

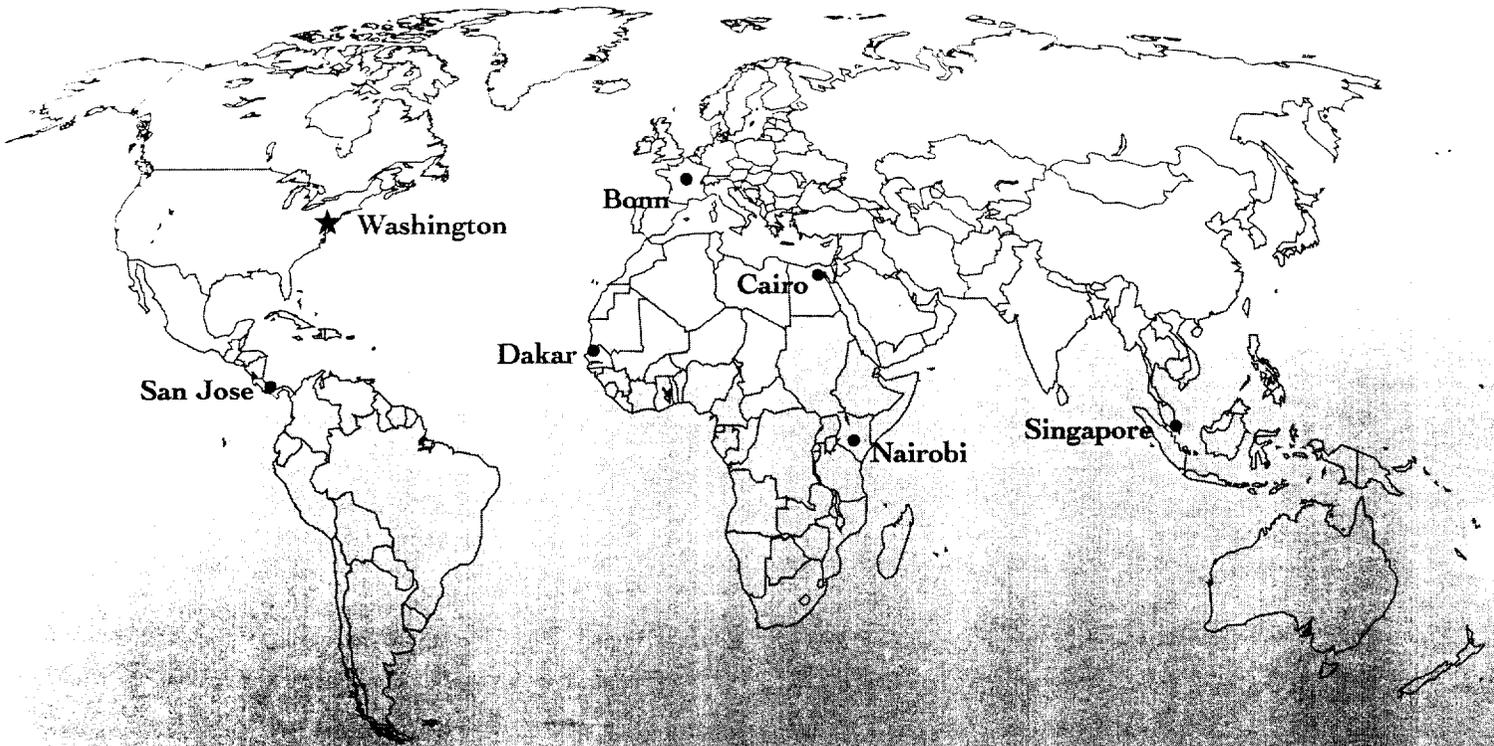
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Regional Inspector General for Audit
Nairobi, Kenya

