

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

Iraq Economic Development: USAID/Iraq Addressed Compliance Issues but Failed to Monitor Progress Toward Program Goals

Audit Report 8-267-25-001-P
March 18, 2025

Audit



Office of Audits, Inspections, and Evaluations



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

DATE: March 18, 2025

TO: Erin Mone-Marquez
Interim Mission Director
USAID/Iraq

FROM: Gabriele Tonsil /s/
Acting Assistant Inspector General for Audits, Inspections, & Evaluations

SUBJECT: Iraq Economic Development: USAID/Iraq Addressed Compliance Issues but Failed to Monitor Progress Toward Program Goals

This memorandum transmits our final audit report. Our audit objective was to determine the extent to which USAID/Iraq monitored its Durable Communities and Economic Opportunities project's Business Competitiveness and Job Creation Initiative to achieve its goals. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix C.

The report contains two recommendations to improve and strengthen USAID/Iraq's contract and project monitoring processes. The mission agreed with the recommendations. After reviewing information you provided in response to the draft report, we consider both recommendations closed.

We appreciate the assistance you and your staff provided to us during this audit.

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Pursuant to Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to oinotice_ndaa5274@usaid.gov.



Report in Brief

Why We Did This Audit

Since 2003, USAID has assisted Iraq in strengthening and diversifying its economy, including boosting the private sector to create jobs and businesses. USAID and the Department of State developed a joint strategy for the Middle East and North Africa with six interconnected goals, two of which address regional security and strengthening economic growth. In Iraq, these efforts include diversifying the country's economy and boosting the private sector.

USAID/Iraq had four active projects contributing to these economic development goals, the largest being the Durable Communities and Economic Opportunities project (DCEO). One of the main components of DCEO is the Business Competitiveness and Job Creation Initiative (the Initiative), which seeks to foster economic growth, job creation, and business development. The Initiative, which started in June 2020, sought to secure \$25 million in investments and create over 3,000 jobs.

We conducted this audit to assess the extent to which USAID/Iraq monitored the Initiative's efforts to achieve its goals. To do so, we evaluated the extent to which USAID/Iraq had processes in place to identify and correct compliance issues, monitored required performance indicators, and used its third-party monitor to track performance outcomes.

What We Recommend

We made two recommendations to improve and strengthen USAID/Iraq's contract and project monitoring processes. USAID agreed with both recommendations and took corrective action to implement them.

What We Found

USAID/Iraq ensured that compliance issues identified by its third-party monitor were corrected. USAID/Iraq used its third-party monitor to assess and report on compliance issues such as branding and marking during regular site visits. We determined that the nine compliance issues identified by the third-party monitor were adequately addressed by USAID/Iraq.

USAID/Iraq failed to monitor some contractually required performance indicators. USAID/Iraq ensured that the contractor reported results of the nine required performance indicators in fiscal year (FY) 2021 but failed to ensure that the contractor reported results for six of the nine indicators in FY 2022 and 2023. As a result, USAID/Iraq missed an opportunity to gauge the Initiative's progress towards its economic development goals.

USAID/Iraq did not use its third-party monitor to gauge programmatic performance. USAID/Iraq did not use its third-party monitor to conduct performance monitoring for the Initiative and failed to implement other mechanisms to fill gaps in performance monitoring. For example, USAID/Iraq did not have mission staff conduct site visits to provide oversight of the activity, inspect implementation progress, or verify monitoring data. In addition, USAID/Iraq did not contract with another third-party monitor that could better meet its performance monitoring needs. Instead, the mission used its third-party monitor to focus on the contractor's compliance with USAID policies and regulations on branding and marking and environmental standards. Without regular performance monitoring, USAID/Iraq lacks the information needed to assess progress toward the Initiative's goals and make informed decisions about resource allocations.

