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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/GHANA'S PROGRAM TO INCREASE PRIVATE SECTOR COMPETITIVENESS

AUDIT REPORT NO. 7-641-07-002-P
May 31, 2007

DAKAR, SENEGAL



USAID
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Office of Inspector General

May 31, 2007

MEMORANDUM

TO: Acting USAID/Ghana Director, Dennis Weller

FROM: Acting Regional Inspector General/Dakar, Abdoulaye Gueye /s/

SUBJECT: Audit of USAID/Ghana's Program to Increase Private Sector Competitiveness (Report No. 7-641-07-002-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II.

This report contains two recommendations with which you concurred in your response to the draft report. Based on appropriate action taken by the Mission, management decisions on both recommendations have been reached and the recommendations are considered closed upon issuance of this report. No further action is required of the Mission.

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

CONTENTS

Summary of Results	1
Background	3
Audit Objective	4
Audit Findings	5
Is USAID/Ghana’s program to increase private sector competitiveness achieving its planned activities as intended?	
A Key Poverty Alleviation Target Needs to Be Revisited	8
Better Documentation of Monitoring Activities Needed	9
Evaluation of Management Comments	11
Appendix I – Scope and Methodology	13
Appendix II – Management Comments	15

SUMMARY OF RESULTS

The Regional Inspector General/Dakar conducted this audit to determine if USAID/Ghana's program to increase private sector competitiveness is achieving its planned activities as intended. (See page 4).

USAID/Ghana's achievements through its program to increase private sector competitiveness have been mixed. Although the partner receiving 85 percent of the program funding achieved only slightly more than half of its planned activities in fiscal year 2006, the activities that were achieved by this partner as well as other partners have made a positive contribution to increasing the competitiveness of Ghana's agricultural products. In fiscal year 2006, only 27 of 46 planned results (58 percent) for the *Trade and Investment Program for a Competitive Export Economy* (TIPCEE) were achieved at the 90 percent level or higher, the threshold we used to determine achievement. However, most of the planned results that were achieved were fully met or exceeded, and TIPCEE also achieved two of its three key impact targets. Additionally, activities conducted by the other partners receiving the remainder of the funding had higher achievement rates (63 of 65 planned results). (See pages 5 to 8).

According to USAID's Automated Directives System, targets should be ambitious but achievable. During TIPCEE's second year, USAID/Ghana increased a key poverty alleviation target for the life-of-project from 30,000 to 100,000 rural households that could benefit from the program. Mission management told us that they increased the target in order to meet the goals of the presidential Initiative to End Hunger in Africa. After the target was raised, geographic information system mapping revealed that there were fewer rural households that could benefit from TIPCEE's interventions than the Mission estimated when they increased the target to 100,000. As a result, the Mission may be faced with shifting resources away from effective economic growth activities in an attempt to achieve an ambitious but potentially unrealistic poverty alleviation target, putting the achievement of other key indicators at risk. We recommend that the Mission revisit and revise this target as necessary. (See pages 8 to 9).

During our fieldwork we noted that although the Economic Growth Team's Cognizant Technical Officers (CTOs) were actively monitoring partner activities, they did not systematically document or maintain evidence of their monitoring activities. This occurred because there were no established procedures specifically requiring documentation of such actions. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination. According to USAID's Automated Directives System, site visits are an important part of the CTO's effective award management and when site visits are made, a brief report highlighting the findings should be written and placed in the award file. The Mission's lack of documentation of partner contact could result in key information not being available to current or future Mission management. To address this weakness, we recommend that USAID/Ghana develop specific procedures to require that the Cognizant Technical Officers document key contacts with implementing partners including visits to monitor activities and reviews of performance data. (See pages 9 to 10).

USAID/Ghana agreed with the findings and recommendations and based on actions taken by the Mission, management decisions have been reached on the two recommendations and both are considered closed upon issuance of this report. (See page 11).

BACKGROUND

With a population of 23 million, Ghana possesses considerable economic growth potential, setting it apart from other troubled countries in West Africa. However, daunting challenges remain. While agriculture employs 60 percent of the work force, the vast majority of farmers are subsistence smallholders who lack access to improved technologies, market information and linkages to the private sector.