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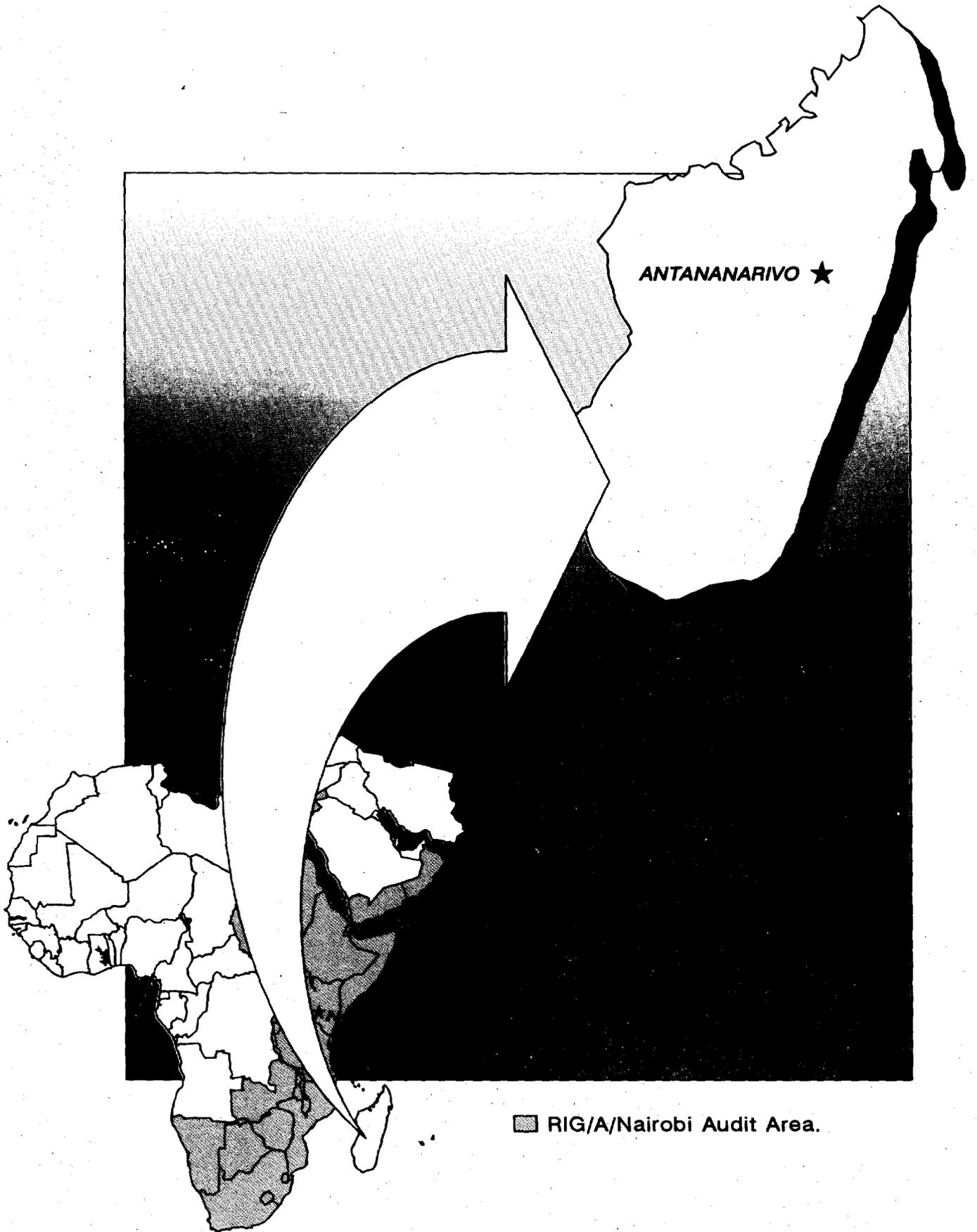
Audit of
USAID/Madagascar's Population Activities

Report No. 3-687-96-005
March 22, 1996



**Audit of
USAID/Madagascar's Population Activities**

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March 22, 1996**



ANTANANARIVO ★

■ RIG/A/Nairobi Audit Area.



U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT
MEMORANDUM

March 22, 1996

Region **TO:** Director, USAID/MADAGASCAR, Buff Mackenzie
Inspector General
for Audit/Nairobi **FROM:** RIG/A/Nairobi, *Jim Elkins for* Everette B. Orr

SUBJECT: Audit of USAID/Madagascar's Population Activities
(Audit Report No. 3-687-96-005)

This is our report on the subject audit. Mission management provided written comments on a draft of this report and we have included those comments as an appendix to the report. The report contains five recommendations, all of which are considered closed upon final report issuance based on management's comments.

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

EXECUTIVE SUMMARY

Background

Madagascar is one of the world's poorest countries with a per capita GNP of \$220. Severe political upheaval in 1991 led to a democratic transition government emphasizing political pluralism, human rights and continued support of economic liberalization. The country currently has one of the highest growth rates in the developing world of 3.2 percent a year, characterized by a high fertility rate of 6.1 in 1992 which USAID/Madagascar plans to help reduce to 5.6 by 1999. Rapid population growth has severe implications on individual and family welfare for the Government of the Republic of Madagascar's (GRM) development objectives. The Government's growing understanding of demographic and family planning issues was signaled by the promulgation of a National Population Policy in 1990.

In response, USAID/Madagascar initiated Le Projet d'Appui au Programme de Population (hereinafter referred to as the APPROPOP project) which is the first phase of a long-term effort to expand the use of modern contraceptive methods throughout Madagascar and is aimed at reducing the fertility rate to a level more consistent with Madagascar's socioeconomic objectives and resources.

The APPROPOP agreement was signed with the GRM in June 1992 for a seven-year period and is scheduled for completion in June 1999. The authorized life-of-project funding is for \$33 million to be provided by the United States Government (USG). The GRM received a waiver from an initially planned 25 percent contribution requirement reducing its share to about 15 percent or \$5.7 million. As of September 30, 1995, total project disbursements incurred by the USG amounted to \$5.6 million. To obtain technical assistance in project implementation, the Mission has signed an \$18 million cooperative agreement with Management Sciences for Health (MSH), as the primary grantee.

