



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S INCENTIVES DRIVING ECONOMIC ALTERNATIVES FOR THE NORTH, EAST, AND WEST PROGRAM

AUDIT REPORT NO. F-306-12-004-P
JUNE 29, 2012

KABUL, AFGHANISTAN



Office of Inspector General

June 29, 2012

MEMORANDUM

TO: Acting USAID/Afghanistan Mission Director, Brooke Isham

FROM: OIG/Afghanistan Director, Nathan Lokos /s/

SUBJECT: Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program (Report No. F-306-12-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered management's comments on the draft report and have included those comments (without attachments) in Appendix II.

The final report includes 18 recommendations to assist USAID in strengthening its oversight of the subject program. Final action has been taken on Recommendations 4, 6, 7, and 12. Management decisions have been reached on Recommendations 2, 3, 8, 10, 11, 13, 14, 15, 16, and 17. Management decisions may be reached on Recommendations 1, 5, 9, and 18 when we agree with USAID/Afghanistan on a firm plan of action, with time frames, for implementation. Please advise our office within 30 days of the actions planned or taken to implement these recommendations.

A determination of final action for Recommendations 2, 3, 8, 10, 11, 13, 14, 15, 16, and 17 will be made by the Audit Performance and Compliance Division on completion of the proposed corrective actions.

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

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Abbreviations

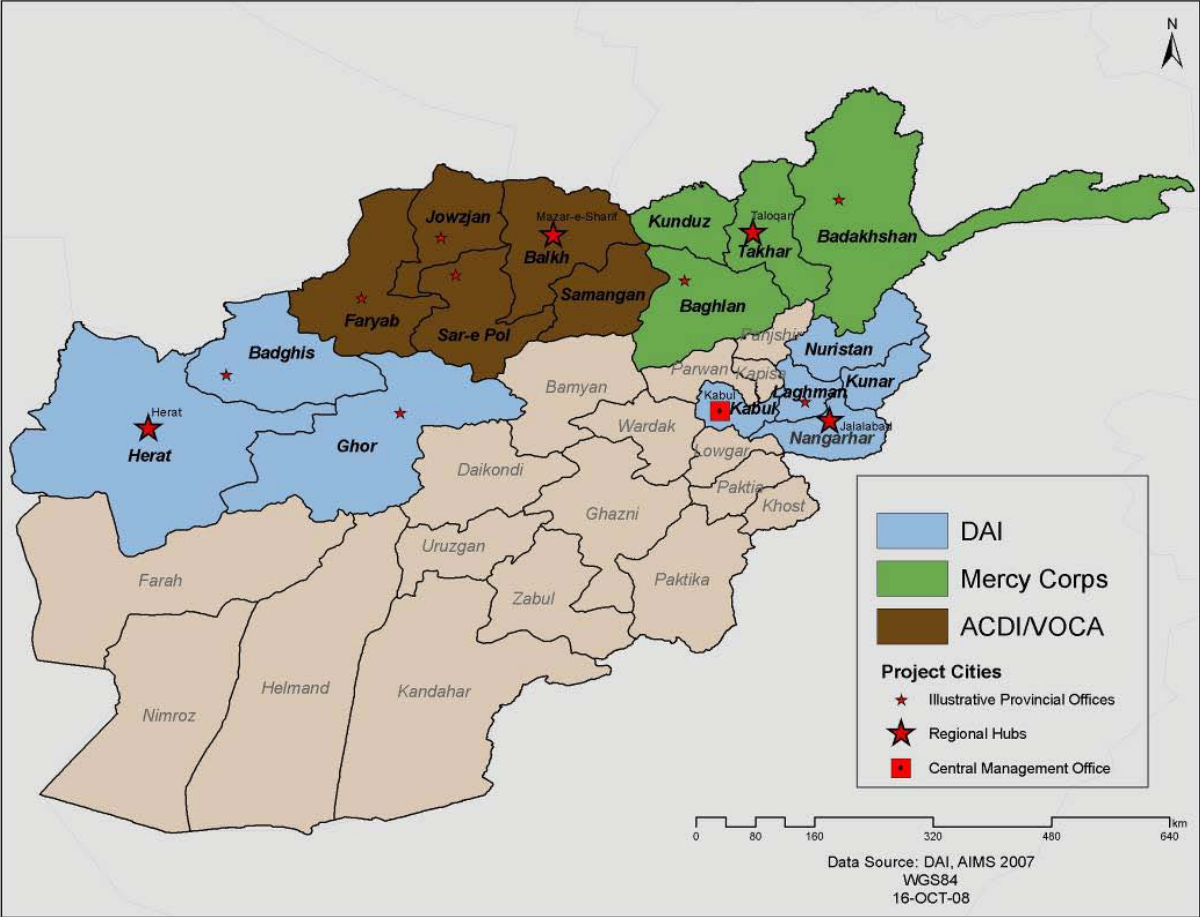
The following abbreviations appear in this report:

ADS	Automated Directives System
AOTR	agreement officer’s technical representative
CFR	Code of Federal Regulations
DAI	Development Alternatives Inc.
GIRoA	Government of the Islamic Republic of Afghanistan
IDEA-NEW	Incentives Driving Economic Alternatives for the North, East, and West
MAIL	Ministry of Agriculture, Irrigation and Livestock
PMP	performance management plan

SUMMARY OF RESULTS

The U.S. Agency for International Development (USAID)/Afghanistan’s Incentives Driving Economic Alternatives for the North, East, and West Program (IDEA-NEW) was designed to dissuade Afghans from growing poppies by increasing access to licit, commercially viable, alternative sources of income. The \$150 million, 5-year program began on March 3, 2009, and is scheduled to be completed on March 2, 2014. IDEA-NEW is implemented through a consortium led by Development Alternatives Inc. (DAI) as the prime implementer with Mercy Corps and ACDI/VOCA as subimplementers. These organizations operate in the areas shown in Figure 1. As of December 31, 2011, cumulative obligations under the program totaled approximately \$108 million, and disbursements totaled \$91 million.

Figure 1. Map of Afghanistan



Source: USAID/Afghanistan.

The program was designed to target agricultural production, rural enterprise and infrastructure development, financial service access, and value chain¹ development for key regional industries

¹ Value chains describe processes that add value to a product from the provision of inputs (e.g. fresh fruits and vegetables) to production, transportation, transformation, processing, marketing, trading, and retailing

and trade corridors. Accordingly, DAI organized its activities into five program components: (1) Agricultural Production; (2) Agricultural and Rural Infrastructure; (3) Access to Finance; (4) Value Chain Integration; and (5) Rural Enterprise Development.

The Office of Inspector General's Country Office in Afghanistan conducted this audit to determine whether USAID/Afghanistan's IDEA-NEW program was meeting its goal to dissuade Afghans from growing poppies by increasing access to licit, commercially viable, alternative sources of income.

USAID/Afghanistan's IDEA-NEW program was achieving only mixed progress toward its goal. For example, in terms of improving infrastructure, on which it spent considerable funds, for fiscal years 2010 and 2011 the program reported² repairing or constructing only 130 kilometers of transportation infrastructure versus the 260 total targeted kilometers. Similarly, the program only reported repairing or constructing 40 kilometers of irrigation systems versus the 377 total targeted kilometers. The program reported somewhat more positive results for cash-for-work programs, indicating that it had created 4,137 full-time-equivalent jobs (exceeding its target) and paid the equivalent of \$6.5 million in wages, reaching 83 percent of its targeted \$7.8 million in wages. Mixed results were also reported in strengthening value chain integration, improving agricultural productivity, and supporting rural enterprise development. Primary factors contributing to these mixed results were a lack of consistency in focus, staffing, and inadequate monitoring.

The next section of this report discusses the following findings:

- *The program's focus has not been consistent* (page 5). Although IDEA-NEW was designed to dissuade Afghans from growing poppies by increasing access to licit, commercially viable, alternative sources of income, USAID/Afghanistan reportedly directed DAI to reorient its program to focus only on expanding the licit economy.
- *Program monitoring and documentation need to be strengthened* (page 7). USAID/Afghanistan staff did not make sufficient site visits to properly monitor the program and did not analyze progress reports or confirm their accuracy. Further, the mission depended on DAI to monitor its subimplementers and verify their results, tasks that DAI did not do. Consequently, reported program results were inaccurate. In addition, significant changes to the program went undocumented.
- *Plans for sustainability are needed* (page 12). Activities were designed with inappropriate inputs; did not include sufficient outreach to government officials; did not fully benefit from gender assessments; did not develop maintenance plans; and did not provide implementation strategies for creating value chains in targeted agricultural sectors. The sustainability of program efforts is therefore questionable.
- *The participation of women should be increased* (page 14). Although the cooperative agreement stresses the need to maintain gender integration and balance in all activities, implementers did not engage with the Department of Women's Affairs, local governments, or the private sector to increase awareness of the benefits of women's participation in the

to the final customer.

² Some of the data reported by the IDEA-NEW program's implementing partners was unsupported, inaccurate, or not clearly linked to the program (page 10).

formal economy.

- *Additional guidance on cash-for-work projects is needed* (page 16). While infrastructure projects have been the major focus of IDEA-NEW's cash-for-work activities, the mission developed no standard policies and procedures to provide safe working conditions or comply with Afghan labor law.

The report recommends that USAID Afghanistan:

1. Assess the focus and location of project activities, as necessary, to maximize the program's contribution to dissuading Afghans from growing poppies; and define and use intermediate results, performance indicators, baselines, and targets to assess progress toward that underlying objective (page 6).
2. Modify the cooperative agreement to reflect changes in the program to date (page 7).
3. Assess and realign the program budget, as necessary (page 7).
4. Remind its staff in writing about the importance of documenting significant meetings, discussions, and decisions that affect USAID programs (page 7).
5. Develop and implement a risk-based monitoring plan for the program that includes periodic site visits (page 9).
6. Remind its staff in writing about (1) the importance of site visits, (2) the purpose of site visits, the areas that must be assessed and the tasks that must be completed during site visits, and (3) the documentation requirements for site visits (page 9).
7. Identify and issue designation letters to onsite monitors for the program and formalize the mechanisms for coordination and communication among the agreement officer, the agreement officer's technical representative, and the onsite monitors (page 9).
8. Provide staff in the Office of Agriculture with training on how to analyze progress reports submitted by its implementing partners (page 9).
9. Require that its implementing partner to develop and implement a formal monitoring system that includes (1) the development and execution of annual monitoring plans covering the programmatic and financial aspects of the program; (2) reporting and analysis against those plans; (3) the inclusion of subimplementers in those monitoring plans, reporting, and analysis; and (4) the verification of reported results, including supporting documentation (page 10).
10. Provide its implementing partners with training covering (1) the definitions of, the collection of, and the reporting on performance indicators for the program and (2) the requirement for and the maintenance of evidence, including documentation, supporting reported results (page 12).
11. Establish procedures to verify on a periodic basis the accuracy of the reporting of its implementing partners, including the verification of reported results with supporting documents at the lowest operational level (page 12).