Under its Economic Growth Program, USAID/Ghana aims to increase the competitiveness of the private sector to compete nationally, regionally and within the global marketplace; improve the enabling environment for private sector development by reforming the Ghanaian policy and regulatory landscape; modernize the agricultural sector; and strengthen the private sector's capacity to produce quality agricultural and agro-processed products.

In FY 2004, USAID/Ghana signed an agreement with the Government of Ghana committing \$50 million to increase Ghana's private sector competitiveness. As part of that commitment, in December 2004, Chemonics International was awarded a \$29.8 million contract to manage and coordinate a consortium of 8 implementing partners. Under the name *Trade and Investment Program for a Competitive Export Economy (TIPCEE)*, the activities coordinated by Chemonics International comprise USAID/Ghana's flagship Economic Growth program. During FY 2006, TIPCEE's export business development component worked to improve agricultural export supply chain systems to take Ghanaian horticulture to a level where it can effectively vie with well-established international competitors to enter the European market.

While TIPCEE received the majority (85 percent) of USAID/Ghana's Economic Growth funding that was obligated as of September 30, 2006, the Mission continues to manage the activities of 10 other implementing partners¹ under this program. Most of these other partners are involved in activities to improve Ghana's enabling environment, such as academic research or direct professional consulting to assist the Government of Ghana with policy formation. Examples of USAID-funded research include macroeconomic modeling to determine what impact a particular policy would have on poverty reduction, developing new approaches to Ghana's land tenure systems to encourage foreign investment, and developing a policy framework for judiciously introducing modern biotechnologies to Ghana. While the other partners only received 15 percent of the Mission's Economic Growth program funding, the technically complex nature of their activities was time-consuming for the Mission to manage.

In addition, the Mission's Economic Growth team was significantly involved with assisting the Millennium Challenge Corporation (MCC), which signed a five-year, \$547 million compact with the Government of Ghana on August 1, 2006. The focus of the compact is closely aligned with the agribusiness export development and policy reform components of USAID/Ghana's Economic Growth program. By the time the MCC Compact is underway, the Mission anticipates that its activities to improve private sector competitiveness will have established critical networks, built supply chain controls and

¹ We included 8 of the 11 partners in our review—TIPCEE and 7 of the other 10 partners referred to here. See Appendix 1 for a summary of our scope and methodology.

systems and structured alliances that the MCC can build on to continue the U.S. Government's efforts to stimulate Ghana's private sector growth as USAID's program is ending in FY 2009.

AUDIT OBJECTIVE

As part of the Office of Inspector General's Fiscal Year 2007 Annual Plan, the Regional Inspector General/Dakar conducted this audit to answer the following audit objective:

- Is USAID/Ghana's program to increase private sector competitiveness achieving its planned activities as intended?

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

AUDIT FINDINGS

USAID/Ghana's achievements through its program to increase private sector competitiveness have been mixed. Although the partner receiving 85 percent of the program funding achieved only slightly more than half of its planned activities in fiscal year 2006, the activities that were achieved by this partner as well as other partners have made a positive contribution to increasing the competitiveness of Ghana's agricultural products. In fiscal year 2006, only 27 of 46 planned results (58 percent) for the *Trade and Investment Program for a Competitive Export Economy* (TIPCEE) were achieved at the 90 percent level or higher, the threshold we used to determine achievement. However, most of the planned results that were achieved were fully met or exceeded, and TIPCEE also achieved two of its three key impact targets. Additionally, activities conducted by the other partners receiving the remainder of the funding had higher achievement rates (63 of 65 planned results).

For example, the results reported by six of the seven² other partners included in our review showed they achieved 63 of their 65 planned results, representing a 97 percent achievement rate. Although these results reflect a small portion of the program funding, nevertheless, the achievements are positively contributing to the Mission's goals. These partners were primarily involved in activities to improve Ghana's enabling environment by consulting with the Government of Ghana in ways to reform policies and regulations to encourage private sector growth. For example, one partner conducted training for Ghanaian scientists in bio-safety where participants had the opportunity for hands-on interaction with confined field trial applications. Another partner performed macro-economic modeling to study the economic implications of energy costs on Ghana's growth prospects.

