OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/HAITI'S INTEGRATED FINANCING FOR VALUE CHAINS AND ENTERPRISES PROGRAM

AUDIT REPORT NO. 1-521-13-008-P
September 5, 2013

SAN SALVADOR, EL SALVADOR

Office of Inspector General

September 5, 2013

MEMORANDUM

TO: USAID/Haiti Mission Director, John Groarke

FROM: Regional Inspector General/San Salvador, Jon Chasson /s/

SUBJECT: Audit of USAID/Haiti's Integrated Financing for Value Chains and Enterprises Program (Report No. 1-521-13-008-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft report and included them in their entirety in Appendix II of this report.

This report includes seven recommendations to help the mission implement needed internal controls and fully comply with environmental requirements for the Haiti Integrated Financing for Value Chains and Enterprises Program. Based on your written comments in response to the draft report, management decisions have been reached on all the recommendations.

I want to thank you and your staff for the cooperation and assistance extended to us during this audit.

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CONTENTS

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AED	Academy for Educational Development
AOR	agreement officer's representative
CFR	Code of Federal Regulations
FTF West	Feed the Future West
FY	fiscal year
IEE	initial environment examination
LWA	leader with associates

SUMMARY OF RESULTS

To rebuild its economy after decades of political instability and stagnation, Haiti needs to improve the availability of financial products and services, especially in rural areas. According to USAID, Haitian banks have made significant progress developing the urban micro-finance sector, yet most rural households and businesses continue to have very limited access to financial services. As a result, small businesses in urban areas now have better access to loans and banks, but their rural counterparts do not.

The Haiti Integrated Financing for Value Chain Enterprises Program was designed to increase the supply of financial services and products to underserved semiurban and rural populations. As described in the program agreement, it will develop profitable, sustainable relationships between financial institutions and participants in different economic value chains.[1]

The program is being implemented under a $37,169,702 cooperative agreement initially with the Academy for Educational Development (AED) under a leader with associates (LWA) award[2] from June 1, 2009, to May 31, 2012. On December 8, 2010, due to persistent contract compliance problems, USAID suspended AED from receiving new federal contracts, grants, and cooperative agreements, and transferred the program to FHI 360. On May 31, 2012, the program was extended to May 2014. As of August 28, 2013, cumulative obligations and disbursements under the program totaled $29,288,000 and $25,963,691, respectively.

The objective of this audit was to determine whether the program is delivering technical assistance, capacity building, and market facilitation to create profitable, sustainable relationships between the financial institutions and participants in different value chains.

The audit concluded that the program has made progress toward achieving this goal. It motivated financial institutions to start or expand agricultural loan programs that they previously perceived as high-risk ventures. The program facilitated the creation of profitable relationships by providing grants to lending institutions that supported the expansion of production and employment, particularly in rural zones. Lenders generally reported low default rates on these loans. The program also helped lenders recover from the January 2010 earthquake. Some examples of program achievements are discussed below.

- One lender provided loans to mango growers during the critical months before harvest. The extra cash meant that they could pay for living expenses and not have to sell other resources, such as goats, or burn mango trees for charcoal, or sell their fruit at a lower price. One beneficiary even used the funds to start up a side business to diversify his income source.

[1] A value chain includes all activities required to produce a product or service and deliver it to the final customer. Value chains include activities such as production, marketing, and distribution.

[2] A LWA is awarded competitively to address or solve a development problem. The agreement covers broad worldwide activities and is managed usually out of USAID/Washington. The awardee is the leader with access to partners, or associates, that have the skills needed for the specific problem.

- A program grant allowed a small information technology company to expand its software development services by developing a new smartphone application to register clients. Other nongovernmental organizations working with USAID/Haiti were able to use this technology to register cash-for-work beneficiaries and to buy food. This technology also helped a United Nations project establish a mobile voucher system and a scannable credit card for use with designated merchants.

- The program reached farmers in rural areas where credit was not available. For example, most agricultural loan beneficiaries interviewed in Cap-Haitien and Mirebalais had never received a loan and showed interest in applying for a second loan to advance their businesses.

- In November 2010 the program collaborated with the Bill and Melinda Gates Foundation to launch the Haiti Mobile Money Initiative. The foundation provided $10 million in prize money to motivate local mobile phone providers to develop a sustainable mobile money enterprise. As part of this effort, a local cell phone company invested in a flexible platform for its mobile money service, creating potential for future expansion to banks, insurance companies, remittance networks, or the Internet for online shopping. The status of this project is discussed in Appendix III.

Despite these successes, some aspects of the program needed improvement. For example, while the initial LWA was awarded through competition, there was no requirement for competition of associated awards. This raised concerns that USAID/Haiti was not receiving the best service at the lowest cost. Further investigation showed that the mission had entered into many awards without competition between fiscal years (FY) 2008 and 2010. However, USAID/Haiti subsequently made efforts to increase the number of awards achieved through full and open competition; therefore, this audit is not making a recommendation about this matter (for more details, go to Appendix IV).

