



# OFFICE OF INSPECTOR GENERAL

for the Millennium Challenge Corporation

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# AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION'S PROGRAMS IN BURKINA FASO

AUDIT REPORT NO. M-000-10-006-P  
SEPTEMBER 30, 2010

WASHINGTON, DC



*Office of Inspector General  
for the Millennium Challenge Corporation*

September 30, 2010

The Honorable Daniel W. Yohannes  
Chief Executive Officer  
Millennium Challenge Corporation  
875 Fifteenth Street, N.W.  
Washington, DC 20005

Dear Mr. Yohannes:

This letter transmits the Office of Inspector General's final report on the Audit of the Millennium Challenge Corporation's Programs in Burkina Faso. In finalizing the report, we considered your written comments on our draft report and included those comments in their entirety in Appendix II of this report.

The report contains three recommendations to strengthen the Millennium Challenge Corporation's process for managing Burkina Faso's compact program and future threshold and compact programs. We consider that management decisions have been reached on Recommendations 1, 2, and 3. Final action will not be reached until MCC provides additional documentation.

I appreciate the cooperation and courtesy extended to my staff during this audit.

Sincerely,

Alvin A. Brown /s/  
Assistant Inspector General  
Millennium Challenge Corporation

# CONTENTS

<b>Summary of Results</b> .....	1
<b>Audit Findings</b> .....	4
Are the Millennium Challenge Corporation's BRIGHT I and II schools projects achieving their intended results? .....	4
The Government Did Not Maintain BRIGHT Schools .....	4
Indicators and Targets Lacked Precision .....	6
Are 609(g) funds being used for their intended purposes? .....	8
609(g) Funding Was Not Used Effectively .....	9
Other Matters .....	10
<b>Evaluation of Management Comments</b> .....	11
<b>Appendix I—Scope and Methodology</b> .....	13
<b>Appendix II—Management Comments</b> .....	15
<b>Appendix III—BRIGHT II Indicators Requiring Revision</b> .....	18

# SUMMARY OF RESULTS

The Millennium Challenge Corporation (MCC) provided \$41.7 million to the Government of Burkina Faso for school projects through two types of grants—a threshold agreement and a compact.<sup>1</sup> MCC signed a threshold agreement with the Government of Burkina Faso in July 2005 for \$12.9 million to fund the Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT I) Project. In July 2008, MCC awarded a compact that included \$28.8 million for BRIGHT II, an extension of the threshold program. The goal of both projects was to increase the girls' primary education completion rate by building schools in provinces where the rates were lowest and by offering incentives for girls to attend the schools. During these projects, the U.S. Agency for International Development (USAID), on behalf of MCC, built or will build 132 schools with classrooms for Grades 1–3 and 4-6, girl-friendly latrines, and teacher accommodations. The threshold program ended in September 2008, and the funds awarded were fully expended. The compact program will end in September 2012; as of March 31, 2010, MCC had disbursed \$28.8 million to USAID for the compact program, and USAID had disbursed \$2.4 million to the implementing partners.

MCC awarded a \$9.4 million in 609(g) funding and \$16.1 million in compact implementation funding (CIF) to the Government of Burkina Faso under Section 609(g) of the Millennium Challenge Act of 2003. The act authorizes MCC to provide funding to countries that are eligible for compacts to help support the development and implementation of a compact proposal. As of March 31, 2010, \$4.0 million in 609(g) funding and \$8.2 million in CIF had been disbursed.<sup>2</sup>

The objectives of this audit were to determine whether (1) MCC's BRIGHT I and II schools projects in Burkina Faso were achieving their intended results, and (2) 609(g) and compact implementation funds were being used for its intended purposes.

Although the BRIGHT I project achieved positive results, it did not accomplish the Government of Burkina Faso's overall goal of increasing the girls' primary education completion rate because the project built primary schools with only enough classrooms for three grades (Grades 1–3) instead of constructing schools with six grades. Nevertheless, MCC's BRIGHT II project may achieve its intended results by Year 3 of the project, when classrooms for Grades 4–6 will be built (page 4).

As for the second objective, the Office of Inspector General (OIG) found that 609(g) funding and CIF were being used for their intended purposes. However, OIG believes that MCC did not effectively use the 609(g) funding since CIF was being used at the same time for similar activities (page 8).

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<sup>1</sup> Threshold agreements are grants awarded to countries that are close to passing the criteria for a compact and are committed to improving policy performance. Compacts are large, five-year grants awarded to countries that pass MCC's eligibility criteria.

<sup>2</sup> The 609(g) funding is funded through a 609(g) agreement and not part of the compact agreement amount; CIF is part of the compact agreement amount, and its uses are outlined in the compact agreement.

