

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

**Audit of
USAID/Ecuador's
Health and Population Strategic Objective**

**Audit Report No. 1-518-95-010
September 18, 1995**



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AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
SAN JOSE, COSTA RICA

Unit 2521
APO AA 34020
Telephone 220-4545
FAX: (506) 220-3573

September 18, 1995

MEMORANDUM

TO: USAID/Ecuador Director, John Sanbrailo

FROM: RIG/A/San José, *Richard R. Howard* Wayne Watson

SUBJECT: Audit of USAID/Ecuador's Health and Population Strategic Objective

The Regional Inspector General for Audit/San José has completed its audit of USAID/Ecuador's health and population strategic objective. The audit objective was to determine if USAID/Ecuador had an effective management system to measure results and was achieving the desired results under its health and population strategic objective.

The audit disclosed that USAID/Ecuador established indicators to measure progress in accomplishing this strategic objective, but some indicators needed to be refined, and its system for reporting progress needed to be improved to ensure the accuracy of the data reported. USAID/Ecuador also needed to reassess whether its projects identified as supporting the health and population strategic objective do, in fact, support it.

As a result of the problems found, USAID/Ecuador did not have information needed to assist USAID management and others to fully and objectively measure progress in accomplishing its health and population strategic objective for which USAID has obligated and spent more than \$20.2 million and \$14.3 million, respectively (as of December 31, 1994). This memorandum audit report includes three recommended actions to resolve the problems found.

USAID/Ecuador generally did agree with our recommendations and based on their management comments Recommendation Nos. 1.1, 1.2, and 2 are considered resolved on report issuance. These recommendations will be considered closed upon receipt of documentation that the recommended actions have been satisfactorily implemented.

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Please provide us information within 30 days indicating any actions planned or taken to implement report recommendations. I appreciate the cooperation and assistance that you and your staff provided to the auditors during this assignment.

Background

The U.S. Agency for International Development (USAID) is responsible under the Foreign Assistance Act (FAA) 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: (1) defines objectives for United States foreign assistance, (2) develops quantitative indicators for measuring progress towards those objectives, (3) adopts methods for comparing actual program and project results against anticipated results, and (4) provides information to USAID and Congress that relates funding to the objectives and results in order to assist in the evaluation of program performance.

In line with these requirements, USAID has prescribed internal guidance for measuring progress in implementing its programs and projects and for ensuring the effective use of USAID funds. For example, in September 1991 USAID initiated a Program Performance Information System for Strategic Management (PRISM) designed to provide better information on program results. Also, USAID issued a directive in May 1994 requiring each mission to define procedures to ensure systematic collection and analysis of data required to assess progress toward achievement of performance targets under its strategic objectives and to ensure that satisfactory baseline data are collected for each key performance target. For individual projects, USAID Handbook 3 (Appendix K) emphasizes the use of baseline data and indicators (with specific targets) to measure progress in accomplishing project objectives against the planned targets.¹

USAID/Ecuador has established four overall program strategic objectives—one for the health and population strategic objective is to "reduce levels of mortality and fertility to levels which are commensurate with sustainable development." As of December 31, 1994, available data showed that USAID

¹ For clarification, USAID "programs" are usually made up of a collection of "individual project activities" which share a common set of outcomes that contribute toward achievement of a higher-order program strategic objective.

obligations and expenditures in support of this strategic objectives total more than \$20.2 million and \$14.3 million, respectively.

Audit Objective

The Regional Inspector General for Audit/San José audited USAID/Ecuador's health and population strategic objective to answer the following audit objective:

Did USAID/Ecuador have an effective management system to measure results, and was it achieving the desired results, under its health and population strategic objective?

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

Audit Findings

Did USAID/Ecuador have an Effective Management System to Measure Results, and was it Achieving the Desired Results, Under its Health and Population Strategic Objective?

USAID/Ecuador has not completed establishing an effective management system to measure results, and therefore, it did not have the information needed to determine whether it was achieving most of the desired results under its health and population strategic objective.

USAID/Ecuador had established 10 indicators to measure progress in accomplishing its health and population strategic objective (and related program outcomes) and was achieving some of the desired results. For example, in 1989 women between the ages of 15 and 49 (i.e., reproductive years) had an average of 3.8 children, and the target which was established—and achieved—for 1994 was an average of 3.6 children.

