



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/SENEGAL'S ECONOMIC GROWTH ACTIVITIES

AUDIT REPORT NO. 7-685-11-006-P
MARCH 31, 2011

DAKAR, SENEGAL



Office of Inspector General

March 31, 2011

MEMORANDUM

TO: USAID/Senegal Mission Director, Kevin Mullally

FROM: Acting Regional Inspector General/Dakar, Van Nguyen /s/

SUBJECT: Audit of USAID/Senegal's Economic Growth Activities (Report Number 7-685-11-006-P)

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

The report includes five recommendations. On the basis of actions taken by the mission and supporting documentation provided, final action has been taken on all five recommendations.

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

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOTR	Agreement Officer’s Technical Representative
FAR	Federal Acquisition Regulations
FY	Fiscal year
IRG	International Resources Group, Inc.
LOL	Land O’Lakes, Inc.
OIG	Office of Inspector General
PCE	Projet Croissance Economique
SME	Small or Medium Enterprise
USG	U.S. Government

SUMMARY OF RESULTS

USAID strives to create jobs and fight poverty in Senegal by increasing economic growth through trade and natural resource management. USAID/Senegal's economic growth program works to develop more effective and accountable governance and sustainable exploitation of agricultural and natural resources, which increases economic growth and reduces poverty. In particular, the mission supports increased trade in agriculture and natural products, public-private partnerships, biodiversity conservation, business development services to budding enterprises, and national policies that encourage economic growth, trade, and the environment.

The economic program in Senegal focuses on export-oriented activities to increase household and enterprise revenues, predominately in the agriculture and natural resources sectors. Competitiveness of Senegal's enterprises will be increased through access to improved technologies, business development services, and better access to market information. Recognizing that continued growth depends on the sustainable use of the resource base, USAID will directly address broader environmental issues to ensure sustainability of natural resources. A clear link has been made between the conservation of natural capital, increased economic opportunities, and local governance. To this end, the mission concentrated on ecosystem management in the southeastern area of Senegal and the coastal regions of Casamance and the Sine-Saloum Delta. The mission assisted in developing laws, regulations, and institutions that progressively respond to the needs of the Senegalese and foreign investors, allowing them to take advantage of competitive trade opportunities.

At the time of the audit, the USAID/Senegal economic portfolio included 12 programs with total funding of approximately \$141 million. In fiscal years (FYs) 2009 and 2010, the mission obligated \$77.8 million and expended \$32.3 million for economic growth activities. Of these 12 programs, two totaling \$84.4 million were selected for the audit, as described below:

- International Resources Group's (IRG) Wula Nafaa program to provide technical assistance in increasing the sustainable, profitable, and decentralized use and management of agricultural, marine, and natural resource bases, which runs from August 2008 through August 2013, with total funding of \$22.6 million.
- IRG's Projet Croissance Economique (PCE) activity to provide technical assistance for strengthening value chains in the production and sales of agricultural commodities and increasing the security of the food supply, which runs from December 2005 through November 2013, with total funding of \$61.8 million.

This audit was conducted to determine whether USAID/Senegal's economic growth program achieved its main goal of increasing economic growth by improving the enabling environment to attract more investment, increasing the volume of trade, and creating wealth through better management of Senegal's natural resources.

The audit determined that the mission has partially achieved its goal of increasing economic growth. Specifically, the mission achieved its goals of improving the enabling environment to attract more investment, but did not achieve its goals of increasing the volume of trade and creating wealth through better management of natural resources for both FYs 2009 and 2010. For example, regarding the mission's activities to attract more investment, the mission reportedly provided 148 training events on topics related to investment capacity building and

improving trade, surpassing its target of 50 in FY 2009. These training events reportedly reached 3,447 participants, far surpassing the mission's goal of 2,600. Likewise, in FY 2010, the mission reportedly provided 5,064 firms with capacity training related to exporting goods, exceeding its target of 2,200 firms.

Concerning increasing the volume of trade, although the mission increased the percentage change in value of purchases from smallholders of targeted commodities by 194 percent compared with its target of 35 percent in FY 2009, it did not achieve 64 percent of its indicator targets for increasing the volume of trade. It did not meet its goal of increasing the percentage change in value of international exports of targeted agricultural commodities—reportedly achieving only 25 percent compared with the target of 50 percent. In addition, the mission reportedly provided support to only 3,456 of the 4,100 planned agriculture-related firms, and none of the targeted three public-private partnerships were formed. Similarly, in FY 2010, the mission did not meet targets for 53 percent of its indicators measuring volume of trade. The change in the value of export commodities increased by only 13 percent, less than the target of 25 percent, and reportedly only 491 of the targeted 1,500 firms received assistance to improve business practices.

