OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/HAITI'S LEVERAGING EFFECTIVE APPLICATION OF DIRECT INVESTMENTS PROGRAM

AUDIT REPORT NO. 1-521-15-006-P
APRIL 30, 2015

SAN SALVADOR, EL SALVADOR

Office of Inspector General

April 30, 2015

MEMORANDUM

TO: USAID/Haiti Mission Director, John Groarke

FROM: Acting Regional Inspector General (RIG)/San Salvador, David J. Clark /s/

SUBJECT: Audit of USAID/Haiti's Leveraging Effective Application of Direct Investments (LEAD) Program (Report No. 1-521-15-006-P)

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

The audit report contains nine recommendations to help the mission improve various aspects of the program. Given the information provided in response to the draft report, we acknowledge the mission's management decisions on all nine and final action on Recommendations 1, 2, and 6 through 9. Please provide evidence of final action on Recommendations 3, 4, and 5 to the Audit Performance and Compliance Division in USAID's Office of the Chief Financial Officer.

Thank you and your staff for the cooperation and assistance extended to us during this audit.

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SUMMARY OF RESULTS

According to the International Finance Corporation,[1] small and medium-sized enterprises (SMEs) account for 80 percent of employment in Haiti. However, SMEs have difficulties obtaining loans, and entrepreneurs lack the skills necessary to expand their businesses. In 2014, the World Bank[2] ranked Haiti 177 out of 189 countries for ease of doing business, underscoring the difficult business environment.

To address the needs of job seekers and small businesses, in July 2011, USAID/Haiti awarded a $12 million, 4-year cooperative agreement to the Pan American Development Foundation (PADF) to implement the Leveraging Effective Application of Direct Investments Program. The agreement stated that the program's main goal was to create jobs and incomes and attract foreign investment, including from members of the diaspora.[3] As of March 2014, the mission had obligated $6.4 million and disbursed $4.8 million for the program.

The program used business-plan competitions and matching grants to attract investments in Haitian SMEs that the program determined had high potential for growth and employment generation. SMEs entered the competitions by submitting their business plans, and successful applicants receive business advisory services—technical assistance and training to start, improve, or expand their businesses—as well as grant money that they were expected to match. The program also sought to increase the development impact of remittances—funds sent to Haiti by Haitians living in other countries—by appealing to diaspora members to channel them into SME investments.

Anticipated results of the program include:

- Providing matching grants ranging from $50,000 to $200,000 to approximately 40 Haitian firms.
- Providing business advisory services to 120 SMEs.
- Completing approximately 50 small infrastructure activities funded by diaspora investments.
- Creating more than 13,000 new jobs.

The Regional Inspector General San Salvador conducted this audit to determine if USAID/Haiti's program activities were creating new investment opportunities for SMEs.

The audit found that although activities were creating some new investment opportunities, the program fell significantly short of expected results. As of March 31, 2014, almost 3 years into the 4-year program, the program had held just two competitions and awarded promising SMEs only 12 matching grants valued at $1.9 million.

[1] "Small and Medium Enterprises: Stories of Impact," June 2013, accessed on December 4, 2014, at http://www.ifc.org/.
[2] http://www.doingbusiness.org/reports/global-reports/doing-business-2014.
[3] Program documents use diaspora to describe Haitians living in the United States.

The program also sought to increase the development impact of remittances. However, at the time of the audit, PADF officials had implemented only limited outreach to Haitians living abroad. They said they planned more activities later and were looking for outreach programs to model theirs on. The audit found:

- The program awarded fewer grants than expected (page 4). To get grants, businesses competed by submitting their business plans. Program staff found the plans were of poor quality and spent time working with semifinalists to prepare better ones.

- The job-creation target was unrealistic (page 5). The program planned to create 13,000 new direct jobs. By the program's definition, an SME employs 10-100 people. If the program provided grants to the expected 40 firms, and all of them created 100 jobs, the number of jobs created (4,000) would be less than a third of the target.

- The program's reported results were unreliable because the implementer used unclear definitions for measures or indicators of job creation (page 6).