## Schools Projects

OIG found that MCC's BRIGHT I schools project did not increase the girls' primary education completion rate, the goal of the threshold program. However, MCC measured the success of the project by changes in enrollment and attendance in the targeted areas.<sup>3</sup> By the end of the project, the girls' enrollment rate exceeded the project target by 27 percent, and girls' attendance rate exceeded the project target by 10 percent.

Although the Bright II schools project was on track to achieve its intended results, the audit disclosed concerns. The government was not maintaining the schools (page 4), and the indicators and targets used to monitor the project lacked needed precision (page 6). The audit found some schools in disrepair, and the Government of Burkina Faso's ability to fund repairs to the BRIGHT schools after the compact ends was uncertain (page 4). In addition, the indicators and targets used to monitor the BRIGHT II schools project included some that were poorly defined, missing, unrealistic, or set according to misleading baselines (page 6).



This BRIGHT I school was built during the threshold program. (Photo by the Office of Inspector General, April 2010)

## 609(g) and Compact Implementation Funds

Grant funds provided under Section 609(g) were not used effectively. Grant-funded activities were still in progress 1 year after the compact with Burkina Faso had entered into force in July 2008. Not concluding these activities on time may delay project implementation, which could prevent the completion of the projects by the end of the compact (page 9).

The report includes three recommendations:

1. Require the Government of Burkina Faso to develop and implement an action plan to fund repairs in the BRIGHT schools that the communities are unable to perform (page 6).
2. Work with USAID to revise the indicators, targets, and baselines listed in Appendix III to ensure more effective monitoring of the BRIGHT II schools project (page 8).
3. Implement a policy for monitoring and evaluation when a U.S. Government entity administers a compact program (page 8).

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<sup>3</sup> The ten provinces selected for the BRIGHT I schools project were Banwa, Gnagna, Komandjari, Namentenga, Oudalan, Sanmentenga, Seno, Soum, Tapoa, and Yagha.

Detailed findings follow. Appendix I contains a discussion of the audit's scope and methodology; Appendix II presents MCC's comments. MCC agreed with one and disagreed with two recommendations. Management decisions have been reached on all three recommendations.

# AUDIT FINDINGS

## **Are the Millennium Challenge Corporation's BRIGHT I and II schools projects achieving their intended results?**

The Office of Inspector General (OIG) found that the Millennium Challenge Corporation's (MCC's) Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT I) schools project, a threshold program, did not achieve its intended results.

The BRIGHT I project as designed could not contribute to the Government of Burkina Faso's overall goal of increasing the girls' primary completion rate because MCC built primary schools with only enough classrooms for Grades 1–3 instead of constructing schools with six grades. MCC recognized from the outset that the project could not boost the girls' primary education completion rate. Furthermore, MCC officials indicated that MCC did not initially intend to build classrooms for Grades 4–6. Therefore, when Burkina Faso became eligible for a compact, MCC designed the compact to address the shortfalls of the threshold program.

An agreement between the U.S. Agency for International Development (USAID) and the Government of Burkina Faso that was approved by MCC stated that the project results would be measured by whether a girls' enrollment rate of 40.1 percent could be achieved and whether a minimum rate of 85 percent for girls' attendance could be achieved by the end of the project in the target areas. The BRIGHT I schools project exceeded those targets, achieving an enrollment rate of 50.1 percent and an attendance rate of 93.5 percent by the end of the threshold program.

OIG found that the MCC's BRIGHT II schools project was on track to achieve its goal: a girls' primary school completion rate of 52 percent by Year 3 of the compact. BRIGHT II construction, which will add classrooms for Grades 4–6 to the existing schools, is under way. For the school year ending in June 2010, the hallways of the BRIGHT I schools were turned into temporary classrooms for Grades 4 and 5.

Notwithstanding these results, the audit disclosed factors that may impede the continued progress of the BRIGHT schools: the lack of maintenance of the BRIGHT schools, the need for improved monitoring of the BRIGHT schools, the uncertain future of BRIGHT school graduates, and the under- and overuse of the schools. These issues are discussed below.

### **The Government Did Not Maintain BRIGHT Schools**

A lack of maintenance of the BRIGHT school structures may impede the sustainability of the schools after the compact ends. Although MCC required the Government of Burkina Faso to provide evidence that it could maintain the BRIGHT schools, the government's ability to maintain the schools is unclear. Three out of the ten schools that OIG visited required some type of maintenance. In one school the steps needed to be repaired; in another, large holes marred a classroom floor (see photo); and the third school had a well that had been broken for a year.

When asked who was responsible for maintaining the schools, interviewees gave several answers. An implementing partner official stated that since the implementing partner is constructing BRIGHT II schools, it will repair anything that is broken in the schools, provided materials are left over from construction. A representative from the Ministry of Basic Education and Literacy (MEBA) explained that the Government of Burkina Faso is responsible for maintenance of the schools but during construction it depends on the implementing partners to maintain the schools. She explained that most municipalities lack the funds and the capacity to perform maintenance. For this reason, she requested that the implementing partners repair the schools that need to be repaired during the implementation phase.