Although the achievement rate under the TIPCEE program was less than expected, the program has nevertheless had a positive impact. For example, of the 27 planned results that were achieved according to our threshold, 21 of them were achieved at the 100 percent level or higher. This includes results related to the number of agricultural producers using sustainable natural resource management practices and the number of women's organizations and commodity organizations receiving assistance. Three of the 46 indicators that TIPCEE reports on are considered key indicators to measure higher level impact of the program – two measuring overall economic growth and one measuring progress towards poverty alleviation. For FY 2006, TIPCEE reported a \$5.4 million increase in the value of commodities exported by firms assisted through the program, one of the two overall economic growth measures. This exceeded the target of a \$5 million increase, occurring in part because TIPCEE introduced other commodities for export, such as a new strain of okra popular in the United Kingdom. In addition, the prices of commodities increased.

TIPCEE's poverty alleviation indicator relates to the goals of the Presidential Initiative to End Hunger in Africa (IEHA), and was achieved at the 98 percent level. IEHA aims to promote agricultural growth to cut hunger and poverty by investing in agriculture

² We were unable to obtain any planning or reporting documents for one of the partners either at the partner's office in Accra or at the Mission due to staff turnover in both places. Therefore we are only presenting results achieved by six of the seven other partners.

activities of small-scale farmers in six countries and 3 regions in Africa. USAID/Ghana expanded TIPCEE's program scope from primarily being focused on overseas exports by adding a poverty alleviation component that focused on producing food crops for domestic and regional markets. To meet IEHA's poverty alleviation targets, TIPCEE launched a series of activities to extend its commodity reach beyond commodities for the European market to food and staple crops with local and regional market potential. An indicator that reports the number of rural households benefiting directly from TIPCEE interventions is used to measure the progress being made in alleviating poverty through these activities. For FY2006, TIPCEE's target for this indicator was 3,600 households and their efforts fell just short of full achievement, with 3,514 households benefiting from the program activities.

With a life-of-project goal of raising Ghana's exports by more than \$55 million over 5 years, USAID/Ghana, through its TIPCEE program, has produced other notable achievements. For example:

- TIPCEE has introduced geographic information systems (GIS) mapping, which is providing the local and international business communities with accurate data on the number of farms, their sizes, and commodity distribution to make large-scale exporting possible under internationally aligned standards for the first time. As a result, Ghanaian firms are now able to negotiate with multinational companies who previously were unaware of Ghana's overall capacity to produce specific commodities. In addition, GIS mapping has become a tool for the allocation of development aid as well, helping the government of Ghana determine where to invest in feeder roads and post-harvest infrastructure such as cold storage facilities.



This photo of an agricultural extension agent collecting data for geographic information system (GIS) mapping was provided by TIPCEE, which introduced GIS mapping to Ghana to obtain spatial data related to producer farms. New ways to apply this technology to development activities are continuously being discovered. The photo was taken by a TIPCEE photographer during FY 2006 at an unspecified location in Ghana.

- USAID/Ghana has also improved the exporting of pineapples through a one-year pilot inspection program. The program was designed to help the Ghanaian pineapple export association bring their pineapples up to international standards for export to Europe. TIPCEE contracted with an international inspection and certification company that trained association member firms in international

standards and appropriate quality control systems. Although the pilot focused on 10 member firms, the participation was expanded to include all 24 member firms, and the association went on to sign a two-year extension with the inspection company at their own expense. Furthermore, as a result of the success of this pilot program, Ghana's mango association has also expressed interest in having the same activities applied to their industry.

- During FY 2006, TIPCEE provided technical and financial assistance to a Ghanaian company that produces juice and juice concentrate for export to Europe and the domestic market. Through the assistance, the company has designed a modern factory lab, readying the plant to supply 500 metric tons of pineapple concentrate to *The Coca-Cola Company™* in FY 2007. This will require 6,000 tons of fresh pineapple, sourced mainly from Ghana's smallholder producers.
- Through TIPCEE, USAID/Ghana also worked with Ghana's smallholder producers to improve the quality of their fruit so they can increase household income through supplying produce to Ghanaian export firms. From farm planning to harvesting, TIPCEE provided technical advice to help farmers meet international quality standards such as instructing them on the optimal length for papaya stems to avoid fungal disease. In addition, TIPCEE supplied some model farms with irrigation systems to regulate the consistency of harvests and to demonstrate the difference in revenue received by the irrigated farms to farmers in the local community.