Introduction

Since 2003, USAID has assisted Iraq in strengthening and diversifying its economy. In 2022, USAID and the Department of State prepared a joint strategy for the Middle East and North Africa with six interconnected goals, two of which address regional security and strengthening inclusive economic growth. To support these goals in Iraq, USAID has assisted in strengthening and diversifying the country's economy, including boosting the private sector to create jobs and businesses.

The USAID Mission in Iraq's (USAID/Iraq) overall economic development goal is to help build a stable and prosperous Iraq. The mission seeks to achieve this goal by focusing on three development objectives: (1) increase citizen confidence and engagement in democratic governance, (2) accelerate inclusive economic growth, and (3) meet the needs of marginalized and vulnerable populations while countering the effect of violent extremism.

In 2022, USAID/Iraq had four active projects contributing to its economic development goal and objectives, one of the largest being the Durable Communities and Economic Opportunities (DCEO) project. One of the main components of the project is the Business Competitiveness and Job Creation Initiative (the Initiative) that began in June 2020. The Initiative, which seeks to foster economic growth, job creation, and business development, planned to secure \$25 million in foreign and domestic investments and create over 3,000 jobs.

We conducted this audit to determine the extent to which USAID/Iraq monitored its DCEO project's Initiative to achieve its goals. To do so, we evaluated the extent to which USAID/Iraq had processes in place to identify and correct compliance issues, monitored required performance indicators, and used its third-party monitor to track performance outcomes.

Our audit scope covered June 2020 through June 2023, which corresponds to the start of the Initiative and includes 3 years of implementation. We traveled to Baghdad, Iraq in October 2023 to conduct fieldwork including interviews of mission and contractor personnel. We reviewed and analyzed documents, including the Initiative's task order contract and amendments; third-party monitor contract and reports; issues tracker; performance monitoring plans; activity monitoring, evaluation, and learning plans; progress reports; and data quality assessment reports covering fiscal years (FY) 2021–2023. We circulated a questionnaire to personnel from USAID/Iraq and contractors to obtain information on their processes for monitoring performance on the Initiative and analyzed the responses. In addition, we interviewed USAID/Iraq staff, including contracting officers (COs), contracting officer's representatives (CORs), and program office directors. We also interviewed staff from the contractor and third-party monitor.

We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

Background

Business Competitiveness and Job Creation Initiative

The DCEO project started in September 2019 and is expected to end in September 2026. USAID/Iraq awarded Chemonics International (Chemonics) a contract with four task orders valued at \$125 million.

Our audit focused on task order 2, the Initiative. The \$30.2 million Initiative started in June 2020 and was designed to increase enterprise competitiveness, create jobs, and expand private sector networks. The Initiative's activities seek to assist firms from diverse sectors like agriculture, food processing, and renewable energy; provide training for entrepreneurs and banks; support small and micro enterprises and farmers; and facilitate investment for medium- and large-sized businesses, and partnerships with associations.

Performance Monitoring

Performance monitoring captures information on the progress of programs and informs decision-making about current and future programming. USAID's Automated Directives System (ADS) 201, "Program Cycle Operational Policy," describes performance monitoring as the ongoing and systematic collection of performance indicator data to reveal whether the Agency is achieving desired results and whether implementation is on track.¹ Furthermore, performance indicators are tools that enable USAID to track progress and compare actual results to expected outcomes.

Per ADS 201, the Agency must ensure that project targets are set for performance indicators before the implementation of major work. A target is a specific, planned level of results to be achieved within a specific timeframe. Targets help USAID staff determine whether the program is making progress according to the expectations originally envisioned. When actual performance data deviates from a target, it should trigger adaptations in program implementation, design, or expectations of results.

The task order for the Initiative has nine performance indicators for which Chemonics is required to report results. According to the interim CO, these indicators are contractually binding. As of FY 2022, USAID/Iraq established 14 performance indicators in its Monitoring, Evaluation, and Learning Plan to monitor the Initiative's progress toward its goals. However, USAID/Iraq included only 3 of the 9 contractually binding indicators among the 14 indicators in the plan. The mission did not include the six remaining contractually binding indicators in the plan, as depicted in Appendix B.