- The implementer made most awards to businesses in the capital (page 6). The program planned to decentralize economic activity by steering some grants to businesses outside Port-au-Prince. However, the implementer awarded grants primarily to businesses in Port-au-Prince because most applications came from there, including the best ones.

- Outreach to Haitians in the United States was insufficient (page 7). Officials conceded that the business-plan competitions had taken attention away from outreach efforts. Consequently, the program did not receive the expected influx of remittances.

- PADF did not meet or track its required annual cost-share contributions effectively (page 8). Such contributions by the implementer offset program costs and increase the implementer's incentive to achieve program goals.

To help USAID/Haiti improve the effectiveness of the program, we recommend that the mission:

1. Identify and focus on activities that will have the most impact in the time remaining on the program (page 5).

2. Determine the number of jobs the program can realistically generate given the resources available, and update its target accordingly (page 5).

3. Conduct a performance evaluation of the program to determine program impact, and evaluate the potential for investments in SMEs (page 5).

4. Document issues noted in previous portfolio reviews,[4] and implement a mechanism to resolve them (page 5).

5. Evaluate the performance indicators, revise indicator definitions to eliminate ambiguity, and document the results (page 6).

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[4] A portfolio review, done at least once a year, assesses results to determine whether a "project is 'on track' or if course corrections are needed" (ADS 203.3.12).

6. Identify and document opportunities for engaging with the chambers of commerce in Cap-Haitien and St. Marc in providing business advisory services (page 7).

7. Develop strategies for engaging members of the diaspora, and incorporate activities under the remittances program (page 8).

8. Require the implementer to correct the deficiency in its system for tracking cost-sharing contributions (page 8).

9. Require the implementer to catch up on its cost-share contributions so that it meets its full cost share by program's end (page 8).

Detailed findings appear in the following section. The scope and methodology are described in Appendix I. Management comments are included in their entirety in Appendix II without attachments, and our evaluation of management comments begins on page 9.

AUDIT FINDINGS

Program Awarded Fewer Grants Than Expected

According to the agreement, PADF would devise an investment strategy to bring together potential investors and SMEs in Haiti. The strategy combined a business-plan competition with matching grants. Businesses could enter the competitions by submitting business plans, and successful applicants would receive technical assistance and training to start, improve, or expand their businesses. The program also planned to attract investment from Haitians living abroad to increase the development impact of remittances to Haiti.

However, after almost 3 years, the program had made very limited progress. As of March 2014, the program had awarded only 12 grants of $1.9 million and submitted 15 grant packages to USAID for approval out of the expected 40 grants totaling $5.5 million. Moreover, the grants were awarded so late in the program they left little time for grantees to start or expand operations, add jobs, and achieve results as anticipated.

Difficulties in implementation explained the limited progress.

Program Had a Difficult Start. In the first year, program staff spent a lot of time preparing program documents like the performance management plan and getting them approved by USAID. Initial versions did not include sufficient information and needed revisions to obtain USAID's approval. The program also suffered from staffing problems. The chief of party was replaced twice, and recruiting a new deputy chief of party was a lengthy process. The approvals and staffing challenges impeded program implementation.

Business Plans Needed Remediation. PADF staff devoted a lot of time and effort to developing the business plan competitions. Staff found that the early applications received were not as strong as expected, so they provided training to semifinalists in strategic planning, accounting, human resources management, marketing, and business plan development to improve the quality of the business plans submitted. These efforts slowed implementation.

Review Process Took Time. Before awarding a grant, the program (1) did due diligence, confirming business registration and verifying that the documents received from the SMEs complied with USAID rules and regulations,[5] (2) got approval from the mission, (3) did background checks on prospective grantees, and (4) made sure businesses met USAID environmental requirements.

Business Environment Was Difficult. The agreement acknowledged the many constraints that small businesses in Haiti face: limited access to finance, time needed to register a business, and uncertainty that contracts they enter into will be enforced. Coming up with the funds that the program promises to match is particularly difficult because banks do not want to lend to small businesses.

[5] The program contracted with an independent financial services firm to do this.

