

**Regional Inspector General for Audit
Singapore**

**AUDIT OF USAID/PHILIPPINES'
MONITORING, REPORTING AND
EVALUATION SYSTEMS**

**Audit Report No. 5-492-95-011
June 15, 1995**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 15, 1995

MEMORANDUM

TO: Mr. Kenneth G. Schofield, Mission Director
USAID/Philippines

FROM: Richard C. Thabet, RIG/A/Singapore *Richard C. Thabet*

SUBJECT: Audit Report on USAID/Philippines' Monitoring, Reporting and
Evaluation Systems (Audit Report No. 5-492-95-011)

Enclosed are five copies of the subject audit report. We concluded that the Mission has made considerable progress in establishing quantifiable indicators and management information systems to measure program and project performance in accordance with federal and USAID requirements. We did, however, note that these indicators and management information systems should be improved. The Mission also generally monitored and evaluated programs and projects in accordance with USAID policies and procedures.

The report contains two recommendations for your action. Recommendation No. 1 is unresolved, and Recommendation No. 2 is resolved. Please provide us information within 30 days indicating any actions planned or taken to implement the open recommendations.

I very much appreciate the collaborative and supporting working relationships that USAID/Philippines maintained with this office during the audit.

Attachments: a/s

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EXECUTIVE SUMMARY

The Office of the Regional Inspector General for Audit, Singapore audited USAID/Philippines' monitoring, reporting and evaluation systems to determine whether the Mission followed federal requirements and USAID policies and procedures in (1) establishing quantifiable indicators and management information systems to measure program performance, (2) establishing quantifiable indicators and management information systems to measure project performance, and (3) monitoring and evaluating programs and projects (page 1 and Appendix I).

Although USAID/Philippines made considerable progress in establishing quantifiable indicators and management information systems to measure program and project performance in accordance with federal requirements and USAID policies and procedures, the Mission needed to improve these indicators and management information systems (pages 4 and 18). Also, the Mission generally monitored and evaluated programs and projects in accordance with USAID policies and procedures (page 26).

This report recognizes USAID/Philippines ongoing efforts to improve performance indicators and contains recommendations to:

- refine the performance indicators and complete the establishment of systems for obtaining reliable information for the program (page 6); and
- establish better performance indicators for projects and revise the Mission's system for reporting project progress (page 19).

In responding to a draft of this report, USAID/Philippines officials partially agreed with the report's findings and recommendations. We carefully considered their comments in preparing this final report. Appendix II provides the complete text of the Mission's comments to our draft report.

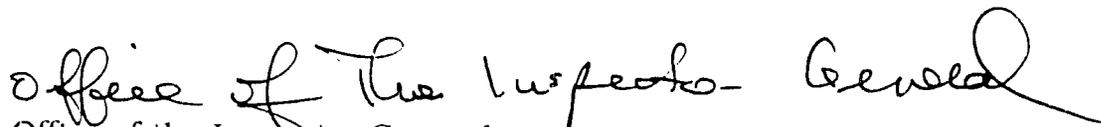

Office of the Inspector General
June 15, 1995

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INTRODUCTION

Audit Objectives

The Office of the Regional Inspector General for Audit, Singapore audited USAID/Philippines' monitoring, reporting, and evaluation systems to answer the following audit objectives:

- **Did USAID/Philippines establish quantifiable indicators and management information systems to measure program performance in accordance with federal requirements and USAID policies and procedures?**
- **Did USAID/Philippines establish quantifiable indicators and management information systems to measure project performance in accordance with federal requirements and USAID policies and procedures?**
- **Did USAID/Philippines monitor and evaluate programs and projects in accordance with USAID policies and procedures?**

Appendix I contains a complete discussion of the scope and methodology for this audit.

Background

The U.S. Agency for International Development (USAID) is responsible for promoting economic development and political stability in recipient countries under the Foreign Assistance Act. To ensure that foreign assistance funds are used effectively in that regard, Section 621A of the Act requires USAID to establish a management system which includes:

"...the definition of objectives and programs for United States foreign assistance; the development of quantitative indicators of progress toward these 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 line with these requirements and to ensure that USAID funds are spent effectively, USAID prescribed internal controls to monitor, report and evaluate the progress of projects and programs¹. For example, USAID Handbook 3 (Appendix 3K) stressed the need for indicators to measure progress from the time the project objectives are established to the final dateline for accomplishing these objectives. USAID also prescribed controls to monitor activities such as technical assistance, commodities, and participant training. In 1991, USAID developed and began implementing a Program Performance Information for Strategic Management (PRISM) system to provide better information on program results for more informed decision-making.

The importance of this new PRISM system increased when the President signed the Government Performance and Results Act of 1993 in August 1993 and said that the Act:

"...requires the formulation of strategic plans, of setting yearly goals and targets for every program, of measuring and reporting how well programs actually perform compared to the targets set for them, and more accountability for achieving results."

This Act requires all federal agencies to prepare strategic plans, prepare annual plans setting performance goals, and report the actual performance compared to goals annually. The Act requires the goals to be "*.. objective, quantifiable, and measurable.*" The Act does not come into effect until fiscal year 1999. However, USAID is taking part in a pilot project under this Act for fiscal years 1995 and 1996. In this project, USAID will prepare performance plans and reports for one or more of its major functions and operations.

USAID's internal control systems assigned the monitoring, reporting and evaluating functions to different offices. The Bureau for Program and Policy Coordinator has had overall responsibility for designing and overseeing the

¹ In general, the term "project" was a specific activity that had been designed to promote discrete objectives. The term "program" was a more comprehensive effort by USAID to promote broader or longer term objectives that were encompassed in a sector or policy program, or a country strategy.

implementation of management systems for measuring and evaluating program performance. Regional bureaus have been responsible for overseeing and evaluating regional and country programs and for periodically reviewing country performance and progress toward achieving program objectives. Missions have been primarily responsible for building sustainable development programs based on country-specific objectives and performance indicators within USAID's overall policy framework, measuring progress in achieving those objectives and indicators, and ensuring the effective and efficient use of USAID funds.

As of September 30, 1993, USAID/Philippines was responsible for administering 27 bilateral projects which accounted for authorizations of \$1.3 billion, obligations of \$994 million, and expenditures of \$616 million. The Mission also had some responsibility for two projects funded by USAID/Washington which accounted for authorizations and obligations of about \$255,000 and expenditures of about \$176,000. As illustrated below, most USAID assistance to the Philippines was directed at four strategic objectives: more responsive selected democratic institutions with greater citizen participation, reduced population growth rate and improved health, increased productive investment, and enhanced management of renewable natural resources.

<i>OBJECTIVE</i>	<i>PROJECTS</i>	<i>AUTHORIZED¹</i>	<i>OBLIGATED¹</i>	<i>EXPENDED¹</i>
DEMOCRACY	4	\$80.0	\$63.0	\$52.6
POPULATION & HEALTH	4	116.5	99.5	71.0
INVESTMENT	12	876.3	631.1	375.6
NATURAL RESOURCES	2	145.0	131.5	65.8
CROSS-CUTTING ²	3	63.5	55.0	37.6
OTHER ³	2	14.5	14.3	13.2
<i>TOTALS</i>	27	\$1,295.8	\$994.4	\$615.8

¹ Dollar figures are in millions, as identified by USAID/Philippines officials.

² Activities classified as "Cross-cutting" fell under more than one strategic objective, and Mission records did not indicate the estimated funding directed at a strategic objective.

³ Activities classified as "Other" did not fall under a strategic objective.

REPORT OF AUDIT FINDINGS

Did USAID/Philippines Establish Quantifiable Indicators and Management Information Systems to Measure Program Performance in Accordance With Federal Requirements and USAID Policies and Procedures?

USAID/Philippines made considerable progress in establishing quantifiable indicators and management information systems to measure program performance in accordance with federal requirements and USAID policies and procedures. The Mission needed to continue with its ongoing efforts to improve these indicators and systems.

