



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/BANGLADESH'S PROMOTING GOVERNANCE, ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY (PROGATI) PROGRAM

AUDIT REPORT NO. 5-388-11-005-P
FEBRUARY 11, 2011

MANILA, PHILIPPINES



Office of Inspector General

February 11, 2011

MEMORANDUM

TO: USAID/Bangladesh Mission Director, Denise Rollins

FROM: Regional Inspector General/Manila, Bruce N. Boyer /s/

SUBJECT: Audit of USAID/Bangladesh's Promoting Governance, Accountability, Transparency and Integrity (PROGATI) Program (Audit Report No. 5-388-11-005-P)

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

This report contains four recommendations to assist the mission in improving certain aspects of the program. On the basis of information provided by the mission in its response to the draft report, we determined that management decisions have been reached on all four recommendations. Please provide the Audit Performance and Compliance Division of USAID's Office of Chief Financial Officer with evidence of final action to close these recommendations.

I would like to thank you and your staff for the cooperation and courtesies extended to us during the audit.

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SUMMARY OF RESULTS

Bangladesh is regarded as one of the 10 most corrupt countries in the world and for the past decade has consistently fallen at or near the bottom of Transparency International's Corruption Perceptions Index.¹ This index ranks countries in terms of the perceived level of corruption among public officials and politicians.

Corruption is broadly defined as the misuse of a position of trust for dishonest gain. It escalates poverty by widening the gap between rich and poor, undermines the legitimacy of public services, and is a key impediment to human development. Corruption can spiral out of control when essential institutions are weak or nonexistent and the plundering of public resources feeds insecurity and impunity. Bangladesh faces such problems as widespread corruption, poor governmental and nongovernmental oversight mechanisms, and a highly centralized government that does not offer many opportunities for citizen input. Corruption is clearly one of the greatest constraints to Bangladesh's continued development.

USAID/Bangladesh aims to address the root causes of corruption and improve the lives of Bangladeshis by strengthening selected democratic institutions and making them more responsive to citizen needs. To achieve this goal, USAID/Bangladesh developed the Promoting Governance, Accountability, Transparency and Integrity (PROGATI) Program. Specifically, the PROGATI Program is designed to promote the principles of accountability, transparency, and responsiveness by:

- Strengthening media to serve as an effective public watchdog.
- Strengthening civil society organizations to support and promote anticorruption reforms.
- Strengthening public institutions and parliamentary oversight capacity.

To implement the program, the mission signed a 4-year, \$18.2 million task order with Development Alternatives, Inc. (DAI) effective from October 1, 2007, to September 30, 2011. As of June 2010, the program had obligated \$11.5 million and disbursed \$9.2 million. The objective of the audit was to determine whether the program was achieving its main goals of strengthening the media, civil society, and public institutions to decrease corruption.

USAID/Bangladesh's PROGATI Program has made progress in achieving its goal of strengthening civil society to decrease corruption but is behind in achieving its goals of strengthening media and public institutions.² Specifically, the program was behind schedule in establishing two institutions—an independent media center³ and a parliamentary budget analysis and monitoring unit—both of which, according to the task

¹ From 2001 to 2005, Bangladesh was ranked at the bottom of Transparency International's Corruption Perceptions Index. Since then it has moved up slightly, and now holds the same score as Belarus, Pakistan, and Philippines.

² For the purposes of reporting, the audit results of the parliament component are included under public institutions.

³ The official name for the media center is the Journalism Training and Research Initiative (JATRI). It is referred to as the media center throughout this report.

order, are expected to continue to operate and function after the program ends but as the audit found, may not be sustainable (page 8). The program's overall progress is discussed below, as well as the delay in establishing these two institutions in the expected timeframes.

Media — To strengthen the media's ability to be an effective public watchdog, the implementing partner was expected to establish a functioning media center for investigative journalism. The purpose of the media center was to increase the media's capacity to report on transparency and corruption issues as well as advocate for legal reform and freedom of information laws. The media center was expected to be functional by October 2008, but it was not fully functional as of the third year of the program. Although the program established and opened the media center in the heart of the media hub in Dhaka, Bangladesh, on May 7, 2009, it was 7 months behind schedule and still was not fully staffed or equipped with critical computer equipment at the time of the audit (page 5). The audit also found that even though the media center was financed with USAID funds, it was not marked with the USAID logo (page 10).