12. Assess whether it still requires biweekly reporting for this program (page 12).
13. Require that its implementing partner (1) develop a detailed written strategy for building sustainability into its activities and projects, (2) develop indicators of sustainability for its activities and projects as well as for the program's overall objectives, (3) develop targets for its sustainability indicators, (4) include in its annual work plan both a narrative addressing sustainability during the work plan period and annual targets for its sustainability indicators, and (5) report in its quarterly and annual reports on its progress in the area of sustainability and against its sustainability indicators and targets (page 14).
14. Require clear value chain implementation strategies for each sector covered by this program (page 14).
15. Have a gender assessment performed for each component of the program, and incorporate the results of those gender assessments in its IDEA-NEW activities to increase the participation of women (page 16).
16. Require that its IDEA-NEW implementing partners provide training to their program personnel on how to integrate gender issues into activities, the constraints women confront to participation in the economy, and ways to overcome those constraints (page 16).
17. Require that its IDEA-NEW implementing partners develop and implement a written plan to strengthen ongoing partnership and cooperation with the Department of Women's Affairs and other stakeholders that are key to increasing the participation of women (page 16).
18. Develop mission-wide policies and procedures governing cash-for-work and community-constructed infrastructure projects. These policies and procedures should include, but not be limited to, the employment of minors, safety of workers, and responding to injuries in compliance with Afghan labor law (page 17).

USAID/Afghanistan was in general agreement with the majority of the report recommendations. Our evaluation of management comments begins on page 18, and the mission's comments are included in Appendix II. Appendix I describes the audit's scope and methodology.

AUDIT FINDINGS

The Program's Focus Has Not Been Consistent

Maintaining a consistent focus is important to the success of a program. A consistent focus helps ensure that the program makes consistent progress, whereas significant changes in focus can disrupt progress. Similarly, implementing a program in a manner consistent with its technical approach and its budget also furthers the success of a program by helping ensure that funds are spent as planned in the appropriate technical areas.

Despite the importance of such consistency, the focus of the Incentives Driving Economic Alternatives for the North, East, and West Program was not consistent. For example, although the cooperative agreement describes the program's "primary customers" as communities where poppies are (or are likely to be) cultivated, program activities were always not carried out in these areas. According to the *Afghanistan Opium Survey 2011* (Opium Survey), issued by the United Nations Office on Drugs and Crime, 4 of the 15 provinces in which the program was implemented were poppy-free from 2007 through 2009, when the program started. (Details are provided in Appendix III.)

In addition, in December 2010 USAID/Afghanistan reportedly directed DAI to focus only on expanding the licit economy, in keeping with the emphasis of the mission's new performance management plan (PMP) for the agriculture sector. (Neither DAI nor USAID could provide a written copy of this significant instruction.) As a result, two intermediate goals (termed "intermediate results") that dealt with assistance to the voluntary opium poppy eradication community and to farms in the aftermath of opium poppy eradication/destruction programs were deleted from the program PMP.

By dropping these intermediate results, the mission not only shifted focus but also deprived itself of information needed to make sound programming decisions. It has indicated that the underlying objective of the program remains dissuading Afghans from growing poppies and that the program continues to attempt to reduce poppy production. Nevertheless, the current PMP does not include performance measures such as intermediate results, and performance indicators and targets linked to those results, to identify and facilitate the program's contribution to either that underlying objective or to reducing poppy production. As a result, the mission was unable to provide evidence of its progress in either of these areas. In fact, the Opium Survey reported increased poppy growth in the provinces covered by the program. The survey shows that two IDEA-NEW provinces lost their poppy-free status and that five provinces increased opium cultivation between 2010 and 2011. (Details are provided in Appendix III.) Finally, three provinces the program is currently adding include two that the Opium Survey reported as poppy-free since 2007 and one as poppy-free in 2009 and 2010, although a small resurgence of poppy growth was reported for 2011.

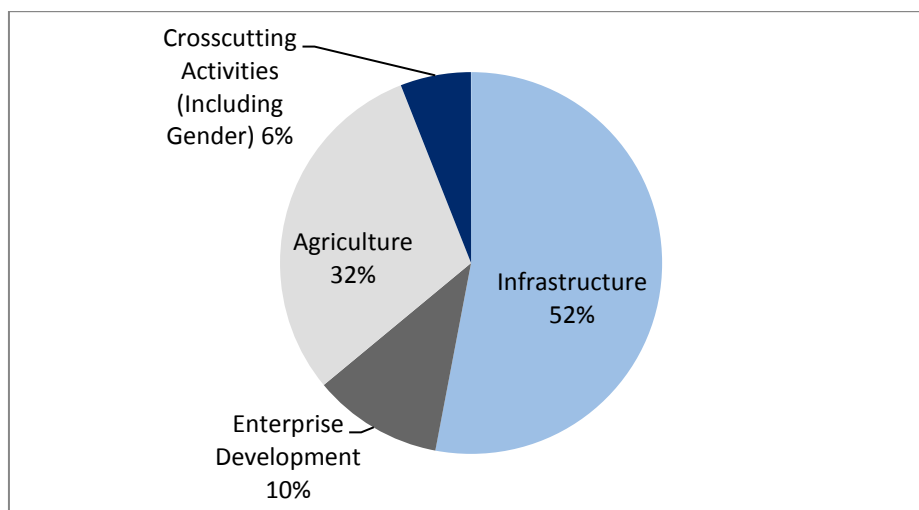
As mentioned above, the implementation of a program in a manner consistent with both its technical approach and budgeted resources is also important for success. However, rather than following the IDEA-NEW strategy of using infrastructure projects as a point of entry into communities, the program thus far has focused an inordinate amount of funds on infrastructure projects, expending \$18 million, \$6 million over the approved \$12 million infrastructure budget,

during the first 3 years. According to DAI, because of this significant deviation from budget, the program has had to discontinue its activities in the west of Afghanistan, although the cancellation of activities in the west was not documented or approved by USAID/Afghanistan.

One reason for the fluctuating focus was the continual change in USAID/Afghanistan's Office of Agriculture and implementing partner staff. USAID staff members are generally only assigned for 1-year tours in Afghanistan, during which they and implementing partner staff have to work in Afghanistan's shifting kinetic environment. Since the inception of the program, DAI has had five program directors, while the Office of Agriculture has had six directors and three agreement officer's technical representatives (AOTRs). Each change brought a different vision with different priorities and a different operating style. Additionally, because the changes made by these different people were not documented, it was impossible to distinguish which changes in the direction and priority of the program were approved by USAID/Afghanistan and which were not.

Another reason for the inconsistency in the program was that the mission did not provide sufficient monitoring. Without sufficient monitoring and oversight, the implementing partners spent the remaining resources across a broad range of activities at thousands of sites in more than 160 districts in 15 provinces. Additionally, as shown in Figure 2, nearly 3 years into its 5-year term, the program had spent only 10 percent of its program implementation funds on enterprise development and 6 percent on other activities, including value chain integration, although these two components are important for the sustainability of the program.

Figure 2. IDEA-NEW Expenditures by Component as of September 30, 2011



IDEA-NEW's implementing partners reported that, as of December 31, 2011, there was only \$11.5 million remaining in program implementation funds for the next 2 years (DAI \$6.3 million, ACIDI-VOCA \$4.3 million, and \$975,102 for Mercy Corps). If the program continues without a consistent focus and a realignment of its budget, it may not have a significant, sustainable impact on the licit economy.

Recommendation 1. We recommend that USAID/Afghanistan (1) assess the focus and location of program activities, as necessary, to maximize the program's contribution to dissuading Afghans from growing poppies, and (2) define and use intermediate results,

performance indicators, baselines, and targets to assess progress toward that underlying objective.

Recommendation 2. *We recommend that USAID/Afghanistan modify the cooperative agreement to reflect changes in the program to date.*

Recommendation 3. *We recommend that USAID/Afghanistan assess and realign the program budget, as necessary.*

Recommendation 4. *We recommend that USAID/Afghanistan remind its staff in writing of the importance of documenting significant meetings, discussions, and decisions that affect USAID programs.*

Program Monitoring and Documentation Need To Be Strengthened

Adequate monitoring is an important factor in the success of a program. This is recognized in USAID's Automated Directives System (ADS 303.2.f),³ which states that the AOTR ensures that USAID exercises prudent management over its awarded assistance and makes the achievement of program objectives easier by monitoring and evaluating the recipient and its performance. The letter designating the program AOTR also notes this responsibility. This letter states that the AOTR is responsible for monitoring the recipient's progress in achieving program objectives and for monitoring the financial status of the award. Such monitoring includes performing site visits, verifying timely performance, and reviewing and analyzing reports. Additionally, the letter notes the responsibility for establishing and maintaining adequate AOTR files, and providing documentation of his/her actions. Inadequate files will impede the AOTR or his/her successor's ability to manage the cooperative agreement and therefore may jeopardize the program for which it was awarded. In relation to reporting, it is also important to test information reported by implementing partners. If that information is not reliable, it may not lead to sound management decisions.

Monitoring is also a responsibility of USAID's partners. Each cooperative agreement, including the one with DAI includes a standard clause referencing Section 226 of Title 22 of the Code of Federal Regulations (22 CFR 226). Section 226.51(a) states that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award.

Throughout the cooperative agreement, neither the mission nor DAI has adequately implemented all its monitoring responsibilities. Examples of these lapses follow.

The Mission's Monitoring and Documentation Were Not Adequate. Although monitoring plays a key role in program performance, Office of Agriculture staff members responsible for IDEA-NEW did not perform sufficient monitoring, nor did they adequately document significant events, as described in the following examples.

³ ADS 303.2.f revised the title of Agreement Officer's Technical Representatives (AOTR) to Agreement Officer's Representative (AOR) on May 4, 2012. The citations in this report refer to the previous version of ADS, in effect at the time of the audit.

