



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

May 16, 2005

MEMORANDUM

TO: USAID/SFO Director, Allan Reed

FROM: Regional Inspector General/Pretoria, Jay Rollins /s/

SUBJECT: Survey of USAID/Sudan Field Office
(Report No. 4-650-05-001-S)

This memorandum transmits our report on the subject survey. In finalizing our report, we considered your comments on our draft report and have included your response in its entirety in Appendix II.

This report includes 22 suggestions for your consideration to strengthen operations in southern Sudan. In response to the draft report, USAID/Sudan Field Office concurred with all of the suggestions.

I want to express my appreciation for the cooperation and courtesy extended to my staff during the survey.

CONTENTS

Background	1
Survey Objectives	3
Survey Results	3
What are USAID/Sudan Field Office's major program and project activities that are underway or planned for FY 2005, and how are they being implemented?.....	3
What action is USAID/Sudan Field Office taking to mitigate the risks that it faces in operating in a dangerous and dynamic environment?	9
Other Matters	9
Conclusions and Suggestions.....	10
Evaluation of Management Comments	16
Appendix I – Scope and Methodology	17
Appendix II – Management Comments.....	19
Appendix III -- USAID/Sudan Field Office Expenditures in Fiscal Year 2004	23

BACKGROUND

In 1983, a civil war started between the Government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A) (based in southern Sudan) which, over a 20+ year period, adversely affected the country with the loss of over two million lives, nearly four million internally displaced persons, and approximately 628,000 Sudanese who sought refuge in neighboring countries. Today, Sudan is facing poverty, loss of capacity, and other conditions associated with its long standing civil war such as famine, various diseases, insecurity, and human rights violations.

Since 1983, the United States Government has provided over \$1.9 billion in assistance to the southern Sudanese. To facilitate implementation of USAID assistance to southern Sudan, the USAID/Sudan Field Office (USAID/SFO) was established in November 2003. The USAID/SFO is co-located with USAID's Regional Economic Development Services Office for East and Southern Africa (USAID/REDSO/ ESA) in Nairobi, Kenya. In the future, the Mission plans to move from Nairobi and will relocate to two offices--one in Juba (southern Sudan) and the other in Khartoum (northern Sudan). For fiscal year 2004, USAID/SFO's actual expenditures amounted to \$22,994,615. (Please see Appendix III for a breakdown of the actual expenditures.)

After over 20 years of civil war, a comprehensive peace agreement between the Government of Sudan and the SPLM/A was signed on January 9, 2005. In addition to ending the war, this agreement allowed for a new government in southern Sudan and, among other things, established principles of self-determination, wealth-sharing, and power-sharing for the people of southern Sudan.



Photograph of people in southern Sudan celebrating the peace agreement which had been signed approximately two weeks earlier. (Rumbek, Sudan, January 2005)

While the peace agreement brought new hope, significant challenges still face southern Sudan. Some of these challenges include:

- establishing a new government and civil society;
- returning internally displaced persons;
- demobilizing soldiers;
- educating an uneducated population;
- developing capacity;
- improving health, water, and sanitation;
- establishing monetary and banking systems; and
- constructing and rehabilitating infrastructure (such as roads and electricity).

Below is a map showing Sudan and adjoining countries.



Source: http://www.lib.utexas.edu/maps/africa/sudan_pol00.jpg

SURVEY OBJECTIVES

This survey of USAID/SFO was conducted as part of the Office of Inspector General's audit plan for fiscal year 2005. The survey was conducted in order to identify areas for future audits.

This survey was conducted to answer the following objectives:

- What are USAID/Sudan Field Office's major program and project activities that are underway or planned for FY 2005, and how are they being implemented?
- What action is USAID/Sudan Field Office taking to mitigate the risks that it faces in operating in a dangerous and dynamic environment?

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

SURVEY RESULTS

What are USAID/Sudan Field Office's major program and project activities that are underway or planned for FY 2005, and how are they being implemented?

The USAID/Sudan Field Office (USAID/SFO) Program for fiscal year (FY) 2005 was designed to help prepare southern Sudan for the transition from conflict to peace, focusing on four strategic objectives (SOs) and one special objective. The SOs address good governance, basic education, health, and economic recovery. The special objective focuses on quick impact, small scale, infrastructure rehabilitation (such as schools, clinics and waterpoints), and expanded support to the peace process. All activities emphasize capacity building at the local level. Funding comes from Development Assistance (DA) funds, Economic Support Funds (ESF), Child Survival Health (CSH) Programs, and Public Law 480 Title II funds. These activities are linked with USAID's Sudan Interim Strategic Plan for FYs 2004-2006.¹

USAID/SFO manages SOs 5 through 8. The following tables provide the strategic goals, activities and funding sources, and implementing partners for these SOs.

¹ The Sudan Interim Strategic Plan integrates all USAID assistance programs in Sudan into a single strategy, and promotes integration of assistance programs managed by other U.S. Government agencies. This strategy, released on June 10, 2003, was prepared by U.S. Government officials based in Washington and the field, who consulted with Sudanese stakeholders, implementing partners, and other donors.

