OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/ETHIOPIA'S AGRICULTURAL SECTOR PRODUCTIVITY ACTIVITIES

AUDIT REPORT NO. 4-663-10-003-P
MARCH 30, 2010

PRETORIA, SOUTH AFRICA

Office of Inspector General

March 30, 2010

MEMORANDUM

TO: USAID/Ethiopia Mission Director, Thomas H. Staal

FROM: Regional Inspector General/Pretoria, Nathan S. Lokos /s/

SUBJECT: Audit of USAID/Ethiopia's Agricultural Sector Program Activities (Audit Report No. 4-663-10-003-P)

This memorandum transmits our report on the subject audit for your review and comment. In finalizing this report we considered management's comments on the draft report and have included those comments in their entirety (without exhibits) in appendix II.

The report includes seventeen recommendations to strengthen USAID/Ethiopia's agricultural initiatives. Based on management's comments, we considered that a management decision has been reached and final action taken, on recommendations no. 7, 8, 9, and 16. In addition, we also consider that management decisions have been reached on recommendations no. 2, 5, 6, 10, 11, 12, 14, 15, and 17. Please provide the Office of Audit, Performance and Compliance Division (M/CFO/APC) with the necessary documentation to achieve final action on these recommendations.

Based on management's comments, we consider that a management decision has not yet been reached on recommendations no. 1, 3, 4, and 13. We ask that you provide us with written notice within 30 days regarding any additional information related to actions planned or taken to implement this recommendation.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during the audit.

CONTENTS

SUMMARY OF RESULTS

The main focus of USAID/Ethiopia's 5-year strategic plan is to manage the transition from an emergency response-dominated program to one that proactively builds capacity to prevent famine and promotes economic growth, especially in the agricultural sector. Since starting this strategy in fiscal year (FY) 2004, USAID/Ethiopia has designed agricultural activities valued at $116 million, which are to be implemented through the end of FY 2010. As of March 2009, the mission had obligated approximately $70 million for these agricultural activities, which are being carried out by 19 implementing partners. The ultimate goal of the agricultural program is to assist Ethiopia in achieving market-led economic growth and to improve the resiliency of farmers, pastoralists,[1] and other beneficiaries (pages 3–5).

The audit found that the program is contributing to the achievement of market-led economic growth and the improved resilience of farmers, pastoralists, and other beneficiaries in Ethiopia. However, it is not possible to determine the extent of that contribution because of weakness in the mission's performance management and reporting system. Specifically, while the mission used performance indicators and targets to track progress in several areas (see appendix III on page 33), the results reported for the majority of those indicators were not comparable with the targets. Moreover, the audit was unable to determine whether the results reported in USAID/Ethiopia's Performance Plan and Report were valid because mission staff could neither explain how the results were derived nor provide support for those reported results. In fact, when the audit team attempted to validate the reported results, it was unable to do so at either the mission or its implementing partners (pages 6–12).

Despite the positive contributions observed for selected agriculture activities, the mission's agricultural program contains a number of areas for improvement. These areas include the following:

- The performance management plan for the agricultural program was not current or complete.
- Partner implementation plans were lacking vital information.
- The reliability of performance data was unknown.
- Data quality assessment recommendations were not implemented.
- Negotiation memoranda and delegation letters were not consistently prepared.
- Branding requirements were not followed.
- Required antiterrorism provisions were not included in some agreements.
- The mission was not in compliance with environmental procedures.
- Participant training requirement was not in place (pages 7–20).

This report recommends various actions to address these issues. These include recommendations relating to (1) improving the mission's performance management and reporting system, (2) strengthening the mission's preparation of awards, and (3) improving compliance with key requirements, such as branding, environmental requirements, and participant training (pages 9–21).

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[1] A pastoralist is one who works in the branch of agriculture concerned with the raising, care and tending of livestock such as cattle, goats and camels.

In response to the draft report, USAID/Ethiopia agreed with the majority of the 17 recommendations. Management decisions were reached on 13 recommendations, of which final action was taken on 4. USAID/Ethiopia has been asked to provide written notice within 30 days regarding any additional information related to actions planned or taken to implement the four remaining recommendations.

Traditional coffee-processing facility in Yirgacheffe (left) replaced by modern higher efficiency USAID-funded equipment (right). (Photograph taken by an OIG auditor in September 2009.)

BACKGROUND

Ethiopia, Africa's second most populous nation and a leading economic and military power in the region, is a strong strategic partner of the United States. As one of Africa's poorest countries, it faces huge development and humanitarian challenges. A rapidly growing population of more than 77 million, endemic poverty, limited infrastructure and government capacity, and a surge of high inflation, compounded by recent drought conditions, have resulted in chronic food insecurity and slowed economic growth. Local problems—such as lack of coordination among local producers and farmers, chronic periodic drought and floods, malnutrition, and disease outbreaks—are not always quickly addressed by the central government.
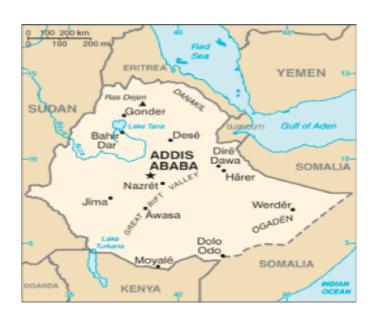
Figure 1. Map of Ethiopia

Source: *The Central Intelligence Agency World Fact Book*

According to a report from the Government of Ethiopia,[2] some of the major impediments to agricultural development in the country are the predominance of subsistence agriculture and the lack and/or absence of more business/market-oriented agriculture. Based on this need, the United States is helping Ethiopia accelerate development by promoting a market-based economy and fostering private investment and trade competitiveness. In addition, the United States, along with the World Bank and other major donors, is pressing for economic reforms that reduce state dominance and increase collaboration in agriculture marketing, land certification, livestock health, and finance and investment.

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[2] *Ethiopia: Building on Progress - A Plan for Accelerated and Sustained Development to End Poverty (PASDEP)* by the Ministry of Finance and Economic Development, September 2006.

Agriculture is the mainstay of Ethiopia's economy, contributing 46 percent[3] of the country's gross domestic product,[4] more than 90 percent of its exports, and 83 percent of its employment. Between 2003 and 2008, the agricultural sector grew at an average annual rate of 13 percent and has been allocated 15 percent of the total Government of Ethiopia budget. Eighty-five percent of Ethiopia's 77 million people live in rural areas and are engaged in smallholder farming. Plot size per capita is shrinking as the population grows, and land degradation and insecure land tenure[5] hamper farm productivity and investment. As a result, agricultural development is crucial to breaking Ethiopia's cycle of hunger and emergency assistance by increasing food security and incomes, and to moving Ethiopia from a developing to a transforming country.

USAID/Ethiopia supports the Ethiopia Strategy Support Program to strengthen the national capacity for applied policy research and to conduct agricultural research that identifies knowledge gaps in several areas, including food security and poverty reduction, and regional investment targeting. To illustrate, U.S. assistance through several USAID programs is increasing Ethiopia's share in the livestock trade to the Middle East through improved productivity of livestock and pastoralism, mostly in arid lowland areas.

Program Funding

The main focus of USAID/Ethiopia's 5-year strategic plan is to manage the transition from an emergency response-dominated program to one that proactively builds capacity to prevent famine and promotes economic growth, especially in the agricultural sector. The U.S. Congress has supported this strategy by increasing the funding for agricultural programs in Ethiopia. As a result, mission funding for agriculture has spiraled upward as much as 457 percent from prior years (see figure 2). According to mission staff, this rapid increase in funding addressed priorities is stipulated in the mission's 5-year strategy.[6]

Since starting its new strategy in fiscal year (FY) 2004, USAID/Ethiopia has designed agricultural programs valued at $116 million, which are to be implemented through the end of FY 2010. As of March 2009, the mission had obligated approximately $70 million for agricultural activities in Ethiopia. The audit focused on program activities from October 1, 2007 to September 30, 2008.

