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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S ALTERNATIVE DEVELOPMENT PROGRAM-SOUTHERN REGION

AUDIT REPORT NO. 5-306-08-003-P
MARCH 17, 2008

MANILA, PHILIPPINES



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

March 17, 2008

MEMORANDUM

TO: USAID/Afghanistan Acting Director, Barbara Krell

FROM: Regional Inspector General/Manila, Catherine M. Trujillo /s/

SUBJECT: Audit of USAID/Afghanistan's Alternative Development Program–Southern Region (Audit Report No. 5-306-08-003-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit. In finalizing the report, we considered your comments to the draft report and included the comments in appendix II.

Based on our review of the mission's comments we determined that a management decision has been reached for the one recommendation. A determination of final action for Recommendation No. 1 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

Thanks to you and your staff for the cooperation and courtesy extended to us during the audit.

CONTENTS

Summary of Results	1
Background	3
Audit Objective	4
Audit Findings	5
Did USAID/Afghanistan’s Alternative Development Program/South achieve planned results and what has been the impact?	
Despite Progress, Poppy Production Increased in 2007	7
Program Rollout Slower Than Expected	9
Evaluation of Management Comments	11
Appendix I – Scope and Methodology	12
Appendix II – Management Comments	14
Appendix III – Table A-1: ADP/S Achievements as of September 30, 2007	16

SUMMARY OF RESULTS

The production and trafficking of illicit narcotics poses a serious challenge to the Islamic Republic of Afghanistan (Afghanistan). According to the United Nations Office of Drugs and Crime, production of opium poppies across the entire country increased by 17 percent in 2007. Solving the narcotics problem is widely seen as critical to achieving security in Afghanistan. To help the Afghan Government reduce poppy cultivation, the U.S. Government established a five pillar counternarcotics strategy. This strategy includes incentives to stop poppy growing through alternative development projects, combined with strong disincentives in the form of forced eradication, interdiction, and law enforcement, while spreading the Afghan Government's antinarcotics message through public information activities (see pages 3-4).

In February 2005, USAID/Afghanistan awarded a 4-year \$120 million contract to Chemonics International Inc. (Chemonics) to implement the Alternative Development Program/South (ADP/S)¹ in Helmand, Kandahar, and Uruzgan provinces. In May 2007 supplemental funding raised the contract ceiling to \$166 million. The goals of this program are to accelerate regional economic development and provide new opportunities for Afghans to seek livelihoods in the licit economy; and provide an immediate alternative source of income to poor households whose livelihoods depend on the poppy economy (see page 4).

USAID/Afghanistan's ADP/S achieved some but not all of its planned results. However despite its progress, opium production in the southern provinces continued to rise, diminishing the intended overall impact of ADP/S (see page 5).

USAID/Afghanistan measured its progress under this program against 15 performance indicators. As of September 30, 2007, the mission exceeded its planned targets for six of the indicators, partially achieved its targets for eight indicators, and not achieved its target for one indicator. A complete list of the 15 indicators and the mission's progress as of September 30, 2007, is included as appendix III to this report (see page 16).

Nevertheless, the mission's efforts have had little impact on the overall U.S. strategy for reducing poppy production in Afghanistan. Poppy production in the three southern Afghanistan provinces covered by ADP/S increased by approximately 40 percent in 2007. This increase results from a rise in insurgency activities preventing the mission from delivering alternative livelihoods to key poppy-growing areas, ineffectiveness and corruption in the eradication process, and the lack of rule of law and criminal penalties for growing poppy (see page 7).

In addition, the program could have been more successful had it started when originally planned. Chemonics evacuated its Helmand province staff in May 2005 because of insurgent attacks against its staff and did not return until 4 months later, which had a major impact on the program. Consequently, Chemonics suspended all cash-for-work activities during this period and lost much of its momentum going into the fall 2005 poppy season. Cash for work is a primary activity of ADP/S to help provide an

¹ The Alternative Development Program was formerly known as the Alternative Livelihoods Program.

immediate source of income to farmers as an alternative to growing poppy (see page 9).

A contributing factor to delays was a 9-month lag in the mission approving the contractor's work plan. This report recommends that the mission address the timeliness of review and approval of contractor work plans (see page 10).