Other aspects that needed improvement are listed below.

- USAID/Haiti officials did not document site visits as required (page 4).

- Some 23 percent of the mission's grants took more than 60 days to be approved (page 4). Neither the mission nor the implementer set up a schedule for when they should be approved.

- USAID/Haiti did not provide the results of the program's midterm evaluation to the implementer nor did it document a response to the midterm evaluation's recommendations (page 4). Mission employees said they were not sure which division was supposed to do this.

Furthermore, auditors noted that program did not comply fully with environmental requirements. The program did not provide all necessary information to implementers regarding environmental awareness training and appropriate environmental screening procedures (page 6).

To address these weaknesses in management controls, we are recommending that USAID/Haiti:

1. Implement procedures for periodic monitoring of files kept by the agreement officer's representative (AOR) to confirm that site visit reports are completed (page 5).

2. Implement reasonable grant approval time frames (page 5).

3. Revise its mission order on evaluations and make it accessible to all staff (page 5).

4. Implement a plan to inform mission employees periodically about the importance and location of the mission orders (page 5).

5. Communicate requirements of the amended initial environmental examination (IEE) to the implementer's staff in writing, and provide environmental awareness training to the lending partners on *Environmental Guidelines for the USAID/Latin America and Caribbean Bureau* (page 7).

6. Distribute standardized environmental screening forms among the program's lending partners and confirm their incorporation into lenders' loan applicant screening processes (page 7).

7. Document and implement procedures to monitor compliance with the requirements in the amended IEE (page 7).

Detailed findings follow. The audit scope and methodology are described in Appendix I. Our evaluation of USAID/Haiti's management comments will appear on page 9, and the mission's comments will appear in Appendix II.

AUDIT FINDINGS

USAID/Haiti Did Not Implement All Necessary Internal Controls

According to USAID's Automated Directives System (ADS) 596.3.1, Agency personnel have important roles in developing and executing cost-effective internal controls that produce results and assure financial integrity. ADS defines internal controls as "the organization, policies, procedures, and tools used to reasonably ensure that (a) programs achieve their intended results; (b) resources are used in accordance with the Agency's mission; (c) programs and resources are protected from waste, fraud, and mismanagement; (d) laws and regulations are followed; and (e) reliable and timely information is obtained, maintained, reported, and used for decision making."

The audit identified three areas in which USAID/Haiti's internal controls did not meet these standards.

AOR Did Not Document All Program Site Visits. USAID/Haiti's Mission Order 514, "Site Visits Report," requires project officers to prepare site visit reports for all in-country project travel within 5 days of the visit. The reports should contain the purpose, a discussion of the visit, conclusions, recommendations, and follow-up actions to be taken by the mission. The program AOR said she met with micro-finance institutions in the Port-au-Prince area and in rural locations. She said she attended highly visible public events related to the program's implementation. However, none of these visits were documented in site visit reports, and the AOR said she was not aware of the documentation requirement.

Grants Were Not Always Approved in a Timely Manner. FHI implements much of the program through grants to other organizations. The cooperative agreement requires the AOR to approve those grants and the agreement officer to approve any grant worth more than $300,000. While 56 percent of the grants were approved in 30 days or less, some took much longer; overall, 23 percent took more than 60 days to approve, and one grant required 412 days.

In addition, 11 waivers to purchase vehicles from outside the United States took up to 6 months to approve. In March 2012 USAID enacted a blanket waiver to approve purchasing such vehicles, which improved the average amount of time from 65 to 12 days.

The AOR blamed the delays on three reasons: (1) grants were complicated and required additional information, (2) the requests often were not clear or complete and had to be amended per USAID's guidance, and (3) too many requests for approval were received at the same time. However, a contributing factor was the lack of specific deadlines in the agreement for approving grants.

Mission Employees Did Not Disseminate Midterm Evaluation Report. Per ADS 203.3.1.9, missions should (1) address findings and recommendations of evaluations that relate to their specific activities, and (2) share and openly discuss evaluation findings, conclusions, and recommendations with relevant customers, partners, other donors, and stakeholders, unless there are compelling reasons not to. In addition, USAID/Haiti's Mission Order 509 of June 7, 1993, required mission personnel to distribute evaluations to implementing partners and to document the mission's action and response in writing. However, this mission order was not readily available to staff and had not been updated.

In August 2012 USAID/Haiti sponsored an external evaluation of the program to help it achieve its goals. Mission employees did not provide the results of that evaluation to FHI, the implementing partner. Furthermore, USAID/Haiti did not formally document its response to the report, although the AOR said the mission agreed with the majority of the findings and believed it had addressed them in the agreement's eighth modification.

