



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/EL SALVADOR'S MUNICIPAL COMPETITIVENESS PROJECT

AUDIT REPORT NO. 1-519-13-005-P
May 6, 2013

SAN SALVADOR, EL SALVADOR



Office of Inspector General

May 6, 2013

MEMORANDUM

TO: USAID/EI Salvador Mission Director, Kirk Dahlgren

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

SUBJECT: Audit of USAID/EI Salvador's Municipal Competitiveness Project
(Report Number 1-519-13-005-P)

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

The report contains six recommendations to help USAID/EI Salvador improve implementation of its Municipal Competitiveness Project. Based on actions that the mission has taken or plans to take, final action was achieved for one recommendation and a management decision has been reached on five. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action for all the recommendations.

I want to express my appreciation for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

El Salvador, the smallest country in Central America, is divided into 262 municipalities. According to USAID/El Salvador, most of them have moderate to high levels of poverty and primarily depend on the central government for support. To change these conditions, municipalities need to create a more favorable business environment that will attract private investment, generate employment, and create a better standard of living throughout the country. The lack of a favorable business environment was highlighted recently in a World Bank report, which ranked El Salvador as 113th out of 185 countries when evaluated for ease of doing business.¹

To help address this problem, on September 23, 2009, USAID/El Salvador signed a \$9.2 million contract with Research Triangle Institute (RTI) to implement the Municipal Competitiveness Project. USAID/El Salvador subsequently increased the award to \$11.2 million, with an estimated completion date of March 31, 2014. According to the contract, the project's main objective is to strengthen Salvadoran municipalities' competitiveness, thus resulting in stronger municipalities that generate more income, create more employment, and promote private investment and trade. As of December 31, 2012, cumulative obligations and expenditures for the project totaled \$7.9 million and \$4.1 million, respectively.

The purpose of this audit was to determine whether USAID/El Salvador's Municipal Competitiveness Project was achieving its main objective of strengthening Salvadoran municipalities' competitiveness.

The audit found that the project was implementing activities in 50 municipalities throughout El Salvador to help the municipalities be more competitive. During site visits to 10 of them, we confirmed that the project had improved cooperation between the public and private sectors and eliminated some of the mistrust that traditionally has affected their relationship. Through December 31, 2012, the project had:

- Conducted trade and investment training for more than 2,500 public officials and private sector representatives from all 50 municipalities.
- Organized competitiveness committees with municipal and private sector representatives in 46 of the 50 municipalities.
- Developed municipal competitiveness plans for 48 of the 50 municipalities.
- Opened 15 "one-stop" customer service windows in seven of the eight targeted municipalities, improving the efficiency of administrative procedures.
- Finalized the 2011 Municipal Competitiveness Index.²

¹ *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group, 2013.

² The Municipal Competitiveness Index's primary task was to gather baseline data on the business environment in El Salvador, with the goal of identifying constraints on private sector development.

However, despite the implementation of these activities, the audit noted several problems.

- Performance indicators did not measure the project's promotion of investment and trade (page 4). The audit could not determine whether the project was promoting investment and trade at the municipal level successfully because USAID/EI Salvador did not establish a specific indicator to measure progress toward this important objective.
- Performance data did not measure economic growth and employment accurately (page 5). The mission reported performance data that did not identify the businesses and jobs created as a direct consequence of the project, and therefore it did not measure the project's impact on economic growth and employment accurately.
- Project monitoring and oversight was weak (page 5). The audit identified ways to improve monitoring and oversight related to site visits, participant training, gender analysis, and environmental compliance.

Furthermore, the audit found evidence that the project may not achieve its goal of being sustainable. The 2012 work plan included a core technical assistance program designed to support activities prioritized in the municipal competitiveness plans produced by each municipality. However, the plans do not include an accompanying budget or assignment of roles and responsibilities for their execution. In addition, with only 1 year remaining in the project, the municipalities have yet to implement their plans. As a result, the project may not achieve its long-term sustainability goals once USAID/EI Salvador support ends next year. The mission has agreed that these are concerns and will examine them during an evaluation scheduled for October 2013.

