



USAID
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OFFICE OF INSPECTOR GENERAL

**AUDIT OF
USAID/MADAGASCAR'S
BIOLOGICALLY DIVERSE
FOREST ECOSYSTEM
CONSERVATION PROGRAM**

AUDIT REPORT NO. 4-687-08-002-P
March 14, 2008

PRETORIA, SOUTH AFRICA



USAID
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Office of Inspector General

March 14, 2008

MEMORANDUM

TO: USAID/Madagascar, Acting Mission Director, Barbara Dickerson

FROM: Regional Inspector General/Pretoria, Nathan S. Lokos /s/

SUBJECT: Audit of USAID/Madagascar's Biologically Diverse Forest Ecosystem Conservation Program (Report No. 4-687-08-002-P)

This memorandum transmits our report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments in their entirety in appendix II.

The report includes five recommendations to strengthen USAID/Madagascar's biologically diverse forest ecosystem conservation projects. In response to the draft report, the mission concurred with all five recommendations, provided plans in response to these recommendations, and set target completion dates. Accordingly, management decisions have been reached for all five recommendations

Please provide USAID's Office of Audit, Performance, and Compliance Division (M/CFO/APC) with the necessary documentation demonstrating that final action has been taken on all recommendations.

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

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SUMMARY OF RESULTS

The Regional Inspector General/Pretoria, as part of the Office of Inspector General's fiscal year 2008 audit plan, conducted this audit to determine whether USAID/Madagascar's biologically diverse forest ecosystem conservation projects¹ achieved planned results and to determine the impact. (See page 3.)

Madagascar is endowed with a high level of endemism;² more than 80 percent of its plants and animals are not found anywhere else in the world. Some of the endemic plants are used to treat illnesses such as childhood leukemia, and there are numerous plant species whose benefit is not yet known. The existence of endemic plants and animals is threatened by hundreds of years of detrimental agricultural and other practices that have diminished the forest cover. To address this threat, USAID/Madagascar has been working since 1991 with the Government of Madagascar, the private sector, nongovernmental organizations, local communities, and other donors on conservation of natural resources. (See page 2.)

Out of five project-level results the audit team reviewed, USAID/Madagascar's biologically diverse forest ecosystem conservation projects have achieved three planned results for fiscal year 2007. (See page 4.) USAID/Madagascar's contribution to the conservation of biologically diverse forest ecosystems has resulted in a decrease in deforestation rate in Madagascar. A satellite imaging study conducted in 2007 clearly showed a decrease of annual deforestation rates from 0.83 percent during the 1990s to 0.53 percent from 2000 to 2005. (See page 6.)

USAID/Madagascar followed the new foreign assistance framework in reporting fiscal year 2007 results in its operational plan performance report. However, the mission's environment and rural development strategic objective has not updated its performance management plan to include the operational plan indicators and relevant projects and has not conducted data quality assessments on the indicator data. Further, data reported in the fiscal year 2007 operational plan performance report were not verified for accuracy. In addition, some partners were not adhering to USAID branding requirements. (See pages 7 to 11.)

This report includes five recommendations to assist USAID/Madagascar in improving its efforts to provide proper accountability for its biologically diverse forest ecosystem conservation projects. Specifically, USAID/Madagascar needs to (1) include the operational plan indicators and all relevant projects applicable to operational plan reporting in its performance management plan, (2) complete data quality assessments for the indicator data reported on the operational plan, (3) review and correct all erroneous operational plan performance data, (4) establish procedures requiring verification of operational plan data at the source level, and provide training on data collection and verification methods for the environment and rural development strategic objective team's monitoring and evaluation staff, and (5) inform its responsible mission staff and all of its partners of the USAID branding requirements, and implement a plan to verify partner compliance with these requirements. (See pages 7 to 11.)

Management's comments are included in their entirety in appendix II.

¹ USAID uses the word "activity" to describe a set of actions that use resources such as commodities, technical assistance, and training to achieve specific operational-level results, such as vaccinations given, schools built, loans issued, and so on. This report uses the word "project" in lieu of "activity."

² Endemism means belonging exclusively to or being confined to a particular place.

BACKGROUND

Madagascar has one of the most amazing biodiversities in the world. Tens of millions of years of isolation from the African mainland have resulted in a large number of species that are endemic to Madagascar. The first human encounter with Madagascar's biodiversity occurred only 2,000 years ago. Since then, much of the island's forest—the habitat for Madagascar's unique plant and animal species—has been destroyed. Because 80 percent of Madagascar's population lives in rural areas and makes its living through subsistence agriculture, a large part of the population depends on slash-and-burn cultivation.³ In addition, practices such as charcoal production, mining, logging, oil exploration, hunting, and collecting wild animals for the pet trade are detrimental to the environment. These practices have created erosion, decreased agricultural production, increased rural poverty, and threatened the biodiversity of the Madagascar ecosystem.