USAID/Philippines' program consisted primarily of project assistance and, accordingly, the Mission adopted the procedures contained in USAID Handbook 3 for project assistance as one means of establishing quantifiable indicators and management information systems for its program. Among other things, this Handbook contained the management system which USAID established to comply with Section 621A of the Foreign Assistance Act. The Handbook prescribed the procedures for defining the objectives of the assistance, developing indicators of progress toward these objectives, and comparing actual results of the projects with those anticipated when they were undertaken. As discussed on page 18, the Mission administered its assistance to the Philippines largely in conformance with these procedures, but further improvements were needed to the Mission's performance indicators and reporting systems for gauging progress in accomplishing project objectives.

USAID/Philippines also made considerable progress implementing USAID's new Program Performance Information for Strategic Management (PRISM) system. Based on USAID's Center for Development Information and Evaluation's latest ratings on the progress made by 72 missions in implementing the PRISM system, the Mission was rated at the same level or higher than 38 missions. As of April 1994, the Mission continued to progress in implementing the system as shown by the following examples.

Strategic Objectives - USAID/Philippines identified four strategic objectives for its program of assistance to the country. A strategic objective is the highest development result that a mission believes is within its overall manageable interest; i.e., that a mission can materially affect and for which it is willing to be held accountable. These strategic objectives were to: (1) increase the responsiveness of selected democratic institutions with greater citizen participation, (2) reduce the population growth rate and improve health, (3) increase productive investment, and (4) enhance the management of renewable natural resources.

Program Outcomes - USAID/Philippines identified 10 expected program outcomes in achieving its strategic objectives. Program outcomes are lower-level objectives that contribute to the achievement of the strategic objectives. Outcomes also relate the results of projects, programs, and other activities to the strategic objectives. For example, to achieve the strategic objective of reducing the population growth rate and improving health, the Mission established a program outcome of improving the financing and use of maternal and child health services.

Performance Indicators - USAID/Philippines identified 42 performance indicators—many of them quantitative—for measuring progress in achieving its strategic objectives and program outcomes. A performance indicator is a dimension or scale to measure program results against objectives. For example, one of the indicators to measure the progress of the previously noted program outcome was the percent of women vaccinated against tetanus.

Data Sources - USAID/Philippines identified sources to obtain data for measuring progress against all the performance indicators. For example, the Mission identified the Department of Health and the demographic and health surveys as the sources for obtaining information on the percent of women vaccinated against tetanus.

Baseline Data - USAID/Philippines obtained baseline data on conditions before the start of the program for 18 performance indicators. For example, progress for the indicator noted above was to be measured from a 1992 baseline of 70 percent of women vaccinated against tetanus.

Final Targets - USAID/Philippines established final targets for 12 indicators. Using the same indicator above to illustrate, the Mission established a final target of vaccinating 90 percent of the women by 1998.

Project Design - USAID/Philippines prepared a supplement to the PVO (Private Voluntary Organization) Co-Financing IV Project which revised the

project goal and purpose in keeping with the strategic objective for increasing the responsiveness of selected democratic institutions with greater citizen participation. The Mission was also redesigning the Natural Resources Management Program to ensure that it would be consistent with the PRISM objectives. Furthermore, the Mission was preparing a contract for a firm to develop a study on data collection needs as well as a streamlined reporting system for one strategic objective.

In summary, USAID/Philippines was refining its performance indicators for the program. As the following section discusses, the Mission needed to continue with its efforts to establish better program performance indicators and management information systems for measuring progress.

Better Program Performance Indicators and Management Information Systems Were Needed

USAID's guidance on the new Program Performance Information for Strategic Management (PRISM) system expected an adequate system for measuring program results to be established by June 1993². By April 1994, USAID/Philippines was still establishing the PRISM system. Factors which impaired progress included: (1) a reduction in USAID's assistance to the country following the closure of U.S. military bases there, (2) the development of a new USAID strategy for the Philippines which was not approved until June 1993, and (3) a need for USAID/Washington to institute better requirements and technical guidance for establishing the PRISM system. As a result, the Mission needed to continue improving the performance indicators and management information systems to enable senior Mission management and others to better assess and report the impact of the program strategies being established under PRISM.

Recommendation No. 1: We recommend that USAID/Philippines, in consultation with Bureau for Program and Policy Coordination and the Bureau for Asia/Near East:

- 1.1 refine the program performance indicators to ensure that they better (1) encompass people-level impact whenever appropriate, (2) provide precise interim and final targets, and (3) include baseline information in accordance with USAID requirements for PRISM; and**

² In April 1994, USAID revised its target for full field implementation of PRISM to the spring of 1995.

1.2 complete the establishment of systems to collect and document reliable program data from contractors, recipients and others on baseline conditions and results and, thereby, enable the Mission to reliably report on program performance when USAID/Washington develops a reporting format for PRISM.

To improve USAID's ability to obtain better information on program results, the PRISM system was developed in 1991. It is now being implemented agencywide. The objective of PRISM is:

"To develop an agencywide 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."

Guidance issued by the previous USAID Administrator in April 1992 stipulated that all missions were expected to have strategic plans and information systems (i.e., PRISM) in place by June 1993. Missions were to report on program performance annually, with the information flowing into the agencywide PRISM system. Thus, PRISM would better serve USAID's: (1) medium and long-term strategic planning; (2) ability to monitor development results; and (3) oversight of the assistance in terms of expected program achievements, program strategies, and the resources assigned to them.

Subsequent to the issuance of the April 1992 guidance and a change in administration, USAID encountered a change in its leadership and uncertainties about the future direction of USAID's overall development strategy. By the June 1993 target date, most missions did not yet have an adequate PRISM system in place.

In February 1994, the new USAID Administrator re-emphasized the importance of PRISM by stipulating the need to quickly consolidate and build on the best practices experienced to date in its implementation. These practices would then be extended as core elements in a common set of procedures agencywide. Beginning in fiscal year 1995, USAID's Congressional Budget Request was to be presented in terms of strategic objectives for each country program and the expected development results for each objective.

As mentioned previously, USAID/Philippines made considerable progress in implementing the PRISM system. The Mission's strategy was approved in June 1993. Subsequently, the Mission worked consistently and progressively toward the goal of establishing the performance indicators and management information systems outlined by the new USAID Administrator in February 1994. By April 1994, the Mission had identified four strategic objectives, 10 program outcomes, and 42 performance indicators for measuring progress. As discussed below, the Mission needed to continue these efforts to further refine the performance indicators and management information systems under PRISM.

Performance Indicators

We assessed USAID/Philippines' performance indicators against five of the 12 standards established by the April 1992 guidance³. According to these five standards, the indicators were to: (1) be time-bound, representing the degree of change anticipated during the planning period; (2) encompass people-level (gender-desegregated) program impact whenever appropriate; (3) provide measures of results that could be related to the magnitude of USAID's investment; (4) be precise (either qualitative or quantitative, as appropriate); and (5) include a baseline reflecting, if possible, conditions prior to the start of USAID's program.

As of April 1994, USAID/Philippines was continuing to refine the performance indicators. These 42 indicators conformed to one requirement, namely that they be time bound. The Mission's PRISM document covered the period from 1993 through 1998 and was designed to report annually the expected and actual results for each indicator. The indicators, however, did not yet fully conform to the other four requirements assessed, as discussed below and shown in Appendix III.

Impact - Twenty-eight indicators did not encompass people-level program impact. People-level impact was an appropriate element for the performance indicators of the USAID-financed program in the Philippines since (1) USAID/Philippines was providing assistance to the country for sustainable development purposes, and (2) USAID's measurement of sustainable development was to focus on how the assistance actually affected the way people live. In justifying USAID's new Sustainable Development Program, the Fiscal Year 1995 Congressional Presentation said that:

³ The methodology section of this report discusses the seven standards not assessed. Also, subsequent to our audit, USAID/Washington issued additional requirements and guidance for establishing the PRISM system.

