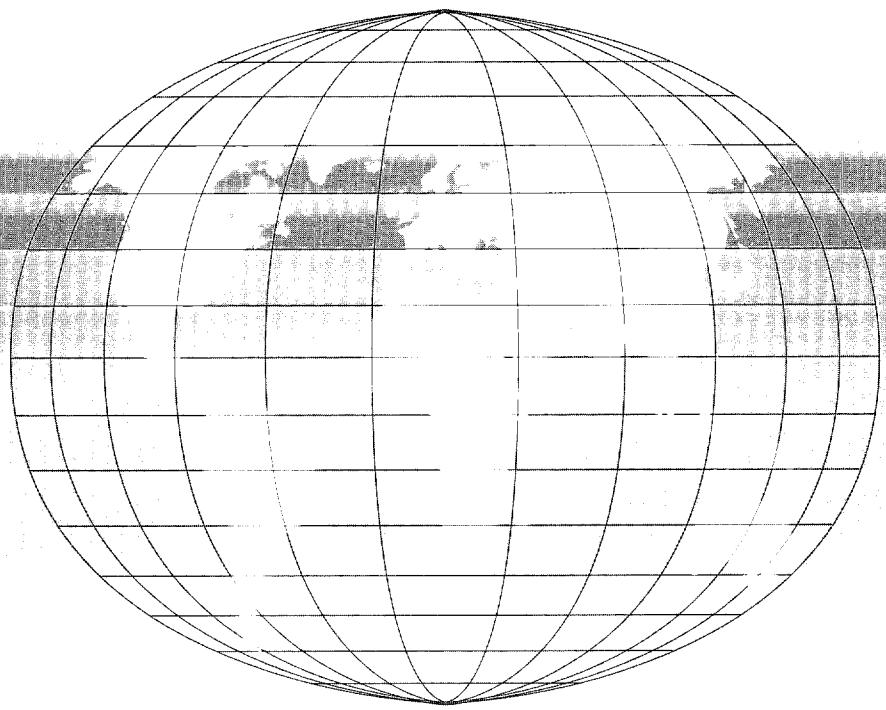
PD-ABN-711

Report of Audit

Audit of the USAID/Egypt's Democracy Activities

Report No. 6-263-97-002-P
February 19, 1997



Regional Inspector General for Audit
Cairo, Egypt

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL/AUDIT

CAIRO, EGYPT

February 19, 1997

MEMORANDUM

TO: USAID/Egypt Director, John R. Westley

FROM: RIG/A/C, Lou Mundy

SUBJECT: Audit of USAID/Egypt's Democracy Activities

Attached is the final report on the subject audit. In finalizing the report, we carefully considered the mission's comments on the draft report, which are included in Appendix II.

The report contains two recommendations for your action. For Recommendation No. 1, the mission has completed final management action and therefore this recommendation is closed. For Recommendation No. 2, the mission has made a final management decision but has not completed final management action. Therefore, this recommendation is classified as resolved.

Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the audit program in Egypt.

Attachment: a/s

cc: D/DIR, Toni Christiansen-Wagner
FM/FA, Shirley Hunter

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EXECUTIVE SUMMARY

USAID/Egypt currently has one strategic objective and two special objectives related to democracy (see Appendix III for a definition of terms used in this report). These objectives are described below:

- Strategic objective 3, "increased civil society organization participation in public decision making" - This is a new objective and the related activities have not begun yet.

- Special objective B, "increased use of information services by the legislature in decision making" - This special objective consists of activities financed under the Decision Support Service Project, a planned six and one-half year, $12 million project which began on September 29, 1993. The project was designed to increase the availability of relevant and reliable information to the members and staff of Egypt's legislature, thus strengthening the enabling environment for a market economy.

- Special objective C, "improved civil legal system" - This special objective consists of activities under the Administration of Justice Support Project, a planned five year, $18.8 million project which began on January 3, 1996. The project was designed to support the Ministry of Justice in its efforts to achieve legal and judicial reform.

These activities are managed by USAID/Egypt's Human Resources and Development Cooperation Directorate/Institutional Development Support Office, with assistance from other offices in the mission. As of September 30, 1996, $2.8 million had been spent for democracy activities.

Effective October 1, 1995, USAID/Egypt began using a "re-engineered" planning and performance measurement system. This system is designed to focus management attention on results while permitting USAID personnel considerable flexibility to choose the most appropriate means of achieving planned results. The system is also designed to help meet the requirements of the Government Performance and Results Act of 1993, a law which requires Federal agencies to prepare strategic plans, establish performance indicators, and report annually on their performance in achieving planned results.