Since 1991, USAID/Madagascar has been working with the Government of Madagascar, the private sector, nongovernmental organizations, local communities, and other donors on conservation of natural resources by implementing the three phases of the National Environment Action Plan. Through its strategic objective addressing the conservation of biologically diverse forest ecosystems, the mission's environment and rural development strategic objective team focuses on sustainable forest ecosystems management. Presently working in the three ecoregions of Toamasina, Fianarantsoa, and Anosy, the program has five components based on the following approaches to ecoregional conservation and sustainable development:

- The existence of a strategic vision for the forest ecosystems and a plan as to how best to achieve that vision.
- The establishment of core protection zones for critical biodiversity habitats, which fulfill the need to protect priority natural resources and ecological processes.
- Around these core areas, the establishment of sustainable use zones that may be privately, publicly, or locally managed.
- Within and outside these multiple sustainable use zones, the sustainable use and varying extents of managed land use.
- An emphasis on participation, transparency, and good governance.

At the September 2003 World Parks Congress, the president of Madagascar announced plans to triple the protected area coverage over a 5-year period to 6 million hectares. Called "the Durban vision," this initiative allows the creation of new protected areas to meet the international standard of 10 percent of surface area under protected status. Through its various projects, the mission is helping the Government of Madagascar meet this target. The target has been extended to 2011 and is now included as part of the new Madagascar Action Plan.

USAID/Madagascar's environment program is funded solely by U.S. Government biodiversity earmark funds. For fiscal year 2007, USAID/Madagascar obligated \$3.9 million for the environment program area out of \$6.1 million obligated for all program areas under the biologically diverse forest ecosystem conserved strategic objective.

³ In slash-and-burn cultivation, a portion of the forest is cut and burned for planting rice. After a year or two, the land is left fallow. However, farmers often return to cultivating those fallow fields too quickly, thereby exhausting the soil. Eventually, large areas of forest are transformed into wastelands, upon which nothing can grow—neither rice nor forest.



Photograph of rosie periwinkle—a plant endemic to Madagascar that is used as a medicine for childhood leukemia and other diseases. Photo taken in Madagascar by RIG/Pretoria auditor in December 2007.

AUDIT OBJECTIVE

This audit was conducted at USAID/Madagascar as part of the Office of Inspector General's annual audit plan. The audit was conducted to answer the following question:

- Did USAID/Madagascar's biologically diverse forest ecosystem conservation activity achieve planned results, and what has been the impact?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

Out of the five project-level results reviewed, USAID/Madagascar's biologically diverse forest ecosystem conservation projects had achieved three planned results. (See appendix III for a list of the reviewed results.) Furthermore, the mission's projects of the past 15 years have contributed to the overall long-term conservation of Madagascar's biologically diverse forest ecosystem.

Hectares in areas of biological significance under improved management – In fiscal year 2007, USAID/Madagascar continued to be a primary supporter in the Government of Madagascar's expansion of the Madagascar Protected Area System.⁴ The mission's partners reported that they have accomplished 106 percent of their collective target of 724,423 hectares of biological significance under improved management.

Number of policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation that are implemented as a result of USAID intervention – The partners collectively achieved 92 policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation implemented as a result of their intervention, which is 180 percent of the target of 51. These 92 documents included natural resource agreements and contracts, protected area decrees based on the protected areas code, legal orders based on forest policy, and transfer of management law. The high degree of achievement was primarily due to one partner whose results (68) significantly exceeded its target (18). This occurred because the partner included legally binding traditional documents that structure indigenous systems of community-based resource management. The inclusion of such documents was not anticipated when the target was established.

Number of people receiving training in natural resources management and/or biodiversity conservation as a result of USAID intervention – The Government of Madagascar's development of managed forests included developing tender documents and creating legally recognized structures to evaluate bids and award contracts. This led to the adoption and distribution of a procedures manual on implementing field inventories and bids, establishment of regional forestry commissions, and field-based training of forestry agents from eight regions in inventory and permitting procedures. These improvements contributed to the mission exceeding by 22 people (21 percent) the target of having 105 people receive training in natural resources management and/or biodiversity conservation as a result of USAID assistance.

