

Assistant Inspector General for Audit

AUDIT REPORT ON USAID'S SYSTEMS FOR MEASURING PROGRAM RESULTS

Report No. 1-000-95-006
June 30, 1995



USAID has made significant progress—especially in the past two years—in meeting the requirements for measuring program results...However, more needs to be done...



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 30, 1995

MEMORANDUM FOR AA/PFC, Colin I. Bradford

Assistant Inspector
General for
Audit

FROM: AIG/A, James B. Durnil

SUBJECT: Audit Report on USAID's Systems for Measuring
Program Results, Audit Report Number 1-000-95-006

This capping report summarizes the results of our reviews of USAID's systems for measuring program results conducted at three Washington bureaus and four overseas missions.

The audits found that USAID had taken steps to improve its systems for measuring program results, including the undertaking of significant reengineering efforts aimed at setting specific goals and objectives, and measuring program effectiveness. However, the Agency still needs to ensure that specific quantifiable indicators are established and that reporting systems are in place to objectively evaluate progress through measuring project results.

This report makes seven recommendations for improving USAID's ability to measure project results and for improving its reporting on project results. Based upon your comments to our draft report, Recommendation No. 1.1 is closed. The remaining six parts of the recommendation are considered resolved and will be closed when the recommended actions have been properly implemented. Your comments were fully considered in finalizing this report and are included in their entirety as Appendix II.

I appreciate the cooperation and courtesies extended to the audit staff.

**Regional Inspector General for Audit
San José, Costa Rica**

**Audit of
USAID's System for
Measuring Program Results**

**Audit Report No. 1-000-95-006
June 30, 1995**

USAID has made significant progress – especially in the past two years – in meeting the requirements for measuring program results ... However, more needs to be done ...

EXECUTIVE SUMMARY

The Agency for International Development (USAID) is responsible under the Foreign Assistance Act (Act) to promote economic development and political stability in recipient countries. To enable USAID and others (e.g., Congress) to assess USAID's success in implementing its programs and projects, Section 621A of the Act states that foreign assistance funds could be utilized more effectively by the application of a management system that will include the following: **the definition of objectives for United States foreign assistance, the development of quantitative indicators of progress toward those objectives, the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken, and provides information to USAID and to Congress that relates funding to the objectives and results in order to assist in the evaluation of program performance.** As of September 30, 1993, USAID's active programs had obligations and expenditures totaling \$16.1 billion and \$10.3 billion, respectively. (See pages 1 thru 3.)

USAID is in the process of implementing the Program Performance Information System for Strategic Management (PRISM) which was initiated in 1991 to provide better information on program results. At the time of our audit USAID had identified strategic objectives for programs carried out by most USAID/Washington bureaus and individual missions. Also, within the past year the new USAID Administrator has made it clear both within USAID and in Congressional testimony that he is committed to establishing a system by which USAID can identify what it is accomplishing in terms of program results. Furthermore, **in May 1994 USAID issued a new directive on setting and monitoring program strategies that, when fully implemented, will address most of the problems found in the audit.** For example, the new directive (1) requires most operating units to bring themselves in full compliance with the directive by April 1995 and (2) requires measurable performance targets for the long term (i.e., up to 10 years) with annual interim indicators to demonstrate whether or not progress is being made towards achieving the desired impact. (See page 4.)

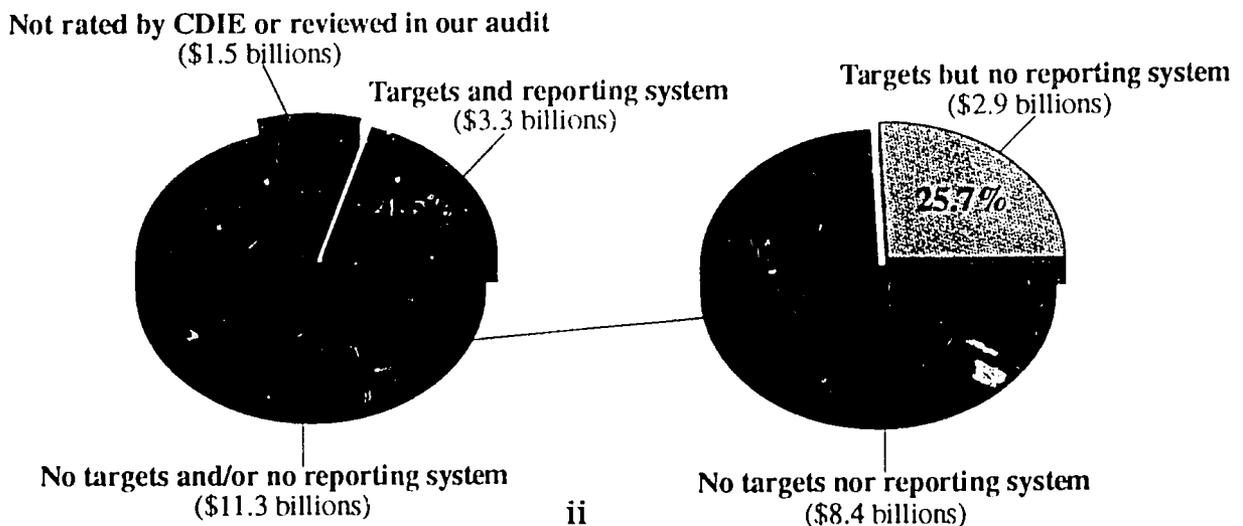
The importance of PRISM increased when the President signed the Government Performance and Results Act (GPRA) in August 1993 which requires all federal agencies to establish systems for measuring whether their programs are meeting intended objectives. Unless the agency receives

a waiver from the Office of Management and Budget (OMB), those systems are required to include (1) a 5-year strategic plan identifying general goals and objectives and (2) annual performance plans that establish performance goals -- expressed in an "objective, quantifiable, and measurable form" -- to define the level of performance to be achieved by the program activity. (See pages 8 and 9.)

Although the GPRA gives most agencies until Fiscal Year 1999 for integrating performance measurement into their operations, Vice President Gore's report of the National Performance Review (issued in September 1993) states that every federal agency should begin strategic planning and performance measurement now. Furthermore, in March 1994 USAID requested OMB to designate it as a pilot agency under the GPRA and the request was approved on July 6, 1994. Thus, USAID needed to submit its first annual performance plan to OMB before October 1, 1994. (See page 9.)

USAID can identify some program accomplishments and has made significant progress in the past two years in developing a system for measuring program results. However, it still had some work to do before it fully meets the requirements for quantifiable or even objectively verifiable and measurable indicators and reporting systems for measuring program results. For example, USAID's own ratings on the implementation of PRISM by most overseas missions and our work at seven USAID/Washington bureaus and overseas missions showed that USAID bureaus and missions which did not yet have fully effective systems for measuring program results or which had not yet been rated under the PRISM had obligations under active programs totalling \$12.8 billion -- or 80 percent of total obligations of \$16.1 billion (as of September 30, 1993) under USAID's active programs. (See chart below and page 10.)

Analysis of USAID's Ability to Measure for Program Results (Active Programs)



Examples of other specific problems found during the audit include the following:

- None of the seven USAID/Washington bureaus and overseas missions reviewed fully meet the requirements for quantifiable indicators or even objectively verifiable and measurable indicators with related baseline data and targets for measuring progress and comparing actual results against what was anticipated when the programs were undertaken. A major problem was the lack of specific targets on what exactly was expected to be accomplished. The seven bureaus and missions reviewed had obligations and expenditures totaling \$4.5 billion and \$2.7 billion, respectively. (See pages 12 thru 17.)
- Three of the four missions we reviewed were not yet required to and had not yet formally reported baseline data and actual results under the PRISM. Also, all four missions reviewed were still in the process of developing management systems to ensure that the data reported under the PRISM will be accurate and fully documented. For example, the missions had not yet assessed the reliability of sources used to obtain baseline and actual results data and in some cases the baseline data and actual results identified and/or reported were not correct, not supported by documentation, or were misleading. The three USAID/Washington bureaus reviewed had not yet reported baseline and actual results data that can be used to objectively evaluate progress and compare results against what was anticipated when most of their programs were undertaken. (See pages 17 thru 19.)
- USAID's financial management systems do not enable it to readily identify obligations and expenditures in support of its four overall strategic goals nor in support of its operating units' (e.g., individual missions) strategic objectives. For example, although USAID requested \$1.4 billion for Fiscal Year 1995 in support of its "democracy" objective, it can not readily identify the current funding (i.e., obligations and expenditures) in support of this objective, either USAID-wide or for individual bureaus and missions. (See pages 19 and 20.)

This report includes seven recommended actions to the Deputy USAID Administrator aimed at improving USAID's ability to measure program results against what was anticipated when the programs were undertaken and to make decisions regarding funding requirements and priorities toward accomplishing USAID's program objectives. (See pages 5 and 6.)

In responding to the draft of this audit report, USAID management generally concurred with the findings and recommended actions. USAID management did, however, express concerns regarding some of the impressions created in the report. For example, management believed that the report created an impression that there had been little or no progress in meeting requirements for improved monitoring and reporting on program results. Management also believed that the funding data should exclude the three USAID/Washington bureaus (i.e., Global Bureau, Bureau for Humanitarian Response, and the Bureau for Europe and New Independent States) because those bureaus were not subject to PRISM until the system had been more fully applied to field operations. USAID management's comments are discussed beginning on page 24 and are included in their entirety as Appendix II.

Office of the Inspector General

Office of the Inspector General
June 30, 1995

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INTRODUCTION

Background

The U.S. Agency for International Development (USAID) is responsible under the Foreign Assistance Act (Act) to promote economic development and political stability in recipient countries. To enable USAID and others (e.g., Congress) to assess USAID's success in implementing its programs and projects, Section 621A states that foreign assistance funds could be utilized more effectively by the application of a management system that will include the following: **the definition of objectives for United States foreign assistance, the development of quantitative indicators of progress toward those objectives, the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken, and provides information to USAID and to Congress that relates funding to the objectives and results in order to assist in the evaluation or program performance.**

Since USAID was established in 1961, it has initiated numerous systems for programming funds and setting objectives. However, according to a report issued in June 1993 by a nationally-recognized expert on budgeting in the federal government, none of these systems to date have been successful in enabling USAID to measure program performance against what was expected when the programs were initiated and to allocate resources based on program results.¹ For example, in 1977 USAID began to use a Country Development Strategy Statement (CDSS) to allocate funds based on quantitative measures identifying each mission's and office's annual needs to solve poverty problems in the recipient countries as expressed by the mission's and office's program objectives. The expert concluded that this process proved disappointing because many missions and offices were unable to measure the extent of poverty or the progress made in solving the poverty problem.

¹ The expert was Professor Allen Schick, of the University of Maryland, who was hired by USAID to assess USAID's programming and evaluation of performance systems. The report issued in June 1993 is: "A Performance-Based Budgeting System for the Agency for International Development" (A.I.D. Program and Operations Assessment Report No. 4).

By the 1980s, the CDSS process was changed to place greater reliance on qualitative indicators or economic and political conditions. The expert noted that the CDSS process did not succeed because:

This change reflected the difficulty of expressing results in measurable terms, as well as A.I.D.'s growing interest in linking assistance to economic and political indicators.

The expert concluded that through the 1980s USAID's decentralized structure remained intact and USAID's capacity to analyze programs was weakened and allocations of funds were based on earmarks of funds to specific countries rather than on program results.