Concerning the creation of wealth, the program has had a positive impact, but the mission did not meet all its goals. The mission did not increase the number of additional hectares under improved technologies or management practices as planned, achieving only 691 hectares compared with its target of 3,029 in FY 2009 and 198 hectares compared with its target of 392 in FY 2010. Also, the mission reportedly assisted only 206 of the targeted 270 women's agricultural organizations in FY 2009, and just 105 of the 225 targeted women's agricultural organizations in FY 2010. Furthermore, although the mission reportedly increased the value of sales and the number of "full-time" jobs created, the audit team was unable to verify these achievements for one partner because of inadequate documentation. (Appendix III lists all of the economic growth indicators.)

The mission did not meet several of its goals in FYs 2009 and 2010 for numerous reasons. The economic growth portfolio primarily consisted of new and ambitious activities. Beginning in FY 2009, USAID/Senegal became one of the first missions tasked to respond to USAID's Global Food Security Response program, known as the Feed the Future Initiative (a new development program not only for the mission, but also for USAID), with lifetime funding of at least \$47 million. Furthermore, the mission suffered from staffing shortages that were not alleviated until the fall of 2010. The mission acknowledged in official documents that the expanding program and increased pressure to show transformational results taxed its resources to the point where it was concerned that it would be unable to ensure that program results were adequately measured. The mission recently hired a monitoring and evaluation specialist to address this concern.

Nonetheless, the programs' activities contributed to the goals of the economic growth portfolio in other areas. For example, the auditors visited villages that had received training and the knowledge to cultivate local natural resources more efficiently and economically and to implement new business practices, which allowed them to increase profits by selling their products at prices five times higher than their original prices. The Wula Nafaa program reported the creation of more than 13,000 jobs, increased the economic benefits of approximately 17,000 individuals, and helped encourage more than \$11.7 million in total sales by beneficiaries. Additionally, the program has placed 852 hectares under improved conservation management practices. The PCE program has also reported key successes. In FY 2010, owing to the actions of the mission to remove barriers in the lending environment, the PCE program issued more than \$2.8 million in Development Credit Authority loans during a 6-month period, more than doubling the number of loans from the entire previous year. Also in FY 2010, PCE

launched a training initiative based on a series of training booklets of best practices related to production, harvest, storage, and conservation of quality maize. The booklets were translated into three local languages, and the program reached a producer base of more than 12,000 farmers in 173 villages spread over seven regions.



Photo of lalo in the raw form before being processed into powder used as a thickening agent in food items such as couscous and as a laxative. (Photographs taken by a USAID/Senegal Program Officer and OIG auditor in December 2010.)



Photo of a baobab tree, whose fruit is picked and turned into various products such as fruit drink, powder, dried pieces, and skin care lotions. (Photographs taken by an OIG auditor in December 2010.)

Notwithstanding the achievements highlighted above, the audit found that the mission had not adequately established performance targets for its Wula Nafaa program. The Wula Nafaa program had not achieved several of its targets and exceeded a few by a large margin. In fact, program officials were certain that the program would not be able to achieve several of them by the end of the program (page 5). The audit also found that results for two main indicators, the value of sales and the number of jobs created, could not be verified because of a lack of supporting documentation (page 6). The audit also discovered a conflict of interest with one of the implementing partner's subcontractors (page 8).

The report recommends that USAID/Senegal:

1. Establish accurate performance targets for all Wula Nafaa indicators (page 6).
2. Require beneficiaries to maintain adequate documentation and establish an action plan to train beneficiaries on maintaining adequate documentation (page 8).
3. Develop and implement a site visit plan incorporating data verification (page 8).
4. Require IRG and its subcontractors' senior technical and management personnel involved with selecting beneficiaries to sign conflict of interest statements (page 9).
5. Require IRG to establish and implement procedures with regard to the selection of beneficiaries to minimize the risk of having other conflicts of interest (page 9).

Detailed findings appear in the following section. Appendix I contains the audit's scope and methodology.

USAID/Senegal agreed with all five recommendations in the draft report. Based upon actions taken by the mission and supporting documentation provided, final action has been taken on all five recommendations. Appendix II contains USAID/Senegal's written comments on the draft report. Our evaluation of management comments is included in the report on page 10.

AUDIT FINDINGS

Program Targets Were Imprecise

According to Automated Directives System (ADS) 203.3.4.5, USAID operating units should set performance targets that are ambitious, but can realistically be achieved within the stated timeframe and with the available resources. Targets should also be established for the end of the assistance and may be set for the interim years as well. Additionally, ADS 203.3.7.1 requires mission personnel, during their portfolio review process, to address the adequacy of the performance indicators selected in the performance management plan and expectations that activities will meet their planned targets and results.