Hectares put under improved natural resource management – This indicator tracks the number of hectares with forestation/reforestation or improved management of government-held plantations through the following steps: (1) identification of sites through regional forest zoning; (2) prospecting inventory; (3) economic, social, and ecological feasibility studies; (4) management inventory or retained areas for production forestry; (5) development of management plan; (6) environmental assessment; (7) bidding process; and (8) award of contracts to private sectors. Only 0.4 percent of the targeted hectares to be put under improved natural resource management were achieved. The target was not achieved because the Government of Madagascar hesitated to move forward with issuing a competitive permit for a state-owned pine plantation, as well as because of the lengthy process to award contracts.

⁴ The president of Madagascar has committed to tripling protected areas by 2011.

Based on these circumstances, the mission will adjust the fiscal year 2008 target downward by 11,043 hectares.



Photograph of a reforestation nursery that is part of a carbon sequestration project. Photo taken near Andasibe, Madagascar, by RIG/Pretoria auditor in November 2007.

Hectares in areas of biological significance showing improved biophysical conditions – Improved biophysical condition is considered achieved when USAID/Madagascar-supported national parks meet three criteria: (1) devise a protocol (methodology) that specifies the conservation targets and threats to be monitored; (2) implement the protocol at the protected area; and (3) put in place a database and reporting system. Owing to the discovery of financial irregularities at one of the national parks, the implementing partner that provides the data for this indicator froze the funding for all parks it was supporting in 2006. In 2007, the partner began supporting some, but not all, of the national parks it had previously supported in meeting the three criteria described above. As a result, only 66 percent of the fiscal year 2007 target was achieved. This shortfall was beyond the mission's control, as the target for fiscal year 2007 was set with the assumption that there would be full support from the national park system. Once the freeze on the national park system's funding is lifted, achievement should increase.

USAID/Madagascar has contributed to the decrease of annual deforestation rate in Madagascar.

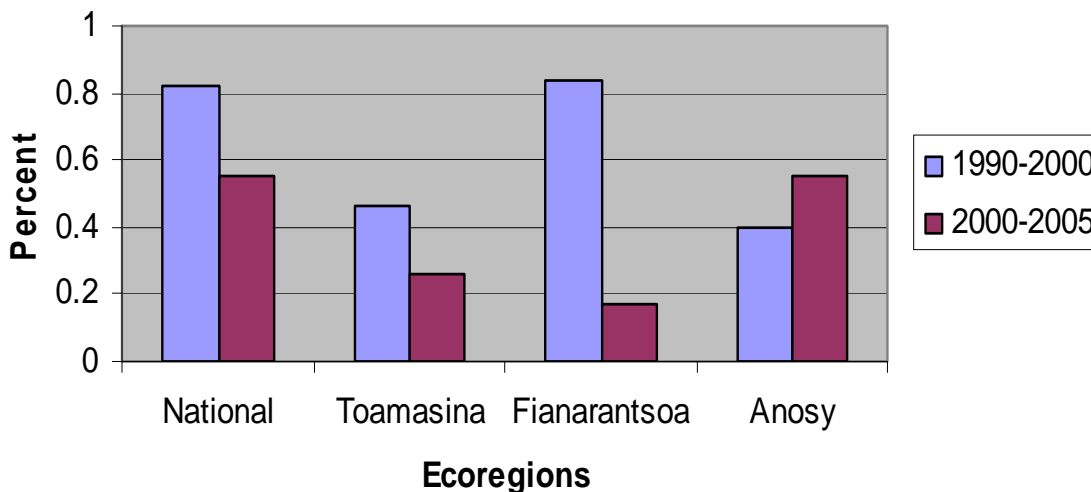
The Government of Madagascar's National Environmental Action Plan (NEAP), which commenced in 1991, is supported by a broad donor coalition, which includes bilateral donors (the United States through USAID; Germany, France, Switzerland, Japan), multilateral donors (the Global Environment Facility, the World Bank and International Development Association,

the United Nations Development Program), and nongovernmental organizations (the World Wide Fund for Nature, Conservation International, the Wildlife Conservation Society).

A satellite imaging analysis conducted in 2007 shows a decrease of annual deforestation rates from 0.83 percent during the period from 1990 to 2000 to 0.53 percent during the period from 2000 to 2005. Furthermore, this satellite imaging also revealed that:

- For the same periods, in two of the three ecoregions where USAID/Madagascar intervenes, the rate had decreased: Toamasina ecoregion from 0.46 percent to 0.26 percent, and Fianarantsoa ecoregion from 0.84 percent to 0.17 percent.
- Deforestation increased in the Anosy ecoregion, from 0.40 percent to 0.55 percent. According to the strategic objective team leader, this increase is due to the lack of USAID-supported complementary livelihood projects to counter threats to natural resources such as slash-and-burn agriculture and use of primary forest for firewood. (See figure 1.)

