



OFFICE OF INSPECTOR GENERAL

REVIEW OF THE MILLENNIUM CHALLENGE CORPORATION- FUNDED SMALL-SCALE FISHERIES PROJECT IN MOROCCO

REVIEW REPORT NO. M-000-15-004-S
MARCH 30, 2015

WASHINGTON, D.C.



Office of Inspector General

March 30, 2015

Mr. Kamran M. Khan, Vice President
Department of Compact Operations
Millennium Challenge Corporation
875 15th Street, NW
Washington, DC 20005

Dear Mr. Khan:

This letter transmits the Office of Inspector General's *Review of the Millennium Challenge Corporation-Funded Small-Scale Fisheries Project in Morocco* (M-000-15-004-S). In finalizing the report, we considered your written comments on our draft report and included those comments in their entirety in Appendix II, excluding attachments.

The review report contains two recommendations to help MCC operationalize its projects and to improve partner coordination. After reviewing the information provided in response to the draft report, we determined that MCC has taken final action on both.

We appreciate the cooperation and courtesy extended to our staff during this audit.

Sincerely,

/s/

Robert L. Fry
Director, Performance Audits Division
Office of Audit
Millennium Challenge Corporation

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REVIEW RESULTS

On August 31, 2007, the Millennium Challenge Corporation (MCC) signed a \$697.5 million compact with the Moroccan Government. The compact, the biggest awarded at the time, began on September 15, 2008, and ended on September 15, 2013. The compact comprised five projects, the second-largest (\$116.2 million) for small-scale fisheries.¹ The Millennium Challenge Account (MCA)-Morocco was the entity established to implement and manage the compact on behalf of the Moroccan Government.

The funds provided by the compact under the Small-Scale Fisheries Project were to modernize infrastructure for catching, landing, storing, and marketing fish. Major projects included constructing fish-landing sites, improving ports, and constructing wholesale fish markets with refrigeration and auction facilities for improved fish preservation and sales. The compact also provided funds for training fishers on practicing good hygiene and improving fish quality through better handling. Expected benefits included higher-quality fish for sale; increased access to local and export markets, and sustainable fishing, achieved by establishing marine protected areas.

The objective of this review was to determine whether, through its infrastructure efforts, the Small-Scale Fisheries Project improved the quality of the catch, maintained the value chain,² increased access to markets, and led to more sustainable use of fish resources.

Infrastructure projects did not lead to all of the expected improvements because MCA-Morocco did not complete all the projects. It completed 27 of 39 planned infrastructure projects and 3 marine protected areas.³ Of these 30 completed projects, 15 were not operational at compact end. While the completed infrastructure projects may benefit the small-scale fisheries sector if they become operational, the number of unfulfilled projects will prevent full benefits from being realized. Table 1, which appears on the next page, compares expected and actual results achieved. Information on the 15 completed projects that were operational appears on page 4.

¹ OIG previously audited the Fruit Tree Productivity Project, the largest compact project, valued at about \$329 million, and issued the *Audit of the Millennium Challenge Corporation-Funded Fruit Tree Productivity Project in Morocco*, Audit Report No. M-000-12-005-P, June 15, 2012.

² A value chain includes all activities—such as production, marketing, and distribution—required to produce a good or service and deliver it to the final customer. Maintaining the small fisheries value chain in Morocco requires bolstering the supply, which the project sought to do by establishing protected marine areas, and ensuring a continuous cold chain—i.e., keeping fish refrigerated from catch through sale.

³ The compact did not specify an absolute number of infrastructure projects that would be built. Rather, it stated that compact funds would be used for “up to” 39 infrastructure projects. Similarly, the compact included marine protected areas but did not specify the number to be established.

Table 1. Infrastructure Project Results as of September 15, 2013 (Unaudited)

Project	Planned in Compact	Completed Total	Percent of Goal Achieved
Landing site	20	11	55
Port facility	13	11	85
Wholesale fish market	6	5	83
Subtotal	39	27	69
Marine protected area	Unspecified number	3	
Total	39	30	77

The training MCA-Morocco provided was to fishers at fish-landing sites and port facilities, as well as to mobile vendors—who sell their fish from carts they pull themselves or use vehicles or animals to pull. The project provided vendors with motorbikes and coolers to improve product distribution and quality. Table 2 presents the results.