- There was little evidence that AOTRs had made site visits during the period audited. While a few site visit reports from 2009 were on file, none from 2010 or 2011 were available. When asked, the current AOTR indicated that he had made a couple of site visits during his year on the job. However, those visits and his observations and activities during those visits had not been documented. According to the program director for DAI, who had been on the job since January 2011, the first visit by USAID staff to DAI's headquarters in Jalalabad during his tenure was that made by USAID OIG auditors in November 2011 conducting fieldwork for this audit. Similarly, the Mercy Corps program director, who arrived in March 2011, indicated that the first visit by USAID staff that he was aware of was a September 2011 visit by the auditors.
- While a USAID employee stationed in western Afghanistan, (an "onsite monitor")⁴ could potentially have periodically monitored elements of IDEA-NEW implementation, neither the role of such onsite monitors nor the coordination required between the AOTR and the onsite monitor had been defined by the mission at the time.
- Although the AOTR was receiving quarterly and annual progress reports, he was neither analyzing those reports nor confirming their accuracy. The progress reports submitted by DAI included mathematical errors and inconsistencies that could have been identified by basic checks for reasonableness (as discussed on page 10 of this report).
- USAID/Afghanistan Office of Agriculture files did not document and provide justification for changes in the program. According to the AOTR, significant changes, such as the deletion of the intermediate results focusing on counternarcotics from the PMP, were discussed orally with DAI staff, but not recorded in writing.

Several factors contributed to this lack of monitoring and documentation. Because some program activities take place in insecure areas, making site visits is risky for USAID staff. In addition, DAI's headquarters is located in Jalalabad, where security is tenuous: direct-hire USAID employees visiting Jalalabad must travel in military convoys. Another factor was the broad range of activities implemented at thousands of sites in more than 160 districts in 15 provinces; this extensive dispersion of activities presented monitoring challenges. The frequent turnover of USAID Office of Agriculture staff also hindered the mission's monitoring of the program. As mentioned previously, the program had three AOTRs during its first 2½ years of implementation, and the Office of Agriculture had six different directors during that period. This frequent turnover made both the conduct of consistent monitoring by the AOTR and the provision of adequate supervision by the office director difficult. Finally, Office of Agriculture staff relied on DAI to monitor its own activities as well as those of Mercy Corps and ACDI/VOCA. However, DAI was not monitoring its subimplementers as discussed on the next page.

The mission took steps during the audit that could help address some of these issues. It conducted training for onsite monitors to (1) provide a better understanding of their roles, authorities, and responsibilities, (2) clarify the relationship of onsite monitors to other USAID staff, including AOTRs and implementing partners, and (3) encourage effective communication between onsite monitors and other mission staff. In addition, Office of Agriculture designated a team leader for the program, who is now the alternate AOTR. The mission could also benefit from developing a risk-based monitoring plan. There are a number of risk factors that can affect the success of the program, such as the nature of the activities (e.g., technical assistance

⁴ The on-site monitor program is a USAID/Afghanistan program that delegates some monitoring responsibility to USAID/Afghanistan field staff.

versus the building of infrastructure), the effectiveness of its implementing partner's and subimplementers' monitoring, and even the geographic areas involved. It is important that such risks to success be considered and incorporated into a monitoring plan so that the mission can focus its scarce resources on monitoring the aspects of the program that pose the greatest risks to success.

Without adequate monitoring, USAID/Afghanistan does not have the necessary assurance that IDEA-NEW is proceeding as planned, that potential problems will be identified and resolved swiftly, and that information relayed by its partners provides a reliable basis for making management decisions. We are making the following recommendations to assist the mission in strengthening its monitoring of the program.

Recommendation 5. *We recommend that USAID/Afghanistan's Office of Agriculture develop and implement a risk-based monitoring plan for the program that includes periodic site visits.*

Recommendation 6. *We recommend that USAID/Afghanistan remind its staff in writing of (1) the importance of site visits, (2) the purpose of site visits, the areas that must be assessed and the tasks that must be completed during site visits, and (3) the documentation requirements for site visits.*

Recommendation 7. *We recommend that USAID/Afghanistan identify and issue designation letters to onsite monitors for the program and formalize the mechanisms for coordination and communication among the agreement officer, the agreement officer's technical representative, and the onsite monitors.*

Recommendation 8. *We recommend that USAID/Afghanistan provide its Office of Agriculture staff with training on how to analyze progress reports submitted by its implementing partners.*

The Mission's Prime Partner Did Not Monitor Its Subimplementers. Since DAI had cooperative agreements—rather than contracts—with Mercy Corps and ACDI/VOCA, DAI staff members were under the impression that they were not responsible for monitoring those subimplementers. However, as previously mentioned, DAI's cooperative agreement with USAID includes 22 CFR 226.51(a), which states that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. DAI did not adequately monitor its subawards, as demonstrated in the following examples.

- Mercy Corps spent more than 86 percent of its “program activities” budget in the first 2 years of this five year program. It currently only has approximately \$975,000 available for program activities until 2014. While Mercy Corps' subagreement with DAI provides the flexibility to transfer funds between budget line items (in accordance with 22 CFR 226.25), transfers of significant amounts of funds between budget line items could hurt other aspects of the program. This situation might have been avoided had DAI adequately monitored Mercy Corps' execution of its budget.
- DAI did not have a formal process in place to routinely monitor and independently verify the results reported by its subimplementers. This provides little assurance that reported results passed on to USAID/Afghanistan are reliable, as noted in the next finding.

- Each implementing partner had its own approach for monitoring program implementation, none overseen by DAI. In some cases, the subpartners used different indicator definitions, resulting in reported data that was not comparable. In addition, although data was collected, it was not verified by DAI, so its reliability was unknown.
- DAI did not have a manual outlining all procedures for data collection and appropriate management and quality assurance/control to guide its staff and its subimplementers.

IDEA-NEW is a large, complex, and widely dispersed program. USAID/Afghanistan was relying on DAI to manage and monitor its subimplementers. The absence of effective subaward monitoring by DAI heightens the risk that the program may not achieve its intended results. We make the following recommendations to help the mission address this risk.

Recommendation 9. *We recommend that USAID/Afghanistan require its implementing partner to develop and implement a formal monitoring system that includes (1) the development and execution of annual monitoring plans covering the programmatic and financial aspects of the program; (2) reporting and analysis against those plans; (3) the inclusion of subimplementers in those monitoring plans, reporting, and analysis; and (4) the verification of reported results, including supporting documentation.*

Reporting Needs to Be Strengthened. USAID/Afghanistan does not have a formal procedure for routine independent verification of the results data reported by its implementing partners to supporting records maintained by those partners at the operational level. Mercy Corps and ACDI/VOCA enter the results of their activities directly into a Web-based monitoring and evaluation system developed by DAI. DAI then compiles this data, consolidating the results for each performance indicator, and reports them to USAID/Afghanistan through biweekly, quarterly, and annual progress reports. USAID/Afghanistan relies on the information supplied by DAI to measure program progress through its performance indicators.

Some data reported by the implementing partners was unsupported, inaccurate, or not clearly linked to the program. For example:

- Mercy Corps could not provide support for any of its reported achievements against the performance indicators included in its 2011 third quarterly report.
- Some data reported included beneficiaries carried over from a previous USAID/Afghanistan program. For example, some of the new jobs that DAI reported creating were jobs established by a previous program. Additionally, some partners reported the turnover of employees as new jobs created.
- DAI submitted reports with mathematical errors. For instance, the target for the life of the program for 17 of 23 indicators reported in its third quarterly report was different from the sum of the targets by year. Table 1 presents some examples.

Table 1. IDEA-NEW Targets

Indicator	Life of-Program Target	Sum of Yearly Targets	Net Difference	Percentage Difference*
Number of beneficiaries	970,000	665,309	304,691	31
Kilometers of transportation infrastructure constructed or repaired	257	319	62	24
Kilometers of irrigation system constructed or repaired by IDEA-NEW	560	550	10	2
Dollar value of wages paid through cash-for-work infrastructure activities	\$9,875,000	\$11,044,029	\$1,169,029	11.84
Number of participants who have received IDEA NEW - supported agricultural productivity training	470,000	304,533	165,467	35.21

* The percentage difference is based on the life-of-program target.

- The number of households benefiting directly from U.S. Government intervention was the sum of multiple indicators, causing double counting. One household could be counted multiple times depending on the number of activities in which its members participated. In addition, for this indicator, Community Development Councils and *shuras* (councils) were self-reporting the number of beneficiaries, and DAI did not verify the data.
- The number of kilometers of irrigation system that Mercy Corps reported building or rehabilitating included planned projects instead of completed projects.
- The reported number of livestock under increased technology and management was unsupported and inaccurate. The data relied to some degree on self-reporting by owners. In addition, the implementing partners collected the data differently, making it possible for one farmer's livestock to be counted multiple times. For example, one farmer might receive training in poultry management. If each of his 4 chickens received 4 immunizations, the result would be reported as 20 livestock under increased technology and management, totaling the 4 chickens and the 16 immunizations they received.

This situation arose because the partners were not using common criteria or definitions to report on indicators, and staff in the field offices did not receive training on how to collect and report results. This lack of common criteria and training resulted in the double counting of beneficiaries and the reporting of planned projects as completed. In addition, implementing partners noted that it is difficult to collect, compile, and report data on activities because of the insecure environment. Finally, implementing partners stated that the number of indicators was high, and the biweekly collection and reporting of some indicators were inappropriate; frequent reporting has not been without cost, and its value has been hard to see in the biweekly indicator reports, according to the partners.

Inaccurate reporting of performance does not provide a reliable basis for making sound management decisions. Accordingly, we are making the following recommendations.