In consideration of our audit findings, we recommend that USAID/EI Salvador:

1. Document steps taken to develop a performance indicator that measures whether the project is making progress in promoting investment and trade (page 4).
2. Establish a process to differentiate new firms and jobs from those that are newly registered but have been operating informally, and collect additional data that more accurately measure economic growth and employment directly resulting from the project (page 5).
3. Prepare a schedule for conducting regular site visits to the participating municipalities over the remaining contract period, and document the visits in accordance with Mission Order 750 (page 8).
4. Obtain access to the Training Results and Information Network, and properly monitor and report on in-country training programs and participants in accordance with Automated Directives System 253 and Mission Order 745 (page 8).
5. Obtain the baseline assessment of business ownership and the gender integration plan from Research Triangle Institute, and implement the actions presented in the gender analysis (page 8).
6. Amend the contract with Research Triangle Institute to include environmental compliance language that will make the environmental mitigation plan mandatory if activating conditions are met (page 8).

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

AUDIT FINDINGS

Performance Indicators Did Not Measure Promotion of Investment and Trade

According to USAID's Automated Directives System (ADS) Section 203.3.2, performance indicators are "the basis for observing progress and measuring actual results compared to expected results." USAID guidance, TIPS Number 6, "Performance Monitoring and Evaluation," states, "Performance indicators are measures that describe how well a program is achieving its objectives, and indicators tell specifically what to measure to determine whether the objective has been achieved." The guidance also notes, "Performance indicators define the data to be collected to measure progress, allowing results achieved to be compared with planned results."

The Municipal Competitiveness Project, according to the awarding document, "strives to build stronger municipalities that will generate more income, create more employment, and promote private investment and trade." USAID/EI Salvador developed two performance indicators to measure these results: *Number of new firms registered in assisted municipalities* and *Number of new jobs created as a result of USAID-funded assistance*. However, USAID/EI Salvador did not establish specific performance indicators to measure whether the project helps promote private investment and trade—two crucial elements of the overall objective.

USAID/EI Salvador agreed that developing a performance indicator that measures the project's progress for promoting investment and trade is important. USAID/EI Salvador led an effort to evaluate statistical data resources to measure investment. The effort included consultations with experts from subcontractor Escuela Superior de Economía y Negocios (ESEN) and a former vice minister of economy. However, since they could not identify readily available sources for municipal data, and since they considered that the effects on trade and investment were indirect and long-term, they did not develop specific indicators for these goals.

Despite these challenges, indicators to track progress toward the goals are needed to evaluate the program's success. While precise data at the municipal level may not be readily available, the mission could use data from other sources to develop at least indirect indicators of progress. For example, the Salvadoran Ministry of Economics tracks total revenues (taxes, licenses, and fees) and total expenditures for each municipality—data that might reflect changes in investment and trade. In addition, USAID/EI Salvador could expand its data collection efforts to include specific questions for municipalities and participating businesses about investment and trade.

Without a performance indicator that measures progress in promoting investment and trade, USAID/EI Salvador is missing critical information for making decisions about the project and for verifying that the overall objective is being achieved. Therefore, we make the following recommendation.

Recommendation 1. We recommend that USAID/EI Salvador document steps taken to develop a performance indicator that measures whether the Municipal Competitiveness Project is making progress in promoting investment and trade.

Performance Data Did Not Measure Economic Growth and Employment Accurately

ADS 203.3.11.1 states, “Missions can use a variety of data sources for their performance monitoring needs.” To be useful for performance monitoring and credible for reporting, however, “The data should clearly and adequately represent the intended result.”