Holes in the floor of a BRIGHT I classroom require maintenance. (Photo by Office of Inspector General, April 2010)

The program implementation agreement establishes responsibility for repairs. It states that prior to the initial disbursement of program funding, the Government of Burkina Faso should provide an annual budget allocation to MEBA for teacher salaries and other recurring costs for the 132 existing BRIGHT schools (including classrooms funded under the BRIGHT I program). MEBA provided MCC a copy of the relevant pages of the 2008-2009 enacted MEBA budget, showing the allocation.

However, the program implementation agreement did not require the government to provide evidence that it could maintain the schools after the project ends in September 2012, nor did the government provide evidence that it could maintain the schools already built when it submitted documentation required for compact start-up. Instead, the government provided MCC an explanation letter showing evidence of the teachers it planned to employ up to Grade 4, the name of the BRIGHT II schools project coordinator, and the name of the technical secretary. The letter included a budget listing expected expenses from 2008 to 2011 for teacher salaries, school equipment, school supplies, and textbooks. MCC accepted the letter from the Government of Burkina Faso and did not ask for additional information.

Sustainability of the BRIGHT schools is crucial for the continuation of the children's education. If school infrastructure continues to deteriorate, parents may not deem it safe or productive for their children to attend classes, and the attendance rate might drop in the BRIGHT schools. Decreased attendance could in turn affect the completion rate of both girls and boys in the BRIGHT schools.

**Recommendation 1.** *We recommend that the Millennium Challenge Corporation's Vice President of Compact Operations require the Government of Burkina Faso to develop and implement an action plan to fund repairs in the BRIGHT schools.*



## Indicators and Targets Lacked Precision

MCC did not have indicators and targets with the precision needed to monitor the BRIGHT II schools project effectively. OIG’s review of the indicators and targets in the monitoring and evaluation plan and indicator tracking table revealed several problems, which are summarized below. See Appendix III for further detail.

- One indicator was not clearly defined (Appendix III, Table A). The definition of the girls’ primary completion rate indicator states “refer to Ministry of Basic Education and Literacy’s definition” instead of explaining how the indicator is calculated.
- Annual targets were not included for Years 1 and 2 of the project (Appendix III, Table B). The students who entered the first grade in 2005–6 will enter the sixth grade in the fall of 2010, which is the beginning of the second year of the BRIGHT II project. Therefore, annual targets are needed for Year 2 and subsequent years.

**BRIGHT I and II Grades and Related School Years**

Grade	School Year	Project Year	
		BRIGHT I	BRIGHT II
1	2005-6	1	
2	2006-7	2	
3	2007-8	3	
4	2008-9		N/A
5	2009-10		1
6	2010-11		2
	2011-12		3

N/A – No construction took place during this period. Instead, temporary classrooms were built for the fourth grade during the compact development phase.

- End-of-project targets for some indicators in the indicator tracking table did not match one another or reflect school capacity (Appendix III, Table C).
  - The target for the *number of girls enrolled in the MCC/USAID-supported BRIGHT schools* indicator is 19,800 and the target for the *number of boys enrolled in the MCC/USAID-supported BRIGHT schools* indicator is 9,900. The sum of the two targets equals 29,700 boys and girls enrolled in BRIGHT schools by the end of the project. However, the target for the *number of students enrolled in the MCC/USAID-supported BRIGHT schools* indicator (both girls and boys) is 39,600. Therefore, 9,900 students are not accounted for in the targets for the gender-disaggregated data.
  - The end-of-project target for the *additional primary school female students enrolled in MCC/USAID-supported educational facilities* indicator is 9,900. However, this target exceeds the maximum number of students that can be enrolled in the first grade, which is 6,600 students. A target this high also suggests that no boys will be enrolled in BRIGHT schools by the end of the project.
- The target for one indicator is too low (Appendix III, Table D). MCC’s indicator tracking table shows the target for *number of boys enrolled in the MCC/USAID-*

supported *BRIGHT* schools as 9,900 by Year 3 of the project. However, 9,850 boys were enrolled in the *BRIGHT* schools in the 2009–10 school year.

- Using 2008–9 data as baselines for the indicators and not recording the results from the beginning of the *BRIGHT* I schools project does not show the extent of changes in some indicators. As shown in the table at right, total enrollment in the first grade in *BRIGHT* schools has declined each year since the 2007–8 school year. The largest decline in enrollment took place in the 2008–9 school year during the transition from the threshold program to the compact program.