While the program made some progress in increasing the media's capacity to report on transparency and corruption issues, it nevertheless missed achieving a number of its training targets. In fiscal year (FY) 2009, for example, the center was supposed to have provided training to 105 journalists on topics such as investigative techniques, interviewing and source development, and ethics and standards; however, because of the delayed opening of the center and the awarding of a subcontract, only 61 journalists were trained, far short of the intended target. Nonetheless, participants reported that the training strengthened their interviewing skills, enhanced the accuracy of their reporting, and increased the credibility of their news stories.

Civil Society — To strengthen civil society to support and promote anticorruption reforms, the implementing partner was expected to build new and strengthen existing civil society coalitions, networks, and public-private partnerships; build specialized civil society organizations' watchdog expertise to monitor, analyze, and publicize corruption; and increase citizen understanding of and participation in overseeing budgets. Audit testing showed that the program exceeded its target in building new and strengthening existing organizations. Specifically, in 2009 the program trained 58 organizations in areas such as management, communications, and planning, far exceeding its target of 24. It also held 48 anticorruption campaigns to raise awareness and highlight local issues related to corruption, exceeding its target of 36.

Also in 2009, more than 133 civil society organizations, alliances, and nongovernmental organizations were trained in monitoring, analyzing, and publicizing corruption, surpassing the target of 84. These activities were designed to teach people to think differently about corruption and bring about an understanding of how corrupt practices specifically affect their daily lives. Program partners reported that this awareness empowered individuals to start questioning local government officials about services, such as medical care and supplies that should be provided but are lacking because of corrupt practices. For example, after receiving training from the program, a member of a local government primary school management committee became more aware of the role and responsibilities of a committee member, how corruption takes place, and how it can be prevented. The committee member established a three-member construction monitoring team to oversee the funding the school received for repair work. The

committee monitored all facets of the construction project, from purchasing materials to monitoring the jobsite, to ensure transparency and accountability.

Public Institutions — To strengthen public institutions and parliament's oversight capacity, the implementing partner was expected to expand the reporting authority and effectiveness of the government's audit office and establish a functioning parliamentary budget analysis and monitoring unit. As a result of the program's interventions, in early 2010 the government's audit office started posting audit reports on its Web site to allow open access to them. According to the auditor general, before this time, no audit reports were posted on the Web in Bangladesh. The program is also helping the audit office to create media cells where regular interaction and dissemination of information about audit activities can be shared with the media and members of civil society. According to government audit office officials, people have more exposure to and awareness of the functions of their office as a result of the program's interventions.

However, there have been mixed results for other targets. For example, the program achieved none of its target of expanding the government's audit office reporting authority to 30 new recipients and users in 2009. According to the implementing partner, during that time the program was still trying to establish critical relationships. On the other hand, as of March 31, 2010, progress was being made in working with new recipients and users. The new recipients and users, who included representatives from ministries, civil society, and the media, participated in a series of activities with the government's audit office that increased their understanding of the content of and possible uses for audit reports, and highlighted the role and function of the audit office.

The program also sought to establish a parliamentary budget analysis and monitoring unit. This unit was intended to ensure that public funds are raised and spent in conformance with the laws and needs of the Bangladeshi people, and to promote government accountability, transparency, and integrity by enabling thorough parliamentary analysis and oversight of the budget. However, at the time of the audit, a parliamentary budget analysis and monitoring unit had yet to be established, and the prospect of establishing a fully functioning unit by the end of the program seemed questionable (page 5). Although the unit was to have been completed by the end of the second year of the program, as of the third year, the unit still was not functioning because of the uncertain political environment. In fact, because of this uncertain political environment and seeming disinterest on the part of the host government in establishing such a unit, the audit recommends that USAID/Bangladesh review the feasibility of establishing the unit (page 10).

In summary, even though progress had been made in achieving some of the program's main goals, especially with regard to strengthening civil society, the program's media center was not fully functional and the parliamentary budget analysis and monitoring unit was not even close to being established at the time of the audit (page 5). Furthermore, neither institution may be sustainable when USAID funding ends (page 8). The mission considers these two institutions legacies of the program, as they are to continue to advance the mission's goal of promoting accountability, transparency, and responsiveness, and to work to address the root causes of corruption. USAID/Bangladesh needs to strengthen the program to ensure that intended results are realized.