The Office of the Regional Inspector General/Cairo performed an audit to answer the following audit objectives:

- Did USAID/Egypt, for its democracy activities, implement planning and performance measurement systems in accordance with Agency directives?

- Were USAID/Egypt's democracy activities making satisfactory progress toward achieving the intended benefits?

The answers to the audit objectives are qualified to the extent of the effect, if any, of not having received appropriate written representations for the audit from USAID/Egypt officials directly responsible for the audited activities. Appendix I contains a discussion of this qualification.

With respect to the first audit objective, the audit showed that USAID/Egypt has developed a strategic plan and an annual plan which were consistent with the Agency's strategic framework. Also, the mission has developed a system for collecting and reporting accurate performance information, and has used such information to enhance program effectiveness. However, the mission needs to clearly state in its strategic plan what objective it hopes to achieve by supporting the Participatory Rural Governance Program (see page 4) and develop better performance indicators for its democracy activities (see page 5).

With respect to the second audit objective, activities under special objective B, "increased use of information services by the legislature in decision making," were generally making satisfactory progress. However, assistance to the legislature had been impeded by insufficient access to information and to members of the legislature who were among the project's intended beneficiaries (see page 8). (Activities under strategic objective 3 and special objective C were not underway yet.)

The report recommends that USAID/Egypt (1) propose to reclassify its intermediate result "incremental devolution of authorities to the local level" under a strategic objective which clearly states the objective the mission hopes to achieve by supporting the Participatory Rural Governance Program and (2) establish performance indicators for its democracy activities which are direct, objective, unidimensional and practical.

USAID/Egypt agreed with the report recommendations. The mission has implemented the first recommendation and has developed a plan to address the second recommendation. Since final management action for Recommendation No. 1 is complete, this recommendation is closed upon issuance of this report. For Recommendation No. 2, the mission has made a final management decision but has not completed final management action; accordingly, this recommendation is classified as resolved.

Office of the Inspector General

Office of the Inspector General
February 19, 1997

INTRODUCTION

Background

USAID/Egypt currently has one strategic objective[1] and two special objectives related to democracy. These objectives and the activities designed to achieve them are described below:

- Strategic objective 3, "increased civil society participation in public decision making" - This is a new objective, and two of the three results packages included under the objective are still being designed. However, an agreement for the third results package, called the Participatory Rural Governance Program, was signed on September 28, 1996. This is a planned three-year effort with $35 million in USAID funding. It is designed to encourage incremental devolution of authorities to the local level (that is, a transfer of governmental authorities to local committees).

- Special objective B, "increased use of information services by the legislature in decision making" - This special objective consists of activities financed under the Decision Support Service Project, a planned six and one-half year, $12 million project which began on September 29, 1993. The project was designed to increase the availability of relevant and reliable information to the members and staff of Egypt's legislature, thus strengthening the enabling environment for a market economy.

- Special objective C, "improved civil legal system" - This special objective consists of activities under the Administration of Justice Support Project, a planned five year, $18.8 million project which began on January 3, 1996. The project was designed to support the Ministry of Justice in its efforts to achieve legal and judicial reform.

These activities are managed by USAID/Egypt's Human Resources and Development Cooperation Directorate/Institutional Development Support Office, with assistance from other offices in the mission. As of September 30, 1996, $2.9 million had been spent for democracy activities. More information on the financial status of these activities is included in Appendix IV.

Effective October 1, 1995, USAID/Egypt began using policies and procedures in USAID's Automated Directives System, which outline a "re-engineered" planning and performance measurement system. The system requires USAID missions to develop strategic plans and annual

[1] A glossary of terms used in this report is included in Appendix III.

targets and report annually on the results achieved in a document called the "results review and resource request." This system is designed to focus management attention on results while permitting USAID personnel considerable flexibility to choose the most appropriate means of achieving planned results. The system is also designed to help meet the requirements of the Government Performance and Results Act of 1993, a law which requires Federal agencies to prepare strategic plans, establish performance indicators, and report annually on their performance in achieving planned results.

Audit Objectives

As part of an Agency-wide audit of USAID's implementation of the Government Performance and Results Act as it relates to civil society activities, the Office of the Regional Inspector General for Audit/Cairo conducted an audit of USAID/Egypt's democracy activities[2] to answer the following audit objectives:

- Did USAID/Egypt, for its democracy activities, implement planning and performance measurement systems in accordance with Agency directives?