The Wula Nafaa contract, awarded to International Resources Group (IRG), was expected to achieve certain targets for fiscal years (FYs) 2009 and 2010. However, the program did not meet 50 percent of its Wealth Creation indicator targets in FY 2009 and did not meet 70 percent of its targets for these indicators in FY 2010. For example, in FY 2009, the target for the percentage change in value of purchases from smallholders of targeted commodities was 500 percent, but the program achieved only 194 percent. As another example, the FY 2010 target for the number of firms receiving assistance to improve management practices was 1,250, but the program assisted only 445 firms. The program also failed to meet annual targets for four (57 percent) of the biodiversity conservation indicators in both years. For example, the program failed to meet targets related to the number of individuals receiving short-term agriculture productivity training and the number of hectares under improved natural resource management.

In fact, Wula Nafaa staff stated that it is unlikely that it will meet the contract-end targets for many indicators. According to Wula Nafaa officials, the project proposal forecasted targets based on the rate of success of the original Wula Nafaa program implemented from 2003 to 2008. According to the chief of party for the Wula Nafaa program, it has become more difficult to replicate those results over time as the proposal failed to take into account any rate of diminishing returns in the region. The program, located in a rural region of Senegal, has had to look farther and harder to find unreached and dynamic producer groups in the region. Currently, the program works in several varied supply chains throughout the central, eastern, and southern remote regions of Senegal. In addition, the creation of the agriculture component further broadened the efforts and focus of the project, especially given that the activities in the agriculture development were new to the Wula Nafaa program. The program is nearing the halfway point of the contract and is still struggling to adjust staffing and program funds to meet the demands of this component.

With 40 percent of the contract life already past, 10 of the 24 indicators' contract-end targets are less than 30 percent completed. Furthermore, according to Wula Nafaa officials, it is unlikely that the program will meet these targets because the mission has directed the Wula Nafaa program to focus more on the sustainability of the activities completed rather than on new or expanding activities.

Additionally, as part of the mission's more elaborate Feed the Future program, started in the spring of 2009 under the Global Food Security Program, the Wula Nafaa program received approximately \$10 million in additional funding to create an agriculture development component. Although the program met the majority of its annual targets in this component for both years, the

component lacked contract-end targets, and neither the mission nor the implementing partner knew the long-term capacity for this component.

Conversely, the Wula Nafaa program exceeded a few targets by a large margin. For example, 9 of the 16 indicators in the agricultural component, added during FY 2009, exceeded their annual targets by more than 130 percent in FY 2010. In FY 2010, the number of new water management systems put in place totaled 86, when the program had a target of only 10 for that period. Additionally, the program had a goal to train 50 farmers on techniques with new technology, but far exceeded that target by training 672 farmers. As another example, two of the four policy reform and communication indicators have already achieved more than double the contract-end target. For example, at the end of FY 2010, the number of policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation totaled 47 when the 5-year goal was just 18, and the number of public education and outreach events organized totaled 242 when only 120 were targeted.

Many targets appear to have been overly ambitious, making them difficult to achieve, or too conservative, making them easy to exceed. This situation has occurred because even though the mission conducted timely and adequate portfolio reviews, Wula Nafaa program officials had not informed mission officials that the targets were unlikely to be met or in other cases quickly surpassed and needed to be modified. Wula Nafaa officials stated that they planned to address this issue with the mission; however, they had not done so because they wanted to evaluate their data and reestablish new targets before formally informing the mission. The mission disagrees that some targets were too ambitious and would like to hold Wula Nafaa to them. There is an obvious need to resolve the disagreement and develop precise and realistic targets. For management and reporting purposes, targets that are set too low or too high may not provide valuable information to improve program activities. Targets that are realistic yet challenging may help encourage improved results. The program needs to reassess its targets and goals, taking into consideration the changing environment and priorities. Therefore, this audit makes the following recommendation:

***Recommendation 1.** We recommend that USAID/Senegal, in conjunction with the International Resources Group, establish accurate performance targets for the end of the contract period for all indicators reported by the Wula Nafaa program.*

Partner Results Were Not Verifiable

To measure performance effectively and make informed management decisions, missions must ensure that quality data are collected and made available. USAID provides its assistance objective teams with extensive guidance to help them manage for improved results. Among this guidance is ADS 203.3.5.2, which states that the USAID mission/office and assistance objectives teams should be aware of the strengths and weaknesses of their data and the extent to which the data's integrity can be trusted to influence management decisions. According to ADS 203.3.5.1, *Data Quality Standards*, performance data should meet data quality standards for validity, integrity, precision, reliability, and timeliness, and should clearly and adequately represent the intended result.

Of the seven main indicators selected for audit, the audit team was unable to verify reported results for two indicators for the Projet Croissance Economique (PCE) program, implemented by International Resources Group (IRG): the value of sales and the number of jobs created. For

these two indicators, the team visited 12 of 125 businesses¹ to verify reported figures for FY 2009.

For the most part, the audit team was unable to verify the reported sales figures because documentation was not available. Table 1 shows that four businesses were unable to provide any support, three others claimed that the person who might have the support was unavailable at the time of the audit visit, and five businesses provided some type of sales reporting.