However, it would be difficult, if not impossible, to substantiate to what extent, if any, the results were attributable to USAID-funded activities. For example, USAID/Ecuador identified the infant mortality rate for children under age one per 1,000 live births were 53 and 40 in 1989 and 1994, respectively, and had a target of 32 in 1997. To support the accomplishment of these results, USAID/Ecuador identified that its Child Survival II Project—a project that started in 1989 and is expected to be completed in 1999 with total USAID funding of \$18.0 million—as being essentially the only USAID activity providing significant funding toward accomplishing these results. Based on an amended project paper (approved

in July 1994) and a related study prepared by USAID/Ecuador, this compares to about \$450 million which is provided annually by the Government of Ecuador and the "for-profit private sector" in Ecuador for health related activities that will have a direct effect on reducing infant mortality. Thus, if this rate of expenditures continue these parties will provide approximately \$3.2 billion—or approximately 180 times more than what USAID will be providing—over the seven year period 1993 thru 1999 (when the USAID-funded project is expected to be completed) for health related activities that will have a direct effect on reducing infant mortality. USAID/Ecuador officials said they do not routinely update the expected allocation nor do they have actual funding by these parties for health activities directed at reducing infant mortality.

Thus, one question is: Can USAID/Ecuador establish realistic targets to reduce the infant mortality rates without knowing what other funding is expected to be provided for activities that would have a direct relationship toward reducing infant mortality? Another question is: Assuming that the target for 1997 is realistic, can USAID/Ecuador be held accountable for not achieving the target if some other participants provide significantly less funds than anticipated?² Because this issue (i.e., the ability to identify to what extent USAID-funding contributes to program results) has been identified to USAID/Washington officials who are responsible for developing new guidance for managing for results, we are not making specific recommendations for action by USAID/Ecuador.

However, as discussed below, USAID/Ecuador could take action to improve its management system for measuring results in achieving its health and population strategic objective by: (1) refining its indicators and improving reporting for measuring progress in achieving the health and population strategic objective and (2) reassessing whether projects support the health and population strategic objective.

Need To Refine the Indicators and Improve Reporting for Measuring Program Results

Section 621A of the Foreign Assistance Act requires that USAIDs establish a management system which includes the: (1) definition of objectives and

² In addition to the funding by the Government of Ecuador and the "for-profit private sector", USAID/Ecuador officials estimate that other international donors will provide approximately \$91 million (over the seven year period 1993 thru 1999) for health related activities that will have a direct effect on reducing infant mortality in Ecuador. The officials did not have any documentation to substantiate this amount and do not monitor or track expenditures of the other donors for such activities.

programs for United States foreign assistance, (2) development of quantitative indicators of progress toward those objectives, and (3) adoption of methods for comparing actual results of programs and projects against those anticipated when the programs and projects were initiated. The system should also provide information to the Agency and Congress on USAID resources spent on objectives in order to assist in the evaluation of results and program performance.

In line with the requirement for managing for program results, USAID guidance under its Program Performance Information System for Strategic Management (PRISM) requires operating units to develop strategic plans that include: *Strategic Objectives* which are defined as a "measurable, intended results that [are] developmentally significant with the Mission's manageable interest to achieve in 5 to 8 years". *Program Outcomes* which are defined as "measurable, intended results that [are] 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 "variable[s] which [are] measured to track progress toward achieving results." The guidance also requires that annual targets be established for accomplishing each indicator. In accordance with Bureau for Latin America and the Caribbean guidance, USAID/Ecuador presents its strategic plans in Annual Action Plans.

USAID/Ecuador still has work to do before it fully meets the above requirements for an effective management system for measuring program results toward its health and population strategic objective. For example, 8 of the 10 indicators to measure progress in accomplishing this objective (and related program outcomes) that were included in USAID/Ecuador's latest draft 1996-1997 Action Plan (as of February 24, 1995) were not quantifiable or even objectively verifiable and measurable and/or the baseline data and achievements reported were not reliable.³ Examples of the 8 indicators that were not quantifiable or even objectively verifiable and measurable are discussed below (and shown in Appendix III):

- One program outcome indicator was the percentage of Ministry of Health centers in eight provinces applying family planning and maternal child care health norms. USAID/Ecuador officials said that

³ At the time of the audit in February 1995, USAID/Ecuador was finalizing its 1996-1997 Action Plan which was to be submitted to the Bureau for Latin America and the Caribbean by March 6, 1995. USAID/Ecuador officials said at that time they did not foresee making any significant changes prior to the Bureau's review. We decided to use this Action Plan for audit purposes rather than the approved 1995-1996 Action Plan to enable us to make constructive recommendations. Furthermore, the same types of problems disclosed for this latest Action Plan were also found in the 1995-1996 Action Plan.

although there are norms and indicators that are generally accepted by health care workers, there are no definite criteria for measuring progress in accomplishing these norms. USAID/Ecuador officials also stated that there are no good indicators for measuring the quality of family planning and maternal child care services.

- Another program outcome indicator was the percentage of Ministry of Health centers in eight provinces with a "working cold chain". USAID/Ecuador officials said a "working cold chain" is normally referred to as a system for vaccines. However, the officials stated that there is no standard USAID definition for "working cold chain" nor criteria for determining if it is a good or bad system.
- Another program outcome indicator was the percentage of selected Ministry of Health services in provinces and health areas with an established and effective user fee system. USAID/Ecuador officials stated that this is a bad indicator. For example, the specific "selected Ministry of Health services" have not been identified nor has criteria been established on what would be considered an "established and effective user fee system."