"The success of foreign assistance is determined by its impact upon developing nations. USAID will measure its results by assessing project and program achievement of discrete, agreed-upon objectives, focusing on how projects actually affect the way people live.

Furthermore, in a March hearing before the Senate Appropriations Subcommittee, the USAID Administrator stressed his commitment to manage 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 Administrator said:

"To do this, we must move away from 'managing inputs' to defining clear, people-oriented objectives that can be achieved within specific time-frames. These objectives must grow directly out of our overall strategies for sustainable development and our country strategies..."

Accordingly, we assessed USAID/Philippines' indicators on whether they provided for measuring how the assistance affects the way people live, i.e., improved health of people, increased satisfaction in new democratic policies/processes, increased incomes, increased confidence in governmental and other organizational performance, improved skills and practices of people, increased participation in reforestation and other environmental activities, expanded use of a service, etc.

USAID/Philippines' performance indicators, however, tended to focus on the means of achieving impact rather than on the intended impact of the assistance on the Filipino people. One such indicator, for example, was the number of local government units having a budget for maternal and child health services⁴. According to the Mission, this indicator was intended to determine the policy environment in which the program would be able to operate. The indicator also was intended to assess the ability and willingness of the local government units to make resources available for providing services to the people. The Mission believed that the ability of the local government units to provide budgetary support would contribute to improved service delivery in the short run and enhance program sustainability in the long run.

Although budgeting funds for development activities was certainly important, establishing budgets was not the end that USAID sought with

⁴ USAID/Philippines agreed that this indicator was not a people-level indicator but noted that the other three indicators for the applicable program outcome were.

its assistance. Rather, the assistance for maternal and child health services was intended to have some positive impact on the people. For example, USAID/Philippines did establish other performance indicators—infant mortality rate, total fertility rate, maternal mortality rate, etc.—to provide information on people-level impact.

USAID/Philippines believed it complied with the PRISM guidance that required the indicators to reflect people-level impact when appropriate. The Mission believed it was responsible for defining appropriate people-level indicators. In this regard, the Mission said that people-level impact may be appropriate for the performance indicators of some activities, i.e., family planning, construction, etc., but may not be appropriate for some policy-related programs. For example, the impacts of foreign exchange liberalization, trade liberalization, tax reform, etc., are so diverse and spread throughout the economy that people-level indicators would have little meaning, according to Mission officials. They said that people-level indicators may not be measurable (on a practical, reasonable cost basis) in precise, quantitative terms. An example given was a project objective of improving the quality of governance and ability of people to participate in the decision process. The Mission said that this was people-level impact for a democracy project, but it could not be measured precisely.

In our view, an indicator that would provide people-level impact for such an objective could focus on assessing the improved quality of governance by measuring the population's perceptions of the quality or whether the governance addresses their specific needs. At another mission—USAID/Nepal—a 1994 assessment of its democracy strategy, made for the Bureau for Global Programs, identified the need to focus a democracy program on specific populations and needs. The assessment said:

"The overall success of the democracy program will flow from the accomplishments of the activities that comprise the program. The Mission will know that the program has been successful if significant numbers of Nepalese actually or potentially benefit due at least in part to USAID-supported activities...It is unrealistic to assume that the relatively modest development activities carried out for relatively short periods of time can dramatically alter the flow of the nation's history, the flavor of its culture or the character of its institutions. They can, however, help accomplish more limited and nevertheless important objectives that contribute to the overall quality of democracy by addressing specific populations and needs."
(underscore added)

We do not believe that good strategic management decisions can be easily made without indicators to measure whether policy-related programs are having a desirable impact on those people that the policies are intended to affect. People-level performance indicators have been becoming an integral part of organizational management and are well established in the concept of Total Quality Management in the private sector. Low-cost customer surveys commonly have been used to obtain feedback from the customers on their needs and on how they perceive the performance of the organization. This information has then been used in making decisions on ways in which organizational performance might be improved. We see no reason why this method of organizational management in the private sector could not be used in the public sector, particularly in instances where USAID has provided assistance to reform another government's system of taxation or governance of the people.

Related to USAID's Investment - None of the indicators provided measures of results that could be related to the magnitude of USAID's investment. USAID/Philippines compiled a list of active projects aligned to its four strategic objectives, but the document did not indicate the amount of funding which USAID invested under each indicator. Also, the indicators tended to provide measures of results from other donors' assistance. For example, one indicator under the program outcome of increasing the use of AIDS prevention practices was the "*percent of people in high-risk groups who adopt safe-sex practices*", an indicator which would measure the results of other donors' activities. In this case, USAID's interest in ensuring that AIDS was prevented involved monitoring behavioral changes in the groups and areas most at risk, not just the specific beneficiaries of USAID-financed activities, according to Mission officials.

USAID/Philippines did not know how to relate the PRISM indicators to the magnitude of USAID's investment where several donors were involved in a development area, particularly when some donors contributed more funding than USAID. Mission officials said that it was difficult, if not almost impossible, to provide measures of results that could be related to the magnitude of USAID's investment. The Mission noted that USAID did not operate in a vacuum, as other donors, grantees, the government and people themselves have contributed to the success of programs. In some areas, the Mission may have contributed most, if not all, the resources, i.e., family planning or AIDS surveillance. In such areas, it may have been possible to take into account more explicitly the changes as a result of USAID's assistance. The Mission, however, said this was the exception. As USAID was usually a small player in the aid programming sector, the Mission said it could not take credit for all the results. For example, some activities involved using cash transfers to leverage or facilitate policy changes, but

other donors (World Bank, International Monetary Fund, etc.) or grantees may have also advocated these same policy changes. Under the productive investment strategic objective, involving economy-wide impacts and influences, the Mission said that large, macroeconomic models were required to isolate the impact of USAID programs. The Mission noted that such models were costly and not practical.

The April 1992 guidance explained that the performance indicators were intended to help guide strategic resource allocation decisions within countries and across programs. The guidance said that the indicators should *"provide measures of results that can be related to the magnitude of A.I.D.'s investment, measured by using, inter alia, dollar obligations reported under activity codes in the annual budget submission, life-of-project (LOP) figure, full-time equivalents (FTES), or person-hours/days/months"*. The guidance added that the indicators were to be linked to strategic objectives, objectives which were to be the most significant results in a program area for which a mission was willing and able to be held accountable and which should be substantially achievable through a mission's management of its available resources.

We are not making a recommendation to incorporate into the indicators measures of results that can be related to the magnitude of USAID's investment because USAID modified the requirements for PRISM in May 1994—subsequent to our audit—through the issuance of a new directive. Among other things, this directive recognized that some areas required further clarification, such as the relationship of country and program performance to the resource allocation process which USAID/Washington planned to clarify. The directive also gave new prominence to developing and monitoring program strategies with fuller participation of the host country and other donor organizations. Accordingly, it may be appropriate for a mission to include the results of other donor efforts in the performance indicators when a mission is to be held accountable for the results of other donor efforts by, for example, carrying out a dialogue with other donors to influence their efforts. Nevertheless, as USAID/Philippines continues to refine the indicators, it should take care to avoid overstating its own contributions.

Precision - As of April 1994, 32 indicators were imprecise: 29 lacked both interim and final targets; one had interim targets but not final targets; one had final targets but no interim targets; and one had both interim and final targets, but the targets were too qualitative to enable an objective measurement. To illustrate, one indicator was the inflation rate. USAID/Philippines identified a baseline condition of nine percent but had not yet defined the interim and final targets. Another indicator under the

strategic objective of enhancing the management of renewable natural resources was "*companies conducting Pollution Management Appraisals and adopting recommendations on sound environmental practices*". Because the Mission was still developing baseline data, it had not yet established targets to define such things as the number of companies, the number of appraisals and what constituted "sound" practices.

