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Mr. Fred C. Shaver
Area Auditor General
USAID/AAG/EA
APO San Francisco 96528

Dear Mr. Shaver:

The subject of Recommendation No. 1 of Audit Report 77-2, the AID-assisted sterilization support program in Thailand, is not yet a definite component of the AID Population Planning Project (No. 493-0283). Before this proposed sterilization support program can definitely be included in the project, Congress must approve a plan submitted to it under which AID would expend worldwide during FY 77 an additional \$6 to \$8 million for various voluntary sterilization activities (\$1.825 million of this figure would be made available for the sterilization support program in Thailand under Project No. 493-0283).

AID Administrator Gilligan and Congress currently have under consideration the proposal for additional funds for sterilization activities. If their decision is positive, the Project Paper will be revised immediately as necessary. If negative, the program will not be pursued and no Project Paper revision will be required.

Finally, I would like to note that we prefer to use the term "support" in describing this program instead of that of "subsidy" as used in the audit report. As planned, AID financing actually will provide reimbursement to participating hospitals for only some of the costs involved in the voluntary sterilization program.

Clearances:

- ASIA/EMS: GPZunis (Draft)
- ASIA/PD: ARLove
- ASIA/PD: JRMcCaBe
- PHA/POP/ASIA: RLayton/EMau (Draft)
- PHA/POP/DIR: ERBacklund (Draft)
- ASIA/PT: JChampagne
- DAA/ASIA: MHBAdler

Sincerely yours,

John H. Sullivan

John H. Sullivan
Assistant Administrator
Bureau for Asia

cc: USAID/Thailand, Mr. Charles Gladson
AAG/W, Mr. Rolland J. Descharbault
ASIA/EXSEC - 2

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ASIA/PD: ZHahn/ASIA/EMS: MMTumblin: jk: 6/15/77: 58960

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Auditor General

AUDIT REPORT

UNITED STATES AID OVERSEAS MISSION TO THAILAND

(USOM/Thailand)

Audit Report Number

9-493-77-2

Issue Date

October 28, 1976

Area Auditor General East Asia
Agency for International Development

I. INTRODUCTION

Government-to-Government assistance began in 1950 with the United States' first bilateral assistance agreement in Asia. U.S. objectives have evolved through the years from improvement of health, education and agricultural production; to nation and infrastructure building; to attempts to phase out assistance; to counterinsurgency; and currently, in accordance with the Congressional mandate, to concentration on improved agriculture production, family planning and narcotics control. The existent U.S. economic assistance program is designed to encourage Thailand's continued economic growth by helping the Thai to mobilize their human resources while reducing economic disparities that exist among certain segments of the population and among various sections of the country.

AID's legislation for FY 1974 (and subsequent years) specifically directs U.S. development assistance toward improving the quality of life of the poorest people in developing countries. In recent years, the Thailand assistance program has shifted from a counterinsurgency rationale to a development assistance strategy. The current AID program, which amounts to only about 5 percent of total economic assistance to Thailand, is concentrated in agricultural economics, agricultural credit, seed and sericulture (silk production) development; population programs; special training and transfer of technology and management skills; and commodities and advisory services for narcotics control.

Mission staffing levels have dropped materially since October 31, 1973. At that time American and Thai employees totaled 147 and 439, respectively. At June 30, 1976 the corresponding numbers were 28 and 76. These staff levels are currently under review to determine the levels necessary for effective program management and monitoring.

Total AID U.S. dollar assistance to Thailand as of June 30, 1976 was about \$651 million, as shown in Exhibit A of this audit report.

The primary purpose of our audit was to determine the effectiveness and efficiency with which AID-financed assistance was utilized in accomplishing the purpose for which it was intended.

A draft copy of this audit report was discussed on October 12, 1976 with the Mission Director who expressed agreement with the findings and recommendations contained in this audit report.

III. STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. DEVELOPMENT ASSISTANCE

1. Population Planning and Health Program

The Royal Thai Government (RTG) has a national population policy to reduce the country's population growth rate by promoting the voluntary practice of family planning. A Cabinet decision in 1970, established the National Family Planning Program (NFPP) and authorized the inclusion of family planning activities in the RTG Third Five Year Plan (1972-76).

The NFPP is both a program and an organization. The NFPP Director is the Under Secretary of State for Health, Ministry of Public Health (MOPH). Program design, coordination and management responsibility for the NFPP is assigned to the Family Health Division of the MOPH.

