



USAID
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OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/IRAQ'S
NATIONAL CAPACITY
DEVELOPMENT PROGRAM**

AUDIT REPORT NO. E-267-09-001-P
November 25, 2008

BAGHDAD, IRAQ



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FROM THE AMERICAN PEOPLE

Office of Inspector General

November 25, 2008

MEMORANDUM

TO: Mission Director, USAID/Iraq, Christopher D. Crowley

FROM: Director, Office of Inspector General/Iraq, Gerard M. Custer /s/

SUBJECT: Audit of USAID/Iraq's National Capacity Development Program
(Report No. E-267-09-001-P)

This memorandum transmits our final report on the subject audit. The report contains four recommendations for your action. We have considered management's comments on the draft report and have incorporated them into the final report, as appropriate. They have been included in their entirety in appendix II.

Based on management's comments, we consider that a management decision has been reached on all four recommendations. Please provide evidence of final action on each recommendation to the Audit Performance and Compliance Division upon completion.

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

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SUMMARY OF RESULTS

The emerging Government of Iraq inherited a challenging governance apparatus characterized by weak and disorganized institutions lacking in transparency, accountability and inter-ministerial coordination. This resulted in weak service delivery and policy making capabilities. In order to assist the Iraqi Government in improving essential services to its constituents, USAID/Iraq awarded a two-year level of effort contract, with an additional option year, to implement the National Capacity Development Program (page 5).

The Office of Inspector General in Iraq conducted this audit to determine whether USAID/Iraq's National Capacity Development Program (the Program) was achieving intended results and to determine the impact of those results (page 7). Started in July 2006, this \$339.5 million program was designed to assist the Government of Iraq improve its operations, management, and policy formulation, thereby improving the effectiveness and legitimacy of its national-level institutions (page 5).

We found the Program is achieving its intended results in 14 of its 20 results indicators. Two other indicators exceeded targets, but due to the quality of the data provided, we were unable to determinately rely on the figures. Four of the results indicators were not met (pages 25). We could not determine the impact as there are no outcome indicators for measuring the achievement of the Program's overall goal to improve delivery of core services (page 9).

We found that the Ministry of Oil needed a capacity development plan to better focus on the achievement of the program's long-term objective for strengthening the ministry's core administrative functions (page 11). Additionally, we determined that the response rates of post-training surveys from training participants were too low to ensure the validity of the survey results. USAID could improve the validity of the results in measuring the effectiveness of training activities by increasing these response rates (page 13).

We also determined that USAID could better demonstrate program results by including a measure for the number of study abroad scholarships utilized. Currently, there is one performance indicator which measures scholarships awarded; however, not all scholarships awarded result in individuals studying abroad (page 15).

We made the following recommendations to USAID/Iraq to improve its management of the Program: the inclusion of outcome indicators in the performance management plan that measure improvement of Iraqi ministries to delivery core services (page 11); require the contractor to work with the Ministry of Oil to draft a capacity development plan (page 13); the implementation of a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures (page 15); and adding an output indicator to measure the number of scholarships utilized (page 17).

Management comments will be included in their entirety in appendix II.

BACKGROUND

Iraq's legislative elections on December 15, 2005 led to the formation of the first permanent elected government since the fall of Saddam Hussein. The United States Government and other donors sought to help Iraqis bridge their ethnic, political, and religious differences and acquire the necessary skills to form an effective, responsible government that serves the entire country and is able to provide essential services to its citizens.

The emerging Government of Iraq inherited a challenging governance apparatus characterized by weak and disorganized institutions lacking in transparency and accountability. According to USAID/Iraq, the system lacked inter-ministerial coordination, effective public outreach and communications, and was characterized by an unmotivated and poorly managed civil service. This resulted in weak service delivery and policy making capabilities.

In order to assist the Government in improving essential services to its constituents, USAID/Iraq awarded a 2-year level of effort contract to implement the National Capacity Development Program (Program). The Program, which began on July 31, 2006, exercised an option year extending the Program's end date to July 31, 2009. The Program was originally allocated approximately \$165 million; this allocation was subsequently increased to \$209.5 million in September 2007. Subsequent to completion of field work the Program received an additional allocation increasing the awarded amount to \$339.5 million and the program scheduled end date was extended to January 31, 2011. As of September 25, 2008 \$269.3 million had been obligated and \$116.5 million disbursed.

The objective of the Program is to assist the Government of Iraq in improving its operations, management, and policy formulation, thereby increasing the effectiveness and legitimacy of its national-level institutions. USAID further clarified the overall goal of the Program as: "Build the Capacity of Key Iraqi Ministries to Deliver Core Services". The Program, implemented by Management Systems International, is under the direction of the USAID/Iraq Capacity Building Office. In addition, USAID Provincial Reconstruction Team representatives have assisted some aspects of the program in the cities of Mosul and Basrah.

The Program employs three actions to achieve its objective: 1) develop the capacity of the National Center for Consultancy and Management Development¹, 2) provide training in core public administration functions to Government of Iraq civil servants, and 3) provide mentoring to selected key ministries².

The first phase of the Program focused on developing training modules in the core areas, working to build the capacity of the National Center for Consultancy and Management Development; opening training centers in Erbil, Basrah, and Mosul; and the training of

¹ The National Center for Consultancy and Management Development has served as Iraq's public administration training center for over 30 years.

