OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/TAJIKISTAN'S PRODUCTIVE AGRICULTURE PROGRAM

AUDIT REPORT NO. 5-119-12-001-P
OCTOBER 28, 2011

MANILA, PHILIPPINES

Office of Inspector General

October 28, 2011

MEMORANDUM

TO: USAID/Central Asian Republics Regional Mission Director, Erin E. McKee

FROM: Regional Inspector General/Manila, Bruce N. Boyer /s/

SUBJECT: Audit of USAID/Tajikistan's Productive Agriculture Program (Report Number 5-119-12-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft report and have included those comments in Appendix II of this report.

This report contains eight recommendations to assist the mission in improving certain aspects of the program. On the basis of the information provided by the mission in its response to the draft report, we determined that management decisions have been reached on all eight recommendations. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close these recommendations.

I would like to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
PMP	performance management plan

SUMMARY OF RESULTS

According to the U.N. Food and Agriculture Organization, "more than two-thirds of Tajikistan's population depends on agriculture for its livelihood and . . . to meet nutrition requirements at household level."[1] The purpose of USAID/Tajikistan's Productive Agriculture Program is to provide training, equipment, and commodities to assist in the development of the agriculture sector in Tajikistan by increasing the productivity of traditional agricultural crops and expanding agricultural profitability. The traditional crops targeted by this program are onion, tomato, watermelon, lemon, apricot, and beef, and the regions identified for intervention are western Khatlon (directly south of the capital bordering Afghanistan), Sughd (north of the capital), and the district surrounding the country's capital, Dushanbe (see map below).

Source: CIA World Factbook

To implement the program, USAID/Central Asian Republics awarded a $9.8 million cost-plus-fixed-fee completion contract to ACDI/VOCA, covering the 5-year period from September 30, 2009, through September 29, 2014. As of June 30, 2011, the mission had obligated $3.2 million and disbursed $2.5 million under the program.

Farmers in Tajikistan tend to purchase their agricultural inputs from local dealers that sell a variety of locally available, generally uncertified, seed. Farmers also commonly use nitrogen-based fertilizer, which spurs rapid growth but ultimately does not yield as much because the plants expend more energy on growing than on producing more fruit. Farmers typically refrain from using pesticides, applying chemicals only after a problem has occurred rather than taking preventive measures.

[1] "FAO's Role in the 2008/2009 Humanitarian Food Security Appeal for Tajikistan," September 25, 2008, www.fao.org/fileadmin/templates/tc/tce/pdf/tajikistan_appeal_2008_2009.pdf, accessed on September 8, 2011.

Therefore, USAID's program focuses on a voucher (or coupon) distribution activity. Through it, farmers can buy certified seed, complex fertilizer, pesticides, and other products at discounted rates ranging from 25 to 50 percent, rates that are subsidized by the program. To ensure that these farmers are able to maximize the effectiveness of the high-quality products, the program also offers training on improved cultivation techniques, the application of fertilizers and pesticides, and post-harvest handling techniques. Demonstration plots are also used throughout the program's focus areas to illustrate the benefit of spending more money up front to achieve much greater crop yields and profitability, instead of buying the cheapest inputs available and seeing diminished results.

In addition, the program strives to increase access to credit for farmers and agribusinesses (such as input dealers, processors and exporters) and to increase agribusiness investment. To accomplish both objectives, the program offers program participants financial packages that combine grants, matching funds, and loans at favorable interest rates.

Finally, the program works to develop the market chain within the agriculture sector—strengthening relationships between input dealers and farmers on one end, as well as relationships between farmers and processors and exporters on the other.

The objective of the audit was to determine whether the program was achieving its main goals of increasing the productivity of traditional agricultural crops and expanding the agricultural profitability of farmers.

The program has made some progress toward increasing the productivity and profitability of traditional crops. The inputs provided through the voucher activity have been well received, and participating farmers interviewed during the audit voiced appreciation for the training provided in association with those inputs. The program has also helped strengthen market linkages between farmers and the input dealers from which they purchase their inputs, as well as between farmers and the businesses to which they sell their produce.

For instance, apricot farmers using drying trays provided through the program's apricot voucher activity saw an improvement in the quality of their product. These farmers told the audit team that they were able to sell their tray-dried apricots for almost double the price of their ground-dried product—essentially doubling their income on apricots dried in this way—because tray-dried product does not require significant investment to clean, and the coloring of the apricots is much more attractive. The 20 trays provided to each farmer participating in the voucher activity were enough to handle only a few trees because they were meant to demonstrate an opportunity for increased profits. Several farmers said they intended to purchase many more trays (hundreds of them) to use for the rest of their trees.