In an attempt to enhance USAID's ability to measure progress in terms of program results, USAID initiated the Program Performance Information System for Strategic Management (PRISM) in 1991 and is in the process of implementing that system USAID-wide. The stated objective of the PRISM system is:

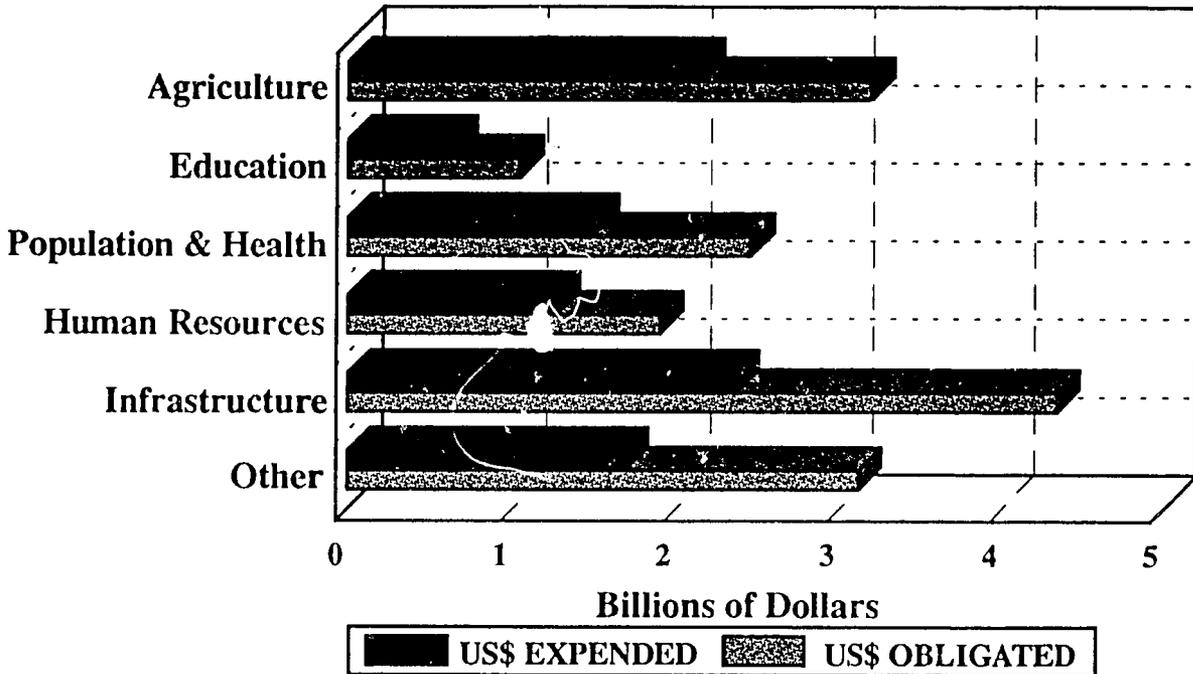
To develop an agency wide program performance information system for strategic management (PRISM) and strengthen operational-level performance information systems to provide better information on program results for more informed management decision-making.

The USAID Bureau for Policy and Program Coordination (PPC) is responsible for designing USAID's management systems for measuring program performance and for program evaluations. USAID/Washington's regional and central bureaus are responsible for implementing and evaluating regional and country programs and for conducting periodic reviews of country performance and progress toward achieving program objectives. The individual USAID missions and USAID/Washington operating offices have ultimate responsibility for developing their own project and program objectives, measuring progress in achieving those objectives, and ensuring the efficient and effective use of USAID funds.

As of September 30, 1993, USAID active programs had obligations and expenditures totaling \$16.1 billion and \$10.3 billion, respectively. These funds reportedly support the types of activities illustrated on page 3:²

² This funding breakout is based on data in USAID's financial management systems for projects and non-project assistance. While the exact funding by the specific activities cannot be identified by the systems, the chart gives the reader some idea of the type of activities USAID spends its money. Also, as discussed in Appendix I, the amounts included in the chart include development assistance and economic support funds only and do not include funding under such programs as Public Law 480 and assistance to Israel.

USAID FUNDING BY ACTIVITIES



Audit Objective

The Regional Inspector General for Audit in San Jose, Costa Rica, with the assistance of other audit offices, audited USAID's systems for measuring for program results to answer the following audit objective:

- **Did USAID have effective management systems for measuring program results?**

The audit was performed at USAID/Washington and at four overseas missions. Appendix I contains a complete discussion of the scope and methodology for this audit including several scope limitations.

REPORT OF AUDIT FINDINGS

Did USAID have effective systems for measuring program results?

USAID did not yet have fully effective systems for measuring program results.

USAID is in the process of implementing the Program Performance Information System for Strategic Management (PRISM) which was initiated in September 1991 and is designed to provide better information on program results. At the time of our audit USAID had identified strategic objectives for programs carried out by most USAID/Washington bureaus and individual missions. Also, within the past two years, the USAID Administrator has made it clear, both within USAID and in Congressional testimony, that he is committed to establishing a system by which USAID can identify program results against what was intended when the programs were undertaken.

Furthermore, during the course of the audit we held several meetings with USAID/Washington management on the types of problems being found by the audit, and in May 1994 USAID issued a new directive on setting and monitoring program strategies. **This directive addresses and should help resolve most of the problems found by the audit when fully implemented (as discussed in Appendix V).** For example, the new directive (1) requires all operating units except those responsible for Europe and the New Independent States and the West Bank/Gaza programs to bring themselves into full compliance with the directive by April 1995, (2) assigns one USAID/Washington bureau responsibility for approving all strategic plans, and (3) requires measurable performance targets for the long term (i.e., up to 10 years) with annual interim indicators to demonstrate whether or not progress is being made towards achieving the desired impact.

USAID can identify some program accomplishments and is making significant progress in developing a system for measuring program results. However, USAID needs to provide better direction and oversight to ensure that quantifiable indicators or even objectively verifiable and measurable indicators and related reporting systems are in place for measuring progress in accomplishing its program objectives. Also, such indicators and reporting are needed to enable USAID management and others evaluate

and compare actual against planned results and to assess accomplishments in relation to funding requirements. These issues are discussed below.

USAID Bureaus and Missions Need to Establish Better Indicators and Reporting Systems

The Foreign Assistance Act requires that USAID establish a management system that includes quantifiable indicators and a reporting process to measure progress in achieving USAID program objectives against what was anticipated when the programs were undertaken and for deciding on how best to use available funds. However, while USAID could identify some program accomplishments and has made significant improvements in the past two years in developing a system to measure program results, it still had some work to do before it fully meets the requirements for quantifiable indicators (or even objectively verifiable and measurable indicators) with specific targets and reporting systems for measuring program results. These problems occurred because (1) clear directions on implementing PRISM were not provided from USAID/Washington until the past year and (2) according to USAID officials the systems within PRISM for measuring program results are fairly new and they are still in the process of establishing indicators and developing procedures for ensuring the reliability of data reported under the system. As a result, USAID management and others do not have the information needed to objectively evaluate and compare actual results against planned targets in accomplishing most of its program objectives and to fully consider program performance when making funding decisions. In fact, USAID's own ratings on the implementation of PRISM by most overseas missions and our work at seven USAID bureaus and overseas missions showed that USAID bureaus and missions which did not yet have fully effective systems for measuring program results or which had not yet been rated under PRISM had obligations and expenditures under active programs totaling \$12.8 billion and \$7.8 billion, respectively (as of September 30, 1993).

Recommendation No. 1: We recommend that the Deputy USAID Administrator:

- 1.1 assign one office overall responsibility for ensuring that USAID/Washington bureaus and individual missions are properly implementing the PRISM;**
- 1.2 define the roles of the regional and central bureaus to ensure that missions and other operating units (including those responsible for the Europe and New Independent States and the West Bank/Gaza programs) implement systems for measuring program performance in accordance with prescribed guidance;**

- 1.3 issue specific directions to USAID/Washington bureaus and overseas missions on establishing baseline data, quantifiable indicators (as well as objectively verifiable and measurable indicators) including interim and long-range targets, and reporting systems for comparing actual results of USAID-funded programs against what was anticipated when the programs were undertaken;**
- 1.4 develop plans and time frames for establishing and monitoring a set of specific indicators for USAID's four overall strategic goals to enable USAID and others (e.g., Congress) to better measure trends and progress in accomplishing these overall goals;**
- 1.5 establish procedures to ensure that baseline data and actual results reported under the PRISM system are, within practical limits, reliable and documented;**
- 1.6 develop plans and time frames for USAID's financial accounting systems to permit tracking of obligations and expenditures according to USAID's overall strategic goals and in support of each mission's and other operating unit's strategic objectives and program outcomes; and**
- 1.7 assess the continued need for the technical assistance being provided to develop and implement PRISM and, if determined that the assistance is still needed, establish detailed scopes of work with specific end-of-contract and interim targets as to what the contractor should achieve during the remainder of the contracts.**

USAID is responsible under the Foreign Assistance Act (Act) to promote economic development and political stability in recipient countries. To enable USAID and others (e.g., Congress) to assess USAID's success in implementing its programs and projects, Section 621A of the Foreign Assistance Act, as amended in 1968, states that foreign assistance funds could be utilized more effectively by the application of a management system that will include the following:

To meet this need, the President shall establish a management system that includes the definition of objectives for United States foreign assistance; the development of quantitative indicators of progress toward those objectives; the orderly consideration of alternative means for accomplishing such objectives; and the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the agency and to Congress that relates agency resources, expenditures, and budget projections

to such objectives and results in order to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities.

The Congressional House Report (No. 15263) of the Committee on Foreign Affairs on discussions of this requirement in June 1968 stated that:

The purpose of the new section [621A] is to emphasize specifically in the legislation the importance of the use of better management techniques in the planning, execution, and evaluation of the foreign assistance program--both for internal agency management and to provide more meaningful information and reports to Congress.

The intent of the above requirements was also brought up in hearings before the House Committee on Foreign Affairs in June 1968 (prior to the enactment of the above requirement). In his prepared statement, the USAID Assistant Administrator for Administration at that time testified that:

We [USAID] are pushing very hard to define A.I.D. objectives clearly and to make them specific enough so that progress against them can be judged. We are striving for the identification of **quantifiable indicators of progress against objectives** [bolding added], recognizing that the problems of methodology in this area are formidable.³

During the hearing, a Congressman stated that he thought that there would be an effort to provide for a "specific legislative mandate" (i.e., enacting Section 621A) to require USAID to institute the management systems now prescribed by Section 621A. When this Congressman asked the Assistant Administrator if he would agree that the above required system would be a useful management tool for USAID, the Assistant Administrator stated:

Yes sir; it certainly would. It would certainly be helpful to the Administrator, and the top people in managing this program. It is a program that takes time to institute. I think we are making progress,

³ During testimony a Congressional member asked the USAID Assistant Administrator for Administration specific questions on USAID's progress in implementing several requirements of Section 621A when it is passed into law. Two of the questions asked and the Assistant Administrator's comments are as follows: Question: "Have there been quantitative indices adopted?" Answer: "I don't think we have gone far enough on that to give you any positive results. We are working on it. We are, but I don't think that we can give you any ---- (apparently stopped in mid sentence)." Question: "The third clause indicates that the system should include: 'The adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken.' Has any effort been made in this direction?" Answer: "Congressman, here, again, we are working on this. I don't think that we can give you the kind of an evaluation that would mean much to you."

but certainly we are a long way from achieving the goals of this resolution [i.e., requirement to implement Section 621A].

The problems voiced in those hearings continued and, to provide more convincing performance reporting and accountability to the U.S. Congress, USAID developed the Program Performance Information System for Strategic Management (PRISM) in 1991 and is in the process of implementing that system USAID-wide. The stated objectives of the PRISM are:

To develop an agency wide program performance information system for strategic management (PRISM) and strengthen operational-level performance information systems to provide better information on program results for more informed management decision-making.

The PRISM requires operating units (e.g., central bureaus and overseas missions) to develop strategic plans that include: "**Strategic Objectives**" which are defined as a "... measurable, intended result that is developmentally significant within the Mission's [and other operating units] manageable interest to achieve in 5 to 8 years." "**Program Outcomes**" which are defined as "... a measurable, intended result that is directly attributable to USAID activities, can be achieved in 3 to 5 years and contributes to the achievement of a strategic objective." And, "**Indicators**" which are defined as "... a variable which is measured to track progress toward achieving results." Guidance issued by USAID in April 1992 stated that all USAID overseas missions were expected to have adequate strategic plans and information systems (i.e., the PRISM) in place by June 1993. It also required that all missions and most other operating units should be reporting regularly by Fiscal Year 1993 at times established by each bureau.

However, these target dates were not achieved by most of the operating units including overseas missions. Therefore, to emphasize his sense of urgency in implementing the PRISM, the new USAID Administrator issued a cable in January 1994 stating that USAID needs to move quickly to consolidate and build on the best practices experienced to date in implementing the PRISM. Furthermore, in a March 1994 hearing before the Senate Appropriations Subcommittee on Foreign Operations, Export Financing and Related Programs, the USAID Administrator stressed his commitment for managing for results in helping people in the developing world to measurably improve their lives and to achieve results that all Americans can be proud of.