All these factors hindered program implementation. As a result, the $6 million in resources obligated for the program as of March 2014 will have little impact. To address these concerns, we make the following recommendation.

> ***Recommendation 1.*** *We recommend that USAID/Haiti and the Pan American Development Foundation identify and focus on activities that will have the most impact in the time remaining on the program.*

Job Creation Target Was Unrealistic

ADS 203.3.9 requires missions to establish ambitious yet realistic targets that can be achieved within a stated time and with available resources.

Job creation is one program goal. According to the agreement, the program envisioned creating more than 13,000 direct jobs by providing matching grants to approximately 40 Haitian firms to help them grow.

That target was unrealistic. The program defined an SME as an enterprise employing between 10 and 100 employees. If the program awarded 40 grants, the maximum number expected, and each grantee generated a maximum of 100 jobs, the maximum number of jobs created would be 4,000, which is less than a third of the target of 13,000 jobs. Moreover, the SMEs have added jobs at a much lower rate than anticipated. The program reported creating only 637 full-time jobs as of March 2014.

The target was unrealistic because the mission and PADF did not build it or a plan for achieving it into the program design. The mission's request for application did not include an estimate of the number of jobs to be created; the mission added the estimate later in the cooperative agreement, without any explanation of how it was developed. PADF noted early in the program that the employment goal was large and not clearly defined.

USAID/Haiti documented program challenges in its 2012 portfolio review—changes in key personnel and PADF's delay in submitting its monitoring and evaluation plan—but did not document their resolution. Resolving them, especially finalizing the monitoring and evaluation plan, might have led to faster detection and adjustment of the unreasonable target.

Thousands of jobs were not created as expected, and opportunities for much-needed economic investment may have been missed. To address this concern, we make the following recommendations.

> ***Recommendation 2.*** *We recommend that USAID/Haiti determine the number of jobs the program can realistically generate given the available resources, and update its target accordingly.*

> ***Recommendation 3.*** *We recommend that USAID/Haiti conduct a performance evaluation of the program to determine program impact, and evaluate the potential for investments in small and medium-sized enterprises.*

> ***Recommendation 4.*** *We recommend that USAID/Haiti document outstanding issues noted in portfolio reviews, and implement a mechanism to resolve them.*

Reported Results Were Unreliable

According to ADS 203.3.11.1, missions should ensure that data for performance monitoring clearly and adequately represent the intended result.

As the previous finding made clear, the number of jobs created as a direct result of the program was a key performance indicator. Its target was set at 13,492 jobs. However, PADF did not report on this indicator in its progress reports. PADF instead reported progress on *Number of additional persons employed,* which included jobs created indirectly by the program.

The difference that using this alternate indicator makes becomes apparent in reporting for one grantee, a plastics recycling business in Port-au-Prince. For the quarter ending September 30, 2013, PADF's performance report indicated the business employed 5,831 additional persons. Report readers might have assumed that meant 5,831 full-time jobs were directly created by the program, a result equal to 43 percent of the target. In fact, the program had directly created jobs for (added to its payroll) only 61 people, less than 1 percent of the number expected. The remaining 5,770 people had indirect employment: they were "suppliers" who collected plastic objects and sold them to the business by the piece or by weight.

The lack of clarity in reporting occurred because USAID and the program did not have clear and consistent definitions for jobs created. The mission expected the program to use a measurement of full-time equivalents—people working a minimum number of hours—so that data collected by PADF would be more consistent with jobs data collected by other USAID-funded programs. PADF officials did not use such a measure, noting in progress reports that converting jobs to full-time equivalents posed challenges. For example, in the recycling business, some jobs were paid by the piece rather than by the number of hours worked. To calculate the indirect jobs reported for the recycling company, which provided 98 percent of indirect jobs reported, the contractor divided the number of pounds of recycled materials collected by an estimate of the number of pounds an individual could collect per day. The indicator differences were never resolved.

Data need to be accurate and reliable to give results credibility. Without safeguards to ensure the reliability of the data, the program's reported results for job creation may be overstated. Therefore, we make the following recommendation.

