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AUDIT OF
AID'S EVALUATION PROGRAM

AUDIT REPORT NO. 9-000-86-5

August 27, 1986

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20543

Office of the
Deputy Inspector General

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FROM: D/IG,  James B. Durnii

SUBJECT: Audit of AID's Evaluation Program

This report represents the results of audit of AID's Evaluation Program. The audit objective was to analyze a sample of AID mission evaluation reports and determine benefits achieved from these evaluations and the extent they were achieving statutory and administrative purposes.

Audit results showed that the Center for Development Information and Evaluation, bureaus, and missions were attempting to improve the evaluation process through workshops and improved monitoring. However, the audit found that management controls at both the mission and bureau levels needed substantial improvement and the intended purposes of evaluations was not being adequately achieved. Many of the evaluation reports were poorly prepared making it difficult for AID management to use them for decision-making. Evaluations often did not compare actual with anticipated results, as required by the Foreign Assistance Act. Evaluations were not always clear about their purpose, nor careful to present findings, conclusions, and recommendations as required by Handbook 3. In addition, the extensive use of contractors to perform evaluations was not economical or effective and took the place of internal evaluation and monitoring.

We have made four recommendations involving the need for Agency-wide standards, decreasing the use of and reliance on contractors and implementation of recommended action by the geographic bureaus pending handbook revision. Management comments to the draft report were carefully considered and are attached as Appendix B. Changes were made to the report where appropriate.

Please advise me within 30 days of action taken or planned to clear the recommendations. Thank you for the courtesies extended to my staff during the audit.

EXECUTIVE SUMMARY

The Foreign Assistance Act (FAA) as amended in 1968, required AID to establish a management information system in order to more effectively use foreign aid funds. This system was to include a process that compared actual project results with those anticipated. The Agency established both evaluation and monitoring systems to meet this requirement. The Agency established an internal system for monitoring while about 70 percent of Agency evaluations were made by contractors. An average of 270 evaluations were made annually, of which about 85 percent were undertaken by missions at an estimated cost of about \$10 million.

The objective of this program results audit was to analyze a sample of AID mission evaluation reports and determine benefits achieved from these evaluations and the extent they were achieving statutory and administrative purposes. The audit disclosed that management controls at both the mission and bureau levels needed substantial improvement and the intended purpose of evaluations was not being adequately achieved. Also, a more judicious and efficient use of contractor services was needed.

In recognition that there were serious problems in the Agency's evaluation system, the Center for Development Information and Evaluation (CDIE), Bureau for Program and Policy Coordination, was attempting to improve evaluation planning and quality. The geographic bureaus were issuing guidelines and procedures and selectively reviewing evaluation reports. Two of the five missions visited had improved evaluation procedures and one of the two had a system to follow-up on recommendations. The Agency, however, still needed to make significant improvements in its management of the evaluation program. The audit's two findings are summarized below.

AID's Handbook 3 requires evaluations to provide an objective and rational basis for making decisions about programs and projects. However, the audit disclosed that the low quality of many evaluation reports made it difficult for AID management to use them for decisionmaking. Comparison of project results to those anticipated was often inadequate or entirely missing. Evaluation purpose and methodology were not presented or were unclear. Conclusions were not adequately supported or were difficult to locate. Recommendations were not supported, not readily identifiable, and often insignificant, not actionable or repetitive of action already underway. Lessons learned, when presented,

provided little guidance to AID designers of future or follow-on projects. These conditions were caused by insufficient Agency-wide guidance and management controls over evaluation. The benefits to AID from evaluations were reduced and at least \$3 million of the estimated \$10 million spent annually by AID missions did not achieve intended benefits.

This report recommends that nine quality standards regarding evaluation report quality be made a specific part of Agency guidance and that these standards, along with quality control measures, be implemented by each mission at this time pending development of formal agency guidance.

The FAA, as amended, required the Agency to establish an advanced management information system that would lead to more effective use of foreign aid funds. The Agency, however, placed too much reliance on contractors to satisfy FAA requirements rather than on improving internal monitoring and evaluation efforts. Resultant evaluation reports were often of low quality and were primarily used for purposes other than established by the FAA. For example, evaluations often did not compare actual project results with those anticipated, a specific objective of the FAA. These conditions occurred because agency policy and procedures were not clear on how the FAA requirement was to be met, and guidance over the conduct of evaluation and monitoring was not adequate. We believe the Agency could save about \$2.5 million annually through more selective use of outside contractors, while improving its internal management system.

This report recommends that AID policy and procedures be amended to better control the use of contractor services, clarify requirements for internal monitoring, improve guidance for use of analytical techniques, establish guidance on implementing recommendations, and determine and report evaluation costs.

Management agreed with some of the report's findings, conclusions, and recommendations, but disagreed with others. Management agreed that evaluation report quality needs improvement, missions need to better follow-up on evaluation findings and recommendations, and that there may exist a need for stronger internal evaluation by project officers.

However, management did not agree with portions of the report and stated that (i) the need for a stronger monitoring system was not demonstrated although the report asserted that missions over-rely on consultants, (ii) the

report does not adequately address the audit objective concerning controls over evaluations, and (iii) the report does not include information on the bureaus' discharge of the evaluation role, nor on Mission Orders or procedures and the extent to which they were followed. Since missions already have authority to exercise control over evaluations, there is no basis to conclude there are serious gaps in the Agency's decentralized management of evaluation. The audit misrepresented AID's purpose for evaluation by using inappropriate criteria for determining evaluation effectiveness, and based upon information solicited from missions, the evaluation reports included in the audit were useful to managers.

In regard to management comments, we believe that the audit report focuses on the purpose of evaluation and whether the Agency's evaluation program satisfies the purposes. We concluded that both the statutory and administratively-established purposes for evaluation could often be satisfied by the monitoring system already required by the AID Handbook, and that routine use of contractors to provide this information was undesirable and unnecessary.

Further, the report does address the audit objective concerning controls, although from a broader perspective than may have been anticipated by Agency management. We reported that controls over evaluations were insufficient in two important aspects. First, management was not ensuring an adequate level of quality was being obtained in preparation of evaluation reports and second, that evaluations did not satisfy the statutory requirement to determine whether projects were achieving their stated purpose.

The audit criteria for determining evaluation effectiveness was derived from Section 621A of the Foreign Assistance Act, which requires the Agency adopt methods for comparing actual with anticipated results of programs and projects. As this is the only statutory basis for the evaluation program, all evaluations should have at least met this requirement.

Finally, we acknowledge that some evaluations discussed in this report may well have been useful to Agency managers. However, we believe management's reply tends to overstate the evaluation's value and that improving evaluation report quality would make evaluations and related reports far more useful.

Although unresolved differences exist, Agency management agreed with significant portions of the recommendations.

Management agreed to implement 8 of the 9 recommended quality standards and specify to when use of contractors to conduct final evaluations was appropriate. Also, guidance would be provided on using analytical techniques, monitoring the implementation of recommendations, and identifying and reporting evaluation cost.

There were, however, disagreements concerning one of the recommended quality standards, the use of outside contractors for interim evaluations, the underlying purpose for evaluation, and the need for Assistant Administrators to advise missions to implement the report's recommendations at this time, pending revision of the AID Handbook. We made several changes to the audit report recommendations in light of management's comments and firmly believe that with these revisions, all recommendations are appropriate and should be implemented.

Management and the Office of Inspector General comments to the report recommendations are summarized after each finding. A copy of management comments relevant to report content, conclusions and recommendations is included as Appendix B to the report.

Office of the Inspector General

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AID'S EVALUATION PROGRAM**

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PART I - INTRODUCTION

A. Background

The Foreign Assistance Act was amended in 1968 to require a management information system be established to facilitate decisionmaking on the effective use of foreign aid funds. This system was to include a process to compare actual results of projects with those anticipated (see Appendix for text of statutory requirements). The Agency designed a project monitoring and evaluation system to meet this requirement. As one element of this system, the Agency adopted the Logical Framework, which distinguished between "results" at four levels: inputs, outputs, purpose and goal. Comparison between actual and anticipated results could be made at each level.

In the 1970s, the Agency required projects to be evaluated annually. More recently, missions have evaluated projects only once or twice during implementation and again at project completion.

During fiscal years 1983 and 1984 USAID missions, bureaus, and offices were responsible for an average of 268 evaluation reports annually. In AID's decentralized evaluation system, most evaluations were sponsored by AID missions; in 1984, for example, 85 percent of all evaluation reports originated in missions. About 70 percent of evaluations were performed by outside contractors.

Evaluations were funded by bureaus and missions, and total costs were not accumulated. A fiscal year 1983 effort to determine evaluation cost was inconclusive since not all missions and bureaus reported cost. An outside contractor estimated 1982 evaluation cost at \$12.1 million. Of this amount, \$10 million was spent by missions, of which \$8.3 million was spent for contractors and \$1.7 million for AID staff.

The Center for Development Information and Evaluation (CDIE) is responsible for monitoring and providing overall guidance for AID's evaluation procedures and methods. Bureaus are responsible for ensuring mission implementation of overall guidance and conducting evaluation of their projects. Each USAID mission is responsible for conducting evaluations of mission projects.

B. Audit Objective and Scope

A program results audit was made of the AID evaluation process. The specific objective of the audit was to analyze a sample of past AID mission evaluation reports and determine the benefits achieved from these evaluations and the extent they were achieving statutory and administrative purposes. The audit focused on the missions' use of contractors to make project evaluations.

The audit was made at the Bureau for Program and Policy Coordination, the Bureau for Science and Technology, the geographic Bureaus, and at USAID missions in Costa Rica, the Dominican Republic, Indonesia, Senegal and Thailand.

The audit reviewed information in administrative, project and contract files related to the evaluation process, and examined the 43 evaluation reports listed in Exhibit 1.

The audit was made in accordance with generally accepted government auditing standards.

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PART II - RESULTS OF AUDIT

Improvements need to be made in the quality of formal evaluations and resultant reports at the mission level. Contractor evaluations were not always effective in assessing results, and were used for purposes that should have been achieved by the monitoring system and internal evaluations. Annually about \$3 million could be used more effectively by improving evaluation reporting quality. In addition, \$2.5 million could be saved annually by more judicious use of contractors while improving mission management practices.

Recognizing there were serious problems needing attention, the Center for Development Information and Evaluation (CDIE), Bureau for Program and Policy Coordination, began efforts in the early 1980s to improve evaluation planning and quality. The geographic bureaus were issuing guidelines and procedures and selectively reviewing evaluation reports. Two of the five missions visited had improved evaluation procedures and one of the two had a system to follow-up on recommendations. The Agency, however, still needs to make significant improvements in its management of evaluation.

The audit disclosed that the quality of many evaluation reports was so low that it was difficult for AID management to use them for decisionmaking. For example, evaluation reports reflected significant problems in the manner the evaluators developed and presented their review of project results, evaluation purpose and methodology, conclusions and recommendations, and lessons learned.

In addition to problems in the evaluation process and related evaluation reports, the Agency relied heavily on contractors to satisfy Foreign Assistance Act (FAA) requirements rather than increasing and improving internal monitoring and evaluation. Contractor evaluations were often ineffective and were being primarily used for purposes other than established by the FAA. For example, contractors often did not compare actual project results with those anticipated, a specific objective of the FAA.

This report recommends that Agency guidance include certain reporting standards along with quality control measures, and that implementation by each mission begin at

this time, pending development of formal agency guidance. Also, AID policy and procedures should be amended to better control contractor services, clarify requirements for monitoring, improve guidance for use of analytical techniques, establish guidance on implementing recommendations, and determine and report evaluation costs.