Table 1: SO 5 - More Responsive and Participatory Governance

<p>Strategic Goal: The more responsive and participatory governance objective seeks to promote national dialogue through access to (1) independent information, (2) strengthen political, administrative, and financial management skills for men and women, and, (3) foster the transition from military conflict to competitive political processes.</p>
<p>Activities and FY 05 Funding from Development Assistance: 1) Strengthen Democratic Governance Institutions (\$2,128,000) 2) Strengthen Democratic Political Parties (\$1,078,000) 3) Improve Justice Sector/Legal Framework (\$1,400,000) 4) Promote and Support Free and Fair Elections (\$2,100,000) 5) Strengthen Civil Society (\$3,143,000)</p>
<p>Implementing Partners: The implementing partners for the respective SO 5 activities are Bearing Point, International Republican Institute, National Democratic Institute, and the U.S. Census Bureau. Other contractors and grantees will be determined through a competitive process.</p>

Table 2: SO 6 - Improved Equitable Access to Quality Education

<p>Strategic Goal: The education objective is focused on (1) improving equitable access to quality education in southern Sudan by improving teacher education programs, (2) increasing the capacity of primary and secondary education, especially for girls, and, (3) improving non-formal education for out-of school youth and adult learners.</p>
<p>Activities and FY 05 Funding from Development Assistance: 1) Expand and Improve Access to Economic and Social Infrastructure (\$3,180,000) 2) Strengthen Democratic Governance Institutions (\$1,000,000) 3) Strengthen Civil Society (\$800,000) 4) Improve the Quality of Basic Education (\$3,720,000) 5) Improve Quality of Workforce (\$1,551,000)</p>
<p>Implementing Partners: The principal contractors and grantees implementing SO 6 activities one through three (listed above) are the Cooperative for Assistance and Relief Everywhere (CARE) in a consortium with the American Institutes of Research, and University of Massachusetts Center for International Education. The Education Development Center is the implementing partner for the fourth listed So 6 activity. Principal contractors and grantees for the fifth activity will be determined through a competitive process.</p>



Photograph of an improvised classroom under the tree with wooden bench. In the background are the partially constructed walls of the Mathiangdhie Primary School financed by USAID/SFO. (Rumbek, Sudan, January 2005)

Table 3: SO 7 - Increased Use of Health, Water and Sanitation Services and Practices

<p>Strategic Goal: The primary health care and water/sanitation program (1) emphasizes improved capacity of the Sudanese to meet their own requirements for health care, (2) provides funding for critically needed essential medicines, training, physical rehabilitation of training institutes and communications and logistical support, (3) helps transform the health system in southern Sudan to reduce dependency on the international community, and (4) introduces strategies to increase HIV/AIDS awareness, prevention and care activities.</p>
<p>Activities and FY 05 Funding from Child Survival Health:</p> <ol style="list-style-type: none"> 1) Improve Child Survival, Health and Nutrition (\$3,048,000) 2) Improve Maternal Health and Nutrition (\$1,252,000) 3) Reduce Unintended Pregnancy and Improve Healthy Reproductive Behavior (\$900,000) 4) Build Health Systems Capacity (\$4,100,000) 5) Improve Access to Clean Water and Sanitation (\$2,700,000) 6) Prevent and Control Infectious Diseases of Major Importance (\$2,500,000) 7) Reduce transmission and impact of HIV/AIDS (\$1,500,000)
<p>Implementing Partners: The contractors and grantees implementing SO 7 activities are John Snow International</p>

(JSI), World Health Organization, U.S. Centers for Disease Control and Prevention, IntraHealth, Measure Evaluation, and Measure Bucen. Other principal contractors and grantees will be determined.



Photograph of people queuing to obtain water from water pump financed by USAID. Water is a scarce commodity in southern Sudan. This illustrates activities found under SO 7's projects. (Yei, Sudan, January 2005)

Table 4: SO 8 - Foundation Established for Economic Recovery

<p>Strategic Goal: The economic recovery objective seeks to (1) establish the foundation for market-based economic recovery in post-conflict areas of Sudan by promoting the delivery of market support services to entrepreneurs (credit, business skills, improved agricultural practices, export promotion, market information, and road rehabilitation), (2) establish market support institutions that deliver those services, including microfinance institutions, agribusiness training centers, business associations, a statistical analysis center, and local road maintenance departments, and (3) provide technical assistance to the southern Sudan regional government to formulate improved economic policies.</p>
<p>Activities and FY 05 Funding from Development Assistance: 1) Strengthen Financial Sector's Contribution to Economic Growth (\$1,700,000; \$200,000 prior year DA) 2) Increase Private Sector Growth (\$4,600,000) 3) Improve Economic Policy and Governance (\$3,145,000) 4) Expand and Improve Access to Economic and Social Infrastructure (\$39,455,000)</p>
<p>Implementing Partners: Implementing partners for SO 8 programs are Chemonics International, Catholic Relief Services (CRS) Consortium and a contractor to be selected for trade expansion component. Volunteers in Economic Growth Alliance and the U.S. Department of Agriculture are implementing the third SO 8 activity. The principal contractors and</p>