Baseline Data - Twenty-four indicators lacked baseline data to reflect conditions prior to the start of USAID's program. For example, an indicator under the strategic objective to increase the responsiveness of selected democratic institutions, with greater citizen participation was the "*number of local communities engaged in participatory development activities through Non-Governmental Organizations/Private Voluntary Organizations (nationwide)*". The baseline data was "to be determined" in 1994. USAID/Philippines did not expect to complete the process of obtaining baseline data for all indicators until fiscal year 1995.

Management Information Systems

The April 1992 guidance assigned missions the responsibility of managing the collection of data to permit continuous analysis and monitoring of progress made towards achieving agreed-upon objectives under PRISM. The guidance suggested that program information be collected through project monitoring mechanisms, using the monitoring and evaluation capabilities of one or more projects associated with a strategic objective. Other options were to obtain information from the host country or international sources, or to use a mission's own staff to obtain the information for reporting under PRISM.

Although the 1992 guidance did not establish specific documentary requirements for such management information systems under PRISM⁵, documentation was required by the Standards for Internal Controls In The Federal Government issued by the U.S. General Accounting Office. Among other things, those standards required that:

"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/Philippines recognized the need for such documentation and was establishing the foundation of a management information system for

⁵ USAID's Bureau for Policy and Program Coordination had also not provided missions with a format and guidance for reporting PRISM results to USAID/Washington.

PRISM. As mentioned previously, the Mission identified sources to obtain performance data for measuring progress against all the performance indicators under PRISM. These sources included annual assessments, evaluations, individual project management information systems, project reports (including contractor reports), special surveys, and reports from various Government of the Philippines agencies.

USAID/Philippines, however, could not yet report all PRISM results because it was still developing baseline data systems. Until reliable baseline data systems have been established, the Mission will not be able to report the results of USAID-funded assistance against PRISM objectives even when USAID's Bureau for Program and Policy Coordination has developed a reporting format.

* * * * *

Many factors impaired progress in putting an adequate PRISM system in place. Following the closure of U.S. military bases in the Philippines, USAID's assistance to the country was reduced. USAID/Philippines received notification of a 65 percent decrease in projected funding for its five-year strategy. As a result, the Mission had to reformulate its strategic objectives and program outcomes to fit future program priorities and expected funding levels for the strategic period. The Mission developed a new USAID strategy for the Philippines which was not approved until June 1993, the target date for having the PRISM system in place. Obviously, more substantive work on the PRISM system could not have been carried out until the new strategy was approved.

Another factor was the lack of guidance from USAID/Washington on establishing the new PRISM system. The former Administrator provided an impetus to the design of PRISM, but left the Agency long before all detailed technical guidance was distributed to all bureaus and missions. The initial guidance was issued in April 1992, but guidance continued to be issued after the completion of our audit in 1994.

More guidance was needed. For example, the April 1992 guidance required the indicators to show people-level impact, whenever appropriate, but neither the guidance nor the Bureau for Asia/Near East defined what was meant by "whenever appropriate". Conversely, for the economic assistance provided to Africa, the Bureau for Africa required missions to focus on people-level impact.

Better guidance was also needed on how to implement the requirement that the performance indicators should provide measures of results that could

be related to the magnitude of USAID's investment. The April 1992 guidance said that USAID's investment was to be measured by using dollar obligations reported under activity codes in the annual budget submission, life-of-project figures, full-time equivalents, or person-hours/days/months. USAID/Philippines, however, did not believe that relating results to the magnitude of USAID's investment was useful for strategic management.

Guidance was also needed on the extent to which existing projects should be redesigned for more consistency with PRISM. In this regard, USAID/Philippines said:

"Most of our projects are far into their life cycles and retro-fitting these with PRISM is not cost effective or beneficial. We strongly believe that these old projects should be 'grandfathered' and evaluation of their success or failure should be consonant with the terms of their original logframe indicators approved in the Project Paper."

While USAID/Philippines was correct in saying that most projects were far (e.g., more than three years) into their life-cycles, 15 of 27 active projects (as of September 30, 1993) had expected completion dates between October 1995 and September 1998—or about one to four years to go. These 15 projects had total obligations of \$455.8 million and expenditures of \$236.4 million. In light of the \$219.4 million remaining to be spent under these projects, it would make sense to assess whether the objectives of the projects were consistent with the objectives under PRISM. The Mission had already identified the specific strategic program objectives to which each of the 15 projects were intended to contribute.

Finally, USAID/Philippines acknowledged the 12 standards for the PRISM indicators but stressed that it needed to take into account factors such as the ready availability of data from appropriate and objective sources, ease of collection and cost effectiveness to choose appropriate indicators. Given such difficulties, the Mission believed that independent evaluators were needed to assess and confirm the Mission's choice of indicators.

We agree that peer review of the PRISM indicators were needed and note that, subsequent to our audit, USAID issued a directive which required the indicators to be reviewed and approved in Washington, including the Center for Development Information and Evaluation.

In conclusion, USAID/Philippines made considerable progress in implementing the PRISM system. With the Agency moving into the reporting phase under PRISM, the Mission needed to intensify its efforts to

develop the baseline data, improve the precision of interim and final targets for all indicators, and complete the establishment of systems to collect and document reliable program data on baseline conditions and results and, thereby, enable the Mission to reliably report on program performance when USAID/Washington develops a reporting format for the PRISM system. The Mission, in consultation with the Bureau for Program and Policy Coordination and the Asia/Near East Bureau, should ensure that all indicators meet USAID's requirements for PRISM. Improved performance indicators and data collection systems could enable senior Mission management and others to better assess and report on the impact of the program strategies being established under PRISM.

Management Comments and Our Evaluation

In responding to the draft report, USAID/Philippines partially agreed with the finding and provided additional information which we incorporated into the finding where appropriate. Also, the Mission said that the first part of the recommendation was not sufficiently specific, and that the second part should have been directed to USAID/Washington.

USAID/Philippines believed that it was more reasonable to assess the performance indicators as a whole in support of a program outcome. The Mission further believed that, even where people-level indicators could be defined, it would be very costly to measure people-level impact for all indicators.

USAID/Philippines also said that an expert from USAID/Washington had advised the Mission not to develop a reporting system to provide data to USAID/Washington before USAID/Washington defined its requirements. According to the Mission, the expert said that it was not cost effective for the Mission to undertake its own systems development effort as USAID was going to develop an agency-standard results tracking system.

Recommendation Numbers 1.1 and 1.2 are unresolved, pending receipt of an acceptable plan of action for implementing them. We have revised the wording of the recommendations to make them more specific.

With respect to Recommendation Number 1.1, we believe that more emphasis should be given to measuring program performance by using precise indicators that will enable USAID/Philippines to periodically measure how the assistance affects the way people live. In reengineering the Agency, USAID wants to show the people-level impact of its assistance. We realize that developing precise indicators to show people-level impact is

not always easy. For that reason, we believe that the Mission should work with Bureau for Program and Policy Coordination and the Bureau for Asia/Near East to develop suitable performance indicators. We note that, subsequent to our audit, the Agency had begun requiring that these bureaus review and approve the Mission's PRISM package, containing the performance indicators.

With respect to Recommendation Number 1.2, we did not intend to recommend that USAID/Philippines establish a system to report program performance data to USAID/Washington while USAID/Washington was developing a reporting format. Rather the recommendation was intended to help the Mission establish systems for gathering and reporting to Mission management reliable information it would need to manage its program for results. To do this, the Mission needed to intensify its efforts to complete the establishment of systems for obtaining and documenting reasonably reliable data on baseline conditions and results for each program performance indicator that it established.

Did USAID/Philippines Establish Quantifiable Indicators and Management Information Systems to Measure Project Performance in Accordance With Federal Requirements and USAID Policies and Procedures?

