Evaluation

In mid-1982 an AID consultant reviewed AID supported NGOs in country including CARE. The consultant stated that improving the quality of training and upgrading the skills and faculty in the FWVTIs is a sensible project, and noted that the BDG is to pick up the project at the end of three years and continue it, and by that time the institutionalization of the program should be complete. He concluded that early discussions and planning should begin on how this arrangement will actually be effected, and observed that many times good projects get started and end up being "patch work" for a period of time if they do not become fully integrated.

Recommendation No. 4

The Director, USAID/Bangladesh should reach an agreement in principle with the BDG on the transfer and continuance of the FWVTI program in accordance with the grant agreement.

Customs Problems

CARE experienced problems in clearing AID-financed commodities through customs. For example, CARE imported two passenger vans for the FWVTI training project. The vehicles arrived on May and June 1982 but were not cleared until 8 months later. CARE did not pay duties on the vehicles, but was assessed storage charges equivalent to about 25 percent of the freight costs.

Mission Comments

The mission informed us that CARE has now cleared all AID commodities through customs and that it will obtain a refund for demurrage charges paid by CARE and other NGOs in 1982. It also plans to take up the issue with the Ministry of Finance in an attempt to prevent similar occurrences from happening in the future.

THE BANGLADESH FAMILY PLANNING ASSOCIATION (BFPA)

The BFPA is the oldest local voluntary agency working in family planning in Bangladesh. It is a nationally established organization which operates through major branch offices located in each of the 20 geographic districts. BFPA is a full affiliate of the London based International Planned Parenthood Federation which organization provides substantially all of BFPA's annual \$550,000 budget plus about \$100,000 in commodities. BFPA's office in Dhaka approves funds and monitors the program activities which are actually implemented by the branch offices in individual districts.

AID Support

AID awarded a \$375,000 grant to BFPA to support its program from June 1981 through May 1983. The purpose of the grant was to assist BFPA: (a) promote and popularize the concept of family planning and the small family norm; (b) involve and assist other non-government voluntary organizations in family planning services and activities and provide services in areas not served by the BDG; (c) and develop and demonstrate new approaches to client motivation and service utilization. The AID mission in Dhaka approved four specific projects for funding under the grant:

(1) Use of Traditional Healers in Family Planning	\$ 65,527
(2) Use of Voluntary Agencies in Population Activities	\$102,902
(3) Orientation of Professional Groups Through Seminars	\$ 6,000
(4) Production of Documentary Films	<u>\$ 23,702</u>
Total:	\$198,131 =====

The remaining balance of \$176,869 provides budget support to BFPA to assist in expanding its program.

Mission Monitoring and Evaluation

Mission monitoring consists primarily of periodic visits to BFPA's main office and district offices, and through reviews of quarterly progress reports. BFPA's most recent progress report covered the "Traditional Healers" and the "Voluntary Agencies" projects.

Mission analysis of the "Traditional Healers" report indicated that the 500 healers recruited 39,758 new acceptors of contraceptives over a 15 month period including 2,061 referrals primarily for sterilization. The drop out rate was near 50 percent in the 15 month period. About 19,200 acceptors remained at the end of the period. The high drop out rate was expected in this project because the "healers" are basically "depot holders" located at specific sites who perform only limited outreach and follow-up work with acceptors.

Analysis of the "Voluntary Agencies" report showed 26,435 acceptors of contraceptives had been recruited, and there were 2,238 clinical referrals primarily for sterilization. Data on 11 of the initial 12 districts indicated that 61 percent of those recruited remained active users of contraceptives throughout the end of a 15 month period. Continuation rates in this project are generally higher than the "Traditional Healers" project, but are still under 50 percent in some districts.

In the 15 month period, mission analysis estimated that project costs in the two projects was about Taka 24 (\$1.00) and about Taka 45 (\$2.00) respectively per active user. USAID officials concluded that these are "low cost" programs which serve large numbers of acceptors, and plan to continue support to the project.

Outside Evaluation

An AID-financed consultant evaluation indicated that the "Traditional Healers" and "Voluntary Agencies" projects served about 25,000 couples in the first six months of operations including about 1,000 sterilization referrals. The consultant observed that project costs appear to be low compared to other programs of this type, and that BFPA expected to serve about 90,000 couples through the projects by June 1983.

Audit and Control

The BFPA has one internal auditor on its staff who reports to the Chief Accountant. In order to provide more independence and effectiveness, we believe the internal auditor should report to the BFPA Director, not to the Chief Accountant.

The BFPA engaged outside auditors to review its district office programs. Nine offices were audited by chartered accountants and nine were audited by other than a chartered accountant. The main office and two district offices were not audited. We believe all of the 21 offices should be audited, preferably by a chartered accountant to ensure professional quality of audit coverage.

The outside audits of district offices indicated deficiencies in internal controls at certain branches. For example, audit reports noted that cash funds and accounting records were being handled by single individuals. This represents poor internal control over BFPA funds contributed by AID and others and requires improvements.