Table 1: Results From Attempts to Verify Value of Sales Reported

Name of Business	Verification of Sales		
	No Support	Partial Support	Could Not Be Determined
Fede Yakaar Niani Wulli		X	
WHEPSA Cotton			X
WHEPSA Bissap			X
UTL Sadioyel	X		
UTL Maman Jeanne		X	
ETS Pulagu		X	
Findirde GIE			X
UTL Mandiya	X		
Coopérative des Producteurs de Mbane	X		
La Laiterie du Berger		X	
Fédération des Planteurs de Sokone		X	
Fédération des Transformateurs de Fatick	X		

Regarding the five instances where partial support was provided, the figures did not match the result reported by IRG. In all 12 cases, the businesses were unable to fully support the sales figures reported by IRG.

Similarly, for the number of jobs created, the audit team was unable to verify the reported figures at all 12 businesses listed above; there was no documentation to support the reported numbers. In the absence of thorough record keeping, it appears that IRG was reporting figures based on oral testimonies and estimates.

Business owners were sometimes confused about the definitions of the indicators. For example, two groups of producers (Fédération des Producteurs et Planteurs d'Anacarde and Regional Federation) provided the number of members in the group rather than the number of jobs created. In addition, some businesses were using estimated sales amounts rather than actual sales amounts for ease of recording, and some were reluctant to share private business information.

When sales records were provided, the quality and quantity of record keeping varied from business to business. There was no standard method for documenting sales. For example, it was not clear if the records were complete, who input the figures into the notebook, what basis of accounting was used, or what products were being recorded. With the exception of the Laiterie du Berger, none of the businesses used financial management software packages, and only one had started using Excel software to keep track of sales.

¹ For FY 2009, PCE was able to collect figures from only 125 partners out of 152.

USAID/Senegal and its partners indirectly contributed to these data quality issues by not performing sufficient data quality verifications (spot checks) and site visits. There was insufficient monitoring and evaluation of the program by USAID/Senegal and its partners and inadequate training for the staff involved in data collection and reporting. One dairy producer stated that partner or mission staff only came approximately once a year, and each visit was related to activity implementation rather than verifying data collection and reporting techniques.

USAID/Senegal Mission Order 203-3 establishes a clearly defined and consistently applied framework for monitoring and evaluating program performance. Specifically, it requires mission agreement officer's technical representatives (AOTRs) and activity managers to conduct field visits and spot checks, review partner activity reports, and perform required data quality assessments in order to understand the limitations and challenges of obtaining accurate performance data. The mission order even contains a comprehensive spot check report on performance data, included as an attachment. Although spot checks were performed during site visits on the Wula Nafaa program, none were performed during PCE site visits. To comply with the mission order, all AOTRs should conduct these spot checks.

In addition, although businesses believed the technical training they had received was very helpful, some confirmed that there was no training on project accounting, administration, and documentation. Therefore, some businesses were unaware of their responsibility to keep accurate records.

Reporting inaccurate results can undermine USAID's credibility and impair USAID's ability to secure the resources it needs to accomplish its mission. Internal controls for results reporting were not sufficiently reliable to ensure that reported service provider results were (1) valid, (2) attributable to the mission's program, (3) accurate and supported, and (4) accurately summarized prior to being reported to the mission. Without accurate reported results, USAID/Senegal did not have reasonable assurance that data quality met validity, reliability, and timeliness standards established in ADS 203.3.5.1, *Data Quality Standards*, the lack of which could negatively affect performance-based decision making. The likelihood of data quality issues such as those described above can be minimized if data quality assessments are adequately completed, site visits are conducted regularly, and monitoring and evaluation of the program by USAID/Senegal and its partners is improved. To address this deficiency, this audit makes the following recommendations:

Recommendation 2. *We recommend that USAID/Senegal require International Resources Group to (a) require beneficiaries to maintain adequate documentation supporting results and (b) establish an action plan to train beneficiaries on maintaining adequate documentation.*

Recommendation 3. *We recommend that USAID/Senegal develop and implement a site visit plan, which incorporates data verification into site visits.*

Subcontractor Had a Conflict of Interest

Federal Acquisition Regulations (FAR) Subpart 9.5 *Organizational and Consultant Conflicts of Interest* prescribes responsibilities, general rules, and procedures for identifying, evaluating, and resolving organizational conflicts of interest. FAR 9.504(a) provides that the contracting officer

is to identify potential conflicts of interest as early in the acquisition process as possible and is to avoid, neutralize, or mitigate significant conflicts before contract award. Also, Contract Information Bulletin 99-17 precludes a contractor from furnishing implementation services, as the prime or subcontractor, when the contractor has a substantial role in the design of an activity under contract with USAID by providing USAID with “material leading directly, predictably, and without delay” to a work statement for the implementation of the activity, subject to some exceptions.