Although USAID/Philippines made considerable progress in establishing quantifiable indicators and management information systems to measure project performance in accordance with federal requirements and USAID policies and procedures, the Mission needed to improve these indicators and management information systems.

In establishing quantifiable indicators and management information systems to measure project performance, USAID/Philippines largely followed the procedures contained in USAID Handbook 3 for defining project objectives, developing indicators of progress toward these objectives, and comparing actual results of the projects with those anticipated when they were undertaken. The Mission used the required Project Papers to define project objectives. These Project Papers included the required Logical Framework matrix which provided indicators—many of them quantitative—for measuring progress towards the objectives⁶. Baseline data, reflecting conditions at the start of the projects, was contained in the Project Papers.

USAID/Philippines formally reviewed projects quarterly and reported project results to USAID/Washington for the six months ending March and September of each year. The Mission reviewed progress toward the purposes of USAID-financed projects and their continued relevance toward the development strategy for the Philippines. These reviews sometimes identified a need to revise project objectives and improve the performance indicators. In addition, a recent revision to the reporting system employed a procedure to measure overall expenditure performance against a standard performance curve.

USAID/Philippines' management information system identified some notable project results. For example, under the Child Survival Program, a

⁶ USAID has used the Logical Framework to assist it in defining the best solution to a development problem and to enable USAID personnel and others to review the elements of the proposed solution and assumptions—it has been a methodology for articulating project elements. The Logical Framework has defined project elements as the: (1) Goal (overall sector or program development objective), (2) Project Purpose (solution to a problem or related group of problems), and Outputs (means of achieving the Purpose).

series of booklets was developed. The third booklet—*Setting Quantitative Objectives in Health Sector Programs*—provided lessons learned from the Philippine Child Survival Program, explained the need for quantitative objectives, and was divided into three parts:

- developing the service delivery targets;
- advantages of the service delivery targets; and
- potential problems with quantifiable output objectives.

The publication of this booklet demonstrates that USAID/Philippines has learned the effectiveness of using quantitative indicators to measure progress in health sector programs.

Although USAID/Philippines made considerable progress in establishing quantifiable indicators and management information systems, further improvements were needed to the performance indicators and reporting systems for gauging progress in accomplishing project objectives. This issue is discussed below.

USAID/Philippines Needed to Improve Performance Indicators and Reporting Systems for Projects

USAID/Philippines could not always objectively measure the progress of projects as required by USAID procedures. A major cause of this problem was the Mission's project design process which did not give enough attention to consistently develop performance indicators that are objectively verifiable and targeted. Furthermore, the Mission's reporting system on project performance did not always show interim and cumulative progress against all approved performance indicators at the output and purpose levels. Better performance indicators and reporting systems could enable the Mission to more objectively measure and report on the progress of 27 projects with expenditures of \$616 million.

Recommendation No. 2: We recommend that USAID/Philippines:

- 2.1 Amend Project Papers (for projects with at least one year remaining until completion) which contain Logical Framework indicators that are not consistently objectively verifiable and targeted; and**

2.2 Revise the Mission-wide system for reporting project progress to include information which measures progress against the performance indicators in the Logical Framework as well as against interim indicators.

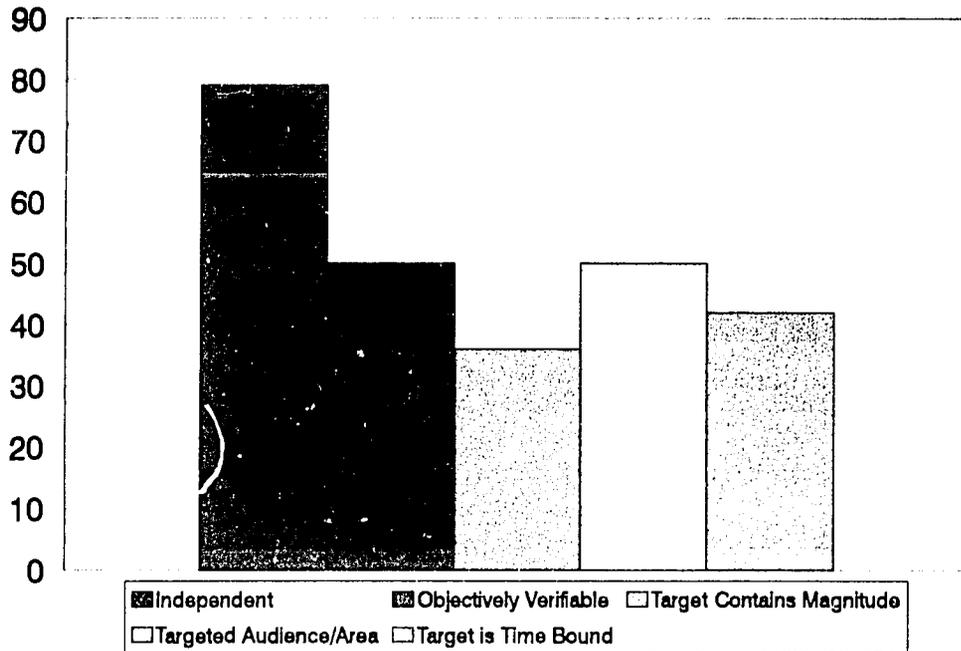
To comply with the requirements of Section 621A of the Foreign Assistance Act, USAID established a management system which was largely described in USAID Handbook 3. The policies and procedures for defining objectives and performance indicators, and monitoring, evaluating and reporting project progress were presented there.

USAID Handbook 3 required that targets and progress indicators be included in the Project Paper's Logical Framework, and that the baseline conditions be explicitly spelled out elsewhere in the Project Paper. The Handbook required that the indicators be plausible, independent, objectively verifiable, and targeted. Plausible means, *"the indicator measures change which varies directly with progress toward planned targets."* Independent means, *"the indicators at the purpose level must be separate and independent of the indicators at the output levels. This independence is also required in the purpose-to-goal linkage."* Objectively verifiable means, *"the indicator must present evidence which has the same meaning for both a skeptic and an advocate."* Targeted means that, *"indicators must contain a magnitude, a target audience/area, and a time when the desired change is to be observable."* Magnitude is defined by Webster's Dictionary as a measurable quantity.

Handbook 3 also required missions to prepare periodic project implementation reports. USAID guidance suggested that these reports include information on progress achieved against plans and targets, problems impeding progress, and actions to be taken or planned concerning the activity.

USAID/Philippines could not always objectively measure the progress of projects. The 80 Logical Framework indicators established for the purposes and outputs of four projects reviewed met the requirements for being independent, but the indicators were not always objectively verifiable or targeted, as illustrated in the following chart and examples:

**Summary of Analysis of Logframe Indicators
For Four USAID/Philippines Projects (80 Indicators)**



Objectively Verifiable - Fifty-one indicators were objectively verifiable, while the remaining twenty-nine indicators were not. As the following example shows, a purpose-level indicator for the Health Finance Development Project was not objectively verifiable as "DOH (Department of Health) capacity" was not defined.

PROJECT PURPOSE

"To establish a process for formulating and implementing HCF (Health Care Financing) policies, regulations, and legislation supportive of health care market."

INDICATOR

"DOH capacity for health policy, strategic financial planning and standards, licensing and regulation established."

In contrast, another indicator for the same project purpose—"Health care expenditure patterns (quantity, priorities, size, role) quantified and tracked."—was objectively verifiable.

Target Magnitude - Thirty-four indicators had a target magnitude, but the remaining forty-six did not. For example, one output level indicator for the Child Survival Program did not define the target magnitude (i.e., number) of health workers to be trained or the kinds and extent of training as shown in this example:

OUTPUT

"Integrated delivery of child survival-related services at the provincial level."