**Students Enrolled in First Grade in *BRIGHT* Schools by School Year**

School Year	Number of Students Enrolled in First Grade
2005 – 2006	5,015
2006 – 2007	7,190
2007 – 2008	6,768
2008 – 2009	5,160
2009 – 2010	4,770

Source: Plan International, unaudited

MCC’s Policy for Monitoring and Evaluation of Compacts and Threshold Programs, approved on May 12, 2009, provides guidance for the monitoring and evaluation of compact programs. According to Section 5.1.6 of the policy, the compact’s monitoring and evaluation (M&E) indicators should be direct, unambiguous, adequate, practical, and useful. In addition, Section 5.1.7 of the policy states: “Indicators in the M&E Plan must include annual targets whenever possible and appropriate.” Furthermore, Section 5.3 of the policy states, “No changes to indicators, baselines or targets may be made in the [indicator tracking table] until the changes have been approved by the M&E plan.”

*BRIGHT* II marks the first time that MCC has included an expanded version of the threshold program in a compact. It is also the first time that USAID has been considered the accountable entity in a compact.<sup>4</sup> Therefore, MCC’s M&E policy did not require USAID to report on the threshold results during compact implementation. Furthermore, since the primary schools were built in two phases—*BRIGHT* I and *BRIGHT* II—MCC views each phase as a separate project. This viewpoint further explains why indicators, baselines, and targets do not reflect annual progress since the beginning of the threshold program.

In addition, the change in reporting requirements from threshold to compact program for USAID contributed to the monitoring and evaluation problems, as stated above, between MCC and USAID. MCC established a policy for monitoring and evaluation of the threshold program that allowed USAID to provide all information about the project—definitions, targets, and results for each indicator—in one quarterly report. However, since MCC does not have a formal monitoring and evaluation policy in the compact for U.S. Government entities administering a compact program, MCC required USAID to comply with a reporting method similar to that required for Millennium Challenge Accounts. This method includes providing the definitions for the indicators in one report and the results and targets for the indicators in another report. According to a USAID official, monitoring and evaluation of the *BRIGHT* II project was running smoothly until MCC changed the quarterly reporting process. Adapting to the new and more complex

<sup>4</sup> MCC’s approach was to use USAID as the accountable entity instead of the Millennium Challenge Account-Burkina Faso to implement the *BRIGHT* II schools project under the compact.

process required several training sessions and numerous revisions. Furthermore, USAID had a difficult time providing a report that was acceptable to MCC. USAID did not have any problems reporting on implementing the threshold program.

As a result of not having more precise, complete, internally consistent, and realistic indicators and targets, MCC does not have the information needed to oversee the program. This lack of useful information prevents MCC from identifying negative trends that could be addressed by the implementers before the project ends. In addition, MCC's senior management does not have a complete view of the BRIGHT schools projects' capacity to enroll and retain students and to graduate the targeted percentage of girls from the BRIGHT schools by the end of BRIGHT II.

***Recommendation 2.*** *We recommend that the Millennium Challenge Corporation's Vice President for Compact Operations work with the U.S. Agency for International Development to revise the indicators, targets, and baselines listed in Appendix III to ensure more effective monitoring of the BRIGHT schools project.*

***Recommendation 3.*** *We recommend that the Millennium Challenge Corporation's Vice President for Compact Operations establish and implement a policy for monitoring and evaluation when a U.S. Government entity administers a compact program.*

## **Are 609(g) funds being used for their intended purposes?**

OIG found that 609(g) funding and compact implementation funding (CIF) provided under the authority of Section 609(g) were being used for their intended purposes. However, OIG believes that MCC did not use grant money effectively; MCC used it for activities that CIF could have covered. Although there is no time requirement in which a compact country should use 609(g) funding, its purpose is to assist eligible countries to develop and implement a compact. The activities funded by the 609(g) funding were still in progress 1 year after Burkina Faso's compact entered into force.<sup>5</sup> MCA-Burkina Faso was still conducting feasibility studies and environmental assessments for the roads project at the time of the audit. Not keeping these activities on schedule could delay project implementation and could prevent the completion of the projects by the end of the compact.

The 609(g) funding was intended to facilitate the development and implementation of a compact. As of March 24, 2010, MCC had disbursed \$4.0 million of the \$9.4 million grant awarded to Burkina Faso. MCA-Burkina Faso used the 609(g) funding for administrative costs, land tenure activities, final road studies, and monitoring and evaluation. As of April 30, 2010, MCA-Burkina Faso had spent \$5.2 million of its \$16.1 million CIF award. Of that amount, \$4.6 million was spent on administrative costs, such as office equipment. Testing of transactions and related contracts for the use of 609(g) funding and CIF showed that MCA-Burkina Faso and MCC used the funds for their intended purposes and within the established timeframe.

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<sup>5</sup> A compact enters into force when the assisted government has fulfilled domestic requirements or conditions precedent outlined in the compact and begins compact implementation.