In addition to needing to refine some of its indicators, USAID/Ecuador also needs to ensure that baseline data and actual results reported under the PRISM are reliable and fully documented as required by the Government Performance and Results Act and the Standards For Internal Controls in the Federal Government issued by the United States General Accounting Office. For example, the Act requires that all federal agencies establish annual performance plans that define performance goals (expressed in an "objective, quantifiable, and measurable form") to be achieved by a program activity and to describe the means to be used to verify and validate measured values. Also, among other things, the General Accounting Office standards require 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.

Of the 10 indicators established for measuring progress in accomplishing the health and population strategic objective, USAID/Ecuador had little assurance that the baseline data and actual results reported for 8 of those indicators were accurate. In some cases available documentation showed that the data was not accurate while in other cases there was no documentation available to substantiate the validity of the data reported. Examples of reporting problems are identified below (an in Appendix IV):

- One program outcome indicator was the prevalence of diarrheal disease in the population at age one. The Action Plan reported a baseline of 25.0 percent and an achievement of 19.2 percent for 1989 and 1994, respectively. However, both the baseline data and achievement were actually the percent for the population under age 5—not at age 1. USAID/Ecuador officials said the Action Plan should state under age five instead of at age one.
- Another program outcome indicator was the percentage of women in reproductive age (between 15 and 49) using a modern method of contraception. The Action Plan reported a baseline of 52.9 percent and an achievement of 56.8 percent for 1989 and 1994, respectively. However, these percentages were for women in reproductive age using all methods of contraception. The actual percentages for using a "modern method" for 1989 and 1994 were 40.3 percent and 44.5 percent, respectively. USAID/Ecuador officials said that the word "modern" should be deleted from the Action Plan and the reported percentages should be for all methods of contraception.

USAID/Ecuador officials said the problems with the indicators and reporting occurred because the officials did not pay enough attention to developing the indicators and ensuring the reliability of the data reported. Furthermore, USAID/Ecuador had not developed any written guidance emphasizing the importance of reliable data reported in the Action Plans and the type of documentation required to support such data.

As a result of the problems found, USAID/Ecuador did not have information needed to assist USAID management and others to fully and objectively measure progress in accomplishing its health and population strategic objective of which USAID/Ecuador has obligated and expended more than \$20.2 million and \$14.3 million (as of December 31, 1994), respectively.

In conclusion, USAID/Ecuador has made significant progress in implementing the PRISM system. However, USAID/Ecuador could improve its ability to measure program results against what was precisely anticipated when the strategic objective was undertaken by refining (making them quantifiable or at least objectively verifiable and measurable) some of its indicators. It could also develop a better reporting system to ensure the reliability of baseline data and actual results reported in its Action Plans.

Recommendation No. 1: We recommend that USAID/Ecuador:

- 1.1 complete refining the indicators so that they can be used to objectively measure progress in achieving its health and population strategic objective; and**

1.2 establish a system for ensuring that baseline data and actual results reported in its Action Plans are reliable and documented.

Management Comments and Our Evaluation

In response to the draft report, USAID/Ecuador management stated they appreciated the auditors favorable comments on the progress and success to date of USAID/Ecuador in establishing indicators for its Strategic Objective.

USAID/Ecuador responded that it had begun action to implement Recommendation No. 1.1. The Mission stated it has provided greater detail in the Strategic Objective's listing of indicators and in instances where objective measurement are combined with subjective measurement that it requires such combinations be clearly stated. Regarding indicators of sustainability and policy environment, the Mission stated it will review the indicators internally and with the assistance of consultants. The Mission responded to Recommendation No. 1.2 that it believes that the quality (both consistency and reliability) of data is essential to an effective Monitoring and Evaluation Plan. Even though the Mission states it has an ongoing and continuous system for ensuring the quality and appropriateness of data, it will further supplement this system by reviewing all baseline data reported in the final version of the 1996-1997 Action Plan for reliability and consistency. USAID/Ecuador also stated that its Strategic Objective tree will have a "source" listing and basic documentation of the source which will be available at the Mission. This documentation procedure will be completed by the next Action Plan.

Based on USAID/Ecuador's response, Recommendation Nos. 1.1 and 1.2 are considered resolved and can be closed upon receipt of documentation that the recommended actions have been satisfactorily implemented.

Need to Reassess Whether Projects Support the Strategic Objective

Since at least September 1992, the Bureau for Latin America and the Caribbean has required, as part of the mission's semi-annual portfolio review process, that missions review their projects to determine if the projects contribute toward achieving one or more of the mission's strategic objectives. The October 1993 guidance directs each mission to review the end-of-project indicators in the project paper logframe and reported in the

semi-annual report to assure that the existing indicators in the logframe are set forth in the most efficient manner for assessing project progress and the project's contribution to the mission's strategic objective.