Multiple USAID and external stakeholders are responsible for monitoring program performance on the Initiative:

- **USAID/Iraq's Program Office:** The program office supports the mission's other offices by ensuring compliance with monitoring requirements, promoting best practices for

¹ ADS, Chapter 201, Section 201.6, "Definitions," August 2022.

using monitoring information during implementation, and supporting consistency across monitoring plans.

- **USAID/Iraq’s Contracting Officer:** According to ADS 302, “USAID Direct Contracting,” the Agency’s COs have the authority to sign, negotiate, amend, and administer acquisition awards.²
- **USAID/Iraq’s Contracting Officer’s Representative:** For each activity under management, COs assign certain authorities to a COR to ensure day-to-day technical and administrative oversight. The COR serves as the liaison between the CO and the contractor and is responsible for monitoring the contractor’s performance to ensure that it meets the purpose of the contract. Per ADS 302, the COR’s authority does not include directing the contractor, either in writing or verbally, to make changes to the contract’s statement of work, terms and conditions, total estimated cost or price, or period of performance.
- **Contractor:** According to the contract, Chemonics is responsible for achieving the Initiative’s objectives of promoting business growth by increasing the competitiveness of targeted enterprises to create jobs and strengthening the capacity of trade and business associations to identify, address, and remove constraints to business growth and competitiveness. The interim CO said the contract also requires Chemonics to track results against specified performance indicators.
- **Third-Party Monitor:** Since 2020, USAID/Iraq has had a contract with Management Systems International Inc. (MSI) to serve as its third-party monitor. According to the contract, MSI is responsible for augmenting performance monitoring through verification and activity oversight and outcome monitoring in nonpermissive environments like Iraq, where restrictions and security concerns prevent access and monitoring by Agency staff. MSI is also responsible for assisting USAID/Iraq in reviewing progress against the performance indicators and targets established in the activity monitoring plan.

USAID/Iraq Monitored the Initiative for Regulatory Compliance, but Did Not Consistently Monitor Performance Data Needed to Assess Progress Toward Achieving Its Goals

USAID/Iraq used site visit reports from MSI to identify instances where Chemonics did not comply with Federal and USAID requirements and ensured that the contractor corrected compliance issues. However, the mission did not track six of the nine contractually binding performance indicators that measure how well Chemonics achieved agreed-upon results. Further, USAID/Iraq did not use MSI to help monitor the Initiative’s performance, even though the contract allowed the mission to use its third-party monitor for this purpose.

² ADS, Chapter 302, “USAID Direct Contracting,” partial revision, June 2024.

USAID/Iraq Ensured That the Contractor Corrected Compliance Issues Identified by the Third-Party Monitor

USAID/Iraq used MSI to identify compliance issues during regular site visits of activities and produced regular reports documenting the results of these visits. Specifically, we found that MSI identified issues with Chemonics' lack of compliance with federal regulations and USAID requirements on branding and marking and environmental compliance. In addition, we found that MSI logged the observations and problems it identified and reported to USAID/Iraq in its third-party monitor site visit reports in a separate issues tracker.

To determine whether MSI reported all issues in the tracker and whether USAID/Iraq verified that Chemonics addressed the identified issues, we judgmentally selected third-party monitor reports from July 2022 through September 2022. We selected these months because they were the most recent months during which we conducted audit testing. MSI generated 10 reports during the selected period and 84 total reports during FY 2022. To determine the extent to which USAID/Iraq conducted compliance monitoring, we compared issues from all 10 selected third-party monitor reports against issues MSI reported in the tracker.

We found that 9 of the 10 selected reports identified compliance issues, such as Chemonics' failure to comply with USAID branding and marking requirements and environmental requirements regarding COVID protocols. Based on our review, MSI reported these issues in the tracker, and USAID/Iraq verified that Chemonics addressed all of them. The one remaining report did not identify any compliance issues.