Another farmer showed auditors his tomato demonstration plot (like the one pictured on the next page) in which he applied the planting and cultivation techniques he learned in training and used high-quality seed, complex fertilizer, and pesticides all provided through the program's voucher activity. With these improved products and techniques, he expected his yield to be as much as five times that of his neighboring plot of traditionally planted tomatoes. Because of his successful demonstration plot, this farmer said he plans to expand his tomato plot from a third of a hectare to 10 hectares in the upcoming season. The program has also helped put him in touch with a tomato processor, who promised to bring trucks to buy the tomatoes in bulk if the farmer grew them as planned.

A farmer tends a program-sponsored demonstration plot showing the effects that different fertilizers have on tomato plants grown with certified seed. (Photo by Office of Inspector General, July 2011)

An input dealer in northern Tajikistan stated that because of the program's onion demonstration plot and training provided to farmers, demand for imported seeds and pesticides had increased significantly. Whereas in the past the store had difficulty selling even 3 to 5 kilograms of high-quality, imported seeds per season, the dealer currently reported selling around 80 percent of the store's seed stock and planned to order as much as five times more for the next season.

Despite these successes, however, the audit identified some substantial problem areas that could materially affect the program's ability to achieve its high-level goals:

- The program lacked sufficient monitoring tools (page 5).
- Communication, eligibility, and timing snags reduced voucher activity effectiveness (page 7).
- Bottlenecks inhibited the program's ability to increase access to credit and increase agribusiness investment (page 9).

The report recommends that USAID/Central Asian Republics:

1. Establish additional output indicators to adequately report on the achievement of the voucher activity, such as the number of participants receiving vouchers and the number of vouchers redeemed (page 6).

2. Adopt end-of-program targets, as well as milestone targets, for all output indicators as required by Automated Directives System (ADS) 203.3.3.1.b (page 6).

3. Adopt procedures to ensure reported achievements are adequately supported with reliable data and reflect the intended measurement of the indicator (page 7).

4. Modify the voucher activity as necessary to communicate the purpose of the voucher activity more effectively (page 8).

5. Clarify farmer eligibility requirements with its contractor. The contractor should then communicate in writing the requirements to personnel implementing and monitoring the voucher activity so that they select only eligible individuals to participate (page 8).

6. Identify the key dates by which farmers need voucher inputs for various crops and implement a schedule for delivering inputs well in advance of those dates, giving farmers sufficient time to save or identify financing for purchasing these inputs (page 9).

7. Expedite the program's approval process for grant applications (page 12).

8. Implement a plan to facilitate purchases of agricultural equipment through more frequent purchase requests to the contracting officer and expedited approval (page 12).

Detailed findings follow. Our evaluation of management comments is on page 13. The audit scope and methodology are described in Appendix I, and the full text of management comments appears in Appendix II.

AUDIT FINDINGS

Program Lacked Sufficient Monitoring Tools

The audit disclosed critical gaps in the program's performance management plan (PMP). Achievements—particularly relating to the voucher activity—were not captured, targets had not been established for any of the output indicators, and insufficient controls in reporting results for training activities led to a key reported accomplishment being largely unreliable. We discuss these issues below.

Indicators and Targets. Output indicators capture tangible, immediate, and intended results of an activity within USAID's control. These indicators are important during the early stages of a program because they can provide an early warning that results may not be achieved as planned. Properly identifying output indicators and monitoring results are critical to a program's success. In addition, ADS 203.3.3.1.b requires that target values be included for each indicator to hold the program accountable for expected achievements.

Despite the need to track the achievements of key program activities, the program did not formally track or report on the program's most significant activity—the voucher activity. The program had no indicator to measure the number of voucher recipients or the number of recipients who redeemed their vouchers for the high-quality inputs subsidized by the program. The output indicator most closely related to the program's voucher activity is the *Number of people trained*, which apparently is intended to report the number of voucher recipients trained.

Auditors attempted to obtain some of the missing data. In reviewing a judgmentally selected sample of program documents, auditors found that farmers had redeemed only 76 percent of vouchers, which were distributed to selected groups of individuals who had signed agreements to participate in the voucher activity. Farmers interviewed during the audit confirmed that many had not redeemed their vouchers. Program staff did not distinguish the pervasiveness of the low rate of voucher redemption as a problem that warranted corrective action.