USAID/Ecuador's 1996-1997 draft Action Plan included the Child Survival Project II as the only project contributing to two program outcome indicators to measure progress in accomplishing the health and population strategic objective. The two indicators were: (1) the percentage of Ministry of Health centers applying family planning and maternal and child health norms from a 1989 baseline of 70 percent of Ministry of Health centers applying the norms to a planned output for 1997 of 90 percent and (2) the percentage of Ministry of Health centers with a working cold chain from a 1989 baseline of 80 percent to a planned output for 1997 of 95 percent. However, this project was amended in July 1994 to refocus the project's Ministry of Health activities to non-governmental organizations. As a result, this project—with total obligations and expenditures of \$11.7 and \$9 million, respectively as of December 31, 1994—no longer contributes toward accomplishing the two program outcome indicators noted above.

USAID/Ecuador officials agreed that the two indicators mentioned above are not supported by USAID-funded activities and, therefore, need to be deleted or revised. The officials said this inconsistency occurred because they did not review the indicators for the strategic objectives when the project logframe was revised.

By performing inadequate assessments of current contributions projects make to strategic objective indicators, USAID/Ecuador was unaware that projects identified as supporting its health and population strategic objective did not, in fact, support that objective. Consequently, USAID/Ecuador could have project activities that do not support any of its strategic objectives, in which case USAID/Ecuador should consider terminating the activities or justifying them separately from current strategic objectives in the 1996-1997 Action Plan. Therefore, USAID/Ecuador should perform and document an assessment of the indicators established for all active projects to ensure that those projects support its strategic objectives.

Recommendation No. 2: We recommend that USAID/Ecuador review existing projects to ensure that current project logframes and the indicators to measure progress in achieving the strategic objectives in the 1996-1997 Action Plan contribute toward accomplishing the strategic objective.

Management Comments and Our Evaluation

In response to the draft report, USAID/Ecuador management stated that they did not agree with the report's implication that there were Mission projects which did not support Strategic Objectives and the auditor implication that there was no linkage between the Strategic Objective projects and objectives. However, USAID/Ecuador stated it will review the logframes of the Policy Dialogue and Implementation Project and the National Shelter Delivery System Project. Based on this review and on the assistance received from consultants, specific indicators will be established which more closely link the projects to the Health and Population Strategic Objective. The Mission will integrate into the logframes of the projects and in the overall discussion of the Action Plan the specific linkages between the project inputs and the policy outputs which specifically relate to the Strategic Objective. USAID/Ecuador will accomplish this in time for their next Action Plan.

We did consider USAID/Ecuador's comments for this finding and believe that our work was sufficient to support the recommendation made. Based on the USAID/Ecuador response, Recommendation No. 2 is considered resolved and can be closed upon receipt of documentation that the recommended actions have been satisfactorily implemented.

<p>SCOPE AND METHODOLOGY</p>

Scope

We audited USAID/Ecuador's controls over its system for measuring results under its health and population strategic objective in accordance with generally accepted government auditing standards. The audit was conducted from January 17, 1995 through May 11, 1995.

The audit included the following scope limitations:

- We did not attempt to verify the overall reliability of the computer generated data in USAID/Ecuador's Mission Accounting and Control System which was used to identify active USAID projects and their related funding (i.e., obligations and expenditures)
- Although the auditors did not have the expertise to determine whether some indicators established for measuring results under the health and population strategic objective were adequate in showing progress in achieving the strategic objective, the problems found and reported in the report were evident. The indicators did not require special expertise to determine that they were not quantifiable nor were they precise enough to allow an objective determination to compare progress (i.e., results) and accomplishment against what was anticipated when the projects were undertaken.

Methodology

To accomplish our audit objective we reviewed the requirements for establishing a system 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 system and related documents setting forth USAID management's commitment to establishing a system for measuring program results.

We reviewed the health and population strategic objective that USAID/Ecuador had established and reviewed the program outcomes that it had stated would support that objective. Specifically we reviewed USAID/Ecuador draft action plan for FY 96-97 in which it described its strategic objective, supporting program outcomes and the performance indicators and baseline data for measuring the achievement of the program outcomes. We reviewed USAID/Ecuador supporting documentation for the baseline data for the performance indicators and the reported progress for the individual indicators for the strategic objective. To determine the adequacy of the performance indicators, we reviewed the four project logframes and project papers. Additionally we interviewed USAID/Ecuador officials and reviewed relevant documents to determine: 1) the adequacy of the indicators established and the manner in which USAID/Ecuador obtained and reported on baseline and actual results data under the PRISM, and 2) whether the projects in the FY96-97 action plan had a linkage to the strategic objective.

We reviewed other donor information available at USAID/Ecuador and interviewed officials to determine the extent of knowledge that the Mission had on expenditures and activities of the other donors.

