



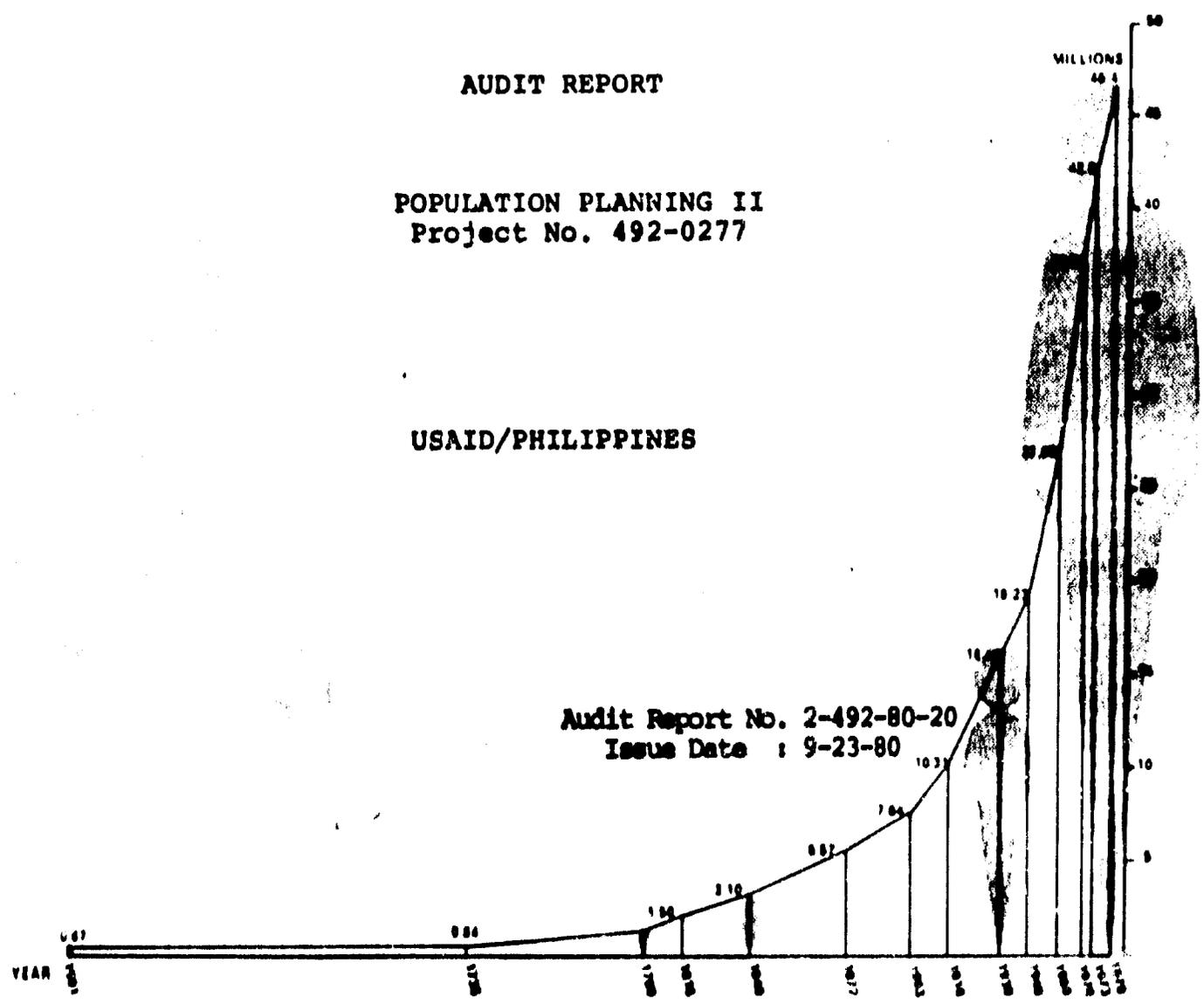
Auditor General

AUDIT REPORT

POPULATION PLANNING II
Project No. 492-0277

USAID/PHILIPPINES

Audit Report No. 2-492-80-20
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Area Auditor General East Asia
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EXECUTIVE SUMMARY

I. INTRODUCTION AND PURPOSE OF AUDIT

More than 46 million inhabitants make the Philippines the 17th most populated country in the world. Whether or not the Philippines will improve both its absolute as well as its relative standing in fertility reduction, will depend to a large extent on the success of several ongoing population-related projects, of which "Population Planning II", with a heavy emphasis on Outreach activities is one of the more important ones.

AID's contribution to the project, for 1977-80, is in excess of \$11.5 million, with Outreach-related activities amounting to \$8.7 million (or 76 percent).

	<u>Outreach</u>	<u>Other</u>	<u>Total^{1/}</u>
AID ^{2/}	\$ 8.7 M	\$ 5.1 M	\$13.8 M
Other Donors	-	4.4 M	4.4 M
Total Donors	\$ 8.7 M	\$ 9.5 M	\$18.2 M
GOP ^{3/}	11.1 M	4.7 M	15.8 M
TOTAL	<u>\$19.8 M</u>	<u>\$14.2 M</u>	<u>\$34.0 M</u>

Actual expenditures through June 30, 1980 were virtually \$8.0 million for the entire project, with Outreach accounting for \$6.6 million.

The purpose of our audit was to determine whether AID funds were spent in accordance with AID Regulations, the program was being managed efficiently and economically, and project objectives were being achieved.

^{1/} Source - Project Paper

^{2/} Includes \$2.3 million centrally funded contraceptives

^{3/} In addition to the direct project contribution an estimated equivalent of \$46.2 million is being contributed by the GOP for POPCOM staffing and administrative costs, in addition to support of public and private population, and family planning programs.

II. CONCLUSIONS

Our inclination to characterize "Population Planning II" as being successfully on track is being complicated by continuing difficulties in obtaining a better handle on data from the field and to resolve some of the related credibility problems.

These were first identified by us in late 1977, and figure prominently in reports by other project evaluators and observers. These continuing concerns, when superimposed on those already recognized independently by Mission officials themselves, have translated into concentrated efforts to improve both the completeness as well as the quality of the Management Information Systems (MIS) data.

The amount of progress made is probably all that may be realistically expected, under the circumstances. But in order to maintain the momentum and encourage further improvements, the recent level of interest needs to be preserved. Concurrently, there ought to take place some re-examination of the systems aspects, with a view of simplifying them, generating more compliance, and reducing error proneness.

As a result, successive project reviewers typically applaud program implementation, but --because of MIS data softness -- hedge to express an opinion whether or not project purposes are being achieved. They lack the tools to do so, and we are no exception.

During the early phase of the project this translated into overstocking of certain commodities, the subsequent need to test them for potency (because of their extended stay in inventory), and, in some instances, their withdrawal from circulation and subsequent cremation. Diligent efforts are in process to avoid a repetition. If there should be, it won't be for lack of trying.

When contraceptive user data are at variance with inventory records, where either one, the other, or both could be (and are) wrong, then both the replenishment of commodities, not to mention logistics planning and expressions of an opinion concerning local, regional, or country-wide project success are compromised.

When every project officer exerts the amount of energy and persuasion to bring about reform, as we observed them to do, then sooner or later, these efforts ought to pay off, in terms of noticeably better MIS data quality.

While day-to-day operational and logistics decisions rely, to a large extent on these MIS data, overall project goals and designs were able to utilize various survey data generated by two other sources: Community Outreach Survey (COS) and the Philippines portion of the World Fertility Survey (WFS). The limitations of a relatively small data base are nonetheless able to accommodate the conceptual needs of the project, but pose problems when dealing with tangible realities, such as managing a rather complicated, multi-jurisdictional commodity distribution system against unevenly reported consumer needs, spread across a 7,000 islands plus archipelago.