Analyzing the existing indicator, auditors found it an ineffective proxy for the number of participants trained. Because people who do not participate in the voucher activity attend the seminars and sign training attendance sheets, the number of voucher recipients who receive training cannot be ascertained from this indicator. Moreover, no targets exist for the number of people trained.

The exclusion of relevant output indicators occurred because contractor and mission officials focused on higher-level, impact measurements—those that pertain to primary program objectives including farmer income and farm yield. According to these officials, only impact indicators, which are specified in the contract, have to be measured. Nevertheless, by not including critical, relevant output indicators, such as the number of people who receive vouchers and the number of people who redeem their vouchers, the mission loses a valuable tool in determining whether intended beneficiaries are actually receiving the assistance intended by the program.

By not establishing targets for the *Number of people trained* indicator or for the voucher distribution and redemption activities, the mission cannot hold the program accountable for expected results. Ultimately, by not adequately tracking and reporting on outputs, the mission cannot identify weaknesses in implementation that could prevent the program from achieving its intended results. We therefore make the following recommendations.

> ***Recommendation 1.*** *We recommend that USAID/Central Asian Republics establish additional output indicators to measure achievements under the voucher activity, including the number of voucher recipients and the number of vouchers redeemed*.
>
> ***Recommendation 2.*** *We recommend that USAID/Central Asian Republics adopt and document end-of-program targets, as well as milestone targets, for all output indicators as required by Automated Directives System 203.3.3.1.b.*

Reliable Results. According to ADS 203.3.5.1, ―Data Quality Standards," reported data must (1) clearly and adequately (validly) represent the intended result, (2) be sufficiently precise to present a fair picture of performance, and (3) be controlled to reduce the possibility that it might be wrongfully manipulated (integrity). These standards help ensure that the mission is aware of the strengths and weaknesses of the data being provided.

Because the Productive Agriculture Program is relatively new—less than 2 years into its 5-year term—minimal impact data exists to measure programmatic success. Therefore, the audit focused on outputs in an effort to determine how successful the program has been at providing a foundation for accomplishing its high-level impact objectives. Accordingly, the best available reported data came from the *Number of people trained* indicator, which the audit team attempted to validate.

Ultimately, the reported figure proved unreliable as the audit found that at least 35.7 percent of the total number of people trained could not be supported. This was because of three control weaknesses: (1) data was not present in the contractor's database to support the achievement reported to USAID; (2) the database itself contained multiple and duplicative entries, which inflated the program's reported figure; and (3) evidence to substantiate participant attendance of the training events recorded in the contractor's database was inadequate.

While only 75 percent of those reportedly trained could be accounted for in the contractor's database of registered individuals trained, many of these individuals were counted multiple times during the same year (counted each time they attended a training within a fiscal year) instead of only once because the contractor apparently misinterpreted how these results should be reported. This misinterpretation caused the indicator to represent the number of training courses provided instead of the number of people trained. Deficiencies in controls relating to data entry also resulted in duplicative entries (the *exact* same information recorded more than once for the same event) as well as in the recording as training beneficiaries individuals who should not have been included in the first place, such as USAID personnel who sat in on the training.

In addition to database integrity issues, document validation efforts revealed inadequate evidence to support participant attendance at 5 out of 17 judgmentally selected training events reviewed by the audit. Moreover, one of the training events selected—the sample constituted roughly 22 percent of all the training events sponsored by the program—was not present in the database. Given the number of missing and duplicate records in the contractor's database, and

the number of unsupported or undocumented training attendees, the program could not support more than 64 percent of the total reported for the number of people trained.

In summary, the audit disclosed weaknesses in the control process for ensuring that events are adequately documented and supported and for entering information into the program's database. Likewise, procedures to verify all program achievements reported to USAID were deficient. Because of these inadequate controls in reporting, the reported figure for the number of people trained is unreliable. As a result, the program will have difficulty measuring the effectiveness of its activities and making midcourse corrections that might be needed to achieve intended results. We therefore make the following recommendation.