Figure 1: Annual Deforestation Rate



In addition, a 2005 global forest resources assessment conducted by the Food and Agricultural Organization of the United Nations stated that for the periods between 1990 to 2000 and 2000 to 2005, Madagascar was tied with two other countries with the second highest decrease in the rate of deforestation out of 53 African countries.

To continue making a long-term impact on the forest cover and its environment, the mission's partners are working with the Government of Madagascar and other donors in projects that support conservation of the forest corridors, such as the following:

- Conservation of forest ecosystems through the creation of protected areas and sustainable production forests and the implementation of agro-forestry projects. This expands

biodiversity habitats and maintains ecological linkages to improve carbon sequestration,⁵ which in turn addresses global climate change.

- Comanagement of protected areas by the government and community forest associations. This facilitates dialog and collaboration between the communities and the government, promoting accountability, transparency, and good governance of natural resources.
- A watershed management education program that increases awareness of the hydrological cycle and the impact that land-use decisions may have on water quality and availability.

Although the mission's projects are achieving the aforementioned positive project-level and impact results, the mission could improve on certain areas of its biologically diverse forest ecosystem conservation projects, which should help the program's efficiency and adherence to USAID requirements. These areas are (1) improving the operational plan performance reporting, (2) verifying data at the source level, and (3) compliance with USAID branding requirements.

Operational Plan Performance Reporting Needs Improvement

Summary: The USAID Automated Directives System (ADS) requires performance management plans and data quality assessments for data collected for performance reports. The mission, however, has not updated the environment and rural development strategic objective performance management plan to include the operational plan indicators and projects, and has not completed data quality assessments. The strategic objective team did not take the proper measures to ensure the quality of the performance information in the operational plan performance report because of the short time it had to report on the operational plan performance data. Without a performance management plan and data quality assessments that addressed the biologically diverse forest ecosystem projects, the mission had no assurance that it had been maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

Results-oriented management decisions require valid, current, and reliable information, and the benefits of this approach depend substantially on the quality of the performance information. Accordingly, USAID requires that performance management plans be current and the quality of data be assessed. Specifically, USAID's ADS section 203.3.4.6 states that "...Operating Units should update performance management plans regularly with new performance information as programs develop and evolve." Similarly, ADS 203.3.5.2 states that data reported to USAID/Washington for Government Performance and Results Act reporting purposes or for reporting externally on Agency performance must have had data quality assessments within the three years before submission. Reinforcing this, the Director of U.S. Foreign Assistance has required that USAID continue to use its existing performance management system, which includes performance management plans and the conduct of data quality assessments.⁶

⁵ Carbon sequestration is the removal and storage of carbon from the atmosphere into forests and other ecosystems (such as oceans or soils) that absorb carbon through physical or biological processes, such as photosynthesis.

⁶The Office of the Director of U.S. Foreign Assistance coordinates all U.S. Government foreign assistance.

Despite these requirements, USAID/Madagascar has not updated its environment and rural development strategic objective performance management plan for new or modified performance indicators, some of which had been added or modified when the mission incorporated standard performance indicators established by the Office of U.S. Foreign Assistance. The mission also has not updated the performance management plan to include all relevant projects. Finally, although the mission has started conducting data quality assessments for performance information reports concerning biologically diverse forest ecosystem conservation, those data quality assessments are still at the draft stage.



Photograph of community members taking trees for planting from a nursery to a planting site in Anosy region, Madagascar. Photo taken by a USAID/Madagascar implementing partner in 2006.

According to a mission official, mission staff had assumed that they would not have to report on their operational plan performance until early in 2008. However, they learned in August 2007 that this reporting was actually due in November 2007. As a result, the responsible strategic objective team did not have time to revise its performance management plan or complete the required data quality assessments.

Without an updated performance management plan, USAID/Madagascar lacks a critical tool for planning, managing, and documenting data collection for the biologically diverse forest ecosystem conservation program. The absence of a plan that fully addresses this program has left the mission without all of the elements that are essential to the operation of a credible and useful performance-based management system. Consequently, there are some relevant environmental conservation projects conducted by USAID partners for which all pertinent results are not being captured.

Moreover, without conducting periodic data quality assessments that meet ADS requirements,

the strategic objective team cannot ensure the validity and accuracy of the data reported to the Office of the Director of U.S. Foreign Assistance. Unreliable data can affect the appropriateness of management decisions and the ability of managers to evaluate the effectiveness and efficiency of their programs.

