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OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/AFGHANISTAN'S
REBUILDING AGRICULTURAL
MARKETS PROGRAM**

AUDIT REPORT NO. 5-306-06-002-P
MARCH 28, 2006

MANILA, PHILIPPINES



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Office of Inspector General

March 28, 2006

MEMORANDUM

TO: USAID/Afghanistan Director, Alonzo L. Fulgham

FROM: RIG/Manila, Catherine M. Trujillo /s/

SUBJECT: Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program
(Report No. 5-306-06-002-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments to the draft report and included the comments (without attachments) in Appendix II.

This report contains three recommendations to improve USAID/Afghanistan's Rebuilding Agricultural Markets Program. Based on the information provided by the Mission in response to the draft report, we consider that final actions have been taken on all three recommendations upon issuance of this report.

I want to thank you and your staff for the cooperation and courtesy extended to us during the audit.

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SUMMARY OF RESULTS

The Regional Inspector General/Manila conducted this audit to determine whether USAID/Afghanistan's Rebuilding Agricultural Markets Program activities were on schedule to achieve selected planned outputs (page 3).

Of the six activities reviewed, five achieved their selected planned outputs and one did not. The five that achieved the planned outputs were the rehabilitation of irrigation canals, agricultural micro-loans disbursed, livestock vaccinated/treated, farmers served by extension, and women trained in poultry management as of September 30, 2005. For example, efforts on irrigation canals resulted in 415 kilometers rehabilitated (pages 4 and 5). Additionally, over 20,000 women were trained in poultry management and over 16 million livestock vaccination/treatments were performed (pages 4 and 6). The one activity that did not meet the planned output was the rehabilitation of farm-to-market roads (page 6).

USAID/Afghanistan did not meet its September 30, 2005, target of rehabilitating the number of kilometers of farm-to-market roads. USAID/Afghanistan approved the contractor's 12-month work plan which provided for rehabilitating 555 kilometers of farm-to-market roads by the end of September 2005. As of that date, Chemonics International, Inc., the implementing contractor, had rehabilitated only 391 of the planned 555 kilometers. USAID/Afghanistan did not achieve its expected results for a number of reasons, including security and poor subcontractor performance issues. These reasons were due to factors outside of the contractor's control and hence no recommendation was made. The overall impact to USAID/Afghanistan's contract is that Chemonics will likely not be able to complete its end-of-contract target of rehabilitating 900 kilometers of farm-to-market roads by July 2, 2006 (page 6).

In addition, USAID/Afghanistan did not properly administer its contract with Chemonics with regards to updated work plans, changed scope of work, and annual evaluations of contractor performance. A contractual relationship between USAID/Afghanistan and Chemonics required both parties to fulfill specific responsibilities in order to manage and implement the contract activities. Furthermore, USAID/Afghanistan's decision to use a contract instrument to implement this program required it to follow the applicable Federal Acquisition Regulation, which it did not do. The reasons why USAID/Afghanistan did not properly administer the contract were because other tasks took priority, and the Mission did not enforce the contract terms with Chemonics. As a result, USAID/Afghanistan's contract administration could result in the inefficient use of U.S. government resources. Additionally, the Mission did not have timely updates on the performance of Chemonics—updates which serve as a relevant, important source of information in responsibility determinations and future contract awards (page 7).

This report made three recommendations to improve USAID/Afghanistan's Rebuilding Agricultural Markets Program activities (pages 9 and 10). Based on USAID/Afghanistan's comments, we consider that final actions have been taken on all three recommendations upon issuance of this report (page 11). USAID/Afghanistan's comments are included (without attachments) as Appendix II to this report (pages 14-17).