## 609(g) Funding Was Not Used Effectively

MCC used 609(g) funding to pay for studies to identify project constraints prior to compact signing. However, it continued to use 609(g) funding to conduct feasibility studies and environmental assessments for the roads project long after compact implementation. As of March 31, 2010, MCA-Burkina Faso had spent \$4.0 million of its 609(g) funding for administrative and land tenure activities. The remaining \$5 million was obligated for feasibility studies which either began in 2009 or were starting at the time of our fieldwork.

Section 6.2.1 of MCC's Policies and Procedures on 609(g) Financial Management discusses appropriate uses of 609(g) funding:<sup>6</sup>

*Ensuring High Quality MCA Programs.* MCC uses 609(g) funding to address country capacity constraints for compact development, including: Ensuring that a country will develop projects that justify MCC investment. Putting successful implementation mechanisms in place such as baseline surveys, consultations, technical assistance to procure fiscal and/or procurement agents, fees for fiscal and/or procurement agents, and the country's local counsel fees associated with review and finalization of the Compact and related agreements.

*Temporary and Extraordinary Remediation Measures.* Uses of 609(g) funds consist of (i) the Accountable Entity team's payroll, (ii) technical assistance to carry out the consultative process, and (iii) any other category of monetary support to an eligible country as determined from time to time by MCC's CEO to be critical to the completion of the Compact development process.

MCC used 609(g) funds for feasibility studies because MCC signed the compact with Burkina Faso before the completion of 609(g)-funded activities. The feasibility studies enable MCC and MCA-Burkina Faso to minimize investment risk and obtain as much information as possible about the project's scope, activities, and costs. Not completing feasibility studies before compact signing may result in MCA-Burkina Faso's changing the scope of some projects or increasing a project's cost during compact implementation. In addition, delays in project implementation may result, which could prevent project completion by the end of the compact.

We are not making a recommendation because MCC developed a compact development process in December 2009 that addresses concerns about when countries should conduct feasibility studies. The new process states that these studies should be conducted before compact signing, during the project development and appraisal phase.

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<sup>6</sup> As described under "Ensuring High Quality MCA Programs," payments for items such as rent and equipment for the country's MCA core team are generally not eligible for 609(g) funding prior to compact signing.

## Other Matters

OIG identified other matters to be brought to MCC management's attention. Although MCC cannot implement changes to the current project, MCC might consider these matters when implementing future education projects in threshold and compact-eligible countries. These matters include the uncertainty of the future of BRIGHT school graduates and the under- and overuse of the BRIGHT schools.

**Future of BRIGHT School Graduates Is Not Clear** – Although the BRIGHT II schools project will normalize the BRIGHT I schools and provide the basic education, it is not clear what the future of the BRIGHT schools graduates will hold. In June 2011, the first students enrolled in the BRIGHT I schools project will complete primary school. In many areas where the BRIGHT I and II schools were built, no secondary schools are nearby. Parents have asked the BRIGHT II implementers whether a secondary school will be built. Furthermore, although building secondary schools near the BRIGHT provinces was outside the scope of the compact, secondary schools would provide a better educated workforce. According to an MCC official, there were not enough resources in the compact to allow the building of secondary schools.

**BRIGHT Schools Are Under- and Overused** – Although each school was designed and built to educate 50 students per classroom, both underuse and overuse have occurred. Of the 10 schools OIG visited, the number of students enrolled in each class ranged from 3 students to 81 students.<sup>7</sup> According to a USAID official, this may have been caused by the nomadic nature of the people in some areas. As a result, MCC's investment may not be maximized in the communities where schools are located.

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<sup>7</sup> Each school that OIG visited offered instruction to students in four or five grades.

# EVALUATION OF MANAGEMENT COMMENTS

The Millennium Challenge Corporation (MCC) provided written comments on our draft report that are included in their entirety in Appendix II of this report. In its comments, MCC agreed with one recommendation and disagreed with two recommendations.

In response to Recommendation 1, MCC agrees that school maintenance is a key factor to success of the BRIGHT schools. However, MCC disagrees with the recommendation to require the Government of Burkina Faso to develop and implement an action plan to fund repairs in BRIGHT schools. Instead, USAID's BRIGHT project implementation consortium has been working actively on a school maintenance program. The consortium has developed tripartite agreements that are to be signed by the local district governments, BRIGHT school communities (including parent and teacher associations), and consortium partners to ensure school maintenance repairs are made. In addition, the BRIGHT project implementation consortium is preparing a community school maintenance manual and organizing training workshops for school directors, local government officials, and parent and teacher association members. OIG agrees with MCC's proposed corrective action since it appears it will address the problem identified in the finding. OIG considers that a management decision has been reached. However, final action will not be reached until MCC provides evidence of the tripartite agreements and school maintenance manual.