Recommendation 10. *We recommend that USAID/Afghanistan provide its implementing partners with training covering (1) the definitions of, the collection of, and the reporting on performance indicators for the program and (2) the requirement for and the maintenance of evidence, including documentation supporting reported results.*

Recommendation 11. *We recommend that USAID/Afghanistan establish procedures to verify on a periodic basis the accuracy of the reporting of its implementing partners, including the verification of reported results with supporting documents at the lowest operational level.*

Recommendation 12. *We recommend that USAID/Afghanistan assess whether it still requires biweekly reporting for this program.*

Plans for Sustainability Are Needed

For USAID-funded programs and projects, sustainability is defined as the continuation of benefits after major assistance has been completed. Sustainability is such an important concept that one of USAID's operating principles states that sustainability should be built in from the very start of its programs and projects. The IDEA-NEW cooperative agreement recognizes the importance of sustainability and notes that the program will promote sustainable commercial agriculture and related agribusiness. Despite the importance of sustainability, visits to several projects revealed that their prospects for sustainability were questionable. For example:

- Several IDEA-NEW supported associations in Nangarhar, including the fruit growers and poultry producers associations, were concerned about their sustainability. Most had begun under previous USAID programs. However, when these prior programs stopped providing financial support for the associations, they closed because they were not financially self-supporting. Officials with these associations stated that they were still not financially self-supporting and would have to close again when IDEA-NEW ceased to provide financial support.
- The program gave a family in northern Afghanistan 40 chickens so that the family could earn an income from the sale of eggs. However, 24 of those chickens died within days of their receipt, reportedly because the chickens had been transported from Jalalabad (almost 342 miles) in the heat with insufficient water. When the remaining 16 chickens were fed with subsidized, nutritionally balanced feed provided by Mercy Corps, the family was able to make a profit selling eggs. After the subsidies stopped, though, the family could no longer afford the nutritionally balanced feed and had to give the chickens table scraps. Consequently, the family reported that without the nutritious feed, the chickens were not producing as many eggs, and the family was no longer making a profit.
- Officials from the U.S. Department of Agriculture stationed in eastern Afghanistan were providing technical assistance for the reconstruction of Afghanistan's agricultural sector. These officials noted that since IDEA-NEW supported chicken hatcheries need electricity to function, they would not be able to continue functioning after the program ends because electricity is scarce, and fuel for generators is expensive.
- Involvement of the host government is an important component of fostering sustainability. Recognizing this principle, USAID wrote in the cooperative agreement that the program

would reach out to include appropriate line ministries as partners in planning, community outreach, and implementation. The agreement further notes that such inclusion had been successful previously, resulting in strengthened local capacity for development leadership. Despite the importance of such outreach, officials in several GIRoA Directorate of Agriculture, Irrigation and Livestock offices in various parts of the country advised that while they were kept informed by the implementing partners, they were not asked for their input into the design and planning of projects.

- Given the entrenched gender roles in Afghan society and the cultural specificity of each province, consideration of gender is an important element in the development of program interventions. In fact, the IDEA-NEW cooperative agreement states that gender assessments would be completed in the western and northern provinces within the program's first 90 days to determine where and how gender integration activities are culturally acceptable and, therefore, might be successful and sustainable (in the east, DAI was to build on gender programs from a previous project). However, the only gender assessments that program staff members were able to provide during the audit were those from the previous program in the eastern provinces. Although requested, no gender assessments were provided—and presumably none were performed—for the western and northern provinces covered by the program.
- Proper maintenance of infrastructure is a key element in its continued usefulness. This was recognized in the program's fiscal year 2011 annual report, which states that the program works closely with local communities to establish maintenance plans for all infrastructure projects to ensure that the structures continue to function for years to come. However, when asked, DAI did not provide any such plans.

Instead, DAI officials indicated that there were differences in how maintenance was handled by region. In the northern region, Mercy Corps reportedly enters into agreements with local communities, district governors, and relevant line ministries that note the responsibility of those entities to maintain infrastructure projects.

In the eastern and western regions, DAI officials said that local communities understand it is their responsibility to perform maintenance and upkeep on community-constructed infrastructure funded by the program. Additionally, for subcontracted projects, DAI officials said the subcontracts included a clause requiring a maintenance guarantee period of 6 months, but that the local government is responsible for infrastructure maintenance after that. While these arrangements identify who is responsible for infrastructure maintenance, they do not provide any actual assurance that infrastructure will be maintained and will continue to function over the long term.

- According to the IDEA-NEW cooperative agreement, DAI was to use value chain analysis to identify community needs and then provide tailored, community-specific incentives to facilitate meeting those needs, which should be more sustainable than generic interventions that might or might not meet significant needs in the target community. However, several value chain strategies written by the implementing partners and reviewed during the audit provided only an analysis of the related sector. They lacked an actual implementation strategy to capitalize on the value chain analysis, which would help in designing projects to be more sustainable.

This situation arose because the cooperative agreement only mentions sustainability in a general manner, not specifically as one of the goals of the program that must be built into the

program and monitored, reported on, and achieved. Implementing sustainable programs is a USAID priority. The above examples raise questions as to whether the program's accomplishments will be sustainable. To the mission's credit, it took steps during the audit to address some of these issues. For example, the mission indicated that it intends to require written sustainability plans for all future projects implemented under the program. We recommend the following to help promote sustainability in IDEA-NEW.

Recommendation 13. *We recommend that USAID/Afghanistan require its implementing partner to (1) develop a detailed written strategy for building sustainability into its activities and projects, (2) develop indicators of sustainability for its activities and projects as well as for the program's overall objectives, (3) develop targets for its sustainability indicators, (4) include in its annual work plan both a narrative addressing sustainability during the work plan period and annual targets for its sustainability indicators, and (5) report in its quarterly and annual reports on its progress in the area of sustainability and against its sustainability indicators and targets.*

Recommendation 14. *We recommend that USAID/Afghanistan require clear value chain implementation strategies for each sector covered by this program.*

The Participation of Women Should Be Increased

USAID's Strategy for Sustainable Development (an additional help for ADS Chapter 200, "Introduction to Programming Policy"), acknowledges the importance of women in development, stating that USAID will pay special attention to the role of women. This is reflected in the IDEA-NEW cooperative agreement, which requires that DAI (1) describe and use appropriate gender-sensitive methodologies and (2) maintain gender integration and balance in all activities, targeting women and girls when necessary to achieve that balance.

As can be seen in Tables 2 and 3, despite the importance of women in development, the fiscal year 2010 and 2011 results reported by the program indicated that the participation of women in IDEA-NEW activities was low.

Table 2. IDEA-NEW Indicators as of September 30, 2010

Indicator	Reported Total for Fiscal Year 2010	Amount Related to Women	Women's Participation Rate (%)
Wages paid through community-constructed infrastructure projects to local community members	\$5,287,147	\$99,362	1.8
Number of person days of labor on community-constructed infrastructure projects by local community members	671,367	20,124	2.9
Number of local community members employed on community-constructed infrastructure projects	25,935	1,133	2.8
Number of individuals who have received U.S. Government-supported agriculture productivity training	228,255	443	0.1
Number of person days of U.S. Government-supported agriculture productivity training	88,203	921	0.7
Number of individuals receiving agricultural and livestock inputs	78,304	1,185	1.4
Number of government line staff trained	843	54	6
Number of full-time-equivalent jobs created by U.S. Government-sponsored alternative development or alternative livelihood activities	27,700	628	2.2
Number of IDEA-NEW program employees	669	53	2.8

Table 3. IDEA-NEW Indicators as of September 30, 2011

Indicator	Reported Total for Fiscal Year 2012	Amount Related to Women	Women's Participation Rate (%)
Wages paid through community-constructed infrastructure projects to local community members	\$6,474,884	\$112,432	1.7
Number of full-time-equivalent created through cash-for-work infrastructure activities	4,137	89	2.2
Number of participants who have received IDEA NEW -supported agricultural productivity training	347,502	2,720	0.8
Number of farmers using IDEA-NEW-supported agricultural inputs in targeted areas	162,225	5,332	3.3
Number of government line staff participating in IDEA-NEW training activities	1,144	58	5.1
Number of full-time-equivalent jobs created or supported	35,769	946	2.6
Number of government line staff trained	3,441	9	0.2

The reported results reflect a disproportionate inclusion of men, demonstrating that the implementing partner did not maintain a gender balance in its activities as required by the cooperative agreement. Moreover, the performance indicator *Number of women's organizations/associations assisted as a result of U.S. Government assistance* was changed in 2011 to *Number of organizations/associations assisted*, obscuring its focus on women.

IDEA-NEW has not developed activities to engage with provincial governments, religious authorities, the Department of Women's Affairs, or the private sector to increase gender awareness and to demonstrate how increasing women's participation in the formal economy will have a significant economic as well as social return for the entire society. USAID/Afghanistan is missing significant opportunities to reach more women and to have greater program impact. Consequently, we make the following recommendations.

Recommendation 15. *We recommend that USAID/Afghanistan have a gender assessment performed for each component of the program and incorporate the results of those gender assessments in its program activities to increase the participation of women.*

Recommendation 16. *We recommend that USAID/Afghanistan require that its implementing partners provide training to their program personnel on how to integrate gender issues into activities, the constraints women confront to participation in the economy, and ways to overcome those constraints.*

Recommendation 17. *We recommend that USAID/Afghanistan require program implementing partners to develop and implement a written plan to strengthen ongoing partnership and cooperation with the Department of Women's Affairs and other stakeholders that are key to increasing the participation of women.*

Additional Guidance on Cash-For-Work Projects is Needed

IDEA-NEW employs people to rehabilitate infrastructure in their communities. The purpose is to provide an immediate cash infusion to vulnerable communities and temporary employment to their members. The program reported that through September 30, 2011, \$6.4 million in wages had been paid to people in rural communities who worked on projects including irrigation systems, roads, and micro hydropower plants, generating 4,137 full-time-equivalent, labor-intensive jobs. Community-constructed infrastructure projects have been the program's main cash-for-work activities implemented by DAI and Mercy Corps. Through September 30, 2011, DAI had expended \$10.7 million and Mercy Corps had expended \$6.1 million, or 56 percent and 66 percent, respectively, of their project implementation funds on these projects.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* notes that policies and procedures help ensure that actions are taken to address risks. It is important to have policies and procedures addressing cash-for-work activities related to construction to help ensure that results are achieved and risks mitigated. Although community-constructed infrastructure projects have been the major focus of IDEA-NEW's cash-for-work activities, there are no standard policies and procedures for these activities.

Auditors observed the following at one community-constructed infrastructure project:

- Minors were performing heavy manual labor. One minor interviewed said that he was only 13 years old. Implementing partner staff confirmed that hiring minors is a common practice and said their organizations did not have policies and procedures setting standards, such as age restrictions for employment, restrictions on the times of day when youth may work, wages paid, hours worked, and safety requirements for minors working on their projects.

The revised Afghanistan Labor Code, in effect since 2007, sets the minimum age for employment at 18, although children may be employed in light work at age 15. It prohibits recruitment of children under 18 for work that is harmful to their health or causes physical damage or disability.

- Implementing partners did not consistently provide basic personal safety equipment to workers at community-constructed infrastructure projects. Hard hats, gloves, protective eyewear, and boots were not always available. Article 108 of the Afghanistan Labor Code indicates that the person in charge of the organization is duty bound to provide for occupational health and safety conditions and to use safety equipment in order to prevent accidents due to work and production.
- The workers at the community-constructed infrastructure work site did not have a first aid kit. Implementing partners do not require sites to have first aid equipment for injured employees. The workers indicated that in case of injury, they had to go home or seek (and pay for) medical attention on their own. Article 114 of the Afghanistan Labor Code, Provision of Medical Primary Services, states that:

In the event of untoward accidents and unexpected diseases occurring at the worksite, the organization would be obliged, as the case may be, to (1) provide first aid services and conditions, (2) transfer the employee concerned to medical centers and provide for treatment, and (3) when the employee is cured, transfer him/her to his/her place of residence.

