



***Office of Audit
for the Millennium Challenge Corporation***

February 15, 2012

Mr. Daniel Yohannes
Chief Executive Officer
875 Fifteenth Street NW
Washington, DC 20005

Dear Mr. Yohannes:

This letter transmits the Office of Inspector General's final report on the Review of the Millennium Challenge Corporation's Branding and Marking Policies and Practices (Report No. M-000-12-002-S). In finalizing the report, we considered your written comments on our draft report and included those comments in their entirety in Appendix II.

The review report contains seven recommendations to improve MCC's branding and marking policies and practices for investments in its compact countries. We consider that management decisions have been reached on all seven of the recommendations and that final action has occurred on Recommendation 7.

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

Sincerely,

/s/

Mark S. Norman
Acting Deputy Assistant Inspector General
for Audit
Millennium Challenge Corporation

SUMMARY OF RESULTS

The Millennium Challenge Corporation (MCC) asks partners managing branding and marking of MCC-funded U.S. Government assistance to understand the value and importance of communicating two key messages to the public: (1) MCC's compacts are partnerships for poverty reduction with countries committed to improving the lives of their citizens and (2) MCC's compacts are grants made possible by the generosity of the people of the United States.

MCC has designated a Millennium Challenge Account (MCA) in each compact country as the entity responsible for implementing branding and marking there. As of September 30, 2011, MCC had awarded \$8.2 billion in assistance to 23 countries through compact agreements.

This review's objective was to identify MCC's branding and marking policies and practices for its investments in compact countries.

The Office of Inspector General (OIG) found that MCC has branding and marking policies and practices in its compact countries, but improvements could be made to better communicate that MCC's development projects are funded by the American people.

MCC's policies include the *Standards for Global Marking*, which provides guidance to MCAs on branding and marking, and the *Standards for Corporate Marking and Branding*, which provides guidance on the use of MCC's logo. MCC also includes branding and marking requirements in compact agreements, program implementation agreements, MCA contracts, and MCC guidance for closing programs. In practice, MCAs create signs identifying large-scale projects, commemorative signs, or printed materials created for public events that they and MCC participate in, MCA Web sites, and other mechanisms to publicize their projects. However, OIG identified the following weaknesses with MCC's current policies and practices:

- MCC's branding and marking guidance lacks specifics (page 3).
- MCC's branding costs were not known (page 6).

To help MCC improve its branding and marking policies and practices, the report recommends that MCC's Vice President of Congressional and Public Affairs:

1. Revise *Standards for Global Marking* to provide specific requirements to ensure that Millennium Challenge Account logos clearly and consistently acknowledge the generosity of the people of the United States (page 5).
2. Revise *Standards for Global Marking* to require that permanent, durable signs are created and placed at project sites resulting in permanent structures (page 6).
3. Establish and implement procedures for developing, implementing, and approving Millennium Challenge Account communication strategies (page 6).
4. Revise *Standards for Global Marking* to include specific criteria for creating branding and marking manuals (page 6).
5. Revise *Standards for Global Marking* to require each compact country to create a branding and marking manual (page 6).

6. Establish and implement a policy for oversight responsibilities of branding and marking in each compact country (page 6).
7. Establish and implement procedures to account for branding budgets and expenditures in its compact countries to provide the Millennium Challenge Corporation and the Millennium Challenge Accounts cost information to manage their branding and marking efforts (page 6).

Detailed findings appear in the following section. Appendix I contains the scope and methodology. Appendix II contains management comments. Our evaluation of these comments is on page 7 of this report. Appendix III contains examples of MCA logos.

REVIEW FINDINGS

MCC's Branding and Marking Guidance Lacks Specifics

One of MCC's key messages in the *Standards for Global Marking* is that its compacts are grants made possible by the generosity of the American people. The other is that MCC's compacts are a partnership formed with countries committed to improving the lives of their citizens by reducing poverty. These messages are conveyed through MCA logos, manuals, and project signs. However, OIG found several examples in which MCC could do more to strengthen these messages.

MCA logos did not incorporate text acknowledging the generosity of the people of the United States. OIG's review of MCA logos in seven countries (El Salvador, Ghana, Mali, Mongolia, Morocco, Namibia, and Tanzania) found that the logos did not contain language, such as a tagline, that acknowledges the generosity of the American people. Instead, the MCAs used the American flag to communicate that message. OIG also found that the prominence of the American flag in the logos varied; some logos incorporated only a small flag or a portion of it. (Appendix III presents the seven logos.)

In comparison, USAID changed its policy to strengthen this same message.¹ It added language (i.e., a tagline) to its logo to ensure that people understood the assistance came from U.S. taxpayers—thus raising the visibility of American foreign aid.