MCC agrees with Recommendation 2 to revise the targets and indicators in Appendix III of this report in order to ensure effective monitoring of the BRIGHT II schools project. Specifically, MCC staff will work with USAID and project implementers to revise the data by July 2011. OIG believes these changes should be made sooner, if possible, to ensure effective monitoring of the program. OIG considers that a management decision has been reached, but final action will not be reached until MCC provides documentation showing that the targets and indicators have been revised.

MCC disagrees with Recommendation 3 that MCC should develop and implement a policy for monitoring and evaluation when a U.S. Government entity administers a compact program. Instead, MCC believes it should provide clarification and guidance through an appropriate instrument—an amendment or a letter agreement supplementing the interagency agreement. The Vice President of Policy and Evaluation, working closely with USAID, could use these instruments to develop, more broadly, subsidiary or clarifying guidance to the M&E policy as it relates to U. S. government agencies as needed. OIG's concern is that, absent a policy, a process will not be in place to ensure that this problem does not recur. However, as stated by MCC, these instruments should address the problem identified in our finding. Thus OIG considers that a management decision has been reached. Final action will be reached when MCC provides evidence that it has provided USAID with clarifications and guidance on the monitoring and evaluation policy for the BRIGHT II schools project.

MCC provided additional comments on what it considered inaccuracies in the audit report. However, these comments do not accord with what OIG found during fieldwork. OIG disagrees with some of MCC's comments and offers the following clarifications.

OIG disagrees with MCC's comment regarding the sentence on page 2, first sentence under the heading "Schools Project." The sentence states, "The Office of Inspector General (OIG) found that MCC's BRIGHT I schools project did not achieve its intended results" is somewhat confusing given that the second paragraph establishes that, in fact, BRIGHT I exceeded its project targets. OIG believes that MCC misunderstood this sentence since the following sentence in that paragraph states that "The goal of the threshold program in Burkina Faso was to increase the girls' primary education completion rate." Furthermore, OIG modified the third sentence in the paragraph to further clarify its position. Instead of stating, "Project performance was to be measured by changes in enrollment and attendance in the targeted areas," OIG modified the sentence to state, "However, MCC measured the success of the project by changes in enrollment and attendance in the targeted areas."

OIG disagrees with MCC regarding its comments on page 4, first sentence under the heading that begins "Are the Millennium Challenge Corporation's . . . ." MCC believes the sentence is confusing to readers since OIG points out that the BRIGHT I schools project met and exceeded its own targets for success. OIG disagrees with MCC's comment since at the time MCC designed and implemented the BRIGHT I schools project, which consisted of constructing schools with Grades 1–3, it had not considered the BRIGHT II schools project. Therefore, this approach would not contribute to Burkina Faso's overall goal of increasing girls' primary completion rate. This measure is also one of the indicators that MCC uses to determine whether a country is eligible for a compact. The overall goal of the threshold program is to increase 1 of 17 indicators that MCC uses to determine whether a country is eligible for a compact. Therefore, OIG did not revise the sentence as requested by MCC.

OIG disagrees with MCC regarding its comment about the sentence on page 4: "Yet the BRIGHT I project as designed could not contribute to the Government of Burkina Faso's overall goal of increasing the girls' primary completion rate because the project built primary schools with only enough classrooms for Grades 1–3 instead of constructing schools with six grades." MCC states that, given the nature of the *girls' primary education completion rate* indicator used by MCC, the project by itself could not raise the indicator score above the median in a 2- to 3-year period. However, OIG believes that if MCC had built schools with six grades instead of three under the BRIGHT I project, MCC may have contributed to the overall goal of the project since children in Burkina Faso complete primary school when they graduate from the sixth grade. Furthermore, MCC did not intend to build the remaining three classrooms at the time it designed and implemented the BRIGHT I project.

OIG disagrees that an additional paragraph should be added on page 5, just above the last paragraph beginning with "Sustainability of the BRIGHT schools..." Specifically, OIG agrees with MCC that the interagency agreement between MCC and USAID states that USAID will provide training allowing communities to address small maintenance issues themselves and to bring more complicated repairs to the attention of the local education bureaus. However, OIG found that USAID and the implementing partners began addressing this part of the agreement only after OIG brought the problem to their attention. Therefore, OIG will not add additional language to the report.

# SCOPE AND METHODOLOGY

## Scope

The Office of Inspector General (OIG) conducted this performance audit of the Millennium Challenge Corporation's programs in Burkina Faso in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objectives. We believe that the evidence obtained provides such a basis.

We conducted an audit of the threshold and compact programs in Burkina Faso. The audit included a review of the Millennium Challenge Corporation (MCC) education project initiated under the threshold program that was later expanded under a compact program. Both threshold and compact programs focused on girls' primary school completion rate. In addition, MCC used the U.S. Agency for International Development (USAID) to implement both projects, Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT) I and BRIGHT II. While USAID typically implements threshold programs for MCC, this was the first time that USAID had implemented a portion of a compact. We also reviewed MCC's use of \$9.4 million in 609(g) funding and \$16.1 million in compact implementation funding (CIF) to determine whether the funds were used for their intended purposes. The majority of these funds facilitated the agricultural, land tenure, and roads projects in the compact; only \$3 million in CIF was used for the BRIGHT II schools project.