One of the expected results of the project is to increase economic growth and employment by registering 200 new businesses and creating 5,000 jobs at the municipal level over a period of approximately 5 years. From the project’s inception in September 2009 through December 31, 2012, USAID/EI Salvador reported the registration of 906 new businesses and creation of 2,233 new jobs, far exceeding targets for that period.

However, the reported results may be overstated because USAID/EI Salvador was reporting every new business registered and every new job created in the 50 municipalities without differentiating whether they were created because of project activities. Also, according to the mission, many of the reported new businesses and jobs had existed informally before the project started. While formal registration of these businesses and jobs helps municipalities track, tax, and regulate economic activity, it is not accurate to consider them as indicators of economic growth and employment resulting from the project.

RTI officials said data were not collected to differentiate a new firm or job from ones that existed previously in the informal sector because they thought people would be reluctant to self-report for fear of paying penalties or back taxes. This was a valid concern. However, representatives of the ten municipalities visited said the information could be collected in a manner that would minimize the problem. They also noted that most municipalities are small enough that local officials can readily identify any business that has been operating informally.

USAID/EL Salvador needs accurate, reliable data to determine project effectiveness; without them, the project’s accomplishments and impact cannot be determined. Also, reporting results that do not directly represent the intended outcome could erode confidence in the data or lead to making wrong decisions. Therefore, we make the following recommendation.

***Recommendation 2.** We recommend that USAID/EI Salvador establish a process to differentiate new firms and jobs from those that are newly registered but have been operating informally, and collect additional data that would more accurately measure economic growth and employment directly resulting from the Municipal Competitiveness Project.*

Project Monitoring and Oversight Were Weak

According to ADS 202.3.6, monitoring the quality and timeliness of outputs produced by implementing partners is a “major task of USAID officials.” Also, according to ADS 200.3.5.5, missions should track whether projects achieve intended results by (1) planning how they will systematically monitor and evaluate progress, (2) regularly monitoring the achievements of programs and projects, and (3) collecting and analyzing performance information to track progress toward planned outcomes. Missions should use this performance information along

with evaluation findings to influence decision making and resource allocation, and also communicate the results to inform stakeholders and advance organizational learning.

The audit determined that USAID/EI Salvador's monitoring and evaluation were weak in several areas. As detailed below, the mission did not conduct site visits, did not properly monitor participant training, did not fully implement a gender analysis, and did not include environmental compliance language in the contract.

USAID/EI Salvador Did Not Conduct Site Visits. ADS 203.3.2.1 states that part of activity oversight is to conduct site visits in accordance with USAID policy. USAID/EI Salvador issued a mission order on February 4, 2008, requiring periodic project site visits, preparation of brief reports highlighting observations and findings using a standard template, and filing a copy of each report in the official project files.

Furthermore, according to ADS 202.3.8.2, "The person most knowledgeable about an activity should be assigned responsibility for providing administrative approvals for payments based on knowledge gained through contractor reports and site visits." USAID's administrative approval form and checklist stipulates, "The approving officer must indicate both the inspection method and the basis of his/her approval." With regard to the inspection method, the form should be accompanied by a statement, if applicable, explaining why the official approving payment could not visit the work site.

While the mission contracting officer's representative met RTI regularly in San Salvador and visited some municipalities to attend certain events, mission officials had not conducted site visits to any of the 50 municipalities to monitor implementation of the project, nor had they met with the two municipal associations receiving USAID-funded assistance. With the exception of San Salvador, representatives of the municipalities we visited did not recall having any contact with USAID/EI Salvador during implementation of the project. The mission approved vouchers submitted by implementing partners primarily based on meetings held at RTI's office in San Salvador rather than any field visits or inspections at activity sites. These approvals did not include statements explaining why the mission could not visit the municipalities.

According to the mission, competing priorities and lack of resources prevented the site visits. Nevertheless, without regular site visits, the mission cannot determine whether the project is progressing as planned, or make decisions based on the current situation in the field. Furthermore, the mission cannot approve payments properly to RTI if it cannot verify the partner's accomplishments.