  In answering this objective, we determined whether USAID/Egypt:

  - developed a strategic plan and an annual plan which were consistent with the Agency's strategic plan;
  - developed performance indicators which were direct, objective, practical, and unidimensional;
  - developed a system for collecting and reporting accurate performance information; and
  - used performance information to enhance program effectiveness.

- Were USAID/Egypt's democracy activities making satisfactory progress toward achieving the intended benefits?

Additional information on the audit scope and methodology is included in Appendix I.

[2] While the Agency-wide audit is focused on civil society activities, we reviewed all of the mission's democracy activities, not only its civil society activities. We made this decision primarily because the mission's civil society activities have not begun yet.

REPORT OF AUDIT FINDINGS

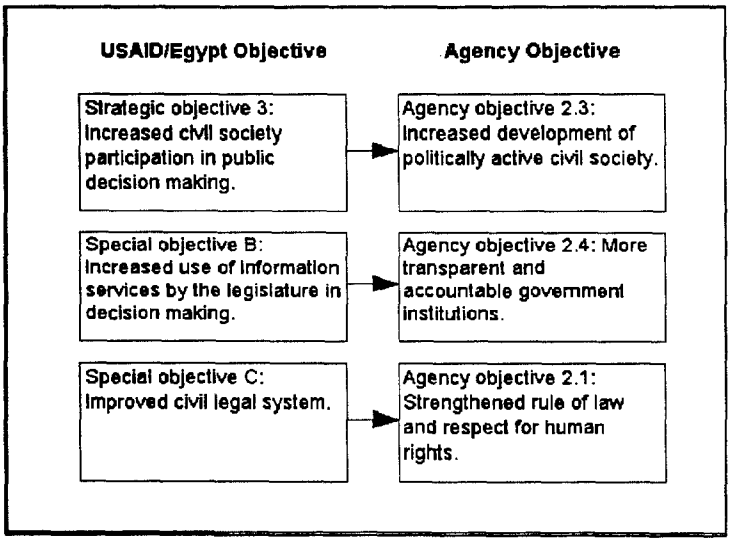
The answers to the following audit objectives are qualified to the extent of the effect, if any, of not having received appropriate written representations for the audit from USAID/Egypt officials directly responsible for the audited activities. Appendix I contains a discussion of this qualification.

Did USAID/Egypt, for its democracy activities, implement planning and performance measurement systems in accordance with Agency directives?

The following sections discuss whether USAID/Egypt (1) developed a strategic plan and an annual plan which were consistent with the Agency's strategic plan; (2) developed performance indicators which were direct, objective, practical, and unidimensional; (3) developed a system for collecting and reporting accurate performance information; and (4) used performance information to enhance program effectiveness.

1. Strategic plan and annual plan

USAID/Egypt developed a strategic plan and an annual plan for its democracy activities which were consistent with the Agency's strategic framework. The mission's strategic plan for democracy activities (dated April 1996) and annual plan (included in its results review and resource request, also dated April 1996) contained three objectives for its democracy activities. These objectives were consistent with, and contributed to, the Agency's objectives for democracy:



We also examined whether plausible cause-and-effect relationships existed between the activities included under each objective, the intermediate results, and the objectives themselves. We found that they did except that one of the intermediate results included under the mission's strategic objective for civil society did not have a plausible cause-and-effect relationship with the objective. Details are provided in the following section.

The objective of supporting the Participatory Rural Governance Program should be clearly stated

USAID/Egypt included under its strategic objective for civil society an intermediate result which does not relate closely to civil society but rather supports a transfer of power from the national government to local government committees through the Participatory Rural Governance Program. The mission wanted to avoid proliferation of objectives and also felt that the intermediate result had a logical relation to the civil society objective. While there is some validity to these points, we believe that the intermediate result should be included under a strategic objective that more clearly articulates why the mission is supporting the Participatory Rural Governance Program.

Recommendation No. 1 We recommend that USAID/Egypt propose to the Bureau for Asia and the Near East a reclassification of its intermediate result "incremental devolution of authorities to the local level" under a strategic objective that more clearly articulates why the mission is supporting the Participatory Rural Governance Program.

One of USAID/Egypt's strategic objectives is "increased civil society participation in public decision making." (Civil society organizations are those organizations which serve as intermediaries between individuals and their government, such as labor unions, human rights groups, and non-governmental organizations.)

USAID/Egypt included under this objective an intermediate result, "incremental devolution of authorities to the local level," which does not relate closely to civil society but rather supports a transfer of power from the national government to local government committees through the Participatory Rural Governance Program. In effect, then, the mission's strategic plan does not clearly explain what objective the mission hopes to achieve by supporting this program.