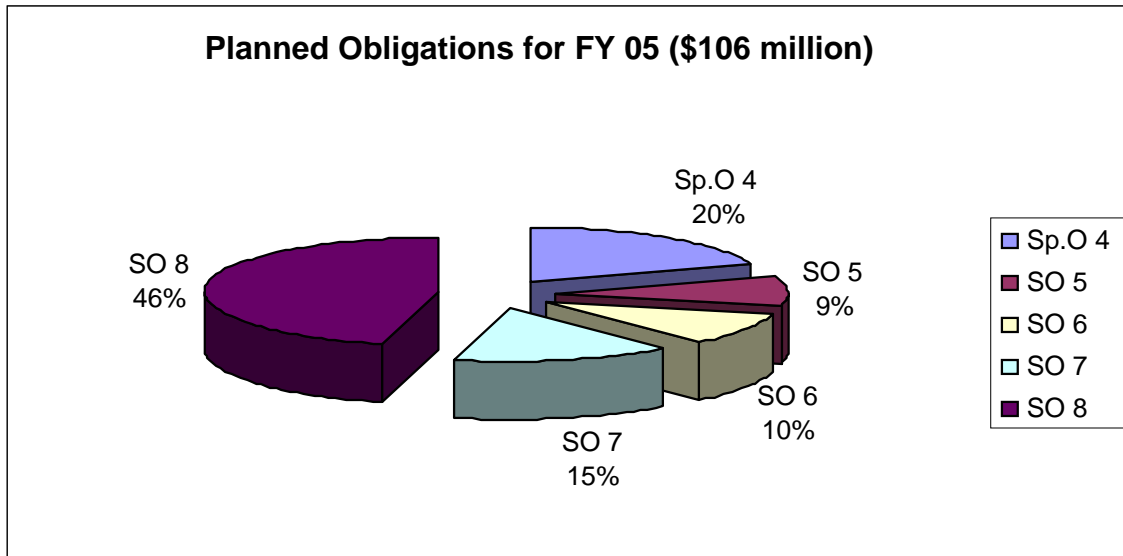
grantees for the fourth SO 8 activity are the World Food Programme and the National Rural Electric Cooperative Association. In addition, architectural, engineering, and construction firms still need to be identified.

Special Objective (SpO) 4 “Expanded Support to the Sudan Peace Process” is included in the Sudan Interim Strategic Plan but it is not managed by USAID/SFO. Rather, SpO 4 is managed by USAID’s Office of Transition Initiatives for establishing a foundation of stability at the grassroots level in selected conflict-prone communities in Bahr el Ghazal, Upper Nile, and Equatoria.

Table 5: SpO 4 - Expanded Support to the Sudan Peace Process

<p>Strategic Goal: This special objective will jump-start activities, especially in governance, in coordination with development assistance implementers. It also prepares the ground for other SOs for quick impact projects to demonstrate tangible benefits of participation in the peace process to southern and transition zone communities.</p>
<p>Activities and FY 05 Funding Sources: Support Peace Processes (\$1,000,000 DA and \$19,840,000 ESF). This includes the following :</p> <ol style="list-style-type: none"> 1) Expanded support to Sudanese peace-building and conflict mitigation capacities 2) Peace dividends and transition zone activities 3) Dissemination of timely information about the peace process 4) Help reach agreement on decentralized structures of the Government of Southern Sudan through consultative meetings with key leaders and civil society organizations 5) Support to the reintegration of Internally Displaced Persons (IDPs) and refugees in targeted communities <p>Note: The ESF funds will be programmed separately by the U.S. Department of State.</p>
<p>Implementing Partners: The implementing partners for the first and second activities are PACT (as the principal grantee) in a consortium with the New Sudan Council of Churches, Federation of Sudanese Civil Organizations, Christian Aid, and the African Union’s Intergovernmental Bureau for Animal Resources. The Education Development Center is the principal grantee for activities covering media development and dissemination of information about the peace process. Sudan Radio Service was established to provide balanced information to expand citizen participation in local governance and in peace/reconciliation efforts. At the time of the survey fieldwork, the principal contractors and grantees had not been selected for the activity to support the reintegration of IDPs. Express Travel Limited also provides services.</p>

The following chart provides USAID/SFO’s funding request for FY 05 activities. The majority of activities for which funding has been requested are under SO 8 “Foundation Established for Economic Recovery.” The total planned FY 05 obligation is \$105,840,000. The highest planned obligation percentages for FY 05 are in SO 8 with 46 percent, SpO 4 at 20 percent, and SO 7 at 15 percent. The remaining SOs represent 10 and 9 percent, respectively.



Source: Congressional Budget Request FY 05 and USAID/SFO.

Note: This graph includes SpO 4 funding which as described previously is managed by USAID's Office of Transition Initiatives.

Other USAID activities (not represented in the above graph) are not managed by USAID/SFO but play an important role in southern Sudan. They are managed by USAID's Office of Foreign Disaster Assistance and Food for Peace. These activities will provide humanitarian assistance to respond to continuing humanitarian needs throughout the country. The staff from these USAID offices are co-located with the Sudan Field Office and attend weekly USAID/SFO staff meetings.

- USAID/Office of U.S. Foreign Disaster Assistance (OFDA) - Funds will be used for continuing essential health, water, and sanitation services for war affected communities. For FY 04, the total USAID/OFDA assistance to southern Sudan was \$4,150,000. The estimated funding for activities in FY 05 is approximately \$60,000,000.
- USAID/Food for Peace (FFP) – Provides for quick-impact programs that build public support for peace by providing rapid and visible benefits to communities and nutritional support for war-affected communities through food aid. For FY 04, the total USAID/FFP assistance amounted to \$14,185,300. FY 05 funding for USAID/FFP activities in Sudan is estimated to be \$160,041,200 (of this amount, \$99,649,900 has been approved for Darfur).

P.L. 480 food aid resources are targeted towards a) emergency relief food assistance in conflict zones; b) support for the return and reintegration of internally displaced persons and refugees in home areas; c) food security linked with conflict prevention in areas of conflict; d) implementation of rehabilitation activities in stable areas with an emphasis on self-reliance, utilization of local resources, capacities and "ownership"; and e) increases in agricultural production. Principal contractors and grantees are the World Food Programme, CARE, Catholic Relief Services, Norwegian People's Aid, Adventist Development and Relief Agency International (ADRA), and Samaritan's Purse.