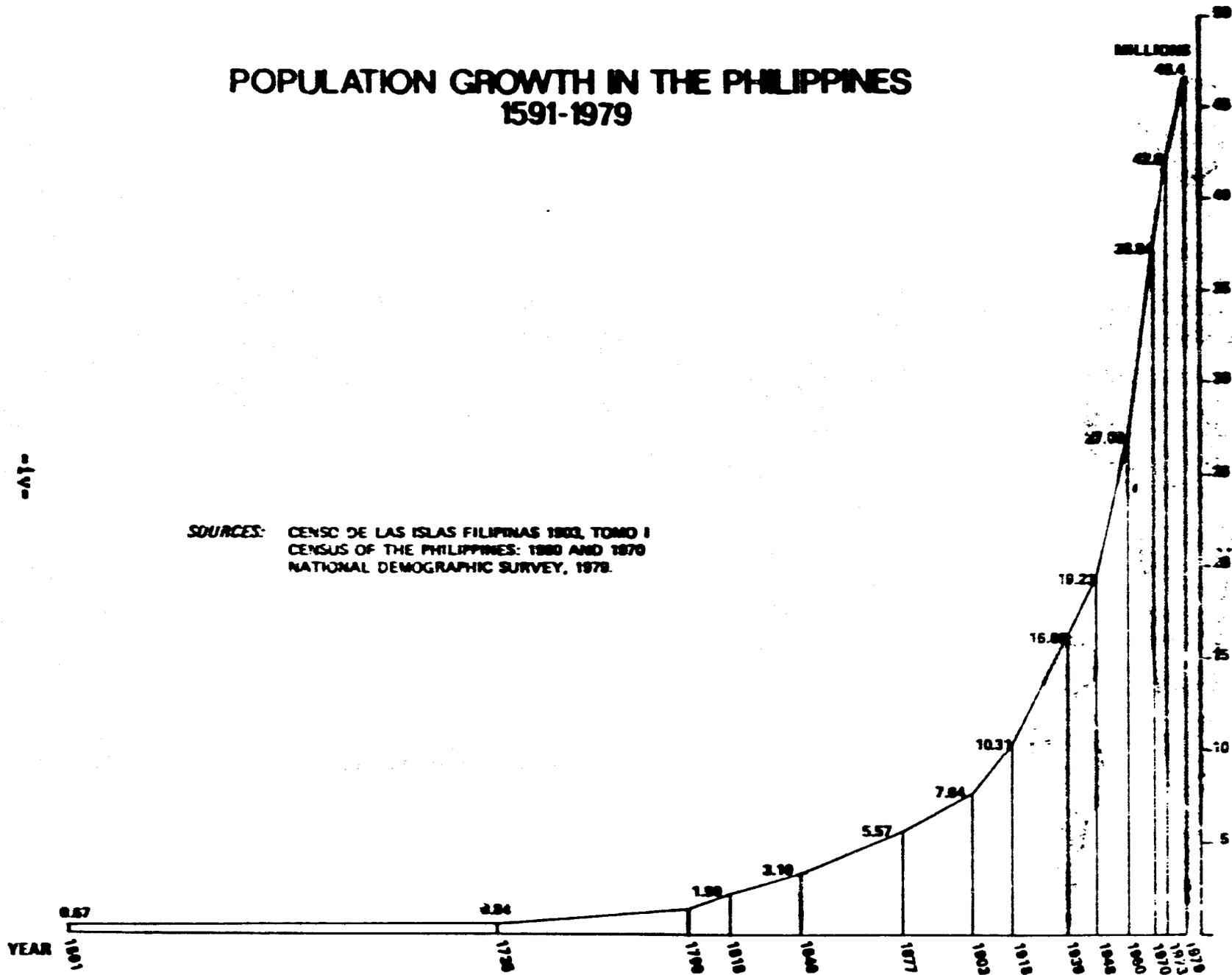
A contributing factor to the widespread prevalence of the data problem, particularly during the early phase of the project, was the paucity of adequate training, coupled to motivational disincentives caused by funding bottlenecks for the paid Filipino staff. At the grassroots level, there are 40,000 community-spirited volunteers, to be selectively motivated by free life insurance, T-shirts, umbrellas, and training sessions, who spend a few hours each week keeping in touch with their "clients", numbering about 70 on the average.

Under the circumstances, it is not difficult to visualize what happens to the statistics, from the precinct level to national headquarters. In fact, one could just as easily express amazement that things work as well as they do.

Our five recommendations have been designed to ensure that further improvements and continuing attention will not be left to chance, and that certain problems which arose as a direct result of the basic data completeness and credibility weaknesses will be addressed promptly and resolved.

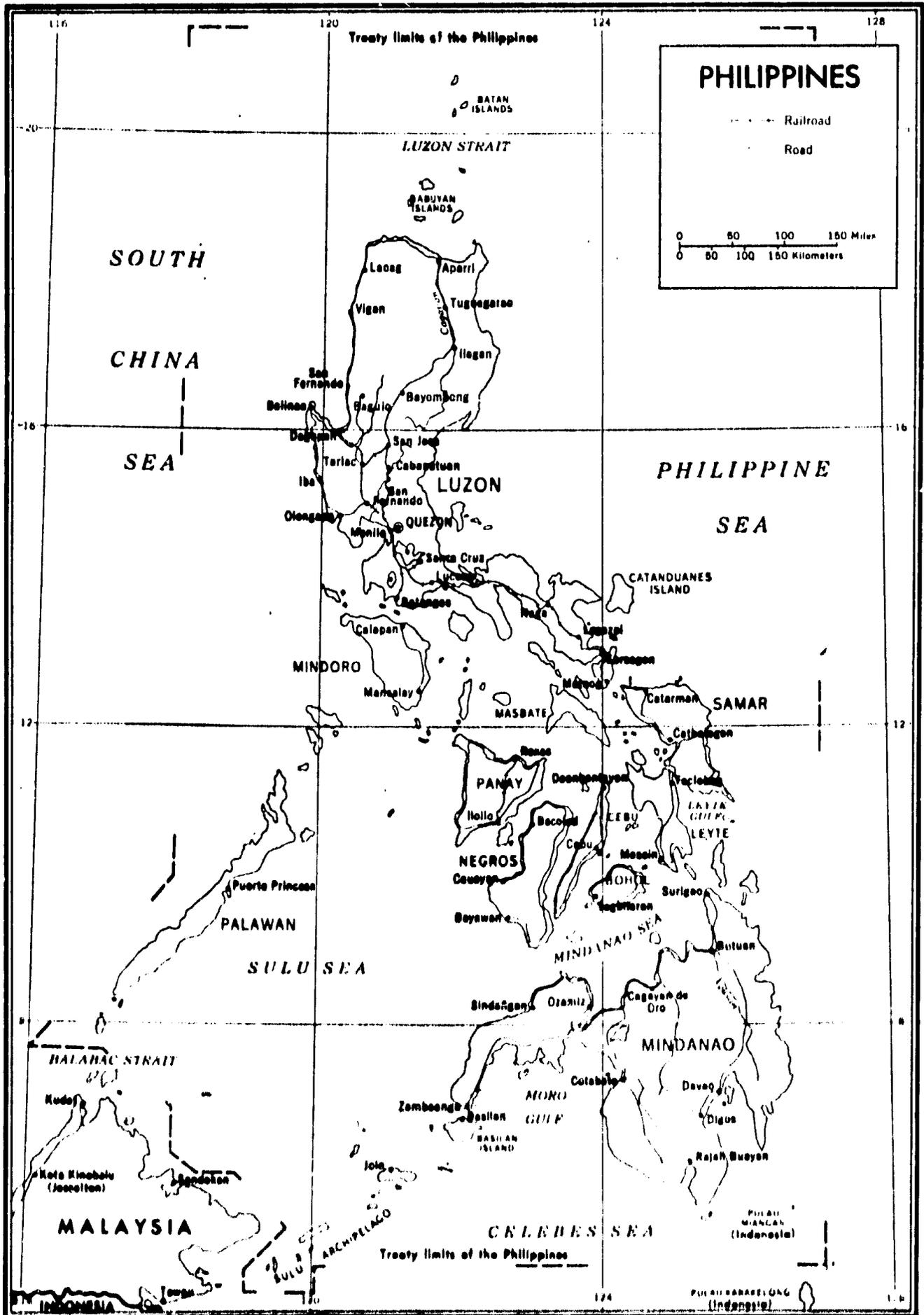
The follow-up of certain internal control problems reported on by our Filipino counterpart audit organization is taking place under its jurisdiction. An earlier survey by us, in January 1980, had summarized them in detail, by region. Nothing came to our attention, in the course of our audit, which would require our intervention, at this time.