Security of Commodities

A need for improved commodity security is indicated. For example, the chartered accountants made a physical inventory of contraceptives at the Dhaka warehouse in January 1983 and found a major shortage of commodities. The accountants noted that BFPA's inventory records showed 109 cartons of C-5 oral contraceptives in stock. The auditors' physical count disclosed that 45 of the cartons were empty (45,915 cycles) and only 64 cartons (65,395 cycles) were in the inventory.

The missing items were apparently stolen by BFPA staff members who were subsequently arrested by the local authorities. There is a need for BFPA to make improvements in commodity security at the headquarters and 20 district offices. The improvement of security and internal controls is important under a new supply system, because, BFPA is to be responsible for providing contraceptives to all AID-funded NGOs.

Mission Comments

The mission informed us that action will be taken to provide for project audits in the grant amendment to be negotiated. The mission will also formally communicate the audit recommendations on improvement of internal controls at BFPA offices. As a result of the theft, BFPA has replaced guard services and locks at its Dhaka warehouse. The mission will formally require BFPA to provide adequate security at all offices participating in the new supply scheme for NGOs.

THE INTERNATIONAL PROJECT: ASSOCIATION FOR VOLUNTARY STERILIZATION (IPAVS)

The IPAVS which was established with AID/W grant assistance in 1972 has its headquarters in New York. In Bangladesh, it operates an Asia Regional Office, and also has oversight responsibilities for its affiliate, the Bangladesh Association for Voluntary Sterilization (BAVS) funded by the AID mission in Dhaka. The mission makes direct grants to IPAVS which in turn makes sub-grants to BAVS to support its voluntary sterilization program. IPAVS provides overall guidance and is responsible to ensure that BAVS complies with AID Policy Determination (PD-3) at all 25 clinics operated in Bangladesh.

As part of its oversight activities, IPAVS provides assistance to BAVS in finding sources of funds, developing proposals, implementing and monitoring projects, as well as financial and program management and education.

THE BANGLADESH ASSOCIATION FOR VOLUNTARY
STERILIZATION (BAVS)

Introduction

BAVS is a local private, non-profit organization headquartered in Dhaka which currently operates 25 clinics in Bangladesh. Nine additional clinics are planned. The major objectives of BAVS are to provide leadership in the field of sterilization, and to promote and support both public and private interest in the field of voluntary sterilization and related services to family welfare and maternal and child care.

From March 1981 through December 1982, the mission through IPAVS, made nine sub-grants to BAVS totaling \$1,436,402. Three of the nine sub-grants were large, ranging from \$428,000 to \$521,000. The other six were small, ranging from \$2,000 to \$10,000. The large grants were given to support BAVS clinics, while the smaller ones were primarily for training and consultancy.

BAVS' progress and achievements are reported through IPAVS. In 1982 BAVS' cited progress included the successful implementation of a medical supervision system and the performance of 67,000 VS procedures (vasectomy and tubectomy). An additional 150,000 procedures are expected to be performed through 1984.

BAVS is monitored through semi-annual inspections by IPAVS and by mission field visits performed by a direct hire medical advisor and a personal service contractor. Monitoring is important to assure compliance with AID policy (PD-3) on VS activities.

Direct Funding

In 1982 an AID consultant reviewed BAVS and other AID funded NGOs. The consultant stated that the IPAVS and BAVS organizations have worked closely for several years and indicated that BAVS had matured as an agency and assumed increasingly greater technical responsibilities for management and medical supervision. For example, BAVS had standardized training, improved its planning capability, and the BDG looks upon BAVS as one of the effective organizations involved in the population field.

The consultant commented that the role as IPAVS was to help BAVS get started, and when the organization matures, to phase out support. He believed BAVS to receive direct USAID funding. The consultant added that BAVS "has matured, stabilized, and has a proven track record". He suggested it would be logical for the mission to fund BAVS through IPAVS for an additional year and there after fund it directly from BAVS.

Internal and External Audits

BAVS is presently operating 25 clinics throughout various parts of the country and plans were to increase the number to 34. BAVS has one internal auditor who visited all 25 operating clinics over an 18 month period. In view of problems disclosed at clinics by the auditor and the IPAVS evaluations, and the plans to add nine more clinics, we believe BAVS should increase its audit staff by at least one competent professional.

Mission Comments

USAID officials believe that BAVS is not ready for direct funding. It is their judgement that although BAVS has grown and matured as an institution, it is not ready to stand effectively on its own feet. They believe BAVS will require considerably continued technical assistance for at least the next three to five years to enable it to realize its full potential. It is their opinion BAVS differs from other agencies directly funded by USAID because of the sensitivity of the VS services it provides and the size and complexity of its annual \$1.5 million program.

The mission has agreed to recommend to IPAVS that BAVS hire an additional internal auditor. The mission also stated it will require IPAVS submit copies of BAVS audit reports for information and monitoring purposes.