The mission included this intermediate result under the civil society strategic objective for several reasons. First, the mission wanted to avoid proliferation of objectives, and, since the mission already had 13 strategic objectives and special objectives, it was not disposed to add another one. Second, we were told, the mission was of the opinion that since some of the members of the local committees were representatives of civil society organizations, the intermediate result could legitimately be included under the civil society strategic objective. Third, some believed that local elected popular councils should not be considered purely government institutions but rather as groups of concerned citizens and activists.

The inconsistency between the intermediate result and the strategic objective can be overcome in at least two ways. One alternative would be to add a new strategic objective or special objective to the mission's strategic plan. Mission officials were not in favor of this alternative because they wanted to avoid adding another objective to the strategic plan. Another alternative would be to broaden the existing strategic objective so that it encompasses the intermediate results relating to both the Participatory Rural Governance Program and the mission's civil society activities. Mission officials favored this alternative and planned to propose such a change to the Bureau for Asia and the Near East in Washington. (The Bureau's concurrence is required before the mission can change its strategic objectives.) Tentatively, the mission planned to propose changing the strategic objective from "increased civil society organization participation in public decision making" to "increased citizen participation in public decision making."

2. Performance indicators

For its democracy activities, USAID/Egypt established performance indicators in its strategic plan, grants, and contracts which were consistent with each other and with the Agency's goals. However, the mission had generally not yet developed performance indicators which met the requirements of Section E203.5.5(1) of the Automated Directives System, which requires that performance indicators be direct, objective, practical, and unidimensional. Details are provided in the following section.

The mission needs to establish better performance indicators

USAID procedures require missions to establish performance indicators that are direct, objective, unidimensional, and practical (these terms are defined in Appendix III). However, USAID/Egypt had generally not yet developed performance indicators which met these criteria. In large part, this was because USAID has relatively little experience in providing assistance to encourage democracy, and democracy activities do not lend themselves to precise measurement. Also, in some cases, mission officials simply made judgments which differed from our judgments. Other factors also played a part. Better indicators are needed to help the mission measure the results of its democracy program.

Recommendation No. 2 We recommend that USAID/Egypt establish performance indicators for its democracy activities which are direct, objective, practical, and unidimensional.

USAID procedures require missions to establish performance indicators that are direct, objective, unidimensional, and practical.

USAID/Egypt had generally not yet developed performance indicators for its democracy activities which met these criteria. The status of development of the performance indicators for each of the mission's strategic/special objectives is discussed below.

- Strategic objective 3, "increased civil society organization participation in public decision making" - For two of the three intermediate results included under this objective, the mission had not finalized the performance indicators to be used because the related results packages were still being designed. For the third intermediate result, the mission had developed 12 performance indicators but criteria for 8 of the indicators had not been developed and 3 of the indicators were not unidimensional (that is, one indicator was used to measure more than one phenomenon). For example, one indicator was the percentage of local plans (for development projects), for which operation and maintenance commitments are appropriate, that include and are meeting commitments to cover operation and maintenance needs. This indicator is not in accordance with USAID procedures because it attempts to measure two separate phenomena: (1) whether operation and maintenance needs are included in local plans and (2) whether operation and maintenance needs are being met. If both phenomena are of interest, then two indicators should be used to measure them.

- Special objective B, "increased use of information services by the legislature in decision making" - Performance indicators have been developed for this objective. However, 6 of the 13 indicators either need to be further defined or are not direct or unidimensional. For example, one sub-result under the objective was "improved management of human resources in support of information services." A performance indicator for this result was "key administrative and financial systems will be automated and in use." This was not direct since it did not measure improved management of human resources.

- Special objective C, "improved civil legal system" - Performance indicators were developed for this objective, but one of the five indicators needed to be further defined and one indicator was not direct or unidimensional. For example, one sub-result was "increased access to legal information in two pilot court systems." The related performance indicator was "percentage of judges and other court staff utilizing legal systems adequately." This indicator was not direct because, while the result dealt with access, the indicator dealt with use of information. Also, the indicator was not unidimensional because it attempted to measure two phenomena: "utilizing" and "adequately."

Better performance indicators had not been developed for several reasons. First, USAID has relatively little experience in providing assistance to encourage democracy, and democracy activities do not lend themselves to precise measurement. Second, the Agency has little experience applying new USAID policies and procedures on performance measurement which became effective only about a year ago, on October 1, 1995. Third, while the indicators were reviewed by numerous officials in Egypt and Washington, these reviews were not effective in ensuring that performance indicators met USAID standards. Finally, in some cases, mission officials simply made different professional judgments than we did during our audit.