² Key ministries identified in the contract include the ministries of Oil, Electricity, Finance, Municipalities and Public Works, Water Resources, Planning, Justice, Agriculture, Health, and Education.

trainers. The Program is now considered in Phase II and focuses on the mentoring of government ministries.

Phase II of the Program was impacted by two significant events. The first event occurred in January 2007 when the U.S. President announced his new strategy for Iraq -- "The New Way Forward. The new strategy tasked the coalition to "Refocus efforts to help Iraqis build capacity in areas vital to success of the government (e.g. budget execution and the operation of key ministries)." As a consequence, USAID directed the contractor to recruit an additional 26 expert advisors to expand the number of advisors working directly with key ministries in order to achieve more rapid improvement in those ministries' improvement. The second event, which occurred in January 2008, was the result of an "energy surge" initiated by a joint effort of the US Embassy and the Multi-National Force-Iraq in an effort to assist in crafting an energy strategy for Iraq. As a result of this energy surge, the contractor added 18 energy experts. This became the Tatweer energy group which focuses directly on the Ministries of Electricity and Oil and assists the energy fusion cell³ in meeting their mandate.

The Program is service oriented and labor intensive--relying heavily on fluent Arabic speakers for all aspects of its operations. Success is highly dependent on the ability of its advisors to win the trust of key ministry officials so the respective ministries will accept and utilize the services offered by the Program. Recruiting proved challenging for various reasons and to date no advisors have been placed at two key ministries.⁴

In addition, the Program faces security challenges which impede the ability of both the USAID and contractor expatriate staff from visiting key ministries and institutions. Nonetheless through various means, the contractor has generally been able to establish working relationships with most ministries and institutions, such as through the use of locally hired staff, telephones and neutral locations for meetings.

USAID designs its programs to be in compliance with the Government Performance and Results Act, which requires federal agencies to define program goals and annually measure performance toward their achievement. USAID's principal interagency coordination tool at the country level for implementing this methodology is the U.S. Embassy Mission Performance Plan (MPP). The MPP is the authoritative integrated interagency country strategy document prepared by the U.S. Embassy Country Team and approved by the Ambassador or Chief of Mission. MPP goals are based on the national interests and strategic goals contained in the agency level strategic plan. The MPP is both a planning and reporting document.

At the program level, performance management plans are established to develop systems to measure progress towards intended objectives. According to ADS 203.3.3.1, to be considered complete, a performance management plan must define at least one

³ The energy fusion cell is made up of personnel from the U.S. Embassy, the Multi-National Force-Iraq, and Iraq's oil and electricity ministries. The cell is tasked with crafting an energy strategy for Iraq, which should include "identifying rebuilding priorities, resource needs, stakeholder roles and responsibilities, and performance measures and milestones".

⁴ Tatweer does not have advisors for two of the original key ministries. No advisor was found for the Ministry of Education and the USAID contractor was unable to establish a relationship with the Ministry of Finance.

performance indicator that will be used to measure progress towards the Strategic Objective⁵, and at least one performance indicator to measure progress.

AUDIT OBJECTIVE

As part of its fiscal year 2008 annual audit plan, the Office of Inspector General in Iraq conducted this audit to answer the following question:

- Is USAID/Iraq's National Capacity Development Program achieving intended results and what has been the impact?

Appendix I contains a discussion of the audit's scope and methodology.

⁵ Strategic Objective - The most ambitious result that a USAID Operating Unit, along with its partners, can materially affect, and for which it is willing to be held accountable.

AUDIT FINDINGS

We found that USAID/Iraq's National Capacity Development Program (the Program), is achieving its intended results for 14 of its 20 results indicators (see appendix III). The Program's Annual Report for the first year shows that 16 of 20 target goals were achieved, but due to the quality of the data provided, we were unable to determinately rely on the figures for 2 of the indicators. The remaining four results indicators were not met. We could not determine the impact of those results as there are no outcome indicators for measuring achievement of the overall program goal to build the capacity of key Iraqi ministries to deliver core services.

The Program's training efforts are becoming increasingly successful as it continues to gain momentum. In addition to remaining on track to meet its training objectives, more of the training is occurring within the ministries themselves – not just through the Program contractor's own classrooms. The Program assists the Government of Iraq in expanding its capacity to provide and utilize public administration training for its personnel. As of July 7, 2008, 43 percent of trainees attended courses sponsored by Government of Iraq ministries using trainers trained by the Program's Training of Trainers endeavor, which indicates a trend toward sustainable training efforts into the future.

With ministries taking over more of the role of training delivery, the Program has shifted its focus from training efforts to institutional development and systems change through technical assistance in fields such as procurement, budgeting, and project management. This focus helps increase the Government of Iraq's ability to execute its capital projects budget, which should ultimately impact its ability to provide better services to its citizens.

Although USAID/Iraq's capacity development program has demonstrated some successful results, opportunities exist for the mission to improve its monitoring of the Program. For example, the measurement of the impact of results needs to more closely match its intended results and outcome measures, and a capacity develop plan could be developed for a key ministry to help focus capacity development efforts. Methodologies should also be strengthened for measuring certain indicators. Moreover, opportunities exist for USAID/Iraq to improve its management of the program by adding and/or revising performance indicators.