BACKGROUND

USAID/Afghanistan's Rebuilding Agricultural Markets Program (RAMP) aimed to help the people and Government of Afghanistan rehabilitate the country's rural sector, focusing specifically on enhancing food security and increasing rural incomes. In July 2003, USAID/Afghanistan awarded Chemonics International, Inc. (Chemonics), a 3-year cost-plus, fixed-fee contract for \$153.4 million to implement the activities under this program. Chemonics, the prime contractor for this project, was responsible for providing effective leadership, management and coordination of program activities, ranging from assessments, program design and planning, procurement of services in support of the core program activities, activity monitoring, and reporting. The program management component of the contract also included personnel, financial and resource management, coordination with USAID, and the development of work plans and progress reports.

Under the broad contract statement of work, in addition to a program management component, USAID/Afghanistan grouped activities into three main sectors: infrastructure reconstruction, rural financial services, and agricultural technology and market development. Within the infrastructure reconstruction sector, USAID/Afghanistan planned to rehabilitate and repair farm-to-market roads, bridges, culverts, irrigation systems, and market structures. Within the rural financial services sector, USAID/Afghanistan planned to initiate a micro and small enterprise financial service program focused on rural activities. This program was to involve village banking activities and address production, processing and marketing enterprises in order to expand operations and invest in equipment and machinery. Lastly, within the agricultural technology and development sector, USAID/Afghanistan's objective was to improve the capacity of Afghan farmers and firms to produce, process, and trade agricultural foods and services at a cost and quality level sufficient to compete in domestic, regional, or international markets. Within the selected agricultural subsectors such as women trained in poultry management, USAID/Afghanistan required the contractor to focus at least one of the subsectors on improving livestock markets.

USAID/Afghanistan required the contractor to submit job orders specifying details on the activities it intended to implement under each of the three main sectors. Within the job orders the contractor was required to describe all services to be performed or supplies to be delivered, along with the potential sources for those supplies or services. In addition, the job orders were to include:

- an estimate of the full cost;
- the period of performance;
- the geographic coverage;
- the nature of deliverables, expected results and impacts;
- environmental impacts and mitigation measures;
- community contributions, and coordination with partners; and

- financial, monitoring, and reporting requirements.

As of December 2005 USAID/Afghanistan had approved 51 job orders with a total value of \$114.2 million.

AUDIT OBJECTIVE

The Regional Inspector General/Manila included this audit in its fiscal year 2005 audit plan to answer the following question:

- Were USAID/Afghanistan's Rebuilding Agricultural Markets Program activities on schedule to achieve selected planned outputs?

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

AUDIT FINDINGS

Of the six activities selected for review, five achieved their selected planned outputs and one did not. The one activity that did not meet the planned output was the rehabilitation of farm-to-market roads.

In accordance with the terms of the contract, Chemonics issued the required documents which defined its implementation strategy, provided a vision of the work to be conducted over the life of the project, and defined in greater detail the work to be completed within its annual work plan. From this work plan, Chemonics provided the cumulative target indicators that it planned to accomplish by September 30, 2005. Across each of the three sectors, USAID/Afghanistan monitored and reported on 11 different outputs. To answer the audit objective, we audited two outputs within the infrastructure reconstruction sector, one within the rural financial services sector, and three within the agricultural technology and market development sector.

As shown in Table 1 below, Chemonics achieved five of the six selected outputs set within its fiscal year 2005 work plan.

**TABLE 1: PLANNED AND REPORTED OUTPUTS FOR RAMP ACTIVITIES
(AS OF SEPTEMBER 30, 2005)**

Selected Outputs	Sept 2005 Planned Outputs	Sept 2005 Reported Output	Sept 2005 Work Plan Targets Achieved	June 2006 Planned Outputs
Infrastructure Reconstruction				
Canals Rehabilitated (kilometers)	400	415	Yes	750
Farm-to-Market Roads Rehabilitated (kilometers)	555	391	No	900
Rural Financial Services				
Loans Disbursed	15,000	28,118	Yes	15,000
Agricultural Technology and Market Development				
Livestock Vaccinated/Treated	10,000,000	16,694,954	Yes	12,000,000
Farmers Served by Extension	750,000	841,462	Yes	1,500,000
Women Trained in Poultry Management	17,500	20,339	Yes	25,000

