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MANAGEMENT ASSESSMENT
OF
THE HEALTH SYSTEMS VITALIZATION PROJECT
USAID/EL SALVADOR

MAY 1986

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A Report Prepared By:
JIM KELLY, (PRITECH)
LARS KLASSEN
THOMAS TOTINO
DAVID ADAMS
GEORGE VECCHIETTI

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I. EXECUTIVE SUMMARY

In deciding to undertake a management assessment of El Salvador's Health Systems Vitalization Project (VISISA), the LAC Bureau recognized that "the project is in many ways atypical of AID projects and is being implemented in a particularly difficult environment." Designed in a war atmosphere in the first half of 1983, VISISA was seen as a $25 million stop-gap measure to restore the flow of pharmaceuticals, medical supplies and equipment through El Salvador's health care system. The project also undertook to strengthen the management and supply systems required to support the commodity flow.

The management assessment team, which traveled to El Salvador in April 1986, concluded that the VISISA project is getting back on track -- after a difficult early implementation. A hurried project design, poor procurement planning, inadequate staffing and serious communication breakdowns resulted in damaging project delays. During 1985, however, impressive USAID efforts were made to compensate for past inadequacies. A total of $12 million of U.S. pharmaceuticals, medical supplies, and equipment have now been delivered to El Salvador through the VISISA project. Areas of concern remain -- particularly procurement strategy and supply distribution -- which will require close monitoring by USAID management over the remaining months of the project.

USAID project staff need reinforcement. A special VISISA project committee should be formed drawing on all staff offices within USAID/El Salvador. With the help of the ROCAP commodity specialist, the Committee should devise a final procurement strategy for the $15.5 million commodity pipeline and accelerate action on such deferred project components as The Management Information System (MIS) and the Drug Quality Lab. The Mission should consider hosting a "weekend retreat" in June 1986 to improve project communications -- involving Ministry of Health (MOH) officials, the Executive Management Group (EMG), the Technical Assistance Team (HID), and the new AID project manager.

The VISISA experience suggests that AID should plan carefully its "changing-of-the-guard" at overseas Missions. Had there been a less abrupt transition of senior management in El Salvador in the summer of 1984, critically needed VISISA pharmaceuticals might have arrived several months earlier.

The need for better technical review during the project design process is another lesson derived from the VISISA experience. Had commodity procurement issues been examined more carefully during PP design and the DAEC review, project staff would not have spent a good part of the first year (of a two year project) working out a procurement plan.

The VISISA record suggests that AID should communicate to Congress, in a timely fashion, significant project changes for those activities which Congress has signaled a special interest. Had the implications of the MOH's bid-vacating been discussed with Congressional staffers in August 1984, rather than February 1985, a more understanding relationship may have developed with respect to VISISA implementation problems.

Finally, the VISISA experience suggests that the September 1985 Congressional hold on project disbursements outlived its usefulness and, ultimately, slowed VISISA commodity deliveries.

II. INTRODUCTION

The LAC Bureau decided in February 1986 to undertake a management assessment of the VISISA project as part of its sectoral examination of health activities. The assessment was intended "to be of direct use to USAID/El Salvador in the management of the VISISA program as well as to AID in the general management of health project resources."

The Assessment Team, which visited El Salvador for two weeks in April 1986, consisted of a consultant management specialist, an AID capital projects officer and a representative from the LAC Controller's office. A fourth member of the team, the senior procurement specialist, had completed his analysis of VISISA issues three weeks earlier in conjunction with a Central America survey. A fifth member, also an AID capital projects officer, had examined the functioning of the project's logistical system (customs, warehousing and distribution) in cooperation with the procurement specialist.

The Team interviewed extensively within the USAID/El Salvador Mission. Sessions were also held with each member of the technical assistance Health Information Designs (HID) team, the Director of the Executive Management Group (EMG) and the Director of Operations and Technical Services within the Ministry of Health (MOH). Although time did not permit a field analysis of MOH outreach capabilities, the Team obtained insights, from interviews in San Salvador and recently completed field reports, on MOH weaknesses which constrain VISISA implementation. Individuals on the assessment team also discussed VISISA issues with appropriate officials in AID/W both before and after the Team's visit to El Salvador.

The Team was cordially received by all during the course of its review. USAID/El Salvador was particularly patient and cooperative even though some pressing program requirements had to be deferred to accommodate assessment needs.

III. BACKGROUND

A. Working Environment in El Salvador

Any assessment of USAID/El Salvador activities covering the 1983-85 period must begin with a description of "conditions-at-post". Seven Americans were killed during that period in two separate FMLN incidents. Embassy/AID offices came under attack and U.S. vehicles were fired on by guerrillas with automatic rifles. The war zone atmosphere was aggravated by sub-standard office conditions. AID staffers averaged 50 sq. ft. of office space, 1/ air conditioning was frequently out and windows could not be opened in spite of average 90 degree temperatures.

As the workload increased, 2/ dispositions and tempers were tested. The Controller described some of the tension at the time in a memo to the Deputy Director, dated December 4, 1984:

> "As average voucher processing time has continued to grow so have complaints from the other USAID Divisions and vendors. Unfortunately, most complaints come directly to the Foreign National Staff instead of the AID Direct Line supervisors. Too often these complaints are unnecessarily vicious and abusive... As a result morale is becoming a serious problem ... I would not be surprised to lose two or three of my best people."

A constant flow of visitors from the U.S. during the period, including a stream of CODEL's, imposed heavy demands on the

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1/ The GSA recommended square footage per person is 130 sq. ft.
2/ The increased workload can be surmised from these figures:

TOTAL (ESF, DA, PL 480) RESOURCE FLOWS AND STAFF
USAID/EL SALVADOR

PROGRAM	FY82	FY84	FY87
Total	$168.9 m (1)	$200.1 m (2)	$407.1 m (3)
Staff			
Direct Hire	21	30	38
Salvadoran	45	100	118
U.S. Contract	-	4	10
Number of Projects	23	26	21

(1) Source: FY 84 Congressional Presentation
(2) Source: FY 86 Congressional Presentation
(3) Source: FY 87 Congressional Presentation

Mission for briefings and VIP field trips. USAID staff frequently were diverted from program implementation matters to answer charges of mismanagement ranging from inadequate monitoring of food deliveries to inept counseling of El Salvador's Central Bank.

In sum, during the first two years of VISISA implementation, the atmosphere at USAID/El Salvador was charged, the staff grievously overworked, nerves frayed and project monitoring uneven. Serious shortcomings were bound to surface.

B. Project Description

During the 1970's health conditions in El Salvador were gradually improving. By the early 1980's, infant mortality had dropped from 58.2 to 42.8 per 1,000 live births, access to potable water went from 26% to 41%, and diarrhea -- which was the leading cause of death in children in 1972 -- dropped from the list of the top ten causes of death. The gradual improvement in health status began to slow, however, as a result of civil violence, a deteriorating economic situation and a large displaced population.

By early 1983, the USAID Mission in El Salvador had concluded that the Ministry of Public Health and Social Assistance (MOH) was losing the struggle to maintain a flow of basic supplies -- especially pharmaceuticals -- through its health care system. Working on a tightly compressed design schedule, the Mission obtained Washington approval for a "Health Systems Vitalization Project" calling initially for $9 million and by DAEC approval time $25 million*. The project aim was twofold:

> "To assist the Ministry of Health to (1) maintain existing levels of primary health care and emergency medical services by meeting the critical short-term needs of the Ministry for essential goods and services; and (2) vitalize the institutional capacity of the Ministry to more effectively execute their existing systems in health supplies management, maintenance and information management."

Prior to project authorization A.I.D. agreed to expand the scope of the evaluation component of the project on the recommendation of the Chairman of the House Subcommittee on Foreign Operations. Analyses of the overall health needs of the Salvadoran people and the training requirements for the country's health system were included in the expanded scope as well as an assessment of A.I.D.'s responsiveness to these health needs.

* $23.4 M (Loan); $1.6 M (Grant)

The Health Systems Vitalization Project Paper (VISISA), including amendments, contains four components:

-- Supply System Management: $28.438 million earmarked for pharmaceuticals, medical equipment, supplies and pesticides. These commodities were to help the MOH (a) sustain a credible health supply system in the short-term, (b) improve the government's anti-malarial operations, and (c) establish a drug quality control program as well as guidelines for shipping, transporting, warehousing, and dispensing to assure the distribution of safe drugs.

-- Maintenance System Management: $3.167 million to upgrade MOH's ability to manage maintenance systems for medical equipment, vehicles and infrastructure by providing spare parts, tools, and training.

-- Information System Management: $599,000 to develop a comprehensive data base to support MOH activities in procurement, supplies and maintenance management.