USAID guidance states that development results goals should reach high and be based on USAID's ability to influence, organize, and support others around commonly shared goals and probability of success. Despite this, the Program did not have outcome indicators to measure the achievement of the stated overall goal of the program. USAID officials said this was because the overall goal is related to the strategic objective and measured at the mission level rather than the program level. However, the audit found the program goal is not being measured at any level. With no results indicator reflecting the overall goal of the Program, there is no way to determine if the desired impact is being achieved.

In addition, we found that USAID could better encourage long-term capacity development at one key ministry by ensuring the program's core initiatives for developing capacity development plans and training are applied. According to USAID,

capacity development plans represent a critical indicator for showing improvement in the ministries' capacity to strategically assess and plan for improved performance. Currently no capacity development plan for the Ministry of Oil has been drafted. The lack of a capacity development plan for the Ministry of Oil weakens the prospects for achieving the program's objective for a long-term impact for strengthening the capacity of the ministry.

As noted earlier, providing training in core public administration functions to Government of Iraq civil servants is a key initiative of the Program. We found that USAID could improve the validity of results for training effectiveness measures by increasing the response rate of post-training surveys. The response rates of two post-training surveys were too low to ensure that valid conclusions could be made from the survey results. Without reliable survey results, USAID/Iraq cannot determine whether or not program sponsored training is effective and having the desired impact.

USAID could also improve reporting on Program progress by including a measure for the number of study abroad scholarships utilized by Iraqi citizens. USAID/Iraq currently reports on the number of scholarships awarded. However, not all awarded scholarships actually result in Iraqi's studying abroad. The purpose of the scholarship program is to send Iraqis abroad to obtain a master's degree or certificate in public administration; however, this goal is not reflected in the performance measures. USAID criteria states that performance indicators should measure as closely as possible the result that is intended to be measured.

The following narrative provides additional details on the findings discussed above and includes recommendations for USAID/Iraq to address the identified findings.

Mission Needs Outcome Indicators that Reflect the Intended Result of the Program

Summary: USAID guidance states that development results goals should reach high and be based on USAID's ability to influence, organize, and support others around commonly shared goals and probability of success. Despite this, the Program did not have outcome indicators to measure the achievement of the stated overall goal of the Program to *build the capacity of key Iraqi ministries to deliver core services*. According to USAID officials, this was because the Program is but one component for meeting the Mission's Strategic Objective 10: *number of national government institutions effectively delivering their services*. USAID officials further stated that the goal for effective delivery of services is measured at the mission level rather than the program level. However, we found the program/strategic goal for effective delivery of services is not being measured at any level. With no results indicator reflecting the overall goal of the Program, there is no way to determine if the desired impact is being achieved.

USAID ADS 200.3.2.1 states that managing for results is one of USAID's core values. Managing for results means seeking to define and organize the work around the desired end result.

Regarding Accountability for results ADS 200.3.2.1 states that:

In the development work that is the core of our programs, we almost never have total control over the results we seek to accomplish. Indeed, development results that would be within our control are not likely to represent sustainable development. Rather than limit ourselves to mundane, safe, but not useful results, our goal is to select objectives that reach high and inspire others but that are also within our manageable interests. The concept of manageable interest recognizes that achievement of results requires joint action on the part of many other actors such as host country governments, institutions, other donors, civil society, and the private sector. When an objective is within our manageable interest, it means that we have reason to believe that: 1) Our ability to influence, organize, and support others around commonly shared goals can lead to the achievement of desired results; and 2) The probability of success is high enough to warrant expending program and staff resources.

In addition, ADS 203.3.4 states that performance indicators may measure performance at any level of a results framework (strategic objective level or intermediate results level).

According to the Program's performance management plan, the overall goal of the Program is to "*Build the Capacity of Key Iraqi Ministries to Deliver Core Services.*" Although part of the stated overall goal of the Program is delivery of core services, there are no outcome indicators that measure this impact. USAID/Iraq representatives stated that the Program's focus is on building capacity in core public administration functions which would enable government institutions to improve the delivery of services. However, they went on to say that improvement in the delivery of services is not a direct goal of the Program.

USAID officials further stated that the indicator for improved delivery of services is included in the overall mission performance management plan at the strategic objective level, while the Program measures results at a more intermediate level. According to USAID/Iraq Program Office officials, the related strategic objective indicator, at the mission level, measures the level of the ministry usage of the financial management information system⁶. The indicator does not track or measure improvement in the delivery of core services.

USAID officials also pointed out that USAID is one of many actors involved in Iraqi national government capacity development. According to a Government Accountability Office's October 2007 report on Stabilizing and Rebuilding Iraq:

As of May 2007, 6 U.S. agencies were implementing about 53 projects at individual ministries and other national Iraqi agencies. State, USAID, and DOD are leading the largest number of programs with funding allocations totaling about \$169 million at individual ministries and other national Iraqi government agencies. As of May 1, 2007, about 384 U.S. military, government, and

⁶ The financial management information system is a component of USAID/Iraq's economic governance program.

contractor staff from these 3 agencies were working with the ministries and were implementing or completing capacity development projects.

Nevertheless, as noted previously, ADS 200.3.2.1 states that the involvement of other players is the norm and that USAID should determine if they can have a favorable influence in achieving commonly shared goals, and if the probability of success warrants spending resources.