We also reviewed the available information at USAID/Ecuador on centrally funded activities to determine the available funding information, monitoring of activities, and whether specific targets and accomplishments exist under their scopes of work. A similar review will be done in USAID/Washington on centrally funded projects.

APPENDIX II

UNITED STATES GOVERNMENT

memorandum

DATE : August 21, 1995 GDO.062.95

REPLY TO
ATTN OF :  John Sanbrailo, DIR

SUBJECT : Audit of USAID/Ecuador's Health and Population Strategic Objective

TO : Wayne Watson, RIG/A San Jose

REF: : Wayne Watson to John Sanbrailo Memorandum dated July 21, 1995

With regard to your ref request for USAID comments on the subject draft audit report, please refer to USAID/Ecuador's extensive comments on the draft report, submitted to Mr. Coinage Gothard, RIG/A, on June 30, 1995. We are resubmitting these comments (attached), as they continue to reflect our reactions to the draft report. You will also find attached the Mission Director's representation letter, as requested.

In effect, you will note that the Mission has responded fully to the recommendations of the audit report, and has taken appropriate steps to address said recommendations. Based on the actions planned, or already taken, as outlined in my June 30th memorandum, we believe the audit recommendations should be closed.

In finalizing your report, we again urge RIG/A to more fully take into account the extensive comments made by the Mission in our June 30th memo, with regard to our reservations about some of the report's conclusions, or omissions of important considerations. In summary, these comments include the following points:

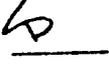
(1) The Mission does not agree with the audit memorandum's implication that there are Mission projects which do not support Strategic Objectives, and the RIG implication that there is no linkage between SO projects and the SO objectives;

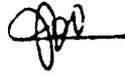
(2) We believe the audit fell short of its stated objective of assessing the Strategic Objective Management System, and that the team did not audit other critical aspects of the SO management system to determine achievement of desired results;

(3) Quantitative data should NOT be limited to "objectively verifiable data", nor should you underestimate the equal validity of qualitative data to measure results;

(4) The draft report mistakenly minimizes the importance of policy projects.

Please carefully consider these comments, along with the more detailed discussion of these and other points in our June 30th memorandum as you finalize the audit report.

Drafter: A/GDO:KFarr 
file: fho\audit.rpt
Clearance: O/CONT: T Totino 

A/DIR: JLeo 

memorandum

DATE : June 30, 1995

REPLY TO
ATTN OF : John A. Sanbrailo, USAID/Ecuador Mission Director

SUBJECT : Audit of USAID/Ecuador's Health and Population
Strategic Objective

TO : Coinage N. Gothard, RIG/San Jose

USAID/Ecuador has reviewed the draft subject memorandum audit report which your audit team presented to the Mission on May 10th. This memorandum presents Mission comments on the draft report, first with respect to the specific recommendations, and second on a number of general issues.

Comments on Specific Recommendations.

Recommendation 1.1: complete refining the indicators so that they can be used to objectively measure progress in achieving its health and population strategic objectives

Mission comments: The Mission is pleased that the auditors comment favorably on the progress and success to date of the Mission in establishing indicators for the Strategic Objectives. We are cognizant that refinements to the indicators are constantly necessary and thus we consider that such refinements are an integral and ongoing element of the Strategic Objective's Monitoring and Evaluation (M&E) Plan. Thus the Mission is already (and has been for some time) carrying out the recommendation of the audit team. Nonetheless, in order to further respond to the audit recommendations, we have taken the following steps:

First, greater detail has been provided in the Strategic Objective's listing of indicators which explains the rationale behind the indicator and its quantitative measurement. Instances where objective measurement (e.g. national survey) are combined with subjective measurement (e.g. institutional statistics) are clearly stated. This detailed listing was presented in the final version of the 1996-97 Action Plan which was

presented to AID/Washington.

Second, indicators for sustainability and policy environment will be reviewed internally and with assistance of external consultants. The review will include the consideration of a number of methodologies (e.g. leadership opinion surveys, focus groups, etc.) which will objectively measure progress in policy development. The complete set of indicators will be ready for the next Action Plan.

Recommendation 1.2: establish a system for ensuring that baseline data and actual results reported in its Action Plan are reliable and documented.

Mission comments: Mission considers the quality (both consistency and reliability) of data as essential to an effective Monitoring and Evaluation Plan, and as such already has an ongoing and continuous system for ensuring the quality and appropriateness of the data. As part of its M&E Plan, the Strategic Objective had identified individuals and institutions responsible for the collection and documentation of data for each indicator. Those responsible also ensure the consistency and reliability of data that are reported. In addition to these processes which have been ongoing for some time, the Mission proposes the following actions to further respond to the audit recommendation:

First, all baseline data reported in the Mission's final version of the 1996-97 Action Plan have been reviewed and checked for reliability and consistency. Both baseline data and final goals have been discussed with counterparts and with other donor agencies to ensure commonality of objectives. Where necessary, both data and definitions have been modified to ensure that data are precise.