To ensure that operational plan performance reporting reflects all relevant projects and that the data meet the required quality standards, this audit makes the following recommendations:

Recommendation No. 1: We recommend that USAID/Madagascar update its environment and rural development strategic objective performance management plan to include the operational plan indicators and all relevant projects applicable to operational plan reporting.

Recommendation No. 2: We recommend that USAID/Madagascar complete the data quality assessments for operational plan indicators for its environment and rural development strategic objective projects.

Source Data Need to Be Verified

Summary: Mission staff did not verify the accuracy of the implementing partner data collected for the fiscal year 2007 operational plan performance report. The Standards for Internal Control in the Federal Government require that all transactions be completely and accurately recorded. Procedures were not in place to ensure the accuracy of data collected, and the responsible monitoring and evaluation staff were not aware of the need to ensure the accuracy of data collected. This resulted in erroneous data being reported for the fiscal year 2007 operational plan performance report—a report that gauges the fiscal year’s accomplishments.

Although mission environment and rural development strategic objective staff worked closely with the implementing partners in collecting and reporting data for relevant operational plan indicators, they did not verify the accuracy of the data collected for the fiscal year 2007 operational plan performance report.

The Standards for Internal Control in the Federal Government, issued by the U.S. Government Accountability Office, states that all transactions need to be completely and accurately recorded. ADS 203.3.5.3.b states that in order to determine the quality of data collected from implementing partners, verification of data at the source should be considered—ensuring that the data are accurate and consistent. However, adequate procedures were not in place to ensure the accuracy of the data collected from the implementing partners, including verification of data at the source, and the mission’s monitoring and evaluation staff were not aware of the requirement for ensuring the accuracy of data or the importance of verifying data at the source level.

The failure to verify data reported by implementing partners has resulted in reporting of erroneous data for some of the performance results. For instance, for the performance indicator “hectares put under improved natural resource management,” the mission reported 3,709 hectares—11 percent of the planned target—as achieved. However, all of the processes

necessary to classify most of these hectares as “achieved” were not complete. In addition, 61 hectares were excluded because the result achieved through a USAID global development alliance was not included. Consequently, instead of reporting the correct number of hectares, which was 134, an overstated figure of 3,709 hectares was reported.

To ensure that operational plan information reported by USAID/Madagascar is accurate, this audit makes the following recommendations:

Recommendation No 3: We recommend that USAID/Madagascar (a) recalculate the actual fiscal year 2007 operational plan data reported by its environment and rural development strategic objective team, and (b) take measures to restate these amounts in the operational plan database.

Recommendation No. 4: We recommend that USAID/Madagascar’s environment and rural development strategic objective team (a) establish procedures requiring verification of operational plan data at the source level, and (b) provide training on data collection and verification methods for the environment and rural development strategic objective team’s monitoring and evaluation staff.

Lack of USAID Branding

Summary: USAID/Madagascar’s biologically diverse forest ecosystem conservation projects implemented by a major USAID partner were not branded with the USAID logo. ADS 320 requires that USAID projects be permanently marked as U.S. assistance. This lack of branding occurred because the mission did not verify adherence to regulations on branding and marking. Consequently, the objective of USAID’s branding campaign, to better publicize U.S. Government foreign assistance, is not being achieved.

At the project sites of one partner the audit team visited, USAID branding policies were not adhered to. Although the partner consistently included its own logo on all project sites, it did not consistently include the USAID logo. At reforestation and tree-growing nursery sites, the implementer and other donors had their logos on the project signs, but permanent USAID markings were not included.

ADS 320.3.1 states that all USAID-funded foreign assistance must be branded through use of a “Branding Strategy” and marked through use of a “Marking Plan.” Employees involved in program/project implementation must ensure that USAID implementing partners communicate that the American people are providing the assistance. Further, section 4.6 of USAID’s standard graphics manual on branding states that marking program sites is an important part of the Agency’s branding campaign.

The failure to post the USAID branding logo occurred because the mission did not verify adherence to regulations on branding and markings. This lack of emphasis impairs achievement of the objectives of USAID branding campaign.

To ensure that the USAID branding requirement is met by all implementing partners, this audit makes the following recommendation:

Recommendation No. 5: We recommend that USAID/Madagascar inform its responsible

mission staff and all of its partners of USAID's branding requirements, and implement a plan to verify partner compliance with those requirements.