An employee of IRG’s PCE’s subcontractor, Land O’Lakes, Inc. (LOL), had an organizational conflict of interest with the project. This individual was hired by LOL as the project dairy supply chain manager, responsible for working with all the dairy producers in Tambacounda. At the time of his employment, LOL was aware that the individual was an owner and manager of Jullam Dairy, a producer in the town. LOL and this individual informally agreed that he would turn over his dairy business to an “arms-length manager,” but he did not reveal to LOL that the new manager was in fact his brother.

Although throughout FY 2009, several dairy and milk producers in the Tambacounda area were supported by PCE, Jullam Dairy received very little direct assistance until FY 2010, when PCE and Jullam Dairy signed a memorandum of understanding and purchase order for approximately \$21,000. When the situation was revealed to LOL, immediate disciplinary action was taken to remedy the situation. The agreement between PCE and Jullam Dairy was canceled and the employee in question at LOL was placed on leave until the end of January. In the meantime, LOL has instigated an investigation, after which it will make a final determination regarding his employment. This situation occurred because PCE and its subcontractor did not perform adequate due diligence upon employment of the individual, despite the fact that he had a financial interest and a tie to a client in the supply chain.

PCE stated that it would review all past and current client agreements to ensure that no other conflicts of interest exist. Furthermore, PCE would like to institute additional internal controls to prevent future occurrences. These include a more thorough review and documentation for selecting clients.

Conflicts of interest pose a threat of unfair competitive advantage to other clients who seek the same business. Consequently, other producers that were qualified and interested in the dairy supply chain were overlooked. Although PCE and LOL officials acted swiftly to address this issue, this audit makes the following recommendations to prevent similar occurrences in the future:

Recommendation 4. *We recommend that USAID/Senegal require International Resources Group and its subcontractors’ senior technical and management personnel involved with selecting beneficiaries to sign conflict of interest statements.*

Recommendation 5. *We recommend that USAID/Senegal require International Resources Group to establish and implement procedures with regard to the selection of beneficiaries to minimize the risk of other conflicts of interest.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Senegal agreed with all five recommendations in the draft report. On the basis of the actions taken by the mission and supporting documentation provided, final action has been taken on all five recommendations. Our evaluation of management comments is shown below:

Recommendation 1. The mission provided RIG/Dakar with a list of indicators and its contract end targets for the Wula Nafaa program that were reviewed, revised, and agreed to by USAID/Senegal and Wula Nafaa. This action constitutes final action on this recommendation.

Recommendation 2. The mission has written a letter to International Resources Group (IRG) requiring it to take appropriate actions to ensure that adequate supporting documentation is maintained. IRG, in response, has developed an action plan to address these concerns. This action constitutes final action on this recommendation.

Recommendation 3. USAID/Senegal's Economic Growth Office has developed a site visit plan and template that includes data verification. This action constitutes final action on this recommendation.

Recommendation 4. The mission has required that all IRG and its subcontractor senior, technical, and management personnel involved with selecting beneficiaries sign conflict of interest statements. IRG has provided a list of senior personnel who have signed this statement. IRG is further requiring all its personnel to sign this statement. This action constitutes final action on this recommendation.

Recommendation 5. The mission has required IRG to establish procedures to minimize potential risks of conflict of interest from occurring in the future. IRG in response has established procedures to clearly define what constitutes a conflict of interest, procedures to avoid the perception of a conflict of interest, and disciplinary measures in the event a conflict of interest occurs and is not properly accounted for. This action constitutes final action 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/Senegal's economic growth program achieved its main goal of increasing economic growth by improving the enabling environment to attract more investment, increasing the volume of trade, and creating wealth through better management of Senegal's natural resources.

The audit focused on economic growth activities occurring in fiscal years (FYs) 2009 and 2010. At the time of the audit, the USAID/Senegal economic portfolio included 12 programs with total funding of approximately \$141 million. Of these 12 programs, two of the largest totaling \$84.4 million were selected for the audit. In FYs 2009 and 2010, the mission obligated \$77.8 million and expended \$32.3 million for economic growth activities. Those selected for audit are shown in the following table.

USAID/Senegal's Economic Growth Partners and Programs Reviewed

Implementing Partner	Program	Agreement/Task Order	
		Amount (\$ millions)	Dates
International Resources Group	The Wula Nafaa program provides technical assistance in increasing the sustainable, profitable, and decentralized use and management of agricultural, marine, and natural resource base.	22.6	8/2008–8/2013
International Resources Group	The Project Croissance Economique program provides technical assistance for strengthening value chains in the production and sales of agricultural commodities and increasing the security of the food supply.	61.8	12/2005–11/2013

In planning and performing the audit, the audit team assessed relevant controls used by the mission to manage the program and ensure that its implementing partners were providing adequate oversight of program activities. The assessment included controls related to whether USAID had (1) reviewed progress and financial reports submitted by the implementing partners, (2) conducted and documented periodic meetings with the implementing partners, (3) performed documented visits to the activity sites, and (4) developed and implemented policies and procedures to safeguard the assets and resources of the activities. Additionally, the auditors examined the mission's FY 2010 annual self-assessment of management controls, which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act of 1982², to determine whether the assessment cited any relevant weaknesses.

