

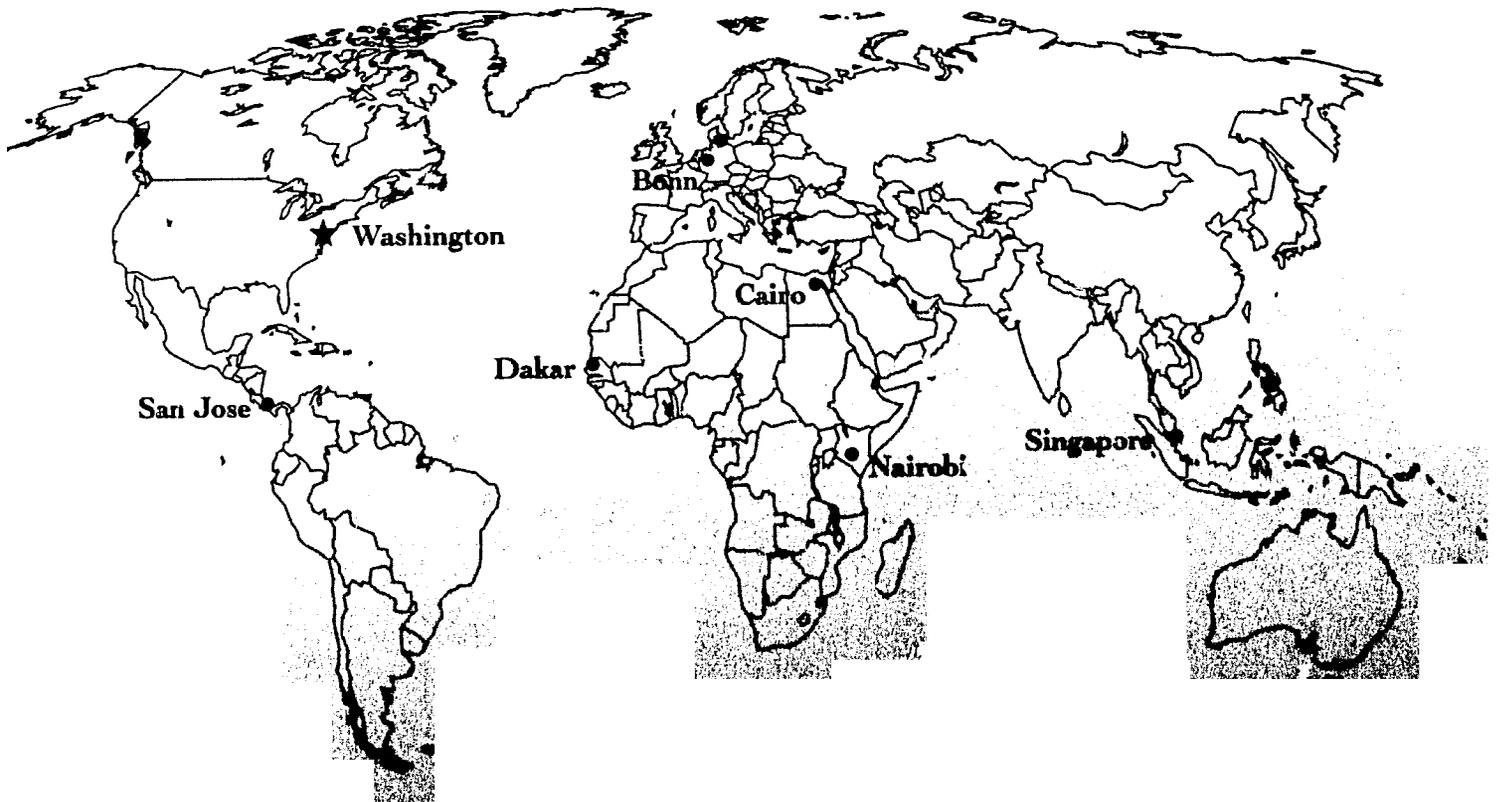
Regional Inspector General for Audit
Dakar

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Audit of the Sustainability of USAID/Morocco-Financed Activities

Audit Report No. 7-608-95-009
September 11, 1995



INSPECTOR
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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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September 11, 1995