Besides the attainment of an annual population growth rate of 2.1 percent by the end of 1981, the program is also designed to create a broad-based functioning delivery system for family planning information and services. At present, family planning services are available through approximately 5,000 clinics and hospitals of the MOPH; 21 health centers of Bangkok Municipality; various hospitals and health facilities of the Army, Police, National Railways and private hospitals. In addition, the commercial sector is an important source of oral contraceptives in more urbanized areas of the country, with pill distribution through retail outlets currently totaling about 40 percent of national pill usage.

To date almost two million women have accepted family planning services through the national program. A survey conducted by Chulalongkorn University (Bangkok) reveals that almost 25 percent of all eligible married women between the ages of 15 to 45 are practicing contraception or have been sterilized. This performance lends considerable likelihood to the possibility that a growth rate of 2.5 percent may be achieved by the end of 1976. However, over the past year, there has been some evidence that the RTG family planning

program is leveling off in the sense that new acceptors are equaling program dropouts. This condition is prevailing even while basic family planning services are not available to perhaps 60 percent of Thailand's rural population, including potentially large numbers who are highly motivated to accept family planning services. NFPP planning has consequently focused on means to extend the family planning service delivery system outward.

AID has provided financial assistance to the RTG in health improvement and population planning projects under the bilateral economic assistance agreement between the U.S. and Thailand. Since FY 1968, AID has provided training, technical and primarily commodity assistance to support a family planning program. AID support for the period 1968 through 1975 totaled approximately \$10.8 million, about 44 percent of which was for contraceptives. RTG direct support for the program totaled \$2.6 million, or 13.4 percent of program costs; however, this does not include indirect financial support such as salaries of project related personnel, facilities and medical supplies which were estimated at \$8.9 million.

USOM assistance to the Royal Thai Government (RTG) Population Planning and Health has been satisfactorily managed in accordance with AID policies and regulations. Targets have been reached if not exceeded in most instances under the following three projects.

a. Family Planning

The Family Planning Project No. 493-11-580-209 was scheduled to terminate at June 30, 1976. It provided funds to assist the RTG in expanding the availability of Family Planning methods, devices and information especially in rural areas and increasing the number of new family planning method acceptors. Support was given to the Faculty of Public Health, Mahidol University (Bangkok) to develop its capability to provide supervisory-level health and family planning program personnel

b. Health and Population Planning

The Health and Population Planning Project No. 493-11-580-266 was to improve the capability of existing rural health

facilities; assist RTG in developing long range plans for health delivery systems; assist RTG to develop evaluation measures of its effectiveness in reducing fertility and to continue to develop greater public awareness of family planning methods. This project terminates December 31, 1977.

c. Population Planning

USOM population planning assistance to the RTG is continuing under the Population Planning Project No. 493-11-580-283. The project paper for this ongoing project dated August 1, 1975 stated that USOM assistance to be provided over the FY 1977-81 period be comprised of support for those elements of the NFPP which were jointly determined by the RTG and USOM to be most consistent with AID population assistance strategy outlines in the Development Assistance Plan (i.e., that they represent high-priority program activities involving incremental RTG efforts/expenditures to achieve more widespread coverage of the FP delivery system and a higher level of continuing usage in rural areas). The main thrust of new RTG/USOM project would be aimed at those rural areas now not being reached under current program efforts.

The project paper was submitted by USOM to AID/W and approved with several restrictions. No grant assistance would be provided to the RTG program beyond FY 1978 and AID was to participate actively in the biannual evaluation. The project funds for the period FY 1976-78 for the 6-year program (1976-81) would be on a grant basis and the remainder financed with loan funds. Total AID investment for the project amounted to \$8.34 million of which \$6.07 million was planned obligations through FY 1978. However, in a telegram dated May 14, 1976, the AID Deputy Administrator agreed to allow USOM to complete its negotiated population assistance effort on a grant basis provided that the total amount of funds be obligated prior to the end of FY 1978.

On June 10, 1976, USOM requested AID/W by telegram (Bangkok 16967) to increase its allotment by \$995,000 for additional FY 1976 funding. These funds increased the planned FY 1976 obligations from \$3.07 million to \$4.07 million, and were to be used for a joint RTG/USOM expanded sterilization program, as described below.