Accordingly, the report recommends that USAID/Bangladesh:

1. Work with the implementing partner to develop an implementation plan for the completion of the media center by program end (page 6).
2. Require the implementing partner to develop a sustainability plan for the media center that identifies possible funding sources and incorporate this plan into the work plan, budget, and performance monitoring plan (page 10).
3. Review and document the feasibility of creating a fully functional parliamentary budget analysis and monitoring unit. If feasible, the mission should require the implementing partner to develop an implementation plan—which would include roles and responsibilities of all parties for the completion of the budget analysis and monitoring unit by program end—and prepare a sustainability plan to continue the unit's operations after the program ends. If not feasible, all unit funds should be reprogrammed for other activities (page 10).
4. Require the implementing partner to mark the media center with the USAID logo or submit a written request to the mission for a waiver (page 11).

Appendix I describes the audit's scope and methodology (page 13). The Office of Inspector General evaluated the mission's response to the draft report and determined that management decisions have been reached on all four recommendations (page 12). The mission's written comments on the draft report are included in their entirety, without attachments, as Appendix II to this report (page 15).

AUDIT FINDINGS

Key Activities Are Behind Schedule

The program's goal was to have a fully functional and operational media center and a fully functional parliamentary budget analysis and monitoring unit by October 2008 and September 2009, respectively. However, neither the media center nor the budget analysis and monitoring unit were completed within their established deadlines, and both were still incomplete at the time of the audit. The media center was delayed for various reasons, including the inability to hire staff on time, agree on the center's focus, and procure needed equipment in a timely way. Uncertainty in the political environment also caused a delay in establishing the unit. With only 9 months of implementation remaining at the time of the audit, it was questionable if these activities would be completed by the end of the program.

Media Center — The creation of the media center was regarded as a centerpiece activity under the media component and for the program overall. It was envisioned to be a center of excellence for advanced training and education in investigative reporting and research, improving the state of journalism in Bangladesh. Core activities of the media center are to include training on investigative techniques for print and broadcast media; performing and publishing research on issues that have a direct bearing on professional journalism practices; and providing a state-of-the-art resource facility complete with newspapers, books, magazines, and a digital archiving system to assist in performing investigative research.

According to the program's FY 2007–2008 work plan, the media center was to have started operations by October 2008. Steps included formulating a mission and vision statement, developing operational manuals, hiring staff, selecting a host organization, developing a training plan, drafting a sustainability plan, and procuring and installing infrastructure and equipment.

The media center was officially opened on May 7, 2009, approximately 7 months behind schedule; however, at the time of the audit it was not fully operational. Specifically, the resource facility within the media center was not ready, and critical computer equipment for its digital archive system had been purchased but had not been installed almost 16 months after the media center's official opening (as shown in the photograph on the next page).

Establishing the media center took longer than expected because of delays in hiring key personnel and developing its mission, and because of the implementing partner's confusion concerning computer equipment procurement under USAID requirements. Without the necessary equipment, the media center could not establish a system to archive articles from magazines and newspapers that would be of use to investigative journalists.

Hiring employees also took longer than expected. As of September 22, 2009 (5 months after the media center's opening), key staff—including a finance and administrative

manager, a resource center officer, an information and publications manager, and four research associates—had yet to be hired. Although these positions were subsequently filled (except for the resource center officer), this delay also delayed the development of the media center’s operational abilities, especially pertaining to its research activities and the resource facility. According to the implementing partner’s independent consultant, at least two major donors abandoned plans to collaborate with the media center because they never received a response from the center on research and training proposals.



Photograph of the resource facility in the media center, showing that the center was not yet functional. The media center was planned to be in service by October 2008. (Photograph by OIG, September 2010)

It is critical that the media center’s facilities be established as planned. Without these facilities, it will be impossible to build the center’s reputation and to create an awareness of the center as a location for investigative research activities and training. Without this awareness and a demand for the center’s services, its long-term sustainability is questionable. This audit therefore makes the following recommendation.