As part of a worldwide audit, RIG/A/Nairobi reviewed USAID/Madagascar's Population Project to determine (1) what progress the Mission has made towards achieving its strategic objective for population, and (2) whether the Mission has progressed as planned towards Project Paper output targets for population activities. (See pages 3 & 7).

Audit Results

The audit found that USAID/Madagascar had made significant progress in the performance indicators used to measure impact towards the strategic objective of reducing the fertility rate. The main indicators are (1) couple years protection rates and, (2) number of public and private

medical sites established which provide family planning services. (See page 4).

The audit also found that USAID/ Madagascar had made substantial progress towards output targets for population activities. In fact, it exceeded planned outputs in six of eight performance indicators we reviewed.

Although the mission was making substantial progress with its performance indicators and output targets, the audit noted several areas which if addressed, could allow the mission to achieve an even more effective impact on population activities. The audit found (1) a plan was needed to rehabilitate the GRM's Ministry of Health (MOH) contraceptive warehouse to assist sustainability efforts, (2) the procurement of some project equipment and supplies needs to be expedited, (3) the community-based distribution program should be expanded to the government sector, if possible, (4) some idle funds need reprogramming, and (5) the independent oversight should be continued for USAID funding provided to the GRM.

Management Comments and Our Evaluation

Management concurred with and have implemented our recommendations. Accordingly, all recommendations are closed upon issuance of this report. Appendix II contains management's complete comments.

Office of the Inspector General

Office of the Inspector General
March 22, 1996

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INTRODUCTION

Background

Madagascar is one of the world's poorest countries with a per capita GNP of \$220. The effects of fifteen years of a deteriorating national economy and impoverishment under a socialist regime were only recently beginning to be reversed under a structural adjustment agreement with the International Monetary Fund and donor-supported economic policy reform. Severe political upheaval in 1991 led to a democratic transition government emphasizing political pluralism, human rights and continued support of economic liberalization.

The new democracy represents a country which currently has one of the highest growth rates in the developing world of 3.2 percent a year which means the island's estimated 12 million inhabitants will probably double by the year 2012. This high growth rate is characterized by a high fertility rate of 6.1 in 1992 which USAID/Madagascar plans to help reduce to 5.6 by 1999. Rapid population growth has severe implications on individual and family welfare for the Government of the Republic of Madagascar's (GRM) development objectives. The Government's growing understanding of demographic and family planning issues was signaled by the promulgation of a National Population Policy in 1990.

In response, USAID/Madagascar initiated Le Projet d'Appui au Programme de Population (hereinafter referred to as the APPROPOP project) which is the first phase of a long-term effort to expand the use of modern contraceptive methods throughout Madagascar and is aimed at reducing the fertility rate to a level more consistent with Madagascar's socioeconomic objectives and resources.

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Audit Objectives

We performed this audit as part of the IG's worldwide Audit of USAID's Population Activities. It was designed to answer the following audit objectives:

1. What progress has USAID/Madagascar made towards achieving its strategic objective for Population?
 2. Has USAID/Madagascar progressed towards output targets for Population activities as intended in its Project Paper?
-

REPORT OF AUDIT FINDINGS

USAID/Madagascar Has Progressed Towards Its Strategic Objective for Population

Our comparison of planned versus actual progress of performance indicators determined that USAID/Madagascar has made significant progress towards achieving its strategic objective for population--to reduce the total fertility rate. A Demographic Health Survey (DHS) is performed every five years primarily to collect data for the evaluation of family planning and maternal and child health programs. The last DHS was done in 1992 during project inception; therefore, the next one is scheduled for 1997. Accordingly, the audit examined the progress of the performance indicators since the actual impact on the total fertility rate could not be established. However, family planning experts sustain that the progress of these performance indicators should have a direct effect on reducing the total fertility rate.

Reducing total fertility, as a strategic objective, responds directly to the Government of the Republic of Madagascar's (GRM) concern about the severe implications of rapid population growth on individual and family welfare and USAID's goal of contributing to the stabilization of world population growth. Activities principally target the two most densely populated regions (Antananarivo and Fianarantsoa), of the six regions in the country, allowing for demonstrable impact in these areas. The lower fertility rate will be attained by rapidly expanding the availability and accessibility of high-quality acceptable family planning and child survival services initially in the two aforementioned regions.

Although the project was authorized in June 1992, it did not get fully underway until about September 1993 due to such issues as the late arrival of technical personnel. Therefore, most project accomplishments had been achieved only during the 24-month period which preceded the start of the audit. The project expiration date is June 1999 and the remaining project life is more than sufficient to make needed progress for the project to attain its goal based on the results of the performance indicators.

The following table describes the progress during the audit period of the three major indicators in reaching the goal of reducing the fertility rate in Madagascar. These results show that USAID/M is progressing towards its goal.

