OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S GLOBAL DEVELOPMENT ALLIANCES

AUDIT REPORT NO. 9-000-05-006-P
JULY 21, 2005

WASHINGTON, DC

July 21, 2005

MEMORANDUM

TO: Acting GDA Secretariat Director, Dan Runde

FROM: IG/A/PA Director, Nathan S. Lokos /s/

SUBJECT: Audit of USAID's Global Development Alliances
              (Report No. 9-000-05-006-P)

This memorandum transmits our final report on the subject audit. 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 four recommendations. Three of these recommendations concern strengthening USAID's reporting, disclosure, and documentation standards for its Global Development Alliances (GDA), while the fourth concerns issuing a policy reminder regarding developing, monitoring, and reporting on indicators and targets for its GDA activities. In your written comments, you concurred with all four recommendations.

Regarding Recommendation No. 1, as discussed on page 15, while the actions taken demonstrate management's commitment to strengthening GDA reporting and should have had a positive impact on reporting accuracy, the actions did not fully address our concerns. Accordingly, a management decision has not been reached for Recommendation No. 1. Please provide written notice to my office within 30 days of any additional actions planned or taken to implement Recommendation No. 1.

Regarding Recommendations No. 2, 3, and 4, we determined that the actions, when implemented, will address the recommendations. Accordingly, management decisions have been reached on each of these recommendations. Please coordinate final action on these recommendations with the Office of Management Planning and Innovation.

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

CONTENTS

SUMMARY OF RESULTS

Global Development Alliances (GDAs) are agreements between USAID and other parties—both governmental and private sector—in the development community to jointly define a development problem and jointly contribute to its solution. While working closely with development partners is certainly not new to USAID, since 2001 the concept of public-private alliances has been emphasized as a business model to increase USAID's effectiveness in delivering foreign assistance. (See page 2.)

This report summarizes the results of five Office of Inspector General (OIG) audits conducted at selected missions worldwide.[1] In addition to summarizing these results, this report addresses Agency-wide issues identified during the course of these audits. (See Appendix III for a summary of audit recommendations, both by type of recommendation and by mission audited, and Appendix IV for a list of related audit reports issued.)

The five audits were conducted to determine whether (1) USAID considered utilizing GDAs in planning its activities, (2) USAID reported its GDAs accurately and completely, and (3) selected GDAs achieved their intended results. (See page 3.)

USAID considered utilizing GDAs in planning its activities. All five missions had active GDAs and almost all of their strategic objective teams had either actively considered or were planning additional GDAs. (See page 4.) However, USAID did not always report its GDAs accurately and completely, did not fully disclose the limitations of the data reported, and did not always maintain documentation to support that its GDAs met the criteria to be reported as GDAs or to support partner contributions reported to USAID/Washington. (See pages 5, 7, 9, and 10.) In addition, although over one-third of the GDAs audited had either achieved their intended results or were on track to do so, nearly one-half had either not developed performance indicators or targets or had not achieved their intended results. (See page 12.)

This report includes four recommendations to strengthen GDA reporting and related disclosure, improve GDA documentation, and help ensure that GDAs are working towards achieving intended results. (See pages 7, 10, 12 and 14.) Management concurred with all four recommendations and management decisions have been reached on three of the four recommendations. See page 15 for our evaluation of management comments.

Management comments are included in their entirety (without attachments) in Appendix II.

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[1] The five Missions audited were Zambia, Peru, Nigeria, South Africa, and India.

BACKGROUND

Over the last 30 years, financial resources dedicated to assisting the developing world have undergone a major transition. In 1970, 70 percent of the money that went to the developing world from the United States came from the Federal Government and only 30 percent came from other sources. By 2000, when total U.S. resource flows to the developing world surpassed $70.5 billion, only 20 percent of such resources came from the Federal Government, with 80 percent furnished by other sources, as depicted in the following charts. As a result, sources such as non-governmental organizations, universities, foundations, and corporations now play a significant role in financing development activities.

Development Resources in Transition

1970

2000
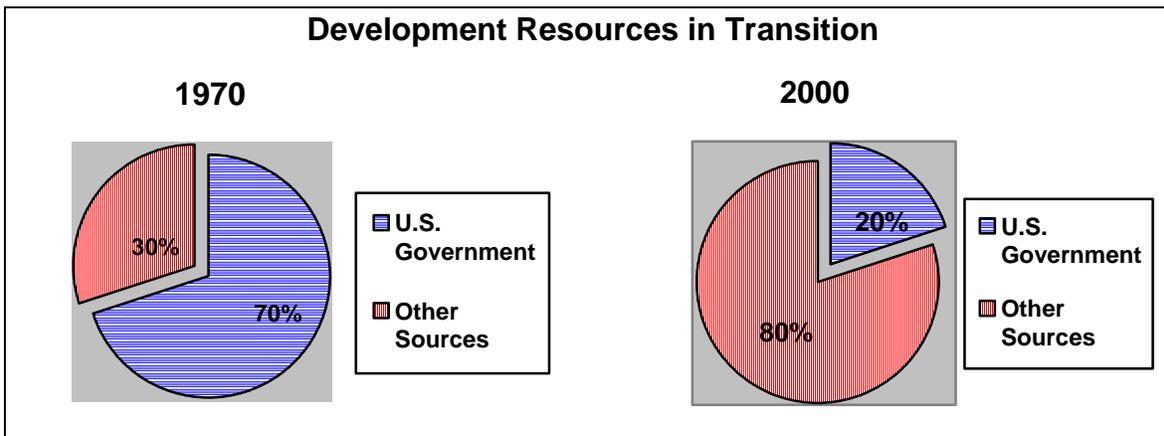
In recognition of this major shift, USAID established the Global Development Alliance (GDA) business model in 2001. GDAs are agreements between USAID and other parties in the development community to jointly define a development problem and jointly contribute to its solution. According to USAID's guidelines, GDAs require a minimum one-to-one matching of partner contributions to USAID resources. In addition, the partners' contributions must include non-public or private resources equal to at least 25 percent of the USAID contribution. GDAs are often referred to as "public-private alliances."