POPULATION GROWTH IN THE PHILIPPINES 1591-1979

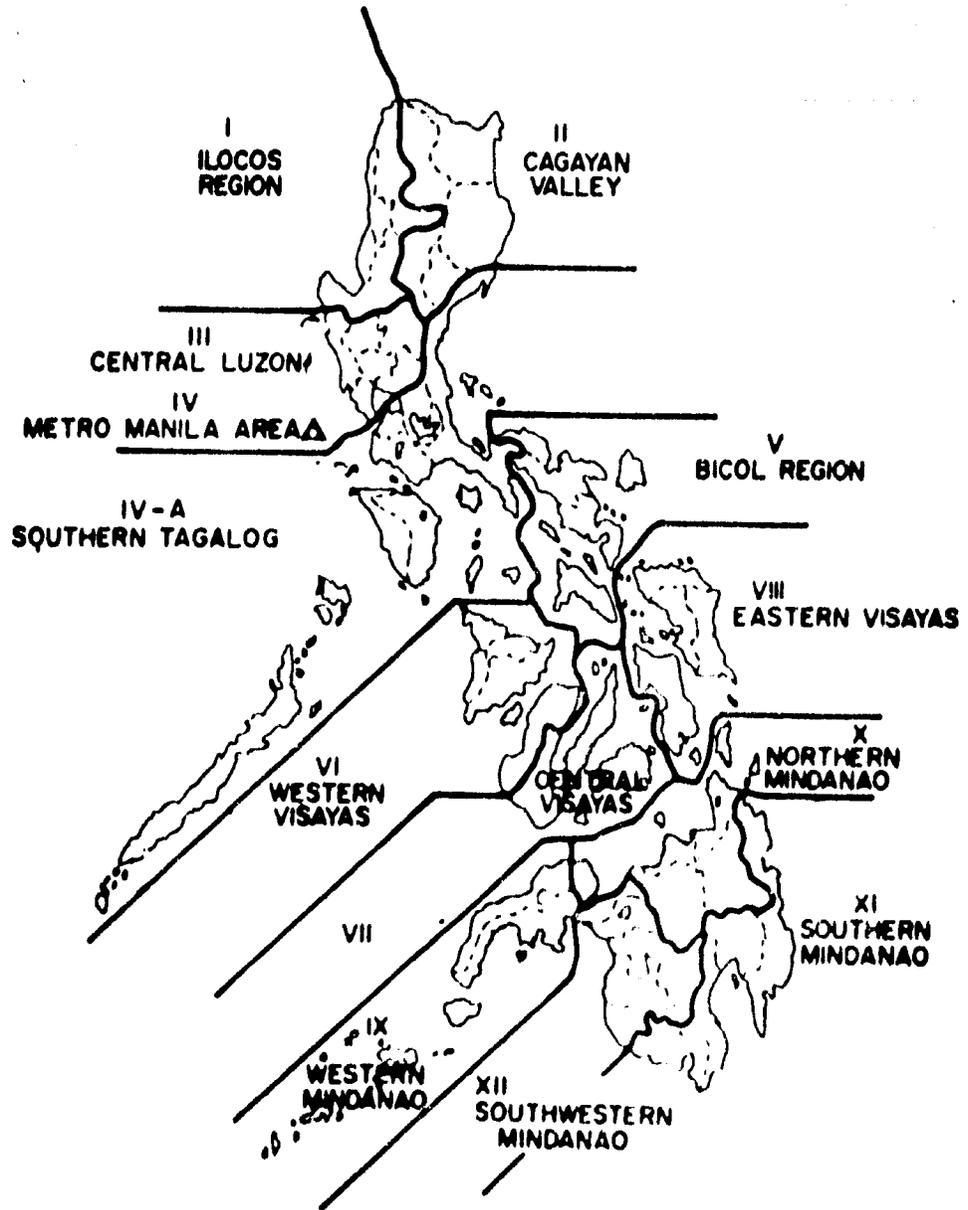


SOURCES: CENSO DE LAS ISLAS FILIPINAS 1903, TOMO I
CENSUS OF THE PHILIPPINES: 1960 AND 1970
NATIONAL DEMOGRAPHIC SURVEY, 1978.

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PHILIPPINES - ADMINISTRATIVE REGIONS



Source: Five-Year Philippine Development Plan , 1978-1982

BACKGROUND

When the Philippines reported a population of 46.4 million people, in 1979, this number ranked it in 17th place, in terms of most populated countries in the world. In terms of density, at 399 persons per square mile, it scored even higher.

Notwithstanding an estimated 20 percent drop in population growth rates, from about 3.0% in the late 1960s, to 2.4% in 1977, such a rapid increase nevertheless inhibited progress on many developmental fronts, such as nutrition, health, education, employment, income and housing.

The government of the Philippines (GOP) has established the twin national goals of at least doubling the contraceptive prevalence rate, from 32% in 1979, to 70% by the year 2,000, an achievement which would have the inverse effect of cutting the 1979 base year growth rate of 2.4% approximately in half, to 1.3%. But even then, demographic planners envision the population of the Philippines to reach the 70 to 75 million range, during the same 21 year period.

The Philippines was one of eighteen cosignatories to the 1967 United Nations Declaration of Population, and established family planning services in the Department of Health during the following year. Since that time, working with the United States, the United Nations and the World Bank, the country has made encouraging progress, following essentially a policy of fertility reduction through voluntary measures.

Major milestones during the first decade included, in 1969, the creation of the Commission on Population, via Executive Order 171, followed two years later by the inclusion of a chapter on population in the 1971 Four-Year Development Plan. By 1972 a Population and Family Planning Week had become an annual event, and in 1973 tax exemptions for children were reduced to a maximum of four.

The following year, 1974, the number of paid maternity leaves was reduced to four and private companies with more than 200 employees had to provide on-site family planning services. 1976 added the requirement whereby all marriage applicants had to receive instructions on family planning and responsible parenthood. The same year, funding responsibility for population and family planning activities was gradually being shifted to provincial governors and city mayors.

In 1977 the GOP prepared three sets of related plans, dealing with a 5-year (1978-1982), 10-year (1978-1987) and a Long Term Model (2000).

Based on the recognition that use of contraceptives and the proximity to a dispensing outlet bore a strong correlation to each other, the community-based Outreach Program of the Commission on Population (POPCOM) began to function. The extent to which it succeeded, or was prevented from succeeding, is described in the pages that follow.