MEMORANDUM FOR DIRECTOR, USAID/MOROCCO, Michael Farbman

FROM: *Thomas B. Anklewich*
RIG/A/Dakar, Thomas B. Anklewich,

SUBJECT: Audit of the Sustainability of USAID/Morocco-Financed
Activities (Audit Report No. 7-608-95-009)

This memorandum is our report on the "Audit of the Sustainability of USAID/Morocco-Financed Activities," Report No. 7-608-95-009. The report contains two recommendations. Recommendations Nos. 1 and 2 are resolved based upon the Mission comments to the draft report. Recommendation Nos. 1 and 2 can be closed upon RIG/A/Dakar's receipt and review of a copy of the new procedures proposed in the Mission Comments.

I appreciate the cooperation and courtesies extended to the audit team during the audit.

Background

This audit is part of an agency-wide effort directed by RIG/A/Singapore of the sustainability of USAID activities. RIG/A/Singapore plans to prepare a summary report based on the results of this audit and the audits performed by other Regional Inspector General Offices.

Although project sustainability has been a concern of the Agency for many years, there is no one official definition of project/activity¹ sustainability. A 1990 publication of USAID's Center for Development Information and Evaluation defined project sustainability as the ability of a system to produce outputs that are sufficiently well valued by beneficiaries (users of

¹ During the audit, USAID/Morocco was finalizing the reengineering of its program portfolio into strategic objectives, program outcomes and activities. Throughout the report, we refer to USAID/Morocco's existing programs as "activities" and its completed programs as "projects".

the goods and services produced) and stakeholders (others who have an interest in what the system does) that enough inputs are provided to allow performance to continue leading to long-term benefits and impacts. USAID Handbook 3, Chapter 12 provides the following definition:

Sustainability - Are the effects of the project likely to become sustainable development impacts - that is, will they continue after USAID funding has stopped?

The audit reviewed three projects that ended between January 1, 1990 and December 31, 1993 totaling \$62 million. In addition, the audit reviewed the design of two new activities that started between June 30, 1991 and December 31, 1993 with expected total funding of \$ 72 million.

Audit Objective

The Office of the Regional Inspector General for Audit, Dakar completed a performance audit of the sustainability of USAID/Morocco activities to answer the following objective:

- **Did the intended benefits of USAID/Morocco-financed activities continue after USAID funding ceased?**

In addition to reviewing the selected completed activities to determine whether the intended benefits continued, we determined whether USAID/Morocco addressed sustainability in the design, monitoring, evaluation and close-out processes.

Appendix I describes the audit's scope and methodology.

Audit Findings

Did the Intended Benefits of USAID/Morocco-Financed Activities Continue After USAID Funding Ceased?

The intended benefits of USAID/Morocco-financed activities generally continued after USAID funding ceased. For the three completed projects reviewed, the audit found that the benefits were continuing at the purpose level². Moreover, for one of the three projects, the intended benefits as

² An example of a project purpose could be to upgrade the managerial, analytical and technological expertise of Moroccans in the public sector. Thus, the return

stated at the goal level were continuing³. For the other two projects, however, the continuation of the goal-level benefits either could not be determined or the activity had yet to make a significant impact at the goal level.

In addition, USAID/Morocco addressed sustainability in the design, monitoring, evaluation, and close-out processes except that the Mission did not: (1) maintain a follow-up system that ensures evaluation recommendations which address sustainability were implemented in a timely manner and that documents how those recommendations were addressed, and (2) prepare project assistance completion reports (PACR) for any of the three completed projects.

First, we provide a summary of our findings for each of the three completed activities reviewed. We then provide a summary of whether USAID/Morocco addressed sustainability in its design and implementation processes.

Agronomic Institute Project

This project ended in September 1993. The **project goal** was to have an increase in trained managers, technicians and scientists to staff programs and projects and to formulate development policy to aid Moroccan agriculture and to increase output and employment. **The project purpose** was the creation and institutionalization of a "modern" system of higher agricultural education in Morocco. USAID/Morocco's project, with total funding of about \$28 million, emphasized the doctoral training of the Agronomic Institute's faculty and other institutional building.