While working closely with development partners is certainly not new to USAID, since 2001 public-private alliances have been increasingly emphasized as a business model to enhance USAID's effectiveness in delivering foreign assistance. To this end, USAID established the GDA Secretariat in 2001. The Secretariat is a small temporary[2] staff office that reports directly to the Administrator. It provides training to USAID staff, performs outreach to prospective and current alliance partners, facilitates the effective use of alliances in USAID programs, and disseminates Agency-wide GDA information for both internal and external use.

In FY 2003 (the period under audit) USAID reported that it had initiated or substantially expanded an estimated 140 alliances with USAID funding of approximately $273 million—leveraging an estimated $1.2 billion in partner contributions. During this same

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[2] The life of the Secretariat has been extended through 2006.

period, the five missions audited reported 24 GDAs with USAID funding of over $28 million and partner contributions amounting to nearly $138 million.

In March 2005, USAID reported that since FY 2002, USAID had invested $1 billion in 290 GDAs, leveraging over $3 billion in partner resources and engaging 339 corporate and 89 foundation partners.[3]

AUDIT OBJECTIVES

The Office of Inspector General's Performance Audits Division conducted this worldwide audit as part of its annual audit plan to answer the following objectives:

- Did USAID consider utilizing Global Development Alliances in planning its activities?

- Did USAID report its Global Development Alliances accurately and completely?

- Did selected USAID Global Development Alliances achieve their intended results?

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

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[3] This information was reported in a March 16, 2005 Press Release, posted on the Secretariat's website.

AUDIT FINDINGS

Did USAID consider utilizing Global Development Alliances in planning its activities?

USAID considered utilizing Global Development Alliances (GDA) in planning its activities. All five missions tested had active GDAs. Moreover, the economic strategic objective (SO) teams at those missions were particularly active in incorporating GDAs into their development activities. In addition, three of five missions had incorporated GDAs into their country strategic plans and many SO teams had integrated GDA-specific language into their project funding announcements.

Various forms of USAID guidance encourage the use of GDAs in planning activities. USAID's *Automated Directive System (ADS) Section 201 (Planning)* and *Tools for Alliance Builders*[4] state that missions should actively consider building public-private alliances directly into strategic plans, selected SOs, or intermediate results. Additional GDA Secretariat guidance[5] states that if alliance-building is not incorporated into a particular sector, missions should be able to provide a rationale for not doing so.

The missions audited had 29 SO teams, and 18 of them had incorporated alliance-building into their work. For example:

- In South Africa, the Democracy SO team initiated an alliance to reduce crime and improve court efficiency. Partners included a group of private South African businesses and the South African Department of Justice.

- In Zambia, the private sector SO team led the Mission in developing alliances. It implemented three alliances in 2003, had four alliances in various stages of funding for 2004, and was working on two potential GDAs. Its Milk Collection Centers Alliance was assisting rural farmers in establishing small, centrally located milk collection centers.

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[4] The GDA Secretariat issued *Tools for Alliance Builders*, version four, on September 9, 2003. It is cross-referenced in ADS Sections 200-202. The *Tools* were revised in September 2004.

[5] *A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning*, dated January 12, 2004, was available on USAID's intranet.

**Photo, taken September 14, 2004 by an OIG auditor, of the manager of
a GDA-supported milk collection center in Magoye, Zambia. Many farmers
transport their milk to the center using bicycles.**

- In Peru, the environmental SO team worked with the Chicago Field Museum of
  Natural History to protect biological diversity and develop ecologically compatible
  economic opportunities in Peru's Cordillera Azul National Park.

Additionally, several missions were actively involved with regionally managed and/or
USAID/Washington-managed GDAs. The SO teams which had not incorporated GDAs
into their activities had appropriate rationales for not doing so.

To further support missions in using GDAs in planning their activities and to encourage
engaging non-traditional partners—such as corporations and foundations—the
Secretariat worked with USAID's Office of Acquisition and Assistance to develop a new
collaboration agreement. This new mechanism, called the Public Private Alliance
Collaboration Agreement,[6] stresses the partnership, rather than procurement, aspect of
a GDA. It can be used when developing a GDA with non-traditional partners, when a
traditional cooperative agreement, grant, or contract is not appropriate.

Did USAID report its Global Development Alliances accurately and completely?