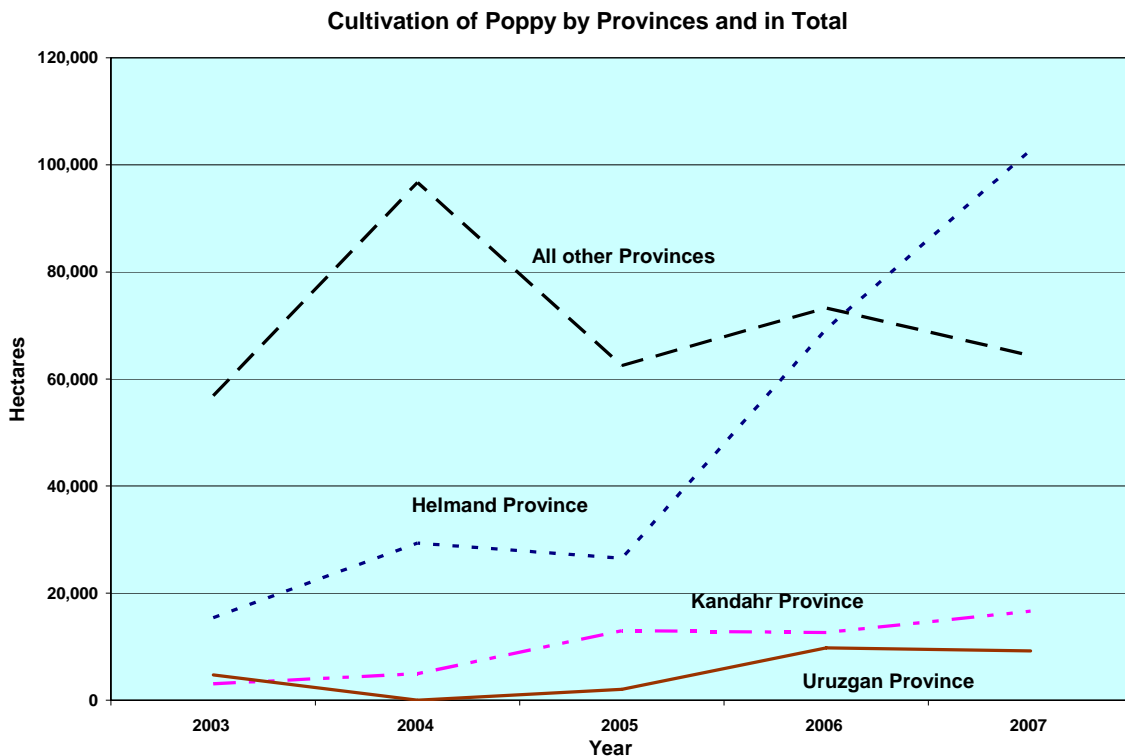
In its response to the draft report, USAID/Afghanistan agreed with the two findings and one recommendation. Based on the Regional Inspector General/Manila's review of the mission's comments the audit determined that a management decision has been reached for the recommendation (see page 11).

USAID/Afghanistan's comments are included in their entirety in appendix II (see page 14).

BACKGROUND

The production and trafficking of illicit narcotics poses the single greatest challenge to the Islamic Republic of Afghanistan (Afghanistan). According to the United Nations Office of Drugs and Crime, production of opium poppies increased by 17 percent across the entire country in 2007. Afghanistan is now the world leader with approximately 93 percent of the illicit opium production, generating revenues equivalent to about 13 percent of Afghanistan's \$7.5 billion gross domestic product in 2007. As figure 1 illustrates, two southern provinces are experiencing an increase in poppy production. A disproportionate 53 percent of the opium crop comes from a single province: Helmand. With just 2.5 million inhabitants, this relatively rich southern province has become the world's biggest source of illicit drugs, surpassing the output of entire countries such as Colombia (coca), Morocco (cannabis), and Myanmar (opium)-which have populations up to 20 times larger. According to the State Department, narcotics revenues breed corruption at virtually all levels of the Afghan Government while providing resources to the Taliban, drug lords, and other terrorist groups.