Better performance indicators need to be developed so that the mission can measure the results achieved by USAID/Egypt's democracy activities.

3. Accurate performance information

For its special objective B, "increased use of information services by the legislature in decision making," the mission had collected accurate baseline estimates and had established performance targets. It had not yet collected information on actual performance *vis-à-vis* the targets.

The baseline estimates were intended to describe the Egyptian legislature's use of information services at the outset of the project. The estimates were based on interviews with staff and members of the legislature, as well as extrapolations and calculations based on information in these interviews. The technical assistance contractor that developed the estimates recognized the limitations on the data and disclosed these limitations in its report. The mission also disclosed these limitations by stating that the baseline data were estimates. Within these limitations, we concluded that the baseline estimates were accurate. The contractor planned to use actual performance data collected during the year ending March 1997 to assess the need for more accurate baseline data, based perhaps on content analysis of legislative minutes.

We did not assess the accuracy of the baseline data or actual performance information for the mission's other two democracy objectives. Activities under USAID/Egypt's strategic objective 3, "increased civil society participation in public decision making," had not begun yet and no baseline data or actual performance information had been collected. Activities under special objective C, "improved civil legal system," had just begun but no baseline data or actual performance information had been collected yet.

Notwithstanding the fact that these activities have not begun yet or have just begun, the following additional information may help contribute to an understanding of where the mission stands in implementing its data and collection and reporting systems. The mission expects to collect data from the Government of Egypt, from contractors, and from beneficiaries. In most cases, the planned measurement cycle will be annual, except for a few performance indicators where the planned measurement cycle is quarterly or every two years. The cost of the planned data collection and reporting system is unknown, although the system's designers have characterized the cost of certain information as "minimal," "modest," or "moderate," and the cost of other information can be more precisely determined (e.g., under one intermediate result, the mission plans to hire a monitoring, verification, and evaluation contractor at a cost of $1.1 million). The mission plans to establish baselines and targets for all of its democracy activities by 1998. Mission personnel generally do not "verify" reported information in the same sense that an auditor, for example, might verify information by tracing it to supporting documentation. However, mission personnel do take steps (e.g, performing site visits, comparing reported progress with their own observations, comparing information in financial vouchers with reported information and their own observations) which help ensure that reported information is accurate. Also, in some cases, the mission hires contractors to verify information provided by other contractors or by the Government of Egypt.

4. Using performance information to enhance program effectiveness

For its special objective B, "increased use of information services by the legislature in decision making," the mission had used performance information to enhance program effectiveness.

While actual performance information (i.e., information on results achieved) will not be available in the results review and resource request until next Spring, the mission had other sources of information on results achieved, such as contractor progress reports and meetings with contractor staff and beneficiaries. When the mission learned of implementation issues and problems through its monitoring system, it took action to address them. For example, the mission used information from its monitoring system to make informed decisions about personnel assigned to implement the program.

We did not assess whether the mission used performance information to enhance program effectiveness for its other two democracy objectives (strategic objective 3, "increased civil society participation in public decision making" and special objective C, "improved civil legal system") because these activities had not begun or had just begun and no actual performance information had been collected yet.

Were USAID/Egypt's democracy activities making satisfactory progress toward achieving the intended benefits?

Activities related to USAID/Egypt's special objective B, "increased use of information services by the legislature in decision making" were generally making satisfactory progress. However, as discussed in the following section, these activities have been impeded by insufficient access to needed information and insufficient access to members of the legislature who are among the intended beneficiaries.

We did not assess whether activities under the mission's other two democracy objectives (strategic objective 3, "increased civil society participation in public decision making" and special objective C, "improved civil legal system") were making satisfactory progress because these activities had not begun or had just begun and no actual performance information had been collected yet.

Assistance to the legislature is impeded by insufficient access

While information on actual results achieved under special objective B will not be available in the results review and resource request until next Spring, we used other sources of information to assess the progress of activities under special objective B. The first planned result is to improve information services in the legislature, primarily through training of legislative staff. The second planned result is to improve the ability of members of the legislature to use information, stimulating demand for information services.

A great deal of training was provided to help achieve the first planned result. For example, the project paper projected that 1,559 staff members would be trained during the life of the project. As of September 30, 1996, three years into the six and one-half year planned project life, the

technical assistance contractor reported that 1,071 staff members were trained.[3] However, it was difficult to judge the extent to which training needs were being met because the legislature routinely declined to disclose the position and office assignment of the staff it sent for training. (Usually, the training coordinator for the project could make an educated guess based on informal sources of information.)