What action is USAID/Sudan Field Office taking to mitigate the risks that it faces in operating in a dangerous and dynamic environment?

USAID/SFO staff relies upon the assistance provided by the Operation Lifeline Sudan (OLS) as well as implementing partners to mitigate the risks of operating in a dangerous and dynamic environment.²

Prior to entering southern Sudan, Mission staff are required to take a mandatory security briefing in Lokichoggio, Kenya. This briefing is conducted by security personnel from the OLS. Flight manifests of passengers who are leaving from Lokichoggio to go into southern Sudan must be approved by the OLS security staff daily to ensure that everyone has received a security briefing. These briefings are important because the security threats in southern Sudan can change quickly. The briefings provide such information as:

- the security situation of various locations throughout southern Sudan;
- the recommended list of items to include in emergency “run” bags (in case an evacuation is required);
- daily radio contacts with OLS (frequency of daily radio contact is dependent upon the security threats of the location that will be visited); and
- on-the-ground staff locations if an evacuation is required. (Participants in the OLS security briefings are also provided site-specific topographic maps for use during an evacuation.)

In addition, USAID/SFO staff rely upon assistance from their implementing partners/sub-grantees/sub-contractors when working in southern Sudan. This assistance comes in many different forms including ground transportation, radio communications with OLS, lodging, food, and water. This assistance can also include providing information about the changes to the local security situation as well as other developments which could affect USAID’s activities.

Other Matters

The USAID/SFO Mission Director requested that RIG/Pretoria provide assistance by adding a third objective to the survey. The requested objective was “What action is needed by USAID/Sudan Field Office to help ensure the accountability of transition initiative funding under a potential transition to fragile states strategy?” However, key documentation for answering this third objective was not available during the field work and prevented the survey team from being able to address the requested objective.

According to a Mission official, it is anticipated that all of USAID/SFO’s FY 2006 funding will come from Transition Initiative funding. However, USAID/Washington had not provided USAID/SFO any guidance or directives on Transition Initiative funding during

² OLS is a consortium of two United Nations agencies (United Nations Children’s Fund and the World Food Programme) as well as non-governmental organizations that provide aircraft and security briefings for southern Sudan.

this survey. However, Mission officials had been informed that the Transition Initiative Funding would allow for more flexibility in funding levels.

USAID's *Fragile States Strategy* was distributed after the survey's fieldwork. Per the strategy, Sudan is identified as a crisis state. A crisis state has a central government that does not exert effective control over its own territory or is unable or unwilling to adequately assure the provision of vital services to a significant part of its territory, where legitimacy of the government is weak or nonexistent, and where violent conflict is a reality or a great risk. The strategy states that "USAID will seek both to improve the use of existing resources in fragile states and greater flexibility for those funds, for example removing restrictions such as earmarks and expanding the timeframe available to obligate funds." The survey team noted that the *Fragile States Strategy* did not address the importance of providing accountability over USAID's funds when Missions operate in fragile states--an environment which has high risks.

Conclusions and Suggestions

The effects of a lengthy civil war, dire poverty, and a large under-educated population have resulted in numerous challenges confronting USAID/SFO activities in southern Sudan; many of these challenges will be difficult to overcome. Many major challenges are identified below along with suggestions which could help mitigate some of the associated risks. Although the Mission is not required to address or track these suggestions, we believe that implementing these suggestions would help strengthen Mission operations.

Staffing Issue

- Incomplete staffing is impacting implementation and monitoring activities. Several vacancies exist on the Mission's organizational chart of which the Mission officials noted that there would probably be some organizational changes this year. According to the Mission Director, the Mission currently has only 25 percent of the staffing level that is needed. The Director also stated that "currently, the Mission has a staff of 25 which is limited as a result of the constraints caused by the NSDD-38 restrictions on staff numbers in Nairobi." The Mission's last Federal Managers' Financial Integrity Act Certification did not identify staffing as a material control weakness. However, it noted that if the lack of staff persisted over time it would be disclosed as a material weakness.

Suggestion No. 1: Determine what organizational changes need to be made and then identify positions that must be filled in order to carry out monitoring activities up to the staffing level that has been approved.

Suggestion No. 2: Mission management should consider identifying inadequate staffing as a reportable weakness on their next Federal Managers' Financial Integrity Act submission.

USAID Branding Issue

- Most locations visited during the survey did not contain any signage identifying that USAID funding was being used to support activities. USAID is now

emphasizing the need for branding to ensure that American taxpayers receive full credit for foreign assistance. In addition to an updated logo, a new brand mark with the tagline, "From the American People," is now required on all programs, projects, activities, and public communications produced by employees and contractors.

Suggestion No. 3: Agreements with implementing partners need to include, or be modified to include, USAID's branding requirements.

Administration Issues

- Activities are being carried out in southern Sudan which are being funded by various USAID entities including SFO, Office of Transition Initiatives, and Office of Foreign Disaster Assistance. To better coordinate these activities and identify all on-going activities, a complete database that includes all such activities is needed.

Suggestion No. 4: Develop a database, by location, which contains all Sudan Field Office and USAID/Washington funded activities taking place in Sudan.

- The survey team found that the level of record keeping of important documents varies among partners. In some cases, problems were identified such as lack of timesheets and receipts (for goods or services purchased).

