



**WILLIAM WILBERFORCE TRAFFICKING VICTIMS
PROTECTION REAUTHORIZATION ACT OF 2008**

**U.S. Agency for International Development
Office of Inspector General
Report to Congress**

January 14, 2011

Introduction

We prepared this report pursuant to the reporting requirements set forth in section 232 of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, Public Law 110-457 (December 23, 2008). That legislation requires the Office of Inspector General to provide the Committee on Foreign Affairs with a summary of our investigative and audit activities over the previous year that involved trafficking in persons.

Summary of OIG Activities

Under the act, OIG is required to examine a sample of contracts containing a heightened risk that a contractor may engage in acts related to trafficking in persons. We conducted three related reviews over the past year.

First, we examined two U.S. Agency for International Development (USAID) contracts in Iraq that we deemed to be at heightened risk because they employed low-wage, low-skilled third-country nationals. Our review of these two contracts,¹ which were valued at a total of \$8 million, found no indication of trafficking in persons. Third country nationals employed under the contracts enjoyed more freedom of movement in their free time than their U.S. counterparts, and none of the contract employees complained of threats, abuse, or coercion. According to these employees, their pay under the contracts was equal to or greater than what they had received from other employers in Iraq. Our review also found that the USAID mission had controls in place to manage the risk of trafficking in persons on its compound, where the contractors operated. These controls included ensuring that the required Federal Acquisition Regulation clause related to trafficking in persons was part of the contracts, conducting meetings with contractor management, site visits of employee living quarters, and having direct communication with the contracted employees.

Nevertheless, one of the two USAID/Iraq contractors did not have employment agreements with its low-skilled, low-wage staff, making them susceptible to abuse. Because the absence of such an agreement is inconsistent with good business practices, we recommended that the mission require the contractor to execute employment agreements that cover applicable wages, benefits, and repatriation costs with all of their low-wage, low-skill employees.

We also examined Millennium Challenge Corporation (MCC) practices to determine what measures MCC had taken to prevent trafficking-in-persons activity. In March 2010, we released a survey of MCC's anti-trafficking policies and procedures.² The survey noted that MCC had instituted processes to identify, address, and guard against forced labor, child labor, and other forms of trafficking and found that MCC had established

¹ USAID/OIG, *Review of USAID/Iraq's Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008*, [Report No. E-267-11-002-S](#), December 12, 2010.

² USAID/OIG, *Survey of the Millennium Challenge Corporation's Policies and Procedures to Address U.S. Government Anti-Trafficking Policy*, [Report M-000-10-001-S](#), March 17, 2010.

compact terms and contract clauses that address trafficking in persons and would allow the arrangements to be terminated if trafficking in persons occurred.³

However, the report also noted that MCC did not have formal policy and written procedures to define how trafficking was to be addressed throughout the compact development process and over the life of the compact. The absence of formal policy and procedures in this regard was of particular concern as it related to the U.S. Department of State's rating of countries' compliance with Trafficking Victims Protection Act of 2000 (P.L. 106-386) minimum standards. Pursuant to the Wilberforce Trafficking Victims Protection Reauthorization Act, countries given the lowest rating (Tier 3) may be subject to the withholding of U.S. Government nonhumanitarian, non-trade-related foreign assistance. In addition, countries placed on the Special Watch List (Tier 2 Watch List) for more than 2 consecutive years are to be given Tier 3 status unless the President waives this requirement. At the time of the survey, MCC had no policies or procedures to address the possibility that an MCC compact-eligible country, or a current MCC compact or threshold country,⁴ would be designated by the Department of State as having Tier 3 or Tier 2 Watch List status for 2 consecutive years.

In response to our survey work, MCC took a number of steps to establish formal anti-trafficking policies and procedures. In February 2010, MCC issued an internal policy on trafficking-in-persons, and in March 2010, it posted a policy that addressed its efforts to combat trafficking in persons on its Web site. MCC officials reported that they were in the process of developing operating procedures to provide guidance on how to assess the trafficking-in-persons risks of specific projects proposed to MCC by the country during compact development process. In addition, MCC communicated with representatives of four Tier 2 Watch List countries with which it works to emphasize the importance of policy and performance addressing trafficking-in-persons issues, as well as to remind them of the risk of automatic downgrade to Tier 3 in 2011. MCC officials indicated that they planned to send similar letters to representatives of three other partner countries with Tier 2 Watch List status early in 2011.

In January 2011, we issued another report on MCC anti-trafficking measures.⁵ We examined a sample of MCC infrastructure contracts in Burkina Faso, Lesotho, Tanzania, and Vanuatu because we considered them to be at heightened risk for trafficking. OIG visits to selected infrastructure project sites in these countries did not reveal any instances of trafficking in persons, and we found that MCC generally included contract provisions intended to prevent trafficking in persons in the infrastructure contracts. Valued at a total of \$251.7 million, these contracts contained a range of different types of trafficking-in-persons-related provisions. Some contracts required the contractor to develop a trafficking-in-persons risk management plan and describe steps taken to minimize related

³ MCC enters into 5-year compacts with foreign governments that pass MCC's eligibility criteria. These compacts are associated with large grant awards.

⁴ MCC awards smaller grants to countries that come close to passing MCC compact eligibility criteria through its threshold program. MCC threshold programs are intended to improve the policy environment in recipient countries.

⁵ USAID/OIG, *Review of the Millennium Challenge Corporation's Approach to Addressing and Deterring Trafficking in Persons*, January 2011.

risks, while others contained clauses that prohibited child labor, sex trafficking, and prostitution. Nevertheless, our review of MCC procurement guidance revealed that guidance on small works procurements did not contain all appropriate anti-trafficking provisions. Consequently, one small works contract we reviewed in Lesotho included a subclause prohibiting the use of child labor but did not address other forms of trafficking-in-persons activity. In response to this finding and our associated recommendation, MCC officials have advised that it plans to make major revisions to its guidance on infrastructure procurements, design/build, and consulting services bidding documents to strengthen trafficking-in-persons requirements for future MCC award recipients.

We did not refer any cases for prosecution for trafficking-in-persons violations in 2010, nor did USAID or MCC terminate any grants, contracts, or cooperative agreements during the year as a result of our trafficking-in-persons assessments.

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