USAID/Iraq Failed to Monitor Contractually Required Performance Indicators in Fiscal Years 2022 and 2023

USAID/Iraq was required to monitor Chemonics' compliance with its contract terms, which include, according to the interim CO,³ reporting the results of nine contractually binding performance indicators. As shown in Table I, Chemonics reported results for all nine indicators for FY 2021. However, for FY 2022 and 2023, Chemonics did not report results for six of the nine indicators.

Table I. Chemonics' Reporting of Performance Indicator Results Required by the Initiative's Contract, FY 2021 – 2023

Performance Indicator	FY 2021	FY 2022	FY 2023
1. Sales of firms receiving U.S-government-funded assistance	✓	✗	✗
2. Number of firms accessing new domestic or international markets	✓	✗	✗
3. Number of members in business associations receiving U.S. government assistance	✓	✗	✗

³ The interim CO filled in for the assigned CO in their absence.

Performance Indicator	FY 2021	FY 2022	FY 2023
4. Number of partner firms participating in business associations	✓	✗	✗
5. Number of policy or regulatory constraints identified	✓	✗	✗
6. Number of new or better private sector jobs created as a result of U.S. government assistance in full-time equivalents ¹	✓	✗	✗
7. Number of firms that have improved management practices or technologies as a result of U.S. government assistance	✓	✓	✓
8. Number of firms receiving U.S. government technical assistance for improving business performance	✓	✓	✓
9. Number of business associations or business service providers receiving U.S. government assistance	✓	✓	✓

✓ Chemonics reported performance indicator results.

✗ Chemonics did not report performance indicator results.

¹ This indicator was removed and a new indicator was introduced in FY 2022 to measure the number of new jobs created by firms receiving USG-funded assistance.

Source: OIG analysis of the Initiative's annual progress reports.

In 2023, the USAID/Iraq COR requested that the CO exercise the option year of the Chemonics contract. In response, the interim CO asked for the results of the nine performance indicators that Chemonics was contractually obligated to report. The interim CO found that Chemonics reported results from only three of the nine indicators. Consequently, USAID/Iraq missed an opportunity to gauge the Initiative's progress toward its goals. According to the interim CO, this occurred because USAID/Iraq personnel failed to monitor whether Chemonics was meeting the contract terms and making progress against the nine performance indicators. To correct this issue, the interim CO modified the contract in August 2023 to emphasize Chemonics' responsibility to report results for all nine contractually binding performance indicators.

Despite the contract modification, USAID/Iraq lacked mechanisms to ensure that its personnel monitored and verified that Chemonics complied with the contract terms, specifically reporting results on all nine contractually binding performance indicators. As a result, the mission may not be able to assess Chemonics' progress in achieving the Initiative's goals.

USAID/Iraq Did Not Use Its Third-Party Monitor to Gauge Programmatic Performance

USAID/Iraq conducted limited performance monitoring of the Initiative. Specifically, USAID/Iraq did not use MSI to aid in its monitoring of the Initiative's performance, even though the contract allowed the mission to request MSI's assistance in reviewing progress against the performance indicators and targets established in the activity monitoring plan. In particular, the contract included multiple outcome monitoring services, such as supporting USAID/Iraq in thinking through the rationale and practicality of targets, assessing progress against timelines

and benchmarks in implementation/work plans, and reviewing progress against the indicators and targets established in the activity monitoring plan. Instead, the mission used MSI to focus on Chemonics' compliance with USAID policies and regulations on branding and marking and environmental standards, as previously discussed.

The COR said that the Agency did not use MSI to monitor the Initiative's performance because MSI lacked the expertise to do so. However, MSI was conducting more in-depth monitoring of two stabilization activities that had a much larger focus on outcomes. In addition, a senior MSI official in Iraq told us the company was capable and willing to do performance monitoring for the Initiative if requested. As a result, it is unclear why MSI lacked expertise to conduct performance monitoring for the Initiative but was seemingly qualified to do so for the two stabilization programs.