> ***Recommendation 5.*** *We recommend that USAID/Haiti evaluate the performance indicators, revise definitions to eliminate ambiguity, and document the results.*

Implementer Made Most Awards to Businesses in the Capital

According to the agreement, the program would implement activities in the U.S. Government's three designated development corridors: Cap-Haitien, Port-au-Prince, and St. Marc. Recognizing that investment opportunities might lie disproportionately in Port-au-Prince, PADF decided to decentralize economic activity, giving priority to Cap-Haitien and St. Marc SMEs.

However, PADF did not follow its strategy of decentralizing economic activity. Of the 12 grants awarded as of March 31, 2014, 7 were to SMEs in Port-au-Prince, compared with 4 in Cap-Haitien and 1 in St. Marc.

The program worked through the Haitian chambers of commerce to publicize its business-plan competitions, but because it had not established a relationship with the chamber of commerce in St. Marc, businesses there were not notified. The St. Marc chamber of commerce was independent and not linked to the larger national chamber network.

Other factors influencing the geographic distribution of grantees were the number and quality of applications from Port-au-Prince. More applications came from there than from elsewhere. Further, program officials said that while the quality of most applications received was lower than expected, the higher-quality applications and viable plans were from Port-au-Prince.

As a result, contrary to its strategy of decentralizing economic opportunity, the program provided support disproportionally to SMEs in Port-au-Prince. The businesses in Cap-Haitien and St. Marc will not benefit as intended by the program's economic strategy. To address this concern, we make the following recommendation.

> ***Recommendation 6.*** *We recommend that USAID/Haiti and Pan American Development Foundation identify and document opportunities for engaging with the chambers of commerce in Cap-Haitien and St. Marc in providing business advisory services.*

Outreach to Haitians in the United States Was Insufficient

The agreement aimed to "develop and test innovative mechanisms to increase the development impact of remittances in Haiti." Haitians abroad continue to send money to Haiti, and these remittances contribute significantly to the Haitian economy: $1.5 billion a year, equivalent to 26 percent of Haiti's gross domestic product.[6] The program saw the diaspora remittances as an opportunity to channel investments into SMEs in Haiti, attracting additional foreign investment to the sector.

PADF planned to develop and test several approaches to tap remittances. Approaches included:

- A drive on social media sites to establish a fund for investing in SMEs.
- Diaspora matching programs with corporations.

According to the second-year work plan, the program also planned nine road shows to U.S. cities with large Haitian populations. Road shows would highlight grantees that have become successful entrepreneurs with support from the program's matching grants.

However, the program's efforts at diaspora engagement have been modest. In the second and third years combined, the program completed only two road shows, at Columbia University in New York in March 2013 and in Port-au-Prince (rather than a U.S. city) in January 2014. It held three informational sessions in Atlanta, Boston, and Miami in 2013 at which no grantees were present.

[6] Lucy Conger with Diego Fonseca, "Keeping Remittances Flowing to Haiti," Inter-American Development Bank, http://www.iadb.org/en/news/webstories/2010-01-28/keeping-remittances-flowing-to-haiti,6481.html.

PADF officials acknowledged that during the first year they had focused on the business-plan competition and said that in the second year they were waiting to develop replicable models to have something to show potential investors. While focusing on the business-plan competitions, the program neglected its outreach plans.

Further delays in starting these activities will reduce the time remaining in the program to do significant outreach and lessen the impact of remittances channeled to SMEs. To address this concern, we make the following recommendation.

> ***Recommendation 7.*** *We recommend that USAID/Haiti and Pan American Development Foundation develop strategies for diaspora engagement and incorporate activities under the remittances program.*

Implementer Did Not Meet or Track Annual Cost-Share Requirements Effectively

According to ADS 303.3.10, cost share refers to resources a recipient contributes to the program's total cost. Recipients may satisfy cost-share requirements through in-kind contributions of supplies, equipment, and other property. If a recipient does not meet its cost-share requirement, the mission's agreement officer may (1) apply the difference in actual cost share amount from the agreed upon amount to reduce USAID funding for the following period, (2) require the recipient to refund the difference to USAID when the award expires or is terminated, or (3) reduce the amount of cost share required under the award.