USAID/EI Salvador Did Not Monitor Participant Training Properly. ADS 253.3.4.5 states that USAID missions "must monitor and report on in-country programs and participants to ensure that problems are identified and resolved quickly and that training is successful." In addition, USAID missions must enter data in the Training Results and Information Network (TraiNet)³ for any in-country training programs or subprograms lasting at least 2 consecutive days or 16 hours. Finally, USAID missions must retain paper copies of training requests, such as nomination/participant selection documentation, training implementation plans, and participant tracking documentation, if applicable.

In keeping with these policies, USAID/EI Salvador issued Mission Order 745 dated July 14, 2011, outlining policies and procedures for tracking training costs.

³ TraiNet is the official USAID Web-based training management system database.

It reported that more than 2,500 participants attended trade and investment training from project inception through December 31, 2012. However, USAID/EI Salvador was not monitoring the information that RTI entered into TraiNet to make sure any potential problems were identified and resolved quickly, and that the training was successful. In addition, the mission did not track the actual training costs or maintain the required documentation in project files.

Mission officials said they only reviewed participant attendance lists because they relied primarily on RTI to enter the training information and monitor the data in TraiNet. Although the contract states that RTI is responsible for complying with ADS 253, this does not relieve USAID/EI Salvador of its responsibility to monitor the implementing partner's compliance with ADS 253 and Mission Order 745. Monitoring training information to determine the effectiveness of the training is critical to program success.

USAID/EI Salvador Did Not Fully Implement a Gender Analysis. According to ADS 201.3.9.3(a), a gender analysis that examines “the differences between the roles that women and men play in communities and societies, the different levels of power they hold, their differing needs, constraints, and opportunities, and the impact of these differences on their lives” is mandatory for USAID projects.

The implementing partner prepared a gender analysis listing a number of steps that should contribute to achieving gender integration. Specifically, the analysis listed the following actions to be incorporated in the management and implementation of the project:

- A baseline assessment of business ownership and participation in municipal decision making in each participating municipality.
- Identification and outreach to women's groups in El Salvador.
- Increase in focus on gender and collection of gender data.
- Use of gender indicators in the monitoring and evaluation plan and implementation.
- Creation of a project gender integration plan.

However, RTI has not developed a baseline assessment of business ownership and participation or produced an approved gender integration plan as required by the gender analysis.

According to the mission, obtaining the baseline assessment and gender integration plan had not been a priority because staff members were dedicated to other project issues. However, by not fully implementing the gender analysis, the project is not contributing to gender equality to its full potential.

USAID/EI Salvador Did Not Include Environmental Compliance Language in the Contract.

The Code of Federal Regulations, Title 22, Part 216 (22 CFR 216), requires completion of an initial environmental examination (IEE). This examination is conducted to determine whether a proposed project has potential to hurt the environment. Additionally, USAID/EI Salvador's regional environmental adviser issued guidance in 2009 requiring contracts to include standard provisions concerning environmental compliance.

The audit found that USAID/EI Salvador had complied with 22 CFR 216 and completed the required IEE. However, we noted that the IEE contained a requirement that the contractor prepare an environmental mitigation plan (EMP) related to the possibility of restoring public areas and sports facilities in the municipalities, should those activities be implemented. The EMP is mandatory only when the restorations are definitely going to be built, and this requirement should be stated in the contract with RTI.

Mission officials said they did not include the regional environmental adviser's standard provisions because they were not aware of them. Due to this oversight, the contract does not make it mandatory for RTI to prepare an EMP, even if its activating conditions are met. Mitigation measures are important in preventing or reducing possible adverse environmental impacts.

To address the monitoring and oversight issues discussed above, we make the following recommendations.

Recommendation 3. We recommend that USAID/EI Salvador prepare a schedule and conduct regular site visits to the participating municipalities over the remaining contract period, and document the visits in accordance with Mission Order 750.