As a result of the expansion of the Program, USAID has proposed new outcome measures which would bring it closer to measuring the overall goal of the Program. These proposed indicators will measure capital project approval and implementation rate which in effect measures the improvement of the Government of Iraq's capital asset budget execution. Increases in the execution of the capital assets budget would in theory, lead to improvement in the delivery of core services.

Nonetheless, based on the Program's stated overall goal to "*Build the Capacity of Key Iraqi Ministries to Deliver Core Services*," we conclude that the ultimate intended outcome of the Program is to improve the delivery of core services. This goal is not addressed by either the Program's performance management plan or the mission's performance management plan. Without a results indicator for measuring the Program's overall goal, there is no way to determine if intended results are being achieved by the mission. In order to ensure that USAID tracks and measures the overall goal of the Program, we make the following recommendation:

Recommendation No. 1: We recommend that USAID/Iraq include outcome indicators in the National Capacity Development Program's performance management plan that measure improvement in the Iraqi ministries ability to deliver core services.

Ministry of Oil Needs a Capacity Development Plan

Summary: The National Capacity Development Program's contract requires drafting of a capacity development plan for the Ministry of Oil. However, no capacity development plan has been drafted for the Ministry of Oil and, according to contractor officials, it will not be developed. Reasons why no plan has been prepared include personality clashes between the contractor's Chief of Party and the senior advisor to Ministry of Oil, which led to the removal of the senior advisor before the plan was completed, and the contractor's focus shifted away from long-term capacity development and toward short-term fixes of the Ministry of Oil's pressing problems with the formation of the energy fusion cell. The lack of a capacity development plan for the Ministry of Oil weakens the prospects for achieving the Program's objective for a long-term impact for strengthening the capacity of the ministry.

The National Capacity Development Program's (the Program) performance management plan states the Program's premise is the improvement of ministries' performance in core administrative functions to deliver public services for the benefit of

Iraqi citizens. The Program approaches this goal, in part, through training activities to improve administrative operations and working with ministries to draft capacity development plans. USAID asserts that completion of the plans is a critical indicator for showing improvement in the ministries' capacity to strategically assess and plan for improved performance.

Despite USAID's stance on the importance of these plans, the Ministry of Oil is the only ministry with Program advisors⁷ that has not developed a capacity development plan. Initially, a senior advisor and two staff were assigned by the contractor to assist the Ministry of Oil in developing a capacity development plan. However, the contractor's Chief of Party⁸ redirected the advisor's efforts to other program activities and no plan has been developed. USAID and contractor representatives stated they do not intend to complete such a plan with the ministry.

While the Ministry of Oil receives, on average, twice the amount of resources as any of the key ministries served, the Program has not applied its core initiatives to the ministry in the same manner as other key ministries. For example, even though the Ministry of Oil is a high priority ministry, its attendance of core training provided by the Program is one of the lowest of the key ministries. According to the contract, a capacity development plan should define the training needs of the ministry.

In January 2008, the contractor hired 18 energy experts (Tatweer⁹ energy group) at the direction of USAID, which was based on General Petraeus' initiative to match the military surge in Iraq with a civilian surge. This surge resulted in the formation of the "energy fusion cell" (EFC), made up of the U.S. Embassy, the Multi-National Force-Iraq, and Iraq's oil and electricity ministries, whose mission was to craft an energy strategy for Iraq--as previously noted on page 6. The new Tatweer energy group, which works with both the Ministry of Oil and the Ministry of Electricity, also coordinates with the EFC and incorporates EFC goals whenever they are deemed appropriate. However, the EFC and the Program have different goals -- EFC focuses on short-term goals and the Program's goal is long-term capacity development. According to one USAID official, bringing the two goals together for short-term problem solving and long-term development is not easy.

Representatives from the Tatweer energy group stated that the approach for working with the Ministry of Oil is different from the work with other ministries. Instead of training, they focus on problem solving workshops to address the ministry's most pressing problems. For instance one workshop resulted in solving a problem regarding the ability to use gas extraction equipment that had lain idle for years.

USAID and the contractor have agreed on a work plan for the Ministry of Oil but it has not been officially approved by the Ministry of Oil. The plan includes metrics for completing a capacity development plan but as yet, none have been completed, and as stated previously, according to USAID and Tatweer officials, they no longer plan to complete one.

⁷ Two key ministries, the Ministry Education and Ministry of Finance, do not have National Capacity Development Program advisors assigned and thus do not have capacity development plans.

⁸ This Chief of Party subsequently left the program in July 2008.

⁹ The program is locally known as "Tatweer" - the Arabic name for Development.

The lack of focus towards the program's core initiatives of drafting capacity development plans and training for the Ministry of Oil could weaken the prospects for achieving the program's long term objective for strengthening the ministry's core administrative functions. Therefore, we are making the following recommendation:

Recommendation No. 2: We recommend that USAID/Iraq direct the National Capacity Development Program's contractor to work with the Ministry of Oil to draft a capacity development plan.

Better Methodology is Needed to Measure Training Indicators

Summary: Two separate post-training surveys were completed to address indicators under the Program's results framework. However, the response rates of the surveys were not high enough to ensure the validity of the results based on guidance from the Government Accountability Office. In addition, the majority of the responses were weighted toward only one aspect of the capacity development training. The survey results response rates were too low to project the results to the universe of trainees; consequently, the survey results are unreliable. Having unreliable outcome results makes it difficult for program managers and other stakeholders to assess the program's progress and to make necessary adjustments to assure achievement of higher-level goals.