Despite these positive achievements, 19 of the 46 annual indicators were not achieved at a 90 percent level or higher and the results for one key economic growth indicator fell below the baseline level. For example, the number of USAID-assisted firms purchasing produce from smallholders did not increase at all in FY 2006 from the baseline figure of 33, although the FY 2006 target was 40. In another example, the number of paid services delivered by service providers and associations, (for example accounting firms hired to introduce new financial management systems) was only 163, or 20 percent of TIPCEE's FY 2006 target of 800.

The second key economic growth indicator is related to the volume of commodities exported by assisted firms. During FY 2006, while the value of commodities exported by assisted firms increased (one key economic growth measure discussed earlier), the volume of the commodities exported decreased (the other key economic growth measure). For FY 2006, TIPCEE established a target of a 3,000-ton increase in the volume of commodities exported by firms assisted by the program. However, due to unforeseen factors, the volume of commodities dropped by 5,900 tons, resulting in a variance of -2,900 tons from the baseline.

Two main factors contributed to this decrease. First, Ghana has traditionally produced a variety of pineapple called smooth cayenne. However, in recent years a new variety of pineapple known as MD2 was introduced to the European market that consumers strongly prefer. As a result, diminishing international demand for Ghana's smooth cayenne variety of fresh pineapple forced Ghanaian growers to convert to MD2 in FY 2006, losing a growing period in the transition. Although volumes in FY 2006 were below past performances, TIPCEE assisted the industry with its successful conversion to the MD2 variety during FY 2006 and sizeable plantings of MD2 are expected to propel the industry back to its former shipping levels and beyond.

The second factor causing the volume of commodities exported by assisted firms to fall below the baseline figure was an unexpected mango crop failure. During FY 2006, none of the Ghanaian mango trees produced fruit. According to TIPCEE's agricultural specialists, the failure was due to an unusually weak cold season. Mango trees in Ghana require the temperature shock brought on normally by the cold season to induce the trees to flower and bear fruit. The complete failure of mangos to produce in FY 2006, they explained, was an unusual occurrence.

Both the conversion from the smooth cayenne to the MD2 variety of pineapples and the mango tree failure in FY 2006 were unforeseen events that negatively impacted the results of the program. We commend USAID/Ghana through its TIPCEE program for shifting their efforts to encourage the production of the preferred pineapple and consider the decrease in volume attributed to the pineapple market as a one-time event. We share their expectation that the pineapple export volume levels will rebound. The decrease in volume attributed to the mango crop failure was caused by forces outside the control of USAID/Ghana and TIPCEE. For those reasons, we are not making any recommendations to address these shortfalls.

However, we are concerned about the future achievement of the poverty alleviation indicator. As discussed earlier, in FY 2006, TIPCEE assisted 3,514 rural households, representing a 98 percent achievement level against the target of 3,600. Since then, the target has been revised upwards to a level where achievement over the life of the project is at risk.

A Key Poverty Alleviation Target Needs to be Revisited

Summary: According to USAID's Automated Directives System, targets should be ambitious but achievable. During TIPCEE's second year, USAID/Ghana increased a key poverty alleviation target for the life-of-project from 30,000 to 100,000 households to benefit from the program. Mission management told us that they increased the target in order to meet the goals of the Presidential Initiative to End Hunger in Africa. After the target was raised, geographic information system mapping revealed that there were fewer rural households that could benefit from TIPCEE's interventions than the Mission estimated when they increased the target to 100,000. As a result, the Mission may be shifting resources away from effective economic growth activities in an attempt to achieve an ambitious but potentially unrealistic poverty alleviation target, and putting the achievement of other key indicators at risk.

According to USAID's Automated Directives System (ADS), targets should be ambitious, but achievable. During TIPCEE's second year, USAID/Ghana increased a key poverty alleviation target—the number of rural households benefiting directly from TIPCEE interventions—from 30,000 to 100,000 over the life of the project. This increase was approved by the Cognizant Technical Officer (CTO) for TIPCEE in order to meet the goals of the Presidential Initiative to End Hunger in Africa (IEHA). In order to find ways to meet this increased target, TIPCEE, with Mission oversight, conducted a review of commodity options and identified several staple food commodities that offer the potential for broad-based impact, consistent with the objectives of IEHA to increase rural incomes

and cut hunger and poverty. Based on this review, the CTO estimated that 100,000 rural households could benefit directly from TIPCEE interventions.