Best Available Document

EXHIBIT A

CUMULATIVE STATUS OF FUNDED GRANTS
FOR FAMILY PLANNING PROGRAMS IN BANGLADESH
(CIVILIAN AID, 1988-0001 AND 1988-0050)
PER MISSION DIRECTS AS OF JUNE 30, 1983

Grant No. 1976-001 (1/76 to 6/80)

Category	Obligations	Expenditures	Available Balance	Grant No. 1976-001 (1/76 to 6/80)		Grant No. 1988-0050 (1/81 to 6/83)		Summary		Note (3) Note (4)
				Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	
Technical Assistance (NGOs)	\$1,107,810	\$1,107,810	\$ -	\$15,943,633	\$6,332,817	\$9,610,816	\$17,051,443	\$7,440,627	\$9,610,816	Note (1)
Commodities	6,012,204	6,012,204	-	5,250,895	1,733,196	3,517,699	11,263,099	7,745,400	3,517,699	Note (2)
Training	1,753,177	1,748,000	4,544	444,000	109,960	334,040	2,197,177	1,858,593	338,584	
Printing	28,154	28,154	-	15,000	3,594	11,406	43,000	31,748	26,406	
Evaluation	26,103	26,103	-	50,000	-	50,000	76,103	26,103	50,000	
Operations Research	252,945	252,945	-	300,000	21,696	278,304	552,945	274,641	278,304	
Medical Kits	-	-	-	100,000	-	100,000	100,000	-	100,000	
Clinical Supplies & Equipment	-	-	-	1,050,000	295,425	754,575	1,050,000	295,425	754,575	
Maternal Child Health (MCH)	-	-	-	415,000	29,654	385,346	415,000	29,654	385,346	
Prevalence Survey	-	-	-	150,000	21,900	128,100	150,000	21,900	128,100	
Local Costs for VS Program	-	-	-	11,492,343	3,412,454	8,079,889	11,492,343	3,412,454	8,079,889	
Local Family Planning Costs	-	-	-	250,000	8,000	242,000	250,000	8,000	242,000	
Family Planning Services Center	-	-	-	650,000	127,700	522,300	650,000	127,700	522,300	
Increasing Demand	-	-	-	656,000	163,140	492,860	656,000	163,140	492,860	
Totals	\$9,180,393	\$9,175,840	\$4,544	\$36,766,871	\$12,259,536	\$24,507,335	\$45,947,264	\$21,435,385	\$24,511,879	

Note (1): Includes Population Services International (PSI) Contract Obligations and Expenditures of \$8,174,903 and \$4,099,248, respectively currently under audit in New York by RIG/A/Washington.

Note (2): Cumulative AID/W Contract funded commodities and USAID funded commodities approximated \$40 million.

Note (3): Grant No. 388-0001: Date of original agreement 5/31/76; Project Assistance Completion Date 9/30/85; Terminal Disbursement Date 6/30/84.

Note (4): Grant No. 388-0050: Date of original agreement 1/27/81; Project Assistance Completion Date 9/30/85; Terminal Disbursement Date 6/30/86.

LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 1

The Mission Director, USAID/Bangladesh, should present a description of the major problems found in the logistics system to the BDG along with a description of the actions that might be taken to alleviate the problems.

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Recommendation No. 2

The Director, USAID/Bangladesh, should formally request the BDG surveillance team, in coordination with the mission medical advisor to develop plans to ensure that all VS sites are inspected periodically for compliance with Policy Determination No.3. Formal arrangements should also be agreed upon to ensure that the surveillance team prepares and submits periodic reports to the mission and the BDG.

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Recommendation No. 3

The Director, USAID/Bangladesh in conjunction with the U.S. Embassy take formal appropriate action with the BDG to resolve the matter of customs duties, demurrage and other charges levied on AID-funded project commodities imported by non-governmental organizations.

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Recommendation No. 4

The Director, USAID/Bangladesh should reach an agreement in principle with the BDG on the transfer and continuance of the FVPTI program in accordance with the grant agreement.

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LIST OF REPORT RECIPIENTS

<u>USAID/Bangladesh</u>	
Director	5
<u>AID/W</u>	
Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	1
Bureau For Science and Technology	
Directorate for Health and Population (S&T/HIP)	1
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
PPC/E/DIU	2
Bureau For Management	
Assistant to the Administrator for Management (AA/M)	1
Office of Financial Management (M/FM/ASD)	2
Directorate for Program and Management Services	
Office of Management Operations (M/SER/MO)	1
Office of Contract Management (M/SER/CM)	1
Bureau For External Relations	
Office of Legislative Affairs (EXRL/LIG)	1
Office of General Counsel (GC)	1
Office of Public Affairs (OPA)	2
Office of Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/IMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspectors General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Latin America	1
RIG/A/Dakar	1
<u>Other</u>	
RIG/II/Karachi	1
New Delhi Residency, RIG/A/K (AAP)	1