SCOPE

Our audit was performed in accordance with government auditing standards and was designed to determine whether:

1. The Philippines Population II Project is being administered in accordance with sound financial management practices and AID regulations;
2. AID funds are being used in an efficient and economical manner, and
3. The project has achieved or is likely to achieve its objectives.

Our review included an examination of documents and correspondence, interviews with USAID/Philippines personnel and Government of Philippines officials. As part of our audit, we inspected field operations in Baguio, Cebu, Laguna and Legaspi.

Both the current report findings and the entire draft report have been discussed with Mission officials, and their comments were considered and included in the report, as appropriate.

PRIOR AUDIT

In November 1977 the Area Auditor General/East Asia assessed the procurement and distribution of contraceptives in the Philippines as part of a worldwide review which focused primarily on the effectiveness of determining requirements, the commodity flow, as well as the existence and reliability of related recording and reporting systems.

A number of control aspects required strengthening, specifically with respect to the;

- timeliness and reliability of data related to contraceptive acceptance, usage and inventory, taking into consideration that family planning clinics within the Outreach Program were relatively new;
- need for closer monitoring to assure correction of these problems;
- excess stocks of contraceptive on hand vis-a-vis scheduled replacement shipments;
- lack of written procedures for performing periodic physical contraceptive inventories and their reconciliation with recorded book inventories;

- congestion at warehouses, aggravated by ignoring first-in-first-out procedures.
- rivalries between clinics and Barangay Service Points;
- clinics' incomplete record keeping for continuing users and contraceptive stocks;
- clinics' defying reporting disciplines;
- absence of a logistical supply system to provide for the identification and disposition of excess stocks on hand.

While the Outreach Project had established a network of family planning services to rural residents, beyond the service range of clinics and hospitals, its effectiveness had been constrained by the various control problems cited above. In many instances these problems have continued during the period of the current Outreach Project, not because of a lack of awareness, but because of the complexities associated with a major institution-building effort of this magnitude.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Project Evaluation

An evaluation of project operations during the period July 1977-March 1978 was conducted in the Fall of 1978 by a team including representatives from the Population Commission, the National Economic and Development Authority, USAID/Philippines and AID/Washington. The teams visited 9 regions.

Among the major evaluation findings the team concluded that the program, despite some weaknesses, was being implemented quite effectively, with outputs being achieved more or less on schedule. Yet, at the same time, the report hedged by saying that it was too early to know if the project purpose was being achieved, i.e. whether or not contraceptive use prevalence was increasing and the birth rate declining.

Team reports, commenting on acceptor rates, called them encouraging, while noting at the same time that the case baseline was too narrow to be representative. More disturbingly: The Management Information System (MIS) and its data base were qualified as being of questionable reliability. Team members cited instances of double counting of acceptors and reported that field employees were confused as to how the MIS should operate. Fundamental findings called for:

- Basic training, at all levels, in operating the MIS, and senior level training in MIS management and its evaluative uses.
- Internal controls to assure MIS accuracy.
- Prompter feedback of MIS data, improving on the 3 months turnaround time cited in team reports.

Data from two other sources-Community Outreach Survey (COS), and the Philippines portion of the World Fertility Survey (WFS) did in fact yield more reliable estimates of contraceptive use prevalence and crude birth rates, thus providing some back-up indication of how effective the "Outreach" program really is. (See page 18 for some indicators from COS and WFS).

Another significant concern noted by the evaluators dealt with the delays in payment of salaries and travel. Causes of the delays were reportedly due to local government regulations on auditing and release of travel allowances. As a result payment of salaries and travel allowances were from two to ten weeks late.

Lack of training of full time outreach workers in family planning technology was reportedly another significant problem. Workers often did not fully understand the pros and cons of various con-

traceptive methods, and were thus unable to adequately advise prospective acceptors.

Many uninformed pill users reportedly dropped out of the program due to real or imagined side effects. To a lesser degree similar problems exist because of less-than-convincing information provided to Intra-Uterine Device (IUD) and sterilization clients. Improved training and Information, Education and Communications (IEC) materials, focusing on these requirements, were recommended.

The evaluators also stressed the need for incentives for the volunteer, unpaid Barangay Service Point Officers.

At both the village and rural levels these officers constitute the key in the delivery of contraceptive services. The creation and maintenance of their interest, through proper motivation and incentives, were thought to be vital, yet provision of monetary incentives was said to have been rejected as being too costly.

The Mission, in commenting on our draft, added:

"Perhaps a greater concern was creation of a large group (40,000 people) who, starting as volunteers, might end up entrenched in the bureaucracy".

Under the current operating mode these 40,000 volunteers spend, on average, two to four hours per week, servicing their typical 70-family constituencies. Their compensation base, as presently constituted by what is affordable and acceptable, consists essentially of a selection from a four-item "non-monetary payments package" which includes an insurance policy, a T-shirt, an umbrella, and a rather extensive training program. Prestige and the social benefits of gaining an entree into every home in the barangay are two equally important stimulators. Their combined existence explain to a large extent why the BSP officers are truly motivated, and may be relied upon to perform at least an average job, but more likely to excel by providing superior coverage. Our initial concern, that in the absence of all monetary compensation, there might exist a serious motivational void has been greatly alleviated by a detailed presentation of how things work at the grassroots level. The cost of the non-monetary plan amounts to about 1.0 million pesos, annually, or about 25 pesos (or about \$3.30 at the prevailing rate of exchange) per volunteer with USAID/Philippines absorbing 75 percent of the cost. The BSPO training budget for the current fiscal year amounts to 3.6 million pesos, with USAID picking up 87 percent of it.

Our current step-by-step measurement of progress towards goal achievement indicated that the same problems noted in the 1978 evaluation have, to a large extent, persisted during the review period, and necessitate virtually the same degree and intensity of corrective action, for a more effective outreach capability. The Mission, as co-author of the tri-organizational evaluation

report, challenged our assessment by drawing attention to eleven pages (84 through 95) of the back-up papers for the Multi-Year Population Strategy Statement (1979) of USAID/Philippines, which detail a number of important response actions. Recognizing the existence of "knotty problems", the evaluators nevertheless give credit for their being "addressed aggressively". If our comments are more conservative this is due to our concern with ultimate tangible results, rather than the mere efforts hoping to achieve them.

Management Information System (MIS)

The reliability of data produced by the MIS is questionable and utility of the reports generated by the system is accordingly limited. A major contributing factor constraining MIS effectiveness has been POPCOM's problems in staffing and managing this important function. Duplicate reporting of continuing acceptors by Barangay Service Points and Clinics also continues to be a problem. The present MIS operation thus cannot reliably establish the degree of project achievement in inducing couples to utilize program contraceptives on a continuing basis. Data outputs are not adequate for either planning or operational decisions. Consequently, POPCOM and USAID/Philippines have had to rely on data provided by 1978 Republic of the Philippines Fertility Survey, Area Fertility Studies and 1978 Community Outreach Survey, for an improved confidence level of contraceptive prevalence in the Philippines.

The regions submit consolidated monthly statistical summaries to POPCOM with information on:

- the number of outreach channels (Barangay Service Points, Full Time Outreach Workers, District and Provincial Population Officers, and Clinics Planned, Active and Reporting.
- pills (monthly cycles), condoms (dozens) and IUDs (pcs.) issued, and stocks on hand.
- current users at BSPs and clinics, for the above three methods employing contraceptives, as well as acceptors of voluntary surgical contraception techniques, and practitioners of rhythm and other non-program methods;
- married couples of reproductive age (MCRA) covered by the BSPs;
- contraceptive prevalence rate -
$$\frac{\text{Current Users in BSP Areas}}{\text{Married Couples of Reproductive Age (MCRA) in BSP areas}}$$

One specific reason for questionable data validity is traceable to the practice whereby current users are being included at the clinic level, but excluded from the Contraceptive Prevalence Rate, as reported by region.