In addition, USAID/Iraq failed to implement other mechanisms to fill performance outcome monitoring gaps, such as having mission staff conduct site visits to provide oversight of the activity, inspect implementation progress, and verify monitoring data, or contracting with another third-party monitor that could better meet its performance monitoring needs.⁴ ADS 201 states that operating units must conduct site visits to provide oversight of awards and may use remote methods in nonpermissive environments. By not using either MSI or mission personnel to conduct performance monitoring, USAID/Iraq was not meeting this oversight requirement for the Initiative.

Without regular performance monitoring, USAID/Iraq lacks the information needed to assess progress toward the Initiative's goals and puts U.S. taxpayer dollars at risk of waste and abuse.

Conclusion

For over 20 years, USAID has invested in the economic development of Iraq—a component of the larger U.S. government strategy to strengthen security and inclusive economic growth in the critical Middle East and North Africa region. To support this strategy, the Initiative aimed to secure \$25 million in investments and create over 3,000 jobs. While USAID/Iraq effectively monitored contractor compliance with regulations and requirements, the mission failed to properly assess performance outcomes. Effective performance monitoring would enable the Agency to gauge its progress toward the goals designed to equip the Iraqi people to thrive in a diversified economy.

Recommendations

We recommend that the USAID Mission Director for Iraq take the following actions:

- I. Develop and implement mechanisms to verify that USAID/Iraq personnel responsible for monitoring the Business Competitiveness and Jobs Creation Initiative ensure that the

⁴ Per ADS 201.3.4.9 section B, operating units must perform site visits to provide oversight of agreements/awards, inspect implementation progress and deliverables, verify monitoring data, and learn from implementation. In nonpermissive environments, missions may use remote methods to conduct site visits.

contractor complies with the contract terms to report results on all the Initiative's performance indicators.

2. Conduct and document a determination on the extent to which USAID/Iraq's third-party monitor can be used to enhance performance outcome monitoring of the Business Competitiveness and Jobs Creation Initiative, to include reviewing progress toward indicator targets and results, and act, as needed, to implement alternative monitoring mechanisms based on the results.

OIG Response to Agency Comments

We provided our draft report to USAID/Iraq on January 8, 2025. On February 25, 2025, we received the mission's response, which is included as Appendix C of this report. The mission also provided technical comments that we considered and incorporated, as appropriate.

The report included two recommendations. USAID/Iraq agreed with the recommendations and took corrective action to implement them. Therefore, we consider the recommendations closed.

Appendix A. Scope and Methodology

We conducted our work from July 2022 through January 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objective was to determine the extent to which USAID/Iraq monitored its DCEO project's Initiative to achieve its goals. To do so, we evaluated the extent to which USAID/Iraq had processes in place to identify and correct compliance issues, monitored required performance indicators, and used its third-party monitor to track performance outcomes.

In planning and performing the audit, we gained an understanding of and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to all five components of internal control as defined by the U.S. Government Accountability Office: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Our audit scope covered June 25, 2020, through June 30, 2023, which corresponds to the start of the Initiative and includes 3 years of implementation. We performed our work in Baghdad, Iraq; Frankfurt, Germany; and Cairo, Egypt.

To address the audit objective:

- We gained an understanding of the applicable criteria by reviewing and analyzing regulations, policies, and procedures, including ADS 201 and 302 and their additional guidance; the Agency monitoring tool kit; USAID/Iraq monitoring orders; and applicable Federal Acquisition Regulation requirements.
- We reviewed and analyzed project documents, including the Initiative's task order contract and its amendments; third-party monitor contract and reports; issues tracker; performance monitoring plans; activity monitoring, evaluation, and learning plans; progress reports; and data quality assessment reports covering FY 2021–2023. We also analyzed USAID/Iraq and Chemonics personnel's responses to our questionnaires that covered areas such as the process USAID/Iraq and Chemonics followed to set performance indicators and target values, and the use of the third-party monitor contractor.
- To determine the extent to which USAID/Iraq conducted both compliance and qualitative performance monitoring, we judgmentally selected July–September 2022 as the period of review because they were the most recent months during our audit testing. During this period, MSI generated 10 third-party monitor reports related to the Initiative. We selected all 10 reports for review. MSI generated 84 third-party monitor reports total in FY 2022. Although the results of this sample are not generalizable to the population of third-party monitor reports, we determined that our selection method was appropriate for our audit objectives and would generate valid, reliable evidence to support our findings and conclusions.