Sterilization Subsidy Program. In 1972, the RTG decided to implement a National Sterilization program. With financial assistance from UNFPA (United Nation's Fund for Population Activities), the NFPP provided financial subsidies to government hospitals and health centers so that sterilizations could be provided to acceptors at a reduced cost. The estimated cost of performing a female sterilization was approximately ₪600 (\$30.00); and a vasectomy about ₪200 (\$10.00). The subsidy program (1) established a maximum fee to the acceptor of ₪150 (\$7.50) for female sterilizations and ₪50 (\$2.50) for a vasectomy; and (2) reimbursed participating hospitals and health centers a like amount for each sterilization procedure performed. The remaining costs were borne by the institution as a part of normal operating costs. By the end of May 1976, almost 300,000 sterilizations had been performed, compared to an original program target of 130,000 procedures.

UNFPA funding will terminate in September, 1976. To offset the decrease in UNFPA assistance to the program, AID has agreed to provide funds for subsidizing sterilizations. AID will provide subsidies for sterilizations based on target goals established for FY 1977 sterilizations. Subsidies will be given for sterilizations performed at hospitals and maternal child health clinics but greater emphasis and support will be on sterilizations performed at rural health stations and mobile units. Funds obligated for the sterilization subsidy program covering program efforts in FY 1977 amount to \$695,000.

The AID support for sterilization on a subsidy basis is a unique method of assistance. Careful consideration will have to be given towards managing and monitoring the flow of funds. USOM has provided funds for contracting a local audit firm to perform a systems analysis on the subsidy reimbursement procedures and to provide periodic reviews of submitted documentation during the course of the reimbursement period.

The sterilization subsidy program did not form a sector of the approved project paper nor was it a part of the project logical framework. The purpose of the project paper is to provide a definitive description and appraisal of the project, outline responsibilities of A.I.D. and the recipient and particularly the plan of implementation. The logical

framework contains a description of project goals, purpose, outputs and required inputs.

Since both of the documents are essential to effective project management, USOM should amend them to ensure they are in alignment with project purpose and scope.

Recommendation No. 1

We recommend that USOM/Thailand formally amend the project paper and logical framework for the Population Planning Project (No. 493-11-580-283) and incorporate within them the essential elements related to the AID-assisted sterilization subsidy program.

Oral Pills Procurement. USOM has financed the procurement of 41.5 million oral pill cycles for the NFPP. The oral pills are received by NFPP headquarters in Bangkok and distributed directly to provincial health offices, which in turn distribute to medical clinics, hospitals and maternal child health centers.

In FY 1973, the RTG agreed to provide increasing budget annually for the purchase of orals. As the RTG procurement increases, AID support for the program will decrease. During the period FY 1977 through FY 1981, AID will procure an additional 15 million cycles while the RTG procurement will be 55 million cycles. This gradual turnover of pill procurement responsibility to the RTG will help ensure that sufficient quantities of orals are available and in the pipeline, and that a budget category for orals is permanently "built-in" to the RTG-NFPP budget.

Condoms Procurement. During 1974, USOM procured for NFPP 149,000 gross condoms or 21,456,000 units with an approximate value of \$580,000. The procurement was based upon the request of the RTG for condoms, and on the basis of a Canadian-sponsored research project to determine condom requirements in Thailand. As a result of the research survey, it was estimated that between 2 percent and 5 percent of 5 million eligible couples would use condoms for contraception if they were made available thru the NFPP and if efforts were made on the part

STATE - A.I.D. - USIA ROUTING SLIP					DATE 5/9/77	
TO:	Name or Title	Orgn. Symbol	Room No.	Bldg.	Initials	Date
1.	Mr. Ed Mau, PHA/POP,	311	RPE			
2.						
3.						
4.						
5.						

Approval	For Your Information	Note and Return
As Requested	Initial for Clearance	Per Conversation
Comment	Investigate	Prepare Reply
File	Justify	See Me
For Correction	Necessary Action	Signature

REMARKS OR ADDITIONAL ROUTING

SUBJECT: THAILAND — Population Planning Project
(Proj. No. 493-0283)

REF: Zunis/Hahn Memo dated 5/4/77

Per our telcon this afternoon, I am forwarding herewith a copy of the referenced memo and its attachments.

Please let me know what action is being taken to amend the project's PP and log frame.

Thanks.

FROM: (Name and Org. Symbol)	ROOM NO. & BLDG.	PHONE NO.
Zach Hahn, ASIA/PD	611 RP	58960