Performance Indicators	Base Year	Status	Performance Targets		
			1992	1993	1994
Couple Years of Protection	72,000 (1992)	Planned	72,000	79,000	85,000
		Actual	72,000	79,000	108,000
		Variance	0	0	23,000
No. of Public/Private medical sites providing FP services	84 (1987)	Planned	150	205	300
		Actual	150	205	297
		Variance	0	0	(3)
Percent of public medical sites providing FP services	6 (1987)	Planned	17	19	22
		Actual	17	19	24
		Variance	0	0	2

In 1992, USAID/M's Demographic and Health Survey¹ (DHS) reported a total fertility rate (TFR) of 6.1. The mission established a benchmark target to reduce the TFR to 5.7 in 1997 and 5.6 in 1999. Couple years protection is defined as: "the estimated protection provided by family planning services during a one-year period, based upon the volume of all contraceptives sold or distributed free of charge to clients during that period."

In reviewing the mission's reported progress, we assessed key elements of its program performance measurement system—which we found to be adequate. These elements are defined and identified in Appendix III.

While the mission has made progress towards its Population objectives, it is important that this progress be sustained. Sustainability is one of the thrusts of *USAID's Strategies for Sustainable Development*, dated March 1994, which states that the Agency will incorporate support for sustainable development in all of its endeavors. Sustainable development often refers to the ability to prolong or maintain certain programs and activities when donor support decreases or is withdrawn. To sustain programs is also seen as going beyond or "to prevent from sinking"

¹The primary objective of the Demographic and Health Survey is to collect data for the evaluation of family planning and maternal and child health programs.

which, in some cases, has been the fate of health and family planning (FP) projects when donor funds abruptly cease. Therefore, a Population Policy and Sustainability Research (PPSR) Program will be based at the USAID/Madagascar office and will develop and implement research leading to policies and programs which support sustainable development and efficient family planning and child survival delivery systems. The coordinator of this program will have specific responsibility for research, information collection and dissemination, and policy formulation to achieve sustainability in the development and implementation of population and health policies and programs. The PPSR program is intended to help the USAID mission achieve its objective to reduce the total fertility rate in Madagascar to a level consistent with the country's socioeconomic objectives and resources. Therefore, the PPSR program will work closely with the mission's population project team, the Ministry of Health (MOH), and NGOs to provide analysis, operations research, and recommendations which will lead to sustainable family planning and health programs in Madagascar. Although the audit disclosed significant progress is being made towards achieving the population objective, we believe addressing the following issues will result in even greater program effectiveness.

Rehabilitation of MOH Contraceptive Warehouse Would Promote Sustainability

The MOH keeps project-provided supplies and contraceptives in a warehouse in Antananarivo which is in need of rehabilitation. According to the project paper, adequate warehousing is a part of the development of a core staff of experts in all aspects of contraceptive and logistics management. The warehouse is the primary MOH holding facility distributing contraceptives to all six regions in the country. This facility does not have a ventilation system nor does it have lighting. The warehouse leaks when it is raining and represents a hazard to USAID-provided contraceptive supplies. USAID contraceptive commodities are sensitive and they should be maintained in a protected facility to avoid potential damage. Currently, the bulk of contraceptive supplies are maintained by Management Sciences for Health in their private warehouse and are transferred to the MOH warehouse as needed. This is however, a temporary arrangement which needs to be addressed for after-project activities.

Sustainability could be encouraged by addressing this custodial issue early in project implementation. Eventually, donor assistance from USAID will cease for the project and it is essential that the GRM/MOH have an adequate central warehousing facility for the dissemination of family planning supplies and contraceptives throughout the country.

Also, the outcome of World Bank-supported efforts to create development of a Central Purchasing Unit for medicines should be taken into consideration by USAID/Madagascar, in the context of sustainability decisions over the long term. Furthermore, to promote institution building and achieve sustainability, a specific program for eventual transfer of the contraceptive custodial program function to the MOH and/or non-governmental organizations (NGO) or association of NGOs should be developed.

Recommendation No. 1: We recommend USAID/Madagascar:

1.1 develop a plan to assure that the Ministry of Health warehouse is rehabilitated early during project implementation, and

1.2 develop a specific program for eventual transfer of the contraceptive custodial function to the Ministry of Health and/or an association of non-governmental organizations.

Procurement of Project Equipment and Supplies Needs to be Expedited

The project experienced considerable delays in obtaining requisite USAID/Washington approval for the purchase of pharmaceutical products. This resulted in a considerable delay in the procurement of ancillary medicines. This has retarded some project activities related to quality improvement, particularly in the public sector. Other delays in procurement have been caused by the overall complexity of the procurement process which had not been fully mastered by the implementing grantee's local and home office staff. As of October 1995, the grantee had expended 27 percent, or \$1,145,274 of the total \$4.2 million procurement budget, while 46 percent of the project implementation period had elapsed. It is important to efficiently procure in the early stages of a project and although we did not determine any serious negative project consequences, the procurement process could be improved. For example, at the time of our audit the Community-Based Distribution (CBD) agents were still in need of bicycles which had not been provided as agreed. It is difficult for the CBD agents to use public transportation because it is oftentimes not available, and therefore many agents have to walk substantial distances. The USAID/Washington procedures for the ordering and purchase of medical supplies proved more complicated than anticipated by the implementing grantee. To improve the situation, a US-based procurement agent was hired to assist with the development of a local procurement system as well as to take charge of US-based procurement. With the consultation of this procurement agent, a comprehensive purchasing plan to cover logistics needs for 1995 was developed and approved by USAID, significantly simplifying the procurement approval process. Most of the items approved for purchase have been ordered and the majority were expected to be arriving in Madagascar within the next few months.