- We interviewed USAID/Iraq personnel, including COs, CORs, and program office directors. In addition, we interviewed Chemonics' personnel, including the chief of party; technical staff; and monitoring, evaluation, and learning staff. We also interviewed MSI personnel, including the chief of party, data manager, and field monitors.
- We gained an understanding of USAID's and Chemonics' portfolio management system through virtual walkthroughs. In addition, we accessed the Agency's system to understand its features and review the recorded information pertaining to the tested performance indicators.
- We traveled to Baghdad, Iraq in October 2023 and conducted meetings with USAID/Iraq, Chemonics, and MSI personnel. We planned to visit project sites in Baghdad and Erbil to observe the Initiative's activities; however, these site visits were canceled due to the U.S. Embassy Baghdad's ordered departure. As a result, we could not directly observe the activities. Instead, we conducted alternative procedures by reviewing documentation and obtaining corroborative information. This allowed us to gather sufficient, appropriate evidence that supported our findings and conclusions.

We did not assess reliability of computer-processed data. Audit findings, conclusions, and recommendations were based on interviews, documentation review, and analysis of activity reports, which we determined were sufficiently reliable for reporting purposes.

Appendix B. Performance Indicators in the Initiative’s FY 2022 Monitoring, Evaluation, and Learning Plan

Indicator Number	Indicator Description
Noncontractually Binding Indicators in the Monitoring, Evaluation, and Learning Plan	
1.1	Number of participants in U.S. government (USG) assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment)
1.2	Percentage of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment)
1.3	Number of microenterprises supported by USG assistance
1.4	Percent of individuals who complete USG-assisted workforce development programs
1.5	Percent of individuals with new employment following participation in USG-assisted workforce development programs
1.6	Number of Marla Ruzicka Iraqi War Victims Fund direct beneficiaries
2.2	Number of new jobs created by firms receiving USG-funded assistance
2.3	Percentage change in sales of firms receiving USG-funded assistance
2.5	Value (in USD) of investment associated with USG assistance
2.7	Number of initiatives implemented with USG assistance to improve the business enabling environment or strengthen private sector network
2.8	Percent of USG-assisted organizations with improved performance
Contractually Binding Indicators Included in the Plan	
2.1	Number of firms receiving USG-funded technical assistance for improving business performance
2.4	Number of private sector firms that have improved management practices or technologies as a result of USG assistance
2.6	Number of business associations or business service providers receiving USG assistance
Contractually Binding Indicators Not Included in the Plan	
N/A	Sales of firms receiving USG-funded assistance
N/A	Number of firms accessing new domestic or international markets
N/A	Number of members in business associations receiving USG assistance
N/A	Number of partner firms participating in business associations
N/A	Number of policy or regulatory constraints identified
N/A	Number of new or better private sector jobs created as a result of USG assistance (in full-time equivalents)

Source: OIG analysis of USAID’s FY 2022 Monitoring, Evaluation, and Learning Plan and task order for the Initiative.

Appendix C. Agency Comments



MEMORANDUM

TO: Louis Duncan, Audit Director, USAID OIG Middle East and Eastern Europe Regional Office

FROM: Christine Pagen, A/Mission Director, USAID/Iraq

DATE: February 25, 2025

SUBJECT: Management Comments and Corrective Action Plan to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, Iraq Economic Development: USAID/Iraq Addressed Compliance Issues but Failed to Monitor Progress Toward Program Goals (Task No. 88100522)

This memo serves to communicate Management Comments from the U.S. Agency for International Development in Iraq (USAID/Iraq) to the Office of Inspector General (OIG) on the draft audit report entitled, “Iraq Economic Development: USAID/Iraq Addressed Compliance Issues but Failed to Monitor Progress Toward Program Goals.”