Figure 1: Poppy Cultivation²



Solving the narcotics problem is widely seen as critical to achieving security in Afghanistan. To this end, the Afghan Government's 2006 National Drug Control Strategy set a goal for securing a sustainable decrease in cultivation, production, trafficking, and consumption of illicit drugs.

² Source: United Nations Office on Drugs and Crime Afghanistan Opium Survey 2007

The U.S. Government strategy focuses on helping Afghanistan disrupt the opium-based economy and strengthen the central government's control over the country. To address these objectives comprehensively, the U.S. Government has focused on helping the Afghan Government implement the first five parts of the Afghan National Drug Control Strategy. This strategy includes incentives to stop growing opium poppy through alternative development projects, combined with strong disincentives in the form of eradication, interdiction, law enforcement, and spreading the Afghan Government's antinarcotics message through public information activities. The U.S. Embassy/Afghanistan's Bureau of International Narcotics and Law Enforcement Affairs oversees the counternarcotics strategy and coordinates with the various cognizant U.S. and Afghan Government agencies.

In December 2004, USAID/Afghanistan launched its alternative development program to provide economic alternatives to the production of opium poppy in Afghanistan. Under this program, in February 2005, USAID/Afghanistan awarded a 4-year, \$120 million contract to Chemonics International Inc. (Chemonics) to implement the Alternative Development Program/South³ (ADP/S) in Helmand, Kandahar, and Uruzgan provinces.

ADP/S' goal is to accelerate broad-based, sustainable regional economic development in ways that provide new opportunities for the population in the southern provinces of Afghanistan to seek livelihoods in the licit economy. The program has two objectives: (1) to help accelerate licit economic growth and business activity in selected provinces in which poppy cultivation is thriving, and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

In May 2007, supplemental funding increased the contract ceiling to \$166 million with an end date of September 30, 2009. As of September 30, 2007, USAID/Afghanistan had obligated \$76 million and disbursed \$60 million for ADP/S activities.

AUDIT OBJECTIVE

The Regional Inspector General/Manila conducted this audit as part of its fiscal year 2008 annual audit plan to answer the following question:

- Did USAID/Afghanistan's Alternative Development Program/South achieve planned results, and what has been the impact?

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

³ The Alternative Development Program was formerly known as the Alternative Livelihoods Program.

AUDIT FINDINGS

USAID/Afghanistan's Alternative Development Program/South (ADP/S) achieved some, but not all, of its planned results. However, despite its progress, opium production in the southern provinces continued to rise, diminishing the intended overall impact of the ADP/S program.

USAID/Afghanistan measured its progress under this program against 15 performance indicators. As of September 30, 2007, the mission had exceeded its planned targets for six of the indicators, partially achieved its targets for eight indicators, and not achieved its target for one indicator.

A complete list of the 15 indicators and the mission's progress as of September 30, 2007, is included as appendix III to this report.

The following are examples where USAID/Afghanistan exceeded its targets including creating jobs and training farmers in agricultural practices:

- **Number of seasonal and full-time jobs created.** ADP/S exceeded its target for providing full-time and seasonal employment. Specifically, ADP/S has created 133 fulltime jobs of 100 targeted and 13,741 seasonal jobs of 2,000 targeted, through infrastructure projects such as farm-to-market roads, canal dredging, and cash-for-work programs.
- **Farmers trained in agricultural practices in targeted poppy provinces under ADP/S.** ADP/S exceeded its target of 16,355 by providing training for 16,896 farmers. For example, ADP/S assisted farmers in Kandahar with rehabilitating pomegranate orchards, including providing advice on pest management, irrigation, and harvesting. In addition, the program worked with Union of Fresh Fruit Growers Kandahar-which represents the farmers exporting products-to provide technical training in cold chain management and maintenance; grading, packing, and precooling products before export. As a result of this effort, 782 tons of pomegranates were exported to India, the United Arab Emirates, the United Kingdom, Singapore, and Canada through the end of November 2007.