USAID/Haiti officials attributed the problem to an oversight brought on by confusion about whether the technical office or program office ultimately was responsible for sharing the report. The audit team found that many mission orders were outdated and difficult to access, which might explain why employees did not know about their responsibilities under various orders (including the order requiring site visits). USAID/Haiti officials confirmed that in FY 2009, the mission identified the outdated orders as a control deficiency. At a meeting in January 2013, mission officials developed a plan to correct this deficiency by June 2013.

Failure to address these internal control issues can have a negative impact on the program.

- Without accurate and timely trip reports, AORs cannot provide documentation that proves they are carrying out designated responsibilities in administering the award. In addition, documenting site visits provides a record of findings and recommended actions for follow-up that can be used during portfolio reviews or provide historical information if an AOR leaves the job.

- Without timely grant approvals, the program cannot maintain consistent funding levels to support program operations. As was presented in the midterm evaluation, irregular funding delays the program's implementation and can hurt the program's chances of succeeding.

- Unless evaluation recommendations are reviewed and discussed carefully with implementers and stakeholders, opportunities for program improvements or cost savings will not be recognized. Not properly addressing its findings and recommendations make the $88,000 cost of the evaluation an ineffective use of program funds.

To correct the identified problems, we are making the following recommendations:

Recommendation 1. *We recommend that USAID/Haiti implement procedures for periodic monitoring of files kept by the agreement officer's representative and confirm that site visit reports are completed.*

Recommendation 2. *We recommend that USAID/Haiti implement reasonable grant approval time frames.*

Recommendation 3. *We recommend that USAID/Haiti revise its mission order on evaluations and make it accessible to all staff.*

Recommendation 4. *We recommend that USAID/Haiti implement a plan to inform mission staff periodically of the importance and location of mission orders.*

USAID/Haiti Did Not Comply Fully With Environmental Requirements

According to ADS 204.3.1, USAID's environmental procedures are established in Title 22 of the Code of Federal Regulations, Part 216 (22 CFR 216), as authorized by the Foreign Assistance Act. ADS 204.2 states that it is the responsibility of the assistance objective teams, including the AOR, to ensure full compliance with 22 CFR 216. Their responsibilities include "designing, monitoring, and modifying programs, projects, and activities . . . to ensure that the environmental consequences of actions taken by USAID are considered and that appropriate environmental safeguards are adopted, as required by 22 CFR 216."

The IEE is one of the approval documents needed for a USAID assistance activity to take place. The IEE identifies the environmental effects that may occur because of the activity and suggests appropriate mitigation measures to help offset them. For instance, per 22 CFR 216.3, if pesticides will be procured and used in the activity, the IEE needs to "include a separate section evaluating the economic, social and environmental risks and benefits of the planned pesticide use to determine whether the use may result in significant environmental impact."

Because some program beneficiaries were involved in activities that affected the environment, in 2009 USAID/Haiti added the program to an existing IEE that also covered several others. The IEE expired in 2010, however, and the enterprises program has not complied with 22 CFR 216 since then. Additionally, subsequent amendments to the IEE did not contain all required information about the program. Following inquiries by the audit team, USAID/Haiti amended the IEE in February 2013 to include all necessary information. It required environmental awareness training for program partners that issue loans to small farmers. It also specified that partners should receive training on *Environmental Guidelines for the USAID/Latin America and Caribbean Bureau* and should use standard application forms to screen projects.

Initially the mission did not provide the implementer with the forms. So the implementer's employees had to create their own. In addition, lenders did not receive training on the implementation of *Environmental Guidelines*, which provides detailed information about the safe use of pesticides and protective equipment. Furthermore, the AOR did not complete and document environmental monitoring to verify that lenders adopted appropriate environmental safeguards.

The environmental officer said the program's IEE did not contain the necessary information and mitigation measures because the program was being implemented during a busy period when the mission was developing a new post-earthquake strategy. The officer said the mission was processing numerous IEEs and may have overlooked the needed updates for the program. The AOR did not make sure that the IEE was kept current and was being implemented because she did not know she was supposed to.

Since the program was not included in the IEE initially, representatives of micro-finance institutions did not receive necessary environmental training. These officials were responsible for providing guidance on the use of pesticides and fertilizers. Prior studies showed that pesticides that are harmful to people and the environment were observed throughout Haiti, and therefore loans to the agriculture industry pose potential environmental risks. Furthermore, the use of acutely toxic chemicals combined with improper application methods exacerbates many pesticides' environmental and human health risks.[3] Therefore, we make the following recommendations.

> ***Recommendation 5.*** *We recommend that USAID/Haiti communicate the requirements of the amended initial environmental examination to the implementer's staff in writing and provide environmental awareness training to the lending partners on the implementation of* Environmental Guidelines for the USAID/Latin America and Caribbean Bureau.