Although these are examples from only one community-constructed infrastructure site, they illustrate the problems that can arise in the absence of well-thought-out policies and procedures. These occurred because USAID/Afghanistan and its implementing partners had not developed uniform cash-for-work policies and procedures to ensure site safety and include policies to set age restrictions for employment, restrictions on the times of day youth may work, wage, hours worked, and safety requirements to protect workers on their projects.

USAID/Afghanistan's cash-for-work and community-constructed infrastructure programs should have proper policies, procedures, and practices to help ensure that results are achieved and risks are mitigated. We make the following recommendation to assist the mission in this area.

Recommendation 18. *We recommend that USAID/Afghanistan develop mission-wide policies and procedures governing cash-for-work and community-constructed infrastructure projects. These policies and procedures should include the employment of minors, safety of workers, and responding to injuries in compliance with Afghan labor law.*

EVALUATION OF MANAGEMENT COMMENTS

Based on our evaluation of USAID/Afghanistan's comments on our draft report, we have determined that final action has been taken on Recommendations 4, 6, 7, and 12. In addition, management decisions have been reached on Recommendations 2, 3, 8, 10, 11, 13, 14, 15, 16, and 17. No management decisions have been reached on Recommendations 1, 5, 9, and 18. Our evaluation of mission comments appears below.

Recommendation 1. The mission did not agree with our draft recommendation to determine whether dissuading Afghans from growing poppies remains an integral objective of this program and, if so, to (1) reorient the focus and location of program activities as necessary to achieve the maximum impact on that objective and (2) define and utilize intermediate results, performance indicators, and targets to facilitate the assessment of progress toward that objective. The mission noted that while the underlying objective of the program is to dissuade Afghans from growing poppies, the primary program objective was rephrased to "Licit Economy Expanded in the North, East and West." It also cites statistics on poppy growth from 2002 to 2004 in IDEA-NEW targeted provinces as well as noting what it indicates was the impact of U.S. Government-wide interventions from 2009 to 2010. Finally, it notes that the program has had difficulties accessing some districts to provide services.

As stated above, the mission indicated that the program's underlying objective is to dissuade Afghans from growing poppies. However, the mission has no performance measures such as intermediate results, and performance indicators and targets linked to those results, to identify and measure the program's contribution to that underlying objective. This is a significant gap in light of the *Afghanistan Opium Survey 2011*, issued by the United Nations Office on Drugs and Crime, which reported recent increased poppy growth in several provinces targeted by the program. The survey shows that two provinces targeted by IDEA-NEW lost their poppy-free status and that opium cultivation increased in five targeted provinces between 2010 and 2011. Without performance measures, it is not possible to determine what success the program is having in dissuading Afghans from growing poppies in these and other targeted provinces. Consequently, we believe that it is important to (1) focus and locate the program's activities so that they achieve the maximum impact on the mission's underlying objective and (2) track progress toward that underlying objective. A management decision has not been reached on this recommendation.

Recommendation 2. USAID/Afghanistan agreed to modify the cooperative agreement to reflect changes in the program to date. The agreement will be modified to incorporate required changes in the program description as a result of prior PMP revisions and the planned expansion of IDEA-NEW activities to other locations. The target date for final action is May 31, 2012. A management decision has been reached on Recommendation 2.

Recommendation 3. USAID/Afghanistan agreed to assess and realign the program budget, as necessary. The mission agrees that a realignment of the budget is necessary to shift the emphasis from community infrastructure projects to other areas, such as agriculture, enterprise development, and crosscutting activities. The target date for final action is May 31, 2012. A management decision has been reached on Recommendation 3.

Recommendation 4. USAID/Afghanistan agreed to remind its staff in writing of the importance of documenting significant meetings, discussions, and decisions that affect USAID projects. In December 2011, the director of the mission's Office of Acquisition and Assistance issued internal guidance reminding his staff members of their responsibility to ensure the accuracy of information provided to USAID recipients. He also suggested that contracting and agreement officers remind their technical representatives of their responsibility to provide a copy of written communications with their implementing partners. In addition, in January 2012, the director of the mission's Office of Agriculture issued guidance reminding his staff members of their responsibility to establish and maintain files for the activities they manage. This guidance emphasized the need to document actions taken and to maintain copies of all correspondence with implementing partners, including records of approvals. Based on the mission's actions in response to the recommendation, final action has been taken on Recommendation 4.

Recommendation 5. The mission did not agree to implement a risk-based monitoring plan for the program that includes periodic site visits. The mission stated that a risk-based monitoring plan is already in place and is being by both DAI and the Office of Agriculture. The mission also stated that the current program performance monitoring plan takes into consideration the guidance concerning monitoring in high-threat environments and that, at times, field program officers at regional platforms are asked to act as onsite monitors, who monitor activities and verify results.

While the Office of Agriculture's monitoring takes into account the high-threat environment in Afghanistan, it should also take into account other risk factors that can affect the success of IDEA-NEW. Examples of such risk factors include the nature of the activities (e.g., technical assistance versus the building of infrastructure), the effectiveness of its implementing partner's and subimplementers' monitoring, and even the geographic areas involved. It is important that such risks to success be considered and incorporated into a monitoring plan so that the mission can focus its scarce resources on monitoring the aspects of the program that pose the greatest risks to success. Moreover, since the office has the technical expertise and the responsibility for IDEA-NEW, it is also important that it determine the monitoring priorities for the program, which will be subsequently implemented by Office of Agriculture staff and onsite monitors. A management decision has not been reached on this recommendation.

Recommendation 6. USAID/Afghanistan agreed to remind its staff in writing of (1) the importance of site visits, (2) the purpose of site visits, the areas that must be assessed, and the tasks that must be completed during site visits, and (3) the documentation requirements for site visits. The mission indicated that the Office of Agriculture's monitoring and evaluation officer frequently raises the topic of site visits at staff and team leader meetings and has provided staff with a site visit template for documenting site visits. Additionally, the mission indicated that the aim of its onsite monitoring program, which is being implemented, is to expand the reach and oversight of field implementation through site visits by onsite monitors, who receive guidance on reporting when they are nominated. Based on the mission's actions in response to the recommendation, final action has been taken on Recommendation 6.

Recommendation 7. USAID/Afghanistan agreed to identify onsite monitors for the program, issue designation letters to those onsite monitors, and formalize the mechanisms for coordination and communication among the agreement officer, the agreement officer's technical representative, and the onsite monitors. In its response, the mission indicated that six onsite

monitors for the program have been identified, certified, and formally designated and that an additional three are being trained and certified. It also stated that the designation letter itself outlines the mechanisms and protocols for coordination among the agreement officer, the AOTR, the onsite monitor, and other stakeholders. Based on the mission's actions in response to the recommendation, final action has been taken on Recommendation 7.

Recommendation 8. USAID/Afghanistan agreed to provide its Office of Agriculture staff with training on how to analyze progress reports submitted by its implementing partners. The mission indicated that an alternate AOTR has been appointed to mentor and provide technical support to the current AOTR. As a result, the AOTR has been able to improve the level of analysis of reports on the program. The mission further stated that additional training would be given to all Office of Agriculture staff in the analysis of reports, identification of risks, and detection of common errors. The target date for final action is September 30, 2012. A management decision has been reached on Recommendation 8.

Recommendation 9. The Mission requested clarification on Recommendations 10 and 11 in the draft report. Considering the mission's comments and additional review of the evidence collected during the fieldwork, we merged these recommendations. The thrust of these previous recommendations is included in Recommendation 9 of this report, which recommends that USAID/Afghanistan require its implementing partner to develop and implement a formal monitoring system that includes (1) the development and execution of annual monitoring plans covering the programmatic and financial aspects of the program, (2) reporting and analysis against those plans, (3) the inclusion of subimplementers in those monitoring plans, reporting, and analysis, and (4) the verification of reported results, including supporting documentation. A management decision has not been reached on this revised recommendation.

Recommendation 10. USAID/Afghanistan agreed to provide its implementing partner and subimplementers with training covering (1) the definitions of, the collection of, and the reporting on performance indicators for the program and (2) the requirement for and the maintenance of evidence, including documentation supporting reported results. The mission indicated that it will provide DAI and its subimplementers appropriate orientation and training on the IDEA-NEW PMP that is currently undergoing revision. It also stated that it will provide guidance to Office of Agriculture staff in monitoring and reviewing implementing partner reports. The target date for final action is August 31, 2012. A management decision has been reached on Recommendation 10.

Recommendation 11. USAID/Afghanistan agreed to establish procedures to verify periodically the accuracy of the reporting by its implementing partners, including the verification of reported results with supporting documents at the lowest operational level. The mission indicated that such verification would be supported by the network of onsite monitors, increased field visits, and careful report analysis by the AOTR. In addition, the mission stated that a third party contractor would provide supplemental monitoring, as necessary. Finally, the mission stated that the Office of Agriculture was also in the process of developing an office-wide monitoring process which will use a combination of field research, local and national statistics, and modern satellite imagery to understand local and regional impacts of activities in the agricultural sector and that this verification process would go on throughout the program. The target date for final action is September 30, 2012. A management decision has been reached on Recommendation 11.

Recommendation 12. USAID/Afghanistan agreed to assess whether it still requires biweekly reporting for this program. The mission then determined that reducing the number of reports

would improve the ability of the implementing partner to ensure quality of reporting and provide additional time for review of documentation. Accordingly, the agreement officer has informed DAI that biweekly reporting under the program has been changed to monthly reporting. According to the agreement officer, this change will be reflected in the cooperative agreement. Based on the mission's actions, final action has been taken on Recommendation 12.

Recommendation 13. USAID/Afghanistan agreed to require its implementing partner to (1) develop a detailed written strategy for building sustainability into its activities and projects, (2) develop indicators of sustainability for its activities and projects as well as the program's overall objectives, (3) develop targets for its sustainability indicators, (4) include in its annual work plan both a narrative addressing sustainability during the work plan period and annual targets for its sustainability indicators, and (5) report in its quarterly and annual reports on its progress in the area of sustainability and against its sustainability indicators and targets.

The mission indicated that this recommendation was incorporated in the Request for Technical and Cost Application issued in line with the revised IDEA-NEW program description. It also stated that any requests for disposition of assets to beneficiaries are required to include a clear plan for sustainability and that the program PMP is being redesigned and will include indicators for sustainability. The target date for final action is June 30, 2012. A management decision has been reached on Recommendation 13.