The following are examples where USAID/Afghanistan partially achieved its targets:

- **Number of hectares devoted to licit agricultural production.** For security reasons, the mission was unable to work in large poppy-growing areas. Still, the mission achieved 74 percent of its target. However, in response to the security crisis, the mission is focusing its resources on areas where it can go in and work with village elders and farmers. Specifically, the mission is distributing chili seedlings and wheat seeds as an alternative to poppy in the villages of Aynak, Bolan, Qale-i-Bost, and Karez in Helmand province.

- **Total labor days for cash for work.** Cash-for-work programs were slightly behind schedule. However, the mission has greatly accelerated the program and plans on continuing to use cash for work to support its other efforts under ADP/S. For example, ADP/S initiated a cash-for-work program to clean the irrigation canal leading to the village of Karez in Helmand Province. The mission met 88 percent of its target in this area.



Photograph of a cobblestone farm-to-market road built under the cash-for-work program. (Office of Inspector General, November 2007).

Finally, the mission did not achieve its target for the following indicator:

- **Number of business enterprises assisted.** The mission intended to assist 11 businesses, but had not provided any assistance as of September 30, 2007. Owing to budgetary constraints, the program is behind schedule. With the supplemental funding being provided and dedicated toward building an industrial/agricultural park in Lashkar Gah and modernizing the neighboring Bost airport, the mission is confident that it will meet its target. The industrial park will include a feed mill, juicing facility, cold storage facilities, and a poultry processing center. It is estimated that 1,200 new full-time jobs that are directly related to the industrial/agriculture park and another 11,300 indirect jobs, such as contract farms, will be created.

Despite the mission's achievements, poppy production in the southern provinces of Afghanistan has increased and delays have occurred in program implementation. These areas are discussed below.

Despite Progress, Poppy Production Increased in 2007

Summary: Despite providing alternative livelihoods, the mission's efforts have had little impact on the overall U.S. strategy for reducing poppy production in Afghanistan. Poppy production in the three southern provinces covered by ADP/S increased by approximately 40 percent in 2007. This increase resulted from a rise in insurgency activities preventing the mission from delivering alternative livelihoods to key poppy-growing areas, the ineffectiveness and corruption in the eradication process, and the lack of rule of law and criminal penalties for growing poppy.

Poppy cultivation increased in southern Afghanistan in 2007, particularly in Helmand province. According to the Afghanistan Opium Survey 2007 published by the United Nations Office on Drugs and Crime (UN Afghanistan Survey), opium poppy cultivation in Helmand province increased by almost 50 percent and reached 102,770 hectares, compared to 69,324 hectares in 2006. Fifty-three percent of total opium poppy cultivated in Afghanistan in 2007 came from Helmand province. Thus, this one province produced almost as much opium poppy in 2007 as all of Afghanistan in 2005. In Kandahar province, opium poppy cultivation increased by approximately one-third to 16,615 hectares in 2007. Uruzgan province experienced a slight decrease in 2007; however, the small gains made in Uruzgan are overshadowed by the overall effect for all provinces covered by ADP/S, which is a significant increase in poppy cultivation as shown in table 1.

Table 1: Opium Poppy Cultivation Trends in Southern Afghanistan (2003-2007)⁴

Province	2003	2004	2005	2006	2007	Percentage Change 2006-2007
Helmand	15,371	29,353	26,500	69,324	102,770	48%
Kandahar	3,055	4,959	12,989	12,619	16,615	32%
Uruzgan	4,698	N/A	2,024	9,773	9,204	-6%
Subtotal	23,124	34,312	41,513	91,716	128,589	40%
Rest of Afghanistan	56,876	96,688	62,487	73,284	64,392	-12%
Total	80,000	131,000	104,000	165,000	192,981	17%

The U.S. Government strategy focuses on helping Afghanistan disrupt the opium-based economy and strengthen the central government's control over the country. To address these objectives comprehensively, the U.S. Government has focused on helping the Afghan Government implement the first five parts of the Afghan National Drug Control Strategy. This strategy includes incentives to stop growing opium poppy through alternative development projects, combined with strong disincentives in the form of eradication, interdiction, law enforcement, and spreading the Afghan Government's

⁴ Source: United Nations Office on Drugs and Crime Afghanistan Opium Survey 2007

antinarcotics message through public information activities. The Chemonics contract for Alternative Development Program/South (ADP/S) recognizes this relationship and emphasizes that alternative livelihood programs are a “major” component in the overall counternarcotics strategy.