² Public Law 97–255, as codified in 31 U.S.C. 3512

Audit fieldwork was performed at USAID/Senegal, as well as at the implementers' offices in Dakar and Tambakounda. The audit team made field trips to 20 beneficiary groups from December 6 to 10, 2010, in and around the cities of Kaolack and Tambakounda. Additionally, the audit team made two site visits to Richard-Toll on December 27 and 28.

Methodology

To answer the audit objective, we reviewed the economic growth indicators reported by USAID/Senegal in FYs 2009 and 2010, as well as activities implemented by selected implementing partners. We met with the economic growth team in Senegal to gain an understanding of the program activities and reviewed available agreements, progress reports, and implementing partner work plans. We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Senegal's economic growth program, including Automated Directives System guidance, the USAID/Senegal operational plans for FYs 2009 and 2010, and the Senegal 5-year strategy. During site visits, we interviewed implementing partner staff, service providers, beneficiaries, and officials from the Government of Senegal's Ministry of Forestry. We also verified reported results related to sales and jobs created and confirmed whether activities were being monitored and evaluated as required.

In general, the audit involved (1) validating the reported results under selected key performance indicators and (2) conducting site visits to selected activities. In validating the program's reported results, the audit team focused on the data reported on the following performance indicators:

- Percentage change in value of purchases from smallholders of targeted commodities as a result of USAID assistance
- Number of "full-time" jobs created by USAID-assisted firms
- Total value of sales of USAID-assisted firms
- Number of individuals who received U.S. Government-assisted training to strengthen local government and/or decentralization
- Number of hectares under improved natural resource management as a result of U.S. Government assistance
- Number of individuals who have received USAID-supported short-term agricultural sector productivity training
- Dollar ratio of USAID investment to new sales by firms benefiting from USAID assistance

The scope of our testing was limited to validating the data reported on these indicators for judgmentally selected sites: 22 facilities, which included villages and producer group offices in and around the cities of Fatick, Thies, Kaolack, Tambakounda, and Richard-Toll. The 22 sites chosen for review were located in the regions where economic growth programs were being implemented and were logistically feasible with the available resources within Senegal, and included both large and small groups. Since this testing was based on a judgmental, not statistical, sample of indicators and sites, the results and overall conclusions related to this analysis were limited to the items tested and could not be projected to the entire audit universe. However, we believe that our work provides a reasonable basis for our conclusions.

MANAGEMENT COMMENTS



Memorandum

To: Gerald Custer, Regional Inspector General/Dakar

From: Kevin Mullally, Mission Director

Subject: Audit of USAID/Senegal's Economic Growth Activities (Report Number 7-685-11-00X-P)

The USAID/Senegal Mission has received and reviewed the audit report number 7-685-1100X-P. We want to thank you for this comprehensive audit of our Economic Growth program focusing on the work of the USAID/Economic Growth Project (USAID/PCE/ and the USAID/Wula Nafaa Project.

We agree with the five audit recommendations and request management decisions upon issuance of the final report. The Mission also requests that all recommendations be closed in issuing the final report based upon the actions already taken as presented in this memorandum. These recommendations will strengthen our programs and ensure more accurate and robust reporting on our achievements.

The audit covers a period (2009-2010) that saw a large transition in our economic growth programs as our funding increased from approximately \$3.5 million available in 2009 (with FY08 funds) to \$33 million available in 2010 (using FY09 funds). The Economic Growth Office only took on new staff starting in July, 2010. For most of the audit period, as stated in the audit, the Office was understaffed. Readers of this audit should keep in mind that figures stated for FY09 were in fact funded at a much lower level and only in FY10 were larger funds available. FY09 activities were designed to set the stage for FY10 higher investment rates to enable scaling up of activities in FY11 and beyond. Thus the cost effectiveness of our impact in FY09 is much more than it appears.

The following are actions taken for each of the audit recommendations:

Recommendation 1. We recommend that USAID/Senegal, in conjunction with the International Resources Group, establish accurate performance targets for the end of the contract period for all indicators reported by the Wula Nafaa program.

USAID/Senegal agrees with this recommendation. At the request of the Regional Acquisition and Assistance Officer (RAAO), IRG proposed changes to the performance targets for the end of the contract period. The Economic Growth Office reviewed, along with staff from the Wula Nafaa project, each of the indicators and targets to ensure they were useful, accurate and attainable. The EG Office also took this opportunity to further align indicators to new mandatory indicators under the Feed the Future Initiative. This work resulted in 8 indicators having their end of contract targets increased and 7 indicators having their targets decreased. Eight new indicators were added and 11 removed as they were either redundant or the information they provided was not useful. A total of 19 indicator targets were not changed out of the total number of 43 indicators.