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[3] Comprising 30 percent crop sector, 12.3 percent livestock, and 4 percent forestry.
[4] Gross domestic product is defined as the total value of all goods and services produced within a territory during a year.
[5] Land tenure is a government-sanctioned system that provides holders of land with deeds documenting ownership.
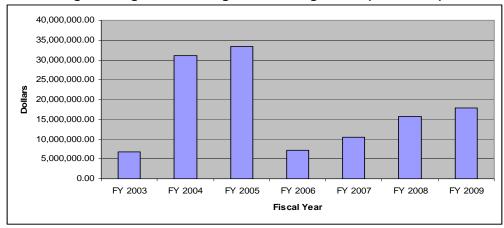[6] USAID/Ethiopia's 5-year strategy covered FY 2004 through FY 2008

Figure 2. Agricultural Programs Funding Levels (2003–2009)*

*Unaudited numbers

Agricultural Program Staffing Levels

According to mission officials, the significant increase in agricultural program funding has been accompanied by an increase in demand for agricultural program staff. Consequently, the mission initiated a hiring campaign, but it had little success. At the time of this audit, the agricultural program still had four vacant positions, which, according to agricultural program management, are intended both to provide staff to meet the existing workload and to accommodate possible program expansion. These positions are expected to be filled during FY 2010.

In addition to the challenges of trying to fill its vacant positions, USAID/Ethiopia's agricultural program has experienced high turnover in project management staff owing to the normal USAID rotation cycle.[7] On the other hand, the audit noted that there is a gap between USAID knowledge and historical program information in the agricultural program. To illustrate, the agricultural program office is staffed with seven contracting officer's technical representatives currently managing projects (one U.S. direct hire and six Foreign Service nationals). Only one of these staff members has been with the program for more than 3 years. The other six technical representatives joined the program in a period between the past 3 months to 2 years.

AUDIT OBJECTIVE

The Regional Inspector General/Pretoria conducted this audit as part of its FY 2009 annual audit plan to answer the following question:

- Is USAID/Ethiopia's agricultural productivity sector activities program achieving its main goals of assisting Ethiopia to achieve market-led economic growth and to improve the resiliency of farmers, pastoralists, and other beneficiaries?

Appendix I contains a discussion of the audit's scope and methodology.

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[7] USAID/Ethiopia is a one-tour post, which means that U.S. direct hire staff rotate in and out of the mission every 2 years.

AUDIT FINDINGS

While USAID/Ethiopia is contributing to the achievement of market-led economic growth and the improved resilience of farmers, pastoralists, and other beneficiaries in Ethiopia, it is not possible to determine the extent of that contribution because of weakness in the mission's performance management and reporting system.

USAID/Ethiopia has had a variety of activities that are contributing to its main goals. For instance, the audit observed USAID-funded activities in which:

- Farmers worked on commercial production plots to cultivate grapes, strawberries, passion fruit, and flowers, among other products, using improved irrigation and fertilization techniques to increase production and quantity of exports.

- Cooperatives employed individuals from surrounding communities to work on dairy farms using improved sanitation, forage cultivation, and milking techniques to increase dairy production and improve animal health.

- Centrally located livestock markets were funded by USAID to create an organized system for the trade of cattle among pastoralists from neighboring communities, resulting in an increase of trade and sales in the local market.

Group of farmers working in a strawberry farm in Oromia Region
(Photograph taken by an OIG auditor in September 2009.)

While the audit noted that the agricultural program has made contributions to market-led economic growth and to improve the resiliency of farmers, pastoralists, and other beneficiaries, the audit could not determine the extent and impact of such contributions owing to a number of weaknesses in the mission's performance management and reporting system. For example, although the mission used performance indicators and set targets to track progress in several areas, the results reported for the majority of the indicators were not comparable with the targets. To illustrate, the mission's FY 2008 Performance Plan and Report indicated that:

- For the performance indicator "[n]umber of vulnerable household benefiting directly from USAID assistance," the mission reported a target value of 45,000 households and actual results of 92,961. However, these numbers are not comparable because the target was not updated to include the anticipated achievements of a major activity that was included in the actual results.[8]

- Regarding the "[n]umber of firms receiving U.S. Government assistance to improve management practices," the mission reported a target of 152,513 firms and actual results of 228. A note accompanying the reported results indicates that the target represents individuals rather than firms. As a result, there was essentially no target for this year.

In addition, the audit was unable to determine whether the results reported in USAID/Ethiopia's Performance Plan and Report were valid because agricultural program staff could neither explain how the results were derived nor provide support for those results. Indeed, when the audit team attempted to validate the reported results by tracing from the summary amounts to the supporting detail, it was unable to do so at either the mission or its implementing partners. Weaknesses in the mission's performance management system, performance reporting system, and compliance with select USAID requirements are discussed below.

Key Tools For Managing Performance Were Missing

The audit determined that USAID/Ethiopia's agricultural program did not have two key tools that are important for properly managing performance: a current performance management plan and well-designed partner implementation plans. These are discussed in detail in the following sections.

Lack of a Current Performance Management Plan – A performance management plan is a tool to plan and manage the process of monitoring, evaluating, and reporting progress toward achieving an assistance objective. USAID's Automated Directives System (ADS) 203.3.3 requires that assistance objective teams prepare a complete performance management plan for each of their assistance objectives. Among other things, a performance monitoring plan states the full set of performance indicators that the assistance objective team will use to assess progress over the life of the program. The performance management plan should also:

- Justify briefly why each performance indicator was selected.

- Provide baseline values and targeted values for each performance indicator included in the performance management plan.

- Specify the source of the data and the method for data collection in enough detail that an objective observer can understand how the raw data are collected, compiled, analyzed, and reported.

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[8] This was the Pastoralist Livelihoods Initiative.

- Describe known data limitations of each performance indicator by discussing any data quality limitations and steps to be taken to address them. Assistance Objectives teams must also ensure that all data used to report performance to Washington meet USAID data quality standards.

- Describe the data quality assessment procedures that will be used to verify and validate the measured values of actual performance of all the performance information.

USAID's *Performance Management Toolkit* also addresses performance management plans, stating that a complete performance management plan contains a statement of all performance indicators that will be used to assess progress over the life of the assistance objective and that performance management plans shall be reviewed and revised at least annually. These concepts are acknowledged in Mission Order 2-4,[9] which states that each assistance objective team is responsible for developing and implementing a performance management plan on a yearly basis.

Despite these requirements, USAID/Ethiopia's performance management plan for its agricultural program has not been updated since 2006. According to mission officials, the performance management plan was not updated subsequent to the introduction of the operational plan[10] in 2006, owing to instructions received from USAID/Washington and the newly introduced requirements for operational plan reporting, which created confusion in the mission. Nevertheless, a December 2006 memorandum signed by the Director of U.S. Foreign Assistance clearly mandated the continuation of existing performance management systems including, specifically, performance management plans.

The guidance in the December 2006 memorandum is understandable when the operating plan and performance management plan are compared. While the operating plan does include a narrative that presents (1) background concerning the country, (2) a description of the anticipated uses of funds, and (3) a table of planned funding for each element of the program, it does not include many critical elements contained in a performance management plan, especially in the area of performance data. For example, an operating plan does not (1) specify the source of performance data and the method of data collection, (2) describe known data limitations and steps taken to address those limitations, or (3) describe the data quality assessment procedures to be used in verifying and validating performance information. These and other omissions render the operating plan a much less comprehensive and rigorous tool for managing performance of USAID programs.

In the absence of a complete and current performance management plan, USAID/Ethiopia is lacking an important tool for monitoring and managing the implementation of its agricultural program. Accordingly, this audit makes the following recommendations.

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[9] Mission Order 2-4, *Performance Management and Evaluation*, dated April 4, 2004.