EVALUATION OF MANAGEMENT COMMENTS

In responding to the draft report, the mission management concurred with recommendations no. 1, 2, 3, and 5 and provided plans to implement the recommendations. For recommendation no. 4, the mission discussed the complexity and challenges in verifying data at the source level. Nevertheless, the mission provided its plan to implement that recommendation. The mission's comments and our evaluation of those comments are summarized below.

In response to recommendation no. 1, the mission agreed to update its environment and rural development strategic objective performance management plan to include the operational plan indicators and all relevant projects applicable to operational reporting. The mission anticipates that the revised performance management plan will be finalized and ready for review by mid-April 2008. A management decision is reached for this recommendation.

In response to recommendation no. 2, the mission agreed to complete the data quality assessments for the operational plan indicators for its environment and rural development strategic objective projects. The mission plans to complete the data quality assessments by mid-April 2008. A management decision is reached for this recommendation.

In response to recommendation no.3, the mission will recalculate the actual reported fiscal year 2007 operational plan data and plans to update the operational plan performance report database by mid-April 2008. A management decision is reached for this recommendation.

In response to recommendation no. 4, the mission noted the complexity and challenges in verifying data at the source level and provided examples that emphasize the difficulty in defining the data collected. Nevertheless, the mission agreed with the need for accuracy in compiling and reporting partner data. Accordingly, the mission plans to establish a formal procedure for verifying data at the source level and to provide training to mission staff on data collection and verification no later than June 2008. A management decision is reached for this recommendation.

In response to recommendation no. 5, the partners involved in biologically diverse forest ecosystem conservation projects were instructed to submit their branding and marking plans by mid-March 2008. It was also agreed that the environmental and rural development staff would verify the implementation of this requirement as a standard part of each field visit. A management decision is reached for this recommendation.

The mission's comments are included in their entirety in appendix II.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted Government auditing standards. Fieldwork was conducted at USAID/Madagascar in Antananarivo, Madagascar; at selected sites throughout Madagascar; and through e-mail and telephone followup of fieldwork from November 15, 2007, through January 7, 2008.

The objective of the audit was to determine whether USAID/Madagascar's biologically diverse forest ecosystem conservation projects achieved planned results, and what has been the impact. In conducting this audit, the audit team assessed the effectiveness of internal controls related to USAID/Madagascar's environment program under the biologically diverse forest ecosystem conservation strategic objective.

The audit team identified pertinent controls such as (1) the mission's managing and monitoring the program, (2) the implementing partners' monitoring and reporting of program status, and (3) the mission's annual self-assessment of internal control in accordance with the Federal Managers Financial Integrity Act of 1982 for fiscal year 2007. We also tested internal controls that selected partners had over their data reported to USAID/Madagascar.

The scope of this audit included USAID/Madagascar's biologically diverse forest ecosystem conservation projects carried out during fiscal year 2007. To test whether targets were achieved, we reviewed pertinent documents of two biologically diverse forest ecosystem conservation partners, amounting to 60 percent of USAID/Madagascar's fiscal year 2007 environment and rural development strategic objective funding of \$6.1 million. We conducted 11 site visits at recipient and subrecipient offices in the capital Antananarivo and various sites throughout the country to observe projects, examine the quality of indicators, and verify data.

Methodology

To answer the audit objective, we met with USAID/Madagascar Mission staff in the biologically diverse forest ecosystem conserved strategic objective to gain an understanding of the subject matter. We reviewed relevant documentation produced by USAID/Madagascar, such as cooperative agreements and contracts (including contract amendments and addendums), mission correspondence, internally used worksheets for measuring results, the mission performance management plan, semiannual and annual reports, and field trip and site visit reports by mission staff to partners and subpartners.

In addition, we interviewed partner and subpartner officials responsible for biologically diverse forest ecosystem conservation activity monitoring and implementation. We reviewed their pertinent documents, which included but were not limited to semiannual and annual reports that helped determine the levels of monitoring being carried out and whether progress toward outputs had been achieved. In addition, we conducted field visits to implementing partners' offices and ecological conservation sites to observe operations at various partner and subpartner sites. In part, these site visits included testing data found in progress reports and annual reports and observing program operations.

We identified higher-level results that demonstrated the impact of the mission's contribution to biologically diverse forest ecosystem conservation, including a study that compared the rate of loss of forest cover between 1990 and 2000 versus 2000 to 2005.⁷

To determine if targets for project results were met, we selected all the indicator results for the environment program area of the fiscal year 2007 operational plan performance report, as it is the program area that is directly related to the biodiversity earmark funding and is also associated with projects that are directly related to the environmental conservation of the Madagascar forest corridors.