Annex I provides an agreed upon matrix of indicators and targets between IRG and the EG Office Director that is currently being incorporated into a contract modification.

Recommendation 2. *We recommend that USAID/Senegal require International Resources Group to (a) require beneficiaries to maintain adequate documentation supporting results and (b) establish an action plan to train beneficiaries on maintaining adequate documentation.* (Wording of this recommendation was changed from the draft report by Van Nguyen in email dated 2/15/11).

USAID/Senegal agrees with this recommendation. On January 24, 2011 the RAAO wrote to IRG requiring that they provide adequate support and backstopping to beneficiaries to ensure they maintain adequate documentation supporting results which could be verified. The same letter requested a work plan on how IRG will implement the above requirement. IRG responded on February 4th stating that they increased their monitoring and evaluation staff and provided a clear action plan on how that staff would include reporting and monitoring requirements into client contracts, provide training and material support to the clients to do so, and engage in regular contact and interaction with the clients.

Although the action plan was adequate and the audit report only focused on one indicator, USAID/Senegal requested in a letter on February 24th that IRG apply the same data collection principles to all project beneficiaries from which they rely on data. USAID also requested an action plan on how IRG will train the beneficiaries to do so throughout the life of the contract. The response received from IRG on March 2nd reiterates their commitment to training beneficiaries and provides a clear, acceptable action plan on implementing this training.

Recommendation 3. *We recommend that USAID/Senegal develop and implement a site visit plan, which incorporates data verification into site visits.*

USAID/Senegal agrees with this recommendation. USAID/Senegal's policies on site visit plans, that includes the incorporation of data verification, is already established in Mission Order (MO202-1 effective December 21, 2009) "Site Visit Documentation Requirements for USAID/Senegal." This Mission Order outlines the responsibilities and requirements for site visits and reporting, including a section for data collection observations. Moreover, the Mission conducts Data Quality Assessments on a regular basis to ensure integrity of data.

The Mission does recognize that not enough field trips or reporting was conducted during the audit period due to understaffing and work load issues of the EG Office. The EG Office Director developed a quarterly field visit plan (see Annex 2) to ensure that all projects are being adequately monitored that incorporates data verification into all field trips where it is feasible or appropriate. This plan will be updated quarterly and actual authorization of field trips will be continued using the E2 travel authorization system.

The EG Office Director also included “rule of the road” on how field trips should be conducted, including the continued need to do data verification.

Recommendation 4. *We recommend that USAID/Senegal require International Resources Group and its subcontractors’ senior technical and management personnel involved with selecting beneficiaries sign conflict of interest statements.* (Wording of this recommendation was changed from the draft report by Van Nguyen in email dated 2/15/11).

USAID/Senegal agrees with this recommendation. On February 24, 2011 the RAAO wrote to IRG requiring that their senior employees and subcontractors sign letters confirming there are no conflicts of interest and to provide a list of employees whose non-conflict of interest letters are on file once the process has been completed. IRG responded that they will require all employees to sign these letters during this fiscal quarter. This effort will take some time as their staff is posted throughout the country. However, all senior project staff have already signed a no-conflict of interest statement and a listing of those individuals is found in Annex 3.

Recommendation 5. *We recommend that USAID/Senegal require International Resources Group to establish and implement procedures with regard to the selection of beneficiaries to minimize the risk of other conflicts of interest.*

USAID/Senegal agrees with this recommendation. In the same February 24, 2011 letter, the RAAO also required IRG to establish and implement procedures with regard to the selection of beneficiaries to minimize the risk of other conflict of interest. IRG has established a policy to ensure this (see Annex 4) that clearly defines a conflict of interest and possible areas where they may arise for their staff, procedures to follow to control even the perception of a conflict of interest, provides for annual updates and discipline measures if the policy is not followed.

TABLE OF INDICATORS

(Unaudited)

Fiscal Year 2009 Indicators, Targets, and Results		
	Target	Reported Results
Trade and Investment Capacity		
Number of firms receiving capacity building to export	2,100	2,843
Number of U.S. Government (USG)-supported training events on topics related to investment capacity building and improving trade	50	148
Number of participants in USG-supported trade and investment capacity-building trainings	2,600	3,447
Number of trade and investment capacity-building diagnostics conducted	1	0
Agricultural Enabling Environment		
Number of individuals who have received USG-supported short-term agricultural-enabling environment training	20	0
Agricultural Sector Capacity		
Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	50	25
Number of new technologies or management practices under research as a result of USG assistance	5	3
Number of additional hectares under improved technologies or management practices as a result of USG assistance	130	628
Number of vulnerable households benefiting directly from USG assistance	1,000	0
Number of rural households benefiting directly from USG interventions	3,000	0
Number of producers organizations, water users associations, trade and business associations, and community-based organizations receiving USG assistance	360	873
Number of firms provided support	4,100	3,456
Number of public-private partnerships formed as a result of USG assistance	3	0
Number of individuals who have received USG-supported short-term agricultural sector productivity training	2,800	4,489
Number of individuals who have received USG-supported long-term agricultural sector productivity training	0	2
Percent change in value of purchases from smallholders of targeted commodities as a result of USG assistance	35	194
Number of women's organizations/associations assisted as a result of USG interventions	270	206
Private Sector Capacity		
Number of firms receiving USG assistance to improve their management practices	1,225	675
Number of small or medium enterprises (SME) that successfully accessed bank loans or private equity as a result of USG assistance	10	11

Number of public-private dialogue mechanisms utilized as a result of USG assistance	4	1
Amount of private financing mobilized with a Development Credit Authority guarantee	1,000,000	865,700
Environment		
Number of hectares under improved natural resource management as a result of USG assistance	3,029	691
Number of hectares in areas of biological significance under improved management as a result of USG assistance	55	64
Number of people receiving USG supported training in natural resources management and/or biodiversity conservation	3,000	838
Number of people with increased economic benefits derived from sustainable natural resource management and conservation as a result of USG assistance	3,000	8,712
Number of policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation that are implemented as a result of USG assistance	2	1
Local Governance		
Number of individuals who received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization	-	287

Fiscal Year 2010 Indicators, Targets, and Results		
Indicators	Target	Reported Results
Trade and Investment Enabling Environment		
Number of participants in trade and investment environment trainings	-	20,592
Number of trade and investment environment diagnostics conducted	-	26
Number of USG-supported training events held that related to improving the trade and investment environment	-	794
Trade and Investment Capacity		
Number of firms receiving capacity building to export	2,200	5,064
Number of participants in USG-supported trade and investment capacity-building trainings	2,700	-
Number of trade and investment capacity-building diagnostics conducted	5	-
Number of USG-supported training events on topics related to investment capacity building and improving trade	50	-
Agricultural Enabling Environment		
Number of individuals who have received USG-supported short-term agricultural-enabling environment training	105	213
Number of institution/organization assessments presented for consultation as a result of USG assistance	2	34
Number of institutions/organizations mature/viable in the competency areas strengthened as a result of USG assistance	1	-
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance	5	-
Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance	5	128
Number of policies/regulations/administrative procedures analyzed as a result of USG assistance	62	10

Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance	8	-
Number of policy reforms/regulations/administrative procedures passed for which implementation has begun with USG assistance	-	-
Number of policy reforms/regulations/administrative procedures presented for legislation/decrees as a result of USG assistance	8	-
Agricultural Sector Capacity		
Amount of private financing mobilized with a DCA guarantee	2,000,000	1,407,000
Number of additional hectares under improved technologies or management practices as a result of USG assistance	392	198
Number of agriculture-related firms benefiting directly from USG-supported interventions	19,532	23,321
Number of farmers and others who have applied new technologies or management practices as a result of USG assistance	750	4,338
Number of individuals who have received USG-supported long-term agricultural sector productivity or food security training	2	-
Number of individuals who have received USG-supported short-term agricultural sector productivity or food security training	5,600	29,219
Number of new technologies or management practices made available for transfer as a result of USG assistance	21	28
Number of new technologies or management practices under research as a result of USG assistance	6	10
Number of producers organizations, water users associations, trade and business associations, and community-based organizations receiving USG assistance	680	1,121
Number of public-private partnerships formed as a result of USG assistance	5	2
Number of rural households benefiting directly from USG interventions	3,000	-
Number of vulnerable households benefiting directly from USG assistance	2,000	-
Number of women's organizations/associations assisted as a result of USG interventions	225	105
Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	25	13
Value of incremental sales (collected at farm/firm level) attributed to Feed The Future implementation	-	927,768
Number of small or medium enterprises (SME) receiving USG assistance to access bank loans or private equity	-	25
Number of "full-time" jobs created by USAID-assisted firms	6,100	7,281
Private Sector Capacity		
Amount of private financing mobilized with a DCA guarantee	2,000,000	1,407,000
Number of firms receiving USG assistance to improve their management practices	1,500	491
Number of public-private dialogue mechanisms utilized as a result of USG assistance	3	1
Number of SMEs that successfully accessed bank loans or private equity as a result of USG assistance	20	-

Number of public-private dialogue mechanisms utilized as a result of USG assistance	4	1
Natural Resources and Biodiversity		
Number of hectares in areas of biological significance under improved management as a result of USG assistance	30,000	46,764
Number of hectares under improved natural resource management as a result of USG assistance	421,814	244,361
Number of people receiving USG-supported training in natural resources management and/or biodiversity conservation	3,750	4,863
Number of people with increased economic benefits derived from sustainable natural resource management and conservation as a result of USG assistance	3,750	8,199
Number of policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation that are implemented as a result of USG assistance	3	46
Local Governance		
Number of individuals who received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization	700	7,251

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