MCC's *Standards for Global Marking* requires MCA logos to acknowledge the generosity of the American people. However, it does not explain how MCAs should comply with this requirement. In practice, MCC officials allowed the MCAs to use the American flag or elements of the American flag in their logo because it is a symbol easily recognizable overseas.

MCC's post compact recognition guidelines lacked clarity. MCC's branding and marking requirements were not clear on how long project signs should remain at project sites. MCC's *Standards for Global Marking* says the signs should last at least as long as the duration of the compact. However, MCC's compact closeout plan allows MCAs to determine how long project signs should remain at a site after a compact ends.

In comparison, USAID's policy requires contractors to install a permanent, durable, and visible sign, plaque, or other marking after construction or implementation is complete. This requirement applies to visible infrastructure projects (e.g., roads, bridges, buildings) as well as to others (e.g., agriculture, forestry, and water management) that are financed by USAID contracts.

¹ In some instances, OIG compared MCC's policy with USAID's policy, since a Government Accountability Office (GAO) report recognized USAID as having the most comprehensive branding and marking policy compared with other organizations (Government Accountability Office, "Foreign Assistance: Actions Needed to Better Assess the Impact of Agencies' Marking and Publicizing Efforts," Report No. GAO-070277, March 12, 2007).

MCC's *Standards for Global Marking* does not include a specific requirement to create permanent, durable signs on permanent structures like roads and schools built with MCC funding. Instead, the standards imply that signs are required only until the compact ends.

MCA draft communication strategies did not fully convey MCC's messages. OIG's review of four MCA communication strategies found that they did not convey the same key messages stated in MCC's standards.² For example, MCA-Mongolia's communication strategy focused on the compact's objectives—to reduce poverty and increase economic growth—instead of the two key messages outlined in *Standards for Global Marking*.

OIG also found that the communication strategies did not contain the same types of information or the same level of detail. For example, MCA-Mongolia's strategy had detailed information about the MCA, its function, constraints to advocacy and public affairs, the resources it would use, risk mitigation, and its action plan; it also provided a detailed account of the roles and responsibilities for MCA staff members and the MCA's relationship with other stakeholders, such as the U.S. Embassy. In contrast, MCA-Tanzania's communication strategy contained brief discussions about key activities, strategy, and target audience; general and specific objectives for branding and marking; the types of messages it would deliver; the communication channels and tools it would use; the information that could be included in its budget; and an implementation and coordination plan.

USAID's ADS 320.3.2 requires its contractors to create a branding strategy and implementation plan similar to the MCAs' communication strategy. USAID policy requires and provides specific criteria for creating both. For example, the branding strategy explains how the materials and communications are to be positioned (i.e., as from the American people, jointly sponsored by USAID and the host-country government, or in some other way), the desired level of visibility, and any other organizations to be acknowledged. Contractors develop a branding implementation plan to describe how they plan to promote the program to beneficiaries and host-country citizens. It outlines the events and materials the contractor would organize and produce to help USAID deliver the message that the assistance is from the American people.

Although in practice MCAs create communication strategies, MCC's *Standards for Global Marking* does not require it. Furthermore, MCC does not provide specific criteria for developing the communication strategies, including a plan for implementing the strategy. There is also no requirement for obtaining the approval of the strategies.

MCA branding and marking manuals were not required. OIG found that compact countries did not always create branding and marking manuals as suggested by MCC's *Standards for Global Marking*. El Salvador, Mongolia, and Namibia were three of seven compact countries reviewed (43 percent) that created these manuals.

OIG also found that each manual contained various kinds of information. MCA-Namibia's manual contained branding and marking requirements in contracts, while El Salvador's included procedures for branding with other stakeholders.

The lack of standardized manuals occurred because MCC does not require each MCA to create one, nor does it provide specific guidance on how to do so. By creating a manual, MCAs can tailor MCC's *Standards for Global Marking* to their individual needs. The MCA's manual would

² A communication strategy is a document that describes the key messages that the MCA will deliver during compact implementation.

also establish rules and country-specific guidance on the technical aspects for using the MCA brand, such as marking with other stakeholders. This valuable tool could help ensure that a clear, concise message is delivered in each compact country.

Certain MCA project signs did not comply with MCC's policy. OIG found problems with signs at the eight infrastructure project sites visited. MCC's logo was smaller than those of the MCA and other stakeholders on five of the eight signs. In addition, the contractor's logo appeared on six of the eight signs. The image below shows one sign that does not comply.