The increase in opium production resulted from a variety of causes. In particular, the increased insurgency, lack of effective eradication, and lack of rule of law are driving factors.

Insurgency activities and security incidents have significantly increased over the past 2 years. This includes attacks on road convoys, use of suicide bombers, and planting of improvised explosive devices. The British-operated provincial reconstruction team in Lashkar Gah defines the areas where the mission, and in particular the cognizant technical officer, are allowed to operate. As a result of the increased insurgency, prime poppy areas such as Nad e Ali and Marjah in Helmand province have been declared out of bounds owing to the threat of violence. Initially, ADP/S had projects in these areas, which included the cleaning of the Nad e Ali drains and spillway drainage systems in the middle Helmand system. However, because of the security situation, the mission has limited ADP/S activities to Lashkar Gah and the four villages of Aynak, Bolan, Qale-i-Bost, and Karez in Helmand province. Further, security on roads, including those leading from Lashkar Gah to the primary ring road and the ring road itself, is also problematic. There have been instances of armed robbery and improvised explosive devices that prevented the mission and implementing partners from traveling on these roads. While the International Security Assistance Forces has plans to secure these roads, it estimates that it will take at least a year to do so.

Apart from the increased insurgency, the lack of effective eradication also impedes progress. According to the August 2007 U.S. Counternarcotics Strategy for Afghanistan report, there are two types of eradication efforts. One effort, centrally-led by the Afghan Government, is called the Afghan Eradication Force which operates in self-contained units and eradicates with tractors. The Afghan Government sends the Afghan Eradication Force either where a governor requests aid because of insecurity or where the provincial government is underperforming. In 2007, it was a negotiated process and was left up to local provincial authorities to decide which fields to eradicate. According to the British counternarcotics representative in Lashkar Gah, the negotiations resulted in only fringe fields being eradicated. The UN Afghanistan Survey confirms that only marginal farms were eradicated, and this was a result of corrupt deals between field owners, village elders, and eradication teams. Also, there is no guarantee that attempts at forced eradication would be allowed by the Afghan Government.

In addition, another entity called the Governor Led Eradication (GLE) is also used in the southern provinces. However, according to the August 2007 U.S. Counternarcotics Strategy for Afghanistan report, GLEs are subject to corruption. Some provincial authorities solicit bribes to bypass fields while eradicating the fields of farmers who do not pay bribes. Eradication verifiers are vulnerable to pressure to inflate the amount of verified eradication. Some areas treat GLE as a “tax,” wherein each farmer agrees to have a small portion of his crop eradicated to satisfy GLE goals.

Finally, although the Afghan Government has laws against poppy cultivation, production, and trade there is only marginal enforcement of those laws. According to the cognizant technical officer, implementing partner, and others, there is no reason not to grow poppy;

only rarely is anyone arrested for doing so. All parties contend that without rule of law or some kind of threat to the poppy farmer in the form of crop eradication or arrest poppy will continue to be cultivated.

As of September 30, 2007, the mission had obligated approximately \$76 million to a program that was hampered by conditions beyond its control and had little impact on the overall five-pillar strategy to reduce poppy cultivation. The mission contended that while it agrees that these issues are beyond its control, it believes that the situation would be worse if it was not providing the current level of alternative livelihood activities. The mission pointed to successes in areas that were secure and its commitment to work in these areas to expand long-term employment opportunities through activities such as the agricultural park. Specifically, the mission pointed to the United Kingdom Foreign and Commonwealth Office of the Government study that concludes that there continue to be lower levels of poppy cultivation around the provincial center of Lashkar Gah, which is where the mission is focusing its efforts.

Given the situation in Afghanistan, these issues are beyond the mission's control, and the audit is not making any recommendation at this time.