A. Findings and Recommendations

1. Evaluation Report Quality Needs Improvement

AID's Handbook 3 stated that evaluation should provide an objective and rational basis for making decisions about programs and projects. However, the audit disclosed that the quality of many evaluation reports was low and it was difficult for AID management to use them for decision-making. Comparison of project results to those anticipated was often substantially inadequate or entirely missing. Many evaluation reports did not contain tables of contents, executive summaries, or scopes of work describing what was to be accomplished. Evaluation purpose and methodology were not presented or were unclear. Conclusions were not adequately supported or were difficult to locate. Recommendations, in addition to being unsupported and not readily identifiable, were also insignificant, not actionable or repeated action already underway. Lessons learned, when presented, were often too general and poorly conceived to provide guidance to AID designers of future or follow-on projects. These conditions were caused by insufficient Agency-wide guidance and management controls over evaluation. The benefits to AID from evaluations were reduced, and at least \$3 million of the estimated \$10 million spent annually by AID missions did not achieve intended benefits.

Recommendation No. 1

We recommend that the Assistant Administrator, Bureau for Program and Policy Coordination (PPC):

- a. develop Agency-wide standards for evaluation reports and amend the AID Handbook to require that the standards be followed. As a minimum, the standards should require evaluation reports to:
 - include a table of contents,
 - explicitly state its purpose,
 - describe the methodology used, scope, techniques of data collection, analysis and data sources,
 - measure the project's progress against established indicators,

- include an executive summary that briefly but accurately describes the project's background and evaluation's purpose, findings, conclusions and recommendations,
 - make conclusions that are distinctly and prominently presented and are supported by the report,
 - include recommendations that are addressed to USAID personnel and are significant, practical, actionable, supported by factual data and are presented in a discrete report section,
 - identify lessons learned from the project that could be useful in the design or implementation of similar projects, and
 - attach the contractual scope of work to readily permit comparison of the work performed with what was requested.
- b. incorporate in the Agency Handbook requirements on report quality, a statement that project officers responsible for initiating and sponsoring evaluations should require evaluation reports that comply with the standards, and remind project officers that certification of the voucher for payment for contractor-conducted evaluations requires that the report conform to the statement of work.

Recommendation No. 2

In order to obtain current improvement in evaluation quality, we recommend that the Assistant Administrators for Africa, Asia and Near East, and Latin America and the Caribbean require implementation of the above evaluation quality standards pending handbook revision.

Discussion

The Foreign Assistance Act as amended requires that AID adopt a system to compare actual with anticipated results and that the AID Administrator establish standards for evaluation. The standards for evaluation as outlined in AID's Handbook 3 urge those carrying out evaluations to be clear about the purpose and to present their findings, conclusions and recommendations so that they can be

understood by individuals outside the specific project context. In addition, Handbook 3 states that evaluation should provide an objective basis for making decisions about programs and projects.

The Center for Development Information and Evaluation (CDIE), Bureau for Program and Policy Coordination, is responsible for monitoring and providing guidance. CDIE prepared annual reviews of evaluation performance, promoted training courses for AID's evaluation staff, and provided annual guidance on the planning and conduct of evaluations. CDIE also oversaw the quality of AID's evaluation work.

Evaluation Standards - Agency-wide standards for quality aspects of evaluation reports were not adequate. For example, the Agency's quality standards excluded attributes pertaining to the table of contents, executive summary, conclusions and recommendations. These are essential elements that must be contained in every report if it is to be clear, understandable and have maximum impact.

By combining standards suggested by the Handbook with others identified by our review, nine standards were identified against which report quality was reviewed. The standards on table of contents, executive summary, conclusion, recommendation and scope of work were developed based upon interviews with Agency personnel and outside contractors who were trying to improve evaluation quality.

In addition, the United States Comptroller General standards for program results audits were considered. This type of audit is performed to determine whether the desired results or benefits established by a legislative or other body are being achieved. As such it is very similar to the FAA requirement pertaining to comparison of actual with anticipated results. These standards require (i) an assessment of the adequacy of the management system for measuring effectiveness, (ii) a determination of the extent to which a program achieves the desired level of results and (iii) identification of factors inhibiting successful performance.

Report attributes were discussed with three geographic bureaus and four mission evaluation officers to determine the attributes they considered a good evaluation report should include. Based upon these sources, standards were selected to evaluate the quality of the 43 reports in the audit sample.

Evaluation Report Deficiencies - Our review of 43 reports against the nine standards revealed that, while many reports contained useful information, they generally fell substantially short of the standards. As a result, the reports were not sufficiently understandable and clear, and did not demonstrate that a competent evaluation had been made that would enable responsible officials to make informed decisions or determine project success. The chart below summarizes the 43 reports compared to the standards. It is followed by a discussion of findings relative to each standard. Standards not included in the Handbook are indicated by an asterisk (*).

Number and Percent of
Evaluation Reports in Sample of 43 That
Exhibited Clear and Obvious Deficiencies
Compared to the Standards

<u>Standard</u>	<u>Number of Reports With Deficiencies</u>	<u>Percent</u>
* 1. Table of Contents	9	21
2. Purpose	14	32
3. Methodology	8	19
4. Project Progress	13	30
* 5. Executive Summary	28	65
* 6. Conclusions	16	37
* 7. Recommendations	(See Note)	
8. Lessons Learned	26	60
* 9. Scope of Work	20	46

Note: Because Standard 7 applies primarily to the quality of recommendations rather than the quality of the report in which they are contained, the deficiencies are not quantified here. Findings concerning recommendations, are discussed below.

- * --1. Table of Contents: An evaluation report should have a table of contents.

A table of contents is necessary to provide a guide for information contained in the report and to enable a reader to find salient material. Reports in the audit sample averaged 56 pages, plus annexes and appendices. Despite this length, 9 of the 43 reports did not have a table of contents--including one report with 91 single-spaced pages of narrative material and 30 additional pages of tables and annexes.

- 2. Purpose: An evaluation report should explicitly state its purpose.

An explicit statement of purpose is needed to provide a focus for the information that follows and to make it more likely that the preparer of the report will address the pertinent issues. In this regard, 14 reports were deficient: 6 reports stated no purpose at all, while 8 others were vague or unclear about the report purpose. Examples of unclear statements of purpose are:

- This evaluation of the SBS will attempt to examine all aspects of the system and make recommendations for consolidating, expanding and upgrading the SBS.
- The present document has as its fundamental objective, to make an evaluation of the actual state of ... (project specific information). The achievements, progress and impact that the program has had since its creation ... as well as the limitations which have affected its efficient functioning were determined.

- 3. Methodology: An evaluation report should describe the methodology used, including scope, techniques of data collection, analysis and data sources.

A clear statement of methodology, including a statement of how the project's progress was measured, enables the reader to assess whether the approach was sufficient to support the report's conclusions. However, evaluation

Note: * Indicates standard not required by the Handbook.

methodology was often not well presented. Eight reports had problems in this regard; five reports had no statement of methodology, and methodology statements of an additional three were vague. Few of the reports indicated scope, techniques of data collection or analytical methods used.

- 4. Project Progress: An evaluation report should measure project progress against indicators established by the project paper, or against those subsequently approved during project implementation.

The FAA specifically requires that a management system be established that permits comparison of actual with anticipated results. It is on this basis that AID's Handbook 3 stipulates that project designs in the project paper provide a basis for the assessment of performance, and that evaluations compare the results of projects against established indicators. Without a comparison of anticipated inputs, outputs, purposes and goals with actual accomplishment, an evaluation becomes a mere listing of inputs and outputs, making it difficult to conclude whether or not a project met its objectives.

This standard is especially critical, not only because of its statutory basis, but because of its importance in determining project success. Nonetheless, evaluators did little measurement against project indicators. Of the 43 reports, 13 did not include any measurement against such indicators. Of the 30 reports that included such measurements, the tendency was to consider primarily project inputs and outputs, and exclude the more significant indicators that could demonstrate accomplishment against the project purpose or overall program and sector goals.

- * --5. Executive Summary. An evaluation report should include an executive summary that briefly but accurately describes the project's background and evaluation's purpose, findings, conclusions and recommendations.

An executive summary allows readers to quickly obtain sufficient information to understand evaluation findings, make conclusions and, when appropriate, direct corrective action. Reports lacking a summary that includes the attributes included in the above standard are unlikely to be read by management, who needs the benefit of the evaluation results. In this regard, one of the Mission Directors stated that he would like to read evaluation reports, but found them too long and cumbersome.

Many of the reports did not have well-prepared executive summaries, and 16 of the 43 reports contained no executive summary at all. Of the 27 reports that had executive summaries, 12 were deficient in that they did not include one or more of the attributes listed in the standard above.

For example, a 1985 evaluation report of a range and livestock development project in West Africa was 454 pages long, but did not have an executive summary nor an overall table of contents. An executive summary in another report was eighteen pages long--almost one-fourth the length of the entire report.

- * --6. Conclusions: An evaluation report should make conclusions that are distinctly and prominently presented and are supported by factual evidence in the report.

A prominent presentation of conclusions that relate to the report's purpose enables the reader to get vital information quickly and provides a focus for the detailed information in the report.

Of the 43 evaluation reports we reviewed, relevant conclusions were not specified in 11 reports, and an even greater number of reports, 16 out of 43, did not have discrete conclusion sections. This deficiency, coupled with the lack of an explicitly stated report purpose, made it difficult to understand both what the evaluation had set out to do and what it had actually accomplished.

Conclusions were not always adequately supported by evidence and analysis in the reports. For example, a March 1985 evaluation of USAID Bangkok's Northeast Small Scale Irrigation (NESSI) Project concluded that previous project difficulties had been corrected. To support this conclusion the evaluator wrote:

"Measures adopted by USAID, the CTF, RID and DOAE have been effective in correcting problems, to the extent that NESSI has come to represent a unique and successful approach to the institution of on-farm distribution systems."

The evaluator presented no additional empirical evidence or analysis to support the conclusion. As shown, the evidence relates only indirectly to the conclusion.

Similarly, an evaluation for USAID's Santo Domingo's Women's Training and Advisory Service Project concluded that the project had a positive impact on 2,500 beneficiaries. However, the evaluation report discussed only four favorable case studies to support this conclusion. Concerning this evaluation, the bureau evaluation officer stated that the conclusions and recommendations appeared to have been drawn from the evaluator's impressions and not from meaningful empirical and analytical evidence.

- * --7. Recommendations: An evaluation report should have recommendations that are addressed to USAID personnel and are significant, practical, actionable, supported by factual data, and are presented in a discrete report section.

Recommendations are the means by which an evaluation suggests modifications so that a project will better achieve its objectives, and a number of the evaluations reviewed contained significant, practical recommendations which accomplished this. However, many recommendations were of such poor quality that they could not make any positive impact on the project. These latter recommendations fell into various categories as follows:

Weak recommendations - Many recommendations were weak because they did not recommend anything concrete or they recommended something that had already existed. The following are examples of weak recommendations.

- Consider whether to end the project as scheduled ... or extend it in some form.
- The project must continue to develop a close working relationship with all agencies....
- ... maintain continuing supervision of the training activities....
- Continue the practice of exchanging information, techniques and knowledge ... as is currently being done....

Insignificant and unclear recommendations - Many recommendations were so unimportant or unclear that they had no potential impact on the project's success. Examples are:

- Implement a more active strategy of encouraging use of the library materials....
- The ... team should be encouraged to start a team newspaper and bulletin board for inter-team communication.
- To form a campaign among the personnel as to the identification of training priorities, and also to identify the priorities of the farmers who benefit from the program.

Impractical recommendations not actionable - Recommendations were very often addressed to organizations other than the USAID. If recommendations are important to the project's success, they should be specific, practical and actionable, and addressed to USAID personnel. This does not mean that the recommendations could not involve action by the host government, private voluntary organizations, or others. The responsibility for ensuring necessary corrective action should, however, be addressed to the appropriate USAID office. Examples of impractical recommendations follow:

- Search for a way for people to earn a living on economically fragile lands.
- Create a team spirit ... to carry out programs....
- Consideration should be given ... to examine the role of the ... (host country government agency) in policy formulation and its relation to other agencies....
- Considerable care needs to be exercised to keep national policies from encumbering the effective operation of individual (cooperatives)....