We conducted this audit at MCC headquarters in Washington, D.C., from March 25 to June 30, 2010. In Washington, D.C., we met with MCC, USAID, and others knowledgeable about the country or project. Our fieldwork was conducted from April 21 through May 7, 2010, in Burkina Faso, where we met with officials from the Ministry of Basic Education and Literacy and staff of the Millennium Challenge Account-Burkina Faso, MCC-Burkina Faso, USAID, and four implementing partners.

## Methodology

To answer the first objective, we established audit steps to determine the following:

- How MCC measures the success of the BRIGHT I and II schools projects.
- Whether MCC established proper baselines, indicators, and targets for monitoring and oversight of the project in accordance with its policies.
- Whether the BRIGHT I and II schools projects will be sustainable.

We performed the following activities:

- Interviewed representatives of MCC, USAID, implementing partners, and others to gain an understanding of the overall objectives, management, and progress of the BRIGHT I and II projects.



- Examined supporting documentation for the BRIGHT schools projects, such as the monitoring and evaluation plan, indicator tracking tables, and teachers' attendance books, to verify that monitoring was occurring and being documented and that intended results were being achieved.
- Interviewed beneficiaries on site visits to 10 of the 132 schools to determine how the MCC-funded projects had affected beneficiaries' lives. We selected sites judgmentally.
- Determined the potential impact of achieving or not achieving milestones and targets.

To answer the second objective, we established audit steps to determine whether grant money and CIF were used for their intended purposes.

We performed the following activities:

- Interviewed MCC and MCA-Burkina Faso officials to determine how they used each type of funding to facilitate the objectives of their projects.
- Reviewed MCC's policies and procedures governing 609(g) funding and CIF agreements between MCC and the Government of Burkina Faso for each type of funding.
- Judgmentally selected grant and CIF transactions from a financial report and reviewed the corresponding contract to determine whether the funds were used for their intended purposes.

OIG identified and assessed internal controls. In addition, we reviewed prior audit reports and considered relevant findings.

# MANAGEMENT COMMENTS



Date: September 23, 2010

To: Mr. Alvin Brown, Assistant Inspector General,  
Millennium Challenge Corporation

From: Mr. Patrick Fine, Vice President for Compact Operations,  
Millennium Challenge Corporation

Subject: Open Audit Recommendations - Audit of the Millennium Challenge Corporation's  
Programs in Burkina Faso, report number M-000-10-00X-P

Dear Mr. Brown:

The Millennium Challenge Corporation (MCC) appreciates the opportunity to respond to the Office of Inspector General's (OIG) draft report entitled "Audit of the Millennium Challenge Corporation's Programs in Burkina Faso."

MCC's specific responses to the recommendations in the Report are detailed below.

***Recommendation 1: Require the Government of Burkina Faso to develop and implement an action plan to fund repairs in the BRIGHT schools that the communities are unable to perform.***

MCC agrees that school maintenance is a key factor to the success of the BRIGHT schools. In furtherance of the Interagency Agreement<sup>1</sup>, USAID's BRIGHT project implementation consortium has been working actively on a school maintenance program. In this regard, the consortium has elaborated tripartite agreements that are to be signed by the local district governments, BRIGHT school communities (including parent and teacher associations) and consortium partners. The terms of each agreement obligate the applicable local government to take full ownership of the BRIGHT schools and to give them priority with regard to repairs and maintenance. The agreements also require community leaders to be responsible for reporting to the district government any repair needs of BRIGHT schools. To bolster these tripartite agreements, and consistent with the Interagency Agreement, the BRIGHT project

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<sup>1</sup> See Interagency Agreement executed between MCC and USAID, dated September 4, 2008, Annex A, Sections Sec. 2.b.5(a) - (d).

implementation consortium is preparing a community school maintenance manual and organizing training workshops on school maintenance for school directors, local government officials, community leaders and parent and teacher association members. This training will include hygiene and sanitation, basic maintenance of school infrastructure, and identification and reporting of repair needs. As part of Burkina Faso's ongoing decentralization efforts, the management responsibility for primary schools has been transferred to the local district governments. This transfer includes allocation of funds to the districts for the repair and maintenance of schools that are under the jurisdiction of each district. Accordingly, MCC believes that the concerns raised by the OIG will be addressed as a result of the tripartite agreements, to be signed by the end of November. MCC believes such agreements will result in more sustainable results than creating an action plan for the federal Government based in Ouagadougou.