Recommendation 4. We recommend that USAID/EI Salvador obtain access to the Training Results and Information Network, and properly monitor and report on in-country training programs and participants in accordance with USAID's Automated Directives System 253 and Mission Order 745.

Recommendation 5. We recommend that USAID/EI Salvador obtain the baseline assessment of business ownership and the gender integration plan from Research Triangle Institute, and implement the actions presented in the gender analysis.

Recommendation 6. We recommend that USAID/EI Salvador amend the contract with Research Triangle Institute to include environmental compliance language that will make the environmental mitigation plan mandatory if its activating conditions are met.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/EI Salvador agreed with all six recommendations. Based on our evaluation of management comments on our draft report, we acknowledge that management decisions have been reached on five of the six recommendations and final action has been taken on one. Our detailed evaluation of management comments follows.

Recommendation 1. Mission officials have taken numerous steps in the recent months to work with RTI and government officials to develop a performance indicator that measures the project's progress toward promoting investment and trade. Unfortunately, no options are viable, and the mission has determined that it is not possible to develop such a performance indicator at this time. Based on the mission's documented steps taken to develop a performance indicator, we acknowledge that final action has been taken on this recommendation.

Recommendation 2. Mission officials plan to revise the monitoring and evaluation plan to differentiate the new firms and new jobs from those that have been operating informally. They will also instruct RTI to add a question to the data sheets used by the one-stop windows in the municipalities to document whether the firm is registering as a result of the new, simplified registration process. The target completion date for these actions is June 30, 2013. Accordingly, we acknowledge that a management decision has been reached on this recommendation.

Recommendation 3. Mission officials will prepare a schedule and conduct regular site visits to participating municipalities over the remaining contract period, and document the site visits in accordance with Mission Order 750. The schedule will be prepared by June 30, 2013. Accordingly, we acknowledge that a management decision has been reached on this recommendation.

Recommendation 4. Mission officials will (1) revise Mission Order No. 745 to clarify roles and responsibilities within the mission to monitor and report on in-country training programs and participants, and (2) organize training for agreement officer's/contracting officer's representatives to ensure uniform understanding and application of the requirements. The target completion date for these actions is August 15, 2013. Accordingly, we acknowledge that a management decision has been reached on this recommendation.

Recommendation 5. The mission received the revised gender integration plan from RTI on April 11, 2013. Mission officials will get the baseline assessment for 2011 and will monitor the implementation of the gender assessment analysis through quarterly reports presented by RTI. The target completion date for these actions is November 30, 2013. Accordingly, we acknowledge that a management decision has been reached on this recommendation.

Recommendation 6. Mission officials will amend the contract to include environmental compliance language to make the environmental mitigation plan mandatory. The target completion date for this action is May 31, 2013. Accordingly, we acknowledge that a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

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

The purpose of this audit was to determine whether USAID/EI Salvador's Municipal Competitiveness Project was achieving its main objective of strengthening Salvadoran municipalities' competitiveness.

In planning and performing the audit, the audit team assessed significant management controls the mission used to manage the project and ensure that it provided adequate oversight. The team reviewed USAID/EI Salvador's operating reports, the fiscal year 2012 annual self-assessment of management controls (which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act), environmental compliance due diligence, award and modification requirements, the contracting officer representative's designation letter, and other reports.

On September 23, 2009, USAID/EI Salvador signed a \$9.2 million contract with RTI to implement the Municipal Competitiveness Project. USAID/EI Salvador subsequently increased the award to \$11.2 million with an estimated completion date of March 31, 2014. As of December 31, 2012, cumulative obligations and expenditures for the project totaled \$7.9 million and \$4.1 million, respectively. This represents the amount tested.