Overall, a significant number of the recommendations were of poor quality. Of 304 recommendations contained in evaluation reports in Costa Rica and the Dominican Republic, 60 were weak or recommended continuation of actions already in progress, 30 were insignificant or unclear and 13 were impracticable or not actionable. Therefore, a full one-third of the 304 recommendations by their very nature would have little potential impact on the projects. In addition, many of the remaining two-thirds had become obsolete, were not implemented, or the implementation status was not known. Accordingly, few of the 304 recommendations could have improved Agency projects.

In addition, recommendations were not always supported by factual data in the report. For example, evaluation of the USAID San Jose's Natural Resources Conservation Project recommended that the project continue for the remainder of its project life through September 1985. However, information in the report to support this recommendation--such as "the local staff is motivated and competent"--was merely an assertion by the evaluator and according to the project officer was "untrue or questionable." Thus, the report did not provide adequate data to support its contention that the project be continued. As a result, the project experienced further difficulties and as of August 31, 1985, only 48 percent of the \$9.8 million authorized had been expended.

Some reports contained too many unprioritized recommendations. The 43 reports that we reviewed averaged 19 recommendations. Each of two reports had over 100 unprioritized recommendations. With so many recommendations, management had difficulty in separating the important from the trivial, and in monitoring implementation of valid recommendations. A far better procedure would have been to limit recommendations to actions that could impact project goals or future project design, and discuss less important matters verbally.

Many reports also did not highlight their recommendations. In nine of the reports reviewed, recommendations were contained only within the report narrative, were not numbered, and, in some cases, were not even clearly identified as recommendations.

- 8. Lessons Learned: An evaluation report should determine lessons learned from the project concerning knowledge and experience that may be useful in the design or implementation of similar projects.

A potentially important benefit of the evaluation program was the identification of beneficial or harmful conditions, processes and outcomes during project implementation. Reporting of these experiences (lessons learned) could possibly benefit future projects and programs.

The Agency placed a great deal of importance on identifying lessons learned. AID Handbook 3 required that final evaluations identify lessons learned, and CDIE emphasized the propagation of this experience for consideration by project designers. Final evaluations, which comprised

about 40 percent of the Agency's evaluation workload, were made to assess results achieved, identify follow-up actions, or in the case of phased projects, provide a basis for making decisions about the project's continuing relevance, value, and direction. Therefore, final evaluations might be expected to present lessons learned.

Nevertheless, identification and preparation of lessons learned were generally very poor. Only 17 of the 43 reports reviewed contained lessons learned. Of the 13 final evaluations in our sample, 5 did not identify lessons learned. Overall, 60 percent of the reports we reviewed did not contain lessons learned.

Lessons learned that evaluators did identify were often of limited use. Examples follow:

- The Project Officer should ascertain periodically if all parties are fulfilling their commitments to the project....
- ... the ... project merits more careful examination and evaluation than we were able to give it, because there may be important lessons to learn which might be applicable elsewhere in Indonesia.
- The Board of Directors of a PVO (Private Voluntary Organization) can be an important asset. Directors should be encouraged to participate in decision making and to contribute their experience and know how for problem solving.
- Management and staff effectiveness is a critical element for project performance. Thus implementation problems are significantly reduced if competent managers and staff are a prerequisite for project assistance.
- * --9. Scope of Work. The contractual scope of work should be attached to the evaluation report to readily permit comparison of the work performed with what was requested.

The scope of work is an important document that identifies the primary reason for the evaluation, the main audience for the evaluation findings and the specific questions the evaluation must address. The inclusion of the scope of work clarifies what AID intended the evaluation to

accomplish and, in our opinion, increases the likelihood that the evaluator will respond to the concerns of management. However, only 23 of the reports in our sample included a contractual scope of work.

Independent Assessments of Evaluation Quality - Independent assessments made by two Agency contractors concluded that the quality of evaluation reports needed improvement. On a quality scale of zero to one hundred, a CDIE contractor computed the average of all FY 1983 Agency evaluation reports to be 53.8. (The higher the score, the higher was the quality and completeness of the report.) The quality criteria included such attributes as data collection, action implications, writing and separation of fact from interpretation.

This contractor noted that among the 270 evaluation reports reviewed, relatively few were highly rated. Some scores were as low as the 10-20 range, and a few exceeded 90. However, only 14 percent of the 270 reports exceeded 70. (Exhibit 2.)

Another contractor assessed evaluation report quality within the Latin America/Caribbean Region (LAC). The contractor reviewed all FY 1984 LAC evaluation reports and found that 28 percent of the FY 1984 LAC evaluations were of poor quality and another 50 percent of mediocre quality.

Problems with evaluations were also demonstrated by a 1982 study on AID's experience in agricultural research. The study reviewed 131 Agency agricultural research project evaluation reports in order to characterize lessons learned for the agricultural research sector. The study concluded, however, that the quantity and quality of data found in the evaluation documents were insufficient to permit comparative analysis that would lead to generalized lessons regarding the sector.

Reasons For Quality Problems - The quality problems cited above occurred for a number of reasons including (i) insufficient Agency-wide guidance on evaluation methodology and report preparation, and (ii) too little quality control over evaluation reports exerted by CDIE and the bureaus and missions sponsoring the evaluations.

Evaluation guidance - Handbook 3 (as revised in 1982) provides general guidance on evaluation and more specific guidelines on evaluating projects during implementation.

However, it did not include practical guidance on how to do an evaluation and how to prepare a report. In addition, the existing Agency Evaluation Handbook was out-of-date. The latest edition was issued in 1976 based on an edition first issued in 1971. As noted earlier, CDIE had drafted, but had not yet issued, a revised Evaluation Handbook.

Rather than establishing Agency-wide guidance, Handbook 3 assigned the individual bureaus responsibility for developing and supervising their own arrangements for evaluations. As a result, specific practical guidance that did exist varied considerably among bureaus. The Bureau for Asia and Near East had established detailed guidance. Guidance from other geographic bureaus consisted solely of occasional cabled instructions. Except in the Asia and Near East Bureau, report format--such as inclusion of tables of contents and executive summaries and highlighting of conclusions and recommendations--was generally left up to the contractor.

Lack of Agency-wide guidance makes consistently useful evaluation reports unlikely. Agency-wide guidance would provide a uniform, authoritative standard for all AID evaluations. Such guidance would require that an evaluation be prepared to include the standards presented above.

Quality Control - The second cause for poor evaluation quality was that the Agency exerted too little quality control over evaluation reports. Regarding quality control, AID Handbook 17 requires that CDIE (i) make preevaluative reviews of evaluation scopes of work on request, (ii) make in-depth examinations of problems through annual reviews of evaluations, (iii) conduct seminars and workshops, and (iv) develop evaluation methodologies. Bureaus and missions are responsible for the supervision of arrangements for conducting evaluations, and for the planning, conduct and utilization of contractors, respectively.

The Agency, however, was not doing enough to ensure high quality evaluation reports. CDIE was concerned with quality, but was not adequately involved in individual reports. CDIE had discontinued the annual review of evaluation report quality after the 1983 review, and had not completed any specific action with regard to the annual reviews made in 1982 and 1983 until recently. CDIE has prepared a draft Evaluation Handbook, conducted a limited number of quality review seminars and workshops

and issued reports on evaluation methodology in its program design and evaluation methodology series. Nevertheless, these actions had no major impact on evaluation quality.

Bureaus exerted some control over quality. Bureau evaluation officers reviewed and commented on some evaluation reports. However, the ability of the bureaus to improve poor reports was limited because contractors had delivered a report, thereby completing their contractual obligations.

Missions needed to be the main source of quality control, as they were responsible for conducting evaluation and contracted for most evaluation efforts. However, missions were generally ineffective in assuring that contractors provided quality evaluation reports. Therefore, changes to the Handbook incorporating the recommended standards for report quality should also include a requirement that project officers responsible for the conduct of evaluations certify compliance with the standards before accepting the report and making final payment.

Funds Wasted Due to Poor Evaluations - At least \$3 million of the \$10 million spent annually for mission evaluations did not achieve intended benefits due to poor quality evaluation reports--in addition to an undeterminable cost related to lost developmental opportunities. Therefore, implementation of recommendations contained in this report should result in annual benefits greatly exceeding the \$3 million. These estimated benefits are conservative and based upon the observation that 30 percent (13 out of the 43 reports reviewed) did not meet the minimum FAA requirement regarding the adoption of methods for comparing actual results with those anticipated (30 percent of the estimated \$10 million spent annually on mission evaluations, or \$3 million).

Meeting the statutory requirement set forth in the FAA (and also embodied in Standard No. 4) is critical to the makeup of a good evaluation. Without a comparison between established objectives and actual accomplishment, an evaluation can become a mere listing of inputs and outputs, making it almost impossible to conclude whether or not a project is likely to be or has been successful. In fact, 30 percent of reports identified as not comparing actual to anticipated results considered none of the four levels of results (inputs, outputs, project purpose, or program or sector goals).

Of the 70 percent which did compare actual to anticipated results, the tendency was to consider only project inputs and outputs, excluding the higher level indicators relating to project purposes and goals. This again left open to question whether project purpose and overall goals were being achieved. Without comparison against these higher level indicators, it was difficult to arrive at any conclusion about project results.

Nonachievement of the eight other standards added to the overall problem. When an evaluation report is not prepared properly, there is potential adverse impact, both because of unclear identification and reporting of findings, recommendations, and conclusions on the project at hand, and also because of the lack of carefully considered lessons which might prove useful elsewhere. We did not, however, attempt to quantify the impact of the other standards not being achieved.

Conclusion

In general, we concluded that evaluators were neither clear about the questions they were trying to answer, nor careful to present findings, conclusions and recommendations in ways that could be understood and used by others. Accordingly, evaluations did not provide a sound basis for making decisions either about the current project or about similar future projects.

Management Comments

Management agreed with all parts of Recommendation 1, to develop Agency-wide standards, except for the Standard 4, which concerned measuring the project's progress against established indicators. Management stated the new Evaluation Handbook (publication expected in 1986) establishes standards that exceed the recommendations. Concerning Standard 4, management disagreed that evaluation must measure the project's progress against established indicators, for the reasons presented with their comment on the statutory requirement for evaluation (page 35).

Management disagreed with Recommendation 1b, to incorporate in the Agency Handbook a provision that project officers certify compliance with the quality standards. They stated specific controls for evaluation reports are not necessary, given existing AID requirements concerning all types of contractor-prepared reports.

Management also disagreed with Recommendation 2, which required the Assistant Administrators of the geographic bureaus to immediately require implementation of Recommendation 1. The new Evaluation Handbook will meet all the concerns of Recommendation 1.

Office of Inspector General Comments

We are pleased that the Evaluation Handbook will establish stringent requirements for evaluation reports. Publication of a handbook specifying standards will form the basis for improving evaluation report quality. However, publication of the handbook, in and of itself, is not sufficient to ensure compliance with the standards. Accordingly, Recommendation 1 specified both development of standards and amendment of the AID Handbook to require the standards be followed. Recommendation 1 further specified a process for project officers to certify compliance with the standards.

The management reply does not address the total process needed to ensure compliance with the standards. First, the reply did not address amending the AID Handbook to require the standards be followed, as recommended. Secondly, although management's statement is correct that certification requirements already exist, project officers need to be aware of the significance of quality to the evaluation process. Accordingly, Handbook 3, Chapter 12, should state (i) that quality standards presented in the Evaluation Handbook must be followed, (ii) emphasize that statements of work for contractor-conducted evaluations specify that standards be followed, and (iii) remind project officers that the payment-certification process requires that the evaluation report should conform with the scope of work. Accordingly, Recommendation 1 in the final report has been changed to more fully describe the process needed to ensure evaluations are done in conformance with formally-established standards.