⁷ We reviewed these prior time periods because higher-level results were not tracked in fiscal year 2007.

MANAGEMENT COMMENTS



USAID
FROM THE AMERICAN PEOPLE

MADAGASCAR

MEMORANDUM

DATE: February 21, 2008

TO: Nathan S. Lokos, Regional Inspector General/Pretoria

FROM: Lisa Gaylord, Environment/Rural Development Team Leader /s/

THROUGH: Barbara Dickerson, Acting Mission Director, USAID/Madagascar /s/

SUBJECT: Mission comments to OIG – draft audit report No. 4-687-08-xxx-P

Please find attached the Mission response to the OIG draft audit report, issued on February 1, 2008.

We would like to thank the OIG auditors for visiting our Mission and working with us to improve our monitoring and control system for the strategic objective “Biologically diverse forest ecosystem conservation” program (SO6). The OIG findings and recommendations will help the Mission put in place an improved overall program performance monitoring system.

Attached you will find our response to the draft audit report. Thank you for your time and thoughtful recommendations. We look forward to receiving the final Audit Report.

OIG audit recommendations

Recommendation No. 1: We recommend that USAID/Madagascar update its environment and rural development strategic objective performance management plan to include the operational plan indicators and all relevant projects applicable to operational reporting.

USAID/Madagascar response: The Mission fully agrees with the recommendation; however it is important to understand the background and timing in which the new operational plan common indicators were introduced to the field by USAID/W. As indicated below, there is an approved SO6 Performance Monitoring Plan (PMP) that has served for the last four years as a useful performance based management system. The nineteen (19) core indicators were developed and harmonized in close collaboration with the Government of Madagascar within the context of the third phase of the National Environment Action Plan (EP3). These were included as part of the Strategic Objective Agreement between USAID and the Government of Madagascar signed in July 2003. They have served as a very critical tool for joint planning, managing, and documenting data collection and results for both SO6 and EP3. As such, we believe these indicators were able to capture the pertinent results under the SO6 programs and projects. The common operational plan indicators provided by USAID/W will continue to supplement these

core indicators to further capture the breadth of the biodiversity program in Madagascar. This is an important distinction in understanding the evolution of the performance management plan.

Background: The Environment/Rural Development (Env/RD) team developed a Performance Monitoring Plan (PMP) for its Strategic Objective 6 (SO6), titled “Biologically Diverse Ecosystems Conserved,” which was approved in April 2005. In June 2006, the Natural Resource Program Manager for the USAID Regional Program Implementation Office in Botswana conducted a review of the Env/RD Program’s PMP. He worked with the SO6 team to improve the definition of the indicators to further improve the monitoring and reporting requirements for the biodiversity earmark.

There were then various decisions that took place which affected the original PMP that included: (1) implementation of the new Foreign Assistance Framework in Aug 2006; 2) State/F requirement that Operating Units beginning in FY07 report against common global level performance indicators established within the context of the new Foreign Assistance Framework; (3) submission of Performance and Accountability Report (PAR) and the Program Assessment Rating Tool (PART) within the Annual Report application; and (4) integration of the PL 480 Title II Food Security program into the Env/RD program in early 2007. Consequently, the Env/RD strategic framework was informally revised and a complementary revised PMP was drafted in July 2007. Given the proximity to a performance audit of the Env/RD program during the first quarter of FY08, it was decided that finalization of the PMP would be postponed until after the audit completion so that audit recommendations could be considered in its finalization.

Corrective actions planned or taken: On February 8, 2008, an e-mail was sent to all Env/RD partners requiring them to update their PMP by April 1, 2008 including the Operational Plan (OP) indicators and to report all relevant data that correspond to the OP indicators for the Program Areas (Environment and Agriculture). The Env/RD team is simultaneously proceeding with the update of the PMP. This includes the following tasks: (1) finalize the revision of the Env/RD strategic framework; (2) update the calendar of performance management tasks; (3) update the OP and program indicators table to include baseline values, targeted and actual values; (4) update the table on threat analysis; and (5) complete the performance indicator reference sheets, clarifying the data source, method of data collection, timing of data collection, and description of known data limitations. The revised PMP should be finalized and ready for review by mid April 2008.

Recommendation No. 2: We recommend that USAID/Madagascar complete the data quality assessments for the operational plan indicators for its environment and rural development strategic objective projects.

USAID/Madagascar response: The mission fully agrees with the recommendation.