To help improve the core functions of national level institutions, training is one of the main focuses of the USAID/Iraq's National Capacity Development Program. A generally noted concern, by both USAID officials and the Program's contractors, is that in the beginning of the ministerial training efforts, Iraqi institutions were indiscriminate in sending employees to training courses. This raised the question of whether effective training was being performed for the appropriate individuals.

As such, the effectiveness of the Program's training efforts is measured by two outcome indicators: (1) the percentage of former trainees reporting that they make use of new training skills, and (2) the percentage of former trainees reporting that the situation regarding their operational or training area is improving in their unit/ministry.

Two separate post-training surveys were completed to collect feedback for the two outcome indicators. The Program's performance management plan states that the surveys of trainees will use statistical sampling methodology. Specifically, it states that:

Data for these two indicators will come from the rolling survey of trainees several months after their training. Trainees will be selected for the survey from a random sample of trainees who completed their training at least several months prior to the survey. This survey will be implemented monthly, capturing a rolling cohort of training graduates. The estimated monthly sample will be about 300, which should be sufficient for the results to achieve a confidence level of 95% and an error rate of +/- 5%.

According to the Government Accountability Office's Program Evaluation and Methodology Division Report No. 10.1.7, in order to make plausible generalizations the effective response rate of a survey should be at least 75 percent for each variable measure. We found that the response rate for the training surveys did not meet this 75 percent criterion and, consequently, the results may not be suitable in representing the level of effectiveness the indicators were designed to measure.

These surveys, conducted about four months apart, obtained response rates of 37 percent and 61 percent respectively, or 49 percent when combined. In addition, 72 percent of the responses came from those who attended the fiscal management course, resulting in a reply weighted toward only one aspect of the ministries' capacity development training.

Trainees were solicited for feedback by mail or in person during the first survey, and collected together at the contractor's training center to answer the questionnaire during the second survey. USAID stated that the low response rate during the first round survey reflected a precipitous deterioration of security in Baghdad and throughout Iraq. The second round of the survey reflected the fact that some participants may not have participated in the survey because it can take up to a day of their time in travel to the training center, the survey fell on a day when their minister had called them to a meeting, or participants had other official matters to attend to, etc.

As USAID/Iraq has designed the outcomes measures using statistical methodology, they should take into account the impact of the non-response rate on the validity of the survey results. The Government Accountability Office states that, without increasing the response rate or satisfying themselves that non-respondents would have answered in ways similar to respondents (or that the differences would have been inconsequential), evaluators would not be entitled to draw inferential conclusions about the population. If they knew the views of the non-respondents, their overall description of the population might be quite different. They would be limited, therefore, to descriptive statistics about the percent who responded, and that information might not be useful for answering a policy-relevant question.

The Government Accountability Office further states that all measurements have some degree of error. While evaluators can and should take steps to reduce error, subject to resource constraints, some error will always remain. The question that must be addressed is whether the level of error present threatens what are otherwise the conclusions from the study. The basic rule is to be forthright about the nature of the evidence.

In order to improve the validity of the outcome measures, USAID/Iraq could have considered taking additional steps for increasing the response rate, such as conducting follow-ups to the surveys when the response rate is low. Other options include adding incentives, such as small gifts, or explaining the importance of obtaining the data. If officials do not choose to spend more time and resources towards increasing the response rate they should, at a minimum, disclose that the results of the survey represent only the portion of individuals that responded to the survey and does not necessarily represent the sample or population of individuals receiving training.

Response rates to surveys used for measuring the effectiveness of program training activities are too low to ensure the validity of the survey results. With unreliable survey

results, USAID/Iraq cannot accurately determine the impact of the Program's training activity on increasing the administrative function in the ministries as intended by the Program, which is pertinent in demonstrating improved capacity of Iraq's national government institutions. Consequently, we are making the following recommendation:

Recommendation No. 3: We recommend that USAID/Iraq implement a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures.

Better Performance Measures are Needed for the Scholarship Program

Summary: USAID/Iraq currently reports on the number of scholarships awarded. However, not all awarded scholarships actually result in Iraqi's studying abroad. USAID officials never meant the scholarship indicator to measure the number of Iraqis that would actually attend universities abroad but instead intended the indicator to reflect scholarships awarded. The purpose of the scholarship program is to send Iraqis abroad to obtain a master's degree or certificate in public administration, however, this goal is not reflected in the performance measures. USAID criteria states that performance indicators should measure as closely as possible the result that is intended to be measured. USAID could improve reporting on Program progress by including a measure for the number of study abroad scholarships utilized by Iraqi citizens.

To support the long-term transformation of Iraq's public administration capability, the Program's contract calls for at least 50 Iraqis to be sent abroad to obtain a master's degree or certificate in public administration, public policy, and other related fields. To address this established requirement, the Program's performance management plan sets a goal to award 175 post graduate scholarships over 2 years. Although USAID reported that it attained this goal by awarding 180 scholarships, not all of the awarded scholarships resulted in Iraqis attending universities abroad. Of the 180 scholarships awarded, only 54 Iraqis are currently attending graduate courses outside Iraq.