At the time of our 1977 audit, we reported the then current problems as to timely and effective implementation of the reporting system, and recommended that POPCOM be requested to intensify its monitoring efforts to resolve these problems. Concurrently, POPCOM was requested to enforce Outreach Program requirements for and at all final distribution points (Barangay Supply Points and Clinics), and to report acceptor usage and contraceptive stocks on hand.

POPCOM control efforts have not produced end results to resolve these problems including the provision of timely information and feedback to all levels. A special MIS Task Force addressed these issues in mid-1979. Next to a lack of functional definitions one of the primary causes has been the staffing problem attributable to POPCOM's MIS unit being dismantled by a former Executive Director and has had to be rebuilt. This resulted in most trained staff either to be reassigned or to leave POPCOM.

POPCOM monitoring efforts have not materialized at the expected level. We have been told that lack of qualified personnel represents one of the principal impediments. More positively, we learned that POPCOM hired a consultant to assist a POPCOM/USAID Task Force formed in the Spring of 1979 to review the MIS and develop recommendations for strengthening the system. The consultant agreed that contraceptive prevalence data were not very reliable at the BSP level, and that the problem was being compounded because of clinics ignoring instructions to report on continuing users through their facilities. Instead, they tended to inflate figures by reporting cumulative acceptors. Given these handicaps, credibility suffered and continues to suffer accordingly.

The Task Force report in June 1979 again cited the need for timely and reliable data, for management evaluation, and for monitoring and coordinating BSP and clinic staffs to follow-up with and motivate clients.

In order to determine the general utility of regional current user data being reported to POPCOM, we analyzed them for the year 1979. We found a considerable disparity, particularly in pills, between the average number of current pill users reported by BSPs and clinics, and the quantities of pills reported as dispensed by these BSPs/clinics to end users. One-for-one comparability is being greatly complicated by "built-in" systems duplications which require variable regional eliminations in order to provide a meaningful consolidated overview. The kind of answer a top manager would be looking for is not readily available from the current system, posing the obvious questions: "Why does it have to be as complex, what

does it require to simplify it, how long is the simplification process likely to take, and pending its completion how does one manage with the flawed data, without unwittingly overstocking the pipelines and/or reordering specific commodities on the basis of user information that may be inflated?"

In discussing these key issues with Mission personnel we were told that the cited problems are by no means unique to the Philippines, but have been encountered in other situations, including the United States, whenever there exist extended channels of communications involving several layers of intermediaries, with each successive link representing a risk for errors or misunderstandings. When these universal risks are being transplanted into an environment which poses special geographical, climatic and infra-structural problems they tend to become aggravated even further. For that reason, to minimize their frequency and severity, systems planners should strive for utmost simplicity. Added attention from some POPCOM officials is likely to be beneficial.

In retrospect, it now appears as though the 1977 disciplines, while reasonable from a donor point of view, represented an overkill, when transplanted into a rural Philippines environment, and while the results may be disappointing, in terms of original expectations, it is more likely that the original expectations were at fault, rather than their executions. This does not suggest that there does not exist room for improvement, but this is more likely to come about by a simplification, rather than the literal enforcement of the original criteria. We understand that this simplification process is currently being worked on, by two contractors, Informatics, Inc. and PIACT.

In the meantime, the interim challenge remains as it has been for the last three years: How to improve the reliability of user and commodity data, at least to a degree that no major ill-conceived decisions are being made. Towards that end, we were shown a series of projections, from alternative sources, that enjoy the greatest confidence level, under the circumstances. A May 1980 projection, attempting to forecast contraceptive requirements in the Philippines through 1985, identified (1) the May 30, 1979 POPCOM nationwide inventory and (2) user data that have been generated by the POPCOM/University of the Philippines Population Institute survey.

While under the conditions that have been allowed to exist for the last three years there have been many instances which could have been either avoided, or improved, on, in terms of over/under reporting, one could also take a more charitable approach by realizing the tremendous difficulties involved. Without abdicating or compromising the collective goal of making

substantial systems improvements, with the least amount of further delay, one's overall perspective should also take into consideration some of the comparable problems encountered by the 1980 U.S. census which experienced omissions, commissions and duplications on a scale comparable to that experienced under the project. Yet the conditions under which the 1980 U.S. census was taken were infinitely more likely to produce quality results than those prevailing in the rural Philippines, staffed either by volunteers or personnel that frequently had not been paid, for periods up to ten weeks. Delays in payments, which were widespread during the early phase of the project, and kept persisting until early 1980, have since that time undergone a significant improvement, but remnants of the negative historical track record - and corresponding reputation - linger on.

Concerned Mission officials have worked hard, in order to improve matters. The extent of their success is difficult to measure because of the questionable field data credibility.

With the full conviction that these concerns are receiving the right amount of attention, by the right people, we believe that no further benefits would accrue by offering a formal recommendation to work the problem.

Until such time as data reliability improves an inordinate amount of time and effort will be expended in attempting to decode and reconcile the frequently conflicting signals being received from the existing systems, which include:

1. Logistics/Inventory data, and their related caveats;
2. BSP-originated usage data and their related caveats;
3. Projected survey estimates, representing a discounted compromise between (1) and (2), including selective judgemental aspects.

Duplicate reporting between BSP and clinics, over-reporting by clinics and drop-outs could account for some of this data disparity.

The utility of the MIS is further reduced by the significant number of active clinics (37% in CY 1979) which did not submit required monthly reports. Some 11% of active BSPs did not report in the same period. A similar trend has been experienced in CY 1980. The lack of responsiveness further qualifies the credibility of the 1979 figures, in the above table.

Since the MIS does not establish drop-out provisions from the program, there exists no effective control over the actual drop-out experience rate.

The Mission clarified our concern, related to the lack of control over the actual drop-out experience rate, by pointing out that clients who fail to show up for return visits at the BSP level are in fact being reported on, by the BSPs, but that this information is not being transmitted by the regional offices. Consequently, there does indeed exist an overall data flow gap. However, the Mission explained further, that an alternative approach, via the monitorship of contraceptive use figures, is capable of producing adequate visibility for this vital benchmark. We are generally in agreement that the subject of drop-out reporting shows further refinement potential, particularly by removing the regional feedback bottleneck.

If current reporting mechanisms are not further improved, the managerial awareness of any excess inventories in particular regions or locations within a region remains obscured, thus preventing officials from knowing whether proper follow-up motivation is being carried out by the field staffs, and how effective their reinstatement efforts are.

There are other aspects of the MIS which should be improved. There exists a lack of feedback to the regions of their management and control of the Outreach Program, particularly with respect to such factors as cost effectiveness. The system does not provide an adequate basis of regional accountability at the various levels, for contraceptives supplies, since receipts of contraceptives from POPCOM and subsequent distributions are not reported, only issues and stock on hand.

The MIS is scheduled to be redesigned and developed into one integrated system, a task expected to last 1-2 years. Timely application of proposed coordination guidelines in the interim could strengthen completeness of data reported and improve validity of MIS data pending the completion of redesign and implementation.

Pending the completion of the MIS systems redesign, we believe contraceptives dispensed by BSP/Clinics should be analyzed and monitored more closely to reveal program effectiveness trends in individual Regions, effective use of staff, cost effectiveness of operations and reasonableness/validity of stocks on hand reported.