USAID/Iraq requests OIG to reconsider the draft OIG audit report title, “Iraq Economic Development: USAID/Iraq Addressed Compliance Issues but Failed to Monitor Progress Toward Program Goals.” We suggest the OIG audit report be titled: “USAID/Iraq Addressed Compliance Issues but *Insufficiently* Monitored Progress Toward Program Goals.” We again offer factual clarifications in an annex with information that USAID/Iraq previously provided. This revised title more accurately reflects the degree to which USAID assessed Business Competitiveness and Jobs Creation Initiative (BCJCI or “the Initiative”) performance during the audit period.

In addition, USAID/Iraq requests the OIG address suggestions to the report findings prior to its release. The OIG memorandum to USAID, dated January 8, 2025, allows USAID/Iraq to provide supplementary technical comments. USAID is separately providing [Supplementary Technical Comments](#) to clarify several facts and explain how the Mission has ensured that the BCJCI is compliant and performing as expected.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, IRAQ ECONOMIC DEVELOPMENT: USAID/Iraq ADDRESSED COMPLIANCE ISSUES BUT FAILED TO MONITOR PROGRESS TOWARD PROGRAM GOALS, (TASK NO. 88100522)

USAID/Iraq accepts the two recommendations below and has taken decisive action to implement them. Since the OIG initiated this audit on November 29, 2022, USAID/Iraq has made improvements in performance monitoring. USAID/Iraq is committed to the responsible stewardship of foreign assistance, and the responses to these recommendations are outlined below. The BCJCI contract is scheduled to end in June 2025. After reviewing USAID/Iraq's responses and clarifications, we request that the OIG close the recommendations.

1. Develop and implement mechanisms to verify that USAID/Iraq personnel responsible for monitoring the Business Competitiveness and Jobs Creation Initiative ensure that the contractor complies with the contract terms to report results on all the Initiative's performance indicators.
2. Conduct and document a determination on the extent to which USAID/Iraq's third-party monitor can be used to enhance performance outcome monitoring of the Business Competitiveness and Jobs Creation Initiative, to include reviewing progress toward indicator targets and results, and act, as needed, to implement alternative monitoring mechanisms based on the results.

Responses to Recommendations

Recommendation 1: Develop and implement mechanisms to verify that USAID/Iraq personnel responsible for monitoring the Business Competitiveness and Jobs Creation Initiative ensure that the contractor complies with the contract terms to report results on all the Initiative's performance indicators.

- **Management Comments:** USAID/Iraq accepts Recommendation 1 and outlines below the Corrective Action Plan taken to implement the recommendation. USAID/Iraq requests closure of Recommendation 1.
- **Corrective Action Plan:** USAID/Iraq implemented a Corrective Action Plan and fulfilled the requirements of Recommendation 1:

USAID/Iraq scrutinized and revised its internal processes for monitoring and evaluation, including the roles and responsibilities of USAID personnel. These revisions are documented in the updated 2024 [Mission Order #201.3.5-002](#), which serves as a binding standard for all employees across USAID/Iraq.

USAID/Iraq specifically implemented quarterly and annual reviews of the monitoring procedures for BCJCI. During those reviews, USAID/Iraq staff reviewed the updated,

contractually required performance indicators. This is documented in the Durable Communities and Economic Opportunities (DCEO) [annual reports](#). DCEO is the Indefinite Delivery/Indefinite Quantity (IDIQ) contract that includes BCJCI as a Task Order contract; these reports were previously provided to the OIG team.