Under the infrastructure reconstruction sector, one of the outputs USAID/Afghanistan included was the repair and clean up of 1,000 kilometers of canals.¹ In response to the contract terms, the Chemonics infrastructure team planned to rehabilitate approximately 750 kilometers of canal systems over the life of the contract with 400 kilometers to be completed by September 30, 2005. As of that date, Chemonics had rehabilitated 415 kilometers of canals. In completing this work, Chemonics primarily awarded fixed price

¹ The contract specified maximum ceiling outputs for which the contractor was to work towards. In some cases, the contractor estimated a lesser amount given the level of funding and the time available to perform.

subcontracts to rehabilitate canals. The following photographs depict the condition of one of the canals in the province of Parwan before and after the rehabilitation.



Photograph of the Charikar Canal's Five-Fingers Extension structure in the province of Parwan, Afghanistan before rehabilitation (RIG/Manila auditor took the photograph in May 2005).



Photograph of improvements made to Charikar Canal after rehabilitation (RIG/Manila auditor took the photograph in December 2005).

Also under the infrastructure reconstruction sector of the contract, USAID/Afghanistan estimated that up to 1,000 kilometers of farm-to-market roads and bridges would be repaired. The following photographs illustrate sections of a 12-kilometer farm-to-market road rehabilitation project in the province of Parwan after rehabilitation.



Photograph of a bridge structure on the Canal Road in the province of Parwan, Afghanistan after rehabilitation (RIG/Manila auditor took the photograph in May 2005).



Photograph of the Canal Road in the province of Parwan, Afghanistan after rehabilitation (RIG/Manila auditor took the photograph in May 2005).

Under the rural financial services sector, an example of one of the over 28,000 micro-loans disbursed was an initial loan of \$240 to a sheep farmer for the expansion of his herd of sheep, which led to purchase and sale of some sheep, loan repayment, a second loan, a third loan, and other related transactions until he owned over sixty sheep and three cows.

Under the agricultural technology and market development sector, the livestock vaccinations/treatments numbering over 16 million involved the training of nearly 250 persons who earned their livelihood from their new profession. Farmers were provided information on growing crops through a variety of extension services, including classroom study, demonstration plots, field days with lectures and demonstrations, and broadcast of regular radio and television agricultural programs. Women in remote villages attended weekly classes on poultry management for about three months and received a dozen live pullets and related supplies and vaccines to start their flock in order to supplement their diet and earn income from the sale of eggs and chickens.²

The contractor's projected costs for each of the contract sectors as of December 7, 2005, are presented in Appendix III.

Despite progress achieved in the above-mentioned activities, USAID/Afghanistan had not met the planned September 2005 output with regards to the number of kilometers of farm-to-market roads that the contractor expected to rehabilitate. The conditions impacting this output are discussed in more detail below.

Planned Target for Rehabilitation of Farm-to-Market Roads Not Achieved

Summary: USAID/Afghanistan did not meet its September 30, 2005, target for rehabilitating the number of kilometers of farm-to-market roads. USAID/Afghanistan approved the Chemonics 12-month work plan, which provided for rehabilitating 555 kilometers of farm-to-market roads by the end of September 2005. As of that date, Chemonics had completed 391 of the planned 555 kilometers. USAID/Afghanistan did not achieve its expected results for a number of reasons, including security and poor subcontractor performance issues. The overall impact to USAID/Afghanistan's contract is that Chemonics will likely not be able to complete the end-of-contract target of rehabilitating 900 kilometers of farm-to-market roads by July 2, 2006.