The first of USAID's seven criteria for assessing performance indicators is "Direct". USAID TIPS "Selecting Performance Indicators" provides this definition of directness:

A performance indicator should measure as closely as possible the result it is intended to measure. It should not be pegged at a higher or lower level than the result being measured. For example, contraceptive prevalence rate is a direct measure of the result increased use of family planning methods. But number of service providers trained would NOT be a direct measure of the result improved service delivery. Just because people are trained does not necessarily mean they will deliver services better.

USAID officials never meant the scholarship indicator to measure the number of Iraqis that would actually attend universities abroad but instead intended the indicator to reflect scholarships awarded. Officials further stated that the process of awarding scholarships

provided a valuable hands-on experience for Iraqis to participate in, which demonstrated best practices and the principals of transparency.

The Program's contract points out that sending Iraqis abroad for obtaining master's degrees or other certificates will promote the Program's goal of long-term transformation of Iraq's public administration capability. The demonstration of transparency is a positive and unanticipated benefit of the scholarship awarding process; however, it is not directly related to the Program's intent to provide graduate level education to Iraqi participants.

The Program contained a budget for 175 Iraqi's to study abroad. If the intended objective is to send 175 Iraqis abroad for study, then USAID may or may not achieve this goal. As stated earlier, there are currently 54 Iraqis studying abroad as a result of the Program.

USAID has had three rounds of solicitation for the scholarship program. From these solicitations, lists of principle awardees were developed, with alternates identified in the event the preferred applicants could not, or would not, participate. Below, Table 1 demonstrates (1) the scholarship awardees during each round; (2) the dropouts during the process; and (3) the number of awardees who have actually begun enrollment in a graduate level program outside of Iraq.

Table 1:

	Round 1	Round 2	Round 3	Total
Principle Scholarships Awarded	5	75	101	181
Alternate Scholarships Awarded	0	15	40	55
Total Potential Participants				236
Scholarships Declined (by awardee)		27	28	55
Scholarships Denied (RSO vetting)			12	12
Total Rejected Scholarships				67
Potentially Valid Scholarships				169
Participants Actually Studying Abroad	4	50	0	54

The Program's scholarship awardees must be vetted by the Embassy's regional security office to be eligible to obtain a visa for attending the universities abroad. This vetting process has created delays that could have a strong impact on the scholarship program and impede the ability to send 175 Iraqis to universities abroad. The Program's cognizant technical officer submitted the second round of scholarship vetting requests beginning in October 2007. The third round of requests was submitted in February 2008. Despite numerous followup emails between February and June, the cognizant technical officer did not get approval for these requests until July 3, when the regional security office approved all but 12 of the pending scholarship awardees. However, due to this time lag, it's probable that many scholarship awardees will drop out. Also, there is no time left to solicit another round of scholarships because the Program is scheduled to end on July 31, 2009.

Per the previously mentioned USAID guidance, the scholarship program output indicator would more directly reflect the Program's intended result, per the contract language, if it

measured the number of Iraqis studying abroad rather than the number of scholarships awarded. The current indicator can be misleading if the reader assumes that scholarships awarded equate to the number of Iraqis studying abroad. Based on this, we are making the following recommendation:

Recommendation No. 4: We recommend that USAID/Iraq add an output indicator to the Program's performance management plan to measure the number of graduate level scholarships utilized abroad.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Iraq agreed with all four recommendations and outlined proposed actions to address them. We have considered management's comments on the draft report and have incorporated them into the final report, as appropriate. Based on management's comments, we consider that a management decision has been reached on all four recommendations.

Regarding Recommendation No. 1, the mission intends to, among other things, revise the Tatweer Performance Management Plan to add an indicator on budget execution, which would help measure the improved service delivery of key ministries. Accordingly, a management decision has been reached on Recommendation No. 1. The estimated date for final action is March 31, 2009.

Regarding Recommendation No. 2, the mission described the complications with developing a Capacity Development Plan and detailed an alternative program -- the Organizational Self-Assessment and Transformation Program (OSTP), as a substitute for a capacity development plan. We feel the OSTP, which is estimated to be completed in January 2009, will address the intent of our recommendation. Accordingly, a management decision has been reached on Recommendation No. 2. The estimated date for final action is March 31, 2009.

Regarding Recommendation No. 3, the mission intends to amend the Program Performance Management Plan to provide for appropriate disclosure regarding the validity of its survey results. Accordingly, a management decision has been reached on Recommendation No. 3. The estimated date for final action is March 31, 2009.

Regarding Recommendation No. 4, the mission intends to include a performance management plan indicator to reflect the number of scholarships utilized in addition to noting that actual participants may be less than the number of scholarships awarded. Accordingly, a management decision has been reached on Recommendation No. 4. The estimated date for final action is March 31, 2009.

Determination for final action on all four recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon submission of documentation evidencing completion of the actions proposed by the mission.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The purpose of the audit was to determine if USAID/Iraq's National Capacity Development Program was achieving planned results and what has been the impact.

The National Capacity Development Program (the Program) commenced on July 31, 2006 and is scheduled to end January 31, 2011. The Program was originally allocated \$165 million. That allocation was subsequently increased to \$339.5 million in September 2008. Fieldwork was performed from May 14 to August 4, 2008 in the International Zone and at the contractor's compounds located in the Monsour and Karrada districts of Baghdad, Iraq.