> ***Recommendation 6.*** *We recommend that USAID/Haiti document the distribution of standardized environmental screening forms among program lending partners and confirm their incorporation into lenders' loan applicant screening processes.*

> ***Recommendation 7.*** *We recommend that USAID/Haiti's agreement officer's representative document and implement a plan for monitoring compliance with the requirements in the amended initial environmental examination.*

[3] *USAID/Haiti Mission-Wide Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP)*, December 2, 2010.

OTHER MATTER

The program's midterm evaluation recommended improved technical assistance to agricultural value chains. When responding to this recommendation, USAID/Haiti may wish to evaluate whether it should coordinate the program with the Agency's Feed the Future (FTF West).

That program, worth $128 million, started in June 2009. By the end of 2010, it had trained 220 master farmers in small farm management, basics of agriculture, environment, and other specialized courses such as vegetable and cereal production, post-harvest technology, soil conservation, and pest management. These farmers are potential resources for program beneficiaries. For example, the AOR for FTF West said the programs might pair program beneficiaries with master farmers trained by FTF West.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Haiti agreed with all seven recommendations. Based on our evaluation of the mission's comments, we acknowledge that management decisions have been reached on each recommendation. Our detailed evaluation of management comments follows.

Recommendation 1. USAID/Haiti developed a site visit template for review of field reports, and it plans to develop a site visit monitoring system for periodic reviews of the AOR files to be completed by November 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 2. USAID/Haiti has proposed specific time frames for grant approval, and officials said this would be completed by November 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 3. USAID/Haiti plans to issue an approved mission order on evaluations by December 31, 2013, making it accessible to its staff. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 4. USAID/Haiti will remind staff semiannually of the importance and location of its mission orders, starting in January 2014. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 5. USAID/Haiti officials said the mission would communicate the requirements of the amended IEE in writing to the implementer by the end of August 2013. USAID/Haiti held a group training session for the implementer's partners on March 20, 2013, on environmental issues and best management practices for financial institutions. The training included topics on USAID 22 CFR 216 and the mission's pesticide evaluation report. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 6. USAID/Haiti plans to develop a standardized environmental screening form to distribute to program lenders to incorporate in their loan applicant screening processes by November 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 7. USAID/Haiti will develop a plan for monitoring compliance with the requirements in the amended initial environmental examination by September 30, 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Haiti's enterprises program made progress toward achieving its goal of delivering technical assistance, capacity building, and market facilitation to create profitable, sustainable relationships between the financial institutions and participants in different value chains.

USAID/Haiti awarded the cooperative agreement to AED under an LWA award with total funding of $37,169,702 from June 1, 2009, to May 31, 2014. On December 8, 2010, USAID suspended AED from receiving new federal contracts, grants, and cooperative agreements. On June 30, 2011, it signed a novation agreement that transferring AED's assets and U.S. Government obligations to FHI 360. As of April 1, 2013, cumulative obligations and disbursements under the program totaled $25,584,000 and $20,538,476, respectively.

The audit covered activities from the program's inception on June 1, 2009, through March 21, 2013. We reviewed 26 out of 61 grants that were active as of January 11, 2013, totaling about $7.7 million (or 54 percent) of the $14.2 million total grants awarded. The audit team conducted fieldwork from January 30, 2013, through March 21, 2013, in and around Port-au-Prince, Saint-Marc, Mirebalais, Montrouis, and Cap-Haitien.

In planning and performing the audit, we assessed the significant mission controls related to the program. These included USAID/Haiti's FY 2011 and 2012 operating plan reports, the FY 2012 annual self-assessment of management controls (which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act), environmental due diligence, award and modification requirements, AOR designation letters, program evaluations, and portfolio reviews.

The audit team also reviewed the implementer's control environment, managed by subimplementer World Council of Credit Unions, including a review of the grant approval process, data validation, and reporting systems.

Methodology

To answer the audit objective, we evaluated the mission's management and oversight of the program, as well as the implementer's performance and the effectiveness of the activities. We met with the USAID/Haiti employees responsible for the program, such as the AOR, program officer, mission and regional environmental officers, contracting officer, and deputy contracting officer. We also met with the USAID/Haiti AOR for FTF West. We had numerous meetings with program staff, including the chief of party, grants manager, the monitoring and evaluation team, financial manager, information communications technology manager, and a representative from subimplementer TechnoServe. We also met with program grantees in business development services, agriculture, and in farmers and tourism associations, as well as mobile money agents.

To gain an understanding of the program, the audit team reviewed, among other documents, USAID/Haiti's cooperative agreement with the implementer and associated modifications, USAID/Haiti's negotiation memos and justifications, the umbrella LWA cooperative agreement, an independent evaluation of the program, operating plans, and portfolio reviews.