The audit found that the Institute was continuing to function at about the same level as when USAID funding ceased. Some indicators of the Institute's continuing viability and positive impact to aid Moroccan agriculture are: (1) the Institute employs about 350 professors and has over 2,000 students enrolled in master's degree programs in some 35 departments (e.g., agronomy, topography, horticulture, etc.), (2) the Government of Morocco (GOM) has continued to fund the Institute, (3) the Institute and its faculty have continued to obtain research and development grants from national and international sources, (4) the Institute has

and continued employment of long-term and short-term trainees would indicate continuing benefits at the purpose level.

³ An example of a project goal could be that the returning trainees continued to be employed in those areas identified as clear organizational manpower needs.

recently developed an in-house doctoral program, and (5) graduates from the Institute continue to work in the public and private sector in such fields as topography, soil science, food science, forestry, irrigation and waste management.

Factors which have contributed to the sustainability of project benefits are that: (1) The host country and the U.S. contractor (i.e., University of Minnesota) were committed to the project objectives, (2) USAID provided funding to this Institute over a 20 year period, and (3) the faculty were required to conduct their research and doctoral theses in Morocco.

Sector Support Training Project

The **project goal** was to enhance the institutional capacity of Moroccan development entities to improve planning, management, and technical transfer methods. The **project purpose** was to upgrade the managerial, analytical, and technological expertise of Moroccans in the public and private sector involved in the planning, development and implementation of Morocco's social and economic programs. The project, which ended in November 1993, had a total funding of \$23.5 million, and emphasized the short- and long-term training of Moroccans in the U.S.

The audit found that the project achieved its objectives at the purpose level. That is, the project trained 1,009 Moroccans in different academic fields such as Computer Sciences, Civil Engineering, Economics and Public Administration. The number of participants that successfully completed U.S. training programs and returned to Morocco - 247 long-term academic degrees and 762 short-term seminars, workshops, and courses - exceeded the project's aim for total number of participants to be trained.

The fact that the vast majority of participants came back to Morocco and were currently working in Morocco indicates that benefits are continuing. The final evaluation also showed that for most participants, the training was applicable in regard to their current job, and therefore benefits are also continuing to that extent. Moreover, the project officer mentioned that an important benefit of this project is the fact that it has increased the awareness of Moroccans to U.S. education.

At the goal level, however, the final evaluation had pointed out that it was difficult to measure the overall impact of the project since no system had been put in place to follow-up on returned participant trainees to determine

how efficiently the training received was being used⁴. In addition, the final evaluation concluded that although training targets were clearly met, no system was established to verify whether scholarships awarded responded to clear organizational manpower needs. This was mainly due to the fact that the involvement by employers (i.e. ministries), apart from their approval signatures, was low. Therefore, it is difficult to determine to what extent the training is enhancing the institutional capacity of Moroccan development entities.

Morocco Renewable Energy Development Project

This \$9.4 million project started in April 1980 and ended in September 1990. The **goal** was to reduce Morocco's dependence on imported fuels by making maximum use of renewable energy while at the same time improving environmental conditions. The **project purpose** was to help the GOM create a center for the development of renewable energy which has the capability to assess and promote increased reliance on renewable energy in Morocco, including support for the wider participation of the private sector and to disseminate economically viable renewable energy technologies.

Again, the audit found that the intended benefits as stated at the purpose level were continuing. The Center for Renewable Energy Development (CER) located in Marrakech was still in operation. These facilities include laboratories to experiment on different pilot activities relative to renewable energy development. They also include a documentation center and a conference room.

In addition, the CER was continuing to be funded by the Ministry of Energy and Mines which provides a budget to pay staff salaries and to conduct small pilot activities. Moreover, the CER was continuing to obtain international financing for renewable energy activities as follows:

- Using windmill technology, the CER has obtained financing from the German Cooperation Agency (GTZ) to construct two 2.5 megawatt (MW) pilot plants in the region of Tetouan and Tangier.
- Using solar photovoltaic technology, the European Economic Community (EEC) has provided a grant of \$6.1 million to provide basic electricity needs to about 180 villages from 1995 to the year 2000.