Concerning Standard 4, evaluations should, as a minimum, measure the project's progress against established indicators. As discussed in more detail on page 25, the Foreign Assistance Act specifically calls for a measurement of actual versus anticipated results. As the indicators are the basis for verifying result accomplishment, all evaluations should measure progress against the indicators.

We also believe that Recommendation 2 needs to be implemented. The Evaluation Handbook has not yet been published, and the recommended changes to the AID Handbook that was considered necessary for full-compliance have not yet begun. Therefore, steps need to be taken immediately to implement Recommendation 1.

Management Comments

Management stated that the Office of the Inspector General utilized the wrong criteria in assessing whether an evaluation was effective. Although evaluation report quality can be improved and methods strengthened, the quality of the evaluation report or its recommendations do not determine evaluation effectiveness. The important consideration is whether the evaluation led to decisions and changes that supported AID objectives. Review of several evaluations cited by the audit report disclosed that Agency managers were able to use evaluation findings and recommendations to make significant decisions and changes.

Office of Inspector General Comments

The basic criteria used in assessing evaluation effectiveness was Section 621A of the Foreign Assistance Act. We also examined the use of evaluations at all missions visited. For report criteria, we used the nine standards presented in the finding section of this report. Audit results showed that evaluation report quality needed improvement. Evaluation quality was low for many reports and it was difficult for management to use them for decisionmaking. Problems were found in several important aspects of evaluation report quality, including some in the evaluation process itself. These problems are described in this and other reports, and have been acknowledged by management. Improvement in the evaluation process and reports, as recommended, will improve the quality of evaluations and provide a valuable information base for decisionmaking.

In order to demonstrate that evaluations were useful, management elicited comments from cognizant missions on how evaluations included in the audit report contributed to decisionmaking in the project planning and implementation phases. The responses generally stated that the evaluations had been useful, thereby supporting management's response.

Our analysis, however, of several responses indicated claimed benefits of evaluation did not always occur. For example, USAID Thailand responded that its Northeast Small Scale Irrigation Project had been improved by extending both loan and grant funds to the seven original locations and by extending consultant task force coverage, as recommended by the evaluation review. Our audit showed that the mission had concluded these actions were needed and that they had already been planned prior to the evaluation. (Further, the evaluation report responded poorly to the scope of work, and provided no additional insights to existing knowledge.)

Also, USAID Costa Rica responded on 4 of 9 evaluations discussed in the audit report and USAID Dominican Republic responded on 3 of 14 evaluations reviewed. Comments were not made for the remaining 16 evaluations.

Responses cited evaluation conclusions that were rather basic and of the type that management should be able to reach without recourse to contractor studies. In many cases cited benefits of evaluation were heavily qualified, i.e., "this evaluation reiterated the importance of long-range institutionalization," "the evaluation assisted," "it is believed the evaluation played a role," etc.

Management Comments

It may be desirable and necessary to assign both AID and non-AID entities responsibility for taking action in response to a recommendation. Projects are a joint activity of AID and recipient, projects are implemented jointly, and evaluations cover the performance of all parties. In this regard, some recommendations considered weak by the auditors may convey important messages to non-AID organizations.

Office of Inspector General Comments

While both AID and recipient may take action in response to recommendations, responsibility for such action should not be shared. Implementation of recommendations can only be considered if one office is assigned responsibility to oversee such implementation. We believe AID should be that office.

Concerning weak recommendations, we reported that recommendations were weak in that they did not recommend anything concrete or they recommended a procedure that

already existed. While recommendations may convey messages to non-AID organizations, we see no need to state them so that their implementation is optional, or to recommend an on-going practice.

Management Comments

The draft report extrapolates findings and conclusions from a sample of six missions and 43 evaluation reports, which is not representative of the entire Agency. Since the findings are not necessarily representative, the title, findings, conclusions and recommendations must be limited to the six missions. Also, the extrapolation of savings from the results of 43 reports is not valid.

The report has other problems. It mixes two types of audits without clearly distinguishing between them. The sources of data are not fully identified. Some of the cited evidence is anecdotal, or without substantive quantification. Further, the basis for judgment is not presented.

Office of Inspector General Comments

Although the sample was not statistically drawn, it is representative of conditions throughout the Agency. All three geographic regions were included. The missions and reports included in the audit were selected without prejudice as to known conditions. As we consider the sample to be representative, extrapolation of savings is valid and in all probability resulted in a very conservative estimate.

Concerning the other comments, this was a program results audit, as identified in the Audit Objectives and Scope section of Part I. Data sources, evidence, and quantification were sufficient to reach the conclusions drawn, which we considered valid.

2. Use of Contractors to Perform Evaluations Was Not Efficient and Effective

The FAA, as amended, required the Agency to establish an advanced management information system that would lead to more effective use of foreign aid funds. The Agency, however, placed too much reliance on contractors to satisfy FAA requirements rather than on improving internal monitoring and evaluation efforts. Also, contractor evaluations were often ineffective and were being primarily used for purposes other than established by the FAA. For example, contractors often did not compare actual project results with those anticipated, a specific objective of the FAA. These conditions occurred because agency policy and procedures were not clear on how the FAA requirement was to be met, and guidance over the conduct of evaluation and monitoring was not adequate. We believe the Agency could save about \$2.5 million annually through more selective use of outside contractors, while improving its internal management system.

Recommendation No. 3

We recommend that the Assistant Administrator, Bureau for Program and Policy Coordination (PPC), amend Handbook 3 to clearly delineate how the Agency will accomplish the requirement to compare actual with anticipated results of programs and projects. The amendments should incorporate provisions that require:

- a. interim evaluation by outside contractors be used primarily to compare actual with anticipated results and to focus on the causes and consequences of deviations from plan. These and other purposes of evaluation should be clearly stated in scopes of work,
- b. final evaluations be performed by contractors only when the need for external knowledge and perspective is justified by the purposes and issues to be addressed, when external AID evaluators are not available, or when, in the judgment of mission management, non-AID evaluation may be more appropriate. Whether or not a final evaluation is undertaken, AID project officers should prepare a Project Acceptance Completion Report,
- c. appropriate guidance be issued on evaluator's use of analytical techniques to both enhance evaluation objectivity and provide a firm empirical basis for findings and conclusions,

- d. systems be established to monitor implementation of actionable recommendations from evaluations by Agency bureaus, missions, and those offices conducting or sponsoring evaluations, and
- e. cost be determined for each evaluation, whether done by AID staff or by a contractor, and this cost, broken down into salary, travel and contract cost constituents, be clearly annotated on the Project Evaluation Summary.

Recommendation No. 4

In order to obtain timely improvement in the use of evaluation, we recommend that the Assistant Administrators for Africa, Asia and Near East, and Latin America and the Caribbean require that the provisions in Recommendation No. 3 be put into practice at this time.

Discussion

The Foreign Assistance Act (FAA), as amended in 1968, provides the statutory basis for the conduct of evaluations. The Congress believed that foreign aid funds would be utilized more effectively by a management system that included "... the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken." AID Handbook 3 provides for evaluations to play an active role in meeting this FAA provision.

Evaluations, however, have not been effectively used to meet this statutory mandate. Instead of comparing actual project results to those anticipated, evaluation has been used to assess many facets of project implementation and rarely compares actual with anticipated results, a requirement of the FAA. Also, the FAA tasked the Agency to develop an advanced decisionmaking information system and the use of contractors was not mentioned.

The following paragraphs describe the AID Handbook 3 policy concerning evaluation and monitoring.

Guidance on Evaluations - The Handbook establishes several purposes and benefits of evaluation, and specifies that evaluation be planned for during project design. According to the Handbook, evaluations tend to be done to:

- assess the continuing validity of an effort and suggest modifications,
- assess the effect of unanticipated actions,
- determine whether all required actions are complete and results are consistent with expectations, and
- determine project impact.

The benefits of evaluation are cited as the following:

- provide a mechanism for reviewing project issues and opening communications,
- reinforce judgments and commitments of project participants,
- aid the dissemination of development issues and problems,
- demonstrate that the project is being managed,
- develop new hypotheses about the best ways to achieve objectives, and
- review how funds were spent and the benefits achieved.

The Handbook further states that the project paper will include an evaluation plan to facilitate (i) the measurement of progress toward planned targets, (ii) a determination of whether a project is achieving its planned targets, and (iii) a determination of whether the project is still relevant.

Guidance on Monitoring - Handbook 3 defines monitoring as an ongoing function that reports on factors that influence a project's progress. Monitoring requires the timely gathering of information regarding inputs, outputs and actions that are critical to project success and a comparison of information with plans and schedules. Monitoring is concerned with the project as a whole and enables the responsible officer to make judgments as to the continuing appropriateness of project design and the need for in-depth evaluations. If the monitoring system functioned as envisioned by the Handbook, monitoring could frequently satisfy FAA requirements to compare actual with anticipated results.

Comparison of Evaluation to Monitoring - Evaluation and monitoring are similar, but differ in degree. They overlap in that they rely on much of the same information and share the common objective of improving the chances of project success. While monitoring is continually concerned that the project achieve its purpose, evaluation may be needed when deviations from plans impact on the project meeting its objectives.

Need and Effectiveness of Contractors - Contractors performed about 70 percent of AID's formal evaluations. Contractors were hired even for small projects. In fiscal year 1984 almost one fifth of the evaluations received were for projects of less than \$1 million; 62 percent of these were evaluated by outside contractors.

Contractor-performed evaluations were not always necessary and were generally ineffective in assessing results. This was due to a number of reasons including scopes of work that were often vague and did not focus on measuring and comparing project results. Evaluations were routinely used for purposes that mission management should have accomplished using available information. In fact, contractors' evaluations nearly always depended upon the same or similar data base as the monitoring system and were seldom based upon significant new data or the application of special analytical techniques.

If AID's monitoring system were functioning as intended, it could identify and assess the causes of implementation problems, and compare actual with anticipated results. Outside contractors could then be used more selectively. These points are discussed in detail in the following paragraphs.

Monitoring Assesses Progress Continuously - The Handbook requires that USAID missions report on project progress semiannually and at completion. The monitoring system was established to meet this requirement and to provide a basis for managerial assessments of project progress on a continuing basis.

The Project Implementation Status Report and the Progress Assistance Completion Report (PACR) were used to report on progress. The Implementation Status Report showed actual versus planned progress, barriers to achievement of output targets, recommended actions and information related to inputs, outputs and impact achievement. The Project Assistance Completion Report compared actual to planned

accomplishments at project completion. Therefore, these reports, if properly prepared, should generally satisfy the Foreign Assistance Act mandate to compare actual with anticipated results. As these reports were required to be sent to Washington, they would also serve to appraise management on progress and impact.

Relationship of Routine Management to Evaluation - As already discussed, much of the information provided by evaluations was already available to AID management. Mission Directors met with project management periodically to discuss project progress. As such, a format existed for managers to communicate progress, reinforce commitments of project participants, review funds expenditures and cover many other aspects of formal evaluation. Evaluations were not necessary for these purposes.

In addition, the Project Implementation Status Report and the PACR, if properly prepared and disseminated, provided a mechanism to surface development issues and problems. Therefore, the monitoring system, if properly utilized, could provide much of the information needed to satisfy the FAA requirement as well as other benefits of evaluation cited in Handbook 3.

Evaluations would also be needed, but these could often be conducted without use of contractors. In some cases, complex or time-consuming issues might require more analytical effort than project management could provide. In these cases, AID management could make an in-house evaluation, forming a team of bureau or mission personnel, together with host country participants.