MCC's *Standards for Global Marking* requires that works projects and projects with locales³ be marked with a sign, plaque, or other device. These signs must promote the MCA's partnership with MCC. They may also include the logos of U.S. Government agencies, the host government, and nongovernmental agencies providing goods and services in collaboration with the MCA. However, MCC's logo must be at least the same size as the other stakeholders. The *Standards for Global Marking* also definitively states that contractor logos may not be displayed or provide any other representation of their company on any material purchased or paid for with MCC funds.

MCC policy does not designate someone responsible for monitoring compliance with branding and marking requirements. More definitive standards and oversight procedures would ensure that MCC achieves its objective by communicating a clear, consistent message in each country throughout the length of the compact. To address all of the above concerns, this audit makes the following recommendations.

Recommendation 1. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs revise *Standards for Global Marking* to require that Millennium Challenge Account logos clearly and consistently acknowledge the generosity of the people of the United States.

³ According to MCC, "projects with locales" are projects resulting in the construction of a structure, like a school.

Recommendation 2. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs revise Standards for Global Marking to require that permanent and durable signage is created and placed at project sites resulting in permanent structures.

Recommendation 3. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs establish and implement procedures for developing, implementing, and approving Millennium Challenge Account communication strategies.

Recommendation 4. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs revise Standards for Global Marking to include specific criteria for creating Millennium Challenge Account branding and marking manuals.

Recommendation 5. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs revise Standards for Global Marking to require each compact country to create a branding and marking manual.

Recommendation 6. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs establish and implement a policy for oversight responsibilities of branding and marking in each compact country.

MCC's Branding Costs

Were Not Known

MCC was not able to provide OIG with how much it spent on branding in each compact country. MCC officials indicated that these costs are classified as general administrative costs or included in the cost of fixed-price contracts, largely for works projects. In comparison, to manage project costs, USAID's policy includes branding cost requirements. It states that branding costs are normally included in the total estimated costs of the bid or offer of a potential contractor.

MCC's *Standards for Global Marking* does not require the MCAs to account for and report branding costs to headquarters. In addition, MCA contracts did not require contractors to segregate branding costs. As a result, MCC does not have the information needed to help oversee branding and marking overseas, and to determine whether insufficient, sufficient, or excessive amounts of compact funds are being spent on these efforts in each country. To address this concern, this audit makes the following recommendation.

Recommendation 7. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs establish and implement procedures to account for branding budgets and expenditures in its compact countries to provide the Millennium Challenge Corporation and the Millennium Challenge Accounts the cost information to manage its branding and marking efforts.

EVALUATION OF MANAGEMENT COMMENTS

MCC's written comments on the draft report are included in their entirety in Appendix II of this report. MCC stated that it agreed with all seven recommendations, although its comments on one indicated that implementing the recommendation would not be cost-effective. OIG's evaluation of the comments appears below.

MCC agreed with Recommendation 1, to revise its *Standards for Global Marking* to provide specific requirements to ensure that Millennium Challenge Account logos clearly and consistently acknowledge the generosity of the American people. MCC revised its global branding and marking guidelines to include a required template for new partner countries. The new template highlights the partnership between the United States and the partner country and ensures that the role of the United States is clearly and immediately recognized. MCC also revised its global branding and marking guidelines to require partner countries to include the "United States of America" when MCC's logo is used. OIG agrees with MCC's management decision. Final action will occur when MCC issues its revised global branding and marking guidelines.

MCC agreed with Recommendation 2, to revise its *Standards for Global Marking* to ensure that permanent, durable signs are created and placed at project sites that become permanent structures. MCC revised its global branding and marking guidelines to require the MCAs to erect durable, permanent signage at all infrastructure sites. OIG agrees with MCC's management decision. Final action will occur when MCC provides issues its revised global branding and marking guidelines.

MCC agreed with Recommendation 3, to establish and implement procedures for developing, implementing, and approving the Millennium Challenge Account communication strategies. In its response, MCC stated that it has revised its global branding and marking guidelines to require MCAs to prepare a communications strategy, which MCC will review and approve. OIG agrees with MCC's management decision. Final action will occur when MCC issues its revised global branding and marking guidelines.

MCC agreed with Recommendation 4, to revise its *Standards for Global Marking* to include specific criteria for creating Millennium Challenge Account branding and marking manuals. Yet MCC's response instead mentions requiring all MCAs to include branding and marking sections in their communication strategies. Nonetheless, MCC's response to Recommendation 5 satisfies this recommendation, and for that reason, OIG agrees with MCC's management decision. Final action will occur when MCC issues its revised global branding and marking guidelines.