⁴ For the current USAID/Morocco participant training activity (Training for Development), the Mission was in the process of establishing a follow-up system.

- At the time of the audit, CER was working with the World Bank and the Government of Germany to obtain financing for the construction of a solar/thermal plant in the region of Ouarzazate.

Moreover, there has been some progress in the attainment and sustainability of the goal-level objective as there is a wider use of renewable energy resources in Morocco through increased manufacture and sales by the private sector. However, these renewable energy activities have yet to make a significant impact on reducing Morocco's dependence on imported fuels.

Some of the factors that have contributed to the sustainability of project activities are: (1) continued financial support of CER by the GOM, (2) the continuous active role of CER in working with the private sector to promote the use of renewables, including shaping national energy policies, and (3) the ability of CER to present promising projects to obtain funding from the international donor community.

Addressing Sustainability in the Design, Monitoring, Evaluation and Close-out Processes

In reviewing the design for two of USAID/Morocco's more recently started activities, Family Planning and Maternal Child Health (FP/MCH) and Morocco Agribusiness Promotion (MAP), the audit found that both addressed the issue of sustainability by focusing on activities which will contribute to program sustainability.

- In the FP/MCH activity design document, the Mission included how the activity will contribute to program sustainability by identifying key legal and policy issues and developing strategies for reform in both the public and the private sector; reinforcing selected areas of the Ministry of Public Health management systems which have the potential for providing greater support to FP/MCH program managers at the central, regional and provincial levels; building support for public resources; and expanding the role of the private sector.
- The MAP activity deals with the issue of sustainability in its design by directing activities to be demand-driven, i.e., structured to work from the demand perspective, making sure that the real or potential demand for a given product exists or can be created, and that response to the demand will ensure growth in market share in the short and medium range.

In addition, the Mission addressed sustainability issues in its monitoring process. For example, under the FP/MCH activity, the Mission established a Performance Monitoring Plan, which lists performance targets and performance indicators by program outcome. Included in this plan are performance targets to arrive at increased sustainability of FP/MCH services. USAID/Morocco also addressed sustainability issues during the semi-annual Project Implementation Review process.

Sustainability issues were generally covered in interim and final evaluations of the three completed projects. For example, the two interim evaluations (dated July 1987 and September 1988) and the final evaluation (dated November 1993) of the Agronomic Institute activity addressed sustainability issues, both on the level of the Institute itself and its strategic role in agricultural higher education in the sustainable development of rural Morocco.

However, the Mission did not: (1) maintain a follow-up system that ensures evaluation recommendations which address sustainability were implemented in a timely manner and that documents how they were addressed, and (2) prepare project assistance completion reports (PACR) for any of the three completed projects.

A Follow-Up System for Evaluation Recommendations Should Be Established

USAID Handbook 3, Chapter 12 and USAID/Morocco Mission Order No. 303 require project officers to prepare a Project Evaluation Summary (PES) report which lists the main evaluation recommendations that require mission follow-up. In addition, the United States General Accounting Office's *Standards for Internal Controls in the Federal Government* states that internal control systems should be documented. Although project officers generally prepared the PESs, the Mission did not maintain a follow-up system that ensures evaluation recommendations were implemented in a timely manner and that documents how they were addressed. Instead, the Mission maintained a less formal system which did not clearly show how recommendations were implemented. In reviewing recommendations that address sustainability from seven interim and final evaluations for the three completed projects selected, the Mission did not maintain documentation to show how the recommendations were implemented. The Mission did not maintain recommendation follow-up files for the evaluation recommendations and did not systematically track outstanding recommendations.

Therefore, the Mission could not ensure that all recommendations were addressed. In fact, one evaluation recommendation under the Sector Support Training project was not addressed. The 1985 interim evaluation recommended that the Joint Selection Committee should follow up on returned participants to learn if they were using the training they received. This information would be a good indicator of sustainability in training-related projects. The second interim evaluation conducted in 1989 also found that the project had no systematic means of gathering data on returned participants. At the end of the project, this recommendation had still not been implemented as pointed out by the 1994 Final Impact Evaluation.