[10] An operational plan presents the anticipated use of foreign assistance funding for a fiscal year. It identifies how program's funds will be spent, which U.S. Government agencies will manage those funds, and who will implement the related programs.

Recommendation No. 1: We recommend that USAID/Ethiopia provide its staff with training regarding the requirements of its mission order addressing performance management and evaluation and document the training.

Recommendation No. 2: We recommend that USAID/Ethiopia develop a written comprehensive performance management plan for its agricultural sector program.

Partner Implementation Plans Lacked Vital Information – ADS 200.6 defines an output as "[a] tangible, immediate, and intended product or consequence of an activity within USAID's control."[11] Outputs are important because they are critical to achieving results. Such outputs are specifically described in contract statements of work, and describing grant agreement program and monitoring the quality and timeliness of outputs produced by implementing partners is a major task of USAID technical officers and assistance objective teams, because delays in completing outputs or problems in output quality provide an early warning that results may not be achieved as planned. Ensuring that the annual implementation plans[12] of the mission's implementing partners include targets for outputs is important because such targets enable USAID technical officers to monitor the partner's progress on outputs effectively during the year.

Audit tests of key implementing partners determined that the annual implementation plans of six out of the seven implementing partners reviewed did not adequately link the partner's activities to outputs. Specifically, implementation plans were broad and did not set targets for the outputs to be achieved during the year. These plans consisted only of narrative lists of results and indicators and did not include specific targets, the monitoring and evaluation approach, or methods of measurement and data collection.

USAID/Ethiopia staff was unaware of the deficiencies in its partners' annual implementation plans, and copies of those plans were not available in the mission files. In addition, the annual implementation plans provided to the mission by its partners were not approved by USAID, as required by the terms of the agreement. Consequently, the partners themselves were unaware of these deficiencies in their plans.

Annual implementation plans are the blueprints for the specific tasks to be done and outputs to be achieved during the year. Without established, documented, and approved annual implementation plans and performance management plans, USAID officials do not have a reliable and sound basis for monitoring the performance of their partners during the year. For this reason, this audit makes the following recommendation:

Recommendation No. 3: We recommend that USAID/Ethiopia (a) require that its partners' annual implementation plans include targets for the outputs to be achieved during the year and (b) approve these implementation plans in writing.

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[11] Examples of outputs include items such as people fed, personnel trained, better technologies developed, and new construction.

[12] Some partners refer to these plans as performance monitoring and evaluation plans.

The Reliability Of Performance
Data Is Unknown

USAID's results-oriented approach to management calls for its managers to consider performance information when making decisions. Sound decisions require accurate, current, and reliable information, and the benefits of USAID's results-oriented approach depend substantially on the quality of performance information available.[13] Nonetheless, as described below, despite the importance of having high-quality performance information, USAID/Ethiopia agricultural program staff did not take some basic measures to ascertain the quality of their performance information.

Reported Results Were Not Verified – The ADS[14] states that monitoring the quality and timeliness of implementing partners' outputs is a major task of cognizant technical officers (now referred to as contracting officer's technical representatives) and assistance objective teams. It specifies that problems in output quality provide an early warning that results may not be achieved as planned and that early action in response to problems is essential in managing for results.

To assess the quality of partner data, USAID's *Performance Management Toolkit* (Toolkit) recommends periodically sampling and reviewing partner data to ensure completeness, accuracy, and consistency and determining whether the partner appropriately addressed known data quality problems. The Toolkit also recommends developing a simple site-visit guide, covering all topics of interest, to be used systematically by teams visiting all sites. Although USAID/Ethiopia had a sample site-visit report contained in Mission Order 2-3,[15] neither the mission order nor the sample site-visit report contains specific requirements for data quality testing.

Site visit to beneficiary farmer showing improved cattle feed grass in Oromia Region
(Photograph taken by an OIG auditor in September 2009.)

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[13] ADS 203.3.5.1.
[14] ADS 202.3.6.
[15] Mission Order 2-3, *Site Visits Documentation Requirements*, April 26, 2006.

The audit determined that while agricultural program staff members were conducting site visits, those visits concentrated exclusively on activity implementation and the quality of services or training provided. The quality of reported performance data was not verified during those visits. Similarly, the reported actual accomplishments entered by the mission into the Foreign Assistance Coordination and Tracking System,[16] which are reported to USAID/Washington and beyond, were neither validated nor verified.

According to mission officials, the failure to verify and validate data resulted from the combination of the mission's staffing shortage during FY 2008 and the agricultural program's rapid expansion. Also, management stated that it was their understanding that site visits should focus exclusively on activity implementation and the examination of quality of services provided. Consequently, the mission relied heavily on the results reported by the implementing partners and did not conduct its own periodic data testing and verification.

Having accurate and reliable data is a key element in making well-reasoned management decisions. Without knowing the strengths and weaknesses of reported data, USAID officials cannot adequately determine the extent to which such data can be trusted in making sound management decisions. Consequently, this audit makes the following recommendation to assist USAID/Ethiopia in assessing the integrity of its performance data.

> *Recommendation No. 4: We recommend that USAID/Ethiopia establish written procedures to ensure that site visits provide for data quality testing and adequate documentation of the test results.*

Data Quality Assessment Recommendations Were Not Implemented – According to USAID's *Performance Management Toolkit*, high-quality data are valid, have integrity, are precise, are reliable, and are timely. USAID uses data quality assessments to determine whether program data meet these standards and to determine the extent to which the data can be trusted to make management decisions.

To its credit, in 2007 USAID/Ethiopia performed a data quality assessment of its agricultural program. This assessment noted significant problems with 5 of the 14 performance indicators, including 4 key indicators,[17] reported on by one or more of the seven implementing partners reviewed in this audit. Examples include the following:

- Some performance indicators were not included in the agricultural performance management plan.

- A vigorous system to detect and control the duplication of data was lacking.

- There was no dedicated monitoring and evaluation person to collect and maintain data.

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[16] Information from this system is used in formulating the foreign assistance budget request and in analyzing and reporting data concerning U.S. foreign assistance programs.

[17] Agriculture program staff indicated that 8 of its total 14 performance indicators listed in the performance plan and report were "key" indicators, meaning that they were the most important in assessing program performance.

- Written procedures guiding the periodic review of the data collection and maintenance process were lacking.

- There were no indicator reference sheets. An indicator reference sheet provides extensive information concerning the performance indicator, such as the precise definition of the indicator, the unit of measure, the data collection method, and known limitations of data. In the absence of this information, some partners were reporting incorrect information (e.g., reporting a combination of individuals and firms that received U.S. Government assistance, when the indicator addressed only the number of firms).

In addition to identifying these significant problems, the data quality assessment noted the actions that were needed to address these problems. Nevertheless, although the data quality assessment was performed in October and November 2007, contrary to good management practices USAID/Ethiopia never took action to rectify the problems identified in the assessment.

Good management practices dictate that managers take prompt action to address problems that arise. Neglecting to address issues presented in data quality assessments can result in reported data that are inaccurate and unreliable. Because the mission did not address the results of the 2007 data quality assessment, problems still exist with the quality of agricultural program data. Therefore, this audit makes the following recommendations to ensure that the mission takes action on the issues identified in the data quality assessment and that a followup data quality assessment is scheduled in a timely manner.[18]

> *Recommendation No. 5: We recommend that USAID/Ethiopia correct the problems identified in the October/November 2007 data quality assessment of its agricultural program.*

> *Recommendation No. 6: We recommend that USAID/Ethiopia conduct a followup data quality assessment of its agricultural program.*

Several Key USAID Requirements Were Not Met

Negotiation Memoranda and Delegation Letters Were Not Consistently Prepared – Negotiation memoranda and delegation letters are important controls that USAID uses in the procurement and implementation of development assistance. A negotiation memorandum[19] documents significant aspects of the award negotiation, such as:

- The purpose of the negotiation.