This approach would not necessarily exclude the use of contractors. Some evaluations may require outside contractors, or contractors may be needed to assist with specific parts of an internal evaluation.

AID, however, has routinely used contractor evaluations to assess project performance during implementation, and again at project completion. A greater reliance on improved monitoring and internal evaluation, would satisfy the FAA requirement and provide more timely information.

Contractors Used for Many Reasons - Contractors were often used to perform functions better accomplished by internal monitoring. Only about half of the contractor evaluation reports reviewed examined progress toward project purposes or determined project impact. Other evaluations either

measured progress against the projects' quantifiable inputs and outputs, reviewed project management, provided technical assistance or reported on the implementation of recommendations from previous evaluations. These latter topics should properly be covered by internal monitoring.

It was difficult to determine why some evaluations were made. Some evaluations were performed for reasons totally unrelated to their stated purpose. Others were apparently being done as part of a promotional effort to justify a follow-on project, or to obtain host government acceptance:

As Justification for a Follow-on Project - In July 1985, USAID Bangkok made a \$30,000 evaluation of its Anti-Malaria Project. This evaluation, made 2 years after project completion, was ostensibly made to evaluate the degree to which Thailand's national malaria control program met its objectives, and to assess the contribution of the project and identify unmet needs in the anti-malaria program. However, an earlier 1983, "final" evaluation of the same project was conducted for the same reasons. We were informed that the 1985 evaluation was actually being made to provide justification for approval of a follow-on effort to the Anti-Malaria Project.

To Obtain Host Government Acceptance - In June 1983 USAID Bangkok spent approximately \$54,000 for an evaluation of its Mae Chaem Watershed Development Project. This evaluation was made officially for the purpose of determining if the project was working well enough to continue its activities and expand to the additional phases outlined in the project paper. However, mission personnel informed us that the underlying reason for the evaluation was to influence USAID Bangkok management and Government of Thailand officials that a follow-on project was needed.

Information Added By Evaluation - AID Handbook 3 calls for the use of analytical methodology and empirical data in conducting evaluations in order to improve objectivity, stating that subjective judgment is helpful but not a substitute for data analysis. Of the 43 evaluations in our sample, almost all used project information readily available at the USAID mission, supplemented by interviews with one or more of the following: USAID mission officials, project beneficiaries, officials at field locations, and host country organizations. Thirteen of the reports also included documentation obtained directly from host country institutions. Few evaluations used any of the analytical methods that the Handbook stated were appropriate in making an objective determination of whether project goals were being achieved.

Agency policy required that monitoring systems use information from project documents, periodic progress and financial reports, site visits, and consultation with project host government officials, contractors, beneficiaries and other project participants. Therefore, project monitoring, as required in the Handbook and if properly carried out, incorporated as wide or wider a breadth of information as was used by contractors in performing their evaluations. Thus, external evaluations often relied upon impressions and were used to report information that was already known or should have been known by project management.

Implementation of Recommendations - Many recommendations made in AID evaluation reports, although valid and actionable, were not implemented. Visits made to five USAID missions showed that up to a half of the recommendations appearing in fiscal years 1983 through FY 1985 either had not been implemented, or their status was unknown. For example:

- USAID Costa Rica had fully implemented only 31 of 114 report recommendations. Another 10 were partially implemented and the status of another 24 was unknown. Twenty-seven recommendations that we concluded were valid and actionable were not implemented.
- In USAID Santo Domingo the results were similar: 27 of 103 actionable recommendations were fully implemented, 16 partially implemented, with the status of 27 unknown. Thirty-three recommendations that we concluded were valid and actionable were not implemented.
- USAID Senegal had better success in implementing recommendations. Thirty-four of 77 actionable recommendations were fully implemented and another 23 were partially implemented. The status of 2 was uncertain. Eighteen recommendations that we concluded were valid and actionable were not implemented.

A number of actionable recommendations that were not implemented required action by organizations other than USAID. In these cases the recommendations were usually directed either to the organization or to no activity in particular without assigning responsibility to a USAID office to ensure corrective action was taken.

In some, but not all cases the mission attempted to have the recommendations implemented. For example, the June

1983 evaluation report of the Private Sector Productivity Project made several important recommendations that were never implemented or were implemented too late to be of benefit. The project provided a \$10 million line of credit that was to expand export of Costa Rican products, but the evaluation found that the project was not successful and made recommendations to address the problem. However, six important recommendations were not implemented, and as of March 28, 1985, USAID Costa Rica informed the implementing organization that improvement had not been made and that the evaluator's comments were still valid. There were, however, no procedures for informing higher management of significant unresolved recommendations to ensure corrective actions were taken.

Reasons for Contractor Overuse - Contractor evaluations were often not effective and were overused. This occurred for three major reasons: (1) Agency policies and procedures did not make the relationship between evaluation and monitoring clear, hence missions relied too heavily upon contractors in place of systematic internal monitoring; (2) The Handbook provided only general guidance on the subject of evaluation methodology; and (3) it provided no guidance at all on implementation of evaluation recommendations. These points are discussed below:

Relationship of Evaluation to Monitoring - The Agency has not adequately defined the relationship between monitoring and evaluation, nor the respective roles of project officer and evaluators in comparing actual with anticipated results and in reporting on their findings.

The Handbook states that evaluation should be used when the monitoring system discloses significant deviation from plan. However, the Handbook also establishes broadly stated purposes and benefits of evaluation. The Handbook endorses planning for evaluation during project design, but in a way that supports the use of evaluation as a pro forma exercise or to focus on topics that should be covered by more continuing monitoring.

The use of evaluation to examine routine management topics occurred for many reasons including (i) an inadequate monitoring system, (ii) absence of baseline data, (iii) an inadequate measurement process established in the project design, and (iv) limited time provided for evaluation. Project managers thus were utilizing contractors to formalize and document various project management issues.

Handbook 3 needs clarification of the purpose, use, and need for the two management tools (monitoring and evaluation) and bureau and mission management needs to fully consider how their information requirements should best be satisfied. The Bureau for Asia and Near East and USAID Indonesia, in particular, were aware of the need for well-functioning monitoring systems and had taken positive steps toward improvement. Improvements, however, are needed on an Agency-wide basis.

Although about 70 percent of formal evaluations were done by contractors, use of AID and host government staff would often have been preferable. AID employees knew internal procedures and methodologies better than most contractors and would receive valuable experience by participating in evaluations of a variety of project types and locations. This knowledge and experience gained would then stay within the Agency.

There are, however, restrictions on use of Project Design and Support (PD&S) and project funds for travel of AID personnel. This limitation inhibited participation of AID employees from Washington or other missions in evaluation. PD&S funds can be used to hire contractors, but not to pay travel and per diem expenses for AID employees. This restriction discouraged missions from using AID-Washington staff to assist in evaluations. In order for staff from Washington to participate in evaluation the mission would need to use its limited operational expense funds.

Methodology - Handbook 3 calls for the use of rigorous, analytical methodologies and empirical evidence but does not provide adequate guidance. The Handbook presents six different analytical methods that are available in making an objective evaluation of a project. However, neither AID Handbook 3 or the 1974 Evaluation Handbook provided any explanation of the six analytical methods nor of their use. The AID Handbook or the AID Evaluation Handbook, as appropriate, should be revised to show guidance on how evaluators should incorporate analytical techniques and empirical evidence to enhance evaluation objectivity.

Implementation of Recommendations - AID Handbook 3 recognizes the importance of recommendations, but provides no guidance on their implementation. The Handbook states that evaluation should suggest ways to correct problems and help the project attain its objectives. However, the Handbook does not require the use of a system to determine which recommendations are valid and should be implemented, and then require that valid recommendations be monitored to ensure their implementation.

In the absence of such a requirement, we found that 4 of 5 missions that we visited had not established systems to monitor implementation of recommendations other than to entrust implementation to project officers.

Control Over Contracting For Evaluation - Missions had primary control over the contracting of contractors for evaluations. Bureaus exerted little control over this process, and control mechanisms that did exist were generally ineffective. For example, mission evaluation plans were prepared annually, and bureau evaluation officers could, but generally did not, comment on proposed evaluations.

In addition to more clearly defining the role of evaluation, Handbook 3 should be changed to assign more responsibility to higher management for approving evaluations done by contractors. The Mission Director or appropriate geographic or central bureaus should be required to certify the need to contract for contractors to perform evaluations and approve the scope of work before the contractual process is completed.

Impact - The evaluation program had not fully achieved its primary purpose as established in the FAA and had duplicated or replaced project monitoring. Formal evaluations of projects during implementation by outside contractors should be better controlled and used for complex or unusually time-consuming issues that needed the expertise of outside contractors in evaluating whether actual results of the project were as anticipated. Other than in these specified cases, AID programs and projects should rely on project monitoring and internal evaluation to assess project progress and accomplishment.

Final Evaluations - We could find very little need or benefit in using contractors for evaluations at project completion for many projects. Even in these cases a well-prepared Progress Assistance Completion Report (PACR) could often suffice. For example, Chapter 12 of Handbook 3 states that a final evaluation is done to determine project impact, however, project impact is also reported by the project officer in the PACR. CDIE's Impact Evaluation Series also considered impact across programs, countries and sectors in a method more useful for assessing the results of various developmental approaches.

In addition, as the project had been completed, there was no opportunity to pursue changes that could have improved

the project. We found that formal evaluations at project completion often identified recommendations for improvement, but that the USAID mission did not implement them because the project activity no longer existed.

Cost of Evaluation and Potential Savings - The best available estimate for annual evaluation cost, developed by a contractor in 1982, was \$12.1 million. However, the exact cost of the evaluation program is unknown. Handbook 17 assigns responsibility to CDIE to analyze Agency expenditures for evaluation work, and develop means for analyzing cost-effectiveness of evaluations. CDIE has attempted to determine the cost of the evaluation program by having the bureaus and missions report on cost experience, but the reporting was incomplete.

CDIE has recently developed a modified Project Evaluation Summary form that includes the reporting of evaluation cost. CDIE should amend Handbook 3 to require use of the modified form to include all travel, salary and contract cost related to the evaluation effort.

Reducing the number of contractor evaluations performed for the missions could save significant funds. Missions spend \$8.3 million annually on contractor evaluations. Eliminating most final contractor evaluations and reducing the number of interim contractor evaluations would reduce the mission contractual workload by at least 30 percent and save about \$2.5 million annually:

Final Evaluations - We conservatively estimated that eliminating contractor prepared evaluations at the missions, except where follow-on efforts were assured, would reduce the annual number of final evaluations by 75 percent. Final evaluation comprised about 40 percent of Agency evaluations. Therefore, a net reduction of 30 percent of all mission performed evaluations could result if final evaluations were contracted for only when follow-on projects were assured, resulting in an annual savings of \$2.5 million (30 percent times \$8.3 million).

Interim Evaluations - The Agency should also make more judicious use of contractors for interim evaluations. Contractors should be used primarily for larger projects in circumstances where they can add significant expertise. Routine use of contractors for evaluation should be discontinued, especially for less costly projects, thus reducing the total number of such evaluations and saving additional funds. To be

conservative, potential savings from a reduction in interim contractor evaluations were not included in the total cost savings above.

Conclusion

An undue emphasis has been placed on the use of contractors to perform evaluations and these evaluations were generally ineffective in assessing project results. In addition, evaluations did not incorporate analytical techniques. Also, many valid recommendations identified by evaluations were not implemented, and overall costs for the evaluation program were unknown.

Management Comments

Management did not believe that recommendation 3a should require contractor evaluations to compare actual with anticipated results. In this regard, management further stated the report seriously misrepresents AID's requirement for evaluation. The report claims that the FAA requires all evaluations to compare actual results of projects and programs with those anticipated. Management has taken a view that not all evaluations need make such a comparison, and the legislative history for the FAA indicates that the comparison isn't always necessary. Moreover, evaluations, including final evaluations, may also serve other purposes.