Table 2. Training Results (Unaudited)

Participant	Type of Training	Expected Number of Trainees	Actual Number of Trainees	Percent of Goal Achieved
Small-scale fisher	Improving the quality of the fish for sale by improving fish handling	15,000	19,750	132
Mobile vendor	Improving product marketing and the quality of the fish for sale	2,000	1,234	62

The following problems led to the insufficient results:

- Half the completed projects were not operational by compact end, and 43 percent were operational for less than 1 year before compact end (page 4). MCC expected all the projects to be running 1 year before compact end so that it could make any necessary corrections or adjustments. Because the MCA spent the first 2 years of the compact conducting and analyzing feasibility, environmental, and other required studies, it did not have enough time to launch the facilities it built.
- The project for mobile vendors did not achieve its goals of training and providing motorbikes to the vendors to improve their economic welfare (page 5). Four or more partners were involved in the project in each of the 19 sites, and poor coordination and oversight limited the project's results.

To address these concerns, OIG recommends that MCC's Vice President, Department of Compact Operations:

1. Document the Moroccan Government's progress in making all small-scale fisheries projects operational (page 5).
2. Issue guidance for multipartner projects to strengthen oversight and accountability (page 6).

Detailed findings appear in the following section, and Appendix I contains information on the scope and methodology. Management comments are included in their entirety in Appendix II. Our evaluation of management comments is included on page 7 of the report.

REVIEW FINDINGS

Half the Completed Projects Were Not Operational by Compact End

MCC expected MCA-Morocco to operationalize the compact infrastructure projects 1 year before compact end, according to an MCC official and project documents. “Operationalize” for small-scale fisheries projects means making functional or operational—providing utilities such as electricity, water, and sanitation and the necessary human resources. Operationalization before compact end allows MCC to make corrections and adjustments when necessary so that the projects can meet their goals.

OIG found that 50 percent (15 of 30) of the completed projects were not operational by compact end (Table 3). Of the 15 projects that became operational by compact end, 13 were operational for less than 1 year (43 percent).

**Table 3. Operational Status of Completed Small-Scale Fisheries Projects
September 15, 2013 (Unaudited)**

Project	Total	Operational		Not Operational
		At least 1 year	Less than 1 year	
Landing site	11	1	6	4
Port	11	1	7	3
Wholesale fish market	5	0	0	5
Marine protected area	3	0	0	3
Total	30	2	13	15

MCA-Morocco was unable to get all the projects running before compact end because of accumulated delays. These delays began with required studies—feasibility studies, technical studies, and environmental impact studies—that were not completed before the start of the 5-year compact. Instead, the studies took up 2 years of the compact period, leaving only 3 years to hire the construction contractors, complete construction, and start the projects.

Had MCA-Morocco implemented a plan to require earlier completion of the studies, the delays could have been avoided. With the end of the compact, MCC transferred ownership of the infrastructure to the host country. Host-country implementing partners then assumed responsibility for making each project operational and running them.

OIG previously recommended that MCC revise its compact development guidance to require that studies be completed earlier so that sufficient time is available during the compact period to complete projects. MCC revised its compact development guidance in January 2012, after it awarded the compact to Morocco. Therefore, OIG does not recommend further changes to the compact development guidance.

However, to promote continued monitoring of the working of the infrastructure, we make the following recommendation.

Recommendation 1. *We recommend that the Millennium Challenge Corporation's Vice President, Department of Compact Operations, document the Moroccan Government's progress in making all small-scale fisheries projects operational.*

Project for Mobile Vendors Did Not Achieve Its Goals

The compact between the Moroccan Government and MCC provided that:

MCC funding will provide fresh fish transportation equipment to mobile fish vendors, together with associated technical and training assistance. Specifically, MCC funding will support: (i) up to 30 percent of the cost of approximately 2,000 modern, heavy duty, 3-wheeled motorbikes equipped with insulated [coolers] for preserving fish quality and value; and (ii) technical and training assistance to approximately 2,000 fish vendors in marketing, proper hygiene, product handling, quality preservation, small business management, formation of associations / cooperatives of fish vendors, and access to financial services.