Recommendation 1. *We recommend that USAID/Bangladesh work with the implementing partner to develop an implementation plan for the completion of the media center by program end.*

Budget Analysis and Monitoring Unit — The parliamentary budget analysis and monitoring unit was envisioned to support members of the Bangladesh Parliament in carrying out their responsibilities in analyzing, approving, and overseeing the national budget. The unit was to be located in the Parliament Secretariat and was to be accessible to all parliament members seeking information on the national budget and other fiscal matters. The unit was to be staffed with trained officials, including two budget analysts capable of providing concrete analyses of budget information to members of parliament. The unit was also to include a resource center to enable

members of parliament to access budgetary information. The long-term plan was for the unit to become a permanent arm of the Parliament Secretariat and to provide the members of parliament with reliable and useful information to facilitate parliamentary deliberations on the budget and identify national funding priorities. The establishment of this unit was one of the primary ways the program planned to strengthen parliament's oversight capacity in promoting transparency and accountability.

According to the program's FY 2009 work plan, the implementing partner was to establish this unit by the end of 2009—the second year of the program. Specifically, office space was to be secured, rehabilitated, and equipped; computer equipment was to be procured and installed; and dedicated staff was to be hired, trained, and working on budgetary analysis tasks. Office space was secured in November 2008 and dedicated staff was identified in January 2009. However, following parliamentary elections in December 2008, program activities came to a halt and did not resume until well into the second year of the program.

According to the implementing partner, the program activities were halted because newly elected parliament members were unfamiliar with the program's objectives and its intended work. To educate them, the mission and the implementing partner began a series of negotiations and discussions to address their concerns. During this time, the mission instructed the implementing partner to stop all of its technical activities, including its effort to establish the budget analysis and monitoring unit, because of parliament's hesitation to proceed. Also, at the direction of parliament, the original office space allotted for the unit, as well as the assigned officials, were no longer to be made available to the program.

As a result, the establishment of this unit fell significantly behind schedule, and activities focusing on this effort only resumed in March 2010—the third year of the program. On January 4, 2010, the Parliament Secretariat identified 10 officials to work with the unit. The officials were trained on various budget-related topics in the following months. On March 29, 2010, the Parliament Secretariat formally dedicated office space for the unit, and it was renovated in preparation for operations. Despite these accomplishments, the budget analysis and monitoring unit was not functioning at all at the time of the audit, as necessary computer equipment had not been procured or installed in the office space or in the resource center (as shown in the photograph on the next page).

More important, however, the 10 officials who were to work in the unit had not received all training necessary to independently provide the expertise the program envisioned. In fact, the implementing partner acknowledged that only 3 of the 10 officials assigned were interested in the work and had the requisite skills. The implementing partner also had yet to hire two budget analysts, who are critical to the success of this unit. Additionally, roles and responsibilities for the unit's staff had not been defined and the unit's vision and mission statement had yet to be set. As a result, the unit is not operational and has not demonstrated the ability and expertise to assist the members of parliament with budgetary analysis.



Photograph of the budget analysis and monitoring unit located in the Parliament Building. This unit was to have been fully functional and operational by September 2009, the second year of the program, but was still not functional as of September 2010. (Photograph by OIG, September 2010)

With less than 9 months remaining in the program, it is quite ambitious to expect the implementing partner to achieve its goals. However, since there are very real questions about whether the unit would be sustainable once established and whether the host government is even interested in establishing it, this audit does not make a recommendation to move forward with an implementation plan for this unit until a feasibility review is performed (see recommendation 3 on page 10).

Sustainability of Key Activities Is Questionable

One of the overarching goals of USAID is sustainable development. The PROGATI Program seeks to achieve sustainability by establishing effective and responsive democratic institutions and practices in Bangladesh in an effort to reduce corruption. USAID believes that strengthening the oversight capacity of various institutions within the media, civil society, and public institutions will lead to increased accountability, transparency, and responsiveness and ultimately reduce corruption.

The program's task order specifically calls for the sustainability of two key institutions to be established by the program: (1) a media center to be a center for advanced training and education in investigative reporting and research, enabling journalists to become an effective public watchdog to expose government waste, fraud, and corruption; and (2) a parliamentary budget analysis and monitoring unit to strengthen parliament's oversight in scrutinizing the national budget and identifying better uses for government funds. These institutions are considered critical in reaching the mission's goal of establishing effective and responsive democratic institutions. Yet despite this emphasis on these two key institutions, their sustainability is uncertain.