Office of Inspector General Comments

The evaluation program satisfies Section 621A of the FAA, which requires the Agency adopt methods for comparing actual with anticipated results of programs and projects. As this is the only statutory basis for the program, all evaluations should, at the minimum, satisfy this requirement. The other purposes for evaluation specified in the AID Handbook have been administratively established by the Agency. We found that even these administratively-determined purposes were seldom adequately satisfied by evaluation.

As evaluations should satisfy the statutory basis for the program, Recommendation 1 included as a quality standard that all evaluations measure progress against indicators established by the project paper, or against those subsequently approved during project implementation. This standard would satisfy the intent of the FAA to compare actual with anticipated results. Aside from the fact that there exists a statutory requirement for this comparison,

it would appear to be in the Agency's interest to measure progress against indicators whenever an evaluation is done in order to assess whether project purposes and goals were being achieved. An evaluation could also serve other purposes, as necessary.

Management Comments

The audit identifies an important issue - the need for stronger internal, on-going evaluation of project impacts by project officers - but confuses the issue with an inordinate focus on AID's use of contractors. The audit does not address the feasibility, requirements and limits of internal evaluation, and the relationship of each of these to contractor use. The report should present information on whether (i) the monitoring system is functioning as intended, (ii) AID direct hire personnel have the training and resources to do internal evaluation, and (iii) the appropriateness of "in-house" staff evaluating their own programs.

Office of Inspector General Comments

The report focuses on the purpose of evaluation, and whether AID's evaluation program satisfies the purposes. We concluded that both the statutory and administratively-established purposes for evaluation could often be satisfied by routine management procedures already required by the AID Handbook, and that routine use of contractors to provide this information was undesirable and unnecessary.

The monitoring system does not always function as intended. The Agency is aware of this limitation, and the Bureau for Asia and the Near East is making a major effort to improve data available through the monitoring program. Because sufficient data is not always available, and because of other valid reasons, missions will sometimes have to hire contractors to evaluate their projects. However, we believe that with minimum additional effort, most project officers will have the necessary data available to manage their projects. They, and host government officials, can use this data to make evaluations of whether the project is achieving its stated purpose and goal.

Management Comments

Management stated the report does not provide an appreciation or understanding of AID's evaluation

practices or procedures within the context of AID's decentralized programming and management systems and within realistic resource constraints and priorities. The report focuses on symptoms rather than causes. Recommendations to address these symptoms; for example, additional guidance, new centralized controls in AID/Washington, and reduced use of contracted evaluations are inappropriate or infeasible and will not correct the underlying causes of the symptoms. For example, the evaluation function may be understaffed and bureaus may differ in the priority and attention given to evaluation.

Office of Inspector General Comments

We have attempted to address management's comments about the status of evaluation in the context of AID's programming and management systems, and have made several changes to the report to reflect management comments.

The report on page 32 acknowledges constraints that inhibited participation of AID employees from other locations in evaluations.

The report specifically addresses causes that we believe to be accurate and makes recommendations to address those causes. For example, we believe new guidance is badly needed to establish quality standards and require their implementation. New centralized controls in AID/Washington were recommended only to ensure that recommendations are being implemented and costs reported for those evaluations conducted by bureaus and Washington offices. We also believe that reduced use of contractors to conduct evaluations is appropriate for the reasons described in detail above. By contrast, management's citing understaffing as a cause is inappropriate; staffs have been reduced throughout the Agency, and the Agency is unlikely to dedicate more resources to evaluation. Rather, we have made specific recommendations to improve the evaluation process within staffing limitations. Similarly, we cannot dictate how much priority the bureaus give evaluation, but we can recommend minimum procedures that all bureaus should follow to provide a reasonably well-functioning system.

Management Comments

Management stated the report should reflect that it is interested in monitoring only those recommendations (actions) that mission management determines are appropriate for implementation. The word "recommendation" should be changed to "action."

Office of Inspector General Comments

We agree that only recommendations that are valid and actionable should be implemented and have so stated in the report. However, changing "recommendation" to "action" is not desirable, as action does not convey the same meaning, and recommendations are not, and should not be, referred to as actions in evaluation reports.

Management Comments

Management stated that clarifications in the report should be made as follows:

- Evaluations routinely begin with a review and analysis of data already available in project files.
- AID needs external evaluators, particularly when specialized expertise is needed or when an outside perspective is needed. The practical question is: where will they come from? Simply suggesting less use of contractors runs the risk of throwing the baby out with the bathwater.
- The audit confuses a reporting vehicle with the source and scope of information it contains. Reports are reporting vehicles. Reports, such as a Project Assistance Completion Report (PACR), can report evaluation material only if an evaluation has been done. Unless an evaluation has been done, including an analysis of data, a PACR cannot substitute for a final evaluation.
- The audit confuses poorly prepared reports with contractor-prepared reports, thereby implying that contractor use leads to ineffective evaluations. Our experience suggests the real reasons are vague scopes of work and insufficient time to complete evaluations because of funding constraints.

Office of Inspector General Comments

We agree that a review and analysis of available data is a necessary step during an evaluation. The point of the discussion was that, as few evaluations went beyond a review of available data supplemented with interviews, evaluations were adding little to information already available to missions.

The report acknowledges there were circumstances when external evaluators were needed, specifically for larger projects or where contractors were needed to add significant expertise. We see no reason that contractors would not be available to meet such needs in the future.

We believe the management comment is inaccurate that necessary information to complete Project Status Implementation Reports and PACRs will not be available unless evaluations are done. The Implementation Report is done semiannually to report on actual versus planned progress, and must be done whether or not evaluations are done. The same is true of PACRs. PACRs should be prepared for all projects to report on actual versus planned accomplishments at project completion. In some cases, evaluations may be needed to supplement, or form the basis, for the above reports. However, project officers should generally be able to satisfy the Foreign Assistance Act requirements to compare actual with anticipated results, without routine recourse to bringing in a contractor to make assessments that are the responsibility of management.

Concerning the last point, the report does not equate contractor-prepared reports to poorly prepared reports. Further, we agree that scopes of work are important to obtaining a quality evaluation, and have accepted management's proposal to address scopes of work in our recommendations.

Lastly, sufficient time may not have always been available to contractors to properly complete evaluation reports. However, our observation was that the cause of the insufficient time was varied, including funding constraints and unavailability of the contractor for the time requirement. This point supports our conclusion that hiring contractors to perform tasks that was management's routine responsibility was not warranted without the existence of special considerations.

B. Compliance and Internal Control

Compliance

During our audit we noted two compliance issues which are not discussed in Section A of this report: (1) Project Evaluation Summary (PES) face sheets were not prepared or were not forwarded to Washington, and (2) evaluation reports were not submitted to Washington or were submitted late.

With regard to the first issue Handbook 3 requires the PES face sheet to be submitted with all evaluation reports. PES face sheets serve several useful purposes. In addition to summarizing basic data such as project implementation dates, estimated project funding, and the period covered by evaluation, the face sheet provides a concise record of decisions reached by responsible AID officials with regard to evaluation recommendations, so that both project officers and AID/W are clear about actions to be taken. Without the face sheet it is not possible to determine which of the evaluation recommendations have been accepted and will be implemented. However, recent developments should help correct this problem. CDIE has just revised the PES, and workshops and guidance concerning the new form should insure proper use.

Secondly, some evaluation reports were not submitted to Washington at all or were submitted late. For example, of the ten fiscal year 1983 and 1984 evaluation reports prepared by USAID Costa Rica, six had not been sent to Washington as of October 1985. Also, the contractor that analyzed the quality of Bureau for Latin America and the Caribbean evaluations noted that the average delay between the evaluation report date and date of submission to Washington was 9.6 months.

Recommendations 3 and 4 of the report should help to improve this situation. With contractor evaluations being done on a more selective basis and with formal approval of evaluation need and of scopes of work, timely submission to Washington will be more likely. We, therefore, propose no specific action with regard to established submission procedures.

Internal Control

The compliance issues noted above resulted from lack of controls to ensure that evaluation reports, as well as

related Project Evaluation Summary forms, were submitted to Washington. As noted above, Recommendations 3 and 4, as well as the increasing use of CDIE's new Project Evaluation Summary form, should help improve this problem.

**AUDIT OF
AID'S EVALUATION PROGRAM**

PART III - EXHIBITS AND APPENDICES

EVALUATION REPORTS SURVEYED

	<u>PROJECT NUMBER</u>	<u>EVALUATION REPORT DATE</u>
<u>COSTA RICA</u>		
Agrarian Settlement and Productivity	515-0148	June 1984
Energy Policy Development	515-0175	June 1984
Environmental Education II	515-0162	June 1984
FUCODES Rural Credit	515-0146	May 1982
Integral Rural Development II	515-0158	October 1982
Natural Resources Conservation	515-0145	November 1983
Private Sector Productivity	515-0176	June 1983
Science and Technology	515-0138	July 1983
Union Strengthening and Credit	515-0180	September 1984
<u>DOMINICAN REPUBLIC</u>		
Agricultural Marketing and Credit Administration	517-0136	October 1982
Education Sector Loan	517-0119	March 1984
Health Sector II	517-0120	May 1983
Human Resources Development	517-0127	April 1983
Human Resources Development	517-0127	May 1985
Inland Fisheries	517-0162	January 1983
Natural Resource Management	517-0126	July 1984
Rural Development Management	517-0125	May 1983
Rural Development Management	517-0125	December 1984
Rural Development Management	517-0125	September 1985
Rural Roads	517-0130	November 1983
Small Industry Development Program	517-0150	June 1984
Women's Training and Advisory Services	517-0146	August 1984
<u>INDONESIA</u>		
AID's Role in Indonesian Family Planning	<u>1/</u>	May 1985
Comprehensive Health Improvement Program	497-0325	June 1984
Comprehensive Health Improvement Program	497-0325	May 1985
Health Training, Research and Development	497-0273	March 1983
Luwu Area and Transmigration Development	497-0244	September 1983
Western Universities Agricultural Education	497-0297	April 1984

1/ Projects 497-0270 and 497-0271

EVALUATION REPORTS SURVEYED

	<u>PROJECT NUMBER</u>	<u>EVALUATION REPORT DATE</u>
<u>KENYA</u>		
Drylands Cropping System	615-0180	November 1983
Harvard TA Pool II	615-0213	October 1983
Kibwezi Primary Health	615-0179	August 1983
Rural Blindness Prevention	615-0203	November 1983
<u>SENEGAL</u>		
National Plan For Land Use	685-0233	December 1983
Senegal Cereals Production II	685-0235	January 1984
Senegal Grain Storage	685-0209	November 1982
Youth Job Development	685-0222	March 1984
<u>THAILAND</u>		
Agricultural Planning	493-0317	June 1984
Anti-Malaria Project	493-0305	July 1983
ASEAN Agricultural Development Planning Center	498-0258	July 1985
Khon Kaen University Research Development	493-0332	March 1985
Mae Chaem Watershed Development	493-0294	July 1983
Northeast Small Scale Irrigation	493-0312	March 1985
Population Planning II	493-0325	August 1984

DISTRIBUTION OF QUALITY SCORES BY BUREAU
FOR AID FY 1983 EVALUATION REPORTS 1/

BUREAU	NUMBER OF EVALUATIONS IN EACH QUALITY SCORE RANGE									TOTAL
	10-20	20-30	30-40	40-50	50-60	60-70	70-80	80-90	90-100	
NEAR EAST	0	1	6	8	11	5	2	0	0	33
ASIA	1	1	6	11	16	11	8	3	2	59
LAC <u>2/</u>	1	4	7	6	5	10	3	2	0	38
AFRICA	2	3	9	31	29	20	7	1	1	103
PPC <u>3/</u>	0	0	0	0	3	3	1	1	0	8
S&T <u>4/</u>	2	0	1	3	2	4	1	1	0	14
FVA <u>5/</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>1</u>	<u>0</u>	<u>15</u>
TOTAL	<u>6</u>	<u>9</u>	<u>31</u>	<u>62</u>	<u>68</u>	<u>56</u>	<u>26</u>	<u>9</u>	<u>3</u>	<u>270</u>
Percent of Evaluations In Each Range	2%	3%	12%	23%	25%	21%	10%	3%	1%	100%

1/ Adapted from Final Report: Analysis of the Distribution of Quality/Completeness Scores of FY 83 AID Evaluation Reports, Contract No. OYR-0000-C-00-1482-00, USAID, Triton Corporation, March 1985, p. 1-4. This report rated evaluation reports on a scale of 0 to 100. Conceptually, the higher the score, the higher is the quality and completeness of the report. The table above shows by Bureau how many evaluations had quality scores of 10-20, 20-30, 30-40, etc.