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[18] Per ADS 203.3.5.2, data reported to USAID/Washington for Government Performance and Results Act reporting purposes or for reporting externally on Agency performance must have had a data quality assessment at some time within the 3 years before submission.

[19] Negotiation memoranda are required for contracts by Subpart 15.406-3 of the Federal Acquisition Regulation and for cooperative agreements and grants by ADS 303.3.12.b.

- The parties representing the recipient and USAID.

- The extent to which the contracting office relied on cost and pricing data.

- The most significant factors impacting USAID's prenegotiation objectives and the actual agreement, including an explanation of any significant differences between the two.

- Documentation of the fair and reasonable pricing of the award.

Since such memoranda document significant aspects of the award negotiation, they are especially important in a mission like USAID/Ethiopia, where the contracting/agreement officer involved in the award—as well as that officer's accumulated knowledge—often leaves post shortly after the award.[20]

Like negotiation memoranda, designation letters[21] are an important control used by USAID. The designation letter defines the scope of authority of the technical officer to carry out grant or cooperative agreement administration duties that would otherwise be the agreement officer's responsibility. These letters specify the technical officer's responsibilities and may address areas such as monitoring implementation of the award, involvement in financial management of the award, and making recommendations for the revision of the award, as well as other pertinent areas. Designation letters also specify limitations on the technical officer's authority, such as prohibiting actions that create unauthorized commitments and prohibiting the technical officer's redelegation of the authorities granted by the agreement officer. As a result, designation letters establish the parameters of the technical officer's authorities and responsibilities and thereby equip the technical officer to manage the award.

Despite the importance of having negotiation memoranda and designation letters for awards, audit tests determined that six of the seven agreement files reviewed, representing $44 million in total obligations, did not contain the required negotiation memoranda. In addition, three of the seven agreement files, representing $15 million in obligations, did not contain the required current designation letters. According to the mission's contracting officer and agricultural program staff, these oversights resulted from the high turnover of U.S. direct hire staff. Furthermore, this turnover was compounded by four vacancies in the agricultural program office that were still unfilled at the time of this audit.

In the absence of negotiation memoranda, key information for understanding the intent, the development, and the finalization of the award is not available. This can pose significant problems should subsequent claims or disputes arise. Similarly, in the absence of current designation letters specifying their authorities and responsibilities, technical officers may unknowingly either exceed their authority or fail to implement one or more of their responsibilities. To address this situation, this audit makes the following recommendations.

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[20] As mentioned previously, USAID Foreign Service officers normally are posted in Ethiopia for only 2 years.
[21] Designation letters are required for contracts by ADS 302.3.7.1.a and for cooperative agreements and grants by ADS 303.3.14.

Recommendation No. 7: We recommend that USAID/Ethiopia require that negotiation memoranda be prepared for all awards.

Recommendation No. 8: We recommend that USAID/Ethiopia (a) identify awards lacking current designation letters and (b) execute designation letters for those awards.

Recommendation No. 9: We recommend that USAID/Ethiopia develop and implement the use of an award file checklist that includes the negotiation memorandum and technical officer designation letters as documents to be included in the award file (this checklist may be similar to that provided for USAID/Washington contracting officers in Procurement Executive's Bulletin No. 2005-06).

Branding Requirements Were Not Followed – Ensuring that the American people are appropriately recognized for their generosity in funding U.S. foreign assistance has been a long-standing U.S. Government objective. For example, section 641 of USAID's framework legislation, the Foreign Assistance Act of 1961, as amended, specifies that all programs under the act be identified as "American Aid." More recently, the importance of development in the United States' post–September 11 national security strategy increased the need for U.S. foreign assistance activities to be identified more fully in host countries as being provided by the United States.

To help ensure that U.S. foreign assistance is recognized as such, USAID has issued Automated Directives System 320, *Branding and Marking,* which requires an approved marking plan for USAID projects. USAID programs, projects, activities, public communications, and commodities with USAID funding are required to be branded as from USAID. Moreover, USAID/Ethiopia's contract, cooperative agreements, and grants require that implementers brand all aspects of their program assistance.

Notwithstanding this requirement, six of the implementing partners reviewed during the audit did not mark a number of USAID-funded items in accordance with USAID policy or applicable agreement terms. Most significantly, implementing partners have spent a total of $1.2 million in USAID funds on vehicles, and none of these vehicles have been branded. Site visits to projects also revealed that some USAID-funded commodities are not being marked and project beneficiaries are unaware that USAID is the source of project funding.

Implementing partner vehicle lacking USAID branding
(Photograph taken in Addis Ababa by an OIG auditor in September 2009.)

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USAID/Ethiopia has provided training and guidance reiterating branding guidelines for USAID-funded vehicles to implementing partners and mission technical officers. Despite USAID guidance on the issue, implementing partners did not adhere to these guidelines because they were under the impression that vehicles were exempt from this policy for security reasons. Although the implementing partners cited this exemption, no mission notice or other document communicating this policy exception was provided to confirm that vehicles were indeed exempt from branding. In fact, the mission's branding specialist confirmed the applicability of USAID branding requirements to vehicles.

Moreover, even when commodities and project sites were branded, the effectiveness of these efforts was questionable. Audit interviews with beneficiaries at 13 of 22 sites visited revealed they had no idea that the assistance they received was being provided by USAID. Although implementing partner staff agreed that communicating the fact that these agricultural program activities are provided by USAID and/or the American people during site visits, trainings, and meetings should be one of their main priorities, they also indicated that they were uncertain as to whether that fact is received and assimilated owing to (1) the low education level of the beneficiaries and (2) the fact that the beneficiaries are focused on obtaining the assistance rather than the source of the assistance.

The failure to have effective branding of USAID-funded vehicles and other commodities contributes to a lack of awareness of USAID programs in Ethiopia. Accordingly, this audit makes the following recommendations.

> *Recommendation No. 10: We recommend that USAID/Ethiopia issue written guidance to all mission personnel and implementing partner staff reinforcing the Agency's branding requirements and their importance.*

> *Recommendation No. 11: We recommend that USAID/Ethiopia analyze its current branding practices and develop a written plan that makes the branding of USAID-funded activities, commodities, and other elements of its program in Ethiopia, more effective.*

> *Recommendation No. 12: We recommend that USAID/Ethiopia develop and implement a written plan to (a) identify USAID-funded commodities that have not been properly branded and (b) brand those commodities.*

Required Antiterrorism Provisions Were Not Included in Some Subawards – U.S. law prohibits transactions with individuals and organizations associated with terrorism. Consequently, USAID/Ethiopia's contracts, grants, and cooperative agreements with its implementing partners contain the following section, titled "Executive Order 13224 on Terrorism Financing":

> The Contractor is reminded that U.S. Executive Orders and U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the responsibility of the contractor/recipient to ensure compliance with this Executive Order and applicable laws. This provision must be included in all subcontracts/subawards issued under this contract.

Notwithstanding this explicit requirement, audit tests of 14 subawards reviewed showed that 13 did not include the above provision. Specifically:

(1) The contractor for the USAID/Ethiopia Agribusiness and Trade Expansion Program did not include the antiterrorism clause in at least 8 of its 68 subcontracts with local implementers or beneficiaries.

(2) At least 5 of the 16 subcontracts with local implementers or beneficiaries for the USAID/Ethiopia Sheep and Goat Productivity activity did not include the mandatory clause.

This clause was absent from subawards because none of the agreement officers' technical representatives monitored or instructed the prime recipients to include the antiterrorism clause in their subawards. Technical representatives stated that they were not aware of this requirement. In addition, they believed that monitoring the subawards for clauses was not a specific staff responsibility.

Contract provisions such as Executive Order 13224 heighten public awareness of individuals and entities linked to terrorism, and promote due diligence by private sector entities to avoid associations with terrorists. Without ongoing communication about specific antiterrorism requirements and periodic verification of procedures and compliance, USAID/Ethiopia has little assurance that its programs do not inadvertently support entities or individuals associated with terrorism. Therefore, this audit makes the following recommendation.