MSH's procurement plan for 1996 should allow for prompt ordering of a substantial level of equipment and goods destined for current or potential grantees such as NGOs and in public sector. We believe that the mission should closely monitor the progress of procurement which is important to the success of this project.

Recommendation No. 2: We recommend that USAID/Madagascar require regular updates on status of the existing and future procurement plan so this aspect is closely monitored and corrective action can be taken as needed.

USAID/Madagascar Has Progressed Towards Output Targets for Population Activities

Our audit determined that USAID/Madagascar's progress towards planned outputs² exceeded its anticipated results for all but two of the major output indicators, as shown in the following table. The mission measured annual accomplishments of outputs on a percentage of completion basis instead of establishing specific interim/targets or benchmarks. We believe this is an acceptable method of measuring progress towards planned targets, as demonstrated by the mission's review of the funding provided to service delivery and support activities (item 7 in table) which showed a slow disbursement of funds, resulting in a lagging percentage of completion.

Major Output Indicator	Cumulative Accomplished 6/92 - 9/95		
	Planned Outputs ³	Per Audit	Variance
1) Number of centers providing Norplant ⁴	14	15	1
2) Number of centers providing voluntary surgical contraception	9	13	4
3) Number of training workshops on information, education & communication for FP	9	11	2
4) Number of regular trainers trained	46	58	12
5) Number of people trained in management courses	690	348	(342)
6) Number of sites providing non-clinical family planning services	7	12	5
7) Service delivery & support activities (SDSAs) used by public & private groups	18	15	(3)
8) Estimated percentage of progress in implementing the national population policy	46%	60%	14%

²Outputs are the major kinds of results expected from good management of the resources put into a USAID activity.

³Planned outputs represent 46 percent (end-of-period at 9/95) of the total life-of-project based on percentage of completion.

⁴Norplant is a special contraceptive surgical procedure for women.

Based on the above table, and the fact that the project was fully underway for only about 24 months prior to the start of our audit, we concluded that the mission was progressing well. The audit period included in the table consisted of 39 months or 46 percent of the total 84-month life of project period. The audited outputs met or exceeded the planned outputs based on a percentage of completion approach in six out of eight areas. The exceptions are the number of people trained in management courses (indicator no. 5) and the service delivery and support activities (indicator no. 7). The number of people trained in management courses was in arrears because it is necessary to train the trainers before the trainees. After training of the trainers is completed, then the completion rate of this particular indicator is expected to accelerate. As previously stated, the concept of service delivery and support activities is being reviewed by the mission as discussed below under the issue of "idle funds need reprogramming".

Although USAID/Madagascar is making substantial progress towards achieving its output targets for population activities, the audit disclosed the following issues which if addressed may result in the achievement of even greater program impact.

Community-Based Distribution Program Should be Expanded

The Community-Based Distribution Program (CBD) was initiated in July 1995 in the private sector of the mission's population project but has not yet been embraced by the public sector. The CBD program has met with success where it has been implemented. It is basically an outreach program using trained field agents to transport contraceptive supplies to clients in remote areas who otherwise would not be able to participate fully due to transportation problems. In many countries, CBD is the only effective means of disseminating contraceptives to rural outlying areas. Clinical professionals explained to us that one of the main obstacles in the administration of the family planning project was the distance that many clients had to travel in order to obtain family planning services and contraceptives. During clinical site visits to several Ministry of Health clinics in the areas of Antsirabe and Fianarantsoa, we found the clinical professionals were interested in the establishment of a CBD program and they all agreed that it would address one of their major program impediments.

Recommendation No. 3: We recommend that USAID/Madagascar initiate a dialogue with the Government of Madagascar's Ministry of Health to expand the community-based distribution program to the public sector.

Idle Funds Need Reprogramming

The Service Delivery and Support Activity (SDSA, indicator no. 7 in above table) and Center of Excellence (COE) components of the project were not being implemented as initially planned in the project paper to enhance the public sector and NGOs' institutional capabilities to provide family planning services. Therefore, these concepts were being rethought and reconsidered by the mission. The initial planning for these components was overly optimistic and/or unrealistic, there were limitations on what could be funded, the Malagasy local currency was devalued by about 50 percent, and there were structural adjustment constraints. These factors together

resulted in idle funding. Although the program was about 46 percent completed, the grantee's monthly status report shows that only \$217,191 or 5.4 percent of the total \$4 million allocated for SDSAs and COE had been spent. However, although some more of this funding is expected to be consumed by the project, the majority of it will not be used as intended. While discussions were underway during the audit to amend the project, this issue of idle funding had not been fully addressed. Therefore, we could not determine how much of this funding would probably not be used.