INDICATOR

*"Training of provincial health workers in the integrated service approach.
a. Priority provinces.
b. 50 percent of total provinces.
c. 100 percent of provinces."*

In contrast, another output-level indicator—"Percent of all pregnant women served by DOH with at least three prenatal visits increases from 40 percent (1989) to 80 percent."—defined the target magnitude as "increases from 40 percent to 80 percent".

Target Audience/Area - USAID/Philippines established a target audience/area for 50 indicators, but did not for the remaining 30. For example, under the AIDS Surveillance and Education Project:

OUTPUT

"Mass media and community based public relations, education and communication activities that encourage behaviors which reduce the risk of HIV transmission within groups at risk (and) the general population."

INDICATOR

"Absolute number of mass media and community based public relations, education and communication activities."

In contrast, the output-level indicator—*Availability of semi-annual surveillance data from Regional Sentinel Sites according to the DOH Implementation Plan*—specified the target audience/area of the Regional Sentinel Sites.

Time-Bound - Forty-two indicators were time-bound, but the remaining thirty-eight were not. Under the Family Planning Assistance Project, the following indicator is an example of such an indicator:

PROJECT PURPOSE

INDICATOR

"DOH contraceptive logistics system operating with acceptable efficiency/effectiveness."

"Contraceptives available at over 3,000 service delivery sites."

Only one of 10 indicators for the Family Planning Assistance Project was time-bound. This one purpose-level indicator related to planned annual increases (1990 through 1994) in the Contraceptive Prevalence Rate as a result of the use of contraceptive methods promoted in the program.

Without indicators that contained a magnitude and target audience, and were time-bound, USAID/Philippines could not objectively measure and report on the progress of projects. This situation subsequently affected the Mission's reporting on progress in its Project Implementation Reports.

The ability of senior USAID/Philippines management to measure progress in achieving project objectives was hindered because: (1) as mentioned earlier in the report, the Mission did not consistently define performance indicators with sufficient precision in the Logical Frameworks of Project Papers to allow measurement; and (2) accomplishments reported in Project Implementation Reports were not presented against interim targets. Examples of the problems found in the Project Implementation Reports for the four projects reviewed in detail are discussed below:

Consistent Targets - The Project Implementation Reports did not always present project results against targets which were consistent with the indicators in the Logical Frameworks. For example, one planned project output in the Logical Framework for the Family Planning Assistance Project was *"20,000-25,000 service delivery personnel...have been trained..."* The September 1993 Project Implementation Report, however, assessed progress by saying that *"372 training courses"* had been given. Because of the inconsistency between the approved output indicator and this reported result, it was unclear to the users of the report if this aspect of the project was successful. To its credit, USAID/Philippines identified the total participants trained in the March 1994 draft Project Implementation Report.

Presentation of Results - Reported accomplishments were not presented against interim targets. To illustrate, the Project Implementation Report for the Child Survival Project identified as planned project outputs the nine, measurable service delivery targets found in the Logical Framework. The contractor's progress report for the period June 1990 - July 1993 provided numerical measures of progress made in achieving these targets. However,

the Project Implementation Report merely assessed the accomplishments as a "*national survey done in mid-1991 showed significant progress towards meeting 1993 service delivery targets*". Thus, the user of the Project Implementation Report was not able to determine what increases in service delivery were achieved for the nine targets, and whether the achievements were satisfactory.

USAID/Philippines officials believed that the introduction of interim targets would have involved forecasting reasonable benchmarks, which it had done only for cash transfers related to policy reforms. In the case of technical assistance projects, the Mission believed that interim benchmarks would have been redundant, since the Mission relied on mid-term evaluations to identify the need for mid-course changes. In most cases, projects started slowly, leading up to most of the implementation gains being made in the last two years of the project. The Mission was concerned that too much reliance on interim indicators could have distorted the actual progress made.

The USAID Evaluation Handbook and Handbook 3, Appendix 3K, stressed the need for establishing indicators (targets and time frames) to measure progress from when the project objectives are established to the planned targets in accomplishing those objectives. According to the Evaluation Handbook, USAID required that the information component included in all projects obtain the types of routine data needed by management to track implementation progress, performance, and interim effects.

Accordingly, if progress is not monitored against interim indicators, millions of dollars may be spent before a mid-term evaluation identifies that the project objectives are not being met. Then, subsequent to the evaluation, the Mission would be at risk waiting to the end of the project to find out that the mid-course changes identified by the mid-term evaluation were not effective.

The lack of measurable indicators and adequate reporting systems at all levels of objectives decreased the usefulness of progress reports. Without indicators that contained a magnitude and target audience, and were time-bound, USAID/Philippines could not objectively measure and report on the progress of projects.

In conclusion, USAID/Philippines had not consistently established objectively verifiable indicators that were targeted in its Logical Frameworks. As a result, the Mission could not always objectively determine if projects were proceeding according to plan. To correct these problems, the Mission needed to review and amend Project Papers which

contained indicators that were not objectively verifiable and targeted. The Mission also needed to revise its system for reporting project progress to include information which measures progress against the final indicators in the Logical Framework as well as interim indicators.

Management Comments and Our Evaluation

USAID/Philippines concurred with the finding and recommendation. The Mission said that it would initiate implementing this recommendation as part of its portfolio review scheduled for March 31, 1995. For Recommendation Number 2.1, the Mission planned to review Project Paper Logical Frameworks for all projects ending after September 30, 1996 to ensure that all indicators are consistently and objectively verifiable. For Recommendation Number 2.2, the Mission planned to ensure that reports reflect progress toward interim and final performance indicators to the extent such interim indicators are appropriate.

Based on USAID/Philippines planned action, Recommendation Numbers 2.1 and 2.2 are resolved. Recommendation Number 2.1 will be closed when the Mission provides evidence that it has completed its review and has amended the applicable indicators to make them consistently and objectively verifiable. Recommendation Number 2.2 will be closed when the Mission provides evidence that its system for reporting project progress includes information which measures project progress against interim and final performance indicators.

Did USAID/Philippines Monitor and Evaluate Programs and Projects in Accordance With USAID Policies and Procedures?

USAID/Philippines generally monitored and evaluated programs and projects in accordance with USAID policies and procedures. The following discusses some noteworthy examples:

Participant Training

USAID/Philippines has had an excellent return rate of more than 99.8 percent of the Mission-financed participants. As of September 30, 1993, the Mission was funding 12 active projects with participant training components and had obligated \$20.6 million and expended \$10.2 million for participant training. The Mission reported that only 15 of 6,960 Mission-sponsored participants who had completed training had not returned to the Philippines. Although we noted some weaknesses in the Mission's procedures for following-up on participants and maintaining its data base on returned participants, we were unable to identify any significant adverse effects from the weaknesses.

Technical Assistance

A 1992 audit by RIG/A/Singapore disclosed that work statements for technical assistance contracts lacked specific performance indicators and time requirements. The audit recommended that the Mission: (1) implement procedures to ensure that work statements define the objectives of the contract, and (2) include performance indicators for measuring contractor progress and for evaluating contractor performance.

We followed up on corrective actions taken in response to the audit findings and recommendations and identified some problems with one of two contracts reviewed. These problems have been separately communicated to USAID/Philippines for its attention.

Evaluations

USAID/Philippines generally followed Agency procedures regarding evaluations. The Mission established written procedures describing the organization of its evaluation system and assigning responsibility for actions pertaining to the system. The Mission had a current Evaluation Plan, and many evaluations had been completed or were in process. A

Project Evaluation Summary form, which summarizes follow-up actions to be carried out, was prepared for both of the evaluations sampled. In developing the work statements for the two evaluations reviewed, the Mission met most of the Handbook requirements. For example, it: identified the activities to be evaluated, provided a work statement which enumerated questions to be addressed; specified some, but not all, methods and procedures for data collection; and addressed team composition, reporting requirements, and funding. While we are making no recommendations, the Mission should ensure that the evaluation work statements clearly address: (1) USAID's broad concerns of relevance, effectiveness, efficiency, impact, and sustainability; and (2) how the findings and recommendations will be used.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Philippines' monitoring, reporting and evaluation systems in accordance with generally accepted government auditing standards. We made the audit at the offices of USAID/Philippines in Manila from March 15 through April 29, 1994. We also held discussions with USAID's Center for Development Information and Evaluation.