USAID did not always report its GDAs accurately and completely. During fiscal year
(FY) 2004, GDA reporting consisted of two parts—the missions' Annual Reports, which
primarily reported results, and the Secretariat's database, which reported information
related to USAID funding, partner contributions, implementation status, and related data.
Regarding the Annual Reports, three of five missions audited did not include all the GDA

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[6] Acquisition and Assistance Policy Directive 04-16 was issued on December 30, 2004.

information requested by the Annual Report Guidance in their FY 2004 Annual Reports.[7] Although a fourth mission reported complete information, some of that information was reported inaccurately, while only one mission reported both accurately and completely. Regarding the Secretariat's database, for the most part, USAID funding was accurate and complete; however, partner contributions were inaccurately reported by three of the five missions audited. The fourth mission understated USAID funding while, again, the fifth mission's reporting was accurate and complete. Additionally, USAID did not disclose the nature and limitations of GDA data reported to external or internal parties. Finally, two of the five missions did not maintain documentation to support their reported partner contributions.

Missions' Annual Reports Were Not Always Complete and Accurate

Summary: Three missions did not include all the GDA information, omitting, on average, 7 of 15—nearly half—of the GDA-related elements requested in the 2004 Annual Report Guidance. Although a fourth mission reported complete information, some of that information was reported inaccurately, while only one mission reported both accurately and completely. Personnel at two missions stated they were unable to report all the information due to space limitations. Another mission stated that they believed the information was not required. One mission did not have procedures to ensure that all the requested information was reported. Because the Annual Reports were incomplete, USAID's ability to evaluate the full scope and effectiveness of its GDAs was limited.

The missions' Annual Reports are USAID's principal tool for (1) assessing program performance and (2) communicating this information to USAID management for internal decision-making purposes and to external audiences such as Congress and the Office of Management and Budget for resource allocation and performance reporting purposes. *ADS 203, Assessing and Learning,* contains policies related to preparing the Annual Reports. For example, A*DS 203.3.5.1, Data Quality Standards,* states that data must be valid, precise, reliable, and timely.

In addition to the above-mentioned guidance, the Bureau for Policy and Program Coordination (PPC) provides supplemental guidance each year. In addition to providing in-depth instructions for completing each section of the report, PPC's FY 2004 Annual Report Guidance included instructions for 15 specific elements related to GDA activities.

Three of the five missions tested did not include all the requested GDA information in their 2004 Annual Report, omitting, on average, 7 of 15 GDA-related elements cited by the 2004 Annual Report Guidance. Examples of missing information included the following:

- How effectiveness will be monitored and evaluated.
- The results being achieved by GDAs and their relationship to the strategic objective.

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[7] The missions' 2004 Annual Reports reported performance information for FY 2003.

- The cash value of any in-kind contributions.[8]
- How leveraged resources will be brought to the alliance.
- Any GDAs the mission is currently participating in as a partner.

At two of the missions audited, personnel stated that certain GDA-related information was not included because the Annual Report Guidance dictates that the overall performance narrative must be no longer than four pages and each SO narrative must be no more than three pages. Mission personnel felt they did not have sufficient space to report all the required elements and also include the other requirements dictated by the Annual Report Guidance. Personnel at one mission stated that they did not think all the elements listed in the Guidance were mandatory because the Guidance used the term "should," connoting a suggestion rather than a requirement. Personnel at another mission did not include all the information because they lacked procedures to ensure that all the information was reported. Finally, personnel at the mission reporting complete but inaccurate information stated that they did not completely understand the reporting requirements.

The missions' Annual Reports are USAID's primary mechanism for tracking the results and impact of its GDAs. Without complete and accurate information in these reports, USAID does not have complete and reliable information needed to fully evaluate and report the successes, challenges, and impact of using GDAs.

Accordingly, we are making the following recommendation to ensure that future Annual Reports submitted by missions to USAID/Washington are complete and accurate:

> *Recommendation No. 1: We recommend that the Global Development Alliance Secretariat coordinate with the Bureau for Policy and Program Coordination to establish procedures to ensure that complete and accurate Global Development Alliance information, including that reported in the Secretariat's database, is included in the missions' Annual Reports.*

Information Reported to the GDA Secretariat Was Not Always Accurate

Summary: USAID guidance emphasizes that sound decisions require accurate, current and reliable information. Nevertheless, although for the most part the missions accurately reported USAID funding, three of the five reported inaccurate partner contributions. This occurred because the missions did not verify and cross-check reported data, did not completely understand the reporting requirements, and/or were unaware of the importance of the data or of its potential use. Since a substantial portion of USAID's total GDA activity is generated at the mission level, inaccurate mission data could result in inaccurate data reported at the Agency level. Additionally, USAID needed to disclose the nature and limitations of GDA data reported to both internal and external parties.

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[8] In-kind contributions include the value of donated services and property (including intellectual property), technical skills, training, and other non-cash contributions.

To supplement the results reported in the FY 2004 Annual Reports, the Secretariat created a database to collect certain statistical information routinely requested by various external parties. This information was also needed for internal assessment of the Agency's progress in implementing and mainstreaming the GDA business model. To facilitate data entry, the Secretariat created standardized Excel-based templates and issued guidance for completing and submitting the templates in November 2003. The use of such templates typically enhances the accuracy of reported information. USAID guidance notes that accurate, current and reliable information is important for making sound decisions.