Program Rollout Slower Than Expected

Summary: According to the Alternative Development Program statement of work, Chemonics was to launch immediate-impact activities to coincide with other U.S. Government efforts to reduce the amount of poppy planted during the fall of 2005. For the most part, however, Chemonics did not substantially implement its program until a year later. This delay occurred because (1) Chemonics evacuated in May 2005 because of security issues and did not return until September 2005, (2) the mission did not approve the Chemonics work plan until February 2006, focusing on long-term planning rather than rolling out program activities, and (3) Chemonics and the mission experienced turnover in critical program positions. As a result, the program missed the opportunity to induce more Afghans to not plant poppy in the fall of 2005 by providing them with immediate alternative sources of income.

USAID/Afghanistan awarded the ADP/S contract to Chemonics International Inc. (Chemonics) in February 2005. Chemonics' statement of work imposed a strong sense of urgency to launch the program quickly to mitigate the social impact that other elements of the U.S. Government's five-pillar counternarcotics strategy would have as these elements unfolded in major poppy-growing areas. Specifically, arrest, interdiction, and eradication were to start in 2005, and these measures would prevent thousands of Afghans from growing opium poppy—their only source of income. Consequently, USAID/Afghanistan intended to start immediate-impact activities to provide Afghans with an alternative source of income before opium poppy was planted during the fall of 2005 in order to help provide an immediate alternative source of income to poor households whose livelihoods depended on opium. One of the primary methods of providing an immediate source of income was cash-for-work activities.

However Chemonics did not substantially implement its alternative livelihood activities on the ground until more than a year after the contract was awarded.

Several factors contributed to this slow implementation: the evacuation of ADP/S staff from Helmand to Kabul, delays in approving the first-year work plan, and turnover of key Chemonics and mission staff.

The major factor was the evacuation of contractor staff. On May 20, 2005, the Chemonics office evacuated from Helmand after Afghans working with the project were ambushed and killed in the Babaji district of Helmand province. Chemonics did not relocate back to Helmand until September 2005, and only then restarted its cash-for-work program. Chemonics claims that the evacuation also slowed down the planning process.

A contributing factor was that the mission did not approve the Chemonics April 2005 work plan until February 2006, almost a full year after it was submitted. The mission stated that there was a high emphasis on feasibility studies to ensure that the focus of the program was appropriate. The cognizant technical officer was reluctant to approve a work plan until the long-term focus of the program could be established. The cognizant technical officer did not want to experience the same mistakes that other mission programs had experienced as a result of implementing a program too quickly. Furthermore, Chemonics was slow to respond to mission technical directives. In hindsight, mission officials conceded that there needed to be a better balance between the planning studies and timely implementation.

Another factor was staff turnover. Both mission and Chemonics personnel stated that staffing turnover delayed implementation. Chemonics pointed out that the first chief of party was replaced within the first 4 months of the program's start and that this greatly affected implementation. The turnover at Chemonics also delayed timely responses to mission inquiries and technical directives. The mission contended that turnover in cognizant technical officers also affected the program. It pointed out that from March 2005 through November 2006, six different employees were assigned to this position.

Owing to the delays, the mission did not roll out the alternative livelihood activities as planned missed the opportunity before the 2005 fall poppy planting season to help provide an immediate alternative source of income to poor households whose livelihoods depend on growing poppy. This missed opportunity could have contributed to the increase in poppy cultivation where ADP/S administers its programs, as reported in the UN Afghanistan Survey (see table 1 on page 7).

Although delays in implementing ADP/S activities could have contributed to the increased poppy cultivation in 2006, there were of course many other reasons that were out of the mission's control. For example, as addressed in the previous finding, the lack of enforcement of laws against poppy cultivation and the lack of effective interdiction and eradication campaigns--coupled with corruption and deteriorating security--were some of the major reasons. Nevertheless, the Regional Inspector General/Manila believes that the lack of an approved work plan contributed to delayed program implementation. To avoid future occurrences of this issue, this audit makes the following recommendation to improve timely performance in future programs.

Recommendation No. 1: *We recommend that USAID/Afghanistan develop procedures setting requirements to ensure timely review and approval of contractor work plans.*

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Afghanistan agreed with the two findings and one recommendation. Based on the Regional Inspector General/Manila's review of the mission's comments the audit determined that a management decision has been reached for the recommendation.