> ***Recommendation 3.*** *We recommend that USAID/Central Asian Republics implement control procedures to require that (1) the contractor supports reported achievements with reliable documentation, (2) the contractor enters information accurately into the program's database, and (3) reported results accurately reflect the intended measurement of the indicators (people trained, not training courses provided).*

Communication, Eligibility, and Timing Snags Reduced Voucher Activity Effectiveness

The voucher activity has increased awareness of high-quality agricultural inputs and successfully demonstrated new techniques to improve the quality of products for export. The intent of the voucher activity, however, was not always clear to participants, leading some participating farmers to conclude that the investment in high-quality inputs was not worthwhile. In addition, we found that a number of the voucher recipients did not meet eligibility criteria. Further, the late delivery of vouchers has delayed the planting of crops and prevented some individuals from participating. These issues are discussed in detail below.

Communication. The intention of the voucher activity is to demonstrate to farmers that investing in more-expensive, higher-quality inputs can increase farm income. Not all voucher recipients interviewed understood the intent of the voucher activity. While some interpreted the voucher's goal correctly, about a third of those interviewed saw the voucher as a way to save money. Members of this group expressed appreciation for the discounted products, but said they plan to return to their regular inputs when the discounts end. Others expressed dissatisfaction with complex fertilizers, believing the slower growth achieved with them (as compared with nitrate-based fertilizers) made them inferior. As a result, one farmer applied nitrogen fertilizer on top of the complex product to address what he saw as a shortfall, nullifying whatever effect the voucher activity might have achieved.

A subcontractor responsible for implementing and monitoring voucher activity in one of the districts receiving program assistance felt that communication with farmers was weak and suggested that clarifying the voucher's intent would improve participants' understanding and encourage farmers to embrace the new inputs.

Misunderstandings limit the impact and sustainability of the program's voucher efforts and may induce other farmers not to purchase higher-quality inputs. Ultimately, this could reduce demand for products from input dealers, who would not find it worthwhile to continue stocking such products. We therefore make the following recommendation.

Recommendation 4. *We recommend that USAID/Central Asian Republics modify the voucher activity as necessary to communicate the purpose of the voucher activity more effectively.*

Eligibility. To be eligible to participate in activities sponsored by the Productive Agriculture Program, farmers should have at least 10 hectares of land. In addition, farmers must have at least 1 hectare of land to devote to the specific voucher-sponsored product. These requirements, though not written down as a policy, were communicated to us by members of the program management team—including the contractor's chief of party—as well as by one of the subcontractors implementing the voucher activity, indicating widespread knowledge of these informal requirements. The requirements are to ensure that program participants are engaged in commercial activities—selling their produce—rather than merely growing their crops for subsistence.

Notwithstanding the requirements, 20 of 37 farmers interviewed during the audit managed fewer than 10 hectares—on average only 2.59 hectares. Further, 4 of the same 37 farmers did not possess the minimum 1 hectare of land to devote to the voucher inputs (or 60 trees in the case of lemon farmers).

Although one of the local nongovernmental organizations subcontracted to implement and monitor the voucher activity was aware of the 10-hectare minimum, others were not. These other organizations included as eligible any farmer with at least 1 hectare of land. They did not appear to understand the program's intent to target commercially viable farmers.

Farmers with small land holdings do not necessarily have the resources to purchase more-expensive, higher-quality inputs. In fact, several farmers interviewed during the audit said financing was a big challenge—sometimes prohibitive. One of those interviewed noted that even the subsidy from the vouchers just covered the interest costs on loans from the bank. Moreover, those who farm less than 10 hectares cannot implement practices on a larger scale, not only because of their small plot size, but also because they devote a portion of their land to growing other crops, to mitigate risk.

Not targeting commercially viable farmers through the program's voucher activity reduces the likelihood that participants will continue to use high-quality inputs after experiencing the increased yield and profitability from these products. Farmers with small land holdings may not have the financial resources to purchase the products on their own. We therefore make the following recommendation.

Recommendation 5. *We recommend that USAID/Central Asian Republics clarify the Productive Agriculture Program's farmer eligibility requirements with its contractor. The contractor should then communicate in writing the requirements to personnel implementing and monitoring the voucher activity so that they select only eligible individuals to participate.*

Timing. Best practice calls for providing inputs such as seed, fertilizer, and pesticide to farmers on schedule so that they can use them efficiently and effectively. With the voucher activity, farmers need lead time to save enough money to buy the voucher-sponsored products or secure attractive financing.