The importance of PRISM increased when the President signed the Government Performance and Results Act (GPRA) in August 1993. The GPRA requires all federal agencies to establish systems for measuring whether the programs are meeting their intended objectives. The systems will have to include 5-year strategic plans identifying general goals and

objectives along with the resources needed to meet those goals and objectives and annual performance plans that establish performance goals to define the level of performance to be achieved by a program activity. These annual plans are also to:

- express such goals in an "**objective, quantifiable, and measurable form**",
- describe the capital and other resources required to meet the performance goals,
- establish performance indicators to be used in measuring or assessing the relevant outcomes of each program activity,
- provide a basis for comparing actual program results with the established performance goals, and
- describe the means to be used to verify and validate measured values.

This Act further provides that if an agency, in consultation with the Director of the Office of Management and Budget (OMB), determines that it is not feasible to express the performance goals for a particular program activity in an "objective, quantifiable, and measurable form", the Director of the Office of Management and Budget may authorize an alternative form. However, if an alternative form is authorized it will have to include (1) a description of what is a successful program with sufficient precision and in such terms that would allow for an accurate, independent determination as to whether the program activity's performance meets the criteria of the description or (2) state why it is infeasible or impractical to express a performance goal in any form for the program activity.

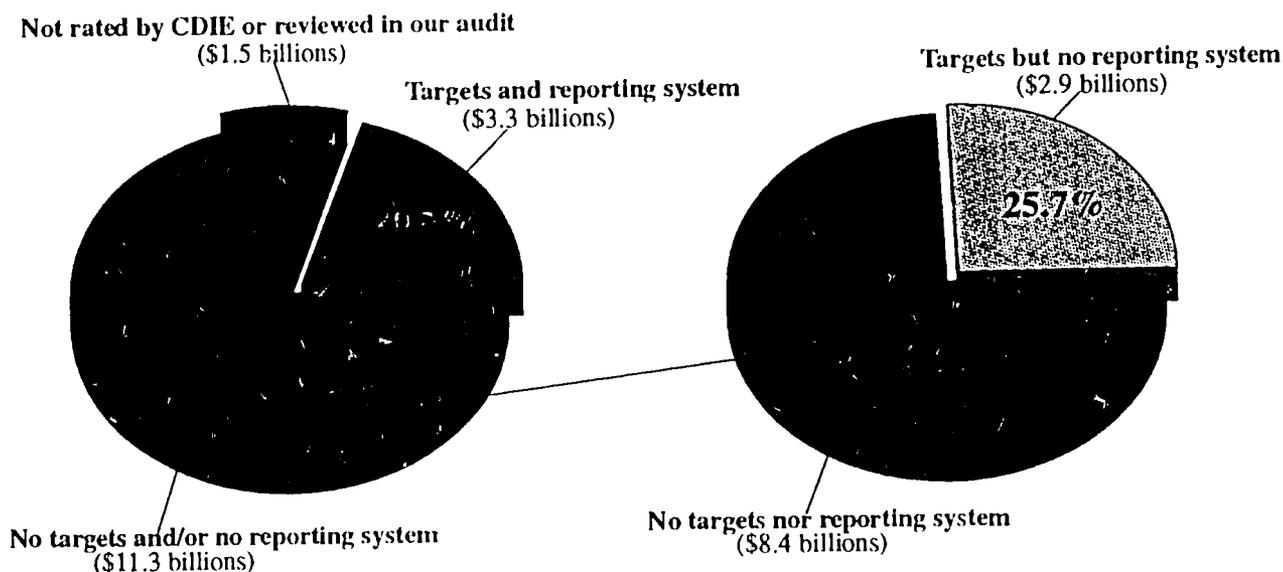
Although the GPRA gives most agencies, including USAID, until Fiscal Year 1999 for integrating performance measurement into their operations, Vice President Gore's Report of the National Performance Review (issued in September 1993) states that every federal agency should begin strategic planning and performance measurement now. Furthermore, in March 1994 USAID requested OMB for USAID to participate as a pilot agency under the GPRA. The request was approved on July 6, 1994. Thus, USAID needs to submit its annual performance plan for Fiscal Year 1995 to OMB before October 1, 1994.

... it (USAID) still had some work to do before it fully meets the requirements for quantifiable indicators (or even objectively verifiable and measurable indicators) with specific targets and related reporting systems ...

USAID could identify some program accomplishments and has made significant improvements in the past two years in developing a system to measure program results. However, it still had some work to do before it fully meets the requirements for quantifiable indicators (or even objectively verifiable and measurable indicators) with specific targets and related reporting systems to enable USAID management and others to (1) objectively measure and compare USAID's progress in achieving most of its program objectives against what was anticipated when the programs were undertaken and (2) have better information to assess accomplishments in relation to available funding.

For example, USAID's own rating on the implementation of PRISM by most overseas missions and our work at seven USAID/Washington bureaus and overseas missions showed that bureaus and missions that did not yet have fully effective systems for measuring program results or that had not yet been rated under the PRISM had obligations and expenditures under active programs totaling \$12.8 billion (and expenditures of \$7.8 billion) -- or 80 percent of USAID's total obligations of \$16.1 billion under active programs (as of September 30, 1993) as illustrated below (and identified by operating units in Appendix III):⁴

Analysis of USAID's Ability to Measure for Program Results (Active Programs)

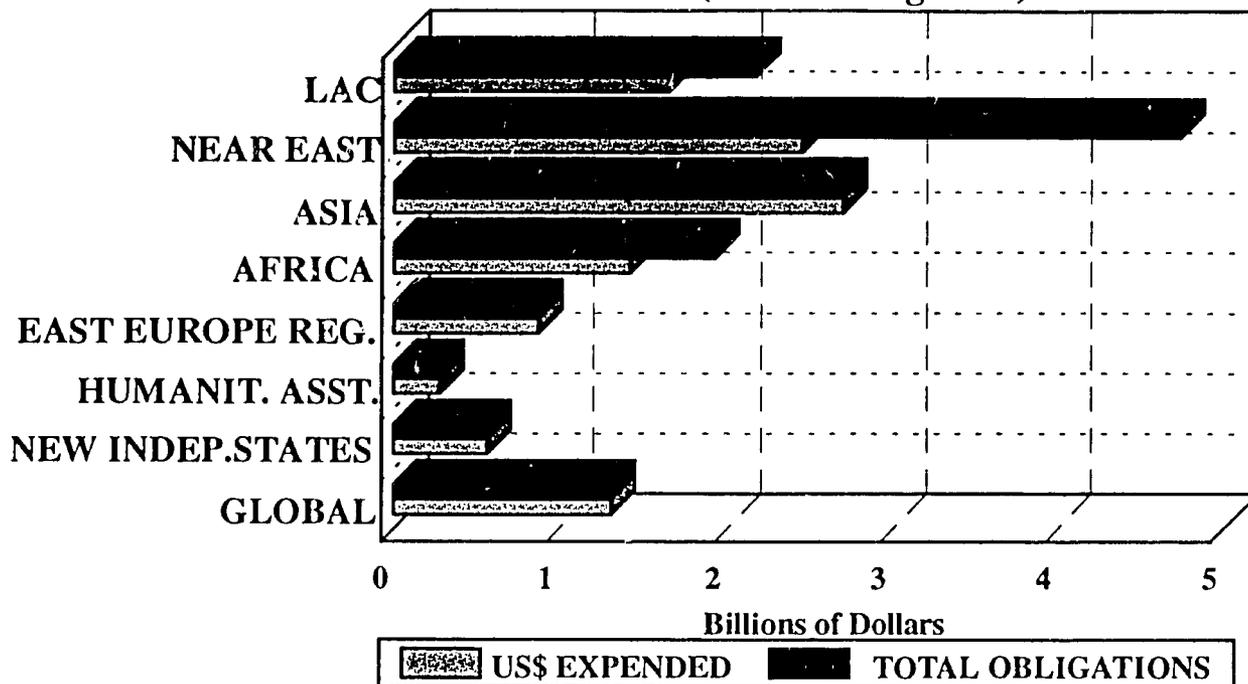


Also, although USAID began to implement the PRISM in 1991, at the time of our audit in April 1994 -- nine months after the target date set by the previous Administrator for having the system in place at least for the

⁴ This analysis is based on USAID's own rating of individual mission progress in implementing PRISM and our review at USAID/Washington.

overseas missions -- the degree of implementation of the systems varied by USAID bureaus as illustrated below.⁵

Analysis of USAID's Ability to Measure for Program Results (Active Programs)



A major reason for the variance between bureaus is the direction -- or lack of direction -- given by the respective bureaus to implement the PRISM system (or an alternative system) for establishing quantifiable indicators or even objectively verifiable and measurable indicators with specific targets and reporting systems needed to measure program results. A few examples are discussed below:

- The Bureau for Latin America and the Caribbean has given strong direction and oversight in implementing the PRISM. As a result, of this Bureau's 23 missions rated under the PRISM, 10 missions were rated by USAID as at least having identified expected results and likely data sources for most or all of their strategic objectives and program outcomes. Three of the 10 missions were rated as having annual performance reports that provide data on actual results for most or all of its strategic objectives and program outcomes.
- The Asia Bureau has provided very little guidance to its missions in implementing the PRISM. As a result, of this Bureau's 10 missions rated under the PRISM, only 3 missions were rated by USAID as at

⁵ The amounts shown are only for missions within USAID's regional bureaus reporting under the PRISM system and the USAID/Washington offices covered in our audit.

least having identified expected results and likely data sources for most or all of their strategic objectives and program outcomes. None of this Bureau's missions were rated as having annual performance reports that provide data on actual results for most or all of its strategic objectives and program outcomes. Although USAID guidance issued in April 1992 stated that all missions should be reporting regularly on program performance under the PRISM by Fiscal Year 1993 at times established by each bureau, the Asia Bureau had not (as of April 1994) required the three Asian missions we reviewed to provide such reports.

- The Global Bureau and the Bureau for Humanitarian Response have recently begun to implement the PRISM requirements for establishing strategic objectives, related performance indicators, and reporting systems. However, neither bureau had developed adequate indicators for measuring most of their programs' performance against what was expected when the programs were undertaken. For example, the Bureau for Humanitarian Response began to implement the PRISM in January 1994 and has identified some preliminary strategic objectives for some of its programs; but it had not yet finalized the objectives nor established performance indicators (including interim and end-of-program targets) and reporting systems to measure progress against what was anticipated when any of its programs were undertaken.

... each of the bureaus and missions reviewed still had some work to do before they fully meet the requirements for quantifiable or even objectively verifiable and measurable indicators ... and related reporting systems ...

Our review of seven USAID/Washington bureaus and overseas missions -- with total obligations and expenditures under active programs and projects totaling \$4.5 billion and \$2.7 billion, respectively (as of September 30, 1993) -- found that each of the bureaus and missions reviewed still had some work to do before they fully meet the requirements for quantifiable or even objectively verifiable and measurable indicators (with baseline data and specific targets) and related reporting systems to assist USAID management and others to objectively evaluate and compare actual accomplishments against what was anticipated when the programs were

undertaken.⁶ Also, USAID has not yet established a system for identifying its current funding spent or available in support of its overall strategic goals and individual operating units' (e.g., individual missions) strategic objectives in order to assist in the evaluation of program performance and reviewing budgetary requests. Each of these issues as well as a summary of improvements needed to improve USAID's ability to manage for program results are discussed below.

Better Indicators with Specific Targets Are Needed

Each of the three USAID/Washington bureaus and four missions we reviewed had not yet fully established quantifiable indicators or even objectively verifiable and measurable indicators with related baseline data and specific targets to assist USAID management and others (e.g., Congress) to objectively measure progress and compare actual results against what was anticipated when the programs were undertaken. A major problem was the lack of specific targets on what exactly was expected to be accomplished. Also, some indicators and related targets are what is to be achieved by activities funded by all international donors -- not what is expected to be accomplished as a direct result of USAID expenditures.⁷

Six examples of these problems are discussed below:

- The Department of State Coordinator of U.S. Assistance to the New Independent States approved the strategy document for the New Independent States in January 1994 which identifies three strategic objectives: market economic systems, enduring governmental systems based on democratic politics, and easing of the human costs associated with the transition. The strategy document identifies indicators, both quantitative and qualitative, for measuring progress for two of the three objectives. However, no specific targets were included for any indicator to allow for an objective assessment as to the progress and results in achieving the three objectives. For example, one indicator cited to measure progress for the market economic systems objective is the "rate of inflation" but no targets was identified. While the indicator is quantitative, without a target, such as achieving an 18 percent inflation rate by 1996, for example, the indicator in and of itself is meaningless. Furthermore, Bureau for

⁶ Appendix IV identifies the total obligations and expenditures under active programs for each of the offices and missions reviewed.