-- Emergency Medical Service Management: $3.308 million aimed at the high rates of civilian trauma caused by civil strife in El Salvador. In addition to the procurement of emergency equipment and supplies, training was to be provided in intermediate trauma management, wound stabilization, first aid and patient handling.

A technical assistance (TA) element was included in each of the four components. The total funding for the project stands at $35.605 million -- including $93,000 for contingencies which have yet to be allocated to a specific component.

C. Project Chronicle

-- October 1983 - March 1984

Shortly after the Loan/Grant Agreement was ratified by the GOES on November 23, 1983, the Mission placed orders for $621,000 of pharmaceuticals and supplies needed on an emergency basis. These supplies started arriving by plane six weeks later. At this time, considerable attention was being given by Congress and AID/W to the charge of a private U.S. citizen that the VISISA project could not be implemented as planned. In January, A.I.D. decided to send an AID Direct Hire team to El Salvador to examine the allegations that many health outposts in the country were closed, the MOH supervision and management

systems were weak and that "social service physicians" were untrained in outpatient medicine, sanitation and nutrition. After visiting a sampling of health outposts (63 of 274 units) the survey team concluded that (1) the MOH health supply system was functioning but in serious need of pharmaceuticals and medical equipment; (2) the MOH supervisory systems needed immediate upgrading; and (3) the "social year" physicians needed more orientation before they could apply their formal school training to field situations.

The A.I.D. team also assessed USAID's implementation performance during this early stage of the VISISA Project and urged that a "more detailed procurement plan be drawn up immediately and be used to alert all interested parties what needs to be done and when in procuring goods and services for the project." The AID/W team also learned that a shortage of grant funds would mean a reduction in TA Team numbers and a delay in the team's arrival.

-- April 1984 - September 1984

All emergency stocks had arrived in country by April 1984 and regular commodity shipments started to arrive. Complicated invitation-for-bid documents were prepared by USAID and cleared by AID/W in April for processing through the host government procurement system. Ads were placed in the CBD and local newspapers in May calling for a July 23 opening-of-bids. During the analysis of the bids in late July - early August, it was decided that 95% of the dollar value of the bids had to be vacated for not meeting either U.S. source and origin requirements or GOES registration codes. After deliberating throughout September on how to avoid vacating the bids, the Minister of Health finally requested A.I.D. in October 1984 to procure the contested commodities through A.I.D. channels. A total of $8.1 million of pharmaceuticals and medical supplies which had been scheduled to arrive in October/December 1984 would now arrive several months later.

The technical assistance consultants from Westinghouse Overseas Services Corporation took up their advisory positions in San Salvador in August-September 1984.

-- October 1984 - March 1985

In October 1984 the Mission forwarded procurement documents to AID/W for commodities previously earmarked for host country procurements. On February 28, 1985 the Senate Appropriations Subcommittee on Foreign Operations indicated "a sense of outrage ... upon learning that less than one-third of the (VISISA) medicines and other commodities have been delivered to El Salvador ..." Late in March the AID Administrator explained to the subcommittee that the delays entailed in the "failed bid resulted from unsatisfactory management at the project level."

The message to the Subcommittee also indicated that "overall, the bulk (63 percent, including all emergency orders) of drugs and medical supplies to be ordered with funds obligated to date have reached El Salvador with most of the remainder to arrive by the end of May 1985."

USAID signed a contract in March to hire health commodity monitors "to check on-site physical inventories and to identify distribution problems or shortages of essential medicines at all levels of the health system". In the meantime the Westinghouse team presented work plans, finalized specifications for procurements, initiated the Trauma Baseline Study, developed prototype management information systems for the maintenance component and set up a tool and tire shop as well as a radio repair facility in the MOH's vehicle maintenance warehouse.

-- April 1985 - September 1985

A mid-term evaluation of the project was carried out during July-August 1985 by a team of experts hired by the University Research Corporation (URC). The team leader concluded in his section of the report:

> "Although there have been delays, nearly all of the major goals of the project have been accomplished (except in Emergency Medical Training). All of the money has been distributed. The VISISA project has reinforced the health budget and bolstered a weak and inefficient system. There have been improvements but there is still a long way to go ... "

Under the heading "Impact-to-date," the URC team leader indicated:

> "From reading all five reports, it is possible to say that the project has accomplished 95% of what it set out to do. Medicines and supplies are flowing in the system and improvements have been made. But it is more difficult to say whether the VISISA project has made a significant impact on morbidity, mortality, manpower and health facilities ... it is not possible to draw direct causal relationship."

In July 1985 the Westinghouse Team Leader was removed, and in September, the TA contract with Westinghouse expired. AID signed a 16-month TA agreement with Health Information Designs Inc. (HID) and the new consultants started arriving in country in October 1985.

The USAID Mission processed a Project Paper Amendment in August 1985 to obtain an additional grant of $10.225 million for the project -- which would bring the total to $35.605 million. Upon forwarding the advice-of-program-change to Congress, A.I.D. was informed by the Senate Appropriations Subcommittee on Foreign Operations that, while obligation of the $10.225 million could proceed, disbursement of the money should await committee examination of documents and information submitted by A.I.D. at the Committee request.

-- October 1985 - March 1986

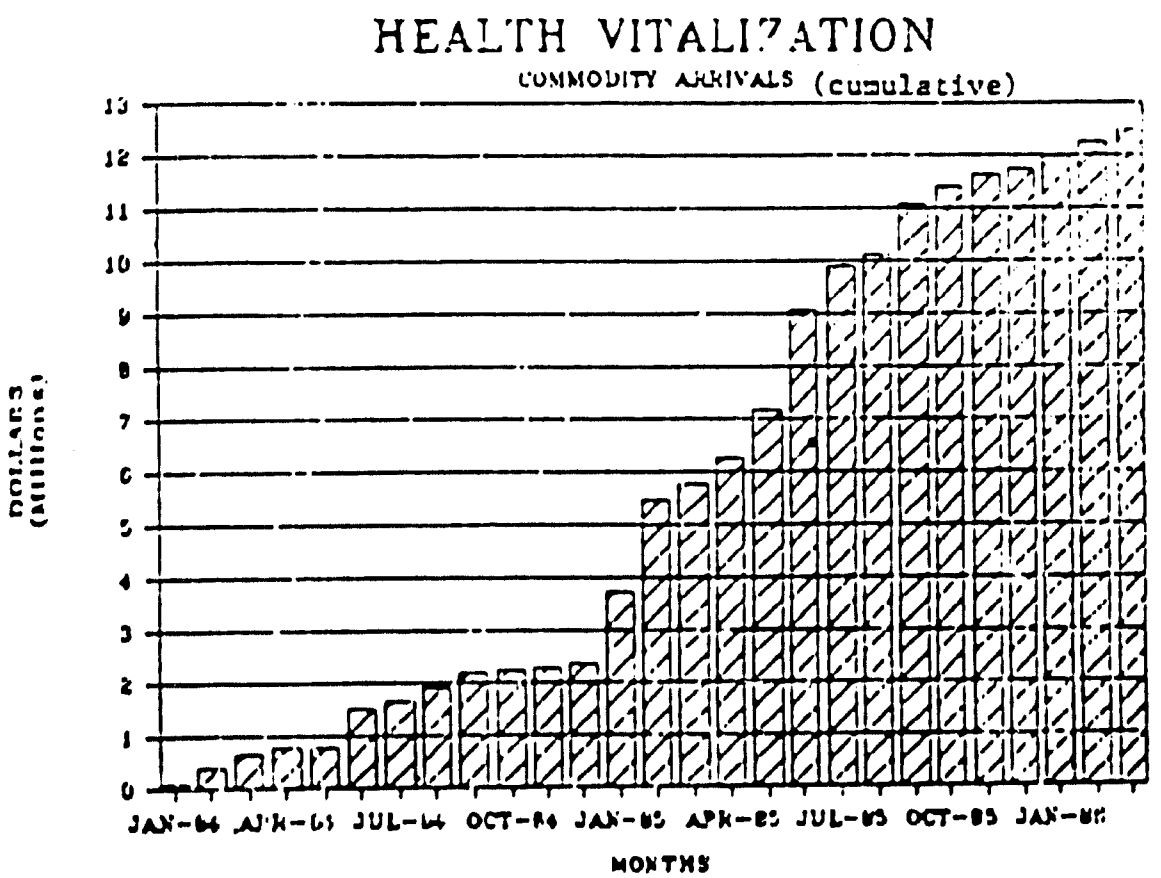
By October 1985, $11.3 million of VISISA commodities had arrived in El Salvador. An inventory of regional warehouses had been completed and an estimate of monthly pharmaceutical needs established. A contract with GE for $3.2 million of X-ray equipment was finally signed in December 1985 -- after being held up for five months because of a U.S. Government hold on contracting with GE. The VISISA-financed Matazano central warehouse was completed after a six month delay due to structural modifications required by sub soil conditions.