Suggestion No. 5: Implementing partners and their sub-grantees/sub-contractors should be reminded of USAID documentation requirements. Methods of communicating such requirements can be accomplished through a variety of means including training, random review of on-site records, and agreement/contract language specifying such requirements.

- Important Mission documents and training were not completed. The Mission did not have its own Mission Orders. According to Mission staff, they were relying upon the Mission Orders from USAID's Regional Economic Development Services Office for East and Southern Africa. However, there were ongoing efforts to complete important documents (Performance Monitoring Plans, Mission Orders for Delegation of Authority and Portfolio Reviews) and provide Cognizant Technical Officer (CTO) training. This training was conducted in March 2005.

Suggestion No. 6: Continue efforts to finalize Performance Monitoring Plans and develop Mission Orders.

Monitoring Issues

- The survey team identified cases where school construction sites did not appear to be properly monitored and/or supervised which resulted in delays or work of questionable quality. In addition, one case was identified where reporting by the partner did not address a construction work stoppage and over-stated the construction progress.

Suggestion No. 7: Hold implementing partners accountable for ensuring that field activities are monitored and that accurate monitoring reports are provided to USAID/SFO.

Suggestion No. 8: Where feasible, ensure that implementing partners include site supervisors to oversee construction related activities.

- Remote locations and/or security concerns in some areas are impacting USAID/SFO's ability to monitor activities.

Suggestion No. 9: Implementing partners need to visit remote locations and provide USAID/SFO with sufficient documentation such as photos and records that support ongoing activities.

Suggestion No. 10: USAID/SFO should consider developing a policy requiring staff from strategic objective teams who are planning site visits to coordinate with other strategic objective teams to visit the other team's activities, if possible. (The afore-mentioned database suggestion would help in this effort.)

Technical Skills/Development Issue

- Lack of technical skills and experienced staff is a challenge for many local sub-grantees. Problem areas include financial procedures, internal controls, and standard business practices.

Suggestion No. 11: Agreements with implementing partners need to include a requirement that the partners are responsible for identifying whether technical assistance and/or staff development are needed. If applicable, partners should be held accountable for addressing this need.

Suggestion No. 12: Obtain the assistance of USAID's Regional Economic Development Services Office for East and Southern Africa to assess local sub-grantee technical skills and capacity in the financial and accounting areas.

Audit Coverage/Audit Training Issues

- Some implementing partners did not plan to use external audits for sub-grantees and sub-contractors in the near future. The operating environment in southern Sudan is unusual because there are limited banking institutions, and government institutions that are now being formed do not have mechanisms in place to help ensure the accountability of funds. This results in an environment which is a high risk for accountability problems.

Suggestion No. 13: Enlist the assistance of USAID's Regional Economic Development Services Office for East and Southern Africa to help the implementing partners identify sub-grantees and sub-contractors which should be subject to external audits.

- Mission staff and implementing partners expressed the need for having fraud awareness training and financial audit training for their staff based upon the risks that exist in southern Sudan.

Suggestion No. 14: Conduct fraud awareness training as well as financial audit training for Mission staff and implementing partners. RIG/Pretoria is planning to assist in this effort.

- USAID/SFO uses the services of a Nairobi, Kenya contractor to provide logistical support for transportation to and within Sudan. The survey team observed poor documentation in the contract file for a recent activity that involved the transport of a large group of participants. The Mission's cognizant technical officer (CTO) responsible for overseeing the contract had withheld payment authorization, pending the receipt of additional documentary support on the participants. The CTO was also in the process of writing procedures for working with this contractor. No Agency-contracted audit of this contract had been initiated.

Suggestion No. 15: Finalize documentation of procedures to address accountability when working with the logistical support contractor.

Suggestion No. 16: Finalize activities as soon as possible to procure an Agency-contracted audit for the logistical support contractor.

- USAID/SFO's reliance upon implementing partners for logistical support (lodging, food, ground transportation) creates a risky co-dependent relationship which could create a conflict of interest. The lack of an established infrastructure results in many instances of Mission staff traveling in southern Sudan having to rely upon implementing partners for basic logistical support. In some cases, partners are hesitant to charge for lodging and food, preferring instead to receive items such as dry foods or reading materials from the SFO staff.

Suggestion No. 17: Develop agreements with implementing partners to ensure that all services provided by partners are billed to the Mission and/or its staff.

Suggestion No. 18: Require Mission staff that receive partners' logistical support in southern Sudan to sign annual statements of independence stating that their job responsibilities are not being impaired by the support that they receive.

Transportation Issues

- Reliance upon flights provided by Operation Lifeline Sudan, which are subject to schedule changes and non-available planes, can result in making it difficult for USAID/Sudan to perform monitoring in an efficient and timely manner. USAID/SFO management supports having charter air service as a mode of transporting staff in the future.

Suggestion No. 19: Conduct cost/benefit analysis to determine the feasibility of using airline charters for the transport of SFO staff.

- Because many implementing partners who work in southern Sudan are based in Nairobi, Kenya, there is anecdotal evidence of a tendency to use Nairobi suppliers. However, in some instances it may be less costly to have goods imported into southern Sudan from suppliers based in Uganda.

Suggestion No. 20: Work with implementing partners to ensure that they are considering the most cost effective supplier available.

- Roads which are in poor condition are a significant impairment to development in southern Sudan. The lack of roads makes the importation of goods and supplies more expensive because cargo must often be transported by air. The recently rehabilitated road between Yei, Sudan and Uganda shows much commercial activity and movement of people in this corridor. USAID/SFO activities are planned/underway to address this infrastructure problem.