The agreement required PADF to contribute a total of $1,250,500 in cost sharing. As of March 31, 2014, PADF should have contributed a total of $1,046,000 in cost-sharing contributions. However, it had contributed only $390,429, resulting in a shortfall of $655,571.

Reasons given for the shortfall varied. PADF officials said most of the cost-share would come from activities to be implemented during 2014 and 2015. For their part, mission officials said PADF did not adequately track its cost-share contributions; PADF had not recorded the costs of several events paid by some partners to promote the program.

Cost share is a mechanism by which a USAID implementer can contribute to its program, increasing funding available for activities. In addition, cost-share contributions provide a financial stake in program success. If the implementer does not make the required contributions, activities may be reduced and goals not met. To address this issue, we make the following recommendations.

> ***Recommendation 8****. We recommend that USAID/Haiti require the implementer to correct the deficiency in its system for tracking cost-sharing contributions.*

> ***Recommendation 9****. We recommend that USAID/Haiti require the implementer to catch up on its cost-share contributions so that it meets its full cost share by the program's end.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Haiti agreed to take action on all nine recommendations. After reviewing the management comments, subsequent correspondence, and supporting documentation we acknowledge that the mission made management decisions on all the recommendations and took final action on Recommendations 1, 2, and 6 through 9. Our detailed evaluation of management comments follows.

Recommendation 1. Identify and focus on activities that will have the most impact in the time remaining on the program. The mission determined that PADF's fiscal year (FY) 2015 work plan identifies activities that will maximize program impact. The mission said PADF would focus on implementing these activities until the end of the agreement on July 27, 2015. We acknowledge the mission's management decision and final action.

Recommendation 2. Determine the number of jobs the program can realistically generate given the resources available, and update its target accordingly. After deciding to accept both direct and indirect jobs in the indicator definition (revised in response to Recommendation 5), the mission determined on March 10, 2015, that the original target for the number of new jobs created by the program was realistic and that no update to the target would be required. We acknowledge the mission's management decision and final action.

Recommendation 3. Conduct a performance evaluation of the program to determine program impact, and evaluate the potential for investments in SMEs. The mission reported that a performance evaluation of the program was in progress. It was intended to provide information on the program's impact and the possibility of continuing U.S. Government support to SMEs through PADF. The mission planned to complete the evaluation by May 31, 2015. We acknowledge the mission's management decision.

Recommendation 4. Document issues noted in previous portfolio reviews, and implement a mechanism to resolve them. In its management comments, the mission said staff had already worked with PADF and addressed issues noted in the 2012 portfolio review. In subsequent correspondence, the mission said it would use the after-action memos drafted by the program office after each portfolio review to track outstanding issues, which it planned to discuss during the next portfolio review, scheduled for July 15, 2015. We acknowledge the mission's management decision.

Recommendation 5. Evaluate the performance indicators, revise indicator definitions to eliminate ambiguity, and document the results. The mission agreed to conduct an internal review of performance indicators, revise definitions for clarity and consistency where needed, and document the results of this activity by June 30, 2015. In addition, management comments indicated the mission would include the improved definitions and targets in future solicitations. We acknowledge the mission's management decision.

Recommendation 6. Identify and document opportunities for engaging with the chambers of commerce in Cap-Haitien and St. Marc in providing business advisory services. The mission determined that PADF's FY 2015 work plan identifies activities to engage with the chambers of commerce in Cap-Haitien and St. Marc in providing business advisory services. The mission said PADF would continue implementing these activities until the end of the agreement on July 27, 2015. We acknowledge the mission's management decision and final action.

Recommendation 7. Develop strategies for engaging members of the diaspora and incorporate activities under the remittances program. The mission determined that PADF's FY 2015 work plan includes strategies and activities for diaspora engagement under the remittances program. The mission said PADF would continue implementing these activities until the end of the agreement on July 27, 2015. We acknowledge the mission's management decision and final action.