Nevertheless, as the list below illustrates, three of the five missions reported partner contributions inaccurately and one inaccurately reported USAID funding—when compared against supporting documentation:

- One mission reported inaccurate combined cash and in-kind contributions for two of three GDAs.

- Another mission reported inaccurate combined cash and in-kind contributions in four of five GDAs.

- The third mission reported inaccurate cash contributions in two of five GDAs and inaccurate in-kind contributions in four of five GDAs.

- Although the fourth mission accurately reported partner contributions, it understated USAID's funding.

Reporting partner contributions is challenging due to the nature of the contributions and the estimates involved. Partner contributions consist of both cash and "in kind" (see footnote 8) contributions, and both types of contributions include actual contributions already received by the GDA and projected future contributions expected over the estimated lifetime of the alliance. USAID does not have a contractual relationship with these "resource" partners. Therefore, these partners are not contractually obligated to contribute the amounts promised. Contributions can and do change over the life of the alliance, thereby requiring the use of estimates when reporting for each fiscal year. However, partner contributions and their corresponding "leveraging" are widely reported outside USAID. (See page 9 for related disclosure issues.) This leveraging is part of what makes a GDA such a potentially powerful development tool.

Finally, GDAs are reported to the Secretariat in the year when funds are obligated,[9] not necessarily in the year they are "funded".[10] At one mission, the indicator as to whether or not a grant, cooperative agreement, or contract had been awarded was incorrect for all five GDAs reported—three of the GDAs were reported as funded when they were not and two GDAs were reported as unfunded when they actually had been funded.

Inaccuracies in reporting GDAs occurred for a variety of reasons. Some missions did not verify and cross-check reported data, did not completely understand the reporting

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[9] Funds are obligated when there is a written agreement for which USAID has responsibility to affect payment, such as a bilateral or strategic objective agreement with the host country.

[10] For the purposes of this audit, a GDA is considered "funded" when a cooperative agreement, grant, or contract is awarded.

requirements, and/or were unaware of the importance of the data or of its potential use. For example, personnel at one mission did not understand what amounts should properly be reported for USAID funding—should it be amounts obligated but "unfunded," amounts "expended" (disbursed), or the full amount of planned funding?

Beginning with the FY 2005 Annual Reports—which reported FY 2004 data—the Secretariat's database and the accompanying guidance have been simplified and incorporated into the Annual Report system. The revised template segregates USAID funding into funds obligated and funding projected over the estimated life of the alliance. Similarly, partner contributions are divided into actual contributions received by the alliance and projected contributions over the estimated life of the alliance. Recommendation No. 1 in this report (see page 7) addresses the completeness and accuracy of data reported in both the missions' Annual Reports and the Secretariat's database; therefore no additional recommendation addressing database accuracy is necessary. However, USAID should disclose the limitations of the database information, as discussed below.

USAID Should Disclose Data Limitations[11]—The Secretariat's database is the primary source of GDA information relating to USAID funding, partner contributions, and implementation status; USAID reports this information to both external and internal parties. For example, the FY 2003 database was the primary source for statistical data reported in the Management's Discussion and Analysis (MD&A) section of USAID's 2004 Performance and Accountability Report (PAR)[12] and in various press releases. The database was also the source for data reported internally, for example, in the Administrator's April 6, 2005 "All Hands Agency Town Meeting."

USAID/Washington's reporting of GDA-related information should disclose the tentative nature of this data—for example, that USAID funding reported includes monies:

- Obligated for GDAs in the planning stage.

- For GDAs already "funded."

- For projected funding over the estimated life of the alliance.

This disclosure should also reflect that partner contributions and leveraging reported include:

- Actual contributions already received by the GDA.

- Estimates of projected future contributions over the expected life of the alliance.

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[11] This finding is based on information obtained during the worldwide audit. Missions report GDA data to USAID/Washington, which in turn reports aggregated data to both internal and external parties.

[12] In the 2003 PAR, data in the 2002 database was supplemented with information reported by the missions to USAID/Washington through a separate "data call" requested by the Secretariat. This data was reported in both Management's Discussion and Analysis and in the Performance Section of the FY 2003 PAR.

In the course of our worldwide audit, we noted that USAID did not provide this disclosure in its reporting to internal or external parties. As a result, its reporting was not as transparent as it could be. *ADS 203.3.2.1(e)* states that reporting should be transparent. Transparency enhances USAID's credibility and involves communicating limitations in data quality so that achievements can be honestly assessed. The disclosure of GDA-related information in USAID's financial statements is governed by generally accepted accounting principles. However, we believe that it is also important that the nature and limitations of GDA-related information reported and cited outside of the financial statements be fully disclosed. This disclosure would increase the transparency and usability of the information reported.