MCC agreed with Recommendation 5, to revise its *Standards for Global Marking* to require each compact country to create a branding and marking manual to establish rules and country-specific guidance on the technical aspects of the Millennium Challenge Account brand. In its response, MCC stated that its revised branding and marking guidelines require MCAs to create a manual. MCC will also provide more oversight and guidance on implementation of the technical aspects of the brand. OIG agrees with MCC's management decision. Final action will

occur when MCC issues its revised global branding and marking guidelines.

MCC agreed with Recommendation 6, to establish and implement a policy for oversight responsibilities of branding and marking in each compact country. In its response, MCC stated that it revised its global branding and marking guidelines to clarify branding and marking roles and responsibilities within the MCC and each compact country. OIG agrees with MCC's management decision. Final action will occur when MCC issues its revised global branding and marking guidelines.

Although MCC said it agreed with Recommendation 7, to establish and implement procedures to account for branding budgets and expenditures in its compact countries to provide MCC and MCAs the cost information they need to manage branding and marking efforts, MCC's detailed response indicated that was not the case. In its response, MCC stated that because tracking and monitoring branding and marking costs at a low level of detail would not be cost-effective, it would continue to track communications/public outreach expenditures included in the MCA's administrative budgets.

While OIG would encourage MCC to obtain cost information so that it can monitor these expenditures, OIG believes that MCC's actions to address Recommendations 3 through 6 will strengthen the controls over the branding and marking activities. With this strengthened oversight, MCC should be able to identify anomalies among its compact countries' branding and marking activities and take appropriate action. With that in mind, OIG agrees with MCC's management decision and considers that MCC has taken final action on the recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this review in accordance with *Government Auditing Standards*, July 2007 Revision (GAO-07-731G), specifically Chapters 3 and 7, Sections 7.55 and 7.72 to 7.79. We planned and performed this review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides that reasonable basis.

OIG conducted its fieldwork at MCC headquarters in Washington, D.C., from August 10 to November 17, 2011. OIG designed steps to review MCC's branding and marking policies and practices for compact countries. OIG focused its review on El Salvador, Ghana, Mali, Mongolia, Morocco, Namibia, and Tanzania because OIG conducted audits or reviews of these countries during fiscal year 2011. These countries represent 42 percent or \$3.45 billion of the compacts signed.

Methodology

To answer the review objective, we:

- Interviewed MCC staff to gain an understanding of MCC's branding and marking policies and practices for MCAs.
- Examined and analyzed documents, such as branding and marking guidelines, compact agreements, program implementation agreements, contracts, and compact closure guidelines, to determine what branding and marking requirements MCC has for its compact countries.
- Compared MCC's branding and marking policies with the branding and marking policies and practices of USAID, because its policy is the most comprehensive of several agencies, according to a GAO report.
- Examined the Web sites for MCAs in El Salvador, Ghana, Mali, Mongolia, Morocco, Namibia, and Tanzania, to determine whether they complied with MCC's policies on branding and marking for Web sites.
- Examined select MCAs' branding and marking manuals and draft communication strategies to determine how MCC could improve its guidance to the MCAs.
- Reviewed the MCA logos for the select compact countries to ensure that they complied with MCC's policy.
- Reviewed OIG photographs of signs at infrastructure projects during audits of El Salvador, Mali, Mongolia, Namibia, and Tanzania to determine whether the MCAs complied with MCC's branding and marking policies.

- Reviewed 12 infrastructure contracts for El Salvador, Ghana, Mali, Mongolia, Morocco, Namibia, and Tanzania to determine whether the contracts included branding and marking requirements.
- Interviewed MCC staff to gain an understanding of how MCC and the MCAs capture and use branding costs.

MANAGEMENT COMMENTS



MEMORANDUM

DATE: January 20, 2012

TO: Mark Norman,
Acting Deputy Assistant Inspector General for Audit

FROM: T. Charles Cooper, Vice President, /s/
Department of Congressional and Public Affairs – Audit Follow Up Official

Dear Mr. Norman:

The Millennium Challenge Corporation (MCC) appreciates the opportunity to respond to the Office of the Inspector General's (OIG) draft report on the "Review of the Millennium Challenge Corporation's Branding and Marking Policies and Practices."

MCC's specific responses to the seven recommendations in the draft report are detailed below.

Recommendation 1. We recommend that the Millennium Challenge Corporation's Vice President for the Department of Congressional and Public Affairs revise its Standards for Global Marking to provide specific requirements to ensure Millennium Challenge Account logos clearly and consistently acknowledge the generosity of the people of the United States of America.