⁷ USAID's April 1992 PRISM guidance states that strategic objectives are the most significant results in a program area for which a mission (or other operating unit) is willing and able to be held accountable. The guidance also states that "performance indicators" should (1) be clearly and obviously linked to and measure as directly as possible progress in achieving objectives and (2) provide measures of results that can be related to the magnitude of USAID investment.

Europe and New Independent States officials said the "rate of inflation" is above the level of USAID assistance impact and that the International Monetary Fund has the responsibility to set inflation targets for countries. As of September 30, 1993, the Bureau's active programs for the New Independent States had total obligations and expenditures of \$573.9 million and \$180.8 million, respectively.

- The Global Bureau's Office of Health and Nutrition is using indicators that were established by the international community at the 1990 World Summit for Children as targets for its child survival program. However, these targets are goals established by the international community based on health sector activities funded by all international donors as well as the host countries -- not what is expected to be accomplished as a direct result of USAID expenditures. Furthermore, the targets to be achieved are not until the year 2000 and the Global Bureau had not established any interim benchmark by which to measure progress in achieving these targets. For example, one World Summit target is to immunize at least 90 percent of children under one year of age against diphtheria, pertussis, and tetanus by the year 2000. Despite the fact that this target was ten years into the future when it was established (1990) and five years into the future at the time of our audit, the Office of Health and Nutrition did not have interim targets for evaluating on-going progress and making adjustments, as necessary, for achieving this goal. As of September 30, 1993, the Bureau's Office of Health and Nutrition had obligations and expenditures under its active child survival programs totaling \$69.9 million and \$59.0 million, respectively.
- The only indicator to measure progress in achieving USAID/Panama's strategic objective for the preservation of natural resources is the "net number of hectares country-wide deforested annually". However, USAID/Panama had not yet established baseline data nor targets for this objective. USAID/Panama officials said they do not expect to have baseline data established until October 1994 and would then establish the targets to be achieved. The only project in support of this objective was initiated in September 1991 -- more than three years prior to our audit. As of September 30, 1993, USAID/Panama had obligated and expended under this project in support of this strategic objective \$15.0 million and \$600,000, respectively.
- USAID/Philippines has identified four strategic objectives and 42 indicators. While many of the indicators could be considered quantitative in terms of description, no targets had yet been established on what is actually expected in accomplishing three of the strategic objectives. For example, one strategic objective was to enhance the management of renewable natural resources. Although nine indicators were established for measuring progress in accomplishing this objective, no baseline data nor targets (either end-

of-program or interim) had yet been established. Also, some of the indicators for measuring progress in achieving this objective were not sufficiently precise to allow for an objective determination that the indicator had been achieved. For example, one indicator was "companies conducting pollution management appraisals and adopting recommendations on sound environmental practices". However, because USAID/Philippines was still developing baseline data, it had not yet established interim and final targets to define such things as the number of companies, the number of appraisals, and what constitutes "sound environmental practices" to measure the progress in accomplishing this indicator. Of USAID/Philippines' total obligations of \$993.0 million under active programs (as of September 30, 1993), approximately \$825.6 million (and expenditures of \$494.0 million) was identified by USAID/Philippines officials as being in support of the three strategic objectives for which no targets had yet been established.

- USAID/Indonesia has identified four strategic objectives and 78 indicators. However, interim and final targets have not yet been established for 61 of the 78 indicators. The same 61 indicators were also too qualitative and did not sufficiently quantify or otherwise define what is expected to enable an objective assessment of results. For example, one indicator under the strategic objective to increase the effectiveness of key institutions in supporting citizens' rights and civic participation was the number of research or policy reports generated by the Parliament's Research Center. However, no baseline data nor targets on the number of reports had yet been established. Without a quantification or definition of the number and type of reports or the subject areas to be covered, the target is vague. As of September 30, 1993, USAID/Indonesia identified obligations and expenditures (including USAID/Washington funded programs) in support of its active programs totaling \$453.6 million and \$335.9 million, respectively.
- USAID/Nepal has identified three strategic objectives and 81 indicators. However, final targets have not yet been established for 55 of the 81 indicators and interim targets have yet to be established for any of the indicators. For example, one indicator is to increase the number of privatized nurseries from a baseline of 0 in 1991 to 200,000 by 1995. However, no interim targets have been established to gauge the interim progress during the four years. USAID/Nepal officials said that there was no USAID guidance that requires establishing interim targets. As of September 30, 1993, USAID/Nepal had obligations and expenditures (under its active programs) totaling \$92.7 million and \$53.5 million, respectively.

The contractor USAID hired in August 1991 to assist in developing and implementing the PRISM has reported similar problems with USAID's

efforts to establish useful indicators and baseline data.. For example, in a September 1993 report on the progress made in implementing PRISM by USAID missions in the Latin America and the Caribbean region the contractor concluded that the problem encountered for many of the indicators selected to measure progress is that there are no reliable historical data and in some cases not even a single baseline datum of the selected indicator for recent years. The report states that the establishment of targets based on no data would appear to be nothing short of "immaculate collection" of data on the part of missions. The contractor notes that the job of the missions is to collect baseline data covering a number of previous years in order to establish the current levels and trends for those measures. The report further states:

Establishing trends and targets is an important part of working with indicators. Clearly, this task cannot be carried out in any meaningful way when there is no baseline data which can be used to describe the current situation. In some instances, this failure to have baseline data reflects the need for missions to evaluate critically their selection of indicators. In other instances, the indicators selected are too complex to be effectively measured.... But whatever the reason, an indicator which cannot be measured or interpreted does little good.

This same contractor also issued a report in June 1994 on an assessment of 42 strategic objectives of various missions worldwide. The objective of the study was to analyze the quality of mission strategic plans in an effort to gauge how "operational" they are and to identify areas in which additional work was needed. The contractor found such problems as (1) in approximately half of the strategic objectives and program outcomes (50 percent at the strategic objective level and 54 percent at the outcome level) reviewed, the majority of the indicators were not direct measures toward accomplishing the objectives and outcomes and (2) 25 percent of the strategic objectives and 27 percent of the program outcomes were not defined in a manner which permits objective measurement. The contractor concluded that:

The analysis above reveals three primary shortcomings in strategic plans: **inconsistent logic between strategic objectives and program outcomes; imprecision in objective and outcome statements; and indicators which are often not direct measures of the objectives nor outcomes.**

In our opinion, many of the current problems regarding the lack of adequate indicators could have already been resolved if the scopes of work in the two contracts (for essentially the same type of services) with the above mentioned contractor better defined the anticipated results of the work. Although the contractor was hired to assist in developing and implementing the PRISM, USAID cannot determine what progress has been made by the contractor against what should have been achieved by the

time of the audit because the contracts did not include specific results that were to be accomplished under the contracts as of a given date or even at the end of the contract. As of May 1994, USAID had paid the contractor a total of \$5.3 million for developing the PRISM system and still had \$5.1 million obligated under the contracts that had not yet been expended.

Reliable Reporting Systems Are Needed

Three of the four missions we reviewed were not yet required to and had not yet formally reported baseline data and actual results for measuring progress in accomplishing their strategic objectives under the PRISM. Also, each of the four missions was still in the process of developing management systems to ensure that the data reported under the PRISM is or will be accurate and fully documented. For example, the missions had not yet assessed the reliability of the sources used to obtain baseline data and in some cases the baseline data and actual results identified and/or reported were not correct, not supported by documentation, or were misleading. The three USAID/Washington bureaus reviewed had not yet reported baseline and actual results data that can be used to objectively evaluate progress and compare results against what was anticipated when most of their programs were undertaken.

The "Standards For Internal Controls In The Federal Government" issued by the United States General Accounting Office requires, among other things, the documentation of internal control systems and states:

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

USAID guidance issued in April 1992 stated that all missions and most other operating units (e.g., offices within the Global Bureau) should be reporting regularly (i.e., annual reporting) to their respective bureaus and USAID's Center for Development Information and Evaluation on program performance under the PRISM by Fiscal Year 1993 at times established by each bureau. However, the three missions that we reviewed in the Asia region had not yet been required by the Asia Bureau to report under the PRISM and had not yet formally reported baseline data and actual results to USAID/Washington. Because these missions were still developing and had not yet formally reported baseline data and actual results under the PRISM to USAID/Washington, we did not attempt to determine the reliability of the baseline data and actual results identified by these missions. Moreover, all three missions were still in the process of establishing reliable management information systems to be able to accurately report baseline data and program results under the PRISM.

However, at USAID/Nepal we did find that information on baseline data and actual results under the PRISM is often relayed orally among its

officials because no internal reporting mechanism has been established to show and verify where or how the data were derived. For example, baseline data for certain PRISM indicators were obtained by telephone from the Government of Nepal's Ministry of Forests but there was no documentation to support the reliability of the information obtained. Also, USAID/Nepal officials said that the source of some information identified under the PRISM, such as information on the performance of Nepal's overall economy, is obtained from annually published economic surveys whose data ranges from poor to good. USAID/Nepal does not have a policy requiring the documentation of PRISM data or even identifying its sources, which raises concerns about the reliability of the data being used as baseline data and actual results.

Our detailed review at USAID/Panama of the reliability of data being reported under the PRISM showed that 10 of the 21 indicators established for the two strategic objectives that we reviewed were not correct, not supported by documentation, or were misleading. Examples of some of the problems found at USAID/Panama include the following:

- Several actual results reported were based solely on telephone conversations with Government of Panama officials. For example, USAID/Panama reported that 20 percent of the recommendations by the Panama Controller General had been corrected in 1993. However, this was based on a technical assistance contractor's telephone conversation with someone in the Controller General's office. USAID/Panama staff did not have any documentation to support the results reported. Also, neither contractor nor USAID/Panama staffs knew how many recommendations had been corrected or even made.
- One indicator was the number of judicial career positions filled competitively. The actual positions reported as filled in 1993 were 250. But the USAID/Panama official who reported this number said that was the number "planned" to be filled competitively and she used it as the number actually filled. This official did not have any documentation to support the number of positions that were actually filled.
- Another indicator was the people's confidence level of the electoral process. The baseline was 32 percent in 1992 which was based on a poll that asked for one of five answers: no confidence, little confidence, confidence, much confidence. This percent was based on the number of people who responded confidence, sufficient confidence, and much confidence. USAID/Panama reported that the actual for 1993 was 56 percent "having confidence" based on a poll that asked for one of two answers: being satisfied or not being satisfied. Although 56 percent of the people reportedly answered "satisfied" -- indicating an increase of 24 percent in "satisfaction" over the baseline established in the prior year -- 36 percent responded that they were "not satisfied", indicating that in actuality there may not have been a reduction in dissatisfaction

from the 32 percent that responded "no confidence" in the baseline year of 1992. This points out the need to use the same questions if comparing results.

- Another indicator was the number of Government of Panama offices implementing an accounting system. USAID/Panama reported that 3 percent (or five agencies) had implemented the system by 1993 which exceeded the 1 percent target. However, this is misleading because the five agencies had in fact just begun to implement the procedural manual developed by a USAID/Panama contractor and USAID/Panama did not know what specific procedures or systems had in fact been effectively implemented.

Funding In Support of Strategic Objectives Needs to Be Identified

We found that USAID's financial management system did not enable USAID to readily identify obligations and expenditures in support of its four overall strategic goals (i.e., economic growth, population and health, democracy, and the environment) nor in support of its operating units' (e.g., regional and central bureaus, and individual missions) strategic objectives and program outcomes. Such a system is required under both the Foreign Assistance Act and the Government Performance and Results Act. For example, the Foreign Assistance Act requires that USAID's management information system provide information to USAID management and to the Congress that relates USAID's resources, expenditures, and budget projections to its program objectives and results. This information is to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities.

One problem in this area is that USAID's principal central financial management systems, the Project Accounting and Information System (PAIS) and Financial Accounting Control System (FACS) for identifying funding for projects and programs, have not been updated to identify funding in support of individual bureaus' and missions' strategic objectives and program outcomes nor USAID's overall strategic goals. A few examples of this problem are discussed below:

- Although "democracy" is one of USAID's four overall objectives and the fact that USAID's Fiscal year 1995 Congressional Presentation requests a total of \$1.4 billion in support of the "building democracies" objective, neither of the above cited USAID financial management systems include an activity code to identify funds obligated and spent in support of this objective -- much less in support of its subobjectives such as "strengthened fundamental rights" and "improved representation processes".