Accordingly, we are making the following recommendation regarding disclosure of GDA-related information reported in the MD&A and the Performance Section of USAID's PAR and disclosure of GDA-related information reported outside of the PAR:

> *Recommendation No. 2: We recommend that the Global Development Alliance Secretariat clearly and fully disclose the nature and limitations of data reported in Management's Discussion and Analysis and the Performance Section of USAID's Performance and Accountability Report, as well as in other external and internal reporting; specifically, that the USAID funding reported includes monies:*
>
> - *Obligated in the planning stage.*
> - *Already "funded."*
> - *For projected funding over the estimated life of the alliance;*
>
> *and that partner contributions include:*
>
> - *Actual contributions already received by the GDA.*
> - *Estimates of projected future contributions over the expected life of the alliance.*

Supporting Documentation
Should Be Maintained

Summary: Internal control standards dictate the need to maintain supporting documentation for all transactions and significant events. Two of the five missions audited did not maintain documentation to support partner contributions reported to the Secretariat or to support that the activity met the criteria to be considered a GDA. This occurred because missions were unaware that the Secretariat would use the information in USAID's Performance and Accountability Report and did not know what type of supporting documentation was needed. Without adequate supporting documentation, USAID/Washington did not have the required reasonable assurance that the partner contributions reported to Congress and the public under its GDA business model were reliable, accurate, and complete. Additionally, inadequate supporting documentation also increased the risk that missions could not support that reported GDAs actually possessed the required elements to be considered GDAs.

The *Standards for Internal Control in the Federal Government*[13] states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination. Yet, despite this requirement, two of the five missions did not maintain sufficient documentation to support that:

- Reported GDAs met the criteria to be reported as a GDA[14] or

- Partners' cash and in-kind contributions reported were accurate.

Mission personnel appropriately used estimated values to report projected partners' contributions to the Secretariat. However, two missions' files did not include documentation supporting most of the estimated values, explanations for how the estimates were derived, or why the reported amounts differed from the supporting documentation that was available. Moreover, one mission did not maintain documentation to support that two of its four GDAs met the 25 percent private sector requirement to be classified as a GDA. Eventually, this mission excluded one of these alliances from GDA reporting in its FY 2005 Annual Report, indicating that the alliance did not meet all three criteria to be reported as a GDA.

Maintaining supporting documentation is important because it serves to support the credibility and reliability of information reported both within and outside of USAID. In the absence of accurate and verifiable supporting documentation for the amounts reported by the missions, USAID/Washington did not have the required reasonable assurance that the activities met the criteria to be reported as GDAs and that partner contributions reported to the public under its GDA business model were reliable, accurate, and complete.

In the Management's Discussion and Analysis section of USAID's FY 2003 Performance and Accountability Report, USAID reported its GDA accomplishments to Congress and the public. It reported an estimated 140 alliances with USAID funds equaling approximately $272.8 million and leveraged alliance partner contributions equal to an estimated $1.2 billion. Since a substantial portion of USAID's total GDA results is generated at the mission level, unreliable mission data could result in the reporting of unreliable data at the aggregate level. Inaccurate figures for the number of GDAs, the amount of USAID funding, and the amount of partner contributions could significantly overstate or understate what has actually been accomplished.

Mission personnel indicated that this situation arose because the GDA Secretariat had not provided clear guidance regarding the level of documentation needed to support the GDA database reporting process and that they did not know what type of support was

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[13] The *Standards for Internal Control in the Federal Government* was issued by the Government Accountability Office in November 1999.

[14] To be reported as a GDA, an alliance must meet the following criteria: (1) it must be a public-private alliance in which total USAID resources committed over the life of the alliance is leveraged by either cash or in-kind partner contributions on at least a 1:1 basis; (2) at least 25 percent of the partner contributions must be from private sector partners, such as corporations or foundations; and (3) it should exhibit joint planning, joint problem definition, and shared risks and responsibilities.

needed for reported GDAs. Mission personnel also stated that they were not aware of the importance or eventual use of the data reported.

In our opinion, maintaining supporting documentation for information reported to USAID/Washington is an important practice that should be followed whether or not missions have been specifically directed to do so. However, because the GDA business model is new and the use of estimates and projections is somewhat unique, we are making the following recommendation to strengthen documentation maintained by the missions and provide reasonable assurance that GDAs and amounts reported to USAID/Washington are supported, accurate and complete:

> *Recommendation No. 3: We recommend that the Global Development Alliance Secretariat coordinate with the Bureau for Policy and Program Coordination to provide specific data documentation standards for the Global Development Alliance information reported to USAID/Washington through the mission Annual Report system and that this documentation be maintained by the missions and be readily available for examination.*

Did selected USAID Global Development Alliances achieve their intended results?

Of the GDAs audited that were funded and reported results for FY 2003, three had made progress toward achieving their intended results, two had achieved their intended results, two had not achieved their intended results, and four had not yet developed indicators or targets. These issues are discussed further in the section below.

Performance Indicators Should Be Developed or Revised

Summary: Over one-third of the GDAs audited had either achieved their intended results or were on track to do so. However, nearly one-half had either not developed performance indicators or targets in accordance with USAID guidance, or had not achieved their intended results. Those GDAs not having indicators or targets lacked them for a variety of reasons, as discussed below. Those GDAs that had not achieved their intended results had not done so because their targets were based on unrealistic assumptions. With either unrealistic targets or no targets at all, it was difficult for management to assess progress toward goals and objectives.

Over one-third of the GDAs audited had either achieved their intended results or were on track to do so. For example:

- In India, the two GDAs audited had achieved their targets. The Solar Finance Capacity Building Alliance held four conferences for senior banking executives as the first step in mobilizing increased loan funds for consumers and small businesses to purchase solar energy systems. A second alliance, the Green Business Center, constructed a small office building, which was awarded the U.S. Building Council's Platinum Leadership in Energy and Environmental

Design Certification, the first building outside the U.S. to receive this prestigious award.