Under the infrastructure reconstruction sector, USAID/Afghanistan estimated that up to 1,000 kilometers of farm-to-market roads, bridges, culverts and other pertinent structures would be repaired. As of October 2004, the Chemonics infrastructure team planned to rehabilitate 900 kilometers of compacted-gravel, farm-to-market roads over the life of the contract. For fiscal year 2005, USAID/Afghanistan approved the Chemonics 12-month work plan that included rehabilitating 555 kilometers of farm-to-market roads to be completed by September 30, 2005. But as of September 30, 2005, Chemonics had repaired 391 kilometers of farm-to-market roads, resulting in a 164-kilometer shortfall.

USAID/Afghanistan, in partnership with Chemonics, did not achieve the planned target for this reconstruction and repair component for a number of reasons. For example, security issues in Nuristan province in Afghanistan caused Chemonics to cancel road work. Chemonics also cited poor subcontractor performance as a reason for delays in the schedule providing two examples where it had to modify job orders because of poor

² Pullets are defined as young hens, usually not more than a year old.

performance and awarded the work to other subcontractors. Lastly, USAID/Afghanistan decided to replace the scope of work planned for rehabilitating farm-to-market roads with other activities that it considered to fall within the broad contract objectives.

As a result of the above-mentioned factors, Chemonics canceled 96 kilometers of road work due to security issues and rescinded work on 89 kilometers of road work due to poor subcontractor performance. Most of the work for these two subcontractors was scheduled for fiscal year 2005. Furthermore, USAID/Afghanistan re-allocated at least \$14 million of projected contract costs from the Chemonics work plan and redirected Chemonics to implement other activities not originally planned (see page 8 for further discussion). The overall impact to the September 30, 2005, targeted outputs was that Chemonics did not complete 164 kilometers of farm-to-market roads as planned. This shortfall, coupled with the redirection of work to other project goals, will impact the contractor's ability to complete the approved 900 kilometers of farm-to-market roads defined in the life-of-project work plan. USAID/Afghanistan's Cognizant Technical Officer and contractor representatives stated that given the factors experienced thus far, 700 kilometers of rehabilitated roads is a more realistic end-of-contract estimate by July 2, 2006. However, to achieve this estimated goal, work would have to have started in January 2006.

We are not making a recommendation in response to this problem area as a number of the underlying reasons why Chemonics did not achieve the interim target of 555 kilometers were factors outside of the contractor's control. However, USAID/Afghanistan's contract management of this program is an area that if improved could contribute to more efficient and effective decisions in managing inputs. Therefore, the recommendations following this next section may alleviate subsequent problems that could negatively impact achieving the outputs.

Contract Administration Needs Improvement

Summary: USAID/Afghanistan did not properly administer its contract with Chemonics with regards to updated work plans, changed scope of work, and annual evaluations of contractor performance. The Mission's contract with Chemonics required both parties to fulfill specific responsibilities in order to manage and implement the contract activities. Furthermore, USAID/Afghanistan's decision to use a contract instrument to implement this program required it to follow the applicable Federal Acquisition Regulation including administering the contract, which it did not do. The reasons why USAID/Afghanistan did not properly administer the contract were because other tasks took priority, and the Mission did not enforce the contract terms with Chemonics. As a result, USAID/Afghanistan's contract administration could result in the inefficient use of U.S. government resources. Additionally, the Mission did not have timely updates on the performance of Chemonics—updates which serve as a relevant, important source of information in responsibility determinations and future contract awards.

USAID/Afghanistan implemented the activities under its Rebuilding Agricultural Markets Program through the award of a cost-type contract with Chemonics, the prime

contractor. Although USAID/Afghanistan's adherence to certain contract terms and acquisition regulations were critical to managing this contract, it did not properly administer its contract with Chemonics within the areas addressed below.

Lack of Updated Work Plans – In accordance with the terms of the contract, Chemonics was required to submit, within 30 days of the award and periodically thereafter, initial and updated work plans describing the activities anticipated for the life-of-project and following year. An updated work plan would allow USAID/Afghanistan and the contractor to monitor, maintain control, and exercise direction as appropriate. In addition, USAID and the contractor were to review the work plan at frequent, joint USAID and contractor program review meetings.