Media Center — The media center located in the heart of Bangladesh’s media hub in leased commercial office space, was launched on May 7, 2009. The operating expenses are approximately \$35,400 per month. At present, USAID is the sole financier of the center through a subgrant with a local national university. The mission expects to fund this center until the end of the program. After that, funding sources are uncertain.

Although there are a number of funding possibilities for the media center, such as (1) charging fees for training and other services, (2) becoming an arm of the national university, or (3) partnering with other international donors or corporations, the implementing partner has yet to develop a sustainability plan. The university has expressed an interest in operating the center but has made no concrete commitment, and university officials stated that it may not be able to fully support the center financially.

Furthermore, since the media center was not fully functioning as intended at this stage of implementation, it has lost critical time to position itself as a viable center that can meet the needs of local journalists, editors, and media houses. With limited time remaining in the program, it is questionable that the center can generate enough awareness about its capacity and programs to attract donors and other funding sources—especially as key personnel have yet to be hired and essential facilities are not yet operational.

Budget Analysis and Monitoring Unit — The sustainability of the parliamentary budget analysis and monitoring unit is even more open to question, as the unit was not operating at the time of the audit. Notably, the program had not sufficiently demonstrated the need and demand for the unit and parliament’s full commitment to the unit had not been obtained. The unit was initially planned to be established and fully functional by September 2009, but this goal was not met because of the changing political environment. A full parliamentary commitment had not been gained, partly because of an unresolved issue concerning the provision of salary supplements for program participants. In fact, parliamentary officials have indicated that unless salary supplements are provided to participating members and staff, they would not issue an invitation letter to facilitate participation in the program’s events. According to the implementing partner, it is customary for other donor organizations such as the World Bank to provide salary supplements to staff for participating in programs. Although members of parliament have attended USAID-funded training and program events without such salary supplements, this issue continues to surface because the mission has yet to respond to parliament or the implementing partner stating its position on this issue. During the audit team’s exit briefing, the mission agreed to provide a letter to the parliament stating its position on this issue; therefore, this audit is not making a recommendation.

Furthermore, the program started implementing activities to establish the budget analysis and monitoring unit only in March 2010, and the implementing partner has had very little time to generate interest in and demand for this unit. According to the implementing partner’s independent consultant, considering the major roles and responsibilities that the parliamentary budget analysis and monitoring unit is envisioned to play, it is likely to take 3 to 4 years of concerted technical and capacity-building support, along with cooperation from all relevant players, before the vision for the parliamentary unit can be fully realized. To be sustainable, the budget analysis and monitoring unit has to be seen as a tool that members of parliament need and has to be

fully endorsed by parliament. Without a full commitment from parliament and resolution of major issues, this unit will not move forward as intended or be sustained in the future. As a result, USAID funds provided to create such a unit could be wasted.

In summary, it is questionable whether either the media center or budget analysis and monitoring unit will be fully functional, much less become sustainable, by the time the program ends. If the mission is unable to find suitable funding sources to maintain and operate the media center after the program ends, the media center will be at risk of closing. Furthermore, if parliament does not take ownership of the budget analysis and monitoring unit, the unit may not even come into existence by program end. In both cases, the result would be an enormous waste of government funds. As a result, this audit makes the following recommendations.

Recommendation 2. *We recommend that USAID/Bangladesh provide written instructions to the implementing partner requiring the development of a sustainability plan for the media center that identifies possible funding sources and incorporate this plan into the work plan, budget, and performance management plan.*

Recommendation 3. *We recommend that USAID/Bangladesh review and document the feasibility of creating a fully functional parliamentary budget analysis and monitoring unit. If feasible, the mission should require the implementing partner to develop an implementation plan which would include roles and responsibilities of all parties for the completion of the budget analysis and monitoring unit by program end and prepare a sustainability plan to continue the operations of the unit after the program ends. If not feasible, all funds related to establishing the unit should be reprogrammed for other activities.*

USAID's Marking Requirement Is Not Being Followed

According to USAID Automated Directives System 320.3.2.4b, "Marking Requirements for Specific Contract Deliverables," programs, projects, or activity sites financed by USAID contracts that are physical in nature must prominently display the USAID identity, including the USAID logo. The regulations further state that USAID contractors may request waivers from the Marking Plan, in whole or in part, through the contracting officer. Exceptions to contract marking requirements include situations in which the USAID identity would compromise the intrinsic independence or neutrality of a program, such as independent media.