The audit covered project activities from September 23, 2009, through December 31, 2012. We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to the project, including ADS 200, 201, 202, 203, 204, 253, and 302 and supplemental guidance. The audit relied on the following sources of evidence: the contract; interviews with USAID/EI Salvador staff, RTI staff, subimplementing partner staff, and beneficiaries; and documentation maintained at the mission and at RTI's main office in San Salvador. The audit team conducted fieldwork in El Salvador from January 11 through February 22, 2013, including visits to 10 of the 50 municipalities and 2 of the 4 municipal associations.

Methodology

To answer the audit objective, we conducted interviews and site visits, and evaluated the mission's management and oversight of the project, the performance of implementing partners, and the effectiveness of project activities. We met with officials from USAID/EI Salvador's economic growth and strategic development offices, RTI, and subimplementing partners. We also interviewed beneficiaries of the project, officials from the El Salvadoran Government, and members of the private sector.

Through these interviews and review of project documentation, the audit team obtained an understanding of: (1) the project's goals, (2) how performance indicators, targets, and baseline data were established to measure progress, (3) how the mission ensures the quality of the data

reported by the implementing partner, (4) how the mission monitors project activities, and (5) whether the mission is aware of any allegations of fraud or other potential illegal acts or noncompliance with laws, regulations, and agreement terms.

In addition, we performed the following audit tests:

- Reviewed and tested the performance indicators, targets, and baselines to determine their appropriateness and document progress.
- Reviewed and tested the procedures established by the mission to monitor and ensure the quality of RTI's work.
- Documented and tested compliance with requirements for contract documentation, gender analysis, human trafficking, sustainability, branding and marking, and environmental compliance.

To verify the status of activities completed during the project's implementation from September 2009 through December 31, 2012, we examined documentation maintained at RTI's office in San Salvador that supported the reported results. In addition, we judgmentally selected 10 of the 50 municipalities and 2 of the 4 municipal associations receiving USAID-funded assistance to perform site visits. Sample selection was based on an analysis of factors including the number of objectives relevant to the site and its diversity of activities. We conducted field visits to validate reported results to the extent possible. Since the testing and the site selections were based on judgmental samples, the results and conclusions related to the analysis were limited to the items and areas tested, and they cannot be projected to the entire population. We believe our substantive testing was sufficient to support the audit's findings.

MANAGEMENT COMMENTS



MEMORANDUM

To: Jon Chasson, Regional Inspector General/San Salvador

From: William K. Elderbaum, Acting Mission Director, USAID/El Salvador /s/

Date: April 19, 2013

Subject: Audit of USAID/El Salvador's Municipal Competitiveness Project
(Report Number 1-519-13-00X-P) March 15, 2013

Thank you for the opportunity to provide comments on the draft report of the audit of USAID/El Salvador's Municipal Competitiveness Project (MCP). USAID/El Salvador appreciates the intensive effort by the audit team and the constructive recommendations. In response to these recommendations, please find comments, corrective action plan, and target completion dates.

Recommendation 1. "We recommend that USAID/El Salvador document steps taken to develop a performance indicator that measures whether the Municipal Competitiveness Project is making progress towards promoting investment and trade."

USAID/El Salvador agrees that development of a performance indicator that measures the MCP's progress towards promoting investment and trade is important. Since project inception, USAID/El Salvador has assessed available statistical data to develop an indicator that would measure whether the MCP is making progress towards increasing investment. The efforts included consultations with MCP staff, including former Vice Minister of Economy in charge of developing and gathering national economic performance data, and an outstanding researcher and expert in statistics from Escuela Superior de Economía y Negocios (ESEN), MCP subcontractor. On February 26, 2013, USAID/El Salvador again convened representatives of MCP and ESEN to brainstorm the development of the indicator. In that meeting, USAID/El Salvador requested Research Triangle Institute, Inc. (RTI) and ESEN to work together in a final attempt to develop the indicator. On April 5, 2013, USAID/El Salvador met with representatives of RTI and ESEN and discussed the result of the research. This result was presented to USAID/El Salvador on April 12, 2013 (See Attachment No.1). RTI concluded that "measuring investment in MCP municipalities can not be reasonably employed to determine the impact of the project in this area (investment)."