As another means of improving information services, USAID-financed computers and other equipment were provided to the legislature. However, the legislature declined to disclose where in the legislature the equipment was being used. This made it hard to verify that the equipment was being used as intended. We were told that the technical assistance contractor had arranged with the legislature to have one of its staff members check the location of each piece of equipment and note where it was being used. We are not making a recommendation since it appeared that the contractor was close to resolving this problem.

With respect to the second planned result, relatively little had been accomplished. A planned orientation program for members of the legislature was never held because the legislative leadership was reluctant to permit direct contact between project staff and members of the legislature. However, six members traveled to the United States on an observation study tour in December 1996, and members of the technical assistance team were hopeful that they would be able to work directly with these six members in the future.

The project officer pointed out that the mission had anticipated that access would be a sensitive issue, since the legislative leadership wanted to avoid any possible implication that USAID was influencing decisions made by the legislature or that members of the legislature were not fully qualified to carry out their responsibilities. Therefore, the mission arranged for highly qualified Egyptian advisors to reduce the need for expatriate advisors. Both mission officials and members of the technical assistance team felt that they had made progress in gaining the trust of individuals in the legislature. While they agreed that insufficient access had slowed progress, they believed that the planned results would still be achieved.

Mission officials also noted that the issue of better access has been discussed with the legislative leadership at a high level. We were told that little else could be done unless USAID/Egypt opted to end the project, which would not be advisable at this time. The project officer was of the opinion that it would be wise to wait and see to what extent the legislature cooperated with efforts to gather information on the results achieved during the year ending in March 1997. We agree with this judgment and therefore we are not making a formal recommendation.

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[3] These figures may not be precisely comparable since the type of training provided is not the same in all cases as the type of training planned in the project paper. Also, in both the planned and actual figures, some individuals may be counted more than once because they attended more than one training course. Nonetheless, these figures indicate that a substantial training program is well under way.

MANAGEMENT COMMENTS AND OUR EVALUATION

USAID/Egypt agreed with the report recommendations. The mission has implemented the first recommendation and has developed a plan to address the second recommendation.

To implement Recommendation No. 1, the mission sent a cable to the Bureau for Asia and the Near East proposing to change its strategic objective 3 slightly from "increased civil society organization participation in public decision making" to "increased citizen participation in public decision making." The mission's intent in proposing this change was to sharpen its programmatic focus and articulate why it is supporting the Participatory Rural Governance Program. Based on this final management action, Recommendation No. 1 is closed upon issuance of this report.

To implement Recommendation No. 2, the mission revised the performance indicators for its special objective B, "increased use of information services by the legislature in decision making" and developed a plan to revise the indicators for its special objective C, "improved civil legal system" and strategic objective 3, "increased civil society organization participation in public decision making." For the activities covered by our audit, the mission planned to develop revised indicators by October 1997. Based on the mission's final management decision, Recommendation No. 2 is classified as resolved. The recommendation can be closed when final management action is complete.

SCOPE AND METHODOLOGY

Scope

We conducted our audit in accordance with generally accepted government auditing standards. These standards require auditors to obtain written representations from management when they deem them useful. The Office of Inspector General deems such representations necessary to support potentially positive findings. USAID/Egypt's Director provided us a management representation letter for the audit that contained essential assertions about the activities we audited. However, USAID/Egypt officials directly responsible for these activities did not provide written representations. As a result, our answers to the audit objectives are qualified to the extent of the effect, if any, of not having such representations.

The audit fieldwork was performed from October 1, 1996 through December 18, 1996. The audit covered the period from inception of the mission's democracy activities on September 29, 1993 through September 30, 1996. Fieldwork was performed in Cairo, Egypt, primarily in the offices of USAID/Egypt and in the offices of one of its technical assistance contractors.

As part of the audit, we assessed the management controls used by USAID/Egypt's Institutional Development Support Office to provide reasonable assurance that accurate information on accomplishments was reported and planned results were achieved. We obtained an understanding of the significant management controls, determined if the controls were placed in operation, and assessed control risk. We did not evaluate compliance with applicable laws and regulations because we did not identify any laws and regulations applicable to USAID/Egypt which were significant to the audit objectives.

The audit covered USAID/Egypt expenditures of $2.9 million. The audit tests performed were designed to provide reasonable assurance that our conclusions were correct. These tests did not involve sampling.