> *Recommendation No. 13: We recommend that USAID/Ethiopia (a) require that its implementing partners verify and certify that all subawards include the required provision related to Executive Order 13224 and (b) that the mission's Office of Assistance and Acquisition confirm these certifications by selecting and verifying that a sample of subawards include the required provision.*

Mission Was Not In Compliance With Environmental Procedures

Summary: Federal regulations require that USAID ensure that environmental consequences of USAID-financed activities are identified and considered prior to a final decision to proceed, and that appropriate environmental safeguards are adopted. The program did not fully comply with these requirements due to the fact that it did not have a full-time environmental officer and trainings held on environmental compliance were not well attended by program staff. Failure to comply with environmental requirements increases the risk that USAID/Ethiopia's agricultural activities may harm the environment.

Code of Federal Regulations Title 22 Section 216, "Environmental Procedures," requires USAID to ensure that the environmental consequences of USAID-financed activities are identified and considered prior to a final decision to proceed with an agreement, and that appropriate environmental safeguards are adopted. It cites several agriculture-related activities (e.g., agricultural land leveling, use of pesticides, and irrigation and water management projects) as activities that automatically require an environmental assessment. This regulation requires that the mission prepare an initial environmental examination and subsequently monitor ongoing activities for compliance with approved initial environmental examination as well as related documents and assessments. The following are two key elements of an environmental examination:

- A threshold decision, which is a formal Agency decision that determines, based on an Initial Environmental Examination, whether a proposed USAID action is a major action significantly affecting the environment.

- Mitigation measures, which are steps to mitigate any adverse environmental impact that might arise as a result of USAID activities.

USAID/Ethiopia performed an initial environmental examination covering its agricultural program in FY 2004.[22] This assessment noted that a determination on whether the mission's agricultural program would significantly affect the environment (a threshold decision) was deferred until there was clearer identification of the activities to be undertaken. The examination stated that the activities involved could not proceed until the Initial Environmental Examination had been amended to remove the deferral, once the appropriate environmental review had occurred. Despite this requirement, the mission's agricultural activities proceeded without further environmental review or removal of the deferral.

The Initial Environmental Examination also included the following mitigation measures relevant to agricultural activities:

1. Use of the Environmental Report Screening process to determine the nature and scope of environmental impacts arising from each planned activity.

2. Reference of best practices for micro and small enterprise development as contained in the USAID/Africa *Environmental Guidelines for Small Scale Activities in Africa, Part III.*

3. Compliance with Government of Ethiopia environmental regulations, which is likely to include an Environmental Impact Assessment and Pollution Control Procedures.

4. Application of sector-specific environmental best practices.

Given the deferral mentioned above, once the mission's agricultural activities were fully identified, the above mitigation measures should have been applied to each activity to determine what measures must be taken in relation to that activity to protect the environment. Such analyses were not done for USAID/Ethiopia's agricultural activities.

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[22] The environmental examination was done for funding beginning in FY 2004 and ending in FY 2008, and was approved by the Africa Bureau Environmental Officer in August 2004.

USAID-funded seed trial using drip irrigation for fertilizer and pesticide application in Awassa (Photograph taken by an OIG auditor in September 2009.)

A contributing factor to this situation was that mission personnel responsible for monitoring agricultural activities were not fully aware of USAID's environmental requirements. Even though the mission provided its staff with training on environmental regulations, not all technical representatives in the agricultural program attended this training. Furthermore, the mission lacked a dedicated environmental officer to oversee compliance with environmental regulations. The mission has begun the process of hiring an environmental officer who will be responsible for advising the mission on how to comply with environmental requirements.

Conducting environmental reviews is an important step because agricultural activities such as using pesticides, grading land, installing permanent structures, and constructing facilities to care for animals can carry significant risk to the environment. Without proper environmental reviews, USAID/Ethiopia cannot ensure that the $70 million obligated to the agricultural program includes proper environmental safeguards. This heightens the risk of environmental damage as well as injuries to program workers and/or beneficiaries. Accordingly, this audit makes the following recommendations.

Recommendation No. 14: We recommend that USAID/Ethiopia require its environmental officer to provide annual training to its technical officers and to document and monitor mission compliance with the environmental regulations outlined in USAID's Automated Directives System 204.

Recommendation No. 15: We recommend that USAID/Ethiopia (a) perform and document an environmental examination of its agricultural program and activities and (b) document the completion any actions identified in the environmental examination as necessary to safeguard the environment.

Participant Training
Requirement Not In Place

Summary: USAID agreement officers are required to include a standard provision in USAID grants, contracts, and cooperative agreements mandating that any participant training funded by the USAID agreement comply with Section 253 of USAID's Automated Directives System. USAID/Ethiopia did not consistently include this provision in its agreements with partners implementing agricultural activities. An absence of a full-time training officer and a lack of subsequent employee training resulted in the omission of this requirement. This absence meant that USAID/Ethiopia could not ensure the participants' commitment to the $800,000 program or enforce obligatory repayment of training funds if trainees did not return to Ethiopia.

USAID agreement officers are required to include standard provisions in USAID grants, contracts, and cooperative agreements mandating that any participant training funded by the USAID agreement comply with Section 253 of USAID's Automated Directives System. ADS 253 stipulates the requirements for USAID-sponsored learning activities, including those conducted outside the United States. These requirements include an agreement among participants, the mission, and other parties describing specific responsibilities for achieving USAID training objectives. In addition, ADS 253.3.2 states that missions or their implementers must enter selected data on in-country training programs into USAID's Training Results and Information Network[23] for training under their respective strategic objectives or activities. These data are to include the following:

- Subject area of training.

- Start and end date.

- Total trainees per training, with gender breakdown.

- Total cost of training for each program (broken down by instruction, participant, and travel).

Moreover, ADS 253.3.1 states, among other things, that Sponsoring Units must (1) plan, track, manage for results, and report on their participant training activities as part of their broader performance measurement, evaluation, and reporting requirements; (2) develop indicators of planned participant training results; and (3) strictly follow the policy requirements, including those contained in the Conditions of Sponsorship form,[24] for both program-related and legal obligations. Finally, it states that Sponsoring Units and Implementers must use the Training Results and Information Network to document all USAID participants in all out-of-country and in-country participant training data. Mission-specific guidance is contained in USAID/Ethiopia's Mission Order 11-2,[25] which provides policy and procedural guidance for the effective, efficient design and implementation of participant training programs conducted in the United States or in countries other than the United States or Ethiopia.

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[23] USAID's training management system database, also referred to as TraiNet.
[24] AID form 1381-6, dated August 2008. This form establishes an agreement between the trainee and USAID concerning key elements of the training experience, such as the requirement that the trainee return to his/her home country for 2 years after completing the USAID-funded training.
[25] Mission Order 11-2, *Training for Results: USAID Funded Participant Training*, dated February 17, 2000.

Even though agreement officers are required to include the standard provision concerning the applicability of ADS 253 in their agreements that involve participant training, three of the seven agreements reviewed in this audit did not include this provision. Moreover, in two of the remaining four agreements, the standard provision was added almost 2 years after the agreements were signed. Finally, the two remaining implementing partners whose agreements did include the standard provision were unaware of USAID's guidelines concerning training. This turned out to be a significant concern because while all seven of the agricultural program agreements reviewed included training activities in different subjects,[26] none have complied with ADS 253 as required.

A lack of training for mission personnel and implementing partners and the absence of a full-time training officer since program inception contributed to a general lack of knowledge concerning training requirements and incorporation of the standard mandatory training provision in agreements. According to USAID/Ethiopia management, mission staff have not been educated about training requirements and the importance of compliance with established regulations because the training officer position has been vacant since 2003.