***Recommendation 2: Work with USAID to revise indicators, targets, and baselines listed in Appendix III to ensure more effective monitoring of the BRIGHT II schools project.***

MCC concurs with OIG's recommendation to revise the indicators and targets in Appendix III of the report, in order to ensure more effective monitoring of the BRIGHT II schools project. MCC staff will work with USAID and project implementers to revise this data by July 2011.

***Recommendation 3: Implement a policy for monitoring and evaluation when a U.S. Government entity administers a compact program.***

MCC agrees that overall, MCC should provide clarifications and guidance, through an appropriate instrument, on the applicability of the M&E Policy when another United States Government entity administers a compact program. In this instance, MCC believes that the appropriate instrument to clarify this matter would be an amendment or letter agreement supplementing the Interagency Agreement. That instrument could then be the basis for the Vice President of the Department of Policy and Evaluation, working closely with USAID, to develop, more broadly, subsidiary or clarifying guidance to the M&E Policy as it relates to United States Government agencies as needed.

In addition to the responses to the above mentioned recommendations, MCC has noted the following specific inaccuracies in the audit report:

- Pg. 2, first sentence underneath "Schools Project." MCC believes the sentence "The Office of the Inspector General (OIG) found that MCC's BRIGHT I schools project did not achieve its intended results" is somewhat confusing given that the second paragraphs establishes that in fact, BRIGHT I exceeded its project targets. MCC would suggest clarifying this sentence by stating, "The Office of the Inspector General (OIG) found that MCC's BRIGHT I schools project met and exceeded its project targets. However, due to the fact that the BRIGHT I schools project only constructed classrooms for three grades, the BRIGHT I project alone will not be able to increase the Burkina Faso girls' primary education completion rate."
- Pg. 4, first sentence under heading "Are the Millennium Challenge Corporation's BRIGHT I and II schools projects..." MCC believes this sentence is confusing to readers, particularly due to the fact that in the second paragraph, the OIG rightly points out that the BRIGHT I schools project met and exceeded its own targets for success. MCC

believes that the following sentence would more accurately capture the OIG's concern; "The Office of Inspector General (OIG) found that the Millennium Challenge Corporation's (MCC's) Burkina Faso Response to Improve Girls' Chances to Succeed (BRIGHT I) schools project, a threshold program, met and exceeded its internal targets for success. However, due to the fact that the BRIGHT I schools project is designed to only construct classrooms for three grades, the BRIGHT I project alone will not be able to increase the Burkina Faso girls' primary education completion rate."

- Pg. 4, the report states "Yet the BRIGHT I project as designed could not contribute to the Government of Burkina Faso's overall goal of increasing the girls' primary completion rate because the project built primary schools with only enough classrooms for Grades 1–3 instead of constructing schools with six grades." Given the nature of the Girls Primary Education Completion Rate indicator used by MCC, the project by itself could not raise the indicator score above the median in a two to three year period of time. The threshold program was just one part of the Government of Burkina Faso's overall strategy, which included the government's own efforts as well as projects being implemented by other donors.
- Pg. 5, insert new paragraph at bottom, just above last paragraph beginning with "Sustainability of the BRIGHT schools..." Due to the explanation above regarding the Interagency Agreement between USAID and MCC, MCC suggests a brief paragraph here explaining that MCC had an agreement that USAID would provide training allowing communities to address small maintenance issues themselves and to bring more complicated repairs to the attention of the local education bureaus.

Thank you for the opportunity to provide our comments on the draft report. Please contact Pat McDonald, MCC's Compliance Officer, if you have further questions or concerns.

Sincerely Yours,

/s/ Darius Teter  
For Patrick C. Fine

# BRIGHT II INDICATORS REQUIRING REVISION

**Table A. Indicators Not Clearly Defined**

Indicators	Definition
Percentage of girls/boys completing primary school	Refer to MEBA definition.

**Table B. Example of Indicators with no Annual Targets**

Indicators	Annual Targets
Percentage of girls/boys completing primary school	0
Percentage of girls/boys promoted to next grade	0
Percentage of girls/boys passing the annual CEP exam	0
The number of girls/boys graduating from BRIGHT 2 primary schools.	0
Girls promotion rates to next grade in BRIGHT schools	0
Percentage of girls dropping out of school	0
Number of girls/boys enrolled in the BRIGHT Bisongos	0
Percentage of girls dropping out of bisongo program	0
Percentage of boys dropping out of bisongo program	0

**Table C. End of Project Targets Unclear**

Indicators	End of Project Target	Total
Number of girls enrolled in the MCC/USAID-supported BRIGHT schools	19,800	29,700
Number of boys enrolled in the MCC/USAID-supported BRIGHT schools	9,900	
Number of students enrolled in the MCC/USAID-supported BRIGHT schools (both girls and boys)	39,600	

**Table D. Low Target**

Indicator	Target
Number of boys enrolled in the MCC/USAID-supported BRIGHT schools	9,900

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