After the key poverty alleviation target was raised, TIPCEE's Monitoring and Evaluation Specialists discovered new information on Ghana's farming capacity using geographic information system mapping to establish a comprehensive database regarding pineapple, cashew, papaya, vegetable and mango production. This mapping information revealed that there were fewer rural households that could benefit directly from TIPCEE's intervention than the Mission estimated when the CTO increased the life-of-project target to 100,000. Based on the new information, TIPCEE's management expressed concern over whether this revised target would be achievable over the life of the project.

The primary concern is the extent to which the Mission, through TIPCEE, would redirect resources from other Economic Growth program activities in their attempt to meet an unrealistic target associated with a Presidential initiative program. TIPCEE staff indicated that if they had to achieve the higher target of 100,000 rural households, they might have to shift significant resources away from some of their successful efforts to support higher levels of the horticulture supply chain. This in turn could negatively impact TIPCEE's ability to achieve the other two key targets over the life of the project. Unless this is addressed by the Mission, the achievement of one indicator may be sacrificed for the sake of trying to achieve another. Therefore, we make the following recommendation.

Recommendation No. 1: We recommend that USAID/Ghana revisit and revise as necessary TIPCEE's key poverty alleviation target taking into account the geographic information system mapping information among other things to ensure appropriate allocation of resources and achievement of program goals.

Better Documentation of Monitoring Activities Needed

Summary: Although the Economic Growth Team's Cognizant Technical Officers (CTOs) were actively monitoring partner activities, we found they did not systematically document or maintain evidence of their monitoring activities. This occurred because there were no procedures specifically requiring documentation of such actions. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination. Additionally, USAID's Automated Directives System emphasizes the importance of site visits and states that reports of site visits should be written and maintained in official files. This lack of documentation of partner contact could result in key information not being available to current or future Mission management.

All three of the Economic Growth Team's CTOs that were available for us to interview³

³ The Team Leader, who is also a Cognizant Technical Officer, was on home leave during our visit.

during the time of our fieldwork stated that they were very proactive in monitoring program activities. They indicated that they had ongoing and frequent contact with the implementing partners and made regular visits to the partners' offices and the sites where program activities were being implemented. The CTOs also mentioned that they regularly reviewed performance data submitted by the partners in their progress reports. Staff from the implementing partners corroborated this, indicating that the CTOs were very involved in all aspects of the program activities. However, we found that the CTOs did not always document these communications and interactions. For example, we found no documentary evidence that the CTOs reviewed performance data to determine how partners were progressing towards planned activities.

According to the CTOs, the lack of documentation occurred for several reasons. First, the CTOs did not realize the extent to which partner contacts should be documented as there were no procedures in place to specifically require CTOs to document and maintain records of their monitoring activities of the partners. Secondly, the CTOs attributed the lack of documentation to staff time constraints. Because of the Economic Growth team's heavy workload, lower priority was placed on administrative activities such as documenting meetings.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination. Additionally, according to ADS 303.3.17, site visits are an important part of the CTO's effective award management and when site visits are made, a brief report highlighting the findings should be written and placed in the award file. Without local procedures being developed, USAID/Ghana risks being in compliance with the ADS requirements. Site visits and reviews of performance data are important events in the overall monitoring process and should be documented. Furthermore, without formally documenting visits and other key encounters with implementing partners, important program information may not be available to Mission management, and could ultimately be lost if any of the current staff were to leave USAID. To address this weakness, we make the following recommendation.

Recommendation No. 2: We recommend that USAID/Ghana develop specific procedures to require that the Cognizant Technical Officers document key contacts with implementing partners including visits to monitor activities and reviews of performance data.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Ghana agreed with the findings and the two recommendations in the draft audit report. Based on appropriate actions taken by the Mission, management decisions have been reached on both recommendations and the recommendations are considered closed upon issuance of this report.