After USAID/Iraq reviewed BCJCI's performance in these quarterly and annual reviews, USAID/Iraq [amended](#) the BCJCI contract with updated indicators and ensured that staff in technical, program, and contracting offices were aware of the updates and committed to oversight.

Following the amendments, USAID/Iraq staff thoroughly reviewed the contract and the complementary Activity Monitoring, Evaluation and Learning Plan (AMELP). USAID/Iraq personnel ensured that the contract and the AMELP were in sync and that USAID personnel and contractor staff were all fully aware of the requirements and their roles in fulfilling them.

USAID/Iraq adopted a new version of the [third-party monitoring tool](#) to improve monitoring for BCJCI and other USAID/Iraq programs. This tool, discussed in more detail below, is a way for independent field monitors who are neither USAID/Iraq nor BCJCI contractor staff to independently assess performance. It collects data that helps USAID/Iraq personnel assess progress and identify areas of concern. This tool specifically helped ensure that BCJCI reported progress toward every required indicator and that USAID/Iraq staff were aware of the contractor compliance and performance. ([TPM 2.0 Performance Monitoring Report](#)).

USAID/Iraq corrected both the BCJCI-specific issue and implemented processes that will improve performance monitoring for every USAID/Iraq activity. Mechanisms are now in place to ensure accountability for USAID/Iraq personnel responsible for monitoring BCJCI and all USAID-funded activities. These personnel must ensure that contractors comply with contract terms and report results on all performance indicators for each activity.

- **Target Completion Date:** USAID/Iraq has completed a Corrective Action Plan and respectfully requests Recommendation 1 be closed concurrent with the issuance of the report.

Recommendation 2: Conduct and document a determination on the extent to which USAID/Iraq’s third-party monitor can be used to enhance performance outcome monitoring of the Business Competitiveness and Jobs Creation Initiative (BCJCI), to include reviewing progress toward indicator targets and results, and act, as needed, to implement alternative monitoring mechanisms based on the results.

- **Management Comments:** USAID/Iraq accepts Recommendation 2 and outlines below the Corrective Action Plan taken to implement the recommendation. USAID/Iraq requests closure of Recommendation 2.
- **Corrective Action Plan:** USAID/Iraq implemented a Corrective Action Plan and fulfilled the requirements of Recommendation 2.

USAID/Iraq enhanced the way third-party monitors, independent from both the contractor and USAID, monitor activities. In May 2023, USAID/Iraq introduced and piloted an enhanced third-party monitoring approach, called “TPM 2.0,” as an improvement to assess the performance of select activities in the Stabilization portfolio. USAID/Iraq determined that TPM 2.0 could, to a large extent, bolster performance monitoring and review progress toward indicator targets, complementing the oversight that USAID/Iraq personnel provide.

In July 2024, USAID/Iraq collaborated with the contractor for the Performance Management and Evaluation Services (PMES), which provides third-party monitoring services, to extend the TPM 2.0 approach to also include BCJCI, ensuring compliance with well-defined contract terms and undergoing more rigorous performance monitoring. TPM 2.0 enables the independent field monitors to collect data, which is crucial for conducting monitoring when USAID/Iraq staff cannot visit sites for safety and security reasons.

USAID/Iraq has conducted and documented the determination that third-party monitors can enhance performance monitoring. In fact, TPM 2.0 was used to review and document BCJCI performance. It remains an effective mechanism for monitoring performance and complements USAID/Iraq personnel's responsibilities in this area.

USAID/Iraq has used TPM 2.0 to monitor BCJCI indicator targets and results. For instance, TPM 2.0 field monitors conducted 22 participant interviews with BCJCI beneficiaries and engaged key financial institutions. The data they gathered focused on performance outcomes, as well as compliance metrics, and they captured the results in a study that USAID/Iraq can share. Since the audit, USAID/Iraq has implemented more rigorous performance and compliance monitoring of the BCJCI contract.

Target Completion Date: USAID/Iraq has completed a Corrective Action Plan and respectfully requests the closure of Recommendation 2 upon issuance of the final report.



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