A new procurement obstacle was identified in December as Maximum Ordering Level (MOL) requirements began slowing VISISA Pharmaceutical PIO/C orders with GSA. With commodity priorities shifting as a result of MOH emergency procurement during the Congressional hold, an extensive reprogramming exercise was undertaken in February. Several visitors to El Salvador reviewed VISISA implementation progress during the period including the AID Administrator and Congressional staff members. The Congressional Hold on VISISA Project disbursements was lifted on March 7, 1986.

IV. Analysis and Conclusions

A. General Finding

The VISISA project is getting back on track -- after a difficult early implementation period. Poor procurement planning, inadequate staffing and communication breakdowns resulted in damaging project delays. During 1985, however, impressive USAID efforts were made to compensate for past inadequacies. A total of $12.5 million of U.S. pharmaceuticals, medical supplies and equipment have been delivered to El Salvador as of March 31, 1986.



In addition, important elements of the MOH supply management and maintenance system have been strengthened. The new technical assistance team has made an excellent start although its coordination with the EMG should be improved. USAID management of VISISA could be strengthened by instituting a formal project committee system. Procurement strategy remains an area of concern which should be addressed as soon as possible with the help of ROCAP.

B. Project Design Issues

1. Commodity Drop or Institutional Development

In early 1983, USAID/El Salvador was looking for ways to restore the flow of pharmaceuticals through the country's health supplies system. The idea was not to launch a sector wide upgrading program but to help resolve the health system's most pressing problem -- an unreliable flow of drugs and medical supplies. One option was to open up a list of eligible imports under the U.S.-sponsored balance of payments program to permit the financing of critical drugs. If AID/W could be persuaded to include a public sector "window" in what had been exclusively a private sector program, a partial replenishment of El Salvador's pharmaceuticals could be effected fairly quickly. Of course this option would also have reduced the availability of ESF money for other equally urgent requirements, (e.g., generators and spare parts).

While discussing the merits of cutting into the ESF program, USAID learned in April that Congress had recently authorized more Development Assistance (DA) money for the health area than AID had requested. The decision was then made to go the "DA route". This meant that a technical assistance component would have to be built into the project, but the Mission decided that the main emphasis would remain commodity provision rather than longer-term institutional improvement.

By the time the PID document reached Washington, however, it contained sufficient ambiguity on the commodity drop vs. institutional development issue to elicit the following question during the PID review: "Is this the appropriate time for the longer-term institution building aspect of the project ... should these activities be postponed until the violence subsides ...?" Instructions were given to the PP design team to review all elements of the project, including institutional development requirements, to make sure they supported VISISA short-term objectives. 1/

As the project moved through final design, its funding level rose fom $9 million to $17.2 and eventually $25 million. The three basic project components were expanded "to make initial changes of a more long-term nature in the management of the Ministry's supply, logistics, malaria control, drug quality control, vehicle and biomedical maintenance, and management information." A fourth component was added to strengthen "emergency medical service for trauma victims." 2/

1/ See DAEC "issues paper", dated 12 April, 1983, and State T21089.
2/ Project Auth. Memo, p. 2.

Enough ambiguity over short versus longer term objectives remained in the approved project paper, however, to have the mid-term evaluators characterize the VISISA project in August 1985 in these terms:

> "A small portion of the project was needed for emergency supplies but the bulk of it was for medium- and long-range needs." 1/

2. Hurried PP Design

AID had assigned high priority to the VISISA design in "an attempt to respond quickly to a rapidly deteriorating health situation."2/ Only four months lapsed from submission date of the PID to DAEC approval of the Project on July 15, 1983. 3/ While the project paper contained much first-rate analysis, the speed with which it was put together resulted in costly omissions. Two of these -- PP uncertainty on the number of open health clinics and the "field readiness" of social year physicians -- surfaced after DAEC approval and contributed to the charged atmosphere which built up between Congress and AID on VISISA issues.

Underbudgeting for technical assistance was another consequence of hurried design. This omission would be compounded by the expanded evaluation (see below) and result months later in the fielding of an undermanned technical assistance team. Unfortunately, one of the positions eliminated in the reduction of TA from seven person years to three-and-a-half was the commodity-procurement specialist.

The most costly aspect of the hurried design would be felt later, however, as critics lamented AID's inability to meet delivery schedules laid out in the Project Paper. These schedules were unrealistic given AID's lumbering procurement gait. 4/ As one AID veteran observed recently: "All first year procurements of services as well as commodities should have been done under Emergency Waivers to assure delivery according to PP schedules."

1/ URC Evaluation, p. 2, Summary
2/ PID, p. 32
3/ Normally, 9-12 months would be required for approval of a TA project of the size and complexity of VISISA.
4/ A condition induced, over the years, by concern for open-competition, cost efficiency, and equity.

3. Discussions with Congress

The House Appropriations Subcommittee on Foreign Operations closely monitored the situation in El Salvador during the summer of 1983. The Committee Chairman had been impressed by issues raised by a "joint medical mission" which had visited El Salvador in January to investigate human rights and health conditions. Consequently, he decided to impose four conditions on Congressional approval of the VISISA project. Three of these conditions, relating to the El Salvador University Medical School, displaced persons and imprisoned medical personnel, did not directly affect the project. 1/ The fourth condition, calling for the establishment of an Independent Oversight Committee, did impact significantly on VISISA project implementation.

Although AID did not go along with the notion of an independent oversight committee, it did agree to undertake the extensive human resource review which was to have been the mandate of the Oversight Committee in a letter from AID Administrator McPherson to Congressman Long dated October 20, 1983. As indicated in the Project Authorization Memorandum, AID would "expand the scope of work of the grant funded independent evaluation to encompass the following:

1/ The "ambiente" behind these conditions was summarized by a U.S. Embassy/El Salvador Officer as follows: "Politically, a significant portion of the El Salvador's medical establishment was, at that time (prior to the advent of the Duarte Government), either sympathetic to the guerrillas or felt duty-bound to help the injured on either side. The Military had seen this and, during the worst period of human rights abuses, made it a practice to harass -- at times kill -- medical personnel treating guerrillas. This caused a warranted outcry in the medical profession in the U.S., and was fully exploited by the left in both countries against the El Salvador Government. In addition, the Military had closed down the National University on orders of the then Government because it was seen as a hotbed of extremist activities. Unfortunately, they trashed the University from top to bottom, including the Medical Faculty. From these actions stemmed recommendations from well-intentioned people in the U.S. that the Project be administered by third parties outside the Government, such as a group of internationally recognized medical experts, PVOs, etc. This was contrary to U.S. policy which was to push for an elected Government, get it to respond to the needs of its people, and at the same time push the military to reform itself ... a policy which many believed could not be accomplished."

-- examine the overall health needs of the people of El Salvador;

-- review and evaluate existing and proposed AID health programs;

-- make recommendations regarding the provision of health services in El Salvador and the AID program; and

-- address the need to train new paramedics and upgrade the skills of nurses and other health personnel."

In agreeing to the expanded scope of work for the VISISA evaluation, AID implicitly accepted sector-wide responsibilities. This would lead eventually to a diverting of USAID energies from the more narrowly construed tasks spelled out in the original VISISA PP. Since the sector-wide responsibilities would fall on VISISA project staff, the rate of project implementation would diminish as "increasing demands for information on every possible issue were made by Washington while the Mission waivered back and forth from the original project design, attempting initially to satisfy all and finally to defend its action at all costs." 1/ In the case of the mid-term evaluation exercise, the widened scope resulted in an inaccurate assessment of VISISA implementation progress. (See Section D).

4. Seeds of Future Controversy

AID came away from its discussions with Congress in the fall of 1983 not realizing the full extent of "the damage". In an effort to obtain approval for the VISISA project, AID officials had stressed the urgency of the need in El Salvador: -- "the country is facing an appalling lack of pharmaceuticals and equipment, a shortage that becomes more severe each day." Taking their cue from the project paper, they had implied that AID would address the critical need in a timely manner: "The project strategy is to rapidly infuse the health system with critically needed pharmaceuticals, supplies, equipment, vehicles and training." 2/

1/ A description provided to the team by a USAID staff member.
2/ Project Paper, page 17

A year later when the project strategy had failed "to rapidly infuse the system", USAID would suggest that its "procurement strategy was always intended to be two-pronged" -- some items urgently needed, and others still critical but to be shipped over the two-year life on the project. "It is obvious that we (AID) did not communicate clearly on (this) procurement strategy to Congress." 1/ It was this unclear communication that would lead to an expression of outrage by the Senate Appropriations Subcommittee on Foreign Operations in March 1985. (see page 19).