Recommendation 8. Require the implementer to correct the deficiency in its system for tracking cost-sharing contributions. The mission provided documentation of PADF's new cost-share contribution tracking system, which has been in place since December 31, 2014. The mission said PADF would use the system to track its cost-share contributions until the end of the agreement on July 27, 2015. We acknowledge the mission's management decision and final action.

Recommendation 9. Require the implementer to catch up on its cost-share contributions so that it meets its full cost share by program's end. The mission determined that PADF was on track to meet its full cost share by the end of the agreement on July 27, 2015. Officials based this determination on PADF's contributions as of December 30, 2014, and projected contributions through the program's end. The mission documented this determination on March 10, 2015. We acknowledge the mission's management decision and final action.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General San Salvador conducted this performance 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 in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID/Haiti's Leveraging Effective Application of Direct Investments Program was achieving its main goal: creating new investment opportunities for Haiti's SMEs.

USAID/Haiti awarded PADF a $12 million, 4-year cooperative agreement to implement the program. As of March 31, 2014, USAID/Haiti had obligated $6.4 million and disbursed $4.8 million for program activities. The disbursed amount represents the amount tested during this performance audit.

The audit covered the period from the program's inception, July 28, 2011, through March 31, 2014. We conducted audit fieldwork from April 21 to September 22, 2014, at USAID/Haiti and at PADF's office in Port-au-Prince. We also met with grantees in Port-au-Prince and Cap-Haitien.

In planning and performing the audit, we assessed the significant internal controls the mission used to manage the program: work plans, quarterly progress reports, the performance monitoring and evaluation plan, approval of subawards, and meetings with grantees. We also reviewed the mission's annual fiscal year 2013 assessment of internal controls required by the Federal Managers' Financial Integrity Act of 1982.

Methodology

To determine whether USAID/Haiti appropriately managed the program activities, we met with USAID/Haiti officials, including the agreement officer's representative, financial analyst, assistance specialist, monitoring and evaluation officers, and gender specialist. We reviewed the agreement, technical proposals and evaluation, work plans, performance monitoring and evaluation plans, progress reports, and the grants manual. We interviewed PADF's country director, grants manager, monitoring and evaluation officer, value chain and technical assistance adviser, and SME relationship manager to understand PADF's management controls and the individuals' understanding of program activities and constraints to implementation. We also reviewed PADF's policies and procedures for selecting the winners of the business-plan competition and verified that grantees met the selection criteria and eligibility requirements. We verified reported results by reviewing source documents, observing program activities, and interviewing grantees. We evaluated the program's performance against the agreement and results in progress reports.

We interviewed grantees and reviewed 7 of 12 subaward files to confirm the existence of program activities. We judgmentally selected grantees for ongoing activities based on grant size, type of grantee, and geographic location. Since the testing and the grantee selections were based on judgmental samples, the results are limited to the items tested and cannot be projected to the entire audit universe.

MANAGEMENT COMMENTS

TO: Van Nguyen, Regional Inspector General

FROM: John Groarke, Mission Director /S/

CC: Michael Wyzan, EGAD, Office Chief
Claire Johnson, Controller

DATE: March 10, 2015

SUBJECT: Mission response to the audit of USAID/Haiti's Leveraging Effective Application of Direct Investments program (RIG Draft Report No. 1-521-15-XXX-P, dated January 27, 2015).

This memorandum lays out the actions that USAID/Haiti will take to address the recommendations reported in the draft audit of USAID/Haiti's Leveraging Effective Application of Direct Investments program (LEAD) / RIG Draft Report No. 1-521-15-XXX-P (Attachment #1).

As acknowledged by Inspector General (IG) Staff in an initial post-audit review with the Mission, the LEAD program has made substantial progress on all fronts since the time of this audit. While the program did get off to a slow start, somewhat understandably given the novelty of both business plan competitions and the challenge of developing new diaspora remittance models, almost immediately after the IG's review the program's activities and performance accelerated. The Mission is confident that PADF will be able to successfully reach its development objectives both substantially and on time. This being said, the Mission acknowledges and accepts recommendations 1, 3, 5, 6, 7, 8, and 9, and herein provides plans and timelines for implementing the recommendations. The Mission respectfully provides additional comments to clarify some findings contained in recommendations 2 and 4, but in general necessary actions will be taken to address and close these recommendations.