MCC response: MCC agrees with this recommendation and with the importance of ensuring Millennium Challenge Account (MCA) logos follow established guidelines and acknowledge the generosity of the people of the United States of America. As a result, MCC revised its global branding and marking guidelines to provide a required template for new partner countries that prominently displays both the American and partner country flags in MCA logos. This new template has been designed to emphasize the partnership between the two countries and to ensure that the role of the U.S. is clearly and immediately recognized. MCC has also modified its guidelines to require partner countries to include "United States of America" in the MCC logo when the logo is being used or displayed by MCAs. These new requirements align with MCC's country ownership model and will increase recognition of the generosity of the people of the United States of America in the countries in which we work pursuant to the statutory

requirement. MCC considers this to be a management decision and final action.

Recommendation 2. We recommend that the Millennium Challenge Corporation's Vice President for the Department of Congressional and Public Affairs revise its Standards for Global Marking to ensure permanent and durable signage are created and placed at project sites resulting in permanent structures.

MCC response: MCC agrees with this recommendation. As part of its newly revised branding and marking guidelines, MCC requires MCAs to erect a durable plaque at all infrastructure work sites. The plaque must be made of sturdy, weather-resistant material, be designed to last until well after the compact ends, and must include the MCC logo. Many compact projects currently include such permanent and durable plaques, but the new requirement will ensure consistency across all compacts and projects going forward. MCC considers this to be a management decision and final action.

Recommendation 3. We recommend that the Millennium Challenge Corporation's Vice President for the Department of Congressional and Public Affairs establish and implement procedures for developing, implementing, and approving the Millennium Challenge Account communication strategies.

MCC response: MCC agrees with this recommendation. MCC has already implemented procedures to ensure MCC and MCA communication strategies are more closely aligned. This includes the "MCC Communications College," which is an important tool for reviewing country strategies, building MCA communications capacity, and promoting message consistency. MCC is also developing a training module and toolkit for MCA field communicators to strengthen capacity and consistency. Finally, MCC's revised global branding and marking manual requires MCAs provide their annual communications plan to the Department of Congressional and Public Affairs for review, input and approval. MCC considers this to be a management decision and final action.

Recommendation 4. We recommend that the Millennium Challenge Corporation's Vice President for the Department of Congressional and Public Affairs revise its Standards for Global Marking to include specific criteria for creating Millennium Challenge Account branding and marking manuals.

MCC response: MCC agrees with this recommendation. Currently several MCAs have branding and marking manuals that are separate from their communication strategies. As part of the newly revised branding and marking guidelines, MCC is now requiring that all MCAs include branding and marking sections in their communication strategies. These new guidelines also provide a template for each MCA's use. MCC considers this to be a management decision and final action.

Recommendation 5.

We recommend that the Millennium Challenge Corporation's Vice President for the Department of Congressional and Public Affairs revise its Standards for Global Marking to require each compact country to create a branding and marking manual to establish rules and country-specific guidance on the technical aspects of the Millennium Challenge Account brand.

MCC response: MCC agrees with this recommendation. MCC's new branding and

marking guidelines require MCAs to create their own branding and marking manuals to establish rules and country-specific guidance on the use of MCC and MCA logos and brands. MCC now requires MCC approval of MCA communications plans and will provide more oversight and guidance on implementing the technical aspects of the brand. MCC considers this to be a management decision and final action.

Recommendation 6. We recommend that the Millennium Challenge Corporation's Vice President for Congressional and Public Affairs establish and implement a policy for oversight responsibilities of branding and marking in each compact country.

MCC response: MCC agrees with this recommendation. The new branding and marking guidelines provide additional clarity regarding branding and marking roles and responsibilities within the MCC and in each compact country. MCC considers this to be a management decision and final action.

Recommendation 7. We recommend that the Millennium Challenge Corporation's Vice President for Compact Operations establish and implement procedures to account for branding budgets and expenditures in its compact countries to ensure that the Millennium Challenge Corporation and the Millennium Challenge Accounts have cost information to manage its branding and marking efforts.

MCC response: MCC agrees with this recommendation. MCC will continue to track communications/public outreach expenditures in MCA administrative budgets. Seeking to breakout costs at a lower level of detail is not cost effective and would generate little or no management benefit. Given the wide distribution of this funding across different project activities, and the relatively small amounts involved, MCC will ensure that MCAs comply with the new branding guideline to ensure that there is appropriate branding and marking of MCC projects. MCC considers this to be a management decision and final action.

Thank you for the opportunity to provide our comments on the draft report. Please contact Pat McDonald, Compliance Officer, if you have any questions or require any additional information.

Examples of MCA Logos

Below are examples of MCA logos that include the American flag or elements of it.

El Salvador



Ghana



Mali



Mongolia



Morocco



Namibia



Tanzania



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