Suggestion No. 21: Continue to pursue road rehabilitation and construction for major commercial corridors.



Photograph of makeshift improvements to a road bridge located between the cities of Maridi and Yei, Sudan. (January 2005)

Transparency/Accountability Issue

- Efforts are now underway to establish the new Government of Southern Sudan. Transparency and accountability of funds will be important to the future of the new government in helping to build trust inside and outside the country.

Suggestion No. 22: USAID/Sudan Field Office should support the creation of an agency headed by a politically neutral Office of Auditor General in order to provide for the transparency and accountability needed for the new government in southern Sudan.

EVALUATION OF MANAGEMENT COMMENTS

In response to our draft report, USAID/Sudan Field Office management concurred with all 22 suggestions. The Mission's response also provided several examples of how it has already addressed these suggestions or indicated that it will address them in the future. The more substantive comments provided by the Mission in response to the suggestions included:

- Suggestion No. 2--Inadequate staffing will be considered as a reportable weakness in the next Federal Manager's Financial Integrity Act submission.
- Suggestion No. 3--New agreements now require the USAID branding provisions.
- Suggestion No. 6--Work is being performed on the Performance Monitoring Plans and Mission Orders are being developed.
- Suggestion No. 12--Visits to local grantees will take place in May 2005.
- Suggestion No. 14—Fraud awareness training is tentatively scheduled for June 2005.
- Suggestion No. 22--Funding has been requested for anti-corruption activities.

In addition, the Mission also provided other comments to clarify certain information presented in the draft report and updated fiscal year 2005 funding data. Where appropriate, changes were incorporated into this report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this survey in accordance with generally accepted government auditing standards. The scope of this survey included the period December 1, 2003 through February 4, 2005. It identified (1) USAID/Sudan Field Office's major program activities underway or planned for fiscal year (FY) 2005 and how they are being implemented, and (2) what actions the USAID/Sudan Field Office was taking to mitigate the risks of operating in a dangerous and dynamic environment. The scope of this survey focused only upon activities in southern Sudan.

In planning and performing the survey, we obtained an understanding of USAID/Sudan Field Office's (SFO) management controls, specifically regarding the implementation and monitoring of activities in southern Sudan—an environment which has many inherent risks. This effort resulted in testing and assessing of management controls to include a determination of whether (1) performance monitoring plans had been established, (2) site monitoring activities had taken place, (3) ongoing and planned activities had been supported with a strategic plan, (4) annual reporting by the Mission was being conducted, and (5) funds were being used for authorized purposes and were adequately supported. We also interviewed officials from (1) USAID/SFO, including the Mission Director, team leaders, and other staff, (2) USAID/Regional Economic Development Services Office for East and Southern Africa (REDSO) (who provide assistance to USAID/SFO), including the Controller, Executive Officer, Regional Legal Advisor, and other staff, and (3) various implementing partners involved in southern Sudan.

The types of evidence examined during the survey included—but were not limited to—reviewing the Mission's organizational structure, interim strategic plan, annual report, planning documents, budget information, implementing partners' reports, and monitoring documents, and USAID's *Fragile States Strategy*.

There were no prior audit findings affecting this area of review. We conducted the survey at USAID/Sudan Field Office in Nairobi, Kenya, from November 29, 2004 to December 3, 2004 and then from January 31, 2005 to February 4, 2005. Field visits to observe USAID activities in southern Sudan were conducted in Maridi, Padak, Rumbek, and Yei from January 24 to 29, 2005. In addition, the survey team attended security briefings conducted by Operation Lifeline Sudan in Lokichoggio, Kenya which were required prior to entering into southern Sudan.

Methodology

To gain an understanding of USAID/SFO's ongoing and planned FY 05 activities, as well as actions taken to mitigate the risks of operating in a dangerous and dynamic environment, we held discussions with officials from USAID/SFO, USAID/REDSO, and implementing partners, and reviewed relevant documents. In order to accomplish the survey objectives, we developed a survey program and performed the following tasks:

- Reviewed applicable regulations, USAID policy, and guidance related to the survey objectives.

- Gained an understanding of USAID/SFO activities by reviewing program documents and interviewing SFO strategic objective team officials and their staff, as well as implementing partners.
- Gained an understanding of the inherent risks of operating in a dangerous and dynamic environment through observing activities taking place in four different locations in southern Sudan. In addition, the survey team also attended security briefings on southern Sudan, where information on the current status of the security situation was provided.

We did not set a materiality threshold for this survey as the nature of the survey did not lend itself to the establishment of such a threshold. However, we designed the survey to address potential concerns such as inadequate monitoring of activities or absence of monitoring documentation in cognizant technical officers' files as well as attempted to identify indicators of illegal acts.



May 3, 2005

MEMORANDUM

TO: Jay Rollins, Regional Inspector General/ Pretoria

FROM: Allan Reed, USAID/SFO Director /s/

SUBJECT: Response to draft report on the “Survey of USAID/Sudan Field Office. (Report No. 4-650-05-00X-S)”

USAID/Sudan Field Office wishes to thank the Regional Inspector General/Pretoria for conducting a survey of the USAID/Sudan Field Office in order to identify areas for future audits. We have now reviewed the draft survey report issued on March 31, 2005 and the following are our comments regarding the 22 suggestions as well as other comments on your report.

Staffing Issue

We agree with your two suggestions on staffing and will consider inadequate staffing as a reportable weakness in the next Federal Manager’s Financial Integrity Act submission.