Recommendation 14. USAID/Afghanistan agreed to require clear value chain implementation strategies for each sector covered by this program. The mission stated that its implementing partner has already taken significant steps in developing such strategies and that the revised program description incorporates these strategies. The target date for final action is June 30, 2012. A management decision has been reached on Recommendation 14.

Recommendation 15. USAID/Afghanistan agreed to (1) have a gender assessment performed for each component of the program and (2) incorporate the results of those gender assessments in its program activities to increase the participation of women. The mission indicated that the Office of Agriculture has begun the procurement of an agriculture sector-wide assessment of gender, which should be completed by the end of August 31, 2012. The mission also stated that the program has been one of the more innovative Office of Agriculture programs in relation to gender activities. The target date for final action is August 31, 2012. A management decision has been reached on Recommendation 15.

Recommendation 16. USAID/Afghanistan agreed to require implementing partners to provide training to their program personnel on how to integrate gender issues into activities, the constraints women confront to participation in the economy, and ways to overcome those constraints. The mission plans to request that IDEA-NEW's implementing partner and subimplementers to provide their staff with gender training focusing on the design of agricultural value chain projects and will provide pertinent information and best practices to the program. The target date for final action is August 31, 2012. A management decision has been reached on Recommendation 16.

Recommendation 17. USAID/Afghanistan agreed to require its IDEA-NEW implementing partners to develop and implement a written plan to strengthen ongoing partnership and cooperation with the Department of Women's Affairs and other stakeholders that are key to increasing the participation of women. The mission indicated that it will require its implementing partner and subimplementers to implement the relevant aspects of a gender plan to promote women's involvement in agricultural value chains and that the plan will be developed in

coordination with Department of Women's Affairs and other stakeholders. The target date for final action is July 31, 2012. A management decision has been reached on Recommendation 17.

Recommendation 18. The mission partially agreed to develop policies and procedures governing its cash-for-work and community-constructed infrastructure projects. After considering the mission's comments and conducting further review of the evidence collected during the audit, we included additional information in the report and revised the recommendation. A management decision has not been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

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

The objective of the audit was to determine whether USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program was meeting its goal to dissuade Afghans from growing poppies by increasing access to licit, commercially viable, alternative sources of income. The audit covered the cooperative agreement signed with DAI to implement the \$150 million, 5-year program that began on March 3, 2009, and is scheduled to be completed on March 2, 2014. Additionally, the audit included the \$38 million subagreement with Mercy Corps and the \$35 million subagreement with ACDI/VOCA. The audit covered \$83 million of expended funds provided by USAID/Afghanistan to the three implementers for the program as of September 30, 2011.

The audit primarily focused on program activities implemented during fiscal years 2010 and 2011. Fieldwork was conducted from September 2011 to February 2012 at USAID/Afghanistan; the Ministry of Agriculture, Irrigation and Livestock; forward operating commands; provincial reconstruction teams; the three implementing partners' regional offices in Herat, Kunduz, Mazar-e Sharif, Faizabad, and Nangarhar; as well as DAI and Mercy Corps' central management offices in Kabul.

Fieldwork also included site visits to 19 judgmentally selected project sites in 6 provinces from the universe of 567 active and 1,945 completed projects in the 15 provinces covered by the program. We chose sites where DAI, Mercy Corps, and ACDI/VOCA implemented projects under the program. The key factors for selection included the types of projects, the number of people served by a project site, travel logistics, and security considerations. Because the results of our visits to 19 project sites cannot be projected to the entire population of project sites, our observations are limited to those we visited.

In planning and performing the audit, we assessed the significant internal controls used by USAID/Afghanistan to monitor program activities, including monitoring and evaluation plans, performance management plans, progress and financial reports, and meetings and other means of communication between USAID/Afghanistan officials and the implementing partners. We also assessed significant internal controls used by the implementing partners to monitor organizations working under subawards and project sites. We tested the quality of reported performance data and assessed the sustainability of the projects implemented under the program. We reviewed USAID/Afghanistan's Federal Managers' Financial Integrity Act report for fiscal year 2011 and prior audit reports to identify internal control and other issues that could be relevant to the current audit.

Methodology

To answer the audit objective, we interviewed USAID/Afghanistan officials; staff with the Ministry of Agriculture, Irrigation and Livestock, and implementing partners; program beneficiaries; and representatives of other relevant entities. We also analyzed relevant documentation, including agreements, plans, reports, performance indicators, and financial records.

During the site visits, we verified the implementation of the IDEA-NEW program. At each project site visited, we interviewed staff of implementers and beneficiaries about the success of the project in accomplishing the program's objective and the prospects for sustainability. We reviewed internal controls over data and reporting, tested a random sample of reported data to assess the accuracy of results reported to DAI, and reviewed environmental compliance. During our site visits and interviews, we also discussed the possibility of overlap, conflicting projects, and collaboration with the region's military unit, as well as with other U.S. Government and donor agencies.

MANAGEMENT COMMENTS

MEMORANDUM

May 1, 2012

TO: Nathan Lokos, OIG/Afghanistan Director

FROM: S. Ken Yamashita, Mission Director, USAID/Afghanistan /s/

SUBJECT: Response to Recommendations in Draft Audit of USAID/Afghanistan's Incentive Driving Economic Alternatives for the North, East, and West Program (IDEA-NEW) (Audit Report No. F-306-12-XXX-P)

REFERENCE: NLokos/KYamashita Memo dated March 30, 2012

Thank you for providing the USAID/Afghanistan Mission with the opportunity to review the subject draft audit report. Discussed below are the Mission's comments on the findings and recommendations in the draft Audit Report (Audit Report).

Recommendation 1. *We recommend that USAID/Afghanistan determine whether dissuading Afghans from growing poppy remains an integral objective of this project and, if so, 1) reorient the focus and location of project activities as necessary to achieve the maximum impact on that objective and 2) define and utilize intermediate results, performance indicators, and targets to facilitate the assessment of progress towards that objective.*

Mission Response: USAID/Afghanistan does not concur with this recommendation.

Part 1 of the USAID/Afghanistan Office of the Inspector General's (OIG) recommendation requires the Mission to *"reorient the focus and location of project activities as necessary to achieve the maximum impact..."*

On page 5 of the draft Audit Report, OIG stated in its findings that USAID/Afghanistan directed "DAI to reorient its program to focus only on expanding the licit economy."

USAID/Afghanistan notes that the strategic focus of IDEA-NEW as stated in Attachment 10 – Program Description of the DAI Cooperative Agreement has not changed. While IDEA-NEW's primary program objective was re-phrased to "Licit Economy Expanded in the North, East and West" in the Performance Monitoring Plan (PMP), December 2010 version, the underlying objective of IDEA-NEW remains the same -- to dissuade Afghans from growing poppy seeds.

OIG further stated on page 5 that "implementation of IDEA-NEW activities was not primarily focused in areas that were prone to high poppy growth". We request that OIG provide the basis for this assertion. All of the 14 provinces targeted by IDEA-NEW have produced poppy in the past and are not covered by other USAID Alternative Development programs. Indeed, these provinces produced an average of over 46,000 hectares of poppy from 2002 until 2004. Through combined scope of USG interventions, such as public information, support for eradication, and alternative development activities (of which IDEA-NEW is an important component), the average number of hectares devoted to poppy in IDEA-NEW targeted provinces has decreased to an average of approximately 7,000 hectares from 2009 to 2010. The promotion of licit livelihoods is critical to sustaining this reduction.

The impact of IDEA-NEW in improving farm system options as an alternative to poppy production is best exemplified in Nangarhar Province along Highway 7 from Jalalabad to the Torkum Gate border with Pakistan. The area was a significant producer of poppy up to 2007 (producing nearly 19,000 hectares of poppy), but the combined activities of IDEA-NEW and other GIRoA interventions, particularly security and governance, have led to sustained reductions in poppy production (with production remaining less than 3,000 hectares).

It should be noted that only two of the 14 provinces in which IDEA-NEW is operating have experienced significant increase in poppy production during the life of the program. This includes Badakhshan (with production at 1,705 hectares in 2011, up from 200 hectares in 2008) and Nangarhar (with production at 2,700 hectares in 2011, up from 0 hectares in 2008). The districts in which poppy resurgence occurred have become increasingly inaccessible to IDEA-NEW and GIRoA services given security and governance constraints. In Nangarhar Province, for example, IDEA-NEW had to suspend activities in two districts, Khogayani and Sherzad; thus resulting in a significant resurgence in poppy production.

Part 2 of OIG's recommendation requires that USAID/Afghanistan *"define and utilize intermediate results, performance indicators, and targets to facilitate the assessment of progress towards that objective."*

IDEA-NEW's approved PMP updated in June 2011 (Attachment 1), previously provided to the OIG on August 16, 2011, embodies agreed-upon intermediate results, performance indicators, and targets that would allow assessment of progress toward IDEA-NEW's primary program objective. IDEA-NEW will continue to focus on developing the licit economy as one of the key drivers in reducing poppy production.

Based on the above, the Mission requests that OIG remove Recommendation 1.

Recommendation 2. *We recommend that USAID/Afghanistan modify the Cooperative Agreement to reflect changes in the program to date.*

Mission Response: USAID/Afghanistan concurs with this recommendation.

Action Taken/Planned: With the planned expansion of IDEA-NEW activities to additional provinces and a projected increase in the total estimated amount of the Cooperative Agreement, USAID/Afghanistan sent a formal request to DAI on January 30, 2012 to submit a technical and cost application. The Mission is in the process of reviewing DAI's submission. The agreement will be modified to incorporate required changes in the Program Description as a result of prior PMP revisions and the planned expansion of IDEA-NEW activities to other locations.

Target Completion Date: May 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 2 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 3. *We recommend that USAID/Afghanistan assess the frequent turnover of project staff and address any issues identified as contributing to this turnover.*

Mission Response: USAID/Afghanistan does not concur with this recommendation. The Mission has already taken, and continues to take, reasonable measures to mitigate staff turnover within the constraints of the environment within which the Mission and its staff operate.

Several dangerous incidents arising from the security environment in Afghanistan, which has been designated as a High Threat Environment (as such term is defined under ADS 202.3.6.4(a)) have been a major contributing factor in the high turnover of expatriate program staff. In direct response, USAID/Afghanistan approved DAI's request in March 2012 to renew the sub-award for a security company to ensure the safety of IDEA-NEW staff. The Mission notes that the program has achieved a 97 percent retention rate in its Afghan staff since its inception, which has facilitated strong linkages with the local communities and government, and ensured program continuity despite the high turnover of expatriate staff.