Recommendation 1 states that USAID/Ghana should revisit, and revise as necessary, *Trade and Investment Program for a Competitive Export Economy* (TIPCEE's) key poverty alleviation target, taking into account the geographic information system mapping information among other things, to ensure appropriate allocation of resources and achievement of the program. The Mission concurred with this recommendation and has taken action as recommended. According to the Mission, the USAID/Ghana Economic Growth Office Team Leader, the CTO for the TIPCEE activity, and other TIPCEE staff reviewed the key poverty alleviation targets in light of the mapping and other information available. The type of intervention needed for each commodity was also assessed and a revised matrix was approved that documents TIPCEE's revised interventions for each commodity that would lead to achieving the overall goal of 100,000 rural household benefiting from the program. After this review, USAID/Ghana agrees that the global figure of 100,000 rural household beneficiaries is ambitious but achievable and will continue to closely monitor progress against the targets. The Mission provided a written document summarizing the review meeting held on April 13, 2007 as well as the matrix showing the revised commodity targets. Based on these actions taken, a management decision has been reached and this recommendation is considered closed.

Recommendation 2 states that USAID/Ghana should develop specific procedures that require that the Cognizant Technical Officers to document key contacts with implementing partners including visits to monitor activities and reviews of performance data. The Mission concurred with this recommendation and has taken action as recommended. According to the Mission, the Team Leader implemented standard procedures for documenting meetings, site visits and reviews and forms for reporting various types of meetings including site visits have been created and must be completed within one week of the visit. Additionally, the Economic Growth Office staff each participated in the Mission-sponsored training with a USAID File Management Specialist. During the two-week period, project files were organized to meet the GAO's Standards for Internal Control. Lastly, the Program Assistant has been designated with the responsibility of maintaining communication files on a regular basis. The Mission provided examples of the documents cited in their response. Based on these actions, a management decision has been reached and the recommendation is considered closed.

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

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SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this audit in accordance with U.S. generally accepted government auditing standards. The objective of the audit was to determine if USAID/Ghana's program to increase private sector competitiveness was achieving its planned activities as intended.

Our audit covered USAID/Ghana's planned activities and corresponding achievements for FY 2006. We included 8 out of 11 of USAID/Ghana's implementing partners in the Mission's Economic Growth portfolio, for coverage of 97 percent of the overall program funding during FY 2006. Since its inception and as of September 30, 2006, USAID/Ghana obligated \$24.5 million of its Economic Growth program funding. The 8 implementing partners included in our review accounted for \$23.7 million of these obligated funds. We reported on all 111 indicators under their fiscal year 2006 program activities selected for review and compared the data of each indicator to determine if results are being achieved.

In planning and performing the audit, we reviewed monitoring and reporting activities at both the Mission level and the partner level. We reviewed the management controls of the Mission's monitoring and reporting process based on USAID's guidance contained in the Automated Directives System (ADS). This included reviewing reports prepared by the Mission and partners.

In order to develop an understanding of the elements of the supply chain systems involved in USAID/Ghana's export business development component, we conducted extensive site visits to see farms, laboratories, pack houses, the port of Ghana, juice factories and other activities outside of Accra. In order to understand the Mission's efforts to further Ghana's enabling environment, we met with 5 partners in their Accra offices to learn about their efforts to reform the policy and regulatory landscape necessary to facilitate private sector opportunities.

Audit fieldwork was performed at USAID/Ghana in Accra, Ghana from January 29, 2007 through February 15, 2007.

Methodology

To answer the audit objective, we weighted each partner's achievements by the amount of funding received. This was necessary because one of the 8 partners we reviewed received the majority of funding (85 percent). The other 7 partners collectively received almost all of the remaining funding for the program. As a result, we based our answer to the audit objective primarily on the results of the partner receiving the largest portion of program funding. We did, however, evaluate the achievements of the other partners and include a discussion of them in the body of this report.

The following criteria were used to answer the audit objective:

- If 90 percent of the fiscal year 2006 selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered positively.
- If 80 to 89 percent of the fiscal year 2006 selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered positively but with a qualification.
- If less than 80 percent of the fiscal year 2006 selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered negatively.

In planning and performing the audit, we obtained an understanding of and assessed the Mission's controls related to monitoring and reporting. We reviewed applicable USAID policies and procedures, cooperating sponsors' agreements, funding pipeline by sub-obligation, implementation plans, results reports, and the Mission's FY 2006 Federal Manager's Financial Integrity Act annual certification for any management control weaknesses related to the program under audit. We also reviewed the findings from a prior audit issued by our office in July 2004 to determine if our recommendations adequately resolved those issues. We reviewed the most recent Data Quality Assessment.