Mission staff members indicated that during the period audited they had invested more than $800,000 to provide agriculture-related training to Ethiopians and had trained more than 46,000 individuals and sponsored 11 study or observation tours abroad. Compliance with ADS 253 requirements will assist USAID/Ethiopia in producing training data and results that are useful for project monitoring and evaluation. Furthermore, properly monitoring these trainings can improve accountability over project funds and help ensure that trainees are not traveling unsupervised in foreign countries. USAID/Ethiopia's agricultural program has a sizable training component. Accordingly, this audit makes the following recommendations.

**Hide storage collection facility in Awassa, where beneficiaries
had attended training provided by a USAID implementing partner
(Photograph taken by an OIG auditor in September 2009.)**

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[26] Training related to dairy development, practice of producing and managing food (produce, grains, or livestock), land policy, market development, and animal growth and care.

Recommendation No. 16:   We recommend that USAID/Ethiopia (a) review its agreements/contracts and document those omitting the required training provisions and (b) incorporate the appropriate training provision in each agreement/contract that is lacking that provision .

Recommendation No. 17:   We recommend that USAID/Ethiopia develop and implement a written plan with milestones to help ensure that technical representatives and implementing partners comply with Automated Directives System 253 and Mission Order 11-2.

EVALUATION OF MANAGEMENT COMMENTS

An evaluation of USAID/Ethiopia's management comments is provided below.

For recommendation no. 1, pertaining to training addressing performance management and evaluation, the mission responded that it conducted training to the Business Environment Agriculture and Trade (BEAT) office in November 2009. However, this recommendation is oriented to the mission as a whole. Consequently, at this time a management decision has not been reached on this recommendation. To reach a management decision, the mission should provide information regarding its plans to hold performance management and evaluation training for mission staff and the target date for completing that training.

For recommendation no. 2, regarding the development of a comprehensive performance management plan for agricultural programs, the mission stated that it will develop such a plan upon completion of a new strategy incorporating the Global Hunger and Food Security Initiative. The mission anticipates having the new agriculture performance management plan in effect by September 30, 2010. Accordingly, a management decision has been reached on this recommendation.

In response to recommendation no. 3, regarding the inclusion of output targets in partners' implementation plans and the written approval of these plans, the mission stated that its officials (1) will instruct partners to include output targets and (2) are required to indicate in writing when an implementation plan is approved. However, the mission did not provide a target date for the completion of these actions. Accordingly, a management decision has not been reached on recommendation no. 3.

For recommendation no. 4, regarding the establishment of written procedures to ensure data quality testing during site visits, the mission stated that new procedures on field trip reporting were discussed and initiated at the BEAT office training in November 2009. However, the mission has neither agreed to establish or established written procedures for the mission requiring the performance of data quality tests during field site visits. Consequently, a management decision has not been reached on recommendation no. 4.

For recommendation nos. 5 and 6, pertaining to the correction of problems identified in 2007 data quality assessments and the conduct of followup assessments, the mission stated that it will undertake a review of agricultural program data quality assessments and correct where possible problems with data collection and reliability. In addition, the mission stated that new data quality assessments will be initiated for all agricultural projects. The mission anticipates that these actions will be completed by September 30, 2010. Accordingly, a management decision has been reached on each of these recommendations.

In response to recommendation no. 7, requiring that negotiation memoranda be prepared for all awards, USAID/Ethiopia stated that the mission's policy is that negotiation memoranda be completed for each and every award, and that all new awards since spring 2009 contain the appropriate memorandum. Based on management's comments and the documentation provided, a management decision has

been reached and final action taken on this recommendation.

For recommendation no. 8, regarding the issuance of designation letters for any awards identified to be lacking them, the mission replied that all projects have current contracting officer's technical representative/agreement officer's technical representative (COTR/AOTR) designation letters and that new letters for projects without designated prime or alternate representatives have been issued. Based on management's comments and the documentation provided, a management decision has been reached and final action taken on this recommendation.

For recommendation no. 9, regarding the development of an award file checklist, we noted that in its response to recommendation no. 1 the mission provided an exhibit of a COTR/AOTR Document Checklist that includes, among other things, the contract negotiation letter and the COTR designation letter. This checklist is considered responsive to the intent of recommendation no. 9. As a result, a management decision has been reached and final action taken on this recommendation.

For recommendation no.10, regarding the issuance of written guidance reinforcing USAID branding requirements, the mission stated that it held a series of branding workshops in October 2009 for mission and implementing partner officials, during which branding guides and reference sheets were provided to all participants. However, the mission did not provide sign-in sheets documenting the participants. Although a management decision has been reached on recommendation no.10, final action must be sought from M/CFO/APC.

For recommendations nos. 11 and 12, regarding the development and implementation of written plans to enhance USAID/Ethiopia's branding practices and to identify and correct branding deficiencies, the mission stated that a new director of communications has been hired. According to USAID/Ethiopia, this official will complete a review of the mission's public relations materials and policies. The mission intends to complete its review and the actions identified under these two recommendations by September 30, 2010. Consequently, management decisions have been reached on recommendation nos. 11 and 12.

In response to recommendation no. 13, regarding the required incorporation of antiterrorism provisions in recipient subawards, the mission stated that it is not feasible to examine all recipient subawards to determine if the required provisions are present. In recognition of this point, Consequently, the final recommendation was modified to state that (1) the mission require that its implementing partners verify and certify that all subawards include the required provision related to Executive Order 13224 and (2) the mission's Office of Assistance and Acquisition confirm these certifications by selecting and verifying that a sample of subawards include the required provision. At this time, a management decision has not been reached on recommendation no.13.

In response to recommendation no. 14, regarding the provision of annual training and the monitoring of compliance with mandatory environmental regulations, the mission stated that a new mission environmental officer has been hired. According to USAID/Ethiopia, the duties of this officer include these training and monitoring activities. While monitoring regulatory compliance is part of the officer's regular duties, the mission anticipates that introductory and refresher training will be completed by March 31, 2011. Accordingly, a management decision has been reached on this recommendation.

For recommendation no. 15, pertaining to an environmental examination of agricultural

programs and the completion of any corrective actions necessary, the mission indicated that its recently hired mission environmental officer will undertake this examination and any corrective actions necessary by September 30, 2010. As a result, a management decision has been reached on this recommendation.

For recommendation no. 16, pertaining to the incorporation of required training provisions in agreements and contracts, the mission stated that it examined its awards in September 2009 and issued one amendment to incorporate the omitted provision. Based on management's comments and the documentation provided, a management decision has been reached and final action taken on this recommendation.

For recommendation no. 17, recommending the development and implementation of a written plan to help ensure compliance with Agency guidance on participant training activities, the mission replied that it will develop and implement a plan to meet the applicable requirements for in-country training by all U.S. Government projects. The mission expects that this plan will be implemented by September 30, 2010. Accordingly, a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General 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 our audit objective. This objective is to determine whether USAID/Ethiopia's agricultural productivity sector activities program is achieving its main goals of assisting Ethiopia to achieve market-led economic growth and to improve the resiliency of farmers, pastoralists, and other beneficiaries. We believe the evidence obtained provides that reasonable basis. Audit fieldwork was conducted from September 14 to October 1, 2009, and covered fiscal years (FYs) 2007 and 2008.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and review of performance measures and indicators. Specifically, we studied and reviewed the following.

- FY 2007 and 2008 country operational plans.
- FY 2007 and 2008 performance management plans.
- Implementing partner agreements.
- Implementing partner quarterly and annual progress reports.
- Performance measures.
- Target and actual performance results.
- Site visit reports.
- Project beneficiary records and documents.

We also interviewed key USAID/Ethiopia personnel, implementing partners, and Ethiopian Government officials. We conducted the audit at USAID/Ethiopia and at the activity sites of seven major implementing partners.[27]

As of March 2009, USAID/Ethiopia's agricultural program had agreements with 19 implementing partners. The audit focused on seven agreements with a total obligation of $45 million,[28] which represent 64 percent of the $70 million in total funds obligated for the agricultural program.