We also reviewed the implementer's documentation of work performed, such as the performance management plan, work plans, periodic progress reports, grant agreements, and grants manual. We reviewed applicable policies, regulations, and guidelines pertaining to USAID/Haiti's implementation of the program, such as ADS, CFR, U.S. Department of State Foreign Affairs Manual, and other pertinent criteria.

We used a judgmental sample rather than a statistical one because a statistical sample would have required sampling almost the entire population of 61 grants—and we did not have the time or resources to do that. Therefore, we judgmentally selected 26 for field visits. The sample selection was based on an analysis of relevant factors, such as the fund type affected, the dollar value, and travel time to locations. The final itinerary was refined through discussions with USAID/Haiti and program staff. Field visits were used to validate the use of funds and to document aspects of monitoring, reporting, and compliance with environmental requirements. Since we did not use a statistical sample, the sample results cannot be projected to the entire population.

MANAGEMENT COMMENTS

TO: Jon Chasson, Regional Inspector General

FROM: John Groarke, Mission Director/s/

DATE: August 22, 2013

SUBJECT: Mission response to the Audit of USAID/Haiti's Integrated Financing for Value Chains and Enterprises Program (RIG draft Report No. 1-521-13-00X-P).

This memorandum represents USAID/Haiti's actions taken to address and reach the management decisions for the recommendations reported in the draft Audit of USAID/Haiti's Integrated Financing for Value Chains and Enterprises Program (HIFIVE) / RIG Report No. 1-521-13-00X-P. The mission agrees with recommendations 1, 2, 3, 4, 5, 6 and 7 and provides below the responses to these recommendations.

> **Recommendation No. 1** : *We recommend that USAID/Haiti implement procedures for periodic monitoring of files kept by the agreement officer's representative and confirm that site visit reports are completed.*

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

<u>Plan of Action</u>

The Technical Office will review Agreement Officer Representative (AOR) files with respect to auditing site visit reports as part of its functions.

A USAID/Haiti Program Monitoring form for site visits was developed and disseminated for use in April 2013 (See Attachment # 1- June 2013 for field reports using the new template).

A system will be put in place during the month of November 2013 to review on a periodic basis the AORs/CORs files to ensure that site visit reports are timely completed.

The AOR files also contain different types of documents pertaining to visits conducted to beneficiaries as well as attendance of public events featuring HIFIVE. Visits to various

Microfinance institutions, including Development Credit Authority (DCA) loan guarantee partner institutions that have benefitted from HIFIVE's assistance to strengthen their capacity and to several clients of these institutions are recorded through e-mails and pictures. Please refer to attachment # 2: FONKOZE 2009-meeting report, picture of "Association pour la coopération avec la Microentreprise" (ACME)'s client in Croix-des-Bossales (July 2011), pictures of visit to Le Levier –Sociéte Coopérative Lavi Miyò (SOLAVIM) branch in Montrouis and to one loan client's plantation-August 2012, and one Mobile Money event featured in Nouvelliste-newspaper (August 4-7, 2011).

Timeline for accomplishment: April 2013 for site visit template for field trips, November 2013 for site visit monitoring system.

> **Recommendation No. 2:** *We recommend that USAID/Haiti implement reasonable grant approval time frames.*

Mission Response

We would like to highlight the fact that there was a hold put on the approval of HIFIVE sub-grants from December 2010 to August 2011 due to the suspension of the previous lead partner, the Academy for Educational Development (AED), from receiving new U.S. Government awards pending an investigation by the USAID Office of Inspector General (OIG). We were notified that the situation was resolved in September 2011 (ref: attached related mails) resulting in a significant backlog of grant applications.

In addition, on several occasions the implementer re-prioritized the grants submitted for approval.

Finally, from time to time, numerous grant requests were transmitted for approval within a short period of time. For example, a grant pipeline matrix dated October 10, 2010 shows that 8 grant requests were received within a two-week period.

We would like to request the amendment of:

> A) The first sentence from the second paragraph of the report (page 4) to read that: "11 waivers of source/ nationality to purchase non-US vehicles" instead of "11 grants for the purchase of locally available vehicles".
>
> B) The second reason in paragraph 3, page 4 to read that: "The requests often were not clear or complete and had to be amended per USAID's guidance" instead of "the program's employees improperly drafted the request".

Plan of Action

The Mission proposes the following according to grant limits:

1) All grants and Public Private Partnership up to $300,000 (approved by the AOR): 5 working days for a limit of 2 grants per week.

2) All grants and Public Private Partnership above $300,000 (approved by Agreement Officer): 10 working days for a limit of 2 grants per week.

However, if further documentation or clarification is needed, the proposed response time will start upon receipt of the additional documentation requested.