Methodology

Audit Objective 1

To answer this audit objective, which asked whether USAID/Egypt implemented planning and performance measurement systems for its democracy activities in accordance with Agency directives, we reviewed USAID/Egypt's strategic plan, performance monitoring plan, and results review and resource request for its democracy activities. We compared these documents with supporting reports, studies, training records, and other sources of evidence to determine whether:

- the mission's strategic plan included required information;
- the mission's strategic plan was consistent with the Agency's strategic framework;
- plausible cause-and-effect relationships existed between democracy objectives, intermediate results, and activities;
- performance indicators used by the mission were direct, objective, unidimensional, and practical;
- baseline data were accurate;
- performance information was used to enhance program effectiveness.

We also interviewed USAID/Egypt officials and contractor personnel to obtain their views. In considering the results of our tests, we considered variances or errors of 5 percent or more of the amount tested to be significant.

Audit Objective 2

To answer this objective, which asked whether USAID/Egypt's democracy activities were making satisfactory progress toward achieving the intended benefits, we compared planning documents, agreements, and workplans with progress reports, training records, and other documentation. We also interviewed USAID/Egypt officials, contractor personnel, and Government of Egypt officials to obtain their views. We considered variances of 10 percent or more between planned and actual progress to be potentially significant.

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

18 FEB 1997

MEMORANDUM

TO: RIG/A/C, Lou Mundy

FROM: D/DIR, Toni Christiansen-Wagner

SUBJECT: Audit of USAID/Egypt's Democracy Activities.
Draft Audit Report dated January 7, 1997.

The Mission finds that the timing and recommendations of the audit are complementary to its continuing management process of scrutinizing and improving our strategy framework. As part of this process, and taking into account the recommendations made in the audit report, the Mission has identified some changes to be made in the short term, and sharpened its plan for future assessments of the Democracy strategic framework.

The following actions are being taken by the Mission to close Recommendations 1 and 2 under the subject audit report.

Recommendation No. 1:

We recommend that USAID/Egypt propose to the Bureau for Asia and the Near East a reclassification of its intermediate result "incremental devolution of authorities to the local level" under a strategic objective that more clearly articulates why the Mission is supporting the Participatory Rural Governance Program"

Mission response:

The Mission recognizes that Intermediate Result 3 (IR3) "Incremental Devolution of Authorities to the Local Level" could be better articulated under the Strategic Objective 3 (SO3) "Increased Civil Society Participation in Public Decision Making".

However, as an alternative to establishing a new Strategic Objective, the Mission has developed an improved definition of the SO which is also responsive to the audit's concern with IR3. The new definition reflects the function of devolution of authorities to the local level, as described in IR3. The revised wording of the SO reads: "Increased Citizen Participation in Public Decision Making". The proposed change effectively preserves a single SO to cover Democracy activities and properly articulates IR3 under the SO. This approach properly reflects the Mission's intent under the strategic framework.

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Accordingly, a cable (attachment 2) has been recently sent to the Bureau for Asia and the Near East proposing the revised wording.

Based on the above, Mission believes that adequate corrective action has been taken to address the recommendation and therefore, requests closure of Recommendation No. 1.

Recommendation No. 2:

We recommend that USAID/Egypt establish performance indicators for its democracy activities which are direct, objective, practical, and unidimensional.

Mission response:

The Mission has reviewed the findings and acknowledges that many of the established indicators could benefit from further refinement. Additionally, the Mission believes that certain actions should be taken to ensure that indicators, which are still under development, will properly adhere to the Agency's Automated Directive Systems (ADS) guidance, i.e., to be direct, objective, practical, and unidimensional. The actions to be taken to improve existing indicators, as well as actions to establish new indicators, will address the recommendation and establish overall performance indicators for the Democracy activities in conformity with the ADS guidance.

The audit report states that the main reasons for this finding are USAID's lack of experience in this type of assistance; the fact that Democracy activities do not lend themselves to precise measurement; and in some cases, that the judgement of USAID regarding indicators simply differed from that of the auditors. While USAID/Cairo may lack experience in implementing its newly designed results packages and in collecting data to measure progress against the indicators, we would like to point out that that USAID has ample experience in the democracy sector and that the Mission has drawn upon the technical resources of both the ANE bureau and the Democracy and Governance Center of the Global bureau in developing its indicators. The problem is that it is difficult to attain precision when measuring qualitative change and actual field testing is necessary in order to improve the indicators.

Based on the above, the Mission believes that it would be premature to take immediate action, but rather, would be more appropriate to gain additional experience prior to revising the indicators or establishing new ones.