USAID Branding Issue

Suggestion No.: 3 – USAID/SFO agrees with this suggestion. The USAID branding requirement is now being included in new agreements.

Administration Issues

Suggestion No.: 4 – We agree with this suggestion. The Program Development Office is already working on combined procurement reports.

Suggestion No.: 5 - We concur with your suggestion.

Suggestion No.: 6 – We agree with your suggestion and are currently working on the Performance Monitoring Plans, and are also in the process of developing Mission Orders. However, USAID/SFO may use the REDSO Mission Orders. Cognizant Technical Officers (CTO) training was conducted in March 2005.

Monitoring Issues

Suggestion No. 7 to 10: We agree with these suggestions.

Technical Skill/Development Issue

Suggestion No. 11 to 12: We agree with you. The REDSO/ESA/RFMC Director has already planned to visit local grantees in May 2005.

Audit Coverage/Audit Training Issues

Suggestion No. 13 to 18: We agree with you that the accounting environment in Southern Sudan is a high risk for accountability problems. Fraud awareness training is tentatively scheduled for June 2005. USAID/SFO will make further considerations and take other appropriate action to address your suggestions.

Transportation Issues

Suggestion No. 19 to 21: We accept your suggestions aimed at addressing logistical and infrastructural issues. USAID/SFO has already committed 40.5 million to the WFP emergency road program this year (2005) and will continue with road and bridge construction for the next three years under the Sudan Infrastructure Program (SIP).

Transparency/Accountability Issue

Suggestion 22: We agree with your suggestion. USAID/SFO has already requested funding for anti corruption activities..

Other Comments

On Page 1, we suggest that you provide a clarification on the use of the following terminology:

- Government of Sudan,
- Government of Southern Sudan, and
- Unity Government of Sudan.

On page 4-8, the funding levels provided does not match the CBJ for all SOs save for SO 7. Consequently, the pie chart on page 8 of the draft report does not tally with the correct CBJ figures which are now provided under **Attachment 1** to this memorandum.

On Page 8 – the last sentence under the second bullet should clarify whether the indicated FY 05 funding for FFP activities relates to Sudan or Southern Sudan.

On Page 10 – We request that you replace the first sentence that reads “As a result, Mission.....their activities” with the following sentences “However, Mission officials had been informed that the Transition Initiative funding would allow for more flexibility in funding levels.”

On page 10– First sentence of the first bullet under staffing issues should read: “Incomplete staffing is impacting implementation and monitoring activities”. In addition, please note that, currently the SFO has a staff of 25 which is still limited as a result of the constraints caused by the NSDD – 38 restrictions on staff numbers in Nairobi.

APPENDIX II

Attachment 1

Strategic Objective: 650-004
Planned FY 2005 Obligation: \$1,000,000 DA; \$19,840,000 ESF

Inputs, Outputs, Activities:

FY 2005 Program: Support Peace Processes (\$1,000,000 DA; \$19,840,000 ESF).

Principal contractors and grantees: Express Travel Ltd. ESF funds will be programmed and notified separately by the U.S. Department of State.

Strategic Objective: 650-005
Planned FY 2005 Obligation: \$9,849,000 DA

Inputs, Outputs, Activities:

FY 2005 Program: Strengthen Democratic Governance Institutions (\$2,128,000 DA).

Principal contractors and grantees include: Bearing Point.

Strengthen Democratic Political Parties (\$1,078,000 DA).

Principal contractors and grantees: International Republican Institute (IRI).

Improve Justice Sector/Legal Framework (\$1,400,000 DA).

Principal contractors and grantees include: the National Democratic Institute (NDI).

Promote and Support Free and Fair Elections (\$2,100,000 DA).

Principal contractors, grantees and agencies include: the U.S. Census Bureau.

Strengthen Civil Society (\$3,143,000 DA).

Principal contractors and grantees: to be determined through a competitive process.

Strategic Objective: 650-006
Planned FY 2005 Obligation: \$10,251,000 DA

Inputs, Outputs, Activities:

FY 2005 Program: Improve Quality of Workforce (\$1,551,000 DA). Principal contractors and grantees: To be determined through a competitive process.

Expand and Improve Access to Economic and Social Infrastructure (\$3,180,000 DA). Principal contractors and grantees: CARE in consortium with the American Institutes of Research, and University of Massachusetts, Center for International Education.

Strengthen Democratic Governance Institutions (\$1,000,000 DA). Principal contractors and grantees: CARE in consortium with the American Institutes of Research, and University of Massachusetts, Center for International Education.

Strengthen Civil Society (\$800,000 DA). Principal contractors and grantees: CARE in consortium with the American Institutes of Research, and the University of Massachusetts Center for International Education.

Improve the Quality of Basic Education (\$3,720,000 DA). Principal contractors and grantees: Education Development Center.

Strategic Objective: 650-007
Planned FY 2005 Obligation: \$16,000,000 CSH

Inputs, Outputs, Activities:

FY 2005 Program: Improve Child Survival, Health and Nutrition (\$3,048,000 CSH). Principal contractors and grantees: John Snow International (JSI), WHO, and Centers for Disease Control and Prevention (CDC).

Improve Maternal Health and Nutrition (\$1,252,000 CSH). Principal contractors and grantees: JSI

Reduce Unintended Pregnancy and Improve Healthy Reproductive Behavior (\$900,000 CSH). Principal contractors and grantees: JSI

Build Health Systems Capacity (\$4,100,000 CSH). Principal contractors and grantees: JSI; CDC; IntraHealth; Measure Evaluation; and Measure Buceen.