Since the start of this contract in July 2003, USAID/Afghanistan had approved and used Chemonics' life-of-project work plan dated October 2004 and its fiscal year 2005 work plan dated December 2004 to monitor contractor progress. Although Chemonics developed earlier versions of work plan documents, USAID had not approved them. According to the terms of the contract, the contractor should have submitted an overall plan in August 2003, and updated plans in August 2004, and August 2005 and a 12-month plan every quarter for approval by USAID/Afghanistan.

USAID/Afghanistan did not enforce the contract terms with Chemonics with regards to submitting updated work plans because Chemonics updated and revised its planned activities on a recurring basis as events occurred. According to Chemonics representatives, it communicated these changes to the Cognizant Technical Officer. Furthermore, USAID/Afghanistan had to change the planned projects due to the working environment in Afghanistan.

USAID/Afghanistan's contract with Chemonics stated that a 12-month work plan and schedule would assure, to the maximum extent possible, the necessary performance and inputs from all parties to complete the program on time and within budget. These work plans would allow USAID and the contractor to monitor, maintain control, and exercise direction as appropriate. As a result, lack of such plans could result in the inefficient use of U.S. government resources.

Scope of Work Changed – USAID/Afghanistan's contract with Chemonics grouped activities into three main sectors: infrastructure reconstruction, rural financial services, and agricultural technology and market development. Within its life-of-project plan and the fiscal year 2005 work plan mentioned above, Chemonics identified each of the activities it intended to implement for the three sectors. If any changes were to occur within the description of services to be performed, then USAID/Afghanistan's contracting officer could, by written order, change the general scope of the contract, in accordance with Federal Acquisition Regulation, Part 43 on contract modifications.

As mentioned on page 7 of this report, USAID/Afghanistan re-allocated at least \$14 million of projected contract costs from the Chemonics infrastructure reconstruction component with other activities that it considered to fall within the broad contract objectives. This change directly impacted the contractor's ability to meet its targets for rehabilitation of the farm-to-market roads. For example, in November 2004 USAID/Afghanistan awarded Chemonics a \$17.9 million alternative income project to be

implemented under a separate job order under the Rebuilding Agricultural Markets Program. This project had two primary objectives:

1. to create immediate employment-generating activities with the direct involvement of local governments and beneficiary communities, and
2. to facilitate the development of an economic “safety net,” assisting people unable to participate in alternative employment activities.

This project with over \$8.8 million in costs was discontinued early in July 2005 because USAID/Afghanistan transferred the project activities to another USAID program managed by Chemonics.

Though this alternative income project included activities that complemented the planned activities, its outputs were distinct and apart from the services described in USAID/Afghanistan’s original July 2003 contract with Chemonics. This is evident in that Chemonics did not include this type of activity within its approved life-of-project plan or work plan with related changes. This occurred because the Mission did not properly administer the contract. As a result, Chemonics was implementing activities that were not within the scope of work of the contract. USAID/Afghanistan’s managing the contract in such a way could result in a USAID representative taking actions that may impact the contract schedule, funds, and/or scope—actions, he or she is not empowered to take.

Contractor Performance Reporting – As part of the monitoring component of this contract, USAID/Afghanistan was required by the Federal Acquisition Regulation and Automated Directives System 302.5.9 to record and report contractor performance information on Chemonics’ performance on an annual basis. USAID/Afghanistan should have conducted an annual performance evaluation of this contract; however, as of December 2005, it had not completed such evaluations.

USAID/Afghanistan stated that annual contract performance reporting was not done because it was not treated as a priority task. Furthermore, the yearly staff rotation made it difficult for the Mission to implement this reporting requirement. As a result, the Mission did not have timely updates on the performance of Chemonics—updates which serve as a relevant, important source of information in responsibility determinations and future contract awards.