The Centers of Excellence are the primary means under the population project for provision of family planning support functions (such as information, education & communication, training etc.) to service agencies, and the SDSA sub-grants are the primary means for increasing the number of service delivery sites and access to quality family planning services. Institutions qualifying for large SDSA sub-grants have to demonstrate potential to generate large numbers of acceptors of high quality family planning services at relatively low cost per acceptor. Other SDSAs will focus on smaller high-risk organizations, which may have no history of involvement in family planning. These SDSAs will help involve a wider variety of participants and will generate new and innovative service delivery strategies. A majority of contraceptive and medical equipment needs will be provided through SDSAs until a national distribution system is established. Subgrants are awarded to committed Malagasy organizations with the potential to either build excess capacity for providing technical assistance in family planning services; or increase quality, quantity, and/or access to family planning services. Groups are encouraged to develop proposals which generate new, innovative service delivery strategies.

We believe the importance of the COE and SDSA require continued funding as appropriate, but funds that cannot be realistically used by these activities should be reprogrammed for other beneficial project purposes.

Recommendation No. 4: We recommend that USAID/Madagascar coordinate with the grantee to reprogram the portion of \$4 million in Service Delivery and Support Activities and Center of Excellence Funding which is not likely to be used for the initially intended project purposes.

Independent Oversight For Funding Provided to the GRM Should Be Continued

At least one million dollars in funding was planned to be provided to the GRM over the life of the project for upgrading the GRM/MOH institutional capability for delivering family planning services. A pre-award survey revealed that the MOH did not have an effective internal control system in place to account for these funds. Therefore, an independent accounting firm, Cabinet Lamina, was contracted to implement the necessary accounting and control system and train MOH personnel in implementing the system. This firm also assures that bank reconciliations are performed and any discrepancies are accounted for. The contract with Cabinet Lamina for updating the MOH accounting system expires in May, 1996. As of September 30, 1995, only about \$40,000 had been disbursed to the MOH. At the expiration of the independent firm's contract, a substantial amount of funding remains to be disbursed to the GRM and there will be no independent oversight.

We believe this is a risky situation and precautionary measures should be considered. Independent oversight is appropriate and should be continued. Furthermore, only a marginally incremental cost should be incurred for independent oversight once the appropriate accounting system is in place. This is important for safeguarding funding from possible misuse and should be implemented for as long as USAID funds are disbursed to the MOH.

Recommendation No. 5: We recommend that USAID/Madagascar retain independent oversight for funds disbursed to the Ministry of Health through monitorship by the Controllers office or independent audit firm to assure monthly bank reconciliations and follow-up on discrepancies.

MANAGEMENT COMMENTS AND OUR EVALUATION

Management concurred with all recommendations and has acted to implement them. Based on management's comments, we consider all five recommendations to be closed as follows. Appendix II contains management's complete comments.

Recommendation No. 1.1 is closed. Management has completed improvements to lighting, ventilation & security at the existing MOH warehouse as part of the Center of Excellence/Family Planning Services rehabilitation.

Recommendation No. 1.2 is closed. Management has initiated dialogue with senior level Ministry of Health staff to consider the transfer of national contraceptive warehousing to the GRM's Central Pharmacy once that is rehabilitated.

Recommendation No. 2 is closed. Management is now requiring monthly procurement status reports from the implementing grantee. Also, the grantee has submitted their 1996 procurement plan to the mission for approval.

Recommendation No. 3 is closed. Management has obtained additional proposals from the public sector in support of the community-based distribution program.

Recommendation No. 4 is closed. Management and the implementing grantee have been coordinating to reprogram funds not likely to be spent. The grantee recently proposed an unfunded modification in their Cooperative Agreement which includes a budget realignment.

Recommendation No. 5 is closed. Management has designated a financial analyst in the Controller's office to make more site visits and work more closely with the Ministry of Health Units. Furthermore, management has begun discussions with the implementing grantee to involve their financial management office more substantially in oversight of financial procedures, voucher review and coordination with the independent audit firm.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General's Office in Nairobi examined the progress made by USAID/Madagascar's Population activities. This audit was conducted in accordance with generally accepted government auditing standards and was performed at USAID/Madagascar, Government of Madagascar institutions, and non-governmental organizations. The audit covered the period from project inception on June 12, 1992, through September 30, 1995. Our fieldwork was conducted from September 22, 1995, through December 14, 1995, and included review of USAID/Madagascar's \$33 million Population Support Project, which constitutes 100 percent of the mission's population program. We did not verify the results of the 1992 Demographic and Health Survey performed in Madagascar which would have required analysis beyond the scope of our audit, nor did we verify the number of family planning centers and clinics established under the project.