Methodology

To answer the audit objective, we reviewed the FY 2007 and 2008 operational plans' targeted and actual results. At USAID/Ethiopia, the agricultural program reported on 13 standard and 4 custom indicators in its operational plan. However, we could not evaluate these results because there were no records to show how this information was collected, and no supporting documentation was kept on file.

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[27] The audit team was unable to review the majority of documentation for the Mashav agricultural project or interview any project representatives.
[28] Project obligated funds as of March 2009.

The implementing partners selected for the audit sample came from a universe of 19 projects within the agricultural program portfolio. The seven projects were chosen because they had a variety of funding levels, were at various stages of their respective timelines, and comprised more than half of the total project funds for the agricultural program. The audit verified project information by conducting site visits, reviewing relevant data in project reports, and interviewing project representatives. Owing to the judgmental selection of the sample, results of the audit cannot be projected to the universe of all agricultural program projects.

We reviewed the agreements, progress reports, and work plans for the major implementing partners. We reviewed applicable laws and regulations, as well as USAID policies and procedures pertaining to USAID/Ethiopia's agricultural program, including the Automated Directives System.

In the process of reviewing selected implementing partners' operations, we conducted site visits to implementing partners' offices in Addis Ababa and visited project sites throughout Ethiopia. We also interviewed numerous officials at the Ethiopian Government's Ministry of Agriculture.

MANAGEMENT COMMENTS

Date: February 25, 2010

To: Nathan S. Lokos, Regional Inspector General/Pretoria

From: Thomas H. Staal, USAID/Ethiopia Mission Director /s/

RE: Audit of USAID/Ethiopia's Agriculture Sector Program Activities (Audit Report No. 4-663-10-0XX-P)

This memorandum constitutes USAID/Ethiopia's response to the draft audit submitted by your office on January 22nd, 2010.

In reviewing the report, we are in agreement with much of what the auditors have found. Rather than challenge aspects or assumptions of the report, we are taking the opportunity to use the report as a means to make our systems better, more responsive, and improve the overall management of our projects, both within our agricultural sector program and beyond. In addition to responding to the recommendations with our plan for rectification, we have included the steps already taken to address the recommendations in the report, as during the audit we also noted a number of the shortcomings.

We would like to express our gratitude for the professionalism of your audit team while they were in Ethiopia and during the conduct of the audit. Their inclusive and collaborative approach proved to be an effective measure to ensure our responsiveness to the outlined recommendations.

If there are any additional outstanding issues that need to be addressed, or if we have not fully responded to the set of recommendations, please let us know and we will respond in greater detail.

Mission Response to Audit Recommendations:

The purpose to the following is to outline for the Regional Inspector General's Office the steps USAID/Ethiopia plans to take or has already taken to address the recommendations contained in Audit Report No. 4-663-10-0XX-P. While the audit examined agriculture productivity projects undertaken by the Business, Environment, Agriculture, and Trade (BEAT) Office, some of the recommendations have larger implications for Mission procedures and practices. These broader Mission recommendations are being or will be instituted across the entire Mission portfolio.

As you will note, several of the audit recommendations have already been addressed or have ongoing plans to meet the recommendation. Completed recommendations include the following:

- Recommendation No. 1 (Completed with planned monitoring to ensure compliance)
- Recommendation No. 3 (Completed)
- Recommendation No. 4 (Initial training completed, ongoing training planned)
- Recommendation No. 7 (Completed and on-going as standard Mission policy)
- Recommendation No. 8 (Completed)
- Recommendation No. 9 (Completed)
- Recommendation No. 10 (Completed)
- Recommendation No. 16 (Review completed and where appropriate action was taken)

The following audit recommendations require further attention by either the BEAT Office or the Mission:

- Recommendation No. 2 (Performance Monitoring Plan)
- Recommendations No. 5 and No 6 (DQAs)
- Recommendations No. 11 and No. 12 (Branding)
- Recommendations No. 14 and No. 15 (Environmental Compliance)
- Recommendation No. 17 (Participant Training)

The only recommendation that the Mission considers it unable to reach full compliance with is Recommendation No. 13, regarding the implementation of *Executive Order 13224*. Due to the high number of sub-awards and sub-recipients in Ethiopia, full compliance with this recommendation is not feasible (see response below). As a next best solution, the Mission proposes that during the award phase of all new contracts/agreements/grants the prime awardees will be reminded of this order and required to ensure it is part of all their sub-awards/agreements. This will be documented in the negotiation memorandum for each new award. For current awards, a letter will be forwarded to all current heads of projects regarding the order and their responsibility to ensure compliance.

The BEAT Office and the Mission are committed to seeing the audit recommendations fully enacted. As such, the details of how compliance will be met and the anticipated time frame for each recommendation are highlighted below.

Responses to Specific Recommendations:

Recommendation No. 1: We recommend that USAID/Ethiopia provide its staff with training regarding the requirements of its mission order addressing performance management and evaluation and document the training.

On November 23, 2009, the BEAT Office held a half-day, mandatory in-house training on project management for all BEAT staff, plus outside staff managing BEAT projects (two AOTRs are in the Program Office). During this training the roles and responsibilities of a COTR/AOTR were reviewed. This included the need to review and comment on annual work plans, conduct periodic field visits, monitor performance data and approve performance management plans, and proper file maintenance. During this training a number of new tools were provided to staff to help maintain and document project files. These tools include the following:

- COTR/AOTR Document Checklist (Exhibit 1);
- Project Note Sheet (Exhibit 2);
- Pipeline Analysis Table;
- Field Trip and Monitoring Checklist (Exhibit 3);
- Field Trip Report Template (Exhibit 4); and
- CTO Guidebook (Agency Reference Guide).

BEAT staff are now required to complete the above and maintain copies on the BEAT Office public directory to facilitate access by alternate COTR/AOTRs and other staff when necessary. Staff were also informed that there would be periodic checks by the Deputy Office Chief of these documents to encourage compliance with the new project management plan. To date, the Deputy Office Chief has inspected these files on two occasions and found the tools are being used by the majority of staff. Those staff not yet fully utilizing the tools and new system are being counseled on how to use them to ensure full compliance. File checks will be conducted quarterly by the Deputy Office Chief.

Additional trainings are being planned and developed to further strengthen management of the BEAT portfolio. These trainings include:

- Analyzing Annual and Life of Project Plans;
- Monitoring and Evaluation in the Field and in the Home Office; and
- Project Development and Design.

Recommendation No. 2: We recommend that USAID/Ethiopia develop a written comprehensive performance management plan for its agricultural sector program.

The BEAT Office is currently developing a new strategy as part of President Obama's Global Hunger and Food Security Initiative (GHFSI). Once this strategy is finalized and approved (expected by mid- to late FY 2010), the BEAT Office will begin the process of developing new projects to meet to the goals and objectives as outlined, including a new set of GHFSI indicators. With this document complete and a better idea of the future direction of the BEAT portfolio, the office will undertake the development of a new Performance Management Plan (PMP). This new PMP will include the new anticipated

projects under GHFSI as well as include those current projects that will continue into the new strategy. BEAT anticipates having a new agriculture PMP in place prior to the end of FY 2010.

Recommendation No. 3: We recommend that USAID/Ethiopia (a) require that its partners' annual implementation plans include targets for the outputs to be achieved during the year and (b) approve these implementation plans in writing.

a) Prior to the start of developing new annual work plans, COTR/AOTRs will direct partners to include output targets for the year.

b) COTR/AOTRs are now required as part of the new document management tracking system to indicate in writing when an annual plan is received and when it is approved. This is communicated to the partner as well via email.

Recommendation No. 4: We recommend that USAID/Ethiopia establish written procedures to ensure that site visits provide for data quality testing and adequate documentation of the test results.