As a result of this multi-month effort, the Mission determines that (1) there are no appropriate data source(s) available as a performance indicator, (2) developing a source of data is not

possible within the project resources, and, (3) it would be difficult to make the appropriate attribution since results in these areas are influenced by many variables not all of which are included in the scope of the project.

Therefore, since the MCP is scheduled to end March 31, 2014, the USAID/El Salvador considers that it is no longer an effective use of limited project resources to continue searching for a statistical data source that would be practical, timely, and attributable to the project. USAID/El Salvador anticipates that the lack of a performance indicator that measures progress towards promoting investment and trade will not detract from the project objective of increasing competitiveness by strengthening municipal administrative and service delivery capacity. Relevant performance indicators are being and will continue to be used and reported by the MCP.

Based on the actions taken in the line with the recommendation, USAID/El Salvador requests that the recommendation be closed upon issuance of the audit report.

Recommendation 2. “We recommend that USAID/El Salvador establish a process to differentiate the new firms and jobs registered from those that have been operating informally and collect additional data that would more accurately measure economic growth and employment directly resulting from the Municipal Competitiveness Project.”

USAID/El Salvador agrees with this recommendation. The MCP Monitoring and Evaluation Plan will be revised to differentiate the new firms and new jobs from those that have been operating informally. This will be done by defining what constitutes “new firms and new jobs” and disaggregating the current indicator to collect and report on the differentiated data.

With respect to the collection of additional data, USAID/El Salvador will instruct the Implementing Partner to add a question to the data sheets used by the one-stop windows in the municipalities to document if the firm is registering as a result of the new simplified registration process.

Target completion date for these actions is June 30, 2013.

Recommendation 3. “We recommend that USAID/El Salvador prepare a schedule and conduct regular site visits to the participating municipalities over the remaining contract period and document the site visits in accordance with Mission Order 750.”

USAID/El Salvador agrees with this recommendation and will prepare a schedule and conduct regular site visits to participating municipalities over the remaining contract period and document the site visits in accordance with Mission Order 750. The schedule will be prepared by June 30, 2013. The site visits conducted by that date, will be documented and will constitute the basis for requesting closure of the recommendation.

Recommendation 4. “We recommend that USAID/El Salvador obtain access to the Training Results and Information Network and properly monitor and report on in-country training

programs and participants in accordance with USAID's Automated Directives System 253 and Mission Order 745."

USAID/El Salvador agrees with this recommendation and will revise Mission Order No. 745 to clarify roles and responsibilities within the Mission to monitor and report on in-country training programs and participants. Once the Mission Order is revised, USAID/El Salvador will organize training for AOR/CORs, to ensure uniform understanding and application of the requirements. The target completion date for this recommendation is August 15, 2013.

Recommendation 5. "We recommend that USAID/El Salvador obtain from the implementing partner the baseline assessment of business ownership and the gender integration plan and follow through with the actions presented in the Gender Assessment Analysis."

USAID/El Salvador agrees with this recommendation and will obtain from the Implementing Partner the baseline assessment for 2011, which is the base year for this assessment. The revised Gender Integration Plan was received from the Implementing Partner on April 11, 2013 (Attachment No. 2). USAID/El Salvador will monitor the implementation of the Gender Assessment Analysis through quarterly reports presented by the Implementing Partner. Target completion date for these actions is November 30, 2013.

Recommendation 6. "We recommend that USAID/El Salvador amend the contract with the main implementing partner to include the environmental compliance language that will make the Environmental Mitigation Plan mandatory if its activating conditions are met."

USAID/El Salvador agrees with this recommendation and will amend the MCP contract to include environmental compliance language to make the Environmental Mitigation Plan mandatory. Target completion date for this action is May 31, 2013.

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