Recommendation No. 1

USAID/Philippines request POPCOM to use quantities of contraceptives dispensed to end users as one of the indicators of program activity and justification for stocks on hand, stressing the need for greater data credibility.

The Mission welcomed the recommendation, pointing out the historical data reliability problems. At the same time it counseled against a single indicator, because of the risk of demotivating POPCOM from improving two equally important indicators -- surveys and contraceptive inventories.

Commodity Management

The Population Commission instructed Regional Population Offices on April 30, 1979 to prepare a Contraceptive Supplies Inventory and Issue Report as of May 30, 1979. The request advised the data was required since the . . . "Central Office is presently in dire need of more accurate and factual data on contraceptive supplies. . . " :

1. to be able to assess and evaluate the effectiveness and efficiency of supply operations at each supply echelon (from Regional Population Office to Barangay Service Point);
2. to be able to more accurately project contraceptive supply requirements."

The regions were instructed to determine the contraceptive supply stocks on hand at each supply unit, through an actual physical inventory, and also to determine the quantity of pills and condoms issued by supply echelons for the months of February, March, April and May 1979. All reports were to be submitted to the Central Office by June 30, 1979 in the format provided. Quantities reported as issued during February-May 1979 were to be only those issued to end users. Issues by Outreach workers to BSPs/clinics, and by other echelons were not to be reported unless they were directly to end users. The exercise also was to include a sample of pills and condoms on hand, classified by year of manufacture.

The results of the inventory were submitted by the USAID funded POPCOM Logistics Consultant on January 9, 1980. Primary conclusions by the consultant were:

- The logistics reporting system is defective in the promptness, completeness and accuracy in the rendition of desired reports;
- Recent on-hand supplies of pills and condoms are sufficient to last until June 1983 and January 1981, respectively, notwithstanding alternative projections having since been made by USAID personnel and POPCOM officials. They are the results of different judgments in combination with different data bases, emphasizing a continuing need for improved/consistent reporting. Near-term deliveries, at a level of 47.5 million condoms, are likely to exceed prevailing usage rates by the equivalent of three months. This would have the effect of stretching the condom inventory to November 1982.

- There exists a wide disparity in the distribution and allocation of pills and condoms among regions and among provinces/cities within each region;
- There are a number of BSPs/clinics with critically low contraceptive stocks on hand.

The Consultant made recommendations to improve the logistics reporting system, and the inventory control and distribution system.

We examined the results of this 1979 nationwide inventory independently. Our analysis indicated there were significant questions as to the acceptability of the compiled inventory results and reported contraceptive issues to end-users for the February-May 1979 period.

The nationwide contraceptive inventory covering the regional and sub-regional levels, as of May 30, 1979 is summarized as follows:

Total Units Expected to Report Inventory		37,728
Total Units Actually Reporting Inventory		<u>28,310</u>
Total Units Not Reporting Inventory:		
Regional Population Offices:		
Barangay Supply Points	8,129	
Clinics	561	
Full Time Outreach Workers	609	
District Population Officers	87	
Provincial Population Officers	22	
City Population Officers	<u>10</u>	<u>9,418</u>

The inventory results as reported by the various echelons were increased by approximately 25% - to include the estimated contraceptive quantities for the above non-reporting units. This produced the estimated total stock on hand.

<u>As of May 30, 1979</u>	<u>Pills (M.C.)</u>	<u>Condoms (Pcs.)</u>	<u>IUD</u>
Reported Stocks on Hand	7,699,036	21,845,754	216,313
Estimated Quantities for Non-Reporting Units	<u>1,962,509</u>	<u>5,396,891</u>	<u>55,849</u>
Estimated Total Stocks on Hand	9,661,545	27,242,645	272,162

The inventory report did not state how the estimated total stocks on hand compared to the recorded stocks on hand which are reported monthly by each region to the Population Commission in Manila.

While these reports do not include all units throughout the country, they represent a basis of comparison to the inventory level above, and in summary as of May 31, 1979 are:

	<u>Estimated Physical Inv.</u>	<u>Selective Book Inv.</u>	<u>Est. Physical v. Selective Book Inv.</u>
<u>Pills</u> (M.C.)	9.7 million	7.1 million	(2.6 Million M.C. under-inventory)
<u>Condoms</u> (Pcs.)	27.2 million	37.9 million	(10.7 million pcs. over-inventory)

The frustrating aspect of this analysis is the "softness" of all numbers tabulated.

The 1980 commodity inventory will be taken as of September 30 and the inventory results are planned to be submitted by November 30. Specific instructions should clearly define the inventory compilation method to avoid some of the reporting and non-reporting problems which occurred in the 1979 inventory. Much greater emphasis should be given to complete inventory reporting by all Outreach Clinic locations since this was not achieved in 1979.

In anticipation of the September 30, 1980 physical inventory POPCOM called all participating personnel together at Covelandia, near Manila, during August 1980, USAID/Philippines sent an observer who reported planned improvements in:

1. Sample reliability, using more checkouts by independent sources;
2. Clearer instructions;
3. More preparation time;
4. Collection of manufacturing dates to facilitate shelf-life determination;
5. Tracking intra-uterine devices (IUDs) by size, not just total bulk quantities.

Recommendation No. 2

USAID/Philippines seek assurances that future POPCOM physical contraceptive inventories improve in quality, reliability and completeness, and include a reconciliation with the recorded book inventories.

In our visits to various regions and our review of logistics data we found that the disparity in the distribution and allocation of oral contraceptives among regions, noted in the May 1979 inventory, has persisted. Mission officials challenged our assertion, based on assurances they received from POPCOM Logistics Control personnel, following the 1979 inventory, that "shipments of orals to locations with heavy inventories would be avoided."

Stock levels reported in May 1980 in three regions (III, V and VI) are sufficient for four years' use, at the current rate of pill dispensation, from January to May 1980. The same regions also reported significant pill inventories in May 1979. This situation, unless corrected, could lead to additional pills becoming outdated (beyond five years from date of manufacture) and therefore potentially unusable. Urgent action is therefore needed to transfer excess stock levels, so that all regions enjoy inventory levels in line with their prevailing rates of issue to clients.

Recommendation No. 3

USAID/Philippines ensure that, in conjunction with the 1980 commodity inventory, action is taken by POPCOM to balance pill stocks on hand in the various regions.

Project emphasis has encouraged to maintain high oral contraceptives inventory levels in the regions. At the same time, we were unable to satisfy ourselves that pills are being provided to clients on a First-In-First-Out (FIFO) basis, and that stock levels and retail releases are compatible with each other. The existence of some 107,000 pill cycles, dated 1973 and 1974, in Regions IV, VII, VIII and IX, suggest that the practice of FIFO could have avoided this.

Substantial quantities of pills provided by the project had to be burnt because they were beyond the five year period from date of manufacture, a time span considered to be reliable for use. In 1979, prior to the May nationwide inventory, pills manufactured in 1973 had to be destroyed. For this reason, limited USAID field checks indicated the total cremation could have involved 1.8 million monthly cycles, equal to 7% of the total pill supply estimated to be in country at the time. Mission officials estimated that the current replacement cost of this action would amount to \$338,400. Because prices have trended lower, the original acquisition cost may have been half as much again.

This excess stock was attributed to conceptual assumptions made in the early 1970s as to projected usage of oral contraceptives. We requested POPCOM's Central Office to provide the specifics related to the 1973 class of pills destroyed in the various

regions. This data has not yet been submitted. Without receipt of a certification, USAID/P runs the dual contingent risk of out-of-period pills remaining in circulation, and/or their entry into unauthorized trading channels.