The media center was not marked with the USAID logo. Specifically, the logo was not present either in the entryway to the media center (as shown in the photograph on the next page) or on the letterhead used by the subcontractor. The subcontractor cited political reasons for not using the logo and its aim for the center to appear independent. However, neither the subcontractor nor the implementing partner obtained a waiver to this requirement. As a result, one of the key activities under the program fails to visibly acknowledge USAID as contributor or supporter of the center.



Photograph of the entry into the media center, which does not display the USAID logo. (Photograph by OIG, September 2010)

The center officially opened on May 7, 2009, to assist journalists in achieving international standards and professional excellence in their work to inform citizens and enlighten public discourse. It is one of the program's major initiatives under the media component. According to the implementing partner, because journalism in Bangladesh is highly politicized, it was important for the center to be seen as an independent unit and more than simply a short-term USAID project. Therefore, it was decided that USAID's name would not appear as part of the center's name. However, a waiver was not obtained as required. As a result, this audit makes the following recommendation.

Recommendation 4. *We recommend that USAID/Bangladesh require the implementing partner to mark the media center with the USAID logo or submit a written request to the mission for a waiver.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of Inspector General has reviewed the mission's response to the draft report and determined that management decisions have been reached on all four recommendations. The status of each of the four recommendations is shown below.

Recommendation 1. The mission stated that as of October 7, 2010, the Journalism Training and Research Initiative center was fully operational and that all equipment had been installed, the digital archive system was completed, and all key positions had been filled. However, the mission plans to work with the implementing partner to develop a final implementation plan by April 30, 2011. We concluded that a management decision has been reached on this recommendation.

Recommendation 2. The mission provided evidence to show that it instructed the implementing partner, in writing, to develop a sustainability plan that identifies possible funding sources and other sustainability options for the media center. The first draft of the plan is due to the mission by February 15, 2011, and the mission expects to finalize the plan by April 17, 2011. We concluded that a management decision has been reached on this recommendation.

Recommendation 3. The mission stated that the budget analysis and monitoring unit has gained momentum since the audit. The unit is currently fully operational and backed by full parliamentary commitment. The mission requested the implementing partner to develop a sustainability plan for the unit by January 31, 2011. The mission expects to finalize the plan by March 31, 2011. We concluded that a management decision has been reached on this recommendation.

Recommendation 4. The mission instructed the implementing partner to mark the media center with the USAID logo by February 15, 2011, or submit a waiver request by January 31, 2011. We concluded that a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

We 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 based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The purpose of this audit was to determine whether USAID/Bangladesh's Promoting Governance, Accountability, Transparency and Integrity (PROGATI) Program was achieving its main goals of strengthening the media, civil society, and public institutions to decrease corruption.

The scope of the audit covered reported results from the beginning of the program in October 2007 to March 31, 2010. We performed this audit at USAID/Bangladesh and at the implementing partner, Development Alternatives, Inc. (DAI), office in Dhaka, Bangladesh, from August 25 through September 23, 2010. We also conducted site visits to the media center and the budget analysis and monitoring unit, which are major initiatives under the program.

As part of the audit, we assessed the significant internal controls used by USAID/Bangladesh to monitor program activities. The assessment included controls related to whether the mission had (1) conducted and documented site visits to evaluate progress and monitor quality, (2) required and approved implementation plans, (3) reviewed progress reports submitted by the contractor, and (4) compared reported progress to planned progress and the mission's own evaluations of progress. We also reviewed the mission's Federal Managers' Financial Integrity Act report for fiscal year 2009, and prior audit reports, for any issues related to the audit objective. Finally, we reviewed internal controls related to the implementing partners' program database and grant management systems.

As of June 2010, the program had obligated \$11.5 million and disbursed \$9.2 million from a task order totaling \$18.2 million.