5. Project Design Conclusions

a. A less-hurried PP design schedule would have permitted more essential field data-gathering, reduced PP ambiguities, and facilitated project implementation.

b. The health sector analysis requirements, imposed by Congress, should not have been funded out of the VISISA project nor managed by VISISA project personnel.

c. A more vigorous review of the PP procurement strategy, prior to authorization, would have uncovered unrealistic delivery schedules, and led to an adjusted project implementation strategy. The adjusted project strategy would have reduced communication problems with Congress over the impact-time of the VISISA project.

C. Project Implementation Issues

1. Critical Project Event

In a late 1984 status report USAID/El Salvador accurately characterized the past summer's bid-vacating as "the major implementation problem of the VISISA project." Unfortunately, the changeover in senior management at the USAID during the summer of 1984 did not allow sufficient overlap to assess the full implications of the bid-vacating. The USAID Director departed El Salvador for a Washington assignment on June 13, 1984. The new Director arrived at the Mission two months later on August 16, 1984. The outgoing Deputy Director departed post on August 9, 1984 -- a matter of weeks after the arrival of the newly assigned Deputy Director. At the time, there was no Associate Director for Operations position in the Mission.

1/ Response prepared (April 18, 1985) for AID Administration to be used in meeting with Senate Appropriations Subcommittee on Foreign Operations.

During this hiatus, on July 23, 1984 the bid-opening ceremony was held for host government procurement of VISISA financed commodities valued at $10.5 million -- including $8.1 million for pharmaceuticals. Within two weeks the GOES had analyzed the bids and concluded that the $8.1 million pharmaceutical component would have to be vacated either because the drugs were not entered in the GOES drug registry or because they were not US/source origin. The bid vacating necessitated a switch-over to AID direct procurement and resulted in a four to six month delay in pharmaceuticals arrival in El Salvador. Had senior management continuity existed at USAID during the July-August 1984 period, it is conceivable that GOES officials could have been persuaded to enter the U.S. origin pharmaceuticals in the GOES drug registry -- given the stringency of U.S. drug-quality measures and El Salvador's critical need for drugs at the time.

The problem of planning the overlap of senior field personnel remains. The Agency will face the issue again during the summer of 1987 when all three senior managers of USAID/El Salvador anticipate new assignments.

2. Project Monitoring Systems Breakdown

The assessment team examined the Mission's internal monitoring system for June - September 1984 to shed light on the VISISA bid-vacating issue. As one USAID officer put it: "Project monitoring meetings, at the time, were held on an erratic schedule -- the workload was mounting, the staff too few and harried." No project issues report was prepared by the Mission for June 1984. The July report was combined with August, and the September report came out late in October. (See Annex B for a listing of 1983-85 reports.) None of these reports makes reference to the bid-vacating issue. The June-September 1984 Quarterly Report to AID/W was also silent on the issue. The assessment team concluded that the August 1984 bid vacating issue was inadequately tracked within the Mission and, as a result, not given the prominence it deserved on USAID's "priority action" agenda.

By September 1984 it was clear that the $8.1 million component of VISISA pharmaceuticals, previously scheduled to arrive in El Salvador in October-November 1984, would not start arriving until February 1985. There was very little cable traffic between USAID and AID/W during the fall of 1984, however, on the new commodity arrival schedule which had been made necessary by the vacated bid. This may have been why AID/W did not alert Congressional staffers, who had signalled strong interest in VISISA matters, about the unfortunate pharmaceutical delay. At any rate upon learning in

February 1985 of the slowed VISISA implementation rate, Senators Kasten and Inouye expressed "a sense of outrage that less than one-third of the VISISA medicines and other commodities had been delivered to El Salvador." 1/ The Senators made special reference to AID's earlier testimony on "the need for rapid procurement and delivery of VISISA supplies to meet critical shortages in El Salvador."

AID/W immediately asked USAID/El Salvador for a current managerial assessment of the project and a plan to accelerate VISISA implementation. In a response to Senator Kasten on March 28, 1985, the AID Administrator explained the reasons behind the vacated bid, suggested there had been unsatisfactory management at the project level, and referred to the upcoming reassignment of the project manager. In April 1985, AID/W advised USAID/El Salvador that it would be required to submit a special monthly report, by cable, on VISISA project progress. But the communication lapse between AID/W and USAID on important VISISA issues during the fall of 1984 had taken its toll. It helped create a climate of mistrust between Congressional and AID staffs which would lead, ultimately, to the imposition of a Congressional Hold on VISISA disbursements in September 1985.

3. Siege Mentality

USAID/El Salvador started to feel the pressure implied in AID/W's observation: "We simply must deliver on this project, not only because of its inherent worth, but because it is to some extent being considered indicative of our ability to manage the whole Central American Initiative."2/

But the need to emphasize the positive had been in effect for some time. Overly-optimistic reporting on VISISA affairs went back as early as February 1984, when the Mission indicated that $5.6 million of commodities were "in process" -- giving the impressions of expeditious procurement movement. Actually, it would take another year before VISISA commodities valued at $5 million would arrive in San Salvador. In an activity Data Sheet forwarded to Congress in September 1984, AID indicated:... all major procurements of project medical equipment and supplies are underway, most for September 1984 delivery." In December 1984, the Mission suggested, in a status report handcarried to Washington, that an estimated $3 million of commodities was in country and that "the major portion of procurement actions valued at $10.5 million will be arriving (El Salvador) December 1984 through March 1985." As it turned out VISISA commodity arrival figures did not reach $11 million until September 1985.

1/ Letter to AID Administrator dated February 28, 1985
2/ State 058969, February 1985

By March 1985, with a heavier involvement in VISISA affairs by senior USAID management, more realistic projections were being reported. Yet, the pressure "to deliver on this project" meant that monthly status cables to AID/W had to present clear evidence of VISISA progress. One USAID cable, at the time, opened with the statement: ... "about 50% of the commodities (for the Supply Management Component) are in country." In retrospect, it is clear that the total was closer to 40%.

Much of the imprecision resulted from an "accrual muddle." 1/ In the opinion of the USAID technical staff, the USAID controller in 1984/85 tended to interpret AID accrual guidelines in a manner that understated rate-of-progress figures. Inasmuch as it was the technical staff that was feeling the brunt of the pressure resulting from "Congressional outrage", they began to construct and report their own accrual figures based on commodity arrivals in El Salvador. Since these figures reported the value of a commodity order rather than the billing figure, they were inflated at times. 2/

This practice, together with USAID cabled reports such as "We believe that commodity procurement is more under control and do not see a need at this time (March 1985) for a special AID/W effort to get the commodities to El Salvador," left the impression that the commodity flow to El Salvador was moving more expeditiously than it was. (See Section 10 for current situation on the accrual controversy.)

1/ AID "accrues" expenditures when services are rendered or goods received even though bills may not have been received/paid.

2/ Two figures cited during the "siege period" -- one by AID/W and one by USAID -- were used carelessly. The first appeared as a footnote on an Activity Data Sheet (August 1984) and read. "Expenditures, including accruals during FY 84 are $12,991,000 ... " This estimate was based on orders about-to-be-placed (i.e., PIO/C's) rather than "goods received" since accruals were running about $2.2 million at the time. The second was cited in San Salvador 03018 (9 March 1985) and read: "During the last 15 months we have delivered about dols 8.1 million in expendables and equipment ... " The $8.1 million figure was referring to "orders placed" since the Mission had accurately reported, five days earlier, a figure of $5.3 million for deliveries.

The assessment team did not find the two figures cited above to be characteristic of the reporting during the period covered.

4. Commodity Procurement Strategy

The VISISA pharmaceutical component represents the largest public sector pharmaceutical procurement undertaken by an AID Mission since Vietnam. Approximately 80% of the $25 million VISISA project was earmarked for commodities, medical supplies and equipment. Unfortunately, the project suffered from inadequate procurement planning from the beginning.

The Project Paper was vague on procurement strategy. It pointed out that "the MOH has had a poor record of undertaking large, complicated procurements." For that reason, "USAID is exploring alternative ways of affecting the non-emergency procurement." The vagueness did not carry over to the implementation schedule, however, which indicated that all commodities should be in-country by December 1984. 1/

Early in the project's course, USAID signaled its need for an experienced AID direct-hire procurement specialist, but suitable candidates were not attracted by the position grade-level offered by the Mission. In November 1983, in response to a USAID request for TDY procurement assistance, AID/W dispatched an IDI for five weeks. In January 1984, realizing it was falling seriously behind in VISISA procurement, the Mission hired an AID-PSC who immediately started spending long hours on non-emergency procurement. A few months later the long-term, procurement specialist position under the TA contract was cancelled because of a shortage of AID TA funds. (See B.2, p. 12)

When a special AID Team visited El Salvador in February 1984, it concluded that "procurement questions in general have been troublesome and time consuming, not only for the VISISA project, but for the Mission as a whole." Two years later in March 1986, a senior procurement specialist looking at the situation still found a lack of documents "of the type that projects of the size and complexity of the VISISA project warrants -- covering such aspects as annual and shorter-term planning as to quantities, priorities, types of procurements, lead times, potential sources, delivery requirements, up-dating reporting, etc." 2/

The current assessment team examined USAID's current procurement plans and concluded that the Mission might succeed in drawing down the $15.5 million VISISA commodity pipeline

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1/ Approximately 12% of total commodities had arrived in El Salvador by December 1984.
2/ George Vecchietti, AID Consultant on Procurement for this assessment effort.

according to its latest projection. 1/ If it does so, however, it will be due less to strategic planning than to excessive work hours, time consuming false starts and adjustments, jury-rigging of procurement channels and heavy pressure from senior management. There are long USAID lists of specifications, ideas on which of the procurement channels should be used and target dates for meeting procurement actions. What is missing is a clear understanding of the procedures, advantages and time requirements of each procurement mode and, most importantly, agreement by chosen procurement agents that USAID commodity shipments can be arranged in the desired time-frame. This was picked up by M/SER/AAM/CST in its January 1986 review of the PID procurement section for the VISISA follow-on project: "The Mission proposes to move away from GSA as their agents ... to procurement through a private Procurement Services Agent (PSA) ... The advantages offered by a private PSA are not spelled out."

A more recent example of USAID's need for a better articulated procurement strategy was the March/April 1986 exchange of cables with AID/W over procurements under the $10.2 amendment. Delays resulted from the Mission's tentative and piecemeal approach in seeking clarification on procurement options. These procurement issues might well have been covered together, rather than ad seriatum, if more effort had been applied to researching, discussing, deciding, (i.e., strategizing) earlier in the procurement process.

The assessment team recommends strongly that the ROCAP regional procurement specialist spend 2-3 weeks at USAID/El Salvador ASAP to develop with Mission staff a fully articulated procurement strategy for the commodity money remaining in the VISISA pipeline -- approximately $15.5 m. This strategy should be reviewed and agreed to by those outside of AID (e.g., GSA or VA) who will be responsible for implementing it. The ROCAP advisor should be involved in an update of the strategy on a quarterly basis.

In developing its procurement strategy, the Mission should take into account a variety of established procurement modes:

a. GSA Federal Supply Schedule contracts, to the extent that Maximum Ordering Limitations do not impede or preclude timely procurement.

1/ Monthly commodity accruals projected by USAID--HR/HA for the last six months of the VISISA project (July-December 1986) are as follows: July - $2.5 m; Aug - $7.3; Sept. - $3.3 m; Oct. - $.6m; Nov. - $.5m; and Dec. - $1.2m.

b. Initially competed Indefinite Ordering Quantity contracts for commodities and services for which there is a reasonable expectation of requirements.

c. Direct USAID/El Salvador procurement (including pharmaceuticals) from the United States or other areas not prohibited by law or regulation.

d. SER/AAM procurements on behalf of the Mission at its request.

e. Selective use of PSA's, particularly if relief is not obtained from GSA/VA-imposed restrictions on orders above Maximum Ordering Limitations in Federal Supply Schedule contracts.

f. GOES-direct procurement -- within its capabilities. This could also include technical procurement assistance to GOES by the Mission Contracting Officer and his staff, or GOES use of its own PSA.

During the procurement planning process, there can be established, from the listing above, primary methods of handling given types of procurements, with fall-back methods to accommodate to changed circumstances; i.e., a "what-if" exercise based on past experience. Because of the dynamics of procurement, the planning process should include periodic status reports to Mission top management, and the willingness to amend strategies as required.

The assessment team also urges that the Mission provide HR/HA with a stand-alone personal computer (PC) with storage component (hard disk or Bernoulli system) and appropriate management software (e.g., dBase III). While HR/HA is currently using a micro-computer (MacIntosh) to track commodities, it is difficult to manipulate, sort and compile data on the project as a whole using this system. With the new, user-friendly PC, HR/HA will be able to sort by order or arrival date, by commodity type or supplier, run comparisons on order price and delivered price, and develop accurate input data for the controller-office accrual runs.

Finally, AID/W should re-examine its position on the GSA Federal Supply Schedule under which Maximum Ordering Limitations (MOL) have been lowered. These reduced MOL levels slowed VISISA procurement during the final quarter of 1985 by increasing the number of discrete procurement actions under bulk ordering. Although the assessment team was advised that MOL problems for the VISISA project have been surmounted in recent months, a thorough analysis of the effect of MOL requirements on AID commodity procurement should be

undertaken. This analysis might indicate that AID should seek across-the-board exemption from the newly lowered MOL's in order to meet its extensive overseas commitments. 1/

5. Contracting for Technical Advice

The VISISA project paper budgeted $1.6 million for technical assistance contracts and the PP amendment budgeted another $1.5 million for the same purpose. To date, almost $3.8 million (the difference is funded from the "Contingency" line item in the project budget) has been committed in over 20 separate contracting activities for technical assistance, with another $800 thousand in contract work currently being advertised. These have ranged from small personal services contracts (PSCs), larger work orders under indefinite quantity contracts (IQCs), and institutional contracts obligated competitively or under Section 8a (minority-owned firms) set-aside. Most of the contracts have been negotiated by the Mission although several, notably the Westinghouse contract, were handled by SER/AAM in Washington. As of March 1986, the breakdown of contracting actions by modality and costs was as follows:

Mode	No. of Contracts	Cost
Personal Services	2	$234,902
Institutional Contracts	3	663,150
Indefinite Quantity	1	126,540
Reports/Studies	8	131,466
Section 8a Set Aside	1	2,494,315
Training/Misc. P.O.		32,763
Misc. Commodity TA	3	114,050
	19	$3,797,186

The bulk of the grant TA funds financed technical assistance work in direct support of implementation activities with $131,466 used to support a series of evaluation efforts. The balance of grant funds has been used to carry out discrete studies on subjects ranging from the feasibility of cost-sharing to specifications for the drug quality control lab.

Records are not kept within the Mission on time spent by individual USAID staff on any one project or its elements. It is safe to say, however, that contracting, monitoring and follow up actions on VISISA technical assistance activities has been staggering. Events leading up to a number of the contracts (notably the Westinghouse and Long Xray-sites

1/ See George Vecchietti's March 28, 1986 analysis of VISISA procurement issues for a fuller discussion of the MOL question. (p. 5)

contracts) have taken extensive time and, in fact, more than they should have. In each case inadequate planning and communication within the Mission gave rise to avoidable problems such as underfunded contracts, disputes between AID and contractors, or additional time spent in clarifying contract proposal issues and contract amendment language.

The quality of work provided under grant financed contracts has been mixed. Major problems were encountered under the first implementation TA contract with Westinghouse and some of the conclusions drawn by the University Research Corporation (URC) evaluation were of limited usefulness. (See Section D.) On the other hand, assistance provided under some personal services contracts (e.g., the X-ray technicians) has been of good quality. The new project implementation team (HID) also appears to be getting off to a good start (see p. 24)

Finally, with respect to Senator Kasten's inquiry of January 2, 1986, as to adherence to proper competitive procedures in the placement of the URC and Kraus contracts, the Team found that proper procurement procedures, suited to the circumstances, were used and were correctly described in the A.I.D. response of February 6, 1986 to the Senator.

6. Monitoring the Westinghouse Contract

The Mission experienced serious problems in tracking the work performed under the technical assistance contract with the Westinghouse Overseas Services Corporation for most of the contract's life. Those problems were caused in part by a vague scope of work which failed to pinpoint final work products, a team leader "who did not appear highly motivated, did not communicate well with host country counterparts, and was ineffective in carrying out his tasks"1/, and an understaffed USAID technical office charged with monitoring the project. These factors conspired to slow implementation under the project. Mission personnel were aware in 1984-1985 that the contract team was experiencing trouble and, on more than one occasion, contacted Westinghouse informally to clarify contractor responsibilities. But there is little evidence to suggest that contract monitoring took place on a systematic basis or that documented discussions were held between USAID and Westinghouse on implementation problems. 2/ This may be explained in part by the fact that the VISISA project officer, at this time, functioned also as the Deputy Director of the GDO section and the USAID Population Officer. Currently there are three USAID officers carrying out these responsibilities.

1/ Quoted from AID's response to Senator Kasten's letter of February 11, 1984.
2/ With the exception of one memo to the files in early 1985 from the Westinghouse/Columbia, MD backstop officer.

USAID's informal and reactive approach to contract issues persisted through the summer of 1985, particularly with respect to continuation of technical assistance efforts, even though the Westinghouse contract was to expire on September 30. While hallway conversations took place on follow-on contract options, no staff strategy sessions were held to select the preferred new contracting mode. With the passing of the weeks and the prospect of a long gap between TA contract teams, the Mission finally decided to go the 8A non-competitive route to avoid the time-consuming advertising period called for in competitive contracting. In effect, USAID selected the non-competitive route by default rather than design.

7. Monitoring the HID Contract

The Mission appears to be applying the lessons learned from its Westinghouse experience to HID contracting issues. With the help of a newly arrived contracting officer, the HID scope-of-work was drawn up more carefully with clearly delineated objectives and performance benchmarks. In addition, each contract team member has a time-phased work plan, approved by USAID, which lays out activities to be completed, products (reports, manuals, etc.) to be provided and dates for task completion. For its part, the Mission has assigned a new project manager who reviews progress under each work plan and stays in close touch with the HID team's leader. The A.I.D. manager, in turn, is keeping the Mission better apprised of how the contract work is going. Finally, the MOH itself is markedly happier with the work being turned out by the HID team and has established close working relationships with most of the team members.

There are two areas that bear watching, however: USAID's tasking the HID Team with ad-hoc assignments, and the tendency of the MOH to do the same with the EMG group. Not infrequently over the past three months, the HID team has been asked to perform tasks -- diverting them from their principal work -- by USAID staff as well as the sub-contractor, George Kraus International. In both instances, the requests should have been channeled through the HID team leader. The problem has been particularly noticeable with the three health monitors whose energies have been diverted from monitoring regional and local facilities to carry out support tasks in the Capital city.

The EMG Group has been similarly diverted by requests from senior officials in the Ministry. This has led to schedule delays and communication breakdowns between the EMG and the HID Team on project implementation issues. Ironically, this diversion of EMG energies was sanctioned in the USAID sponsored, third-phase Kraus assessment which reads in part: "The EMG has performed well within the context of the MOH. In fact, it has performed so well that its functions have been broadened de facto to include trouble shooting assignments in the MOH."

8. Need for Improved Communications on Implementation Roles

Both the HID team leader and the EMG director expressed uncertainty to the assessment team on their respective roles within the Ministry of Health. They also seemed unsure of how best to reinforce each other's efforts. Aside from a get-acquainted session held shortly after the HID team leader's arrival in early March, the two groups have gone their separate ways within El Salvador.

The 1983 Project Paper foresaw a significant role for the EMG with its Director being held responsible by the Ministry of Health for the execution of the VISISA project. According to the PP: "The Director of the EMG will be responsible for the overall management of the proposed improvements in the supplies management (including procurement and inventory control), maintenance and management information systems of the Ministry." In effect, the EMG was "to run interference" for the VISISA team in the MOH and throughout the GOES bureaucracy. Over time, the EMG's role seems to have diminished to that of a commodity facilitator for VISISA materiel.

USAID should examine the current role of the EMG to see if it can be brought more into line with the original mandate. The Mission should also suggest that the MOH convene a special "weekend retreat" of key MOH officials, USAID, the EMG and the HID team to clarify (a) VISISA project objectives and implementation strategy and (b) the responsibilities of each group in carrying out the VISISA implementation strategy.

The ideal timing for this "weekend retreat" would be a few weeks after the new AID Project Manager arrives in country.

9. Current Use of USAID Staff for VISISA Implementation

While there appears to be good staff coverage of VISISA, some implementation items have slipped and the Associate Director of Operations is spending a disproportionate amount of his time on the project. In addition to oversight attention from the USAID Director and Deputy, the Director of the HR/HA Division spends 25% of his time on the project, the acting project manager full time, the projects' office backstop 25% of her time and the USAID contracting officer is becoming increasingly involved.

A new VISISA project manager is due to arrive in El Salvador in May 1986. Once she has settled into an effective monitoring routine (around September 1986), the need for intense senior management oversight may lessen. Until that time, however, -- and the development of an effective procurement strategy -- the Mission needs to remain "on monitoring alert" for the VISISA project.

The assessment team recommends that a VISISA project committee be constituted formally, and that it meet once a week over the next four months to (1) guide the development of the commodity procurement strategy, (2) strengthen linkages among the new HID Team, EMG, USAID and the MOH, (3) monitor implementation performance under the HID contract, and (4) guide the PP design exercise for the follow-on project. By concentrating USAID energies through weekly committee meetings, it should be possible to chip away at the backlog of issues which tend to accumulate when an office finds itself in a constant state of siege -- as has been the case with the HR/HA office over the past two years. The backlog would include the Management Information Systems, a crucial piece of the VISISA strategy too-long deferred. The drug quality control lab also deserves renewed priority as does the fitting-out of the Matazano warehouse.

A well functioning project committee will also serve to improve decision-making on VISISA matters. Currently, troublesome project issues are not identified far enough in advance to permit orderly processing through the USAID decision-making system. The project committee can help anticipate such issues, staff-out suitable options and draft clearly stated recommendations. Committee sessions should be guided by set agendas and result in designated follow-up.

The assessment team reviewed the special reporting cables on VISISA which USAID has transmitted monthly to AID/W since May 1985. The reports have been comprehensive and increasingly more realistic in tone. The reporting process could be improved, however, by more feedback from AID/W. An inquiry by AID/W in recent months about the status of MIS, for example, might have sped action on this important project component.

10. Financial Controls

The assessment team examined USAID's financial controls for the VISISA project and found them satisfactory. An "audit trail" exists which allows one to trace documents that support all reimbursement requests under this project. As a result, financial vulnerability is low. As previously noted, however, financial reporting for the project has been problematic because of the accrual controversy. While the Controller's office has made considerable progress in posting accruals on a timely basis, an acceptable format for sharing these postings with other offices in USAID was still being worked on during the Assessment Team's visit. Given the absence of accounting data in the February and March 1986 monthly reports to AID/W, this matter should receive top priority within the Mission.

The Team noted the improvements in Controller Office operations brought about by position up-grading and new hiring. The Team also noted how valuable the MACS system can be in helping VISISA management stay abreast of project activity. Although the VISISA project was entered into MACS in October 1985, the project's multiple funding sources, broad-scope PIO's, the complications of the project and more than 12 reprogrammings have inhibited full use of the system. Nevertheless, the system does contain all the official financial data on each sub-project activity. With a little additional effort, reports could be developed using the MACS data base to respond to the specific needs of mission senior management and the project manager 1/.

Finally, the team recommends that renewed efforts be made by USAID to secure copies of GSA-issued contracts on a timely basis. If difficulties continue to be experienced in this area, AID/W should be asked to intervene at senior GSA levels.

11. Pharmaceutical Demand and Supply

While some progress has been made under VISISA in improving El Salvador's pharmaceutical supply system, serious deficiencies remain. The system is still driven by drug availabilities rather than needs.

El Salvador has a host of pharmaceutical donors -- e.g., PAHO, UNICEF, Project HOPE, USAID, Colombia, CARITAS, the International Red Cross, the Knights of Malta and CESAD. The MOH has done little, however, to bring these donors together on a regular basis to discuss upcoming pharmaceutical needs, desired delivery schedules and donor supply capabilities. As a result, donated pharmaceuticals arrive in El Salvador on an

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1/ The following suggestions are offered to further improve the financial management process: a) install additional WANG workstations in the office of controller to give the staff greater access to hardware, b) purchase and install a second disk IOP in WANG VS100 Computer mainframe to speed data processng, c) revert to original MACS Programs using "MXSIT" for all procedures. This will make MACS more user friendly and encourage its use by the accountants, d) establish a good working relation with the Mission WANG system programmer to provide assistance in developing specific reports using the MACS data base. (The need for programmer assistance will diminish as controller personnel become more familiar with MACS and the WANG system), and e) place the high speed printer in a sound-proof room or box.

irregular basis without regard for pending "stockouts". Some donors compound the tracking problem by bypassing the MOH and forwarding commodities directly to hospitals and clinics.

The Ministry itself contributes to the supply muddle in two ways -- through its poor performance in the annual GOES budget cycle and by ignoring its incipient forecasting system in procuring drugs. According to Kraus, "the poor performance of the MOH ... has triggered the loss of approximately 65.5% of the [1985] budget line item for drugs and supplies which was gradually reduced by transfers to support other MOH initiatives or obligations. [Furthermore,] the final MOH procurement plan falls short of service requirements, substituting administrative and bureaucratic expectations and procedures for computation of projected consumption based on forecasting."1/

Some progress has been made in inventory checking and demand forecasting at the Hospital and Regional Center levels. Surveys have been carried out under VISISA direction to determine the monthly consumption of 64 basic pharmaceuticals using distributions from warehouses over a 6-month period. But there are still serious inventory problems at the Health Center, Health Unit and Health Post levels due to lack of adequate forecasting. "The forecasting must be based on actual inventory audits and distributions derived from analyses of Cardex, unfilled prescriptions and morbidity assessments" 2/. The MIS is key to improving the MOH forecasting ability. The HID Team believes that it can carry out only so much preparatory work, only so many dry runs while waiting for the computer hardware to arrive. USAID/El Salvador should accelerate procurement action for the MIS equipment.

The USAID should also urge the MOH to upgrade its coordination with pharmaceutical donors. Meetings should be held on a regular basis with minutes issued so that a coherent supply strategy emerges over time. In addition to outlining donor pharmaceutical availabilities, the strategy should spell out MOH (centralized and Hospital based) procurement intentions both local and offshore.

1/ The Third Kraus Assessment (Jan. 1985), pp. 17 and 18.
2/ Ibid, p. 14.

12. Customs, Warehousing and Transportation

-- Customs:

VISISA commodities now clear GOES customs within a week or two -- both at the Acajutla Port and the San Salvador Airport. There were delays, some extensive, in the past, but USAID has used provisions in the U.S. Bilateral Agreement and recent Pro-ags to obtain expedited movement of VISISA goods. The MOH is still experiencing delays of up to eight weeks in clearing non-AID commodities.

El Salvadoran customs laws, which were first promulgated in the 1930's, are in dire need of updating. There is also need to streamline GOES checks and balances over Customs operations since these have a paralyzing effect at times. USAID should discuss the customs problem with senior GOES officials and other donor reps to see if a collaborative effort can be undertaken to up-grade the Customs System.

-- Warehousing:

Considerable progress has been made under VISISA to improve MOH warehouse facilities. Regional warehouses have been upgraded and the new Matanzano Central Warehouse has been constructed in San Salvador. A major obstacle remains, however. Procedures for receipt and inventory of commodities are cumbersome and inefficient involving manual counting, by at least two persons, of each item received.

HID staff are convinced that the installation of the MIS is key to an efficient warehouse operation. There has been extensive planning by the team while they await the arrival of the project-financed computer hardware. Using its own microcomputer, the Team has developed a more efficient coding system for inventory supply, movement and control. Questionnaires have been sent to all points in the health system to determine inventory level requirements. Under the new coding system, old storage habits are being modified, such as "last in/first out". Fewer drugs are reaching their expiration date while gathering dust at the back of the rack.

Training of warehouse managers continues. The HID Team believes the system of manually checking receipt of goods and inventory can be modified once MIS is operational. A combination of spot-checking and allowing for an acceptable % factor for loss or damage will be utilized. Strict manual controls will remain, however, until automated procedures are in place and training is completed.

-- Transportation:

Much VISISA effort has gone into improving the MOH commodity transport system. Repair shops have been constructed and outfitted. Extensive training has been carried out and a computerized control system (MASCI) installed to help manage the MOH vehicle fleet. As a result, commodity deliveries to the regional capitals seem to have been handled with reasonable dispatch. This performance is not likely to be sustained, however, unless the MOH develops a vehicle replacement policy. Approximately 50% of the fleet is over 10 years old, vehicle maintenance costs cannot be contained and vehicle downtime is on an upward trend. The VISISA staff should work with MOH officials to develop a Ministry policy that takes into account a vehicle replacement schedule through which economies of operation can be achieved.

The MOH has not been able to provide reliable transport to deliver medical supplies to rural health facilities -- partly because of security factors. The MOH should consider contracting with private firms to improve its rural outreach. There are private trucking firms with fleets ranging from one to twenty vehicles which can deliver commodities to virtually any area of the country. The larger, urban-based companies, such as Transportuaria S.A., which are willing to assume the risks involved in transport of goods to rural areas, often levy a surcharge (e.g. 40%) to cover the risk of operating in areas where security is a problem. USAID El Salvador is tentatively setting aside 10% of its proposed 200 million colones Anti-Terrorist Insurance Fund for private transport services; other companies may, therefore, be increasingly willing to incur the risk involved in rural transport in El Salvador.

13. Monitoring AID Pharmaceuticals

On the issue of tracking AID furnished pharmaceuticals, the assessment team concluded that more intensive monitoring is required. VISISA drugs are not being counted regularly or reported on separately by the HID monitors.

Drug flows within the MOH supply system are tracked on a judgmentally selected (i.e., non-random) sample basis at a number of health facilities throughout El Salvador. An estimated 75 facilities can be checked on this basis every two months and the entire health system covered over a 10-month period. While this interim monitoring system provides information on control factors at sampled health stations, it

does not allow one to generalize about the accountability of the drug supply system as a whole. 1/ The HID Team recognizes the limitations of the interim monitoring approach and is working with MOH officials to develop a survey system based on random sampling techniques from which statistically valid conclusions can be drawn about the accountability of the drug supply system as a whole.

In the meantime a review of inventory bookings at warehouses sampled and spot checks of VISISA commodities at the lower-level health facilities should give USAID a reasonably clear picture of whether AID financed goods are getting to where they are needed. USAID should explain this strategy to the HID health monitors and assess their progress on a monthly basis. The assessment team recommends that the number of HID monitors be increased from three to five to permit more effective coverage.

14. Cost Effectiveness

In its attempt to respond quickly to El Salvador's rapidly deteriorating health situation in 1983, the VISISA PP team was unable to develop a thorough analysis of cost-effectiveness issues in the Project Paper. The project implementation staff has also been unable to devote as much time as it would like to these issues -- beleaguered as it has been. But cost effectiveness issues have not been ignored.

VISISA staff have initiated cost containment measures in the following areas: reducing GOES basic drug list, standardizing the MOH vehicle fleet and procuring generic listed pharmaceuticals in an attempt to obtain most favorable prices. (See San Sal 0586 and State 143928 for USAID insistence on low price benefits through GSA and VA procurement efforts.) Cost efficiency within the Ministry of Health improved with the installation of VISISA repair and maintenance systems and preliminary efforts to computerize pharmaceutical forecasting, warehousing and distribution operations.

1/ Kraus commented on the issue of accountability of the MOH drug supply system in the Third Assessment (January 1986): "The internal accountability does exist at MOH facilities ... as indicated in audits and surveys." He was referring to limited, internal accountability.

In connection with this current assessment, AID/W, at the request of Congress, commissioned an analysis on "The Feasibility of Utilizing Salvadoran Private Sector for Logistics and Maintenance Support to the Ministry of Health, and to Provide Other Health Services." This "Adams Appraisal," now completed, identifies specific areas 1/ where private sector firms and organizations may have comparative advantage for delivery of health related services in El Salvador.

The USAID has also shown an interest in helping the GOES modify its policies on pricing of health services. The Mission commissioned two studies by Kraus International in June 1985: "A Study of Recurrent Costs" and "An Analysis of Cofinancing Options". The latter assessed (a) consumer willingness to pay for MOH furnished pharmaceuticals and (b) the likely effect of raising user fees for MOH services. While these studies make no attempt to lay out strategies for modifying GOES practices on health-service pricing, they do provide some useful insights.

As a result of these recent analyses and insights gained from VISISA project experience, it should be possible to draw up a preliminary cost-effectiveness strategy. The Mission should undertake this task in collaboration with the PP design team for the follow-on VISISA Project -- now visiting El Salvador. The strategy will have a twofold emphasis: -- reinforcing cost containment measures undertaken through VISISA efforts, and establishing a policy dialogue with the GOES and other donors to focus attention on the need for:

-- increased utilization of private sector entities,

-- improvement of services at primary health facilities to discourage the flow of patients to secondary level facilities,

-- more realistic recurrent cost analysis and identification of future funding sources

-- the creation of a performance incentive system within the MOH.

1/ Logistics and maintenance, vehicle maintenance; biomedical equipment maintenance; medical commodity transport; private health plans; expansion of social security system; PVO health providers; and, MOH ability to sustain recurrent costs of private sector services.

15. Effect of Congressional Hold on VISISA Disbursements

AID forwarded an advice-of-program change to Congress on August 12, 1985 which called for a $10.2 million grant increase for the VISISA project. In a letter to the AID Administrator on September 26, 1985, the Chairman of the Senate Appropriations Subcommittee on Foreign Operations referred to the AID request as follows:

> "You will remember that ... this particular project generated a great deal of concern by Senator Inouye and myself.
>
> "Under normal circumstances, the Committee would be constrained to object to this reprogramming until additional information is made available to the Committee. Knowing, however, of the problems associated with end-of-the-year matters such as these, the Committee will instead allow the obligation to go forward, but object to any disbursement of those funds until we have had a chance to examine the voluminous information provided the Committee together with additional information we may seek ... I can assure you that we will endeavor to examine what has been presented to us in a timely fashion so that the disbursement of funds for this project, assuming we find no significant problems, can go forward."

AID submitted the documents requested by the Subcommittee -- many of which had to be translated -- by mid-November. At approximately the same time, USAID/El Salvador forwarded to AID/W orders (PIO/C's) for $4.6 million of pharmaceuticals to be procured through GSA under the VISISA amendment once the hold was lifted.

On January 8, 1986 USAID/El Salvador reminded AID/W that "the pharmaceutical supply situation is becoming increasingly critical ... urge AID/W efforts to lift the hold." (San Salvador 1424). On January 17, 1986 the AID Administrator advised Senator Kasten: "I am told that we are reaching a point at which the hold will affect the supply of certain drugs in the GOES health care system." A few days later two staff members of the Senate Budget Committee visited San Salvador and were briefed by USAID about the "stock-out" situation on certain drugs.

In the meantime, the MOH had taken special measures to replenish some drug supplies. PL 480 local currency funds were reprogrammed and MOH emergency funds used to sign contracts with local firms for pharmaceutical purchases valued at over $4 million.

In mid-February, 1986, a staff member of the Senate Subcommittee on Foreign Operations visited San Salvador and reviewed the VISISA activity, including the pharmaceutical situation, with MOH officials and USAID staff. By early March it had become clear to USAID that, because of MOH emergency procurements over the previous three months, VISISA PIO/C's forwarded to AID/W in November 1985 would have to be withdrawn and revised. On March 7, 1986, the Chairman of the Senate Subcommittee on Foreign Operations informed the AID Administrator that the hold on VISISA disbursements was lifted.

The assessment team concluded that $4.6 million of VISISA pharmaceuticals would have begun arriving in El Salvador in March 1986 had the Congressional hold been lifted in late November 1985.

16. Conclusions on Project Implementation Issues

1. The VISISA project is getting back on track. Much progress on commodity deliveries was made in 1985. The new technical assistance team has made an excellent start.

2. From its inception the VISISA project has suffered from inadequate procurement planning. The project should have had an experienced AID commodity specialist -- assigned full-time to USAID. Current Mission project staff are exceptionally productive but ROCAP expertise should be used in devising a procurement strategy to draw down the $15.5 million pipeline.

3. It is conceivable that the project's most critical failure (i.e., the August 1984 bid-vacating) could have been avoided if there had been a better transition of senior management at USAID El Salvador in June-September 1984.

4. Inadequate tracking of the August 1984 bid-vacating resulted in a breakdown of communications between AID/W and USAID on VISISA issues during the fall of 1984. AID/W failure to inform Congress in late 1984 of the bid-vacating helped create a climate of mistrust which eventually led to a Congressional Hold on VISISA disbursements.

5. The climate of mistrust created a "siege-mentality" within AID which placed a premium on overly-optimistic reporting on VISISA implementation. Development of accrual figures by USAID technical offices contributed to the inflated reporting.

6. VISISA reporting since May 1985 has been comprehensive and more realistic in tone. The reporting system would be improved with more feedback from AID/W.

7. VISISA project staff need reinforcement by a VISISA project committee to harness the full energies of USAID staff offices and improve decision-making on VISISA issues.

8. USAID monitoring of the Westinghouse VISISA contract was inadequate and not documented. Monitoring of the follow-on TA contract with HID is being done on a more systematic basis.

9. There is a need to improve coordination between the HID Team and the EMG and to focus both on their principal tasks.

10. Financial controls for the project are satisfactory. Accelerated use of computer facilities by the Controller's office and the HR/HA office would facilitate project monitoring.

11. More effective GOES-donor coordination is needed to develop a pharmaceutical supply strategy. USAID should accelerate procurement of MIS hardware to upgrade MOH drug forecasting capability and inventory controls.

12. The HID Team should work closely with MOH on developing a vehicle replacement strategy.

13. The HID Team should assist MOH in devising a more statistically valid supply monitoring system. In the interim HID monitors should be instructed to spot-check AID-furnished pharmaceuticals at all levels in the supply system. The number of HID health monitors should be increased from three to five.

14. USAID should work closely with the new PP design team in developing a project cost-effectiveness strategy.

D. Project Evaluation Issues

1. Inaccurate Assessment of VISISA Progress

USAID/El Salvador indicated in December 1984 that "external evaluations are scheduled for May 1985 and January 1986 which will assist in determining overall project impact and in deciding if any further mid-course project corrections are required." But the evaluation which was carried out by URC in May-June 1985 gave an overly favorable impression of what had been achieved under the project and tended to play down the need for mid-course corrections.

Those who scanned the URC Team Leader's section of the report of August 1985 read under "Accomplishments": "Although there have been delays, nearly all of the major goals of the project have been accomplished (except in Emergency Medicine Training)." And, further on, "It is possible to say that the project has accomplished 95% of what it set out to do." These

conclusions were drawn by URC at a time when little progress had been made on installing the MIS -- which had been characterized by USAID in July 1984 as "the cornerstone for the planned improvements to the (MOH) logistics and maintenance systems." 1/ No progress had been made in setting up a Drug Quality Lab -- even though USAID had determined in November 1983 that "work should begin as soon as possible on this sub-component so that the lab can become operational in CY 84." Construction at the Matazano Central warehouse -- a pivotal piece in the logistics system --was several months away from completion. Four large boilers valued at $1.5 million had not been installed and X-ray equipment valued at $4.8 million had not yet arrived in country.

The URC report goes on to suggest that "all the (VISISA project) money has been committed and most of the goods have arrived in country and have been distributed." At that time less than 50% of VISISA commodities had been delivered in El Salvador.

Part of URC's problem was the excessively broad terms of reference set by the Mission for the mid-term evaluation. These terms were in keeping with the AID Administrator's October 1983 letter to the Chairman of the House Subcommittee on Foreign Operations. As the URC document points out: "It was deemed important to study objectively the following items that were given (sic) as a charge to an independent evaluation committee: a) examine the overall health needs of the people of El Salvador; b) review and evaluate existing and proposed AID health programs; c) make recommendations pertaining to the provision of health services in El Salvador and the AID health program; and d) assess the need to train new paramedics and upgrade the skills of nurses and other health personnel." In addition, URC would look into "concerns [that] have been raised concerning the MOH and VISISA project" which relate to the "deterioration in the health status of the population at large such as an increase in vaccine-preventable and other diseases, increases in infant mortality, malnutrition and malaria."

1/ The full USAID characterization is as follows: "Implementation (of the MIS component) is the cornerstone for the planned improvements to the logistics and maintenance systems. Apart from the collection and processing of information necessary for the day-to-day decision-making there is a need to link the MOH planning process to medium and long term resource needs, project availabilities of these resources of allocation and available resources in a rational manner. Without the implementation of the MIS, revitalization of the Salvadoran Health Systems cannot be completed." (El Sal 08775 dated June 30, 1984).

The conclusion ultimately reached in the URC evaluation was entirely foreseeable:

> "It is ... difficult to say whether the VISISA Project has made a significant impact on morbidity, mortality, manpower, and health facilities. Perhaps there will be measurable improvements in a year or so, but measurement is not possible now. Even then, because of the limited scope of the Project in relation to the whole health care system, the overall social, economic, and military situation, it may not be possible to draw direct causal relationships."

URC energies had been focused on drawing a causal relationship between VISISA inputs and improvements in morbidity-mortality rates -- even though most VISISA drugs and medical supplies in country had arrived only within the previous five months. Had URC concentrated more carefully on assessing VISISA effectiveness in terms of outputs as specified in the project paper, it is doubtful that the team leader would have concluded that "the project has accomplished 95% of what it set out to do." The inaccurate conclusion may have led readers of the evaluation to believe that mid-course project corrections were not needed. They were.

2. Conclusions on Evaluation Issues

a. AID should have focused the energies of the mid-term evaluation on assessing VISISA progress against output objectives spelled out in the Project Paper.

b. The Team leader's section of the URC evaluation of VISISA inaccurately assessed the degree of progress made under VISISA during the October 1983 - August 1985 period.

V. Principal Recommendations

A. The ROCAP Commodity procurement specialist assist USAID/El Salvador in developing a procurement strategy for the VISISA $15.5 million pipeline.

B. USAID/El Salvador formally set up a VISISA project committee with appropriate Mission representation.

C. USAID/El Salvador persuade the MOH to host a "weekend retreat" in June 1986 to improve communication among VISISA parties.

D. USAID/El Salvador accelerate procurement of the MIS hardware to improve MOH drug control and delivery.

E. The VISISA Health Monitors be instructed to spot check AID-furnished pharmaceuticals while the HID Team is upgrading MOH's drug monitoring system.

F. The PP design team for the VISISA follow-on project use the conclusions reached in this assessment report (see sections B.5, C.16, D.2) to strengthen the new PP design strategy.

G. LAC take steps to assure adequate overlap during the transition of USAID El Salvador senior management during the summer of 1987.