As part of the training to staff in November, new procedures on field trip reporting were discussed and instituted. This training will be followed-up with an additional training on data testing and monitoring. This training is planned prior to the end of June 2010.

Recommendation No. 5: We recommend that USAID/Ethiopia correct the problems identified in the October/November 2007 data quality assessment of its agricultural program.

Prior to the completion of the 2010 Project Performance Reviews (October/November 2010), the Program Office (PRM) will undertake a complete review of all BEAT portfolio DQAs. The DQAs are expected to begin in the summer of 2010.

Recommendation No. 6: We recommend that USAID/Ethiopia conduct a follow-up data quality assessment of its agricultural program.

PRM staff will work with COTR/AOTR of those projects identified as having problems with current DQAs. Efforts will be made to correct where possible problems with data collection, reliability of data, and the establishing of appropriate data monitoring systems. This will be ongoing through the end of FY 2010 and the completion of new DQAs for all BEAT projects.

Recommendation No. 7: We recommend that USAID/Ethiopia require that negotiation memoranda be prepared for all awards.

It is the policy of USAID/Ethiopia that negotiation memoranda be completed for each and every award. To the best of the knowledge of current Office of Acquisition and Assistance (OAA) staff, this is the case. The awards examined by the auditors were from 2005 prior to the arrival of current OAA staff and as such they are unable to comment on the former staff's compliance with this policy. However, since the arrival of current OAA staff in spring of 2009, all new awards contain the appropriate negotiation memorandum.

Recommendation No. 8: We recommend that USAID/Ethiopia (a) identify awards lacking

current designation letters and (b) execute designation letters for those awards.

All projects have current COTR/AOTR designation letters. Both primary and alternates maintain hard copies in the files. New letters for projects without designated primes or alternates have been issued. See Exhibit 5 for complete list of prime and alternates.

Recommendation No. 9: We recommend that USAID/Ethiopia develop and implement the use of an award file checklist that includes the negotiation memorandum and technical officer designation letters as documents to be included in the award file (this checklist may be similar to that provided for USAID/Washington contracting officers in Procurement Executive's Bulletin No. 2005-06).

See response to Recommendation No. 7.

Recommendation No. 10: We recommend that USAID/Ethiopia issue written guidance to all mission personnel and implementing partner staff reinforcing the Agency's branding requirements and their importance.

In October 2009, the Director of Communications (DOC) held two branding workshop for Mission staff and two workshops for all implementing partners. Partners were required to send a staff member to the branding workshop. Representatives of all BEAT projects were present, together with all BEAT COTRs and AOTRs. At each workshop, Agency guidelines were reviewed and branding guides and reference sheets were provided to all participants. Participants were referred to the Agency website for more detailed guides.

Recommendation No. 11: We recommend that USAID/Ethiopia analyze its current branding practices and develop a written plan that makes the branding of USAID-funded activities, commodities, and other elements of its program in Ethiopia more effective.

Since the audit was completed the Mission DOC has been replaced. The new DOC is anticipated to arrive in Ethiopia in February or early March of 2010. After the DOC arrives, a more complete review of the Mission's public relations materials and policies will be completed. The recommendations from the DOC will be implemented after a broader Mission review.

Recommendation No. 12: We recommend that USAID/Ethiopia develop and implement a written plan to (a) identify USAID-funded commodities that have not been properly branded and (b) brand those commodities.

To be completed after the arrival of the DOC in spring 2010 as part of the actions identified under Recommendation No. 11. The full review will be completed prior to the end of FY 2010.

Recommendation No. 13: We recommend that USAID/Ethiopia determine and document whether its recipients' sub-awards contain the required provision concerning the implementation of Executive Order 13224 and require the recipients to incorporate the required provision into any sub-awards from which it was omitted.

The anti-terrorism clause is a required standard provision in all awards. There is also a clause that the prime awardees are responsible for all sub-awards and that all provisions in the prime award automatically flow down. With the number of sub-awards

administered by prime awardees in Ethiopia, OAA does not believe it is practicable to examine all sub-awards in that detail. OAA will, however, make sure that this information is spelled out in the post-award meeting with the prime awardees. This information has been included in recent post-award meetings and going forward will be part of the documentation noted in the negotiation memorandum for all new awards. For current awards, a letter will be forwarded to all current heads of projects regarding the order and their responsibility to ensure compliance.

Recommendation No. 14: We recommend that USAID/Ethiopia require its environmental officer to provide annual training to its technical officers and to document and monitor mission compliance with the environmental regulations outlined in USAID's Automated Directives System 204.

A new Mission Environmental Officer (MEO) has been hired. The MEO is expected to begin service in March 2010. As part of the regular duties outlined in the scope of work is the training and monitoring of staff with current environmental regulations. Introductory and refresher course for staff are expected to be completed by the MEO within the first year of his assuming his duties.

Recommendation No. 15: We recommend that USAID/Ethiopia (a) perform and document an environmental examination of its agricultural program and activities and (b) document the completion any actions identified in the environmental examination as necessary to safeguard the environment.

The MEO will undertake a review of Mission agriculture projects to ensure compliance with Agency environmental procedures, and if indicated, any corrective actions necessary. BEAT portfolio COTRs and AOTRs will work with the MEO to provide access to project sites and documents necessary to complete the task. This task will be completed within six months of the MEO assuming his duties.

Recommendation No. 16: We recommend that USAID/Ethiopia (a) review its agreements/contracts and document those omitting the required training provisions and (b) incorporate the appropriate training provision in each agreement/contract that is lacking that provision.

At the time of the auditors visit in September 2009, OAA examined its awards. There was one that did not contain the training standard provision. This was corrected and an amendment was issued to correct the oversight on October 2, 2009. All new awards in the past year have included the required provision.

Recommendation No. 17: We recommend that USAID/Ethiopia develop and implement a written plan with milestones to help ensure that technical representatives and implementing partners comply with Automated Directives System 253 and Mission Order 11-2.

Currently, the Mission's Education Office is charged with maintaining the TrainNet database and meeting the ADS requirements for all US and Third Country supported trainings. PRM will work with technical offices to develop and introduce a plan to meet the requirements for in-country training by all USG funded projects. This plan will be completed by the end of the third quarter of FY 2010 and be fully operational by the end of the fiscal year. Implementing partners will be expected to be in full compliance with the directive by that time.

Planned vs. Reported Indicator Results for Fiscal Year 2008[29]

No	Indicator Title	Target	Reported Results	Variance
	Agriculture			
1	Number of individuals who have received U.S. Government (USG)-supported short-term agricultural enabling environment training	10,000	2,165	7,835
2	Number of policy reforms analyzed with USG assistance	4	4	0
3	Number of policy reforms presented for legislation/decree as a result of USG assistance	No target	5	Not available
4	Number of individuals who have received USG-supported short-term agricultural sector productivity training	14,000	16,985	2,985
5	Number of new technologies or management practices under research as a result of USG assistance	8	16	8
6	Number of vulnerable households benefiting directly from USG assistance	45,000	92,691	47,691
7	Number of producers' organizations, water users' associations, trade and business associations, and community-based organizations receiving USG assistance	30	77	47
8	Number of evaluations	1	3	2
	Private Sector Competitiveness			
9	Number of firms receiving USG assistance to invest in improved technologies	30,508	189	30,319
10	Number of firms receiving USG assistance to improve their management practices	152,153	228	151,925
11	Number of small or medium enterprises that successfully accessed bank loans or private equity as a result of USG assistance	815	107	708
12	Value of exports of targeted commodities from USAID-assisted producers (in USD, million)	$9.85	$124.11	$114.26
13	Sales of targeted commodities from USAID-assisted producers (in USD, million)	$11	$6.5	$4.5
14	Incremental value of exports of targeted commodities from USAID-assisted producers (in USD, million)	$11	$227.8	$216.8

[29] Source: USAID/Ethiopia's Fiscal Year 2008 Full Performance Plan and Report.