Contract administration in the areas addressed above is critical to the overall management of this program. Therefore we recommend the following.

Recommendation No. 1. We recommend that USAID/Afghanistan obtain updated work plans from the contractor required by the contract.

Recommendation No. 2. We recommend that USAID/Afghanistan determine if the added work under the original contract should have been approved and modified within the original contract prior to implementation, in accordance with Federal Acquisition Regulation, Part 43 on contract modifications. If yes, we recommend that USAID/Afghanistan’s Contracting Officer modify the contract accordingly.

Recommendation No. 3: We recommend that USAID/Afghanistan implement an action plan to require its staff to complete and issue contractor performance reports to comply with Automated Directives System 302.5.9.

EVALUATION OF MANAGEMENT COMMENTS

In response to our draft report, USAID/Afghanistan provided written comments that are included (without attachments) in Appendix II to this report. USAID/Afghanistan agreed with all three recommendations.

For Recommendation No. 1, USAID/Afghanistan provided evidence that it had obtained an updated fiscal year 2006 work plan and an updated life-of-project work plan from the contractor implementing the Rebuilding Agricultural Markets Program (RAMP). Additionally, the Mission had incorporated these updated plans into its RAMP contract through a contract modification. Based on our review of the Mission's corrective actions, we consider that final action has been taken on this recommendation.

For Recommendation No. 2, USAID/Afghanistan determined that a modification to the RAMP contract was not required to approve activities subsequently added to the activities listed in the original contract. The Mission provided three principal reasons for its determination. First, it explained that RAMP implementation is accomplished through work orders; it pointed out that the activities that were added, such as the Alternative Income project, were added through work orders. Second, the Mission asserted that the added activities fell within or were consistent with the objectives of the RAMP contract. Third, the Mission noted that updated work plans (obtained and incorporated into the RAMP contract as discussed in the preceding paragraph) included the added activities. We accepted the Mission's determination; therefore, final action has been taken on this recommendation.

For Recommendation No. 3, USAID/Afghanistan provided evidence that it had issued Mission Notice No. 2006-05, which established procedures and timelines to ensure that the contractor performance reports are continually updated and current. Additionally, the Mission provided evidence that it had completed a performance evaluation of the RAMP contractor. Based on our review of the Mission's corrective actions, final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Manila conducted this audit in accordance with generally accepted government auditing standards. This audit was designed to determine whether USAID/Afghanistan's Rebuilding Agricultural Markets Program (RAMP) activities were on schedule to achieve selected planned outputs.

The audit covered RAMP's cumulative planned outputs as of September 30, 2005, as detailed in the supplement to the 12-month work plan dated December 2004. The audit fieldwork was conducted from May 16 to June 6, 2005, and from November 21 to December 7, 2005, at the offices of USAID/Afghanistan and Chemonics International, Inc., in Kabul, Afghanistan. We visited several RAMP activities located in Kabul and Parwan provinces of Afghanistan; for example:

- the Five-Fingers Extension structure of the Charikar Canal before and after its rehabilitation,
- 12 kilometers of the Canal Road after its rehabilitation,
- operations of regional and area offices for agricultural micro loans,
- a demonstration plot for a new variety of grapes, and
- a greenhouse demonstration plot for various vegetables.

Due to U.S. Embassy security advisories, we were unable to carry out scheduled visits of a veterinary field unit, a market center, and an agricultural produce nursery.

In planning and performing the audit, we reviewed and assessed the Mission's internal controls related to ensuring that RAMP activities were on schedule to achieve selected planned outputs. The contractor identified 11 output indicators in its fiscal year 2005 life-of-project work plan. In our audit, we selected the following six outputs for measuring the program's progress: canals rehabilitated, farm-to-market roads rehabilitated, loans disbursed, livestock vaccinated/treated, farmers served by extension, and women trained in poultry management. We judgmentally selected six indicators based on the Cognizant Technical Officer's opinion that the six were key output indicators.