Our audit covered 27 bilateral projects with authorizations of \$1.3 billion, obligations of \$994 million, and expenditures of \$616 million at September 30, 1993. We reviewed 4 of these 27 projects in detail. These four projects supported USAID/Philippines' strategic objective of reduced population growth rate and improved health with obligations of \$99.5 million and expenditures of \$71 million. The Mission also had two projects funded by the Bureau of Science and Technology which accounted for authorizations and obligations of about \$255,000 and expenditures of about \$176,000.

We did not verify the overall reliability of the computer-generated data in USAID/Philippines' Mission Accounting and Control System which we used to identify active USAID programs and projects and their related funding (i.e., obligations and expenditures). We also did not review in detail the reliability of baseline data and results under PRISM because the (1) Bureau for Asia/Near East had not yet required missions to report under PRISM, (2) Mission was still developing management information systems to report under PRISM, and (3) Mission had yet to formally report baseline data and results under PRISM.

In answering the audit objectives, we tested whether USAID/Philippines followed applicable internal controls and complied with certain legal requirements. Our tests were designed to provide reasonable assurance that the answers to the audit objectives are valid. Where problems were found, we expanded our work to identify the cause and effect of problems and to make recommendations to correct the problems and their cause.

In addition to the methodology described in the following section for each audit objective, USAID/Philippines provided written representation which we considered essential for answering our audit objectives and for assessing internal controls and compliance.

Methodology

The methodology for each audit objective is discussed below:

Audit Objective One

The first audit objective was to determine whether USAID/Philippines followed federal requirements and USAID policies and procedures in establishing quantifiable indicators and management information systems to measure program performance. To accomplish this objective, we assessed PRISM indicators against 5 of the 12 requirements stipulated in the April 1992 guidance for the PRISM system.

We did not assess whether the performance indicators: (1) were clearly linked, (2) were the most useful dimension for measuring progress, (3) were practical, (4) were applicable across countries and geographic regions, (5) would provide convincing evidence that the objectives were being achieved, and (6) were reflective of what was achievable. To assess these aspects of the indicators would have required more expertise in the development areas or much more information about the Philippines, including information on its development problems, cultural beliefs and practices and institutions. Nor did we assess whether the indicators required explanations for deviations, as we could not understand how an indicator could possess this attribute. This requirement appeared to be more relevant to reporting.

Audit Objective Two

The second audit objective was to determine whether USAID/Philippines followed federal requirements and USAID policies and procedures in establishing quantifiable indicators and management information systems to measure project performance. To accomplish this objective, we reviewed 4 of 27 USAID/Philippines-financed bilateral projects. We analyzed the performance indicators at the purpose and output levels of each project's Logical Framework against the attributes documented in USAID Handbook

3, Chapter 3, Appendix K. Furthermore, we compared the indicators in the Logical Framework with progress reported in the Mission's Project Implementation Reports.

Audit Objective Three

The third objective was to determine whether USAID/Philippines followed USAID policies and procedures in monitoring and evaluating programs and projects. To accomplish this objective, we reviewed applicable policies and procedures contained in USAID Handbooks and supplemental guidance; obtained documentary and testimonial evidence from Mission officials; analyzed the reliability and sufficiency of that evidence; and concluded whether the Mission followed the applicable policies and procedures.

To audit participant training, we determined that USAID/Philippines ensured that participants: (1) signed the required forms prior to departure, (2) were included in the return participant follow-up report, and (3) returned from training in accordance with USAID Handbook 10. Because of a recent audit report issued by RIG/A/Singapore, we limited our scope to reviewing participant training files for 25 participants selected judgementally from the Mission's Participant Training Management System. We reviewed copies of Conditions of Training forms, the Participant Training Management System, training reports, and questionnaires from the returned participants. Furthermore, we interviewed Mission training officials to obtain an understanding of their system for monitoring returned participants.

To audit technical assistance, we determined whether the work statements for technical assistance contracts contained performance targets and time frames in accordance with USAID Handbook 3, Supplement A, Appendix C. Due to the issuance of a 1992 RIG/A/Singapore audit report on Technical Assistance at USAID/Philippines, we reviewed only 2 of 16 contracts signed after issuance of the report.

To audit the evaluation process at USAID/Philippines, we applied USAID Handbook 3, Chapter 12 and USAID Evaluation Handbook (Supplement to Chapter 12). We reviewed 2 of 12 project evaluation reports as well as the system used by the Mission to record and track evaluation recommendations. We also interviewed the Evaluation Officer to gain an understanding of the Mission's evaluation process.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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NOV 8 1994

MEMORANDUM

TO: Mr. Richard C. Thabet
RIG/A/Singapore

FROM: Gordon H. West, Acting Director
USAID/Philippines *R. Thabet*

SUBJECT: Draft Audit Report on USAID/Philippines'
Monitoring, Reporting and Evaluation Systems

REF: Thabet/Stukel memo dated September 14, 1994

We reviewed the subject report and are pleased to note that many of our comments were taken into consideration in finalizing the draft report. We appreciate your recognition of the Mission's efforts and progress toward improving our monitoring, reporting and evaluation systems in line with Agency requirements.

While we believe the draft report is a marked improvement over the discussion paper, there still exist differences between RIG and the Mission on monitoring, reporting, and evaluation requirements under PRISM guidance on strategy performance and the reporting on the active project portfolio using conventional HB 3 guidance. To date, the Agency has not been able to reconcile the two reporting "constructs" to achieve a fully integrated reporting system. We will work with RIG and USAID/W to resolve these differences.

Discussed below are more detailed comments which we hope will be fully considered in the final report. Our management representation letter is attached.

COMMENTS:

Page 7 - - Recommendation No. 1 states that USAID/Philippines should "continue to: (1.1) refine the program performance indicators... and (1.2) complete the implementation of the management information systems"

We believe that this recommendation is not specific enough to be actionable. To close Recommendation 1.1, for example, does RIG/A/S expect simply the Mission's commitment to continue working on the indicators; USAID/W's acceptance of our program indicators; an approved PRISM; or ...? Recommendation 1.2 assumes that there is an agreed definition of what a PRISM MIS

Mr. Richard C. Thabet

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should be; but, to our knowledge, such a system has not been finalized. We believe the recommendations should be more specific.

Page 9, Last Paragraph - - The report states that "USAID/Philippines' performance indicators ... tend to focus on the means of achieving impact rather than on the impact that the assistance is expected to have on the Filipino people." The indicator cited to illustrate this point is "the number of local government units which have a budget for maternal and child health services."

The statement quoted above is not accurate in so far as Strategic Objective No. 2 (reduce the population growth rate and improve health) is concerned. This strategic objective has three program outcomes and, altogether, 15 indicators (ten impact indicators, four process indicators and one outcome indicator). The indicator cited is only one of four indicators under program outcome 2.2, i.e., improved financing and utilization of maternal and child health services. The three other indicators are examples of people-level, program impact indicators.

The Mission does not believe that the conclusion cited is substantiated by the example noted. We believe that it is more reasonable to assess the indicators as a whole in support of a program outcome.

Page 10 - - We suggest that the first two sentences of the first full paragraph be rewritten as follows: "USAID/P believes it is in compliance with the PRISM guidance which requires indicators to reflect people-level impact when appropriate. The Mission believes that it is the Mission's responsibility to define appropriate people-level indicators."

We would like to reiterate that even where people-level indicators can be defined, not every indicator will be people-level as the Mission uses macro level indicators to reflect systematic sustainable results. We also cannot overemphasize that it will be very costly to measure people impact for all indicators.

Page 13, 2nd Paragraph - - The statement "The Mission did not believe that this necessarily meant precise, quantitative indicators." is not accurate. We mentioned in our memo of September 9 that we are currently gathering the necessary baseline information to enable us to capture and report on the Mission's progress in meeting PRISM program targets. We also mentioned that we are establishing both quantitative and qualitative targets based on Agency standards. We agree that precise, quantitative indicators are important to meet PRISM

Mr. Richard C. Thabet

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standards although we may be in disagreement about what specifically is/is not "precise."

Page 15, 2nd Paragraph - - The report states that ". . . USAID/Philippines has not yet fully implemented a management information system (MIS) to report all PRISM results when a format is developed (by PPC)." We suggest you end the sentence after "results," otherwise, the sentence really doesn't make sense.

The auditors disagree with the Mission and presumably USAID/W as to what constitutes a reasonable time horizon for operationalizing the PRISM results reporting system. As noted, the Mission is developing the necessary baseline data gathering systems which will feed into the PRISM MIS when it is developed by USAID/W.

An IRM TDY consultant noted that it is not advisable for the Mission to develop a reporting system to provide data to USAID/W before USAID/W has defined its requirements and it is not cost-effective for the Mission to undertake its own systems development effort as IRM's next project is the development of an agency-standard results tracking system. Therefore, we believe it is unfair and unwise to criticize the Mission on this item, and recommend that the recommendation be directed at USAID/W instead.

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Recommendation 2.1 and 2.2

The Mission will review project logframes for all projects whose PACDs fall beyond September 30, 1996, to ensure that all indicators are consistently and objectively verifiable and that reports reflect progress toward interim and final performance indicators to the extent such interim indicators are appropriate. This will be done as part of the March 31, 1995 portfolio review. On this basis, we suggest the final report indicate these recommendations are resolved.

Page 21, Last Paragraph - - We suggest the deletion of the phrase "Contrary to the above requirements,."

Attachment: As stated

ANALYSIS OF USAID/PHILIPPINES' PRISM DOCUMENT AGAINST CABLE GUIDANCE

PERFORMANCE INDICATORS	PEOPLE LEVEL PROGRAM IMPACT	RELATE TO MAGNITUDE OF USAID'S INVESTMENT	FINAL AND INTERIM TARGETS TIME BOUND	FINAL AND INTERIM TARGETS PRECISE	BASELINE DATA
Strategic Objective #1					
Percent of People Who Believe That They are Able to Participate in the Decision-Making Process	Y	N	Y/Y	N/N	N
Percent of People Believing Institutions are Responsive	Y	N	Y/Y	N/N	N
Net Tax Collection by Selected Local Government Units	N	N	Y/Y	N/N	N
Number of Local Government Units Accessing Banks/Bonds	N	N	Y/Y	N/N	N
Number of Local Government Units With Priority Investment Plans Developed With Broad Participation	N	N	Y/Y	N/N	N
Number of Local Government Units With Environmental Management Plans Developed With Broad Participation	N	N	Y/Y	N/N	Y
Number of Local Communities Engaged in Participatory Development Activities Through Non-Governmental Organizations/Private Voluntary Organizations	Y	N	Y/Y	N/N	N
Number of Disadvantaged Groups Assisted by Non-Governmental Organizations/Private Voluntary Organizations to Seek Redress Through Appropriate Systems	Y	N	Y/Y	N/N	N

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ANALYSIS OF USAID/PHILIPPINES' PRISM DOCUMENT AGAINST CABLE GUIDANCE

PERFORMANCE INDICATORS	PEOPLE LEVEL PROGRAM IMPACT	RELATE TO MAGNITUDE OF USAID'S INVESTMENT	FINAL AND INTERIM TARGETS TIME BOUND	FINAL AND INTERIM TARGETS PRECISE	BASELINE DATA
Strategic Objective #2					
Population Growth Rate	Y	N	Y/Y	N/Y	Y
Infant Mortality Rate	Y	N	Y/Y	Y/Y	N
Total Fertility Rate	Y	N	Y/Y	Y/N	Y
Maternal Mortality Rate	Y	N	Y/Y	Y/Y	N
Contraceptive Prevalence Rate - All Methods	Y	N	Y/Y	Y/Y	Y
Contraceptive Prevalence Rate - Modern Methods	Y	N	Y/Y	Y/Y	Y
Number of Local Government Units Which Have a Budget for Family Planning Services	N	N	Y/Y	Y/Y	N
Percent of Family Planning Services Provided by the Private Sector	N	N	Y/Y	Y/Y	Y
Percent of Children Fully Vaccinated	Y	N	Y/Y	Y/Y	Y
Percent of Women Vaccinated Against Tetanus Toxoid	Y	N	Y/Y	Y/Y	Y
Percent of High-Risk Births	Y	N	Y/Y	N/N	N
Number of Local Government Units Which Have a Budget for Maternal/Child Health Services	N	N	Y/Y	Y/Y	N

ANALYSIS OF USAID/PHILIPPINES' PRISM DOCUMENT AGAINST CABLE GUIDANCE

PERFORMANCE INDICATORS	PEOPLE LEVEL PROGRAM IMPACT	RELATE TO MAGNITUDE OF USAID'S INVESTMENT	FINAL AND INTERIM TARGETS TIME BOUND	FINAL AND INTERIM TARGETS PRECISE	BASELINE DATA
Functioning Surveillance System Established	N	N	Y/Y	Y/Y	N
Percent of People in High-Risk Groups Adopting Safe-Sex Practices	Y	N	Y/Y	N/N	N
Condom Sales	N	N	Y/Y	Y/Y	Y
Strategic Objective #3					
Domestic Capital Formation	N	N	Y/Y	N/N	Y
Number/Value of Private Investment in Public Sector	N	N	Y/Y	N/N	Y
Government Transfers to Public Enterprises	N	N	Y/Y	N/N	Y
New Business Starts in Selected Areas Outside National Capital Region Served by USAID Projects	N	N	Y/Y	N/N	N
Air Cargo and Passenger Movement In/Out of Selected Areas; Cargo Movement for Inter-Island Shipping	N	N	Y/Y	N/N	N
Bank Loans in Selected Areas	N	N	Y/Y	N/N	N
Openness of the Philippine Economy	N	N	Y/Y	N/N	Y
Inflation Rate	N	N	Y/Y	N/N	Y
Tax Collection	N	N	Y/Y	N/N	Y

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ANALYSIS OF USAID/PHILIPPINES' PRISM DOCUMENT AGAINST CABLE GUIDANCE

PERFORMANCE INDICATORS	PEOPLE LEVEL PROGRAM IMPACT	RELATE TO MAGNITUDE OF USAID'S INVESTMENT	FINAL AND INTERIM TARGETS TIME BOUND	FINAL AND INTERIM TARGETS PRECISE	BASELINE DATA
Net Direct Foreign Investment	N	N	Y/Y	N/N	Y
Strategic Objective #4					
Financial Resources Invested in Natural Resource Management	N	N	Y/Y	N/N	N
Organizational Resources	N	N	Y/Y	N/N	N
National Environmental Accounts	N	N	Y/Y	N/N	N
Forest Area Under Systematic Management Instruments in Targeted Geographic Areas	N	N	Y/Y	N/N	N
Forest and Coastal Resources Richness of Targeted Areas	N	N	Y/Y	N/N	N
Firms Using Sound Environmental Practices	N	N	Y/Y	N/N	N
Companies Making Pollution Management Appraisals and Adopting Recommendations on Sound Environmental Practices	N	N	Y/Y	N/N	N
Industrial Investment in Pollution Abatement Equipment	N	N	Y/Y	N/N	N
Membership in "Environmental" Associations	N	N	Y/Y	N/N	N

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