Corrective actions planned or taken: The Data Quality Assessment (DQA) forms have already been drafted by secondary sources. In order to complete the DQA, the Env/RD team will: (1) review the DQA information to ensure it is of reasonable quality based on the five data quality standards; (2) review the data collection, maintenance and processing methodology in the forms; and (3) set up a system plan, inclusive of implementing partners, to verify the process of analysis from raw data collection through reporting data. This should be completed by mid April 2008.

Recommendation No. 3: We recommend that USAID/Madagascar (a) re-calculate the actual

fiscal year 2007 operational plan data reported by its environment and rural development strategic objective team; and (b) take measures to restate these amounts in the operational plan database.

USAID/Madagascar response: The mission fully agrees with the recommendation.

Corrective actions planned or taken: As stated above, the Env/RD team met with its partners to discuss all relevant OP indicators for the Env/RD program. We should receive all updated data with supporting documentation by mid March 2008. The Env/RD will recalculate and update the data in the OP and/or Performance Report database. This timeframe is within the OP FY08 preparation when the database is open; therefore this action should be completed by mid-April 08.

Recommendation No. 4: We recommend that USAID/Madagascar's environment and rural development strategic objective team (a) establish procedures requiring verification of the operational database at the source level, and (b) provide training on data collection and verification methods for the environment and rural development strategic objective team monitoring and evaluation staff.

USAID/Madagascar Response: The Env/RD team was fully aware of the need to verify the accuracy of the data reported for its indicators. Procedures were put in place to document the accuracy of the information that was received by the implementing partners; however, the auditors highlighted to the SO6 team that some of these procedures were not adequate enough to verify data at the source level. We would like to provide two examples of the complexity and challenges in verifying data at this level.

For example, it was presumed that verification of the hectares of new protected areas by a Government-issued decree was sufficient as verification at the source level. Rather, the auditors indicated to us that this information needs to be verified by cross referencing geographical coordinates in relation to the actual number of hectares that was reported in the decree. It should be noted that USAID will need to work closely with the Government of Madagascar and the protected area promoters in the verification of this data at the source level. As USAID is not directly involved in implementation, we will be required to request access to the partner's database to verify the relevant source-level data.

Another example is that it was presumed that source-level verification of the number of hectares under improved natural resources management was sufficient through the review of data provided in the applicable Government-issued forest harvesting permit. In this case, our implementing partners are fully involved in the implementation process of this indicator, through assistance in inventories, delimitation, management plans, bidding documents, tenders and tracking of management. Therefore, the source-level data for this indicator, including such documents as the inventory report and other study reports used by our implementing partners, can be reviewed to ensure accuracy and consistency of the reported indicator data.

Corrective actions planned or taken: It should be noted that all Env/RD data come from secondary sources (implementing partners and/or other sources). Most of this information can be verified at the source level. As such, the Env/RD office will set up a formal procedure to verify maximum data at the source level, such as comparison of data between central offices and field sites by end of April 2008. In addition, a workshop to train Madagascar's staff on data collection and verification methods is planned for May/June 2008.

Recommendation No. 5: We recommend that USAID/Madagascar inform its responsible mission staff and all of its partners of USAID's branding requirements, and implement a plan to verify partner compliance with those requirements.

USAID/Madagascar response: The mission fully agrees with the recommendation.

Corrective actions planned or taken: Out of our ten Implementing Partners, all of them have submitted its branding and marking plan except the Jariala Program being implemented by International Resources Group (IRG). The deadline for submission was set for mid-March 2008. It was also agreed that the Env/RD staff would include the verification of the implementation of this requirement as a standard part of each field visit. Checklists for conducting field are now being revised accordingly.

Reviewed Results

The following are the results of our audit and details of USAID/Madagascar's achievement of the five fiscal year 2007 operational plan results⁸ reviewed:

Outputs	Target	Achieved	Percentage Achieved
Number of hectares in areas of biological significance under improved management as a result of USAID assistance (noncumulative)	724,423	766,508	106%
Number of policies, laws, agreements, or regulations promoting sustainable natural resource management and conservation that are implemented as a result of USAID assistance	51	92	180%
Number of people receiving training in natural resources management and/or biodiversity conservation as a result of USAID assistance	105	127	121%
Number of hectares under improved natural resource management as a result of USAID assistance (noncumulative)	34,255	134	0.4%
Number of hectares in areas of biological significance showing improved biophysical conditions as a result of USAID assistance	332,536	219,965	66%

⁸ Although the outputs in the fiscal year 2007 operational plan cite "U.S. Government assistance", USAID/Madagascar has indicated that the term "U.S. Government assistance" actually only refers to USAID.

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