The scope of this audit did not include activities related to anti-corruption, which excludes approximately \$4.5 million, or 2.1 percent of the Program's funding. An audit related specifically to that topic is scheduled for later. In conducting the audit, we assessed certain internal controls with respect to the Program, including the following:

- Quarterly and annual reports submitted by the implementing partners.
- USAID/Iraq's FY 2007 Federal Managers' Financial Integrity Act self-assessment.
- Submissions to Information Resource Management under Automated Directives System 548.

Methodology

To answer the audit objective, we identified specific tasks the contractor was required to accomplish in its contract with USAID/Iraq and through the objectives set in the performance management plan. We examined pertinent documentation such as the contract and contract modifications, minutes from USAID/Iraq portfolio reviews, performance management plan, implementing partners' work plans, and implementing partners' performance reports, plus various other reporting deliverables and products identified in the contract. We also interviewed USAID/Iraq's Capacity Building Office Director, the cognizant technical officer responsible for the Program, activity managers, and numerous representatives from the Program's contractor.

During our fieldwork, we reviewed ministry capacity assessments and corresponding development plans. We reviewed the plans according to requirements acquired from the contract, including obtaining Iraqi involvement and identifying benchmarks, outcomes, and indicators of results. We also reviewed training modules developed to address core ministry functions and the numbers of trainees reached with these courses. This review included determining the timeliness of the training modules, identifying which ministry

employees took what courses, and the trainees' perception of the usefulness of the courses provided.

We also performed analytical procedures on the follow-up survey questionnaires on trained trainees' perceptions of improved ministerial operations based on the training they received. These included recalculating the tabulations performed by the contractor and identifying themes in the data.

MANAGEMENT COMMENTS



MEMORANDUM

November 9, 2008

To: Director, Office of Inspector General/Iraq, Gerard Custer

From: USAID/Iraq Acting Director, Thomas R. Delaney

Subject: Management Comments, Audit of USAID/Iraq's Capacity-Building Program

References: Audit Report No. E-267-09-00X-P, dated September 28, 2008

Background

The draft OIG audit report of the Tatweer (capacity-building) program was provided to the Mission on October 5, 2008. The audit sought to determine whether USAID/Iraq's National Capacity Development Program (the Program) was achieving intended results and to determine the impact of those results. The audit made four recommendations and provided findings on activities in: the inclusion of outcome indicators in the performance management plan that measure improvement of Iraqi ministries to deliver core services; a Capacity Development Plan for the Ministry of Oil; valid survey results for outcome measures; and improvement of the indicator for scholarships utilized.

Each of the findings has been examined to determine whether the Mission is in agreement and what actions would be undertaken in response to the audit. Through this report, the Mission will state whether it agrees with the recommendations and will also discuss the actions taken or planned to be taken. Where management actions in response to the audit are not yet resolved, the Mission will provide target dates for their completion. The Mission recognizes the

value as a management tool of this OIG audit and is in agreement with all four of the audit's recommendations.

Recommendation No. 1: Mission Needs Outcome Indicators that Reflect the Intended Results of the Program

Action taken: USAID/Iraq concurs with the recommendation, in as far as indicators tracked by the Mission relate to the **capacity** of key ministries to deliver core services. Below is a summary of the Mission's analysis and actions to be taken:

The performance target of improved service delivery, given the level of resources, limits in time and limits in scope for this activity, is now recognized by the Mission as being outside the manageable interests of the Tatweer Program. The program is intended to improve the broad managerial capacity of the ministries. It is not directly targeted on the delivery of specific services. Of course, improved capacity is an input to the USG's higher-level goal of improved delivery of services, but Tatweer's efforts are limited to building ministerial capacity. Neither Tatweer nor any other USAID Program is in a position to directly influence or measure service delivery in the ten Government of Iraq (GOI) entities receiving assistance through the Program. Furthermore, some of the entities supported by Tatweer do not provide services to the population, though they play a critical role in planning and resource allocation within the GOI.

The USG's interest in concrete improvements in the GOI's service delivery are being (or will be) addressed in several ways:

- 1) CJ-9 has already developed an indicator model to track service delivery, province by province. That system has been in use for some time and is being further refined for use by cross-sectoral GOI and USG bodies (e.g., Deputy Prime Minister Essawi's Services Committee).
- 2) We will revise the Tatweer Performance Management Plan (PMP) to clarify that the highest level of results for which the Program is responsible relate to National Capacity Development (NCD)-assisted ministries demonstrating sustainable performance improvements in core administrative functions.
- 3) The Tatweer PMP will be revised to add an indicator on budget execution. This will respond not only to the OIG report findings, but will also be consistent with several prior General Accounting Office (GAO) reports on capacity development that recommend measurement of budget execution as a proxy indicator for capacity development at the national level.
- 4) USAID anticipates development of a new strategy in the coming year.

Tatweer's indicators measure how we are increasing ministerial capacity to deliver services, but do not measure service delivery. In the future, should USAID initiate sector-specific activities that directly support service delivery mechanisms, we would identify and track relevant, sector-specific indicators measures.

Based on the above actions, and the current existence of the CJ-9 service delivery indicator, the Mission requests a management decision on this recommendation.