Timeline for accomplishment: November 2013

> **Recommendation No. 3:** *We recommend that USAID/Haiti revise its Mission Order on evaluations and make it accessible to all staff.*

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

Plan of Action

The Program Office will take action for a Mission Order (MO) on evaluations to be issued (built on the Bureau for Policy, Planning and Learning) standardized format by December 2013 as required by the PPL Bureau Agency-wide. Once approved, the MO will be disseminated to all mission staff and made accessible on the intranet site.

Timeline for accomplishment: December 2013

> **Recommendation No. 4:** *We recommend that USAID/Haiti implement a plan to inform mission staff periodically of the importance and location of Mission Orders*.

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

Plan of Action

USAID/Haiti established a repository for Mission Orders on the intranet site in March 2013 and the Mission Control Review Committee (MCRC) is actively tracking status of pending MOs actions. The Executive Office will remind Mission staff semi-annually of the importance and location of MOs starting in January 2014.

Timeline for accomplishment: January 2014

> **Recommendation No. 5:** *We recommend that USAID/Haiti communicate the requirements of the amended Initial Environmental Examination (IEE) to program employees in writing and provide environmental awareness training to the lending*

partners on the implementation of Environmental Guidelines for the USAID/Latin America and Caribbean Bureau.

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

Plan of Action

The Initial Environmental Examination covering the HIFIVE and DCA activities called for an environmental awareness session for HIFIVE and the DCA partners. In addition, it requires the distribution of the LAC Environmental guidelines, principally screening forms to determine the potential impact of activities.

The requirements of the amended Initial Environmental Examination (LAC-IEE-13-17) will be formally communicated in writing to HIFIVE by the end of August 2013.

A group training session for all DCA guarantee partners and HIFIVE took place on March 20, 2013 to present environmental issues and best management practices for financial institutions engaged in micro, small and medium enterprises (MSMEs) financing to the financial institutions. USAID 22CFR 216 Environmental Compliance, Application Screening forms for MSEs-Ref. LAC Guidelines for Micro Enterprise Financing, and the Mission's Pesticide Evaluation Report were presented and discussed. The list of approved pesticides and the Reg. 216 booklet were also distributed.

However, due to numerous questions that were raised by the participants concerning the use of the environmental compliance screening forms, the Office of Economic and Agricultural Development (EGAD) has decided to further discussed with the Mission Environmental Compliance Unit the possibility of amending the forms to make them more relevant to the local institutions' use and also to translate them into French. The Mission has started reviewing the forms; we plan on finalizing and transmitting this revised form to the Environmental Compliance Unit for approval by September 2013 and anticipate distribution to the institutions by November 2013.

Timeline for accomplishment: Communication of the Initial Environmental Examination (IEE) requirements in writing by the end of August 2013 and distribution of the Environmental Compliance (EC) screening forms by the end of November 2013.

Recommendation No. 6: *We recommend that USAID/Haiti document the distribution of standardized environmental screening forms among program lending partners and confirm their incorporation into lenders' loan applicant screening process.*

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

Plan of Action

Screening forms have been presented to the financial institutions. However, due to numerous questions that were raised by the participants concerning the use of these forms, the EGAD Office also has decided to further discussed with the Mission Environmental Compliance Unit the possibility of amending the forms to make them more relevant to the local institutions' use and also to translate them into French. The Mission has started reviewing the forms; we plan to finalize and transmit this revised form to the Environmental Compliance Unit for approval by September 2013 and anticipate distribution of the standardized environmental screening forms in French to the institutions in order for them to incorporate the forms in the institutions' loan approval package by November 2013.

Timeline for accomplishment: November 2013

> **Recommendation No. 7:** *We recommend that USAID/Haiti's agreement officer's representative document and implement a plan for monitoring compliance with the requirements in the amended initial environmental examination*.

Mission Response

The Mission will implement the following Plan of Action to address this recommendation.

Plan of Action

The plan should be developed by September 30, 2013 in conjunction with the Monitoring and Evaluation Officer and the Mission Environmental Compliance Unit.

Timeline for accomplishment: September 2013

STATUS OF THE HAITI MOBILE MONEY INITIATIVE

In 2007 a Kenyan mobile carrier launched a mobile money service, and by 2010, 50 percent of Kenyan adults—more than 12 million people—had used it. The service meant that people living in remote areas with no bank accounts could make safe cash transactions through their mobile phones. The service also provided a way for people around the world to send remittances.

Officials at the Bill and Melinda Gates Foundation said they believed the Kenya model could be replicated in Haiti. In November 2010 the foundation and the Integrated Financing for Value Chains and Enterprises Program launched the Haiti mobile money initiative. The foundation provided $10 million in prize money to create incentives for local mobile phone providers to develop a sustainable mobile money industry. The first company that launched a mobile money service received $2.5 million, while the second company received $1.5 million. Additional prizes were disbursed to these companies for reaching 100,000, 1 million, and 5 million transactions. As of July 2012, all $10 million in prize money had been disbursed.