> **Recommendation No. 1:** *We recommend that USAID/Haiti and the Pan American Development Foundation identify and focus on activities that will have the most impact in the time remaining on the program.*

Mission Response

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

Plan of Action

USAID is conscious of the delay in implementing the LEAD activities. We believe the activities planned in LEAD's FY 2015 work plan will sufficiently address this concern. PADF has committed itself to completing the business plan competition including allocation of all remaining balances of the grant funds. In addition, the FY 2015 Work Plan stipulates that the program will focus on providing technical assistance to all the applicants to the competition, both winners and losers, as a way to maximize the impact of the program (Attachment #2).

Timeline for accomplishment: LEAD's FY 2015 work plan was submitted and approved in December 2014. Implementation has started and will be an on-going action until the end of the agreement which is July 27, 2015.

> **Recommendation No. 2:** *We recommend that USAID/Haiti determine the number of jobs the program can realistically generate given the available resources, and update its target accordingly.*

Mission Response

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

Plan of Action

The Mission accepts that the definition of jobs was not sufficiently clear in the Request for Applications (RFA) leading to the LEAD Cooperative Agreement (CA) and that the RFA did not sufficiently address the topic of targets. However, by accepting the PADF proposal as received, along with PADF's subsequent supporting definitions of "new jobs created" to include direct jobs (created within the LEAD-funded enterprises) as well as indirect jobs (jobs created in relation to LEAD-funded enterprises), the Mission in effect accepted both the broad description of jobs created and resulting targets, in part because PADF made a convincing case that the jobs attributed to the project would not have been created in the absence of the program activities. To be consistent with the original definition, and with satisfaction that both direct and indirect jobs claimed would not have been otherwise created without program activities, the Mission feels the original target of 13,492 new jobs created is realistic and meaningful (Attachment #3).

> **Recommendation No. 3:** *We recommend that USAID/Haiti conduct a performance evaluation of the program to determine program impact, and evaluate the potential for investments in small and medium-sized enterprises.*

Mission Response

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

Plan of Action

A performance evaluation of the LEAD program is in progress. The objective of the evaluation is to provide pertinent information to USAID and its partner on the overall impact of the LEAD project and will serve as a basis for considering whether or not an extension of the Cooperative Agreement can be granted to PADF, allowing them to improve the program effectiveness and sustainability through continuous technical assistance to USG-assisted small and medium enterprises (Attachment #4).

Timeline for accomplishment: The deadline for the completion of subject evaluation is May 31, 2015.

> **Recommendation No. 4:** *We recommend that USAID/Haiti document outstanding issues noted in portfolio reviews, and implement a mechanism to resolve the problems at the program level.*

Mission Response

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

Plan of Action

The portfolio review conducted in January 2012 documented that there were no accomplishments as of January 30, 2012. That was understandable given that the program was at the start-up stage. The same portfolio review also mentioned that the partner was preparing the official launch of the program, which was scheduled for February 29, 2012. Please note that the management issues related to changes in Key Personnel and the delay in submitting a decent M&E plan were addressed later during the implementation of the program through exchanges between the Chief of Party (COP) and the USAID's Agreement Officer's Representative (AOR) (Attachment #5).

> **Recommendation No. 5:** *We recommend that USAID/Haiti evaluate the performance indicators, revise definitions to eliminate ambiguity, and document the results.*

Mission Response

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

Plan of Action

PADF has been tracking "Number of New Jobs Created" as its key indicator since the beginning of the program, per the CA. However, in order to make the data collected by PADF more consistent with jobs data collected by other USAD-funded programs, PADF was asked to convert its job creation indicator to a measure of Full-Time Equivalent (FTEs). As documented in PADF's FY 2015 approved PMP given the many challenges associated with converting jobs to FTEs, PADF proposed to report job data using two indicators: 1) Number of additional jobs measured by full time equivalent (FTEs) created, and 2) Number of additional persons employed. This would allow PADF to count jobs in two ways - within the strict FTE definition as well as a using a broader category of jobs created. The rationale and date collection methodology for both indicators is further and clearly defined in accompanying performance indicators reference sheets (PIRS). The Mission is satisfied with this approach.