- In Nigeria, three GDAs, all in their first full year of activities, were well on their way towards meeting their agreed-upon targets. In the Cassava Competitiveness Program, over 200 farmers had been mobilized to receive access to improved inputs, credit, technologies, and marketing of their products. In the Crop/Livestock Competitiveness Production Alliance, over 100 herders had been mobilized to receive access to improved inputs, credit, technologies, and marketing techniques. A third GDA, the Cassava Enterprise Development Project, had made significant progress on five of its eight performance indicators. For example, it announced the opening of a fufu[15] production factory in Umuekechi, run by a women's cooperative. This model will be replicated in other communities.

**Photo, taken December 6, 2004 by an OIG auditor, showing women
processing cassava at the GDA-supported fufu factory in Nigeria.**

However, despite the above accomplishments, nearly one-half of the GDAs audited had either not developed performance indicators or targets or had not achieved their intended results because their indicators were based on unrealistic assumptions. Four GDAs audited had not developed indicators or targets so that even though the GDA was active, it could not be determined if progress was being made toward accomplishing intended results. This occurred for a variety of reasons. One GDA was viewed by the mission as a sub-activity of a larger environmental project and, therefore, separate targets had not been established. For a second GDA, the results requirements had not been properly explained to the implementing partner and a personnel change prolonged the development of a performance monitoring plan. The lack of performance targets in a

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[15] Fufu is a thick, dough-like West African food made by processing cassava.

third GDA reportedly resulted from insufficient staff to properly handle the growing workload of the mission's HIV/AIDS program.

Furthermore, two GDAs had not achieved their intended results because their targets were based on unrealistic assumptions. This occurred in one case because the targets established were based on economic conditions in areas of the country in which successful projects had been conducted. However, these economic conditions, such as poverty and unemployment, were more acute in the area in which this particular GDA operated—but the targets had not been adjusted accordingly. In the second case, the GDA's goals were to increase membership in its association to a specified level and to provide business development services to these members. However, the association membership target was not achieved because it was based on an incorrect assumption about population patterns in each of the country's nine provinces. Therefore, neither goal could be achieved.

USAID has developed various guidance regarding performance indicators and targets. *ADS 203, Assessing and Learning,* states that performance indicators should be direct, objective, useful for management, practical, attributable to USAID efforts, timely, and adequate. According to *ADS 203*, a performance target is the specific, planned level of result to be achieved within an explicit timeframe. *ADS 203* further states that operating units should use performance information to assess progress in achieving results and in making management decisions. In addition to the ADS, *TIPS 8, Establishing Performance Targets,* states that operating units should establish a performance target for each performance indicator it selects for its strategic objectives and intermediate results. *TIPS 11, The Role of Evaluation in USAID,* states that performance monitoring is an ongoing, routine effort requiring data-gathering, analysis, and reporting on results at periodic intervals.

Additionally, the 2003 version of the GDA Secretariat's *Tools for Alliance Builders* stated that realistic, time-certain and measurable criteria to gauge and evaluate progress should be set. The most recent revision of this guidance, issued September 2004, significantly expanded the guidance on monitoring and evaluation. It stated that monitoring and evaluation for alliances should be guided by *ADS 203*, which applies to alliances just as it does to any other development activity involving USAID program funds. The revised guidance also clarifies special considerations to be taken into account when designing a monitoring and evaluation system for a GDA.

Without specific and reasonable performance indicators and targets, USAID cannot effectively monitor its GDAs to ensure that the activities are working towards their intended results. While we believe the revised guidance is a significant step forward, we feel it is important to ensure that Agency staff working with GDAs are aware of this revised guidance.

Accordingly, we are making the following recommendation:

> *Recommendation No. 4: We recommend that the Global Development Alliance Secretariat issue a policy reminder regarding (1) developing performance indicators and targets for each Global Development Alliance, (2) periodically determining if they are realistic and valid, and (3) appropriately reporting progress against these indicators and targets, as required by Agency policy.*

EVALUATION OF MANAGEMENT COMMENTS

In their response to our draft report, USAID management concurred with all four[16] of our recommendations and described actions planned and taken to address our concerns. As a result, management decisions have been reached on Recommendation No. 2, 3, and 4. However, a management decision has not been reached on Recommendation No.1, as discussed below.

To address Recommendation No. 1, USAID management described actions which they took to strengthen the accuracy of database reporting in the FY 2005 Annual Reports. While these actions should have a positive impact, assuming they are applied to future Annual Reports, they do not fully address the recommendation because they do not address the lack of completeness in GDA reporting in the Annual Report narratives. See pages 5-6 of this report for a discussion of this issue. Therefore, a management decision has not been reached on Recommendation No. 1.

To address Recommendation No. 2, USAID management described footnote disclosure language which they have begun to implement to disclose the nature and limitations of GDA-related information reported to both external and internal parties and indicated that it planned to consistently apply this language in the future. We believe that this illustrates management's commitment to bring greater clarity and fuller disclosure to its GDA reporting. Therefore, a management decision has been reached on Recommendation No. 2. However, before final action can be achieved, we believe that the footnote should be modified to include language encompassing the third bullet-point item in the recommendation, which states that USAID funding includes projected funding over the estimated life of the alliance.