2/ Bureau for Latin America and the Caribbean

3/ Bureau for Program and Policy Coordination (Impact Evaluations)

4/ Bureau for Science and Technology

5/ Bureau for Food for Peace and Voluntary Assistance

THE MANDATE FOR EVALUATION IN AID

The mandate for evaluation in AID is contained in the Foreign Assistance Act of 1961 (as amended), Section 621A:

"The Congress believes that United States foreign aid funds could be utilized more effectively by the application of advanced management decisionmaking, information and analysis techniques such as systems analysis, automatic data processing, benefit-cost studies, and information retrieval.

"To meet this need, the President shall establish a management system that includes: the definition of objectives and programs for United States foreign assistance; the development of quantitative indicators of progress toward these objectives; the orderly consideration of alternative means for accomplishing such objectives; and the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the agency and to Congress that relates agency resources, expenditures and budget projections to such objectives and results in order to assist in the valuation of program performance, the review of budgetary requests, and the setting of program priorities."

JUL 1 1986

MEMORANDUM

TO : IG/PSA, William Montoney
FROM : AA/PPC, Allison ^{ABH}Herrick (Acting)
SUBJECT : Draft Audit Report on AID's Evaluation Program

We appreciate the opportunity to comment on the audit draft, which reports on the evaluation programs of six Missions. The attached comments coordinate views from AID's three geographic Bureaus and PPC.

We, too, believe that evaluation report quality needs improvement, and that Missions need to follow up on evaluation findings and recommendations. These are important aspects of a useful evaluation program, and both the new Evaluation Handbook and our field workshops on evaluation emphasize them.

We also believe that the audit has begun outlining a significant issue -- namely, a possible need for stronger internal evaluation by project officers in addition to their monitoring of project implementation. But the draft audit does not offer findings bearing on this issue. Instead, it asserts that Missions over-rely on consultants to perform evaluations. What is missing is information on how the six Missions organized their monitoring and evaluation systems, the priority and resources assigned to them, and how the systems actually functioned. Only then can a determination of any "overuse" of contractors be made.

One part of the audit's objective was to review management controls over Mission-sponsored evaluations. However, the audit does not do this. We have no information in the draft on how our three geographic Bureaus have organized their evaluation roles and responsibilities and the extent to which these are discharged, nor on Mission Orders or procedures and the extent to which these are followed. Nor did the audit indicate any pronounced differences among the three Bureaus in this regard. Since Missions already have authority to exercise management control regarding evaluations, we have no basis in this audit to conclude that more control is needed or that there are serious gaps in our decentralized management of evaluation programs.

The second part of the audit's objective was to review the extent evaluations were achieving their intended purpose. Here the audit seriously misrepresents the purposes of evaluation in AID. By doing so, the audit uses inappropriate criteria for determining evaluation effectiveness. Our review of the results of the evaluations audited satisfies us that, despite deficiencies in written reports, evaluations were useful to

managers to inform their decisions and did lead to valuable changes in projects. We are, of course, concerned over the substantial percentage of the evaluations that did not assess effects and benefits beyond project "outputs", and expect that our continuing efforts to improve data collection/analysis for project monitoring and evaluation will remedy this.

Our comments relate to findings and the four draft recommendations. We would appreciate your including these comments and this memorandum as an annex to your final report. To assist you in considering our comments, CDIE has prepared the attached consolidated list of detailed page notes. These indicate the places in the draft report where our comments apply, and also suggest some minor corrections.

The evaluation staffs of the geographic Bureaus and PPC/CDIE are, of course, prepared to discuss our comments with members of your staff.

Attachments:

1. Comments on Draft Audit Report on A.I.D.'s Evaluation Program.
2. Impact of Cited Evaluations on USAID/Counterpart Decisions Regarding Project Changes and Program Planning.
3. Page Notes.

COMMENTS ON DRAFT AUDIT REPORT ON
A.I.D.'S EVALUATION PROGRAM
(Dated May, 1986)

A. Comments on Audit Results

1. The audit identifies an important issue --namely, the need for stronger internal, on-going evaluation of project impacts and effects by project officers in addition to their monitoring of project implementation -- but proceeds to muddy the issue by an inordinate focus on AID's use of contractors. Specifically, the audit does not address the feasibility, requirements and limits of internal evaluation, and the relationship of each of these to contractor use. By simply concluding that AID relies "too much" on contractors for evaluation, the audit puts the cart before the horse. Thus, we cannot accept many of the audit's findings and conclusions until the audit offers information on the following:

- o Feasibility. The audit assumes that if a monitoring system exists on paper (e.g., Handbook 3), it actually functions as envisioned; but the auditors have not ascertained that this indeed is the case in the six missions. Thus, the audit does not support a conclusion that AID staff who monitor project implementation can effectively assume tasks of data collection, analysis and interpretation for evaluation purposes without recourse to some contracted support. We need evidence bearing directly on this, from the auditors' interviews with mission management staff and additional interviews with AID/W program, project development and technical staff, as well as comparative information on Mission monitoring and evaluation systems and their functioning.
- o Requirements. The capacity for internal evaluation by direct-hire (DH) AID staff (whether from inside or outside a Mission) implies the existence of key requirements. They include: a) Staff adequately trained in evaluation skills. We have found in recent field workshops that all staff (including many Mission evaluation officers!) have not had adequate evaluation skills. b) Adequate DH staff mix. Mission DH staff may not always include the multi-disciplinary skills needed for effective evaluation. c) Adequate data collection/analysis for monitoring and evaluation (M&E). The audit does not convey the importance of this requirement, although it was strongly emphasized to the auditors by Bureau evaluation staffs. d) Availability of DH staff for extended periods and adequate OE travel funds. If Missions are to avail themselves of DH staff from AID/W or other Missions, rather than contractors, staff availability and travel fund constraints are major issues requiring Agency resolution, not subordinate problems (now buried on pp. 52-53).
- o Limits. The audit does not acknowledge limits on the exclusive use of Mission staff for evaluation, depending on the issues to be investigated. It misses the crucial point that, under certain conditions it may be highly inappropriate for Mission staff to serve as sole evaluators of activities for which they are responsible. An external evaluator (AID or contractor) is a "third party" who can

provide a fresh view and balanced assessment of project performance, including the Mission input. In smaller Missions, the technical expertise necessary for an evaluation may only be available from the same technical consultants or contracted teams responsible for implementing the project. Reliance on such "in-house" staff would lead to contractors evaluating their own work, which, again, could be inappropriate. (see AID/IG Audit Report No. 1-518-86-12).

The audit should be revised to cover the above points.

2. The draft audit report seriously misrepresents AID's requirements for evaluation, apparently because of an incorrect interpretation of Section 621A of the Foreign Assistance Act (FAA) of 1961 (as amended), and an extremely limiting view of the purposes for which AID management needs evaluation.

The audit claims that the FAA requires all evaluations to compare actual results of projects and programs with those anticipated. AID has never held such a narrow view of its evaluation requirements. Information provided by AID/GC on the legislative history of the FAA indicates that Section 621A does not delimit or confine every evaluation to such a comparison.

Measuring actual results is one important purpose for evaluation. However, a) evaluations may, and do, address other issues, including: the continued relevance of a project or program to a development problem, a CDSS, and Agency policies; the efficiency with which a project is implemented; its impacts; and its sustainability. b) Evaluations may assess institutional and operational weakness in recipient organizations, contractors, PVOs, and Missions themselves in implementing projects and programs; investigate cross-cutting concerns; or examine the continuing validity of assumptions underlying a project. c) Often, the process of evaluation supports a Mission's policy dialogue with the host government, even though sensitivities dictate that it is not appropriate to point this out in an evaluation report. d) An evaluation may be undertaken for higher management and Agency uses, as distinct from those of immediate project managers.

Final evaluations, while not a universal requirement, may be done for many of the above reasons, besides informing decisions and plans regarding follow-ons, extensions or related sector project and program development. Final evaluations also provide an opportunity to compare actual results with anticipated results. Recognition in Handbook 3 of several purposes for evaluation is thus proper and essential to our ability to use evaluation as a management tool.

The auditors' misinterpretation, throughout the draft audit report, should be corrected. We believe the auditors concluded that some evaluations were not "effective" because they were done for purposes other than a comparison of results. We suggest that the auditors re-examine the 43 reports. If the auditors find that the AID sponsors failed to specify the purpose and questions for evaluation, it would be appropriate for the audit report to recommend improvement in scopes of work.

3. The auditors employed the wrong criteria for assessing whether an evaluation was "effective". We agree with the conclusion that evaluation report quality can be improved and methods strengthened. Within the past year, three geographic Bureaus have issued guidance on report formatting, and similar instructions are in the draft new Evaluation Handbook now being reviewed for Agency-wide use.

We do not presume to judge the quality of recommendations without knowledge about the audiences for which they were intended, and their actual impact on these audiences.

AID, however, does not judge the effectiveness of an evaluation only by the quality of the written evaluation report or even the characteristics of all its written recommendations. Rather, the bottom line is whether evaluation led to decisions and changes that supported the achievement of objectives being sought by AID. Using this criterion of effectiveness, Bureau evaluation staffs reviewed the results of several evaluations cited by the audit. The results differ from the situation conveyed by the audit; managers were able to use the evaluation findings and recommendations for significant decisions and changes (see attachment).

4. The draft audit does not provide an appreciation or understanding of AID's evaluation practices or procedures within the context of AID's decentralized programming and management systems and within realistic resource constraints and priorities. As a result, several findings are misleading.

By not placing evaluation in its context, the draft audit focuses on symptoms rather than causes of shortfalls in evaluation performance. Several audit recommendations end up being inappropriate or not feasible. For example, the draft audit recommends additional guidance, new centralized controls in AID/W, and reduced use of contracted evaluators. AID already has established Agency-wide requirements regarding project monitoring and evaluation, with stated roles and responsibilities assigned to Bureau and Missions. Missions already have the authority to exercise oversight and control over the Mission evaluation program, including contracting procedures. And AID uses contractors in a variety of capacities to carry on an effective assistance program.

Poor evaluation reports; use of occasional external evaluation as an inadequate substitute for strong internal project monitoring and on-going evaluation; and the use of contractors in cases where Mission or AID/W staff would be equally or more effective are symptoms that will not be corrected by new guidance and controls. To be useful to AID, the audit should illuminate the underlying causes of these symptoms. For example, the evaluation function in many Missions may be understaffed and given low priority; regional Bureaus may differ in the priority and staff attention to evaluation; TDY assignment of AID/W staff is severely limited by time availability and OE funding constraints.

Before making any recommendations, the auditors should ascertain if the six Missions audited failed to exercise proper oversight, and, if so, why; whether staffing of the evaluation function in Missions and Bureaus

is adequate, and, if not, why not; and whether Mission staff are trained and able to fulfill monitoring and evaluation requirements, and if not, why not. The auditors should refer to Handbook 17 as a starting point for reviewing respective Bureau and Mission monitoring and evaluation systems and responsibilities; determine whether and how these are being discharged in practice; and familiarize themselves with recent changes in AID's programming system.

5. The audit is in error in assuming that evaluations are undertaken solely for AID action. Mission project activity is a joint activity of AID and recipient, projects are implemented jointly, and evaluations cover the performance of all the parties engaged in a project. It is, therefore, both proper and necessary to assign both AID and non-AID entities responsibility for actions following an evaluation. In this regard, some of the recommendations considered weak in the auditors' opinion may convey important messages to non-AID organizations.

6. The audit needs to make clear that agreed actions, not "recommendations", should be implemented, or otherwise resolved. We agree that Missions should ensure systematic follow-up on actions following an evaluation, and this requirement has been incorporated in the new Evaluation Handbook. However, the audit report needs to be corrected to replace the term "recommendation(s)" with the term "action(s)". Missions are required to consider all evaluation recommendations. However, Mission management determines which recommendations to adopt and what follow-up actions are needed. When management adopts an evaluation recommendation, it becomes an approved action. It is such actions which Missions should more systematically follow up.

7. The inordinate focus in the draft audit on Mission use of contractors for evaluation leads to considerable confusion and commingling of matters that require separate treatment and clarification. The following clarifications need to be made in the draft audit report:

- o It is basic evaluation practice for external evaluators (AID or non-AID) to begin with a review and analysis of data already available in project and other files. A major advantage expected from external evaluation is the fresh perspective and balance brought to this analysis.
- o The audit must distinguish more carefully between external contracted evaluators and external AID evaluators; between evaluators contracted in-country and those contracted in the US or elsewhere; between wholly-contracted evaluation teams and mixed teams of AID and contracted evaluators; and between the use of contractors on evaluation teams and their use in developing M&E plans, designing evaluations, and carrying out discrete data collection/analysis to support internal M&E. Particularly when specialized expertise is needed or when it would be inappropriate for project officers and staff to be the sole evaluators of activities for which they are responsible, AID needs external evaluators. The practical question is: where will they come from? Simply suggesting less use of contractors runs the risk of throwing the baby out with the bathwater.

- o The audit confuses a reporting vehicle with the source and type of information it contains. For example, an evaluation report, a project implementation report (PIR), and a Project Assistance Completion Report (PACR) are reporting vehicles. All three could transmit information on project results and effects if their authors had already obtained the data from a survey or other research. But PIRs and PACRs cannot report evaluative information unless an evaluation had been done -- that is, unless the data had also been analyzed and interpreted relative to particular issues and explanatory/causal factors. For this reason, a PACR is not a "substitute" for a final evaluation, as the draft audit implies. Also, a PACR is always required by AID; a final evaluation is not.
- o The audit confuses poorly prepared, or redundant evaluation reports with the use of contractors, thereby implying that contractor use leads to ineffective evaluations. Our experience suggests the real reason is: vague scopes of work prepared by AID officers without adequate training and experience, and insufficient time for completing evaluations because of funding constraints. Also, the audit's assertion that AID can reduce its use of contractors is linked to the audit's conclusion that AID can reduce the number of evaluations; this is faulty logic.

Before reaching conclusions and making recommendations on the reduced use of contractors and before estimating funds "wasted" or inefficiently used, the auditors must eliminate these confusions.

8. The audit report title, findings, conclusions and recommendations must be confined to the six Missions audited; and the audit scope, methodology, sources and data all require clarification. The draft audit extrapolates generalized findings and conclusions from six Missions and 43 evaluation reports that do not constitute a representative sample, a structured sample, nor cases selected for the purpose of obtaining in-depth insight on specific issues. The report mixes two types of audit without clearly distinguishing between them; the methodology is, accordingly, confused. The sources of data are not fully identified, making it difficult or impossible to distinguish between facts, informant views and the auditors' opinions. Some of the evidence cited is anecdotal, or without substantive quantification. The basis for judgement is not presented. For example, the draft audit gives examples of weak recommendations, but not strong recommendations for purposes of comparison and judgement. A more valid approach to an audit of this nature was the one used in a recent GAO study entitled CPA Audit Quality: Many Governmental Audits Do Not Comply With Professional Standards (1986), which drew a stratified sample of audits from a carefully determined universe.

Since the findings from the 43 reports and the six Missions are neither fully valid nor reliably representative of all reports submitted in the 1982-1985 period nor of all Missions, the title, findings and recommendations of the draft audit must be limited to the six Missions. Any estimates of funds "wasted" or "inefficiently" used must also be confined to the six Missions rather than extrapolated to an Agency-wide amount.

By not considering the six Missions as discrete cases, the draft omits potentially valuable findings--i.e., differences in performance among the Missions and causes of these differences. This would have helped us direct our attention and action to where it is truly needed, rather than embark on all-Mission action that would be redundant where it is not needed. It also could have suggested useful models.

B. Comments on Recommendations

Rec. No. 1:

- a: Agree, with the exception of Standard No. 4 (see Comment A2 above). The new Evaluation Handbook establishes report formatting standards that exceed the audit proposals. ANE, AFR and LAC instructions to the field have already covered all or most standards.
- b. Delete. Specific controls for evaluation reports are not necessary given existing AID requirements governing all types of contractor-prepared reports. Auditors should refer to existing certification requirements before recommending new ones.

Rec. No. 2: Delete or revise. The new Evaluation Handbook, which should be in distribution this summer, meets all the concerns of Recommendation No. 1.

Rec. No. 3: Introductory paragraph. Eliminate reference to results comparison, according to Comment A2 above. When approved, the new Evaluation Handbook automatically becomes part of Handbook 3.

- a. Delete. As stated, this implies that Missions are not already "judiciously" using contractors; audit has not substantiated this (see Comments A1 and A4). The second clause misrepresents evaluation purposes(see Comment A2). Suggest alternative as follows: "clear specification in all evaluation scopes of work of the purposes and questions for evaluation to ensure quality in contractor products."
- b. This recommendation reflects the confusions discussed in Comment A7 above, ignorance of staff/travel constraints (Comment A1) and misunderstanding about final evaluations (Comment A2). Suggest rewording as follows: "use of contractors in evaluations only when the need for external knowledge and perspective is justified by the purposes and issues to be addressed, when external AID evaluators are not available, or when, in the judgement of Mission management, non-AID evaluators are more appropriate." As a separate recommendation, we suggest: "Whether or not a final evaluation is undertaken for specific purposes related to future programming, AID project officers must comply with the requirement for a Project Assistance Completion Report transmitting any available information on project accomplishments and results."

- c. Agree; this guidance is provided by the new Evaluation Handbook as well as in four other guidelines/manuals already disseminated by PPC/CDIE.
- d. Agree; this guidance is provided by the new Evaluation Handbook.
- e. Delete. Auditors are apparently unaware of existing AID delegations and procedures: A Mission Director or his/her Deputy already approves and signs PIO/T for procuring contractors which includes statement of requirement and scope of work. Also, AID/W Bureau approval would contradict AID's decentralized management system and redelegations, and would not be feasible. Auditors need to familiarize themselves more thoroughly with current procedures and practices, AID's management systems, Mission Orders and SOP, according to Comment A4 above.
- f. Agree with first part of recommendation; this is already included in new "A.I.D. Evaluation Summary" form. Eliminate clause beginning "... in the detail necessary ..." since the recommendation does not define the scope of such cost analyses and examinations, nor the reason for them.

Rec. No. 4: Delete or revise. See Comment on Recommendation No. 2. At any rate, portions of this recommendation would have to be altered to take into account the above changes in Recommendation 3.

LIST OF RECOMMENDATIONS

Page

Recommendation No. 1

5

We recommend that the Assistant Administrator, Bureau for Program and Policy Coordination (PPC):

- a. develop Agency-wide standards for evaluation reports and amend the AID Handbook to require that the standards be followed. As a minimum, the standards should require evaluation reports to:
 - include a table of contents,
 - explicitly state its purpose,
 - describe the methodology used, scope, techniques of data collection, analysis and data sources,
 - measure the project's progress against established indicators,
 - include an executive summary that briefly but accurately describes the project's background and evaluation's purpose, findings, conclusions and recommendations,
 - make conclusions that are distinctly and prominently presented and are supported by the report,
 - include recommendations that are addressed to USAID personnel and are significant, practical, actionable, supported by factual data and are presented in a discrete report section,
 - identify lessons learned from the project that could be useful in the design or implementation of similar projects, and
 - attach the contractual scope of work to readily permit comparison of the work performed with what was requested.

LIST OF RECOMMENDATIONS (Cont)

	<u>Page</u>
<u>Recommendation No. 1</u>	6
b. incorporate in the Agency Handbook requirements on report quality, a statement that project officers responsible for initiating and sponsoring evaluations should require evaluation reports that comply with the standards, and remind project officers that certification of the voucher for payment for contractor-conducted evaluations requires that the report conform to the statement of work.	
<u>Recommendation No. 2</u>	6
In order to obtain current improvement in evaluation quality, we recommend that the Assistant Administrators for Africa, Asia and Near East, and Latin America and the Caribbean require immediate implementation of the above evaluation quality standards pending handbook revision.	
<u>Recommendation No. 3</u>	24
We recommend that the Assistant Administrator, Bureau for Program and Policy Coordination (PPC), amend Handbook 3 to clearly delineate how the Agency will accomplish the requirement to compare actual with anticipated results of programs and projects. The amendments should incorporate provisions that require:	
a. interim evaluation by outside contractors be used primarily to compare actual with anticipated results and to focus on the causes and consequences of deviations from plan. These and other purposes of evaluation should be clearly stated in scopes of work,	

LIST OF RECOMMENDATIONS (Cont)

	<u>Page</u>
<u>Recommendation No. 3</u>	24
b. final evaluations be performed by contractors only when the need for external knowledge and perspective is justified by the purposes and issues to be addressed, when external AID evaluators are not available, or when, in the judgment of mission management, non-AID evaluation may be more appropriate. Whether or not a final evaluation is undertaken, AID project officers should prepare a Project Acceptance Completion Report,	
c. appropriate guidance be issued on evaluator's use of analytical techniques to both enhance evaluation objectivity and provide a firm empirical basis for findings and conclusions,	
d. systems be established to monitor implementation of actionable recommendations from evaluations by Agency bureaus, missions, and those offices conducting or sponsoring evaluations, and	
e. cost be determined for each evaluation, whether done by AID staff or by a contractor, and this cost, broken down into salary, travel and contract cost constituents, be clearly annotated on the Project Evaluation Summary.	

<u>Recommendation No. 4</u>	25
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In order to obtain timely improvement in the use of evaluation, we recommend that the Assistant Administrators for Africa, Asia and Near East, and Latin America and the Caribbean require that the provisions in Recommendation No. 3 be put into practice at this time.

APPENDIX D

Report Distribution

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ANE/DP	1
ANE/EMS	1
Assistant Administrator, Bureau for Latin America and the Caribbean (AA/LAC)	5
LAC/DP	1
Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC)	5
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Senior Assistant Administrator, Bureau for Science and Technology (SAA/S&T)	5
S&T/PO	1
Assistant Administrator, Bureau for Food for Peace and and Voluntary Assistance (AA/FVA)	5
FVA/PPE	1
Bureau for External Affairs (AA/XA)	2
Office of Press Relations (XA/PR)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Office of Financial Management (M/FM/ASD)	2
Office of the Inspector General, IG	2
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Tegucigalpa	1
RIG/A/Singapore	1
IG/PPO	2
AIG/II	1
IG/LC	1
IG/EMS/C&R	16