As a result of this audit exercise as well as internal discussions on how to improve the Mission's Performance Management Plans (PMPs), we agree that differences among job definitions must be resolved. Therefore, the Mission agrees to: conduct an internal review of performance indicators including the definition of FTE; to revise definitions where needed for consistency and to eliminate the ambiguity; to document the results of this activity; and, to include these improved definitions as well as targets in future RFAs.

Timeline for accomplishment: The deadline to complete this evaluation is June 30, 2015.

> **Recommendation No. 6:** *We recommend that USAID/Haiti and Pan American Development Foundation identify and document opportunities for engaging with the chambers of commerce in Cap-Haitian and St. Marc in providing business advisory services.*

Mission Response

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

Plan of Action

During the fourth quarter of FY 2014, PADF/LEAD signed a MOU with the "Chambre Commerce, Industrie et Profession du Nord'Est" (CCIPNE). The goal of the partnership is to build the Chamber's capacity, to improve its sustainability by increasing membership and collecting dues, as well as organizing trainings for local entrepreneurs.

Timeline for accomplishment: Opportunities for engaging with the Chambers of Commerce in Cap-Haitian and St. Marc in providing business advisory services have been identified and documented in the FY 2015 work plan. Implementation has started and will be an on-going action until the end of the agreement as July 27, 2015.

> **Recommendation No. 7:** *We recommend that USAID/Haiti and the Pan American Development Foundation develop strategies for diaspora engagement and incorporate activities under the remittances program.*

Mission Response

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

Plan of Action

PADF fully recognizes Diaspora engagement as a major component of its LEAD program. Diaspora outreach efforts had not started in earnest at the time of the audit, but have been substantially executed since that time including highly publicized and well-attended “road show” outreach events in the United States and completion of a major research survey and analysis regarding potential future diaspora investment.

LEAD’s technical approach is centered on scaling up PADF’s successful “Remittances for Development” methodology, which uses a competition and leveraging approach to stimulate Diaspora remittance support for priority community level development projects. The key partners to develop this component of LEAD are local community organizations, ZAFEN/FONKOZE, Diaspora organizations such as the Haitian Home Town Association Research Group (HHTARG). PADF allocated $500,000 for this component of the LEAD program. $182,000 has already been awarded to two Social Enterprises through our partner Yunus Social Business. The remaining $318,000 will be used to leverage Diaspora philanthropy for development projects. An RFA was issued to solicit applications for the LEAD Social Development Fund has been advertised during the second quarter of FY 2015 with a closing date of February 7, 2015 (Attachment #6).

Timeline for accomplishment: Strategies for Diaspora engagement and incorporation of activities under the remittances program have been included in the FY 2015 Work Plan. Implementation has started and will be an on-going action until the end of the agreement which is July 27, 2015.

> **Recommendation No. 8:** *We recommend that USAID/Haiti require the implementer to correct the deficiency in its system for tracking cost-sharing contributions.*

Mission Response

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

Plan of Action

Following the recommendation of a financial review performed by an independent Certified Public Accounting Firm, the Merové Pierre et Associés, in May 2014, PADF has developed a tracking system to capture the cost-sharing contributions during the remaining period of the Cooperative Agreement (Attachment #7).

Timeline for accomplishment: Action already completed as of December 31, 2014.

> **Recommendation No. 9:** *We recommend that USAID/Haiti require the implementer to catch up on its cost- share contributions so that it meets its full cost share by the project’s end.*

Mission Response

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

Plan of Action

As of December 30, 2014, PADF had collected $820,826 and according to the projections they are confident that they will collect the remaining amount of the cost-share contribution by July 27, 2015(Attachment #7). We believe this recommendation is being addressed.

Timeline for accomplishment: PADF will continue to use its tracking system to capture the cost-share contribution until the end of the Agreement which is July 27, 2015.

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