Methodology

Audit Objective One

This audit objective was to determine what progress USAID/Madagascar has made towards achieving its strategic objective for Population. We compared planned versus reported actual progress to date by reviewing documentation and conducting interviews with USAID/Madagascar personnel. To verify reported progress, we obtained sufficient evidence from the mission to support the achievements reported in their status reports. We interviewed the appropriate Project Officers about the project's progress and assessed the mission's internal control system in monitoring, reporting, and evaluating the project.

Audit Objective Two

This audit objective was to determine whether USAID/Madagascar has progressed towards output targets for Population activities as intended in its Project Paper. We assessed reported versus actual and planned versus actual progress to date. In doing this, we reviewed USAID/Madagascar documentation, conducted interviews, and judgmental selected nine locations near Antananarivo, Antsirabe, and Fianarantsoa in Madagascar to observe and verify population activities. We also interviewed various implementing grantee officials, government officials, family planning clinical professionals, and community field agents about their concerns and understanding of the population project activities.

MANAGEMENT COMMENTS

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/MADAGASCAR
Antananarivo, Madagascar

March 22, 1996

MEMORANDUM

TO: Everette Orr, RIG/Nairobi
FROM: Donald R. Mackenzie, Mission Director
SUBJECT: Audit of USAID/Madagascar's Population Activities

GENERAL MISSION COMMENTS TO THE AUDIT REPORT

USAID/Madagascar fully accepts the findings and recommendations contained in the Audit report. Mission management feels that this report gives a thorough and accurate assessment of the USAID/Madagascar Population program. Most of the specific audit recommendations within this report were issues brought up by USAID staff in discussions with the auditor team, and appropriate steps were taken to resolve these issues even before the draft audit report was received.

The audit team completed a rigorous schedule of activities while in-country, but always maintained professional courtesy and understanding of occasionally competing priorities for the time of Mission staff, contractors and grantees, which was appreciated. Their obvious interest in USAID/Madagascar's ability to achieve a successful, quality program as well as their interest in partner and client points of view made their work all the more effective and were fully supportive of the Agency four core values.

USAID/Madagascar has taken steps to respond to each audit recommendation and close all recommendations before issuance of the final audit report. These steps are fully described under each recommendation. We appreciated the opportunity to address and resolve these concerns.

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AUDIT REPORT RECOMMENDATIONS: USAID/MADAGASCAR RESPONSES

1. Reinforce MOH Capacity to Manage and Warehouse Contraceptives

USAID/Madagascar agrees that the capacity of the MOH, and/or NGO or association of NGOs should be developed, and that a central warehouse is an important element of this capacity. The two points raised in Recommendation No. 1 are discussed below:

- 1.1 Improvements to lighting, ventilation and security of existing MOH warehouse are already complete as of end February, 1996, as part of the Center of Excellence/ Family Planning Services rehabilitation. Investigation into leaks is continuing. This is part of a larger problem with drainage in the entire building which APPROPOP will help the MOH address.

In the long term, the existing facilities are inadequate for an expanded program. Dialogue among USAID, APPROPOP and senior level MOH staff began during the Annual Coordination Meeting in Fianarantsoa in mid-February 1996, to consider the transfer of national contraceptive warehousing to the Central Pharmacy once that is rehabilitated (projected to take place by 1997).

- 1.2 In addition, APPROPOP is developing the capacity of the MOH and major NGO partners to manage contraceptive stocks more efficiently using specialized software developed for this purpose. A consultant will arrive in April to set-up and train their staff in the use of a new, comprehensive MSH/WHO Commodities Logistics Management software package developed with support from the USAID/W Global PHN Bureau. This package, equally applicable to contraceptives, medical supplies and equipment inventories, is expected to greatly improve general logistics management of the MOH and the NGO Association (ASSONG).

2. Expediting Procurement of Project Equipment

USAID/Madagascar agrees that procurement of project equipment and supplies needs to be expedited, while noting the exceptional transport problems, both overseas and inland, posed by Madagascar. Delays experienced in the initial years of the project are being reduced both through better understanding by the Cooperating Agency of USAID-mandated procedures, and through aggressive forward planning to meet anticipated needs. The following specific steps have been taken, per Recommendation No. 2.

- 2.1 Regular procurement status reports have been prepared by MSH and discussed at each USAID/APPROPOP monthly meeting since January 1996. They are kept for reference in Mission project files.

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- 2.2 The MSH/APPROPOP 1996 procurement plan has been submitted to USAID for approval. This includes pre-positioning to cover estimated requirements through mid-1997. As soon as the USAID Contracts Office processes the approval, the bulk of the procurement requests will be issued immediately to AMEG, the project's Procurement Services Agent. Meanwhile, all of the 1995 overseas procurement actions have been issued and the bulk of items have either been received in Madagascar (including bicycles for Community-Based Distribution agents and medical equipment) or are currently en route.