Methodology

To answer the audit objective, we first identified the program's main goals and significant program risks. We met with key personnel at USAID/Bangladesh and DAI. We also held discussions with selected grantees and subcontractors under the program such as the University of BRAC/Institute of Governance Studies, which is responsible for managing the media center, and Bangladesh Enterprise Institute, which is responsible for carrying out selected initiatives under the public institutions component. Additionally, we held discussions with Rupantar and DemocracyWatch (both of which are organizations responsible for training civil society organizations) and Grameen ALO and Doorbar Network (program recipients). We also met with Eusuf and Associates, which was contracted to serve as the implementing partner's external monitoring and evaluation unit, to discuss the monitoring process.

We interviewed Bangladeshi government officials involved in the PROGATI Program. They included individuals from the Comptroller and Auditor General's Office, the Bangladesh Parliament Secretariat, and the Ministry of Local Government. We also met with officials from Transparency International Bangladesh, who have worked on anticorruption issues in Bangladesh for many years, to obtain their insight into the challenges of working in this field.

To determine the mission's progress in achieving planned goals, we reviewed documentation provided by the mission, DAI, and their subgrantees and subcontractors. This included semiannual reports, work plans, the task order and subsequent modifications, performance management plans, grants, subcontracts, contracting officer's and controller's files, and other supporting documentation such as reported success stories and evaluation reports. We also reviewed applicable USAID policies and procedures.

To specifically determine if the program was meeting its intended goals, we selected project indicators under selected expected results for each component of the project to determine if they were achieving their intended targets. We traced reported results for the selected performance indicators to the relevant source documents (participants' sign-in sheets, training modules, and event and evaluation reports) stored in the implementer's project database. After validating the reported data, we compared established targets with reported results from the semiannual reports to determine if goals were being met.

During the site visits to the media center and the budget analysis and monitoring unit, we toured the facilities to determine the readiness of the physical space and met with the staff, including the manager and all key staff at the media center and 3 of the 10 parliament staff members assigned to the budget analysis and monitoring unit. We also interviewed implementing partners and beneficiaries to ascertain whether the program was meeting its objectives.

MANAGEMENT COMMENTS



January 27, 2011

MEMORANDUM:

TO: Bruce N. Boyer, Regional Inspector General/Manila

FROM: Denise Rollins, Mission Director, USAID/Bangladesh /s/

SUBJECT: Boyer/Rollins Memorandum dated December 13, 2010, Subject: Audit of USAID/Bangladesh's Promoting Governance, Accountability, Transparency and Integrity Program (Report No. 5-388-11-00X-P)

USAID/Bangladesh response to subject recommendations:

Recommendation 1: We recommend that USAID/Bangladesh work with the implementing partner to develop an implementation plan for the completion of the media center by program end.

Management Comments: USAID/Bangladesh concurs with the recommendation. Although the Journalism Training and Research Initiative (JATRI) was not fully operational at the time of the audit, it had been offering its services regularly, both on and off its premises, since May 9, 2009. The center was fully operational as of October 7, 2010. All the equipment has been installed, the digital archive system completed and all key positions have been filled. Please find ***Attachment 1*** as evidence of the operation of the media center. USAID/Bangladesh will work with the implementing partner to develop a final implementation plan by April 30, 2011.

Recommendation 2: We recommend that USAID/Bangladesh provide written instructions to the implementing partner requiring the development of a sustainability plan for the media center that identifies possible funding sources and incorporate this plan into the work plan, budget, and performance management plan.

Management Comments: USAID/Bangladesh concurs with the recommendation. On December 23, 2011, the implementing partner, Development Alternatives Inc. (DAI), was instructed in writing to develop a sustainability plan that identifies possible funding sources and other sustainability options for JATRI. DAI has also been instructed to incorporate this plan into the work plan, budget, and performance management plan. DAI has been instructed to submit the first draft of this plan by February 15, 2011. Please find **Attachment 2** as evidence of this instruction. USAID/Bangladesh expects to finalize the JATRI sustainability plan by April 17, 2011.