To address the recommendation the mission plans to prepare by June 30, 2008, a draft Mission Notice that will provide the necessary guidelines to ensure cognizant technical officers' adherence to annual work plan submittal and approval requirements. The mission's office directors will be responsible for tracking the submission of required work plans and corresponding cognizant technical officer actions including follow-up on delays and, when applicable, work plan revisions that affect the timely approval of work plans.

A determination of final action for the recommendation will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective action.

USAID/Afghanistan's written comments on the draft report are included in their entirety as appendix II to this report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Manila conducted this audit in accordance with generally accepted government auditing standards to determine whether USAID/Afghanistan's Alternative Development Program/South (ADP/S) achieved planned results and what the impact has been. In February 2005, USAID/Afghanistan awarded a 4-year, \$120 million contract to Chemonics International Inc. (Chemonics) to implement the Alternative Livelihoods Program/South in the provinces of Helmand, Kandahar, and Uruzgan. In May 2007, supplemental funding raised the contract ceiling to \$166 million. As of September 30, 2007, USAID/Afghanistan had obligated \$76 million and disbursed \$60 million for ADP/S activities.

The audit was performed in the Islamic Republic of Afghanistan (Afghanistan) from November 13 through December 12, 2007, and covered ADP/S activities implemented by Chemonics from February 2005 through September 2007. In Kabul, fieldwork was conducted at USAID/Afghanistan and the U.S. Embassy/Afghanistan. We also conducted fieldwork in Lashkar Gah, Helmand province, at the following locations: the Helmand and Argandah Valley Authority; the Ministry of Agriculture, Irrigation and Livestock; the British Provincial Reconstruction Team; and Chemonics. Moreover, we conducted visits to selected ADP/S project sites in Helmand province.

We reviewed and analyzed the activities supporting 15 performance indicators that USAID/Afghanistan established to measure whether ADP/S was achieving planned results. Chemonics was required to report on all 15 indicators in its quarterly progress reports and reported on 11 in its biweekly reports to the mission.

As part of the audit, we assessed the significant internal controls used by USAID/Afghanistan to monitor ADP/S activities. The assessment included controls related to whether the mission (1) conducted and documented site visits to evaluate progress and monitor quality, (2) required and approved an implementation plan, (3) reviewed progress reports submitted by Chemonics, and (4) compared Chemonics' reported progress to planned progress and the mission's own evaluations of progress. We also reviewed the mission's Federal Managers Financial Integrity Act report for fiscal year 2007, United Nations reports, and U.S. Government reports for any issues related to the audit objective. Finally, we reviewed relevant prior audit reports, including those issued by the U.S. Government Accountability Office.

We also assessed the effectiveness of USAID/Afghanistan's internal controls over certain high-risk ADP/S activities, such as cash-for-work payments and the distribution of crop fertilizer. This assessment included determining what controls were in place to ensure that ADP/S activities were not used in the production of illicit crops.

Methodology

To answer the audit objective, we interviewed officials from USAID/Afghanistan, Chemonics, the U.S. Embassy/Afghanistan, the International Security Assistance Forces, the United Kingdom Department for International Development, the United Kingdom Foreign and Commonwealth Office, and the Islamic Republic of Afghanistan (Afghanistan). We also reviewed and analyzed relevant documents at both the mission and Chemonics. This documentation included performance monitoring plans, the contract between USAID/Afghanistan and Chemonics, site visit and other monitoring reports, progress reports, and financial records.

Chemonics uses a combination of Excel spreadsheets and independent studies to track progress on the 15 established performance indicators. We compared the performance data reported by Chemonics to USAID/Afghanistan in progress reports to the performance data in the spreadsheets and related studies. To test the validity of the computer-processed data used to answer the audit objective including data reported by Chemonics in its quarterly report, we performed the following:

- Reconciled a judgmental sample of biweekly reports to quarterly reports to ensure consistency of data being reported.
- Verified a judgmental sample of performance data against supporting Chemonics records, including source documents provided by subcontractors in support of submitted invoices.
- Verified a judgmental sample of source documents to documents provided by the subcontractor.
- Verified a judgmental sample of financial data contained in the Chemonics September 30, 2007, quarterly report to source documents.