From the USAID program management perspective, it is common knowledge that US Direct Hire (USDH) officers are assigned to post on a one-year tour-of-duty only which is another major contributing factor in the high turnover rate. The Mission has sought to mitigate issues created by turnover in American staff by appointing a foreign service national to serve as the Agreement Officer's Representative (AOR), supported by a USDH Foreign Service officer who serves as the Alternate AOR. In addition, on-site monitor personnel have been appointed in all the regions of implementation to assist the AOR with program monitoring.

Target Completion Date: N/A

The Mission believes that the measures it has taken to mitigate project staff turnover are appropriate and reasonable given security and operational constraints in Afghanistan and therefore requests that OIG remove Recommendation 3.

Recommendation 4. *We recommend that USAID/Afghanistan assess and realign the project budget, as necessary.*

Mission Response: USAID/Afghanistan concurs with this recommendation.

Action Taken/Planned: The Mission reviewed the agreement budget in light of OIG's findings that "as of December 31, 2011, the remaining funds available for program implementation activities for the next two years was only \$11.5 million" and that 52% of funds expended for program implementation pertained to infrastructure projects.

It should be noted that the 5-year budget for the Program Implementation Funds line item is \$29.717 million, of which \$11.963 million is budgeted for Years 4 and 5 of the program. While the deviation from the budget of approximately \$463 thousand (about 1.6% of \$29.717 million) is well within acceptable budgetary standards, the Mission agrees that a realignment of the budget is necessary to shift the emphasis from community level infrastructure projects to other areas such as agriculture, enterprise development, and cross-cutting activities.

As previously discussed, USAID/Afghanistan requested DAI in January 2012 to submit a technical and cost application in line with the Mission's plans to expand the program. The IDEA-NEW agreement budget will be revised accordingly to enable implementation of the revised Program Description. DAI's technical and cost proposal is currently under Mission review.

Target Completion Date: May 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 4 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 5. *We recommend that USAID/Afghanistan remind its staff in writing of the importance of documenting significant meetings, discussions, and decisions that impact USAID projects.*

Mission Response: USAID/Afghanistan concurs with this recommendation and is working with staff to implement accordingly.

Action Taken: In December 2011, the Director of the Mission's Office of Acquisition and Assistance (OAA), issued internal guidance to OAA staff (Attachment 2) reminding them of their responsibility to ensure the accuracy of information provided to USAID recipients. OAA's guidance included a suggested step for the CO/AO to remind the COR/AORs of their responsibility to provide a copy of written communications between the COR/AORs and implementing partners.

In January 2012, the Director of the Office of Agriculture (OAG) issued a memo (Attachment 3) to all OAG staff reminding them of their responsibility to establish and maintain files for the activities they manage. The memo emphasizes the need for AOR/CORs to document actions they take in that capacity and to maintain copies of all correspondence between the AOR/CORs and the recipient, including records of approvals.

Target Completion Date: N/A

The Mission deems the memos issued to date as having adequately satisfied the requirements of Recommendation 5 and therefore requests OIG's concurrence with its closure.

Recommendation 6. *We recommend that USAID/Afghanistan develop a risk-based monitoring plan for the project that includes periodic site visits.*

Mission Response: USAID/Afghanistan does not concur with this recommendation. A risk-based monitoring plan is already in place and is currently being implemented at two levels—at IDEA-NEW by DAI and within the OAG. It should be noted that the current IDEA-NEW PMP already takes into consideration the guidance provided in ADS 202.3.6.4 – Monitoring in High Threat Environments (HTEs).

As stated in the referenced ADS guidance, USAID recognizes the need to keep Mission personnel safe, as well as the need to visit project sites and meet with beneficiaries of development assistance. The guidance sets forth alternative monitoring methods accepted as appropriate for the oversight of activities in HTEs.

USAID/Afghanistan is currently employing alternative methods outlined in the ADS. For example: Field Program Officers at the regional platforms are requested at times to monitor activities and verify results on behalf of the AOR/COR. On-Site Monitors (OSMs) have been identified and designated to serve as "eyes and ears" of USAID in the field to monitor how well the implementing partners are progressing toward achieving the project's purpose. These OSMs will be supported by a Performance Management and Field Coordination Advisor in OAG who will be involved in enhancing the IDEA-NEW PMP as needed.

OAG management, nevertheless, is encouraging its staff to perform field monitoring visits to the extent possible as shown in Attachment 4 (DStinson email dated April 04, 2012). The AOR's capacity has been strengthened through the addition of an alternate AOR to provide mentoring and technical support and to increase the mobility of the AOR to conduct site visits.

On the part of the implementing partner, DAI is working on strengthening its existing Quality Assurance and Control Plan. A local organization has been sub-contracted to augment DAI's internal capacity to carry out its monitoring plan. At the level of the sub-grant implementing partners, DAI will increase monitoring and oversight of their activities by standardizing reporting and conducting periodic data quality reviews.

Given the ADS guidance on monitoring in High Threat Environments and the existence of a PMP that is in line with the ADS guidance, the Mission believes its current monitoring plan adequately addresses the draft Audit Report concerns in this area and is in line with Agency Policy. The Mission therefore requests that OIG remove Recommendation 6.

Recommendation 7. *We recommend that USAID/Afghanistan remind its staff in writing of 1) the importance of site visits, 2) the purpose of site visits, the areas that must be assessed and the tasks that must be completed during site visits, and 3) the documentation requirements for site visits.*

Mission Response: USAID/Afghanistan concurs and has taken appropriate measures to address the recommendation.

Action Taken: OAG's Monitoring and Evaluation (M&E) Officer brings up the topic of site visits at every OAG staff meeting and Team Leader meeting and the need for each person to provide the OAG Monitoring Team with a copy of their completed site visit report. On April 11, 2012, OAG's M&E Officer sent an email to OAG staff (Attachment 5) transmitting a site visit template (Attachment 6) that should be used by AOR/CORs for each site visit. A sample site visit report for IDEA-NEW is shown in Attachment 7.

Note that security concerns have often precluded these visits. This was highlighted during the OIG audit, which was only able to visit 19 (or 53 percent) of the 36 planned project sites because of security concerns. However, with the Mission-wide rollout of the OSM program, the aim is to expand reach/oversight of field implementation through site visits by OSMs that are better located and equipped to deal with Afghanistan's ongoing security challenges. The OSMs receive guidance on reporting when they are nominated.

Target Completion Date: N/A

The Mission deems that the actions described above fully satisfy the requirements of Recommendation 7 and therefore requests OIG's concurrence with its closure.

Recommendation 8. *We recommend that USAID/Afghanistan identify onsite monitors for the project, issue designation letters to those onsite monitors, and formalize the mechanisms for coordination and communication between the agreement officer, the agreement officer's technical representative, and the onsite monitors.*

Mission Response: USAID/Afghanistan concurs and has taken appropriate measures to address the recommendation.

Action Taken: To increase the capacity of USAID/Afghanistan to conduct risk-based monitoring, six OSMs for IDEA-NEW have been identified, certified and formally designated. An additional three OSMs are being trained and certified. USAID/Afghanistan will continue to utilize

OSMs to increase field monitoring to evaluate performance and risks of both DAI and its sub-grantees.

Attachment 8 is a sample IDEA-NEW OSM designation letter. The designation letter itself outlines the mechanisms and protocols for coordination among the AO, the AOR and the OSM, as well as the recipient staff, other USG agencies, GIRoA and other stakeholders.

Target Completion Date: N/A

The Mission deems that the actions described above fully satisfy the requirements of Recommendation 8 and therefore requests OIG's concurrence with its closure.

Recommendation 9. *We recommend that USAID/Afghanistan provide its Office of Agriculture staff with training on how to analyze progress reports submitted by its implementing partners.*

Mission Response: USAID/Afghanistan concurs and has started implementation of this recommendation.

Action Taken/Planned: An Alternate AOR has been appointed to mentor and provide technical support to the AOR. As a result, the AOR has been able to improve the level of analysis of reports received from IDEA-NEW. For example, the bi-weekly reports from December 2011, as well as the 2011 Annual report, were reviewed by the AOR and were returned to the implementing partner for rectification and further analysis. Additional training will be given to all OAG staff in the analysis of reports, identification of risks and detection of common errors. This training will be provided by the OAG M&E Team, and through formal instruction through the OPPD M&E Team in the use of USAID/Afghanistan's Management Information System – Afghan Info 2.0.

Target Completion Date: September 30, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 9 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 10. *We recommend that USAID/Afghanistan require that its implementing partner execute a formal monitoring system that includes 1) the development and execution of annual monitoring plans covering the programmatic and financial aspects of the project; 2) reporting and analysis against those plans; 3) the inclusion of subawardees in those monitoring plans, reporting, and analysis; and 4) the verification of reported results to supporting evidence, including supporting documentation.*

Recommendation 11. *We recommend that USAID/Afghanistan require that its implementing partner document its monitoring system as well as those of its subawardees.*

Mission Response: The Mission would like to request clarification on Recommendations 10 and 11.

The Mission notes the following findings discussed on page 9 of the draft Audit Report:

- 1) DAI does not have a formal process in place to routinely monitor and independently verify the results reported by its subawardees;
- 2) DAI did not have a manual outlining all procedures for data collection and appropriate management and quality assurance/control to guide its staff and subpartners.

We assume that the intent of Recommendations 10 and 11 is to require DAI and its subawardees to develop and implement written policies and procedures that include the elements mentioned in Recommendation 10. IDEA-NEW has a documented PMP (Attachment 1) which covers programmatic aspects of the project. Program reports, including the bi-weekly and quarterly reports, provided analysis against these plans. Budgetary aspects are covered by the approved budget within the Cooperative Agreement. As discussed in Recommendation 6, IDEA-NEW and USAID continue to review opportunities to strengthen the monitoring of implementing partner activities as well as those of the subawardees.

The Mission will provide a formal management decision upon clarification of the recommendations.

Recommendation 12. *We recommend that USAID/Afghanistan provide its implementing partner and subawardees with training covering 1) the definitions of, the accumulation of, and the reporting on performance indicators for the project and 2) the requirement for and the maintenance of evidence, including documentation, supporting results reporting.*

Mission Response: The Mission concurs with this recommendation.

Planned Action: The Mission will provide DAI and its sub-awardees appropriate orientation and training on the IDEA-NEW PMP that is currently undergoing revision and is expected to be approved by June 30, 2012. OAG has an experienced Monitoring and Evaluation Officer on staff that will provide this training and also guide OAG program management personnel on how to monitor and review the IP's reports to ensure the partner is following through with more robust systems. This training will be completed in conjunction with the M&E Team in OPPD training on Afghan Info 2.0.