Recommendation No. 1: We recommend that the USAID/Morocco Director establish a follow-up system that ensures evaluation recommendations are implemented in a timely manner and that documents how they are addressed.

Project Assistance Completion Reports Should Be Prepared

USAID Handbook 3, Chapter 14 requires missions to perform certain project closure tasks to ensure continued benefits from the project and the orderly termination of USAID assistance. Among these requirements, USAID missions are to prepare a project assistance completion report (PACR) within six months after the Project Assistance Completion Date (PACD). Moreover, based on a previous RIG/A/Dakar audit recommendation, USAID/Morocco issued Mission Order No. 308 in April 1993 detailing project completion and close-out procedures. This Mission Order complements USAID guidance and details close-out responsibilities within the Mission. Regarding PACRs, the Mission Order states that the project officer is to prepare the report normally within two months, but not more than six months after the PACD. The PACR is to contain, among other things, any recommendations for continued USAID monitoring, a summary of contributions made to the project by the implementing agency, and a description of current project status including the status of completion of each of the project components.

However, PACRs were not prepared for any of the three projects ended. According to project officers, they did not prepare the PACRs because they were either unaware of the requirement or because the reports were a low priority. By not completing PACRs, the Mission may miss the opportunity to address sustainability issues at the crucial time of project completion.

Recommendation No. 2: We recommend that the Director of USAID/Morocco issue a memorandum to office chiefs and project officers reminding them of the importance of preparing project assistance completion reports, including the need to address any sustainability concerns in these reports.

Management Comments and our Evaluation

In response to the draft report, USAID/Morocco fully agreed with the audit findings. In regard to Recommendation No. 1, the Mission has revised Mission Order No. 303, Mission Evaluation policy. This revision requires the strategic objective committee to follow up on evaluation recommendations until they are closed, and for the activity manager to document the follow up/close out process. Recommendation No. 1, is considered resolved. It may be closed upon RIG/A/Dakar's receipt and review of a copy of the new procedures.

Concerning Recommendation No. 2, the Mission has issued a staff notice dated June 7, 1995, reminding office chiefs to prepare project assistance completion reports within eight months after the termination of the project. In addition, Mission Order No. 308, dated April 9, 1993, concerning project completion and close-out procedures has been amended effective June 8, 1995, fixing responsibility for preparing the project assistance completion report with the activity manager. Recommendation No. 2, is considered resolved. It may also be closed upon RIG/A/Dakar's receipt and review of a copy of the new procedures.

<p style="text-align: center;">SCOPE AND METHODOLOGY</p>

Scope

We audited the sustainability of USAID-funded activities in Morocco in accordance with generally accepted government auditing standards. The audit was conducted between February 1 and April 20, 1995. We conducted our fieldwork at several locations in Morocco including, (1) USAID/Morocco offices in Rabat, (2) *Institut Agronomique et Veterinaire* in Rabat, and (3) *Centre de Developpement des Energies Renouvelables* in Marrakech. The audit included an assessment of internal controls and compliance with laws and regulations within the scope of our audit objective.

The audit covered projects that were completed between January 1, 1990 and December 31, 1993. During this period, USAID/Morocco financed eight projects, totaling \$97 million. We reviewed three of these projects, totaling \$62 million, or 64 percent of the total amount of the eight projects. In addition, two new activities starting between June 30, 1991 and December 31, 1993 with expected total funding of \$72 million were reviewed.

In addition to the methodology described below, we obtained a written representation from USAID management confirming information that we considered essential for answering our audit objective and for assessing internal controls and compliance.

Methodology

To determine whether USAID/Morocco-financed activities continued to produce the intended benefits after the funding ceased, we first reviewed project papers, project agreements, and project paper supplements of the three completed projects to determine what were the intended benefits to be sustained. We then (1) conducted site visits, (2) interviewed mission

officials, host country officials (stakeholders) and project beneficiaries, and (3) reviewed project files and evaluation reports to determine to what extent project benefits were continuing.