To address Recommendation No. 3, USAID management plans to issue policy guidance providing GDA data documentation standards. The target completion date for this action is September 30, 2005. Accordingly, a management decision has been reached on this recommendation.

To address Recommendation No. 4, USAID management plans to issue a policy reminder regarding development, use, and reporting of performance indicators and targets for GDA activities. The target completion date for this action is September 30, 2005. Accordingly, a management decision has been reached on this recommendation.

Management's Comments are included in their entirety (without attachments) in Appendix II.

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[16] Recommendations No. 2 and 3 in the draft report were combined into Recommendation No. 2 in this final report.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General conducted audits at five USAID missions in accordance with U.S. generally accepted government auditing standards. These audits were designed to answer the following questions: (1) Did USAID consider utilizing Global Development Alliances (GDAs) in planning its activities? (2) Did USAID report its GDAs accurately and completely? (3) Did selected USAID GDAs achieve their intended results?

To answer audit objective one, the scope included the missions' most recent country strategic plans and GDAs considered, planned, or implemented at the time of the audits. To answer audit objective two, the scope for four of five audits included mission-managed GDAs reported to USAID/Washington for FY 2003; in one audit, the scope was expanded to include FY 2004. To answer audit objective three, our scope included mission-managed GDAs which were both funded and had reported results for FY 2003; again one audit's scope included FY 2004.

In planning and performing the audit, we assessed the effectiveness of internal controls related to GDAs. We identified pertinent internal controls as (1) maintaining documentation related to the required elements of a GDA, (2) maintaining documentation for GDA-related amounts reported to the GDA Secretariat, (3) maintaining documentation for GDA-related data reported through the Annual Report system, (4) GDA-related controls in the missions' Performance Monitoring Plans, and (5) the missions' annual self-assessments of internal controls through their annual Federal Managers Financial Integrity Act reviews.

Relevant criteria included Automated Directives System sections 200 through 203, the GDA Secretariat's *Tools for Alliance Builders*, *A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning*, and the Government Accountability Office's *Standards for Internal Control in the Federal Government*. Also*, TIPS 6, 7, 8, 11, 12, and 13* provided guidance regarding performance indicators, targets, monitoring, and evaluation.

In cases where mission files did not include appropriate supporting documentation, we requested and relied on additional documentation provided by mission personnel and GDA partners. We did not independently verify the accuracy of alliance partner-reported contributions due to the lack of a contractual relationship with those resource partners. There were no prior audit findings affecting the areas reviewed in this audit.

For FY 2003, the five missions audited reported 24 GDAs, representing USAID funding of over $28 million and partner contributions amounting to nearly $138 million. These mission GDAs represented 17 percent of the total 140 alliances reported by USAID in FY 2003, as well as over 10 percent of total USAID GDA funding and nearly 12 percent of total partner leveraging contributions.

This report summarizes the results of audit work conducted both at USAID offices in Washington, D. C. and at selected overseas USAID missions.[17] The audit fieldwork was conducted from June 2004 through January 2005 in:

- Washington, D.C, from June through August 2004 (preliminary fieldwork).

- USAID/Zambia—in Lusaka and at various project and partner locations in Zambia's Southern and Lusaka Provinces—from September 1 to September 28, 2004.

- USAID/Peru—in Lima, from November 2 to November 19, 2004, with additional analysis performed in El Salvador until November 26, 2004.

- USAID/Nigeria—in Abuja and at various project and partner locations in the Niger Delta region from November 29 to December 10, 2004.

- USAID/South Africa—in Pretoria and Soweto, from November 30, 2004 to January 20, 2005.

- USAID/India—in New Delhi and Hyderabad, from January 3 through January 20, 2005.

Methodology

To answer audit objective one, we reviewed country strategic plans, interviewed strategic objective team leaders, and reviewed pertinent documentation. To answer audit objective two, we reviewed the missions' FY 2003 GDA Secretariat reporting templates and the FY 2004 Annual Reports, reviewed supporting documentation, interviewed responsible officials, and reviewed supplementary documents from alliance partners. To answer audit objective three, we reviewed funding documents and progress reports from GDA partners. We also conducted site visits to observe alliance operations and interviewed mission officials, implementing partners, and GDA beneficiaries. Additionally, we interviewed USAID officials in Washington, D.C.

For four of the five audits, materiality thresholds were not determined. In the fifth audit,[18] audit objective three was answered negatively because the one GDA examined had achieved less than 80 percent of its intended results.

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[17] See Appendix IV for a list of audit reports issued during this worldwide audit.
[18] Report No. 1-527-05-005-P, Audit of USAID/Peru's Global Development Alliances, February 14, 2005.

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June 29, 2005

MEMORANDUM

TO: IG/A/PA Director, Nathan S. Lokos

FROM: Acting GDA Secretariat Director, Dan Runde /s/

SUBJECT: Draft Report on the Audit of USAID's Global Development
Alliances (Report No. 9-000-05-00X-P)

Thank you for the opportunity to comment on the Draft Audit Report of USAID's Global
Development Alliances.   The GDA Secretariat found the audit process to be a valuable
experience and would like to express appreciation for the cooperation and courtesy of the audit
team.

The GDA Secretariat found the draft report to be informative and thorough.   The GDA has
carefully reviewed the Draft Audit Report and has taken into consideration each of the five
recommendations. Attached please find the GDA's response to each recommendation.