Unfortunately, the cash prizes were not sufficient incentives to ensure sustainability because once the companies won the prizes, they stopped their marketing campaigns for the services. While the companies were able to register 5 million transactions to win the competition, officials estimated that only 17,000 people were using the services consistently, which might not be enough to justify having a national mobile money program.

On March 30, 2012, Haiti's two phone companies merged, leaving just one operating mobile phone company in Haiti. While the business is moving forward with mobile money, it faces several challenges discussed below.

1. **Increase the number of point-of-service locations to provide customer access throughout Haiti.** One reason the Kenyan model succeeded was that it quickly established numerous locations. Not so in Haiti; a mobile money location must be a licensed business that has operated for at least 2 years and be associated with a financial institution. Kenya had no such requirements.

2. **Increase the size of transactions**. The Central Bank of Haiti limited the amount of money transactions—called wallet size—to a maximum of $250. Therefore, using the service for larger transactions, such as making a payroll payment, is not possible.

3. **Develop a competitive cost structure.** To make the service appealing to both agents and customers and to keep the product viable, the provider has set up a fee structure that it believes will be an incentive to agents. However, some customers require discount offers—such as free airtime for their phones—before they accept the fee structure.

4. **Address liquidity needs.** Agents must have sufficient liquidity to operate continuously. Customers lose confidence if an agent runs out of cash. The provider is addressing this concern through a program that identifies liquidity at each location. The program allows the provider to monitor agents better and to require them to have sufficient liquidity.

5. **Educate the public.** The provider needs to launch an extensive marketing campaign to educate agents and customers.

According to World Bank economists, mobile money services achieved in Kenya what decade-long experiments with micro savings did not accomplish: helping people in rural areas of a poor country get faster access to funds. Whether that can be achieved in Haiti has yet to be determined and will require attention to the concerns listed above.

IMPROVEMENT IN COMPETITIVE PROCUREMENT

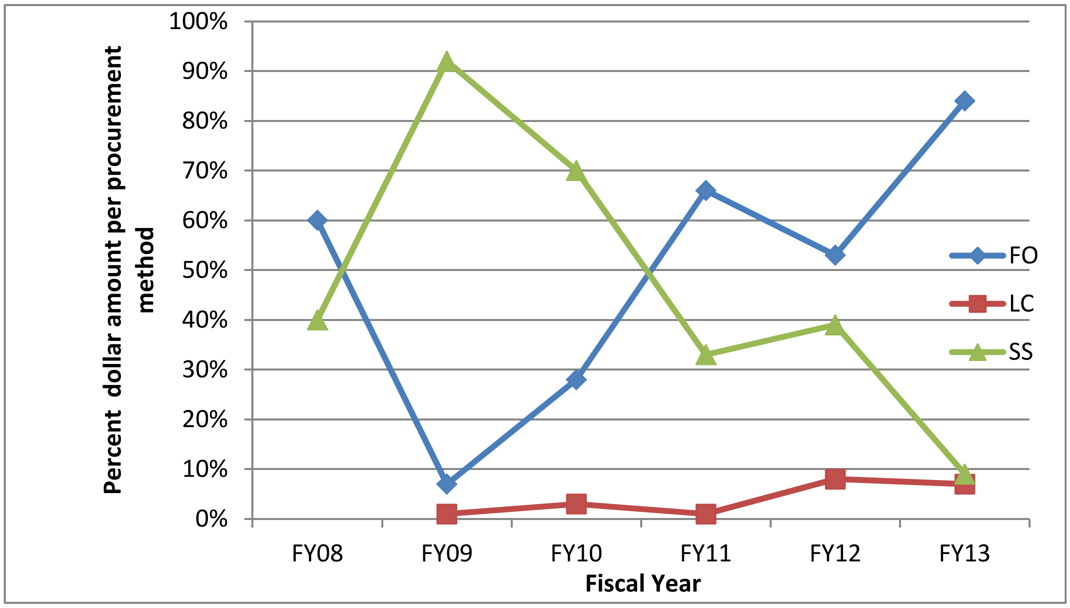
According to the *Foreign Affairs Handbook*,14 FAH-2 H-220, “the Competition in Contracting Act of 1984 . . . requires, with limited exceptions, that contracting officers promote and provide full and open competition for U.S. Government contracts and awards.” This is desirable from a public perspective because it typically means the Government has obtained quality products and services at a reasonable cost. Under the act, “full and open competition” results when “all responsible sources are permitted to submit sealed bids or competitive proposals.”

In FY 2009 14 of USAID/Haiti’s 18 awards (78 percent) were not given through full and open competition, including the enterprises program. The agreement was made as an LWA, in which the primary implementer must compete for the award, but its associates do not. For the program’s LWA, AED was the leader, and it selected the World Council of Credit Unions to implement the program in Haiti; the council then selected TechnoServe to implement a small business development component. As a result, three different organizations charged salaries, benefits, and other indirect costs to the program.