The \$3.3 million project for mobile vendors did not achieve its goals of training 2,000 vendors and providing them with motorbikes equipped with coolers (like the one shown below). Instead, it trained 1,234 mobile vendors, achieving 62 percent of the training goal, and gave motorbikes to 699 of them, achieving 35 percent of the equipment goal.



Some mobile vendors got motorbikes like this, equipped with a cooler. (Photo by OIG, October 2013)

The main reason for not achieving the goals was that MCC and MCA-Morocco did not have an effective plan for overseeing the nationwide project. MCA-Morocco implemented the mobile vendor project in 19 cities throughout Morocco. Because neither MCC nor MCA-Morocco had an office in these cities, both relied on project partners for oversight. However, the partners did not coordinate effectively or designate one entity responsible for monitoring, managing, and enforcing the rules of project. The partners were the National Institute of Human Development, the National Office of Fisheries, the regional governor, and mobile vendor associations.

As a result of poor coordination, the implementation problems went uncorrected and the project did not achieve its goals. Because not all those in the targeted group received training or equipment upgrades, mobile vendors will not maximize their sales potential, increase their incomes, or improve their lives to the extent envisioned by the compact.

To address this concern, we make the following recommendation.

Recommendation 2. *We recommend that Millennium Challenge Corporation's Vice President, Department for Compact Operations, develop and implement guidance for multipartner projects to strengthen oversight and accountability.*

EVALUATION OF MANAGEMENT COMMENTS

MCC generally agreed with the two recommendations in the draft report but said no further action was needed on them. According to the information MCC provided in response to the draft report (dated March 4, 2015), we acknowledge final action on Recommendations 1 and 2.

Recommendation 1. MCC agreed with this recommendation, noting it had already been documenting the Moroccan Government's progress in making all small-scale fisheries projects operational. The Government of Morocco established a unit to monitor the operationalization of the remaining sites after MCA-Morocco closed on January 13, 2014. This follow-on unit provides MCC with monthly progress updates.

Recommendation 2. MCC agreed with the recommendation but planned no corrective action, saying its existing policies and procedures for compact partners are sufficient. MCC provided several examples of guidance given to its compact partners. Nevertheless, OIG encourages MCC to consider providing additional guidance on partnership coordination and accountability.

SCOPE AND METHODOLOGY

Scope

We conducted this review in accordance with the generally accepted government auditing standards in Chapter 3 of *Government Auditing Standards* and with documentation, evidence, and finding development standards in Sections 6.56 through 6.82. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our review objective. We believe that the evidence obtained provides that reasonable basis.

OIG reviewed the \$116.2 million Small-Scale Fisheries Project after the compact ended to determine whether the project was successful. MCC's policy on second compacts states that selection for subsequent compacts is intended only for countries that exhibit successful performance on their previous compact. The information presented in this report will contribute to that knowledge.

We conducted our fieldwork at MCC headquarters in Washington, D.C., from July 10 to September 20, 2013. We conducted site visits in Morocco from September 23 to October 12, 2013. We went to the offices of MCA-Morocco and implementing partners in Rabat and Casablanca, and visited 11 infrastructure projects (4 landing sites, 4 ports, and 3 wholesale fish markets) and 6 mobile vendor associations in northern Moroccan cities.

In performing and planning the review, we reviewed documentation such as the Moroccan compact, implementing entity agreements and contracts, MCA-Morocco's compact closure plan, the project environmental impact assessment, supervisory engineer reports, program transfer agreements, monitoring and evaluation plans, and the compact detailed financial plan.

We reviewed the internal control environment, including the controls for project oversight: independent engineer reports, supervisory engineer progress reports, and MCA-Morocco's progress reports.