Second, every indicator in the SO tree will have a "source" listing and basic documentation of the source will be available on file at the Mission. The documentation will be completed for the next Action Plan.

Recommendation 2: Review existing projects to assure that current project logframes and the indicators to measure progress in achieving the SO in the 1996-97 Action Plan have a direct linkage and, if in fact the projects do not directly support a strategic objective, identify and justify those projects in the Action Plan.

Mission comment: The Mission, through semi-annual reviews, Action Plan, M&E Plans, and other mechanisms, routinely reviews projects and project logframes in order to ensure linkages with SO's. It is through this process, which was started in 1993, that the Mission has continuously focused and concentrated efforts in those activities which have the greatest potential for results based on our SO's.

The Mission's Action Plans for FY94-95, FY95-96, and for FY96-97 reflect this continuous and consistent process. As part of this process, the Mission defined as a critical component of the portfolio policy dialogue activities. The Mission does not agree with the audit memorandum's implication that there are Mission projects which do not support Strategic Objectives. Nonetheless, and with respect to the two specific projects mentioned in the draft audit memorandum, the Mission is taking the following steps:

Mission will review the logframes of the Policy Dialogue and Implementation Project and the National Shelter Delivery System Project. Based on this review, and based on the assistance received (see rec. 1.1 above), specific indicators will be established which more closely link the projects to the Health and Population Strategic Objective. Mission will also integrate into the logframe of the projects and in the overall discussion of the Action Plan the specific linkages between the project inputs and the policy outputs which specifically relate to this SO. This will be accomplished in time for the next Action Plan.

Additional Comments and Clarifications

1. Achievement of Results in SO2.

Comment: The draft memorandum audit report implies that there is no linkage between SO projects and the SO objectives; and as such USAID has had no impact on the objectives. USAID/Ecuador disagrees with this RIG implications. The Mission believes that the memorandum audit report should reflect the fact that linkages are well established in the development literature and in Ecuador, and that impact has been significant based on USAID's long term presence in the sector and in its influence over counterpart and donor policies and programs.

Discussion: The strategic objective of the Mission's health and population portfolio is "to reduce mortality and fertility to levels which are commensurate with sustainable development". The technical development literature has clearly substantiated a linkage between mortality and fertility and development. The literature establishes a transition process (epidemiological and demographic transition) by which a society moves from high levels of mortality and fertility to low levels of mortality and fertility. The literature furthermore identifies a set of variables which directly and immediately affect mortality and fertility, such as immunization and contraception. Moreover, the Agency strategies in health and population are based on these linkages, and point to priority intervention activities in order to obtain maximum impact. USAID internal evaluations, such as the CDIE report ("A.I.D.'s Child Survival Program", Oct. 93), the World Bank ("Investing in Health: 1993 World Development Report"), and UNICEF ("Plan of Action for Implementation of the World Children's Summit

Findings", 1991) all point to the same set of interventions as the most critical and most cost effective ones for obtaining results. It is based on these well-established linkages that USAID/Ecuador has determined the indicators to be used to measure success. Measurement of these indicators is based on methodologies that are accepted worldwide, such as the national demographic and health surveys.

The quantitative impact of USAID involvement is evident: infant mortality has declined from nearly 95 in the early 1980's to approximately 40 in 1994; contraceptive prevalence has increased from 35% in the early 1980's to 57% in 1994. A significant portion of this decline can be attributed to USAID involvement. Until 1993, when the Government of Ecuador signed a loan agreement with the World Bank, USAID was the single largest donor in the fields of population and health. In population, USAID continues to be the largest donor. While it is true that significant resources are channeled through the private sector, it is USAID's leadership in technical, normative, and

policy areas (including advocating greater private sector participation) that has had a major impact on mortality and fertility over the years. Moreover, in the specific interventions which have most impact on infant mortality and fertility, the financial resources of USAID have exceed those of the private sector.

In Ecuador the impact that USAID has had goes well beyond statistical measurement. By being involved with counterparts and other donor agencies, USAID has been critical in guiding national programs and donor funding. Three specific examples make the point:

1. In 1991/92 the GOE/Ministry of Public Health (MSP) began preparing a project for financing with World Bank loan funds. USAID reviewed the project proposal and felt that the project was not cost effective and would not have the benefits which it purported to have. USAID then began a process of policy dialogue and negotiation, both with the MSP as well as with USAID/Washington and the World Bank. As a direct result of our efforts, the World Bank project which was eventually approved is much more focused and narrower in scope, with a much smaller funding level. The activities, moreover, are aimed at improving the types of intervention that will have a direct impact on infant mortality, rather than the original proposal of building infrastructure.
2. In 1993/94, the GOE as part of its modernization strategy decided to eliminate the water and sanitation authority (IEOS) and to integrate its functions with the newly created Ministry of Housing and Urban Development. USAID, while fully supportive of the modernization process, was concerned that under-served populations not be left unprotected. Two offices of the Mission (GDO and RHUDO) joined forces to carry out a series of policy dialogue and support activities which resulted in a consolidated policy document. This document was accepted by the Ministry of Housing and Urban Development and submitted to the President and Congress for approval.
3. In 1995, as the International Conference on Population and Development neared, the GOE took on an increasingly conservative stance vis a vis population - a view which was contrary to US interests, USAID strategy, and the attitudes of the Ecuadorian public at large. The Mission crafted a policy dialogue strategy and worked very closely with UNFPA in its execution. The strategy was based on the plan that while we would not be able to influence the comments of the Ecuadorian delegation at the Conference, we would do our best to help direct the final GOE Plan of Action. The Mission's strategy was successful: the final Plan of Action document which was officially presented two months

after the Conference clearly supports population programs generally and USAID strategies specifically.

2. The Strategic Objective Management System

Comment: The objective of the audit as stated in the draft memorandum was to determine if USAID/Ecuador had an effective management system to measure results, and was it achieving the desired results, under its health and population objective. USAID/Ecuador believes the audit fell short of its objective to the extent that the audit process was exclusively one of reviewing the adequacy of source documentation for the quantitative indicators of the strategic objective. The team did not audit other critical aspects of the SO management system to determine achievement of desired results, and the memorandum should reflect the limited scope of the audit undertaken.

Discussion: USAID/Ecuador sees the SO process as a team process. The team members are not exclusive to USAID staff, but also include partners (counterparts and implementing agencies) and beneficiaries. In order to monitor the achievement of the SO, the team relies on quantitative and qualitative data. Quantitative data are not limited to "objectively verifiable data", but also include data from a number of sources, including institutional service statistics, external and internal evaluations, special studies, reports from other agencies and donors, etc. It is the daily compilation, analysis, and comparison of these data that allow the SO team to come up with a "reasonable estimate" of where the SO stands vis a vis the objectives. In the social sciences, such reasonable estimates are almost always accepted as reliable estimates.

Information of a qualitative nature is equally important. Visits to the field, one-on-one conversations with beneficiaries, focus group interviews, and informal data gathering from key sources is a basic and critical component of the SO management system. While the information is not always objectively verifiable, the compilation of such qualitative information gives the SO team a panorama of whether the projects are in fact contributing to the achievement of SO objectives. Moreover, based on this qualitative information, additional quantitative data needs are often identified and subsequently addressed.

3. The Role of Policy

Comment: The draft audit memorandum indicates that policy projects should have an independent and direct impact on the SO. USAID/Ecuador believes that improving the policy environment has a direct impact on

the achievement of the SO. The draft memorandum implies that policy projects have little or no impact on the SO achievement. To minimize the importance of policy reflects a lack of full understanding of the policy process, and of the importance that the development literature and USAID strategies place on policy dialogue.

Discussion: The Health and Population SO team sees the policy process as an important contributor to the achievement of SO objectives. The relative importance of policy (versus program) is in part based on where Ecuador finds itself on the demographic and epidemiological transition. At both the early and late stages of the transition, the role of policy is seen as relatively more important than in the middle stages. This is because at the early stages, a strong and positive policy environment is critical for public and private programs to "take off". Likewise, at the later stages of the transition, a strong and positive policy environment is critical for establishing a long term sustainability of priority programs into the future. Ecuador finds itself in the later stages of this transition, and is struggling to achieve sustainability of its programs. A strong and positive policy environment is critical to achieving sustainability - so much so that

USAID/Ecuador has designed and is implementing a project which specifically addresses cross sectoral policy issues. Without addressing these policy issues, and without a substantial improvement in health sector policies, it will be impossible for Ecuador to further reduce its infant mortality.

USAID/Ecuador's strategy for improving policies is based on the assessment that many programmatic constraints have been overcome - the need now is to consolidate the gains of the future and to ensure a long term sustainability of programs and institutions. In this process, it is critical for all sectors that Ecuador accelerate its modernization process, with public services being provided ever more by the private sector and with public institutions becoming more of a policy maker and less of a service provider. The Policy Dialogue and Implementation Project is USAID/Ecuador's principal project which integrates the policy agenda of the Mission and of its various projects and programs. The project thus has a direct linkage with three of the four Mission strategic objectives, including the health and population SO.

Finally, the development literature is full of examples and analytical frameworks which point to a direct and quantitative relationship between a policy input and mortality (or fertility). Issues related to causality are still being researched. The previously mentioned CDIE report concludes that child survival program performance is enhanced by a positive policy environment, and recommends that USAID Missions

should "define country specific policy dialogue agendas as part of country child survival strategies. Agendas should combine attainable operational policy changes with difficult to achieve policy objectives, such as budgetary allocations." The World Bank, in its 1993 World Development Report, goes further, stating that policy and policy reform should be placed at the head of the list of priorities for countries trying to improve its health system. The conclusions of CDIE, the World Bank, and other donors and experts in the development field have been the basis for programs and strategies, both at the USAID/W level, as well as in many USAID Missions throughout the world. The USAID policy agenda has been prepared carefully with substantial background analyses. The agenda is consistent with USAID/W strategies and with the policies and priorities of other donors. The agenda has been approved by AID/Washington, and will continue to be a guiding centerpiece of Mission activities for the next three to five years.

Drafted by: KYamashita (6.9.95)

Clearances:

GDO: M.Hacker (in draft)
RHUDO: C.Milligan (in draft)
CONT: T.Totino (in draft)
PPD: P.Lapera (in draft)
ADIR: L.Garza (in draft)

APPENDIX III

Strategic Objective No. 2: Reduce levels of mortality and fertility to levels commensurate with sustainable development

Strategic Indicators	Objectively Verifiable indicator	Year of Data and figure in column	Is Data Correct	Is it Verifiable	Comments
Total Fertility Rate	Yes	YR 1989 3.83 YR 1994 3.60 (Avg number of children/women in reproductive years)	Yes Yes	Yes Yes	
Infant Mortality Rate	Yes	YR 1989 53.0 YR 1994 40.0 (No. of deaths to children under age 1/1000 live births)	Yes Yes	Yes Yes	
Project Outcome Indicators	Objectively Verifiable indicator	Year of Data and figure in column	Is Data Correct	Is it Verifiable	Comments
Contraceptive Prevalence Rate	Yes	YR1989 52.9 YR1994 56.8 (Percentage of women in reproductive age currently using a modern method of contraception)	No No	Yes Yes	The amounts presented represent the percentage of women using all methods of contraceptive. The figures for modern methods would be the following: Yr1989 40.3 Yr1994 44.5
Prevalence of Diarrheal Disease in Population under age 1.	Yes	YR 1989 25.0 YR1994 19.2 (Percentage of population under age 1)	No No	Yes Yes	The two figures are incorrect because they represent children under the age of 5 instead of under the age of 1. Based on the studies done we were unable to determine what the figures would have been under the age of one.
Population at age 1 that is fully immunized	Yes	YR 1989 68.9 YR 1992 79.0 YR1994 79.5 (Population at age 1 that is fully immunized with DPT3)	Yes No No	Yes No Yes	The figure for 1992 is incorrect because it is for children under the age of 1. Also, it is not verifiable because it came from the Ministry of Health instead of National Survey done with CEPAR and the CDC. The last figure is incorrect because it is for children under the age of 5. We were unable to determine the true figure for the population at age 1.
Percentage of Ministry of Health (MOH) Health centers applying FP/MCH norms	No	YR 1989 70.0 YR 1992 72.0 YR 1993 74.5 (Percentage of MOH health centers in eight major provinces)	N/A N/A Yes	No No No	The information is project generated and the project officer does not consider it to be independent. Also the figure for 1989 and 1992 were not available for our review.

Project Outcome Indicators	Objectively Verifiable Indicator	Year of Data and figure in column	Is Data Correct	Is it Verifiable	Comments
Percentage of MOH health centers with a working cold chain	No	YR 1989 80.0 YR1993 84.9	N/A No	N/A No	For the 1989 figure there was no data available to confirm this amount. For the 1993 figure the figure was erroneous, it should have been 60.3. The project officer explained that this information is not always verifiable because it is information that comes from the Ministry of Health and it is project generated.
Percentage of cost recovery of selected family planning NGO's	No	YR 1989 30.0 YR1993 50.0 YR1994 62.0	No No No	No No Yes	We did not consider either the 1989 or the 1993 as verifiable because it did not come from an independent source. The figure for 1994 came from the evaluation of the project which we consider verifiable but the number given in the action plan was not correct.
Percentage of selected MOH services in Provinces and Health Areas with an established and effective user fee system	No	YR 1989 0	N/A	N/A	There was no information available for this indicator. Also there are various terms in the indicator that need to be further defined such as: what is a selected MOH services, and what is an established and effective user fee system.
Number of local and regional water authorities collecting adequate water user fees	No	YR1989 0 YR1992 1 YR 1993 2	N/A N/A N/A	N/A N/A N/A	Even though the project officer explained to us the water system, we were not given any documentation to demonstrate that 0 authorities were collecting user fees in 1989. We saw a document which discussed the Quito's water authority's ability to collect fees but we do not have any documentation to substantiate that it was the only one with such capacity in 1992. The same explanation for the 1993 figure.

Legend

For "Is Data Correct" Column

Yes = We found documentation which agreed with the description of the indicator

No = We found documentation which did not agree with the description of the indicator

N/A = There was no documentation available to support the figure

For "Is it Verifiable" Column

Yes = Documentation was available which supported the figure

No = Documentation was available but did not come from an independent source for example the Ministry of Health

N/A = No documentation was available.