Accordingly, the Mission has developed an action plan over the next 19 months of implementation activities, in order to refine a set of precise performance indicators for all Democracy activities that are based on actual experience, derived from data collected through implementation, and also meet the ADS requirements. The stages of the plan vary from immediate changes for activities in which the Mission has already gained sufficient experience, to mid-term changes for activities that are just beginning, and to extended actions to develop proper indicators for those activities that are yet to begin. The plan, as described in the USAID/CAIRO/HRDC/IDS memo (attachment 1), is summarized as follows:

SPO B - Increase use of Information Services by the Legislature in Decision Making (planned completion date is June, 1997):

Since the Mission has gained reasonable experience through the early implementation Of the SPO B, and considering the importance of the data being made available, the USAID/CAIRO/HRDC/IDS Office has already revised the indicators (attachment 3). Review of the revised indicators is expected by the end of this year's R4 review (June 1997).

SPO C - Improve Civil Legal System (planned completion date is June, 1997)

The SPO C is supported by a results package which is in the initial stages of implementation. A contract team has been in place for six months and the Mission should now be able to develop revised indicators that better meet the criteria and needs of the Agency. Review of the revised indicators is expected by the end of this year's R4 review (June 1997).

SO 3 - Incremental Devolution of Authorities to the Local Level - is addressed through the Participatory Rural Governance Program(PRGP) (planned completion date is June, 1998)

The Results Package Agreement was negotiated and signed with the GOE in September 1996. USAID has entered into two contracts under this program to refine and define the indicators, collect baseline data and set up and operate an on-going monitoring and reporting system to record progress (attachment 4). The contracts call for both contractors to mobilize their technical specialists in February and March of 1997. By October of 1997, with the experience of one year of program implementation and the first round of baseline data collection, the Mission will refine its strategic and intermediate results indicators to meet the agency's criteria for measuring results. Review and approval by USAID/W is expected by the end of the FY98 R4 review (June 1998).

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SO 3 - Enhanced CSO efforts to Influence Government & Public Thinking on Policy Issues (IR1) and Strengthened CSO Operations & Management (IR2):

The Mission is currently working with a group of Egyptian NGO partners to define the results package, including refining and defining indicators at both the SO and IR levels. The results framework and results package paper, including refined draft indicators, baseline data requirements and targets, will be developed during the period January to June 1997. Program implementation is expected to begin in April 1998 under a cooperative agreement. One of the initial activities under the agreement will be to complete the baseline data collection and finalize the indicators for the life of the program. This activity will have a targeted completion date of August 1998.

Mission believes that the above action plan adequately addresses the recommendation and therefore, requests closure of recommendation No. 2.

Att: a/s

Glossary of Terms Used in This Report

Agency Goal - A long-term development result in a specific area to which USAID programs contribute and which has been identified as a specific goal by the Agency.

Baseline information - The value of a performance indicator at the beginning of a period. Baseline information is used for comparison when measuring progress toward a planned result or objective.

Direct - A performance indicator is direct if it measures as closely as possible the result it is intended to measure. A performance indicator which is not direct would be called a proxy indicator.

Intermediate result - A key result which must occur in order to achieve a strategic objective.

Objective - A performance indicator is objective if there is no ambiguity about what is being measured; that is, there is general agreement over interpretation of results.

Performance indicator - A particular characteristic or dimension used to measure intended change.

Practical - A performance indicator is practical if data can be obtained in a timely way and at a reasonable cost.

Results package - Consists of people, funding, authorities, activities, and associated documentation required to achieve a specified result within an established time frame

Special objective - The result of an activity or group of activities which do not qualify as a strategic objective, but support other U.S. Government assistance objectives. A special objective is small in relation to the portfolio as a whole.

Strategic objective - The most ambitious result (intended measurable change) that a USAID operating unit, along with its partners, can materially affect and for which it is willing to be held accountable.

Unidimensional - A performance indicator is unidimensional if it measures only one phenomenon.

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Financial Status of USAID/Egypt Democracy Activities
as of September 30, 1996 - Unaudited

Activity	Planned Funding	Obligations	Accrued Expenditures
Strategic objective 3, "increased civil society participation in public decision making"			
• Intermediate result 1, "enhanced civil society organization efforts to influence government and public thinking on policy issues"	(In design)	(In design)	(In design)
• Intermediate result 2, " strengthened civil society organization operations and management"	(In design)	(In design)	(In design)
• Intermediate result 3, "incremental devolution of authorities to the local level" (Participatory Rural Governance Program)	$35,000,000	$14,000,000	$0
Special objective B, "increased use of information services by the legislature in decision making" (Decision Support Services Project)	$12,000,000	$8,300,000	$2,810,082
Special objective C, "improved civil legal system" (Administration of Justice Support Project)	$18,800,000	$3,000,000	$45,124

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