To determine if USAID/Morocco addressed sustainability in the design, monitoring, evaluation and close-out processes, we (1) reviewed project design documents for two new activities, (2) examined project implementation reports and other project documents for the two new activities and three completed projects, (3) reviewed evaluation reports and related project evaluation summaries for the three completed projects, and (4) interviewed project officers and the evaluation officer. In addition, we interviewed mission officials to determine why PACRs were not prepared and to discuss the need for a formal follow-up system for evaluation recommendations.

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ACTION: AID-1
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TO A/RIG/A/DAKAR WALTER SHEPHERD FROM USAID/MOROCCO
A/DIRECTOR JAMES HRADSKY

E.O. 12356: N/A
SUBJECT: ACTIONS TO CLOSE THE AUDIT OF THE
SUSTAINABILITY OF USAID/MOROCCO FINANCED ACTIVITIES

REF: DAKAR 07865

1. THIS CABLE REPRESENTS A RESPONSE TO THE SUBJECT
AUDIT. FIND BELOW THE RECOMMENDATIONS AND MISSION
ACTIONS TO CLOSE EACH RECOMMENDATION.

RECOMMENDATION 1: WE RECOMMEND THAT THE DIRECTOR OF
USAID/MOROCCO ESTABLISH A FOLLOW-UP SYSTEM THAT
ENSURES EVALUATION RECOMMENDATIONS ARE IMPLEMENTED IN
A TIMELY MANNER AND THAT DOCUMENTS HOW THEY ARE
ADDRESSED.

IN RESPONSE TO RECOMMENDATION NUMBER 1, THE MISSION
HAS AMENDED MISSION ORDER NO 303, MISSION EVALUATION
POLICY. PARAGRAPH V.D. HAS BEEN ADDED DIRECTING THE
STRATEGIC OBJECTIVE COMMITTEE TO FOLLOW UP ON
EVALUATION RECOMMENDATIONS UNTIL THEY ARE CLOSED, AND
FOR THE ACTIVITY MANAGER TO DOCUMENT THE FOLLOW
UP/CLOSE OUT PROCESS.

RECOMMENDATION 2: WE RECOMMEND THAT THE DIRECTOR OF
USAID/MOROCCO ISSUE A MEMORANDUM TO OFFICE CHIEFS AND
PROJECT OFFICERS REMINDING THEM OF THE IMPORTANCE OF
PREPARING PROJECT ASSISTANCE COMPLETION REPORTS,
INCLUDING THE NEED TO ADDRESS ANY SUSTAINABILITY
CONCERNS IN THESE REPORTS.

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THE FOLLOWING ACTIONS HAVE BEEN TAKEN TO CLOSE
RECOMMENDATION 2:

a. A STAFF NOTICE HAS BEEN ISSUED DATED JUNE 7, 1995,
REMINDING OFFICE CHIEFS TO PREPARE PROJECT ASSISTANCE
COMPLETION REPORTS WITHIN EIGHT MONTHS AFTER THE
TERMINATION OF THE PROJECT.

b. MISSION ORDER NUMBER 308 DATED APRIL
CONCERNING PROJECT COMPLETION A [9, 1993,
ND CLOSE-OUT PROCEDURES
HAS BEEN AMENDED EFFECTIVE JUNE 8, 1995, FIXING
RESPONSIBILITY FOR PREPARING THE PROJECT ASSISTANCE
COMPLETION REPORT WITH THE ACTIVITY MANAGER.

A COPY OF THE ABOVE REFERENCED DOCUMENTS WILL BE
POUCHED TO RIG/A/DAKAR.

THE MISSION BELIEVES THAT THE ABOVE SATISFY THE
REQUIREMENTS OF THE RECOMMENDATIONS AND WE REQUEST
THAT ALL OF THE RECOMMENDATIONS IN THE SUBJECT AUDIT
BE CLOSED. GINSBERG

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GLOSSARY OF TERMS

CDIE - Center for Development Information and Evaluation.

CER - *Centre de Developpement des Energies Renouvelables.*

EEC - European Economic Community.

FP/MCH - Family Planning and Maternal Child Health.

GOM - Government of Morocco.

GTZ - German Cooperation Agency.

MAP - Morocco Agribusiness Promotion.

MW - Mega Watt.

PACD - Project Assistance Completion Date.

PACR - Project Assistance Completion Report.

PES - Project Evaluation Summary.