We obtained an understanding of activities for FY 2006 by interviewing CTOs about each partner's performance. Based on ADS guidance, we assessed the adequacy of the Mission's monitoring and reporting activities. We were not able to review any annual reporting information because none was required at the end of FY 2006 due to the Agency-wide priority of developing an Operational Plan (OP) based on new indicators. For the same reason, the Mission did not perform a year-end portfolio review to assess partner progress towards their beginning-of-the-year indicator targets. The Mission however conducted a year-end portfolio review which focused on new OP indicators. In order to determine if partners were achieving their planned activities as intended, we reviewed the Mission's mid-year portfolio evaluation and then met with each Cognizant Technical Officer to obtain a year-end update on the status of each partner's achievements.

At the implementing partner level, we interviewed representatives in their offices in Accra to develop an understanding of activities, progress towards planned achievements, monitoring and oversight of procedures, and data collection and reporting processes. We met with the Monitoring and Evaluation Specialists at the Mission and partner levels to develop a detailed understanding of how data is collected and reported. We performed a detailed review of the largest partner's indicators to understand why they only achieved 58 percent of their targets in FY 2006.

We conducted extensive site visits to observe USAID's largest partner's commodity export supply chain systems. In addition, we conducted two site visits to gain an understanding of the other partners' activities.

MANAGEMENT COMMENTS



USAID | GHANA
FROM THE AMERICAN PEOPLE

May 16, 2007

MEMORANDUM

TO: Nancy T. Toolan, RIG/Dakar

FROM: Dennis Weller, Acting Director /s/

**SUBJECT: RESPONSE TO RIG AUDIT OF USAID/GHANA'S PROGRAM TO INCREASE PRIVATE SECTOR COMPETITIVENESS.
(Report No. 7-641-07-00X-P)**

We acknowledge receipt of the Inspector General's draft audit report of USAID/Ghana's program to increase private sector competitiveness. Mission Management would like to thank the IG auditors for their professionalism and collaboration/coordination with USAID/Ghana throughout this exercise. Below are USAID/Ghana's responses to the two recommendations of subject audit report.

Recommendation No. 1: We recommend that USAID/Ghana revisit and revise if necessary TIPCEE's key poverty alleviation target taking into account the geographic information system mapping information among other things to ensure appropriate allocation of resources and achievement of program.

Mission's comments: Mission concurs with and has implemented the recommendation.

Action taken: The USAID/Ghana Economic Growth Office Team Leader, the CTO for the TIPCEE activity, and key TIPCEE staff reviewed the key poverty alleviation targets. In order to do so appropriately and accurately, we used recently gathered GIS mapping information as well as ground-truthing conducted by TIPCEE, the CTO and USAID/Ghana monitoring and evaluation staff. The key persons then assessed type of intervention for each commodity; a matrix was created and approved that details TIPCEE's planned interventions. All beneficiaries are assisted within the context of viable, defined market opportunities that adhere to effective economic growth initiatives. After this review, USAID/Ghana agrees that the global figure of

U.S. Agency for International Development
E45/3 Independence Ave.
(Next to Pegasus Building)
P.O.Box 1630, Accra-Ghana

Tel: 233-21-228440/780580
Fax: 233-21-231937/770303
www.usaid.gov/missions/gh

100,000 rural household beneficiaries is ambitious but achievable. USAID/Ghana will continue to closely monitor progress against the targets.

Recommendation No. 2: We recommend that USAID/Ghana develop specific procedures to require that the Cognizant Technical Officers document key contacts with implementing partners including visits to monitor activities and reviews of performance data.

Mission's comments: Mission concurs with and has implemented the recommendation.

Action taken: The Team Leader implemented standard procedures for documenting meetings, site visits and reviews. Reporting forms for various types of meetings including site visits have been created and must be completed within one week of the visit. Additionally, the Economic Growth Office staff each participated in the Mission-sponsored training with a USAID File Management Specialist. During the two-week period, project files were organized to meet the GAO's Standards for Internal Control. Lastly, the Program Assistant has been designated with the responsibility of maintaining communication files on a regular basis. The Staff fully understands and has implemented the OIG recommendation.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave, NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig