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AUDIT REPORT ON THE INTEGRATED RURAL
HEALTH/FAMILY PLANNING SERVICES
PROJECT IN NEPAL

AUDIT REPORT NO. 5-367-90-04

DECEMBER 15, 1989

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December 15, 1989

MEMORANDUM FOR: Kelly C. Kammerer
Director, USAID/Nepal

FROM: 
Reginaid Howard, RIG/A/Singapore

SUBJECT: Audit on the Integrated Rural
Health/Family Planning Services
Project No. 367-0135

This is a report on the audit of the Integrated Rural Health/Family Planning Services Project. The report's two recommendations are for improving the implementation of the evaluation report recommendations and the monitoring of commodities.

Background

The objectives of the Integrated Rural Health/Family Planning Services Project were to assist the Government of Nepal improve the health status and reduce the fertility rate of the rural poor. The project was approved in August 1980 and had a July 15, 1990 project completion date. Life of project funding was authorized at \$42.65 million.

Audit Objectives and Scope

The initial audit objectives for this review of USAID/Nepal's Integrated Rural Health/Family Planning Services Project were to determine whether (1) the project objectives were accomplished, (2) A.I.D. funds were effectively spent, (3) applicable management control systems were established and implemented, and (4) lessons learned could be used in the follow-on project.

During the course of the audit, a Project Identification Document was approved for a follow-on project. Since it was believed that probable audit results would have only limited usefulness to the new project, the audit was terminated before its objectives were fully met. The audit work which was completed included only a preliminary review of project documents and files, interviews with USAID and Government of Nepal officials, and field trips to observe field activities at regional, district, and health post levels. It did not include a review of the Contraceptive Retail Sales organization, technical assistance, or the work of the non-government organizations.

The reviews of compliance areas and internal controls were limited to the activities related in the report findings. The audit work which was performed was in accordance with generally accepted government auditing standards.

Results of Audit

Based upon the audit work performed, we are not in a position to comment on whether A.I.D. funds were effectively spent. While project officials did appear committed to providing the necessary management, the project objectives had not all been met and based on this experience, USAID was scaling down the objectives of the follow-on project. Although this follow-on project will be using different approaches to improving rural health, some lessons can be learned. These matters are discussed in the other pertinent matters section of this report for management's consideration.

As discussed in the following two findings, USAID could better document actions taken to implement the project evaluation report recommendations and better monitor commodity utilization. We recommended preparing a Mission Order for documenting actions on evaluation report recommendations and revising the commodity monitoring procedures to ensure better coverage. Mission officials concurred with these recommendations and have initiated implementation action.

1. Improved Procedures Would Help Ensure Evaluation Report Recommendations Were Implemented

USAID/Nepal did not document decisions or prepare implementation plans for evaluation report recommendations. This occurred because project officials believed that, given the limitations of USAID's staff, they could ensure implementation of the

recommendations without a formal response to the evaluation report. Without documentation, however, the Mission was not in compliance with requirements, and other USAID officials, especially the evaluation officer, had little knowledge of how the evaluation report recommendations were being implemented.

Discussion

USAID/Nepal did not follow the procedures required by the A.I.D. Evaluation Handbook for responding to the recommendations in the project evaluation report. This report, issued on February 22, 1989, cost \$110,000. The Handbook requires that the course of action for recommendation implementation must be documented and any rejections or modifications of recommendations explained. Missions are also required to establish a system for following up on the decided course of action.

The evaluation report included 56 recommendations. In preparing the Project Evaluation summary, however, the Mission listed only one action, "Design follow-on bilateral project." No indication was given as to which recommendations were to be implemented in the design of the follow-on project. Also, no target dates were established for implementing recommendations nor reasons provided for rejecting recommendations.

While project officials recognized the value of a somewhat more formal documentation of responses to evaluation recommendations, they felt that, given USAID/Nepal's small staff, this concern was already being substantially met through less formal means. In

discussions, project officials did demonstrate familiarity with the status of the recommendations. However, they did not document which recommendations were implemented, incorporated into the new project preparation documents, or rejected. Without such information, it is impossible for the evaluation officer to track the implementation of the evaluation reports' recommendations.

Recommendation No. 1

We recommend that USAID/Nepal:

- a. Prepare a Mission Order for handling responses to evaluation report recommendations in accordance with the Evaluation Handbook.
- b. For this project, provide written rationale for the rejected recommendations and establish target dates for implementing the other recommendations.

Mission Management Comments

Mission officials concurred and stated that they have drafted a new Mission Order on evaluation and monitoring. This Order requires the Mission evaluation officer to ensure that appropriate actions are taken in response to recommendations by use of a formal, computerized tracking system.

Based on this action both parts of this recommendation are resolved and will be closed when the Mission provides (1) a copy of the Mission Order that requires a

written response to evaluation report recommendations, and (2) documentation for this project showing the target dates for the recommendations yet to be implemented, as well as the rationale for the rejected recommendations.

2. Commodity Monitoring Needs To Be Extended

Commodity utilization could be more fully monitored. While utilization of contraceptive and malaria supplies was generally reviewed, there was limited knowledge of family planning equipment and project vehicle utilization. This occurred because an informal end-use tracking system was used. As a result, USAID/Nepal lacked assurance that all project commodities were effectively utilized.

Discussion

USAID/Nepal did not have formal procedures to ensure consistent monitoring of commodity utilization. A.I.D. Handbook 15, Chapter 10, requires missions to ensure effective utilization of project commodities. Review of 31 trip reports for the period January 1988 to August 1989 disclosed that 6 dealt with contraceptives, 11 with malaria commodities, and the remaining 14 included only general observations. None of the trip reports covered family planning equipment (costing approximately \$1 million) or project vehicles (costing approximately \$500,000).

Some trip reports did provide useful information for both contraceptives and malaria commodities. For example, the contraceptive program trip reports identified problems with a leaky roof in a storeroom and out-of-date contraceptives being distributed by health posts and clinics. The malaria program trip reports identified problems with unserviceable sprayers and worn-out safety supplies. Such information alerted Mission officials to problems requiring corrective action.

The overall coverage of project commodity utilization, however, was uneven and the monitoring procedures were not well defined. No threshold was established defining the commodities to be monitored or the level of monitoring required for each category of commodity. Also, the trip report form did not require travellers to report on commodity utilization. As a result, utilization of important commodities, such as family planning equipment and vehicles, was not reviewed and the extent other commodities were monitored was not known.

Recommendation No. 2

We recommend that USAID/Nepal:

- a. Include in its system for monitoring project commodities a reasonable threshold for defining commodities to be monitored to ensure a more balanced coverage of commodity utilization. This threshold can be a dollar amount, a commodity distribution density ratio, or any other logical base that can be justified in view of the local conditions.

- b. Add a "Commodity End-use" section to the trip report format requiring project officials' comments regardless of positive or negative findings.

Mission Management Comments

Mission officials stated they concurred with this finding. Both parts of this recommendation are resolved and will be closed when the Mission provides documentation supporting the corrective action.

Other Pertinent Matters

Potential problem areas with the follow-on project concern project scope, staffing, and funding. As no work had been started under this new project, there were no audit steps that could have led to a firm conclusion regarding how well the follow-on project was conceived. However, the following information is provided for your consideration.

Scope and Staffing of Follow-on Project - Under the planned follow-on project, USAID plans to assist the Ministry of Health to revise its organization and health services delivery system by (1) decentralizing control from the central office of the Ministry to the five regions and the 75 districts; (2) integrating all services instead of having a separate organization for each type of service, i.e. family planning, immunization, malaria, etc.; and (3) using female community health volunteers living in the rural area they will serve to provide health services.

The obstacles facing this new project are formidable. Efforts to decentralize are confronted with the reluctance of central office officials to relinquish control and the inertia of a monarchical system in which real political power is centralized.

Integration of health services was initially introduced in the early 1980s by the Ministry of Health and supported by the current project, but it progressed slowly and many problems surfaced, resulting in very ineffective services. The community health volunteer concept is the latest in a succession of previously unsuccessful attempts to find a way to deliver health services to rural Nepal. It will require training 36,000 women from rural areas who are mostly illiterate and developing a new organization and new procedures for administration/supervision.

Logistical problems will continue to be an obstacle. Successful implementation of this project even if limited to the central region will be extremely difficult since that region includes 19 districts that stretch from the plains of Terai to the peaks of the Himalayas.

Prior attempts to provide these health services had stumbled on the difficulties of overcoming cultural barriers to change, training of the illiterate, and dealing with the logistical problems of the geography. Accordingly, we believe that in order to ensure measurable progress against health service targets, the follow-on project, especially the community health volunteer component, must be more narrowly focused and

very closely monitored by USAID. If the USAID staff will not be available for this increased level of monitoring, project activities should be even more limited.

Project Funding - The Government of Nepal funds its field activities by means of advances. Advances should go to the field offices at the beginning of each trimester. The advances, however, are often many months late because of the Government's policy of not releasing a new advance until earlier advances have been liquidated. The reports and documents for liquidating advances are late reaching Kathmandu because many of the accounting offices are in remote locations and have poorly trained staff.

Other donors have avoided this problem by disbursing funds directly to the implementing activities rather than through the Government of Nepal. USAID believes, however, that working within the Government's financial system is more consistent with its development objectives. In view of this position, USAID should delay advancing funds until the Government is prepared to distribute the funds to the field.

* * * * *

Please advise us within 30 days of the status of the actions planned or taken to implement the two recommendations in this report. We appreciate the cooperation extended to our staff during the audit.

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