Improve Access to Clean Water and Sanitation (\$2,700,000 CSH). Principal contractors and grantees: JSI

Prevent and Control Infectious Diseases of Major Importance (\$2,500,000 CSH). Principal contractors and grantees: JSI and CDC.

Reduce transmission and impact of HIV/AIDS (\$1,500,000 CSH). Principal contractors and grantees: JSI, CDC, and others to be determined.

Strategic Objective: 650-008
Planned FY 2005 Obligation: \$48,900,000 DA

Inputs, Outputs, Activities:

FY 2005 Program: Strengthen Financial Sector's Contribution to Economic Growth (\$1,700,000 DA; \$200,000 prior year DA). Principal contractors and grantees: Chemonics International.

Increase Private Sector Growth (\$4,600,000 DA). Principal contractors and grantees: Catholic Relief Services Consortium and a contractor to be selected for the trade expansion component.

Improve Economic Policy and Governance (\$3,145,000 DA). Principal contractors, grantees and agencies: Volunteers in Economic Growth Alliance and the U.S. Department of Agriculture.

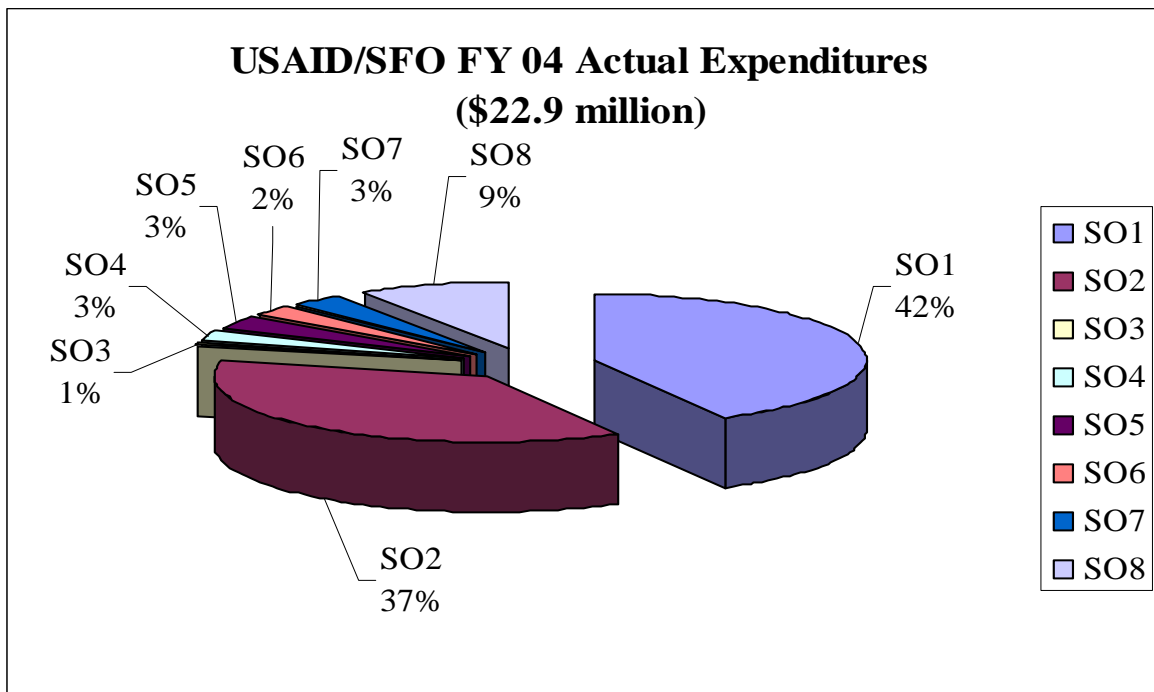
Expand and Improve Access to Economic and Social Infrastructure (\$39,455,000 DA). Principal contractors and grantees: World Food Programme, National Rural Electric Cooperative Association, and architectural and engineering and construction firms to be identified.

P.L. 480 food aid resources are targeted towards a) emergency relief food assistance in conflict zones; b) support for the return and reintegration of internally displaced persons and refugees in home areas; c) food security linked with conflict prevention in areas of conflict; d) implementation of rehabilitation activities in stable areas with an emphasis on self-reliance, utilization of local resources, capacities and "ownership"; and e) increases in agricultural production. Principal contractors and grantees: World Food Programme, CARE, Catholic Relief Services, Norwegian People's Aid, ADRA, and Samaritan's Purse.

USAID/Sudan Field Office Expenditures in Fiscal Year 2004

The following chart shows actual fiscal year (FY) 04 expenditures of \$22.9 million broken down by FY 04 Strategic Objectives for the USAID/Sudan Field Office. Specifically it addresses: SO 1 – Enhanced environment for conflict reduction; SO 2 – Enhanced food security through greater reliance on local resources; SO 3 – Enhanced primary health care through greater reliance on local capacities; SO 4 – Expanded support to the Sudan peace process; SO 5 – More responsive and participatory governance; SO 6 – Improved equitable access to quality education; SO 7 – Increased use of health, water and sanitation services and practices and SO 8 – Foundation established for economic recovery.

The highest percentage of expenditures in FY 2004 occurred in SO 1 with 42 percent, SO 2 at 37 percent and SO 8 at 9 percent. The remaining SOs accounted for expenditure levels ranging from 1 to 3 percent.



Source: USAID/Regional Economic Development Services Office for East and Southern Africa

NOTE: SOs 1 through 3 no longer exist for FY 2005.