Recommendation No. 4

USAID/Philippines obtain and verify certification from POPCOM that all 1973 pills in its own warehouses have been destroyed, as well as at such other locations likely to contain major accumulations of 1973 stocks. Concurrently the current potency testing program should be continued in conjunction with instructions to destroy all pills found to be no longer potent, with appropriate certifications.

Mission officials told us that a contractor, PIACT, is now beginning to test 1974-1975 manufactured pills in a program requested by POPCOM and approved by the Philippine Food and Drug Administration (FDA), and that they can continue to be used, if tests find them to be potent and otherwise satisfactory.

Our field visits to various regions disclosed additional over-age stocks on hand. Concurrently, Region XI reported in April 1980 that 165,000 pills of 1975 manufacture were suspended from issuance due to reported "failures" and the results of potency tests, on samples. The Mission questions this. "Only 1974 pills have been tested to date by the Philippine FDA and after a first test conducted in 1979, were given an o.k. by the FDA later in the same year." The Mission wonders further "How the 'reporter' linked the failures to the condition of the pills. Failures are almost invariably linked to user misunderstanding or carelessness in the use of orals. AID tested some 1975 and other earlier year samples from here and other countries, through the U.S. manufacturer, Syntex, and all samples tested from various countries, including the Philippines, passed the test with flying colors." The same spokesperson is positive that "no 1975 pill stocks from Region XI were tested and that the reporter from the region had no competent base for his/her observation."

The difficulty to reach agreement on this issue is once more traceable to feedback credibility problems from the field, referred to previously.

We have been advised by USAID that the 1980 inventory will include the original date of manufacture of pills. This should identify more clearly the overall dimensions of the "vintage problem" and provide POPCOM and USAID with a basis for a closer monitoring of First-In-First-Out (FIFO) procedures, and stocks on hand. Expressing agreement, the Mission provided the supplemental fact that "the 1979 inventory also recorded data by year of manufacture, by special request of AID/Washington, for pills and condoms only. In 1979, this data was arrived at by statistical

sampling. In 1980, the entire inventory will be reported by year."

Because the subject of pill failures and other family planning device complications and side effects has been so controversial and received so much adverse publicity, to the detriment of the Agency generally, and its worldwide population programs, specifically, we believe a prudent precaution would be to conduct a follow-up, along these lines:

1. Determine the facts in Region XI, and re-impress all reporters with the need for being accurate;
2. Provide documentation of the facts as they pertain to linking shelf life to reported failures.

Recommendation No. 5

USAID/Philippines undertake a re-determination of the reported shelf-life failure linkage in Region XI and reduce the findings to writing.

Project Implementation

Significant progress has been made in establishing the Outreach organization and creating the network of contraceptive distribution points supplementing the client and hospital outlets established at the time the project began, but progress in Training, Information and Education programs and motivation of clients has not come up to expectations. In the new bilateral agreement for the period 1981-85, the cost effectiveness of outreach operations is going to be examined to help establish adequate deployment of field staff within budget limitations. This could include limiting staff coverage in urban areas served by clinics and hospitals, and in isolated rural areas with few inhabitants.

The March 1980 POPCOM Quarterly Performance Report noted that 90% of the overall Outreach field staffing targets for the end of 1980 had been attained. Some 39,240 Barangay Service Points had been organized and made functional throughout the country. At that rate this equaled an 83% accomplishment against 1980 goals. The principal service provided by this widespread staff include the dispensation of contraceptives, the motivation of contraceptors, the motivation of acceptors and the remotivation of program drop-outs. The project has supported the Outreach organization through joint GOP/AID payment of staff salaries and travel allowances. A constraint to even greater effectiveness

of this organization has been the lack of smooth coordination between the Outreach staff and the personnel concerned with family planning in clinics and hospitals, particularly with respect to the servicing and reporting of acceptors and the follow-up and the motivation of drop-outs from the program. A full correction of this current impasse is not expected until the Population Planning III project is approved and becomes operational.

Mission officials thought that recognition should be given to the fact that "coordinated guidelines have been developed and approved by POPCOM and Participating Agencies (PAs), that the Implementation Plan is being developed and that the pilot testing of the Implementation Plans is planned to start in three provinces in 1980", thus softening the implication that nothing is being done under PP II.

POPCOM's latest performance report indicated that 177,453 persons had accepted Voluntary Surgical Contraception as of March 1980. This represents 14.2% of total reported contraceptive users and compares with a project objective of 256,519 procedures, to be provided through December 1980. This means that in order to meet this goal an additional 79,000 surgical procedures would have to take place during the next five months. We have been told since, that surgical interventions have probably been under-reported, thus reducing the 5-months quota correspondingly.

Generally, regions lacked Information-Education-Communication (IEC) supplies and materials to provide prospective users with a greater awareness of the benefits of family planning to counter rumors of contraceptive side effects, remotivate drop-outs, etc. Greater emphasis is to be given to this important activity through an IBRD-GOP program by providing the financing of \$11.5 million for a five-year POPCOM-IEC program.

Outreach workers advised us of problems with clients dropping out of the program due to reports about negative side effects of oral contraceptives provided. Some clients also were reportedly obtaining oral contraceptives from commercial sources since only one single brand is being offered by the program. Mission officials explained that "there are very solid reasons, medical and logistics-related, for limiting the distribution of orals by volunteers to only one pill".

Delays of up to several months in payment of Outreach salaries and transportation allowance have led to staff resignations in some areas, and low morale elsewhere. Staff training was often restricted due to lack of funds. Mission officials, citing the close monitoring they devote to this project, replied that "nothing indicates a really serious problem, certainly nothing current, as regions received full advances against both GOP and USAID contributions in January and May 1980 (1st and 2nd quarters).

We have received some feedback in the past on low morale, related to overall performance of POPCOM Central, but this has improved since a new principal officer at POPCOM took over in November 1979."

Project Impact

The 1979 USAID/Philippines Multi-Year Population Strategy Statement contained several demographic trend projections for the Philippines. These included GOP targets and goals as well as calculations by the University of the Philippines Population Institute (UPPI), using data from the 1978 Republic of the Philippines Fertility Survey and the 1978 Community Outreach Survey. The latter indicated that between 1968-1978, the Contraceptive Prevalence Rate for all methods rose at the rate of 2.5% per year and the Crude Birth Rate significantly declined at the rate of about one point per year, with the Population Growth Rate declining from 3.0% in 1968 to 2.4% in 1977. USAID/Philippines, after considering all available data, estimated a 1979 Population Growth Rate of 2.3% recognizing these estimates are somewhat speculative and assuming continuation of past trends.

Only one AID evaluation of the project has been made since its inception, but there have occurred other quasi-evaluative and survey activities, as evidenced by the following:

1978 Community Outreach Survey (COS)

Other studies, while serving other purposes, contained at least an "Outreach" element:

IBRD Loan Feasibility Study
1978 UFPA Basic Needs Assessment
1978 GOP Special Review Committee
1977, 78, 79 & 80 Area Fertility Surveys
1978 Republic of the Philippines Fertility Survey (part of World Fertility Survey)

All of the above studies, most being major studies, contributed an evaluation of Outreach.

The formal evaluation was made in late 1978, and its timing appeared to be too early to determine any real degree of project impact on the Philippines birth rate. A second evaluation is planned for early 1981.

This, in combination with the National Census, and recent commercial joint monitoring of field operations by POPCOM and USAID, may provide a more definitive judgement of project impact since inception.