In September 2011 USAID revised its guidance on LWAs and asked activity managers to include a justification for using them. The justification must describe in detail why a LWA is necessary instead of another type of grant or cooperative agreement.

To determine whether USAID/Haiti avoided full competition in procurements, the audit team asked the mission to provide a list of awards from FY 2008 to March 2013. The team found that the mission awarded a high percentage of noncompetitive awards in FYs 2008, 2009, and understandably in 2010 after a catastrophic earthquake when rapid procurement was required. However, USAID/Haiti has showed marked improvements since then in the use of full and open competition, as shown in the tables on the next pages.

Table 1. Percent of Award Dollars by Contract Type, Fiscal Years 2008 to 2013 (Unaudited)

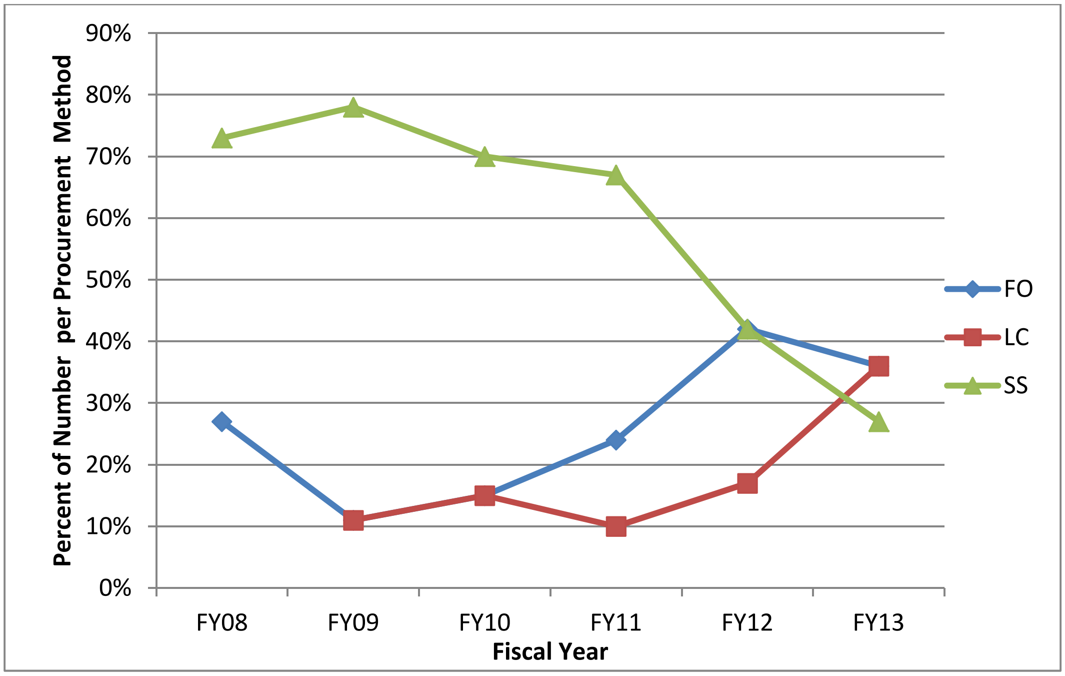


Source: USAID/Haiti

FO – full and open competition; LC – limited competition (includes limited to local firms and firms in the 8(a) Business Development Program[4]); SS – sole source (includes sole source, 8(a) sole source, indefinite quantity contracts, and LWAs)

[4] 8(a) is a Small Business Administration program intended to assist economically and socially disadvantaged business owners. The initiative gives participants the opportunity to get federal contracts on a sole-source or limited competition basis.

Table 2. Percent of Awards by Contract Type, Fiscal Years 2008 to 2013 (Unaudited)



Source: USAID/Haiti
FO – Full and open competition; LC – limited competition; SS – sole source (includes sole source, 8(a) sole source, indefinite quantity contracts, and LWAs)

The increase in competitive awards appears to coincide with increasing USAID/Haiti's Office of Acquisition and Assistance staffing levels. In FY 2009—a very low point for competition—the contracting officer had left, and a retired contracting officer came to help. This employee and two contract specialists were required to process awards totaling $261 million. Currently the office has grown to 11 employees from 3. Despite the increased staff size, the workload is still challenging because Haiti has now surpassed Iraq with the fifth highest amount of obligations reported in FY 2012.

In a March 2009 memo, President Barack Obama wrote, "Excessive reliance by executive agencies on sole-source contracts (or contracts with a limited number of sources) and cost-reimbursement contracts creates a risk that taxpayer funds will be spent on contracts that are wasteful, inefficient, subject to misuse, or otherwise not well designed to serve the needs of the Federal Government or the interests of the American taxpayer." USAID/Haiti has made progress in reversing this trend.

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