Recommendation 3: *We recommend that USAID/Bangladesh review and document the feasibility of creating a fully functional parliamentary budget and analysis unit. If feasible, the mission should require the implementing partner to develop an implementation plan which would include roles and responsibilities of all parties for the completion of the budget and analysis unit by program end and prepare a sustainability plan to continue the operations of the unit after the program ends. If not feasible, all funds related to establishing the unit should be reprogrammed for other activities.*

Management Comments: USAID/Bangladesh concurs with the recommendation. Since the audit, the Parliamentary Budget Analysis and Monitoring Unit (BAMU) has gained momentum. The current leadership at the Parliament, including the Speaker, is highly supportive of the USAID-funded BAMU. BAMU is currently fully operational and is backed by full parliamentary commitment. This commitment is evident through participation of the Parliament Secretariat and other government officials in regular steering committee meetings, as well as BAMU officials' participation in training programs. BAMU was formally inaugurated by the Speaker of the Parliament and the U.S. Ambassador to Bangladesh on December 7, 2010. Please find **Attachment 3** as evidence of this launch event which was covered by national media.

DAI developed an implementation plan in June 2009. This was forwarded to the leadership at the Parliament Secretariat on June 22, 2009. Please find **Attachment 4** as evidence of this correspondence. On January 4, 2010 a group of officials were assigned to BAMU by the Speaker. Please find **Attachment 5** as evidence of this assignment. A Parliament official was appointed as the focal point of the PROGATI project on February 13, 2010. Please find **Attachment 6** as evidence of this communication. A Project Steering Committee, headed by the Parliament secretary, was constituted on March 22, 2010. The Steering Committee members include two Parliament Secretaries and Joint Secretaries, representatives from the Ministries of Finance and Planning, and Economic Relations Division. Please find **Attachment 7** as evidence of this assignment. Six Steering Committee meetings have been held on the following dates: April 12, 2010; May 19, 2010; July 18, 2010; July 29, 2010; October 31, 2010; and January 19, 2011. Please find **Attachment 8** as evidence of the notices circulated by the Parliament Secretariat for these meetings. The notices circulated by the Parliament Secretariat was in Bangla, therefore USAID/Bangladesh prepared an English translation of each of these notices, which are attached.

In addition, BAMU officials received training from PROGATI as follows:

- Budget Classification (One day) May 24, 2010
- Understanding Ministry of Finance Reports (Two days) May 25-26, 2010
- Linking Budgets and Policy (One day) July 25, 2010
- Gender sensitive budgeting (Two days) July 26-27, 2010

- Program and Capital Budget (three days) August 9-11, 2010
- Revenue Projection (three days) August 29-31, 2010

Please find **Attachment 9** as evidence of these training programs and BAMU officials' participation in these training programs.

On September 22, 2010, USAID/Bangladesh approved the recruitment of two budget analysts to work with BAMU officials to build in-house expertise and help them address budget analysis queries from parliamentarians. Please find **Attachment 10** as evidence of USAID/Bangladesh's approval to hire the budget analysts.

BAMU has received several questions on the national budget from Parliamentarians. Please find **Attachment 11** as evidence of these queries.

Furthermore, on December 23, 2010, USAID/Bangladesh requested the implementing partner to develop a sustainability plan for BAMU. We requested the implementing partner to submit the first draft of the sustainability plan by January 31, 2011. Please find **Attachment 12** as evidence of this communication with the implementing partner. USAID/Bangladesh expects to finalize the sustainability plan by March 31, 2011.

In addition, USAID/Bangladesh has commissioned an assessment of democracy and governance programs, which will inform future programming in the area of anti-corruption, including the feasibility of continuing assistance to BAMU. This assessment will commence on February 2, 2011.

Regarding salary supplements for program participants, in a recent meeting on January 16, 2011, all donors working with the Parliament agreed not to pay salary supplements to program participants. In addition, USAID Bangladesh will send a letter to the Parliament to this effect by February 15, 2011.

Recommendation 4: *We recommend that USAID/Bangladesh require the implementing partner to mark the media center with the USAID logo or submit a written request to the mission for a waiver.*

Management Comments:

USAID/Bangladesh concurs with the recommendation. On November 18, 2010, the implementing partner submitted a request to use an ADS 320 exemption from marking requirements for the JATRI. Please find **Attachment 13** as evidence of this request. On December 15, 2010, USAID/Bangladesh rejected this request and instructed DAI to submit a request for a waiver following the procedures in ADS 320.3.2.6. Please find **Attachment 14** as evidence of this instruction. On January 26, 2011, DAI was instructed to mark the JATRI premise with the USAID logo by February 15, 2011 or submit a waiver request by January 31, 2011. Please find **Attachment 15** as evidence of this request.

Attachments: as stated

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