Project Financing

Delays in fund releases for Outreach regional budgets have been a continuing problem during the life of the project. This is largely due to the slow and unwieldy reporting system whereby financial reports are being provided by provincial and municipal structures through POPCOM regional structures on to POPCOM Central and USAID in Manila.

Until very recently this resulted in a minimum of four months turn-around time before AID reimbursement against Ministry of Budget (MOB) advances of funds to regions. The MOB advances, since last January (1980), have resulted in real improvement in salary payments to field staff. Previously, delays in payment of field staff salaries and travel allowances and funding of IEC and training had restrained implementation. However, IEC and training have yet to experience a comparably positive trend.

Project financing initially was predicated on a level of \$24,836,000, including \$11,536,000 grant funding and \$13,300,000 loan funding, for types and quantities of contraceptives, at GOP's discretion, through December 1980. The GOP project contribution was set at \$15,802,000, with centrally funded contraceptives budgeted at \$2,309,000. The plan envisioned that by the time the project ended, in FY 1980, virtually all field costs would be absorbed by local, city and provincial governments.

This important concept has failed to develop, because of inflation and competing funding requirements. However, cash pledges and in-kind contributions have amounted to \$5,700,000 during the projected period. Full assumption of recurring Outreach costs, i.e. salaries, travel allowances, sterilization subsidies, is now projected by 1986 under the schedule in the Project Paper for Population Planning III.

Project financing shifted from an advance system, with USAID releasing funds to POPCOM for up to six months, to a fixed amount reimbursement system in 1978. Since that time project field activities had liquidity problems, because of (1) no advances from MOB for USAID's share; (2) delayed reporting from the field which impeded USAID reimbursement. Salaries and travel payments, as well as other items, were held up, contributing to high employee turn-over and low morale. Although Philippines MOB began advancing funds to the regions, through POPCOM, in 1980, we were informed in the regions we visited that funding delays were still occurring.

Since USAID and POPCOM are reported to be trying to overcome this problem with closer monitoring and study, we make no further

recommendation concerning the resolution of this key matter.

In addition to the direct support to family planning in the Philippines provided by the project there exists a considerable number of centrally funded projects which are providing various forms of population planning assistance. They include fertility research, training and hospital equipment maintenance, youth family planning information and services, selected technical assistance, quality assurance of contraceptives, etc. The magnitude of these activities is such that they will be considered as part of a separate review, at a later date.

Population Planning III

USAID prepared a Project Paper in June 1980 which proposed Population Planning III providing AID grant funding of \$29.8 million and a loan of \$26.9 million, for the 1981-85 period. The GOP would provide \$65.6 million (The new Project Paper will reflect this figure for GOP contribution) and other donors, the IBRD - \$23.7 million and UNFPA - \$20.0 million, with the latter funding principally for the non-family planning population sector. Under this plan all recurring AID inputs would cease in 1985.

Primary elements to be funded by AID in this successor project include in (U.S. \$000) -

- outreach field staff salaries, travel & other support services	\$15,050
- support for clinical services including the subsidy of sterilization services	8,200
- training	2,100
- information programs (MIS & IEC)	2,480
- research, demographic measurement & evaluation	2,990
- contraceptives	20,000
- commodities	1,500

The Project Paper resulted from the Multi-Year Population Strategy formalized in November 1979, and is compatible with the goal of the GOP National Population Program's Five-Year Plan.

Proposed project scope appears to address important aspects of the Outreach Program which need strengthening:

- in-place qualified management and field personnel with upgraded management and technical skills;
- adequate clinic support and services coordinated with the Outreach staff and with increased required comprehensive family planning services and expansion of private company clinics;
- effective and intensified IEC mostly funded by GOP/IBRD and with AID loan covering production/distribution cost

of IEC materials, IEC training, research and documentation;

- improved logistics system - warehousing and contraceptive management, quality assurance of contraceptive stocks. IBRD to finance buildings, warehouses, vehicles and equipment and vehicle maintenance shops. \$20.0 million of loan funds will be used to purchase contraceptives for whatever U.S. & GOP FDA approved contraceptives the GOP wishes to order;
- timely and accurate measures of program progress, and fertility reduction through national fertility and family planning surveys in 1982 and 1985, along with a continued national demographic surveys in 1983. POPCOM and USAID are to jointly monitor the project to assess implementation and effectiveness and obtain action on findings and recommendations;
- improved MIS-integrating Outreach and Clinic information systems and improving quality and increasing number of POPCOM MIS staff.

The high costs of the successor Outreach Project are recognized and cost effectiveness has become a major issue in the Philippines Population Program.

GOP Outreach Audit

At the time of our survey of this project, in January 1980, certain Outreach internal control problems had been reported by the GOP Commission on Audit (COA). These deficiencies were summarized in our survey report in detail, by region. During the course of our audit, other than the findings reported, nothing came to our attention requiring our intervention.

COA has since undertaken additional audits of various Outreach regional locations during CY 1980. Prior to the release of this report we followed up with COA management as to the status and results of these audits. We were advised that some reports were in process and would be provided to USAID upon completion.

EXHIBIT A

Philippines Population Planning II
Project No. 492-0277
Funding Status- June 30, 1980
(\$000)

	<u>Cumulative Obligation</u>	<u>Cumulative Accrued Expenditures</u>
Outreach	\$ 8,751	\$ 6,646
Vol. Surgical Contraception	1,043	734
I/E/C	269	133
Logistics	118	59
Training	741	228
Demographic Measurement	257	172
Eval. Oper. Research	87	19
Unearmarked	<u>270</u>	<u>-0-</u>
TOTAL	<u>\$11,536</u>	<u>\$ 7,991</u>

LIST OF RECOMMENDATIONS

Recommendation No. 1

USAID/Philippines request POPCOM to use quantities of contraceptives dispensed to end users as one of the indicators of program activity and justification for stocks on hand, stressing the need for greater data credibility.

Recommendation No. 2

USAID/Philippines seek assurances that future POPCOM physical contraceptive inventories improve in quality, reliability and completeness, and include a reconciliation with the recorded book inventories.

Recommendation No. 3

USAID/Philippines ensure that, in conjunction with the 1980 commodity inventory, action is taken by POPCOM to balance pill stocks on hand in the various regions.

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USAID/Philippines obtain and verify certification from POPCOM that all 1973 pills in its own warehouses have been destroyed, as well as at such other locations likely to contain major accumulations of 1973 stocks. Concurrently the current potency testing program should be continued in conjunction with instructions to destroy all pills found to be no longer potent, with appropriate certifications.

Recommendation No. 5

USAID/Philippines undertake a re-determination of the reported shelf-life failure linkage in Region XI and reduce the findings to writing.

REPORT RECIPIENTS

USAID/Philippines

Director 5

AID/W

Deputy Administrator 1

Bureau for Asia:

Assistant Administrator 1

Deputy Assistant Administrator (Audit
Liaison Officer) 1

Office of the Philippines and Thailand Affairs 1

Bureau of Development Support:

Office of Development Information and
Utilization (DS/DIU) 4

Bureau for Program and Management Services:

Office of Contract Management (SER/CM) 3

Office of the Auditor General:

Auditor General (AG) 1

Executive Management Staff (AG/EMS) 12

Plans, Policy & Programs (AG/PPP) 1

Area Auditor General:

AAG/W 1

AAG/Africa (East) 1

AAG/Egypt 1

AAG/Near East 1

AAG/Latin America 1

AAO/La Paz 1

AAO/New Delhi 1

Office of the Legislative Affairs (LEG) 1

Office of Financial Management (FM) 1

Office of the General Counsel (GC) 1

OTHER

Auditor General, Inspections and Investigations
Staff (AG/IIS/Manila) 1