During the audit, we assessed controls related to whether the Mission (1) communicated consistently with Chemonics on its performance; (2) conducted visits of Chemonics and its RAMP activities to evaluate progress; (3) established and maintained work files for RAMP documents and correspondence; (4) reviewed and approved strategy and work plans prepared by Chemonics; and (5) conducted annual performance evaluations of Chemonics. We also reviewed the mission orders for management controls related to the audit objective and the Mission's self-assessment prepared in compliance with the Federal Managers' Financial Integrity Act for fiscal year 2005 for related controls to the audit objective. There were no prior audit findings affecting this audit.

Methodology

To answer the audit objective, we interviewed officials of USAID/Afghanistan and Chemonics. In addition, we reviewed and analyzed the relevant documentation and processes related to RAMP activities. The documentation and processes reviewed included those related to the program's (1) planned outputs and (2) actual outputs reported by Chemonics to the Mission. We also visited eight selected RAMP activities.

We judged that each planned output was achieved if it was at least 90 percent complete within 2 weeks of its planned completion date. We designed our audit to address potential concerns such as noncompliance with contract terms related to updated work plans, and nonperformance of annual contractor performance evaluations.

MANAGEMENT COMMENTS



USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

March 23, 2006

MEMORANDUM

To: RIG/Manila, Catherine M. Trujillo

From: Barry Primm, Acting Mission Director /s/

Subject: USAID/Afghanistan Request for Management Decision - Rebuilding Agricultural Markets Program (RAMP) Program Audit December 2005. (Report No. 5-306-06-00x-P)

We appreciate the opportunity to respond to the subject draft report. The Mission concurs with the three recommendations and has taken corrective action for 1 and 3 and made the determination as requested for recommendation number 2. The following are the actions taken by the Mission to the recommendations below:

Recommendation No. 1. We recommend that USAID/Afghanistan obtain updated work plans from the contractor required by the contract.

USAID/Afghanistan Response: Concur. **Attachment 1** is the updated FY 2006 Work Plan and Life of Project Plan (LOP). The document has been incorporated into the RAMP contract 306-C-00-03-00502-00 via modification. The LOP and annual work plan reflect mutual agreement on the indicator for the farm to market roads as well as Alternative Livelihoods work. Regarding the farm to market roads, the indicator now reflects the change from 900 kilometers to 572 as directed by the CTO.

Moreover, the contractor's failure to provide updated work plans as required by the contract is reflected in their current CPR.

Recommendation No. 2. We recommend that USAID/Afghanistan determine if the added work under the original contract should have been approved and modified within the original contract prior to implementation, in accordance with Federal Acquisition Regulation, Part 43 on contract modifications. If yes, we recommend that USAID/Afghanistan's Contracting Officer modify the contract accordingly.

USAID/Afghanistan Response: The Mission has reviewed the recommendation and after discussions with the technical staff and Contracting Officer has determined that a modification to the contract is not required. Our reasoning follows. Section B.2 "Contract Type" in the contract shows that "Job Orders will be issued by the Contracting Officer for those services described in Section C." and that program implementation is accomplished through issuance of job orders.

The RAMP contract is structured with two contract line items (CLINs). CLIN 1 is level of effort for the management and monitoring of the work performed under CLIN 2. CLIN 2 addressed the various technical areas and implementation of work through job orders.

Regarding Alternative Livelihoods, the attached CTO's letter shows that funds slated for infrastructure work had to be shifted to northern Afghanistan due to security reasons and in response to Mission's priorities to address poppy cultivation.