- USAID/Panama has identified 11 projects with total obligations of \$79.1 million in support of its strategic objective for building democracy. However, USAID's central financial management systems do not identify that any of these projects are related to building a democracy but are for such activities as "human resources" (\$42.5 million), "infrastructure/industry/housing" (\$8.1 million), "education" (\$18.5 million), "other" (\$6.9 million), and miscellaneous others (\$3.1 million).

Another problem regarding funding is that USAID does not yet have a system in place to identify how much of USAID/Washington resources are in support of individual mission's strategic objectives nor how much of a mission's funds are not in support of the mission's strategic objectives. For example, the Bureau for Humanitarian Response cannot readily identify how much of its \$212.3 million expenditures (as of September 30, 1993) were in support of activities in specific countries.

Regarding the allocation of mission funds not in support of the mission's strategic objectives, USAID's "Second Annual Report to the Administrator on Program Performance" (issued in April 1994) states that in some regions activities not contributing directly to a mission's strategic objectives represent a significant allocation of USAID resources and are classified as "targets of opportunity". The report notes that 15 missions in the African region have these type of activities in the environmental area. Our limited review at USAID/Malawi found that mission had expenditures totaling \$47.5 million -- or about 49 percent -- of its total expenditures of \$97.7 million under active projects that were not reportedly in support of that mission's strategic objectives. One of these programs (with obligations and expenditures of \$26.6 million and \$23.3 million, respectively) was USAID/Malawi's strategic objective to "increase off-farm employment" but USAID/Malawi stated in its Fiscal Year Assessment of Program Impact document (dated November 22, 1993) that it deleted this objective from the current plan for the following reason:

Because of lack of information to measure and compare the impact with previous API (Assessment of Program Impact) reports, and because it has been formally deleted from Mission's strategic objectives, we will not report on this Strategic Objective this year, and will not mention it in future API reports.

In our opinion, it is important for USAID/Washington to be aware of activities undertaken by each mission that do not support that mission's strategic objectives. Furthermore, the USAID program performance report referred to above points out that these "targets of opportunity" type of activities are not included in the "analytical frameworks" used by USAID to show how missions' strategic objectives and program outcomes support USAID's overall program strategies.

The above problems exist because of numerous reasons.

Areas Needing Improvements

The above problems exist because of numerous reasons. For example, clear directions on implementing the PRISM were not provided by USAID/Washington until the past year. And, according to USAID officials the PRISM system for measuring program results is fairly new and they are still in the process of establishing indicators and developing procedures for ensuring the reliability of data reported under the PRISM. Also, USAID has not specifically required quantifiable indicators (with specific targets) to measure and compare program results against what was expected when the programs were undertaken and has not been successful in establishing even objectively verifiable and measurable indicators with related baseline data and specific targets for measuring program results.⁸

While our office believes that Section 621A of the Foreign Assistance Act does require the use of quantifiable indicators for measuring each program's performance, the USAID Office of General Counsel provided us its opinion in August 1994 that Section 621A does not require that such indicators be used in each and every program or project. The General Counsel also stated: "The agency has established systems over the years which include both types of indicators [qualitative and quantitative] and accordingly **appears** [bold added] to be in compliance with the law." The General Counsel further stated that the question of whether USAID systems have been adequately implemented is a valid concern raised by the Office of the Inspector General but, in the view of the General Counsel, is a separate question concerning "appropriate managerial discretion and action rather than compliance with the law."

Regardless of whether an indicator is quantitative or qualitative, the key (in our view) to an indicator being meaningful and measurable is that baseline data and targets be established against which progress and results can be objectively measured toward accomplishing the program objectives. Without these, how would it be possible to provide information to USAID management and others (e.g. Congress) to evaluate progress and compare actual program results with those anticipated when the program was undertaken? We believe this report supports that USAID still has some work to do before it fully meets these requirements to assist USAID

⁸ The April 1992 PRISM guidance states that expected results (e.g., indicators) should be as precise as possible but may be quantitative or qualitative.

management and others (e.g., Congress) to objectively evaluate progress in accomplishing its strategic objectives.

The specific causes and conditions for the problems in implementing the PRISM system include the following (including some that have already been discussed in this report):

- The need for more consistent implementation of the PRISM by USAID/Washington offices and overseas missions. Although the Bureau for Policy and Program Coordination (PPC) has assumed the responsibility for designing the PRISM and monitoring its implementation, PPC had not been formally delegated the responsibility for ensuring the system is implemented which would include directing other bureaus and individual missions to take appropriate actions to implement the system.
- The need for better direction requiring baseline data and quantifiable indicators as well as objectively verifiable and measurable indicators with specific targets (including interim targets) are required for each strategic objective and program outcome. In our opinion, baseline data and interim indicators are needed to identify what was there when the program started and to be able to objectively measure progress toward accomplishing the program objective. Since the Government Performance and Results Act requires annual indicators that are in "objective, quantifiable, and measurable form", it is reasonable that USAID will want to establish requirements for such annual indicators for measuring progress.
- The need for better direction and oversight by regional bureaus for the implementation of the PRISM by their missions. As discussed in this report, the degree of implementing systems for measuring program results varies greatly between bureaus and missions.
- The need to develop written guidance and control procedures emphasizing the importance of reliable data reported under the PRISM and the type of documentation to support the data. For example, as discussed in this report, the four missions we reviewed had not yet assessed the reliability of sources used to obtain baseline data and in some cases the baseline data and actual results identified and/or reported were not correct, not supported by documentation, or misleading.
- The need to refine USAID's financial management systems to identify funding in support of USAID's four strategic objectives (i.e., economic growth, population and health, democracy, and the environment) and in support of each operating unit's strategic objective and program outcome at the operating unit level (e.g., regional bureaus and missions). This system should also be able to identify what projects

and programs and related funding do not support USAID's strategic objectives. Without such data USAID cannot readily identify how much has already been spent or is still available for accomplishing those objectives and subobjectives. A report by The President's Commission on the management of USAID Programs issued in April 1992 noted that each strategic objective must have a price tag in terms of program funding and that USAID/Washington management should review the price tag versus likely results.

- The need to establish a set of indicators for monitoring trends and progress in accomplishing USAID's four overall strategic goals: economic growth, population and health, democracy, and the environment. At the time of the audit USAID's bureaus and missions used a wide variety of dissimilar objectives and indicators which inhibits summarizing data so as to be able to judge progress in achieving the four overall strategic goals. A report issued by the President's Commission on the Management of USAID Programs issued in April 1992 concluded that USAID needed to standardize its strategic planning and performance indicators to produce greater discipline, comprehensibility, and compatibility. We recognize that strategic plans for implementing USAID's four overall goals must be tailored to individual country circumstances and that specific indicators for each mission's or bureau's plan may well differ. However, to enable USAID and others to monitor trends and progress toward USAID's four goals, USAID needs to track a set of indicators associated with its overall goals.
- The need for a thorough review of the work being done by the technical assistance contractor responsible for assisting USAID in the development and implementation of the PRISM and determining whether the work should continue. If the work is to continue, USAID should amend the contracts to include well defined scopes of work that can be performed under the remainder of the contracts with annual or semi-annual targets on what is suppose to be achieved -- not merely what activities the contractor should undertake.

In May 1994, USAID issued a new directive on setting and monitoring program strategies. **As discussed in Appendix V, this directive addresses and should help resolve, when fully implemented, most of the problems found in our audit as summarized above.** For example, the new directive (1) requires most operating units to bring themselves to full compliance with the directive by April 1995 and (2) requires measurable performance targets for the long term (e.g., up to 10 years) with annual interim indicators to demonstrate whether or not progress in being made towards achieving the desired impact.

USAID has made significant progress -- especially in the past two years -- in meeting the requirements for measuring program results ... However, more needs to be done ...

Conclusion

USAID has made significant progress -- especially in the past two years -- in meeting the requirements for measuring program results with the development and implementation of the PRISM system. However, more needs to be done before it fully meets the requirements for indicators and reporting systems to assist USAID management and others (e.g., Congress) to (1) objectively measure and compare progress in accomplishing its program objectives against what was anticipated when the programs were undertaken and (2) have better information to assess accomplishments in relation to available funding. One thing is certain: USAID cannot allow its efforts to implement the PRISM to fail as previous efforts in implementing systems to measure program results have failed. In our opinion, with the Administrator's commitment to make the PRISM succeed in measuring progress in achieving USAID's strategic objectives, the problems described in this report can be corrected if all USAID organizations work together in resolving them.

Management Comments and Our Evaluation

USAID management generally concurred with the findings and recommended actions. For example, management agreed with the essential conclusions of the report, namely that (1) much progress has been made but there is more work to do to provide measurable, verifiable indicators for more effective reporting on program results and (2) that the full implementation of the Agency's directive on Setting and Monitoring Program Strategies, issued in May 1994, will substantially address most of the problems found in the audit.⁹

However, management had three major concerns regarding impressions created in the report. The first concern was the impression created in the report that there has been little or no progress in meeting requirements for improved monitoring and reporting. Management noted that the audit did not review the efforts made by the Africa Bureau since 1989 in this area and believed that Bureau's experience is crucial to a balanced presentation

⁹ The audit was performed from December 1993 through July 1994 and a draft of this audit report was provided to USAID management on November 10, 1995. However, USAID management did not provide us their formal written comments until May 22, 1995.

because it would illustrate what has been accomplished by a bureau which has been at this process for long enough to begin collecting meaningful results and reporting them.

We did not intend to give an impression that there has been little or no progress in meeting requirements for improved monitoring and reporting. In fact, the report identifies in several places that USAID has made significant progress in the past two years in developing a system for measuring program results.

Regarding the Africa Bureau's experience, we did not review that experience but do not believe that it is crucial to a balanced presentation. For example, USAID's own ratings (as shown in Appendix III) on the implementation of PRISM by 26 missions in Africa showed that only 5 of those missions had annual program performance reports that provide data on actual results for most or all of their strategic objectives and program outcomes. The ratings also showed that 14 of the 26 missions had not yet identified expected results and relevant baseline data for most of their strategic objectives and program outcomes.

The second concern was that the three Washington bureaus selected for the sample (i.e., the Global Bureau, Bureau for Humanitarian Response, and the Bureau for Europe and New Independent States) face uniquely difficult challenges in measuring and reporting program results and, therefore, a report of their limited progress may not represent the Agency at large. Management also believed that the funding data (i.e., obligations and expenditures) should exclude the three USAID/Washington bureaus because those bureaus were not subject to PRISM until the system had been more fully applied to field operations.

Whether or not the three USAID/Washington bureaus reviewed are representative of the Agency and were not intended to have implemented the PRISM at the time of the audit is immaterial on the findings and presentation of the audit report, including the identification of the obligation and expenditure data. The focus of the report was did the bureaus have fully effective systems for measuring program results -- not specifically did they implement the PRISM. For example, a separate audit report (Audit Report No. 8-000-95-002; dated November 28, 1994) issued on the Bureau for Europe and New Independent States' programs for measuring program results specifically stated that Bureau had been exempted from implementing the PRISM; but, also stated that the Bureau had not yet completed the design and implementation of its alternative management system for assessing program impact. Furthermore, in response to a draft of that audit report, the Bureau stated the following:

... We agree with your overall conclusion that ENI [the Bureau] still has much to do to have a fully effective system for measuring program results and we are continuing intensive efforts to complete that system...

Management's third concern is that the report implies or explicitly states that indicators and targets should be established on what is expected to be achieved by activities funded by only USAID resources—not what is expected to be accomplished as a result of programs funded by other international donors and the host governments. Management stated that the expectation of direct attribution of results to USAID expenditures is not appropriate in a discussion of reporting results at the strategic objective level and should be dropped from this audit report. Management further stated that USAID's claim for accomplishments is one of "plausible association" with positive progress toward the development results USAID is looking for.

In our opinion, the issue of whether USAID wants to establish expectations (i.e., targets for accomplishments) that cannot be directly attributed to USAID expenditures needs to be addressed. For example, one example in the report is an indicator established by the Global Bureau for at least 90 percent of children under one year of age will be immunized against diphtheria, pertussis, and tetanus by the year 2000. This target was established at the 1990 World Summit for Children and no interim indicators were established. The question that should be addressed is: Can and does USAID want to be held accountable for achieving this target? Also, the May 1994 USAID directive on Setting and Monitoring Program Strategies states that program strategies should focus on achieving program results that are "within the manageable interest of the operating unit" and where those results can be expected to produce sustainable development impact. This directive does not define nor establish criteria for determining whether USAID resources have a "plausible association" in accomplishing those results.

Furthermore, as stated in this audit report, Section 621A of the Foreign Assistance Act requires that USAID have a system that provides information to the agency and to Congress that relates "agency" resources, expenditures, and budget projections to objectives and results in order to assist in the evaluation of program performance. This report also identifies that the Government Performance and Results Act requires that federal agencies establish (1) 5-year strategic plans identifying general goals and objectives along with the resources needed to meet those goals and objectives and (2) annual plans that describe the capital and other resources required to meet the performance goals. Thus, although this audit report does not make a specific recommendation on this issue, we

believe that it is an issue that USAID needs to address in developing its guidance for measuring program results.

As stated previously, USAID management generally concurred with the recommended actions. Each recommendation along with management's comments and our evaluation is discussed below:

- For Recommendation No. 1.1, management believed that the May 1994 directive satisfies this recommendation by assigning the Office of Policy and Coordination for clearing all strategic plans. Based on the comments, this recommendation is considered closed upon issuance of the final report.
- For Recommendation No. 1.2, management believed that the May 1994 directive addresses this recommendation for defining the roles of bureaus and operating units other than for the Eastern Europe and New Independent States and the West Bank/Gaza programs. Management stated that they believe this recommendation can be closed once the Office of Policy and Coordination and the bureaus responsible for those programs reach agreement on when those programs will be brought into the Agency-wide program results measurement system. Based on the comments, this recommendation is considered resolved and can be closed once the agreement on those programs have been reached.
- For Recommendation No. 1.3, management believed that this recommendation for developing better direction for establishing baseline data, indicators, and reporting systems is adequately addressed in the May 1994 and requested that this recommendation be closed. While we agree the May 1994 directive satisfies most of the direction needed, we believe that the directive needs to better address (1) the extent quantifiable indicators need to be established and (2) what time frame should be used for the baseline data. Based on the comments, this recommendation is considered resolved and can be closed when the recommended action is satisfactorily implemented.
- For Recommendation No. 1.4, management stated that while the Agency has begun to work in earnest toward establishing a set of specific indicators for USAID's four overall strategic goals, and has made substantial progress in the context of soon-to-be- issued implementation guidelines, there will be obstacles ahead since management wants to undertake this work in consultation with the Agency's Congressional oversight committees. Management also requested a minor revision to the recommendation. Based on the

comments, the recommendation was revised as suggested and this recommendation is considered resolved and can be closed when the recommended action is satisfactorily implemented.

- For Recommendation No. 1.5, management stated that a guide will be issued soon for ensuring that data reported is reliable and documented but requested a minor revision to the recommendation. Based on the comments, the recommendation was revised as suggested and this recommendation is considered resolved and can be closed when the recommended action is satisfactorily implemented.
- For Recommendation No. 1.6, management stated that major progress has been made toward tracking of obligations and expenditures according to USAID's overall strategic objectives but requested a minor revision in the recommendation. Based on the comments, the recommendation was revised as suggested and this recommendation is considered resolved and can be closed when the recommended action is satisfactorily implemented.
- For Recommendation No. 1.7, management stated that the continuing need for technical assistance was assessed and concluded that some assistance is still needed. Management further stated that based on the assessment, the scope of work for the technical assistance contractor was revised to refocus the services it is to deliver and establishes targets for what it should accomplish in the time remaining under the contract. Based on the comments, this recommendations is considered resolved and can be closed when management provides and we review the revised scope of work.

In summary, Recommendation No. 1.1 is closed and the remaining six parts of the recommendation are resolved.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General for Audit in San Jose, Costa Rica, with the assistance of other audit offices, audited USAID's systems for measuring for program results in accordance with generally accepted government auditing standards. The audit was conducted from December 1993 through July 1994. We met with officials and reviewed systems being implemented to measure for program results at the following bureaus and missions: the Global Bureau, the Bureau for Humanitarian Response, the Bureau for Europe and New Independent States, USAID/Panama, USAID/Philippines, USAID/Indonesia, and USAID/Nepal. These bureaus and missions had obligations and expenditures totaling approximately \$4.5 billion of the \$2.7 billion under active projects and programs as shown in Appendix IV.

The audit included the following scope limitations:

- The audit did not attempt to verify the overall reliability of the computer generated data in USAID's Project Accounting and Information System (PAIS) and Financial Accounting Control System (FACS) which were used to identify the number of active USAID programs and projects and the related funding (i.e., obligations and expenditures). Also, the funding identified does not include P.L. 480 funded programs and assistance to Israel. There could be other programs not included in the total funding levels identified in this report; however, we do not believe that including such programs would significantly alter the findings in this report.
- We did not attempt to determine the overall validity of the USAID's system for rating missions having adequate indicators and reporting systems due to the large amount of time that would be required to determine the adequacy of the rating system. However, our work at the four overseas missions and our discussions with USAID's Center for Development Information and Evaluation officials showed that the rating system is relatively straight forward and provides a reasonably

good status of the missions' implementation of the PRISM. The auditors did note that USAID rates a mission as having adequate indicators even if the targets are not quantifiable and without interim targets. Furthermore, the rating system used is USAID's only system for rating bureaus and missions' implementation of the PRISM or other systems used to measure program results against what was anticipated when the programs were undertaken.

- We could not in many cases and did not attempt to determine the adequacy of the relationship between strategic objectives and program outcomes. Also, although the auditors did not have the expertise to determine whether some indicators were adequate in showing progress and results in achieving all the strategic objectives and program outcomes we reviewed, the problems found and reported in this report were evident and did not require special expertise to determine that they were not quantifiable or even objectively verifiable and measurable with specific targets to allow an objective determination to compare progress and accomplishments against what was anticipated when the programs were undertaken.
- We reviewed in detail the reliability of baseline and actual results data reported for only USAID/Panama. We did not perform a detailed review of the reliability of baseline and actual results data reported for the other three missions reviewed because they (1) were still in the process of developing management systems to ensure that the data to be reported will be accurate and fully documented and (2) had not yet formally reported such data to USAID/Washington. We also did not review the reliability of such data reported by the three USAID/Washington bureaus reviewed (Global Bureau, Bureau for Europe and New Independent States, and Bureau for Humanitarian Response) because they had not yet reported baseline and actual results data for most of their programs against what was anticipated when those programs were undertaken.
- Although some audit work was performed at USAID/Malawi and USAID/Kenya, we do not discuss in this report the results of that work because the audits were suspended due to the need to assign the auditors to other audits. As a result, the auditors could not conclusively determine whether these missions had established quantifiable indicators and management information systems in accordance with Federal requirements and USAID policies and procedures as well as determine the reasons and significance of any

problems found. We do note in this report, however, the fact that about 49 percent of USAID/Malawi's expenditures were not in support of its current strategic objectives at the time of the audits. This is used to illustrate the need for missions to report total funding in support of their strategic objectives as well as other activities.

Methodology

To accomplish the audit objective, we reviewed the requirements for establishing systems for measuring program results and using such information in making funding decisions as stipulated in Section 621A of the Foreign Assistance Act and the Government Performance and Results Act. We also reviewed USAID directives regarding implementation of the PRISM and related documents setting forth USAID management's commitment to establishing a system for measuring program results. We also downloaded data from USAID's Project Accounting and Information System (PAIS) and Financial Accounting Control System (FACS) to identify obligation and expenditure data as of September 30, 1993. The individual programs under the three USAID/Washington bureaus (i.e., the Global Bureau, the Bureau for Humanitarian Response, and the Bureau for Europe and the New Independent States) and the individual missions were judgementally selected based on the large funding and/or to get a representative sample covering each geographical region. We reviewed each of these offices' and missions' systems for establishing quantifiable indicators and reporting on progress in accomplishing selected program objectives against what was anticipated when the programs were undertaken. At those offices that had actually reported baseline and actual results data we tested the reliability of the data reported and determined if the reported data was documented as required by "Standards for Internal Controls in the Federal Government" issued by the United States General Accounting Office. We also obtained the ratings prepared by the USAID Center for Development Information and Evaluation on the implementation of the PRISM by overseas missions.

Furthermore, we had frequent contacts throughout the audit with USAID/Washington management (especially with Bureau for Policy and Program Coordination and Bureau for Latin America and the Caribbean staffs) on what was needed to improve USAID's ability to measure program results. This collaborative effort was extremely useful for the auditors to get a better understanding on what was required and related problems and to provide USAID/Washington management with timely information of the audit findings. We also met with Office of Management and Budget officials

to get a clear understanding on what will be required under the new Government Performance and Results Act in terms of quantifiable indicators and reporting system for measuring program results.

Deputy Administrator

May 22, 1995

ACTION MEMORANDUM FOR THE INSPECTOR GENERAL

FROM: DA/AID, *Carol Lancaster*
SUBJECT: Draft Audit on Systems for Measuring Program Results

Issue: You have requested Agency comments on the subject draft audit report.

Discussion: At the outset, we would like to clarify that the Program Performance Information for Strategic Management (PRISM) system is but one component of the Agencywide system for measuring program results that we envision. The focus of PRISM on operating unit level objectives and results will be complemented with an Agency level set of indicators. Together this will form a comprehensive performance results management system that will be implemented in conjunction with our reengineered program operations system in October, 1995. The emphasis of your draft audit report on PRISM, while appropriate given the management systems that were in place at the time of the audit, should be put in this broader context in the final report.

With this clarification, we are in agreement with the essential conclusions of the draft audit, namely that (i) much progress has been made but we have more work to do to provide measurable, verifiable indicators for more effective reporting on program results; and (ii) that the full implementation of the Agency's directive on Setting and Monitoring Program Strategies, issued in May 1994, will substantially address most of the problems found in the audit.

We also concur with the draft audit recommendations in their essence, but wish to propose a few minor revisions.

However, the audit creates an impression that there has been little or no progress in meeting requirements for improved

monitoring and reporting. But you have not reviewed the very substantial efforts made by the Africa Bureau since 1989 in this area; AFR's work and experience should offer useful lessons for the rest of the Agency and deserve attention. It would be useful to management to expand the review to assess the Africa experience.

The three Washington bureaus selected for the sample -- G, BHR, and NIS -- face uniquely difficult challenges in measuring and reporting program results, given their respective mandates, and a report of their limited progress may not represent the Agency at large.

Since this report is likely to attract considerable attention outside the Agency due to the currency of its subject, it is important to present a balanced and updated view of what the Agency has accomplished.

Our specific comments on the draft recommendations, the issue of balance, and selected additional points follow. We have also attached at Tab A the written comments from several bureaus that responded to our request for comments.

I. THE ISSUE OF BALANCE

The AFR Experience

The audit does not appear to have examined the AFR experience. That experience dates from 1989, five years longer than the bureaus selected for this audit. It is thus crucial to a balanced presentation because it illustrates what has been accomplished by a bureau which has been at this process for long enough to begin collecting meaningful results and reporting them. The bureau's recent five-year retrospective on the DFA may be a useful indicator of the success of their efforts, and may represent the kind of report the Agency needs to be able to provide to our constituents. We have attached at Tab B a copy of the AFR Bureau's report on the performance of the Development Fund for Africa between 1988-1992, Africa: Growth Renewed, Hope Rekindled, for your information.

Moreover, a closer examination of AFR's system would permit the Agency to learn from that experience as we move ahead to extend our result oriented management approaches. Specifically, the AFR experience may help illustrate what contributing factors are important in shifting to results-oriented management. The AFR bureau has made a point of providing commitment by bureau management, clear policies which are enforced, continuity in approach, intensive training in every mission, and a strong and creative analytical team to support indicator development and to put country-based performance data into historical and regional context.

In short, the AFR experience is a vital piece of the overall picture of Agency accomplishments in measuring and reporting program results, and its omission from this report is unfortunate. I suggest that you may wish to include coverage of the AFR system of program results measurement to record the degree of its success to date and as a basis for identifying lessons learned for the Agency's future efforts in this area.

The Way Data is Used Overstates the Implementation Gap

In addition, the choice of data and the way it is used to assess the degree of coverage presents a misleading picture of the degree of progress we have made in implementing a program results measurement system. The use of Agency-wide obligation and expenditure totals throughout the report presumes that the entire Agency portfolio as of the end of FY93 was expected to be in compliance with PRISM's program results measurement framework.

However, PRISM was introduced first as a framework to be applied to the Agency's field operations, and we deliberately concentrated our system implementation efforts there because it was recognized that much of the program in Washington -- at least for the G and BHR bureaus -- is in support of field programs and hence captured in program reporting from the field. For these reasons, we determined that G and BHR, as well as ENI, should not be made subject to PRISM until the system had been more fully applied to our field operations.

In this light, the "coverage" data should exclude G, BHR, and ENI from the database. If the obligations and expenditures for these programs (and others not "rated" by CDIE) are excluded, the conclusion is that 54% of funds obligated, rather than the 20% shown in the report, were for programs where objectives, indicators, and targets for monitoring program results were in place.

Further, it should be reported that the Agency has recently made it mandatory for G and BHR to comply with the PRISM results measurement framework and established April 1995 as the deadline for meeting that mandate. By that date, then, it is expected that "coverage" of the Agency's sustainable development programs (i.e., excluding ENI) by a program results measurement framework will be 100%, which will represent very substantial progress indeed over the four years that PRISM will have been in active implementation.

II. COMMENTS ON DRAFT RECOMMENDATIONS

Recommendation 1.1

We endorse this recommendation. Further, we believe that the May 1994 Agency directive on "Setting and Monitoring Program

Strategies" wholly addresses this under the Responsibilities section (p. 3): "...PPC will issue the policy and program guidance for strategic planning, ...clear all strategic plans, and authorize any exceptions to Agency-wide standards or requirements." We therefore propose that this recommendation be closed upon issuance of the audit report.

Recommendation 1.2

We endorse this recommendation. We believe the May directive addresses this for all programs other than ENI and West Bank/Gaza. We will soon be discussing with the ENI and ANE bureaus whether and, as appropriate, when the ENI and West Bank/Gaza programs would be brought into an Agency-wide program results measurement system. Once PPC and those bureaus reach agreement on this matter, we believe this recommendation could be closed.

Recommendation 1.3

We endorse this recommendation. We further believe the recommendation is adequately addressed in May directive, which mandates (i) indicators to measure both interim (including annual) and long-range performance targets and annual reporting to USAID/W on the progress made toward strategic objectives and program outcomes (Section V, Part II (c), and Section IX), and (ii) annual progress reviews at the operational level and by USAID/W (Sections IX and X). We believe, therefore, that this recommendation can also be closed immediately.

Recommendation 1.4

We endorse this recommendation, but we do not wish to underestimate the challenge that it presents, especially in the current political environment. While the Agency has begun to work in earnest toward this goal, and has made substantial progress in the context of PPC's soon-to-be issued implementation guidelines, we may well face obstacles ahead since we wish to undertake this work in consultation with our Congressional oversight committees. (The GPRA, in fact, requires each Agency to engage in such consultation in developing their agency's strategic plan.)

In light of the political challenge this represents in the current climate, we propose that you revise the recommendation to read: "develop plans and time frames, consistent with complying with the GPRA, for establishing and monitoring a set of indicators...".

Recommendation 1.5

We endorse this recommendation, but wish to raise the concern that we not set unrealistically high standards for data reliability and documentation. We acknowledge that the kinds of issues raised in the examples given on pages 19-20 are real, and need to be addressed by setting standards. However, we also need to be practical in setting such standards. This will necessarily mean having to tolerate a certain degree of imprecision, gaps in coverage, and imperfect proxies where quality data do not exist.

In recognition of this, we wish to propose a minor amendment to this recommendation so that it reads "...to ensure that baseline data and actual results reported...are, within practical limits, reliable and documented."

This recommendation is substantially addressed in a draft Users' Guide to Performance Measurement, prepared by CDIE and soon to be circulated to missions for comment. Upon its issuance in final, expected this spring as part of the Agency directives and guidance on reengineered operations systems, this recommendation could be closed.

Recommendation 1.6

It is not entirely clear what is meant in the language of this draft recommendation. We understand the point being made here to be the need for a financial management system which permits tracking obligations and expenditures according to strategic objective, so that those funds can then be related to the performance of the programs that are being carried out with those funds. (This is in the overall meaning of the requirements under the GPRA.)

If that is the correct interpretation, we endorse this recommendation. However, we would propose clarifying that in the wording of the draft recommendation, which could then read: "...USAID's financial accounting systems to permit tracking of obligations and expenditures according to USAID's overall strategic goals...".

Major progress has been made toward this objective in the FY96 budget process, which required all operating units and bureaus to identify its projects and activities by strategic objective. This objective will, furthermore, be built into the Agency's automated systems in the course of implementing the reengineered accounting system, now being designed by the Budget System Development Team. The new system will permit "rolling up" obligations and expenditures to strategic objectives as well as to the Agency's four broad goals. M expects to be able to provide plans and time-frames to meet this recommendation immediately upon issuance of the audit.

Recommendation 1.7

We endorse this recommendation as worded but believe that the related discussion in the report is misleading. It should be clear that the role of the contractor was never envisioned as implementing the PRISM system. Rather its role has been to help design the system and to provide technical assistance to operating units in the development of their own strategic plans. Final decisions about the selection and measurement of indicators were, and remain, the responsibility of managers of each operating unit, subject to USAID/W review and approval.

Further, as suggested in the draft audit, we have assessed the continuing need for technical assistance and concluded that some assistance is still needed. Based on that assessment, we have revised the scope of work for the PRISM contractor which refocusses the services it is to deliver and establishes targets for what it should accomplish in the time remaining under the contract. We believe that these actions meet the recommendation of the draft audit, which could be closed immediately upon issuance of the report.

III. OTHER COMMENTS

Association vs. Attribution

A serious issue we have in the body of the report is the expectation, explicit in the statement at the bottom of page 13, that the Agency should only be recording "...what is expected to be accomplished as a direct result of USAID expenditures." Balancing USAID's limited resources against the formidable development problems that we are asked to address requires us to work collaboratively with other development partners, whether other donors or host country institutions, if we are to show any progress toward achieving our higher-order strategic objectives.

Indicators for strategic objectives, then, will usually reflect more than USAID resources at work. At that level of impact, we cannot and do not attribute the results solely to USAID investments. Instead, our claim is one of "plausible association" with positive progress toward the development results we are looking for.

Indicators for project-level results, on the other hand, should indeed be measures of accomplishments expected "as a direct result of USAID expenditures". Hence, that statement is wholly appropriate in a discussion of project-level results measurement.

The expectation of direct attribution of results to USAID expenditures is not appropriate in a discussion of reporting

results at the strategic objective level and should be dropped from this report.

PRISM Only One Part of Program Results Measurement and Reporting System

The quotation from a contractor's report cited at the bottom of page 16 gives rise in the report to a common misunderstanding about PRISM. It should be recognized that PRISM is one, but only one, element in an effective results measurement and reporting system. Other needed elements include: project-level results reporting systems which feed into program results assessment; more in-depth program evaluation to identify causes of performance or non-performance; and analytical capacity to compile performance data from different sources and provide objective reporting on how the Agency programs are performing relative to our objectives.

Hence, we agree that "PRISM-based indicators alone do not tell the story of AID mission success or failure..." (quotation found on page 16). But it should be clear that it was never expected that PRISM would or should do so. Instead, PRISM provides merely a framework for systematic collection of the kind of information that will alert managers to where we seem to be on track to getting the development results we intended, and where we aren't. "Telling the story of AID mission success or failure" requires that analysis and judgment be applied in reading the data PRISM provides.

Collaborative Approach Used on this Audit

Finally, we wish to compliment you and your staff for the collaborative manner in which this audit was prepared. The value of that collaboration is clear from the broad endorsement we are able to give to the recommendations as drafted. We sincerely hope that this approach can be replicated in the future, especially on those audits that focus on such key management systems as those treated in this audit.

Recommendation: We urge that the draft audit be revised as proposed in this memorandum before it is issued in final. We are prepared to work with you as you may judge appropriate as you make the suggested revisions.

Attachments:

1. TAB A - Bureau comments
2. TAB B - AFRICA: Growth Renewed, Hope Rekindled
3. TAB C - Setting and Monitoring Program Strategies

**SUMMARY OF OBLIGATIONS AND EXPENDITURES
AND PRISM RATING FOR EACH COUNTRY AND BUREAU (1) (3)**
(thousands of US\$ as of September 30, 1993)

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Latin American & Caribbean									
Argentina	x								
P (2)		NI	NI						
NP		NI	NI						
Belize	x								
P		24,611	14,748						
NP		NI	NI						
Bolivia				x					
P					154,028	96,358			
NP					40,000	10,000			
Brazil	x								
P		NI	NI						
NP		NI	NI						
Chile	x								
P		700	654						
NP		0	0						
Colombia	x								
P		28,870	2,855						
NP		36,000	36,000						
Costa Rica							x		
P								59,105	36,459
NP								85,000	75,000
Dominican Republic				x					
P					59,253	32,831			
NP					NI	NI			
Ecuador	x								
P		41,693	26,407						
NP		6,200	6,200						
El Salvador				x					
P					495,001	230,185			
NP					55,000	55,000			
Guatemala				x					
P					182,207	124,211			
NP					NI	NI			

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Guyana	x								
P		3,331	2,940						
NP		2,000	0						
Haiti	x								
P		75,784	51,643						
NP		NI	NI						
Honduras							x		
P								239,764	185,546
NP								30,000	12,500
Jamaica							x		
P								88,960	63,456
NP								17,000	15,000
Mexico	x								
P		NI	NI						
NP		NI	NI						
Nicaragua				x					
P					92,383	22,384			
NP					80,000	80,000			
Panama				x					
P					63,870	25,054			
NP					NI	NI			
Paraguay	x								
P		NI	NI						
NP		NI	NI						
Peru				x					
P					67,799	27,737			
NP					50,000	20,000			
RDO/C	x								
P		NI	NI						
NP		NI	NI						
ROCAP	x								
P		99,723	78,606						
NP		NI	NI						
Total by region		318,912	220,053		1,339,541	723,760		519,829	387,961
All levels total:		2,178,282	1,331,774						

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Near East									
Egypt	x			x			x		
P		1,716,004	1,367,840		20,000	12		2,035,396	1,701,773
NP		216,125	100,339		2,518	0		256,357	124,838
Israel	Exempt								
P									
NP									
Jordan				x					
P					37,700	6,894			
NP					150,343	105,757			
Morocco				x					
P					201,371	105,236			
NP					NI	NI			
Oman	x								
P		9,911	1,539						
NP		NI	NI						
Tunisia				x					
P					8,421	1,474			
NP					NI	NI			
West Bank/Gaza	x								
P		NI	NI						
NP		NI	NI						
Yemen				x					
P					92,594	68,440			
NP					NI	NI			
MERC	Exempt								
P		NI	NI						
NP		NI	NI						
Total by region		1,942,040	1,469,718		512,947	287,813		2,291,753	1,826,611
All levels total:		4,746,740	3,584,142						
Asia									
Afghanistan	x								
P		80,028	64,986						
NP		NI	NI						
Bangladesh				x					
P					253,070	160,973			
NP					NI	NI			

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Burma	Exempt								
P		NI	NI						
NP		NI	NI						
India	x								
P		116,500	33,764						
NP		NI	NI						
Indonesia				x					
P					225,582	137,680			
NP					18,300	18,281			
Mongolia	x								
P		15,655	9,375						
NP		NI	NI						
Nepal	x								
P		92,660	53,545						
NP		NI	NI						
Pakistan	x								
P		539,802	407,327						
NP		211,000	177,250						
Philippines	x								
P		936,069	558,513						
NP		56,896	53,273						
Sri Lanka				x					
P					69,128	49,454			
NP					NI	NI			
Thailand	x								
P		40,011	27,850						
NP		7,539	7,455						
Reg Sup for East Asia	Exempt								
P		NI	NI						
NP		NI	NI						
South Pacific	x								
P		29,510	16,416						
NP		14,000	14,000						
USAEP	x								
P		NI	NI						
NP		NI	NI						

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Total of region		2,139,670	1,423,754		566,080	366,388		0	0
All levels total:		2,705,750	1,790,142						
Africa									
Benin	x								
P		7,820	971						
NP		31,000	10,000						
Botswana	x								
P		38,885	25,216						
NP		NI	NI						
Burundi	x								
P		22,175	8,714						
NP		16,000	9,500						
Cameroon				x					
P					75,484	58,145			
NP					16,100	16,100			
Chad				x					
P					44,975	27,416			
NP					4,000	0			
Cote d'Ivoire	x								
P		20,589	6,905						
NP		2,100	2,100						
Ethiopia	x								
P		7,651	968						
NP		51,766	47,638						
Gambia				x					
P					13,805	3,497			
NP					12,000	7,000			
Ghana				x					
P					25,591	7,346			
NP					27,789	5,000			
Guinea	x								
P		65,645	27,852						
NP		15,639	2,347						
Guinea-Bissau	x								
P		6,500	464						
NP		NI	NI						

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
Kenya							x		
P								79,975	55,652
NP								32,900	26,700
Lesotho							x		
P								9,965	3,472
NP								11,582	6,082
Madagascar	x								
P		51,800	12,361						
NP		29,000	8,000						
Malawi							x		
P								83,210	31,868
NP								34,000	19,000
Mali							x		
P								90,133	50,783
NP								10,000	5,000
Mozambique	x								
P		56,500	13,944						
NP		25,390	3,583						
Namibia	x								
P		6,406	892						
NP		NI	NI						
Niger				x					
P					40,054	19,578			
NP					29,608	8,206			
Nigeria				x					
P					8,990	745			
NP					NI	NI			
Rwanda	x								
P		43,212	11,963						
NP		25,000	25,000						
Senegal				x					
P					110,670	53,039			
NP					32,500	27,241			
South Africa	x								
P		280,254	125,397						
NP		NI	NI						
Tanzania	x								

REGIONS AND COUNTRIES:	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures	PRISM LEVEL	US\$ Obligations	US\$ Expenditures
	0-2			3			4-5		
P		20,411	5,195						
NP		52,240	17,590						
Uganda							x		
P								111,699	48,784
NP								41,000	11,552
Zambia	x								
P		53,176	27,332						
NP		13,000	12,027						
Zimbabwe				x					
P					29,598	10,047			
NP					20,000	20,000			
Total of region		942,159	405,959		491,164	263,360		504,464	258,893
All levels total:		1,937,787	928,212						
East European Regional	x								
P		872,589	514,148						
NP		10,000	0						
Total of region		882,589	514,148						
All levels total:		882,589	514,148						
Bureau for Humanitarian Response	x								
P		282,918	212,339						
NP		NI	NI						
Total of region		282,918	212,339						
All levels total:		282,918	212,339						
GLOBAL BUREAU	x								
P		1,320,830	948,284						
NP		NI	NI						
Total of region		1,320,830	948,284						
All levels total:		1,320,830	948,284						
New Independent States (NIS)	x								
P		573,839	180,827						
NP		NI	NI						
Total of region		573,839	180,827						
All levels total:		573,839	180,827						
All Regions Total (by level) :		8,402,957	5,375,082		2,909,732	1,641,321		3,316,046	2,473,465
All levels grand total:		14,628,735	9,489,868						

COUNTRIES NOT
RATED BY
CDIE

	US\$ Obligations	US\$Expenditures
A/PRE Regional		
P	53,582	20,640
NP	NI	NI
Africa Regional		
P	227,447	137,330
NP	NI	NI
Angola		
P	16,600	16,564
NP	NI	NI
Assoc. SE Asian Nations (ASEAN)		
P	18,054	10,759
NP	NI	NI
Burkina Faso		
P	7,270	3,423
NP	NI	NI
Cape Verde		
P	9,317	3,142
NP	NI	NI
Caribbean Regional		
P	51,727	21,508
NP	NI	NI
Central African Republic		
P	460	460
NP	NI	NI
Central America Regional		
P	25,518	25,495
NP	NI	NI
Comoros		
P	3,500	2,757
NP	NI	NI
Congo		
P	1,900	1,364
NP	NI	NI
Cyprus		
P	25,000	14,000
NP	NI	NI

COUNTRIES NOT
RATED BY
ACDIE

	US\$ Obligations	US\$Expenditures
Djibouti, Democratic Republic		
P	NI	NI
NP	4,000	2,000
East Caribbean Regional		
P	NI	NI
NP	1,000	0
ENE Regional (Formerly ANE Reg.)		
P	10,328	8,392
NP	NI	NI
Eritrea		
P	6,000	0
NP	NI	NI
Fiji		
P	NI	NI
NP	1,357	1,357
GEO-NAME 410		
P	7,557	1,436
NP	NI	NI
Kampuchea		
P	59,998	25,160
NP	NI	NI
Latin America Regional		
P	183,187	119,532
NP	NI	NI
Lebanon		
P	31,002	29,723
NP	NI	NI
Liberia		
P	12,709	12,095
NP	NI	NI
Mauritania		
P	7,407	7,224
NP	NI	NI
Mauritius		
P	5,350	1,004
NP	NI	NI

COUNTRIES NOT
RATED BY
CDIE

	US\$ Obligations	US\$Expenditures
Near East Regional		
P	16,514	4,625
NP	NI	NI
Portugal		
P	600	252
NP	NI	NI
Program & Policy Coordination		
P	63,087	59,103
NP	NI	NI
Project Development		
P	35,439	22,376
NP	NI	NI
Sahel Regional		
P	11,782	8,985
NP	NI	NI
Sao Tome And Principe		
P	1,200	1,022
NP	NI	NI
Seychelles		
P	NI	NI
NP	1,300	0
Sierra Leone		
P	3,110	2,990
NP	1,000	0
Somalia		
P	1,255	1,256
NP	NI	NI
Southern Africa Region-OSARAC		
P	295,320	187,848
NP	NI	NI
Swaziland		
P	42,495	31,542
NP	NI	NI
Technical Assistance		
P	36,713	36,700
NP	NI	NI

COUNTRIES NOT RATED BY CDIE	US\$ Obligations	US\$ Expenditures
Togo		
P	19,082	9,303
NP	NI	NI
Turkey		
P	NI	NI
NP	125,000	0
USSR		
P	3,000	0
NP	NI	NI
Zaire		
P	64,263	61,770
NP	NI	NI
TOTAL	1,491,431	893,137
GRAND TOTAL \$	16,120,166	10,383,005

DEFINITIONS & EXPLANATIONS

(1) USAID defines the levels as follows:

Level 0: Missions has objectives but no program outcomes or indicators.

Level 1: Mission has strategic objectives and program outcomes, most or all of which meet PRISM standards.

Level 2: Mission has indicators that meet PRISM standards for most or all of its strategic objectives & program outcomes.

Level 3: Mission has performance standards (i.e., expected results) and relevant baseline data for most or all of its strategic objectives and program outcomes, and it has identified likely data sources.

Level 4: Mission's annual program performance reports provide data on actual results for most or all of its strategic objectives & program outcomes.

Level 5: Mission is systematically using program performance information for strategic management.

(2) P= Project

NP=Non-project

NI= No information

(3) When CDIE rating identified several objectives with several ratings we rated the country under the level with the most of the objectives, except for Egypt, for which we used information provided by the Mission regarding obligations & expenditures for each Strategic Objective.

**SUMMARY OF OBLIGATIONS AND EXPENDITURES UNDER ACTIVE PROGRAMS
FOR OFFICES AND MISSIONS REVIEWED**
(Thousands of US\$ as of September 30, 1993)

OFFICE/MISSION	TOTAL	
	Obligations	Expenditures
Global Bureau	\$1,320,830	\$948,284
Bureau for Humanitarian Response	282,918	212,339
Bureau for Europe & New Independent States	1,456,428	694,975
USAID/Panama	65,855	26,436
USAID/Philippines	992,965	611,786
USAID/Indonesia	243,882	155,961
USAID/Nepal	92,660	53,545
TOTAL	\$4,455,538	\$2,703,326

**Analysis of Recent USAID Directive (dated May 31, 1994)
to Improve Measurement for Program Results**

USAID issued a new Agency Directive on Setting and Monitoring Progress Strategies in May 1994 which should help resolve most of the problems found by the audit when fully implemented. A comparison of actions prescribed in that directive to recommendations (to resolve problems found during the audit) for the Deputy USAID Administrator in this audit report are discussed below:

- Recommendation (1.1) to assign one office overall responsibility for ensuring that USAID/Washington bureaus and individual missions are properly implementing the PRISM. The directive assigns the Bureau for Policy and Program Coordination (PPC) with the responsibility for clearing all strategic plans to ensure the adequacy of plans for measuring performance and documenting impact and to ensure consistency with USAID policy.
- Recommendation (1.2) to define the roles of the regional and central bureaus to ensure that missions and other operating units (including those responsible for the Europe and new Independent States and the West Bank/Gaza programs) implement systems for measuring program performance in accordance with prescribed guidance. The directive assigns each operating bureau (including regional bureaus) responsibility to ensure that strategic plans conforming to USAID and bureau priorities are in place for each operational unit and ensure that monitoring and progress reviews are conducted in accordance with this new directive.
- Recommendation (1.3) to issue specific directions to USAID/Washington bureaus and overseas missions on establishing baseline data, quantifiable indicators (as well as objectively verifiable and measurable indicators) including interim and long-range targets, and reporting systems for comparing actual results of USAID-funded programs against what was anticipated when the programs were undertaken. The new directive states that performance indicators are to be established and used to observe progress and to assess the actual result of a program strategy or activity compared to the intended progress and result. Targets shall be established which can demonstrate whether there is an impact on a strategic objective over both the medium-term (3-5 years) and long-term (6-10 years).

Furthermore, the directive states that "annual interim indicators" shall be established to demonstrate whether or not progress is being made towards achieving the desired results. However, the directive does not specifically require establishing "quantifiable indicators". Also, although the directive states that operational units will ensure that satisfactory baseline data are collected for key performance targets, it does not describe what time frame should be used for the baseline data (e.g., when USAID-funded activities were initially undertaken in support of the respective program objective or the year the regional bureau approves the strategic objective).

Furthermore the directive states all operating units of USAID are expected to bring themselves into full compliance with this new directive by April 1995. The only exceptions were for the Eastern Europe and New Independent States and the West Bank/Gaza programs for which the directive states that the Bureau for Policy and Program Coordination will work closely with the responsible bureaus to move these programs toward compliance with the strategic planning process according to a mutually agreeable schedule.

- Recommendation (1.4) to establish and monitor a set of specific indicators for USAID's four overall strategic goals to enable USAID and others (e.g., Congress) to better measure trends and progress in accomplishing these overall goals. The directive states that operational units will identify "a few, select indicators" and corresponding targets for monitoring and evaluating progress toward the agreed-upon strategic objectives and program outcomes. These indicators and targets shall represent a clear statement of what changes the operational unit expects to see if the strategy is successfully implemented. The directive also states that program strategies should focus in those areas where the assistance can, "within the manageable interest of the operating unit, achieve significant program results within the planning period and where those results can be expected to produce sustainable development impact."
- Recommendation (1.5) to establish procedures to ensure that baseline data and actual results reported under the PRISM are reliable and documented. The directive states that each operational unit shall define procedures to ensure systematic collection and analysis of data required to assess progress toward achievement of performance

targets. These procedures shall ensure that satisfactory baseline data are collected for each key performance target.

- Recommendation (1.6) to develop plans and time frames for USAID's financial management systems to identify funding in support of USAID's overall strategic goals and in support of each mission's and other operating unit's strategic objectives and program outcomes. The directive states that the country program strategic plans are to include all USAID assistance to that country including non-emergency food aid and centrally managed field support resources. Program performance and impact of centrally managed resources will be incorporated into the country-level PRISM reporting system. This directive further states that there are some areas that require further clarification including (1) the relationship of country and program performance to the resource allocation process and (2) how best to integrate central bureau-managed resources into country strategies. Furthermore, USAID guidance issued in June 1994 for preparing the fiscal year 1996 Budget Request states that the budget process asks field missions to request and justify funding requests which will serve to realize their strategic objectives, to attribute those resources to specific activities, and to permit aggregation into the USAID's strategies for sustainable development. This guidance also states that each mission will evaluate the total amount of resources from all USAID-managed sources required to achieve planned progress toward each program objective and will identify all resources which do not support their stated strategic objectives.

Recommendation (1.7) to assess the continued need for the technical assistance being provided to develop and implement the PRISM and, if determined that the assistance is still needed, establish a detailed scopes of work with specific end-of-contract and interim targets as to what the contractor should achieve during the remainder of the contracts. The directive does not address this recommendation because it is not directly related to USAID's internal systems for measuring for program results.