For each selected performance indicator, we established the following materiality threshold criteria to measure progress made in the ADP/S program:

- The planned result would be achieved if the target number was met.
- The planned result would be partly achieved if progress was made toward meeting the target number.
- The planned result would not be achieved if the target number was not met.

MANAGEMENT COMMENTS



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

MEMORANDUM

TO: Catherine M. Trujillo, RIG/Manila

FROM: Barbara Krell, Acting Mission Director/s/

DATE: March 05, 2008

SUBJECT: Audit of USAID/Afghanistan's Alternative Development Program-Southern Region (Audit Report No. 5-306-08-00X-P)

REFERENCE: CTrujillo/RPhillips memo dated 02/21/08

Thank you for providing the Mission the opportunity to review the subject draft audit report. We would like to express our gratitude for the professionalism exhibited by the auditor during the performance of the field work. USAID/Afghanistan fully agrees with the audit findings and the following recommendation contained in the report:

Recommendation No. 1: We recommend that USAID/Afghanistan develop procedures setting requirements to ensure timely review and approval of contractor work plans.

Planned Action: In order to address the above audit issue, USAID/Afghanistan plans to prepare by June 30, 2008, a draft Mission Notice that will provide the necessary guidelines to ensure Cognizant Technical Officers' (CTOs') adherence to annual work plan submittal and approval requirements. The Mission Order will state that work plans are to be submitted by implementing partners for review and approval by the CTO no later than 30 days prior to the expiration of the current annual work plan. Further, the work plan would be considered late if not received within 15 days of the annual expiration and the CTO would be required to take appropriate measures for work plans submitted late or incomplete.

Office Directors will be made responsible for tracking the submission of required work plans and corresponding CTO actions including follow-up on delays and, when applicable, work plan revisions that affect the timely approval of work plans. Technical offices will be tasked to monitor compliance with agreed-upon work plan milestones and benchmarks and the establishment of a reliable

method to adequately track compliance by the implementing partners as well as the CTO. Periodic reporting requirements would be established to track the status of the work plan approval process.

The target date for issuance of the Mission order is July 31, 2008.

The Mission believes that the planned action discussed above adequately addresses the recommendation and therefore requests RIG/Manila's concurrence to this management decision.

Table A-1: ADP/S Achievements as of September 30, 2007

#	Indicator	FY 2007 Target	Reported Through 9/30/2007 ⁵	Percentage of Target Met	Target Met? ⁶
1	Change in production of selected high value agricultural products.	\$200,000,000	\$17,851,000	9%	Partial. ⁷
2	Number of Districts with Effective Vet Services.	42	39	93%	Partial
3	Farmers receiving seed and fertilizer.	41,000	82,357	201%	Exceeded
4	Farmers trained in agricultural practices in targeted poppy provinces under ADP.	16,355	16,896	103%	Exceeded
5	Number of hectares devoted to licit agricultural production.	439,989	326,679	74%	Partial
6	Number of Permanent Jobs Created.	100	133	133%	Exceeded
7	Number of Seasonal Jobs Created.	2,000	13,741	687%	Exceeded
8	Amount paid in cash for work in ADP programs.	\$8,000,000	\$6,910,461	86%	Partial
9	Number of Afghans paid through cash for work salaries.	39,000	58,362	150%	Exceeded
10	Total labor days for cash for work.	2,000,000	1,768,974	88%	Partial
11	Number of business enterprises assisted.	11	0	0	No
12	Afghans trained in business skills.	1,000	687	69%	Partial
13	Kilometers of rural roads repaired in poppy regions.	200	77	39%	Partial
14	Kilometers of irrigation, drainage canals and karezes ⁸ cleaned.	1,642	2,158	131%	Exceeded
15	Hectares of improved irrigation as a result of ADP infrastructure works.	65,000	56,595	87%	Partial. ⁷

⁵ From Chemonics quarterly report for the period ending September 30, 2007.

⁶ See page 15 for the materiality threshold criteria used.

⁷ Even though results were reported for the period ending September 30, 2007, the results for these indicators were based on studies done through January 2007 (indicator # 1) and October 2006 (indicator # 15) that had not been further updated through September 30, 2007.

⁸ Type of irrigation canal.

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