The objective of the \$17.9 million reprogrammed to Alternative Income Project (AIP), Job Order No. 46 fell within the objective of RAMP for increasing agriculture productivity to accelerate growth in the agriculture sector and ultimately contributing to increase in rural incomes. This is consistent with the Mission's intermediate indicator IR5.1. "Rehabilitate the Rural Economy". AIP generated 22 labor-intensive cash for work infrastructure projects in 10 districts of Helmand province. The cash for work activities implemented in Helmand province were for the rehabilitation of irrigation infrastructure such as cleaning of drains, irrigation canals and debris from *karezes* (underground irrigation system). Farm to market roads were also rehabilitated and weaved metal frames for gabion baskets. The cash for work activities directly fell under RAMP's "rehabilitation/repair of physical infrastructure" component.

Other examples of activities for immediate needs that were consistent with the overall objective of the RAMP contract

was the emergency seed wheat and fertilizer distribution program (Job Order 48), agriculture input supply program (Job Order No. 52) and Ministry of Agriculture institutional capacity building (Job Order No. 51). Job Order Nos. 48 and 52 were in response to the government's request for safety nets for farmers shifting from poppy production to licit crops. The farmers were provided improved seed varieties, better technology and best farm practices. These activities fell under the agriculture technology and marketing component of RAMP, and contributed to increased productivity in the agriculture sector. For sustainability of the RAMP activities, human resources in the Ministry of Agriculture have to be improved by providing technical assistance in various aspects of agriculture development which were undertaken under Job Order No. 51.

In addition, recommendation 1 provides for USAID/AF to update the RAMP contract work plans to reflect program work. We have modified the contract (**Attachment 2**, Contract Modification) to include the updated work plans which also include the activities described above which were already in the Scope of Work.

Recommendation No. 3: We recommend that USAID/Afghanistan implement an action plan to require its staff to complete and issue contractor performance reports to comply with Automated Directives System 302.5.9.

USAID/Afghanistan Response: Concur. USAID/AF recognizes the importance of contractor performance monitoring and has taken immediate corrective action to ensure compliance.

February 28, 2006, a mission notice (**Attachment 3**) was issued to address the contractor performance process and to ensure that the contractor performance reports are continually updated so that they are current. An Action Memorandum to the Acting Mission Director and Acting Deputy Mission Director provided the status of each CPR. Please see **Attachment 4**, Acting Mission Director approval of updated CPRs.

RECOMMENDATION:

Based on the above, USAID/AF requests closure of recommendations 1, 2 and 3 upon issuance of the report since corrective action has been taken and determination requested has been made.

Thanks.

Attachment 1, Chemonics Fiscal Year 2006 Work Plan,
including CTO technical direction letter, Chemonics'
request to amend the Work Plan;
Attachment 2, Contract Modification
Attachment 3, Mission Notice - Contractor Performance
Reports
Attachment 4, Acting Mission Director Review of CPR
Database

RAMP CONTRACT PROJECTED COSTS
(As of December 7, 2005)

Management, administration, and technical assistance		\$20,663,766
Infrastructure reconstruction		
Canals rehabilitated and farm to market roads combined subcontracts	\$12,207,587	
Canals rehabilitated subcontracts	\$20,476,970	
Farm to market roads subcontracts	\$3,800,759	
Market Centers	\$3,964,585	
Alternative income project	\$8,832,385	
Subtotal:		\$49,282,286
Rural financial services		
Micro-loans disbursed	\$5,000,000	
Other loans	\$12,759,897	
Sub-total:		\$17,759,897
Agricultural technology and market development		
Livestock vaccinations/treatments	\$11,995,453	
Women training in poultry management	\$3,599,239	
Vegetable dehydration factory	\$3,022,887	
Farmers served by extension and other costs	\$28,594,954	
Sub-total:		\$47,212,533
Other costs		
Ministry of Agriculture capacity building and other costs	\$7,998,032	
General and administrative	\$6,112,637	
Fixed fee	\$4,134,615	
Sub-total:		\$18,245,284
Total		<u>\$153,163,766 *</u>

**Chemonics-provided data. Amounts not audited.*

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