3. Expand Community-Based Distribution activities to the public sector

USAID/Madagascar agrees that Community-based Distribution (CBD) programs are an important mechanism for increasing access to family planning services. Since early 1995, the public sector has become involved in the gradual expansion of community based distribution of family planning services. The regional coordinators of FP services for Antananarivo and Fianarantsoa, as well as two district medical officers, participated in a study tour to Kenya concerning CBD, in January 1995. They also participated in a month-long CBD Curriculum Development workshop in March 1995. Since that time, the Maternal and Child Health Division of the MOH has appointed a Coordinator of CBD Activities, Ms. Omega Ranorolala, a midwife. She has been trained by MSH as a CBD Agent Trainer and in Training of Trainers. Also in 1995, MSH and the MOH held regional CBD debriefing sessions in four of the six provincial capitals (Antananarivo, Fianarantsoa, Mahajunga, and Tamatave). Finally, the public sector Service Delivery and Support Activities (SDSA) for the Regional Health Inspection (IRS) of Fianarantsoa, and two more proposals under development for Antananarivo, include support for CBD activities in the public sector. USAID believes that these efforts will lead to an expanded CBD program in the public sector.

4. Reprogramming a portion of the \$4,000,000 in Service Delivery and Support Activities and Center of Excellence (COE) funding

All direct funding for private and public sector activities under this project is linked to specific criteria for award. It is not in USAID's interest to relax these criteria, which could lead to waste of resources. However, the Mission is working with the Cooperating Agency and principal counterparts to ensure that these resources will be used appropriately in support of the program.

USAID/Madagascar and the Agreement recipient, MSH, have been working to reprogram funds not likely to be spent on these elements within the current LOP. In late January 1996, MSH proposed a unfunded modification of their current Cooperative Agreement which includes a budget realignment. The effect of the realignment would be to reduce these line items within their Agreement budget by 22%, consolidate all COE and SDSA support, including that provided

directly by MSH, into one line item, and increase funding for other elements of the Agreement such as commodities and direct technical support to SDSA and COE activities. USAID/Madagascar is studying this proposal and the Population Office has already made a positive technical determination.

In the overall project budget, USAID/Madagascar has prepared an amendment to the APPROPOP Project which increases the total duration and LOP funding (especially for child survival activities). This amendment will reorganize the budget into three Results Packages, of which family planning activities are the first package, including all aspects of the program such as technical assistance, commodities, training and local cost support. This will increase flexibility in re-allocating funds within the family planning program, and re-programming over-budgeted line items to support needed elements.

5. Retain an independent audit firm for MOH

USAID/Madagascar agrees that continued independent financial oversight, in close consultation with the USAID Controller's Office, is important to the continued success of these fund transfers to the MOH. Several steps have been taken to ensure that this occurs:

- 5.1 The Controller's Office has designated a financial analyst to work more closely with these MOH units and make more site visits.
- 5.2 USAID has initiated discussions with MSH to involve the MSH financial management office more substantially in oversight of financial procedures, voucher review and collaboration with the local independent audit firm, with the possibility that MSH will eventually pick up the oversight of the units which have already received intensive support from the accounting firm.

As MOH units develop more SDSA or COE proposals, or second generation proposals, USAID will ensure that adequate financial oversight is maintained, either by renewing a contract with a local accounting firm or by requiring MSH to assume these functions.

KEY ELEMENTS OF USAID/MADAGASCAR'S PERFORMANCE MEASUREMENT SYSTEM

USAID's *Directive on Setting and Monitoring Program Strategies* identifies the key elements which are required in program performance measurement systems. In order to validate USAID/Madagascar's reported progress towards its strategic objective, we assessed the following elements of its Population program performance measurement system and concluded that they were adequate.

- Strategic objectives - significant development results which can be achieved or toward which substantial progress can be made and for which the operational unit is held accountable. The typical time frame for a strategic objective is five to eight years.

USAID/Madagascar's strategic objective with respect to population is to reduce total fertility to an acceptable level within seven years.

- Program outcomes - measurable outcomes of one or more activities which, in turn, contribute to higher-order strategic objectives.

USAID/Madagascar's Population program outcome is increased utilization of health and family planning interventions by Malagasy mothers and children .

- Performance indicators - gauges for measuring change. Indicators are developed for measuring change at the levels of a strategic objective and a program outcome.

Some of USAID/Madagascar's indicators are: couple-years of protection, number of public/private medical sites providing family planning (FP) services, and percent of public medical sites providing FP services.

- Targets - specific and intended results to be achieved within an explicit timeframe and against which actual results are compared and assessed.

USAID/Madagascar has targets for its performance indicators. For example, the mission plans to reduce the total fertility rate to 5.7 in 1997 and 5.6 in 1999.

- Baselines - a statement of pertinent conditions at the time performance measurement begins.

The mission has baselines for its indicators, such as the Demographic and Health Survey which reported a total fertility rate in Madagascar of 6.1 in 1992.