Methodology

To answer the first objective, we:

- Interviewed MCC, MCA-Morocco, and Moroccan officials who implemented or oversaw the Small-Scale Fisheries Project to understand the design, implementation, and risks to its sustainability.
- Reviewed and analyzed the compact closure plan, monitoring and evaluation plan, program transfer agreements, supervisory engineer reports, and other project documents to understand the project design and identify problems with and risks to the project.
- Conducted site visits at 11 of 27 infrastructure projects to examine the completeness and quality of the structures, observe their operational status, and identify risks to their sustainability. We judgmentally selected infrequently visited projects and projects in different

phases of operation that met our criteria for location and travel time. The results cannot be projected to the population.

- Interviewed mobile vendors that operate in 6 of 19 locations to determine if the project activities were completed and to identify risks with the project. We judgmentally selected mobile vendors participating in the project and working at the sites we visited. The results cannot be projected to the population.

MANAGEMENT COMMENTS



March 4, 2015

Robert Fry
Director, MCC Performance Audits Division
Office of Audit
USAID
1401 H Street, NW
Washington, DC 20005

Dear Mr. Fry,

I am writing in response to your letter of February 2, 2015, and the Office of Inspector General's (OIG) draft report delivered therewith, entitled *Review of the Millennium Challenge Corporation-Funded Small-Scale Fisheries Project in Morocco* (the "Draft Report"), pertaining to the compact agreement between the Millennium Challenge Corporation (MCC) and the Government of The Kingdom of Morocco, which closed on September 15, 2013 (the "Morocco Compact").

MCC appreciates the opportunity to respond to the Draft Report. MCC's response to the OIG's audit recommendations set forth in the Draft Report are as follows:

OIG Recommendation No. 1: *We recommend that the Millennium Challenge Corporation's Vice President, Department of Compact Operations, document the Government of the Kingdom of Morocco's progress in making all Small-Scale Fisheries Projects operational.*

MCC Management Response:

MCC agrees with this recommendation. Since the Morocco Compact's administrative closure period, which ended on January 13, 2014, the follow-on unit to MCA-Morocco (MCA), which is charged with monitoring the operationalization of remaining sites, has been sending MCC monthly updates.

Two sample reports from the Government of Morocco are attached to this letter.

OIG Recommendation 2: *We recommend that the Millennium Challenge Corporation's Vice President, Department of Compact Operations, develop and implement guidance for multi-partner projects to strengthen oversight and accountability.*

MCC Management Response:

MCC agrees with this recommendation. MCC provides guidance to its compact partners to strengthen oversight and accountability. Such guidance includes but is not limited to MCC's "*Compact Development Guidance*," "*Consultative Process Guidance*," and "*Private and Non-Governmental Sector Engagement Guidance*." Please see the attached documentation.

MCC would like to provide additional information related to the Small-Scale Fisheries Project's components that were cited by the Draft Report as having "problems [that] led to insufficient results."⁴ In fact, MCC and MCA's oversight during the compact term ensured that the project's criteria informed implementation decisions and, therefore, results.

As the Draft Report indicates, the Morocco Compact stated that "up to" 39 sites would receive infrastructure support, including 20 improved landing sites, 13 ports, and six wholesale fish markets. Budget constraints, environmental and social considerations, and an inability to secure titles to land led the exclusion of thirteen sites from consideration.

Regarding the Mobile Fish Vendor Activity, which accounted for 3% of the Small-Scale Fisheries Project, financial constraints and a lack of qualified participants led to a decision to adjust the scope of this activity from 2,000 to 1,300 beneficiaries. The inability to find qualified fish vendors at four locations — Agadir, Fes, Marrakech, and Rabat — accounted for the difference between the revised target of 1,300 and the actual number delivered, 933. Compact partners succeeded in implementing the activity as planned at 14 locations around Morocco.

As of the writing of this letter, 25 of 30 sites, including the three marine protected areas, are reported to be operational. This includes four of the five new wholesale fish markets and all but two of the improved landing sites and two of the ports.

If you have any questions, please feel free to contact MCC's point of contact for audits, Karla Chryar, at 202-722-6805.

Sincerely,

/s/

Kyeh Kim
Principal Deputy Vice President
On behalf of Kamran M. Khan, Vice
President
Department of Compact Operations
Millennium Challenge Corporation

⁴ Office of the Inspector General, "Review of the Millennium Challenge Corporation-Funded Small-Scale Fisheries Project in Morocco," March 2015. Page 2.

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