Recommendation 2: Ministry of Oil Needs a Capacity Development Plan (CDP)

Action taken: USAID/Iraq concurs with the recommendation and has taken the following actions:

The Tatweer PMP set as a target that we would succeed in finalizing 8 Capacity Development Plans. Although, all of the Tatweer ministry teams had it in their work plan, we anticipated that not every ministry would be willing or able to participate in such a process. It only makes sense to do a CDP where the ministry wants it and participates. Tatweer met its target of 8 CDPs. The situation in the Ministry of Oil, with the competing drafts of the petroleum legislation, put the capacity development needs of the ministry in question (depending on the outcome of the Petroleum Law). It was not clear whether the law would succeed in making the ministry an enabling entity, providing guidance to fully independent oil companies, requiring one set of skills, or that it would continue to play a much more hands on operational role, requiring a different set of skills. There was little agreement about this or anything else in the Ministry during 2007. With the establishment of the new and expanded Tatweer energy group, this group of advisors also felt that pushing for an across-the-board CDP was not the best route to go. However, as a substitute, they did develop a training plan that met with the Ministry's approval. Furthermore, USAID will offer to assist the Oil Ministry in developing a CDP, if the Ministry considers it a useful exercise in the coming months.

It is also worth noting that the Organizational Self-Assessment and Transformation Program (OSTP) under Tatweer is a new tool that allows Ministries to self-diagnose their problems and develop their own strategies for addressing issues found. Like the CDPs, the OSTP is facilitated by the Program. The OSTP goes far beyond the CDPs in terms of self-diagnosis and counterpart leadership in the solution. The Program is already working now with the Ministry of Oil to deliver the OSTP to the North Oil Company – responsible for third of all Iraqi oil production. The program is also carrying out the OSTP with SCOP – the State Company for Oil Projects. Both these OSTP efforts are massive undertakings. In our opinion, the OSTP now underway should go beyond any requirement for a CDP in the Ministry of Oil. The OSTP should be complete by

January 2009.

Based on the above actions, the Mission requests a management decision on this recommendation, with final action upon completion of the OSTP.

Recommendation 3: Better Methodology is Needed to Measure Training Indicators

Action taken: USAID/Iraq concurs with the recommendation and has taken the following actions:

We concur on the need to assure data confidence and disclosure of any weaknesses in the data – an entirely reasonable request, especially in light of the response rates found by the OIG. The Mission will amend the Program PMP to provide for appropriate disclosure.

Based on the above action, the Mission requests a management decision on this recommendation, with final action upon presentation of a revised Performance Management Plan (PMP).

Recommendation 4: Better Performance Measures are Needed for the Scholarship Program

Action taken: USAID/Iraq concurs with the recommendation and has taken the following actions:

The current measure is the number of scholarships awarded, and the OIG notes that some of those awarded scholarships may not actually go on the program. The OIG suggests that this could potentially give a biased impression on impact, but acknowledged the indicator was a correct measure of scholarships awarded. In response, the Mission will amend the current PMP indicator to note that actual participants may be less than the number awarded in a comments section, and develop a new, additional indicator to reflect "number of scholarships utilized."

Based on the above actions, the Mission requests a management decision on this recommendation, with final action upon presentation of a revised Performance Management Plan (PMP).

Results Matrix for Year 1 Accomplishments

Result 1: Core public administration function skills trained					
Output	Outcome	FY07 Target	FY07 Actual	Target Met?	Comments
1	Trainers trained	150	188	Y	Target met.
2	Civil servants trained and certified	2000	2968	Y	Target met.
3	Post-graduate scholarships awarded	75	180	Y	Target met See finding on page 15.
4	Proportion of former trainees reporting that they make use of new training skills	20%	33%	N/A	The information gathered to report on these targets was insufficient to project the results to all of the former trainees. Therefore, actual results are unknown. Finding on page 13.
5	Proportion of former trainees who report that situation regarding their operational or training area is improving in their ministry/unit	10%	15%	N/A	
Result 2: Ministries' organizational systems reformed and institutionalized					
Output	Outcome	FY07 Target	FY07 Actual	Target Met?	Comments
6	Number of civil servants trained in assessment methodologies	40	80	Y	Target met.
7	Number of key ministries / organizations completing management improvement assessments and identifying targeted improvements	4	8	Y	Target met.
8	Number of ministries / national organizations completing capacity development plans	2	4	Y	Target met.
9	Number of units or departments that implement changes in administrative systems or procedures	2	7	Y	Target met.
10	GOI evaluation unit with staff members trained in M&E concepts and methodologies	1	0	N	Target not met. ¹⁰
11	Number of assessments of ministry capacity development conducted by GOI performance monitoring unit	2	0	N	Target not met. ¹⁰
Result 3: Governments public administration training capacity revitalized and expanded					
Output	Outcome	FY07 Target	FY07 Actual	Target Met?	Comments
12	Regional training centers established	1	3	Y	Target met.
13	Training manuals in public management developed and adapted for training centers	5	18	Y	Target met.
14	Trainers trained for national and regional training centers	10	94	Y	Target met.
15	Training database developed at NCCMD	1	1	Y	Target met.

¹⁰ The Program's FY 2007 Annual Report noted that Targets 10 and 11 were not met because the Government of Iraq had not yet established evaluation or performance monitoring units.

16	IT equipment upgrades installed at NCCMD	Yes	Yes	Y	Target met.
17	Facilities improvements for national and regional training centers	Yes	Partial	N	Target not met.
18	Four training plans developed and implemented at national and regional training centers	2	3	Y	Target met.
19	Number of trainees enrolled annually at NCCMD	1500	1375	N	Target not met.
20	Number of trainees enrolled at regional training centers	300	1415	Y	Target met.

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