DAI, through its sub-contractor Rahman Safi Impact (RSI) Consultancy, is drafting a manual that outlines procedures for data collection and includes a management guide for its monitoring and evaluation unit. Additional training, through RSI, will be provided to DAI and its sub-awardees on performance indicators, reporting and collection of supporting documentation.

Target Completion Date: August 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 12 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 13. *We recommend that USAID/Afghanistan establish procedures to verify on a periodic basis the accuracy of the reporting of its implementing partners, including the verification of reported results to supporting documents at the lowest operational level.*

Mission Response: The Mission concurs with this recommendation.

Planned Action: Verification will be supported by the network of OSMs, increased field visits (at least once every quarter) and careful report analysis by the AOR and/or the Alternate AOR. As necessary, third party monitoring will be performed through the Services Under Program and Project Office for Results Tracking Phase II (SUPPORT) program. This contract gives USAID the ability use to short-term technical assistance (STTA) to monitor and evaluate development efforts and programs. The SUPPORT project will be utilized to verify reported results. OAG is also in the process of developing an office-wide monitoring process which will use a

combination of field research, local and national statistics, and modern satellite imagery to understand local and regional impacts in the agricultural sector. This verification process will be on-going throughout the duration of the IDEA-NEW program.

Target Completion Date: OSM monitoring is on-going. The first periodic verification is expected to be completed by September 30, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 13 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 14. *We recommend that USAID/Afghanistan assess whether it still requires biweekly reporting for this project.*

Mission Response: The Mission concurs with this recommendation.

Action Taken: The Mission has reviewed the biweekly reporting requirement and has determined that reducing the number of reports will improve the ability of the implementing partner to ensure quality of reporting, and provide additional time for review of documentation.

In an email dated 02/08/2012 (Attachment 9), the AO informed DAI of the change in bi-weekly reporting to monthly reporting. The AO further advised that this change will be reflected in the agreement modification. DAI's first monthly report was received for February 2012 activities.

Target Completion Date: N/A

Based on a determination that bi-weekly reporting for IDEA-NEW is not required and monthly reporting is adequate, the Mission deems Recommendation 14 to have been fully addressed and therefore requests OIG's concurrence with its closure.

Recommendation 15. *We recommend that USAID/Afghanistan require that its implementing partner 1) develop a detailed written strategy for building sustainability into its activities and projects, 2) develop indicators of sustainability for its activities and projects as well as the project's overall objectives, 3) develop targets for its sustainability indicators, 4) include in its annual work plan both a narrative addressing sustainability during the work plan period and annual targets for its sustainability indicators, and 5) report in its quarterly and annual reports on its progress in the area of sustainability and against its sustainability indicators and targets.*

Mission Response: The Mission concurs with this recommendation.

Planned Action: This recommendation has been incorporated in the Request for Technical and Cost Application (Attachment 10) in line with the revised Program Description. Furthermore, any requests for disposition of assets to beneficiaries are required to include a clear plan for sustainability. The IDEA-NEW PMP is in the process of being redesigned, and will include indicators for sustainability (i.e. financial statements/profitability, accounting systems in businesses being supported, return on investments (adjusted as data becomes available)).

Target Completion Date: June 30, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 15 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 16. *We recommend that USAID/Afghanistan require clear value chain implementation strategies for each sector covered by this project.*

Mission Response: The Mission concurs with this recommendation.

Action Taken/Planned: The implementing partner has already taken significant steps in developing value chain implementation strategies. These value chain implementation strategies, which include three to four per region, have been integrated into the revised Program Description (Attachment 10).

Target Completion Date: May 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 16 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 17. *We recommend that USAID/Afghanistan 1) have a gender assessment performed for each component of the program, 2) incorporate the results of those gender assessments in its IDEA-NEW activities to increase the participation of women.*

Mission Response: The Mission concurs with this recommendation.

Action Taken/Planned: OAG has commenced the procurement of an agriculture sector-wide assessment of gender which will inform all OAG programming, including IDEA-NEW and is expected to be completed by the end of August 31, 2012. IDEA-NEW has been one of the more innovative OAG programs in relation to gender activities.

The program has dedicated budget resources to gender and has worked to integrate gender initiatives across the program and its activities for each of the selected value chains. In support of the Mission's portfolio review, IDEA-NEW provided extensive budget data regarding gender activities in the program. Furthermore, the program presented lessons in gender programming to the inter-agency agricultural working group in April 2012.

Target Completion Date: A Gender Plan is expected to be completed by August 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 17 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 18. *We recommend that USAID/Afghanistan require that its IDEA-NEW implementing partners provide training to their program personnel on how to integrate gender issues into activities, the constraints women confront to participation in the economy, and ways to overcome those constraints.*

Mission Response: The Mission concurs with this recommendation.

Planned Action: The Mission will request IDEA-NEW implementing partner and sub-recipients to provide their staff a gender training program focusing on design of agriculture value chain projects. OAG will provide pertinent information and best practices to IDEA-NEW.

Target Completion Date: Gender training will be provided by August 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 18

and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 19. *We recommend that USAID/Afghanistan require that its IDEA-NEW implementing partners develop and implement a written plan to strengthen ongoing partnership and cooperation with the Department of Women's Affairs, and other stakeholders that are key to increasing the participation of women.*

Mission Response: The Mission concurs with this recommendation. IDEA-NEW has established and maintains a strong working relationship with GIRoA and the Department of Women's Affairs (DoWA) in promoting women's participation in agricultural value chain development. Activities are closely coordinated with the local Shuras and local authority as well. It should be noted that MAIL and the respective Directorates of Agriculture, Irrigation and Livestock (DAILs) are the primary partners for all OAG programs, including IDEA-NEW. Clarification of these relationships will be made more explicit in line with the revised Program Description.

Planned Action: The Mission will request IDEA-NEW implementing partner and sub-recipients to implement the relevant aspects of the OAG Gender Plan to promote women's involvement in agricultural value chains. The plan will be developed in coordination with DoWA, the Directorate of Public Health's Public Nutrition Department, the Home Economics Department within the DAILs, as well as other private sector stakeholders.

Target Completion Date: July 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 19 and therefore requests OIG's concurrence with the Mission management decision.

Recommendation 20. *We recommend that USAID/Afghanistan develop policies and procedures governing its cash for work and community-constructed infrastructure projects. These policies and procedures should include, but not be limited to, sections addressing the selection of beneficiaries, the duration of employment (relating to short-term stability), the employment of minors, safety of workers, and responding to injuries.*

Mission Response: The Mission partially concurs with the recommendation and requests that OIG clarify its findings. USAID/Afghanistan currently requires implementing partners to follow Afghan labor law and applicable environmental and health and safety regulations. It should also be noted that IDEA-NEW will not be conducting future cash-for-work activities (sometimes referred as Community Constructed Infrastructure) under the revised Program Description (Attachment 10).

Based on action taken (as described below), while the Mission could not confirm whether any violations of law occurred, the Mission concludes that (i) implementing partners at the expatriate management level were unaware of any labor law violations, and (ii) implementing partners have demonstrated an appropriate level of concern for preventing such violations and an understanding of the local cultural and political circumstances that promote the risk of such violations.

With respect to the selection of beneficiaries and the duration of employment, USAID implementing partners are strictly prohibited from discriminating in their hiring practices. The political and developmental exigencies of the locality in which the implementing partner is operating, however, must govern the manner in which locally employed workers are determined

eligible for employment and the terms of such employment. The dynamics of ethnic and tribal relations force implementing partners to make politically sensitive decisions in an effort to maintain social and political equilibrium between, and among, neighboring communities. For instance, if there are two eligible potential workers of different ethnicities for only one full-time position, and the creation of two part-time positions diffuses the possibility of inter-tribal conflict due to an imbalance of work opportunities, it is in the best interest of USG Afghanistan development policy for the implementing partners to make such a determination, in good faith, based on existing circumstances.

The Mission requests that the paragraph following the bullet point on page 16 of the draft Audit Report:

- (i) be revised to reflect that the relevant Afghan labor law permits children from the age of 14 to perform light work; and
- (ii) to revise the third sentence to clarify that (a) the term “minor” is not defined under the draft Audit Report and that, as the term was used during interviews, it is not always intended to signify children below the legal working age, and (b) the phrase “Implementing partner staff” refers to full-time managers or supervisors qualified to offer such characterizations of workplace practice.

Action Taken/Planned: The Mission has discussed the most serious findings presented in the draft Audit Report giving rise to the above OIG recommendation with the program implementing partner and undertaken an examination of relevant Afghan labor laws. The implementing partner confirms that it and sub-recipients are currently in compliance with Afghan labor law, including the laws relating the employment of minors. We have further confirmed that the implementing partner and sub-recipients are aware of their obligations with respect to environmental, health and safety standards at project work sites. Finally, the Mission has requested that the implementing partner provide us with any relevant internal workplace safety guidelines they currently have in place for both itself and sub-recipients.

Target Completion Date: July 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 20 within the parameters of US, international and Afghan law and therefore requests OIG’s concurrence with the Mission management decision.

Attachments:

- 1) Approved IDEA-NEW PMP updated 06/20/2011
- 2) Internal Guidance to OAA staff dated 12/5/2011
- 3) KSharp memo dated 01/22/2012
- 4) DStinson email dated 04/ 04/2012
- 5) AHuerta email dated 04/11/2012
- 6) Site Visit Template
- 7) Sample Site Visit Report for IDEA-NEW
- 8) Sample IDEA-NEW OSM designation letter
- 9) N. Holl email dated 02/08/2012
- 10) IDEA-NEW Revised Program Description 01/30/2012 with the DAI Technical Application for Program Expansion.

**Opium Cultivation in Program Provinces
(in Hectares)**

Province	Cultivation 2007	Cultivation 2008	Cultivation 2009	Cultivation 2010	Cultivation 2011	Change 2010- 2011
Kunar	446	290	164	154	578	275%
Laghman	561	425	135	234	624	166%
Nangarhar	18,739	Poppy-free	294	719	2,700	276%
Badakhshan	3,642	200	557	1,100	1,705	55%
Badghis	4,219	587	5,411	2,958	1,990	-33%
Hirat	1,525	266	556	360	366	2%
Nuristan	Poppy-free	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Takhar	1,211	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Kunduz	Poppy-free	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Baghlan	671	475	Poppy-free	Poppy-free	161	NA
Balkh	Poppy-free	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Faryab	2,866	291	Poppy-free	Poppy-free	145	NA
Jawzjan	1,085	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Samangan	Poppy-free	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA
Sari Pul	260	Poppy-free	Poppy-free	Poppy-free	Poppy-free	NA

Source: United Nations Office on Drugs and Crime, Afghanistan Opium Survey 2011.

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