OIG Recommendation No. 1: We recommend that the Global Development Alliance Secretariat coordinate with the Bureau for Policy and Program Coordination to establish procedures to ensure that complete and accurate Global Development Alliance information, including that reported in the Secretariat's database, is included in the Missions' Annual Reports.

The GDA agrees with this recommendation and has already taken step to address this issue. In preparation for the 2005 Annual Reporting process, The GDA worked with PPC to establish procedures and insert language into The Annual Report Guidance for Fiscal Year 2005, please see attached document which is Annex XI of the Annual Report Guidance outlining reporting procedures for GDA.

OIG Recommendation No. 2: We recommend that the Global Development Alliance Secretariat clearly and fully disclose the nature and limitations of data reported in Management's Discussion and Analysis and the Performance Section of USAID's Performance and Accountability Report.

GDA agrees with this recommendation. GDA has already begun including a footnote in documents, including the recent GAO report to Congress on Globalization, "Numerous Federal Activities Complement U.S. Business's Global Corporate Social Responsibility Efforts", in which the GDA included the following footnote: *"Funding reported by USAID includes monies obligated in the planning stage as well as actual expenditures. The partner contributions include committed contributions that are projected for future years as well as contributions already expended by partners".*

GDA intends to consistently apply this language in internal and external documents, including USAID's Performance and Accountability Report.

OIG Recommendation No. 3: We recommend that the Global Development Alliance Secretariat clearly and fully disclose the nature and limitations of data when reporting internally and externally, other than in USAID's Performance and Accountability Report.

GDA agrees with this recommendation. Please see response to Recommendation No. 2.

OIG Recommendation No. 4: We recommend that the Global Development Alliance Secretariat coordinate with the Bureau for Policy and Program Coordination to provide specific data documentation standards for Global Development Alliance information reported to USAID/Washington through the mission Annual Report system and that this documentation be maintained by the missions and be readily available for examination.

The GDA agrees with this recommendation. As stated in response to Recommendation No. 1, the GDA worked with PPC to establish reporting procedures into The Annual Report Guidance for Fiscal Year 2005. By September 30, 2005, the GDA will send out policy guidance to Missions providing data documentation standards regarding GDA information.

OIG Recommendation No. 5: We recommend that the Global Development Alliance Secretariat issue a policy reminder regarding 1) developing performance indicators and targets for each

Global Development Alliance, 2) periodically determining if they are realistic and valid, and 3) appropriately reporting progress
against these indicators and targets, as required by Agency policy.

The GDA agrees with this recommendation. By September 30, 2005, the GDA will send out policy reminder to Missions regarding the development, use and reporting of performance indicators and targets for GDA activities.

Table One: Summary of Audit Recommendations by Type of Recommendation

Recommendations	Zambia	Peru	Nigeria	South Africa	India
Audit Objective One (GDAs Included in Planning)					
No recommendations					
Audit Objective Two (GDAs Reported Accurately and Completely)					
Develop a method for reporting required GDA information in the Annual Report	✔				✔
Verify GDA information before submission			✔		✔
Require supporting documentation for reported GDA information	✔			✔	
Establish procedures requiring that GDA information in its Annual Reports is correctly reported and in accordance with Secretariat guidelines				✔	
Correct reported amounts in the GDA database for two GDAs				✔	
Audit Objective Three (GDAs Achieved Intended Results)					
Revise targets and/or indicators	✔	✔			
Develop targets, indicators, and implementation plans		✔	✔		
Require documentation of performance indicators and intended results				✔	

Table Two: Summary of Audit Recommendations by Mission Audited

Mission	Audit Objective Two (Reporting)	Audit Objective Three (Results)
Zambia	• Develop a method for reporting required information • Require documentation supporting the elements of a GDA and partner contributions	• Revise targets and indicators to more realistic levels for one GDA
Peru	No recommendations	• Develop targeted performance indicators, with specific intermediate goals and dates, for two GDAs • Revise the planned targeted results to more realistic levels for one GDA
Nigeria	• Cross-check and verify GDA information in the templates before submitting	• Develop and document indicators, targets, and implementation plans for one GDA
South Africa	• Establish procedures to report correct information in the Annual Report • Correct reported amounts in the GDA database for two GDAs • Require documentation supporting the elements of a GDA and partner contributions	• Require documentation of indicators and intended results
India	• Develop a method for reporting required information in the Annual Report • Develop a control to ensure GDA reported data are correct	No recommendations

Worldwide Audit Reports Issued

The following reports were issued as part of the worldwide GDA audit and are available on USAID's website at http://www.usaid.gov/oig/public/fy05rpts/fy05rpts1.html

Report No. 9-611-05-002-P, Audit of USAID/Zambia's Global Development Alliances, December 28, 2004

Report No. 1-527-05-005-P, Audit of USAID/Peru's Global Development Alliances, February 14, 2005

Report No. 7-620-05-004-P, Audit of USAID/Nigeria's Global Development Alliances, March 31, 2005

Report No. 4-674-05-004-P, Audit of USAID/South Africa's Global Development Alliances, April 21, 2005

Report No. 5-386-05-006-P, Audit of USAID/India's Global Development Alliances, May 11, 2005

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