Yet the program has delivered vouchers (and by default the inputs purchased with them) later than some farmers needed them. In 2010 for instance, onion voucher recipients received their voucher inputs in late September although the optimum time for planting was August. Watermelon voucher recipients in the south of the country received their watermelon seed, fertilizer, and pesticides in late April of 2011, but said they would have preferred the inputs in early to mid-March. Further, apricot growers who received their vouchers in June 2011 were told to purchase the sponsored products within 2 weeks, before the vouchers expired, causing distress among individuals who lacked the financial capacity to respond so quickly.

Voucher delays occurred because of supply problems and because program officials took the time to build local dealers' procurement capacity. Sourcing supplies grew more complicated over the past year, when relations between Uzbekistan (the source of much of the inputs) and Tajikistan soured (Tajikistan is constructing a hydroelectric dam that will affect the amount of water flowing in Uzbekistan). Uzbekistan closed the majority of its borders with Tajikistan, severely limiting the ability of dealers to obtain certified seeds, complex fertilizers, and pesticides. Another cause of delay was the extra effort the program put into ensuring sustainability: the program helped local input dealers connect with suppliers to purchase what the dealers could afford and obtain financing as needed. The program apparently waited until products arrived at the dealers' shops before distributing the vouchers to program participants.

Because of the delayed voucher distribution, voucher recipients either planted late or did not use the entire voucher—instead using their own, lower-quality inputs. Those planting later in the season harvest later, meaning they must compete with a greater quantity of produce in the marketplace and sell at a lower price. One farmer mentioned that because he planted late, his crop had to compete for water with his government-mandated cotton crop. Those farmers using their own seed or fertilizer inputs forgo the voucher activity's intended benefits.

Furthermore, because the vouchers were distributed so close to their expiration date (printed on the vouchers), some farmers were unable to gather enough resources to purchase the products. Consequently, farmers redeemed only 76 percent of the vouchers sampled during our audit to buy the products sponsored by the program.

Providing vouchers to program participants in time for them to save for and purchase the offered products is crucial. Inputs must arrive when program participants need to use them. We therefore make the following recommendation.

> ***Recommendation 6.*** *We recommend that USAID/Central Asian Republics identify the key dates by which farmers need voucher inputs for various crops and implement a schedule for delivering inputs well in advance of those dates, giving farmers sufficient time to save or identify financing for purchasing these inputs.*

Bottlenecks Inhibited Increases in Credit Access and Agribusiness Investment

Unlike the voucher activity, the credit and investment activity has indicators with targets—aggressive ones: increasing by $11.6 million local financial institutions' loans to farmers and increasing by $2.2 million capital expenditures by agribusinesses (increased investment) by the end of the program.

To accomplish both objectives, the program has offered financial packages to program participants. The typical financial package includes a grant worth approximately 25 percent of a targeted capital expenditure, such as a tractor, which is accompanied by the beneficiary's own contribution equal to 30 percent of the capital expenditure. Combined, this 55 percent forms a down payment for an equipment purchase, for which a local financial institution then provides a loan. The institution does so through a memorandum of understanding with the program to provide these loans at more attractive rates than have historically been available.

This financial package satisfies both objectives of the program because they are closely related. The access to credit and the agribusiness investment indicators report on different aspects of the same financial package activity: loans provided to farmers and agribusinesses (access to credit) and investments by agribusinesses. According to the program's PMP, the results of this activity are to be reported quarterly—both the volume of loans made to farmers and agribusinesses (access to credit) and the amount of funding invested in those same agribusinesses (agribusiness investment).

Access to Credit. Despite the program's $11.6 million end-of-program target for increasing access to credit, the March 31, 2011, quarterly performance report—the latest available report at the time of the audit—acknowledged only $65,712 in loans provided by financial institutions.[2] According to additional records maintained by the contractor, this figure had increased to approximately $95,372 as of July 2011. With 2 months left until the end of the second year of implementation, the program was well shy of its cumulative target of approximately $2.5 million for September 30, 2011.

The $65,712 in increased access to credit was for eight tractor loans provided during the program's latest reporting period. The additional $29,660 in program-facilitated loans—bringing the total to $95,372 through July 2011—covered three financial packages provided to agribusinesses to (1) help build a greenhouse, (2) purchase apricot kernelling equipment, and (3) purchase supplies for an apricot storage and exporting company.

Agribusiness Investment. No achievements for increasing agribusiness investment—funds spent on capital expenditures—had been reported as of the latest reporting period ending March 31, 2011, despite a cumulative program target of just over $1 million by the end of fiscal year 2011. The three above-mentioned financial packages to agribusinesses, however, did include around $18,586 in agribusiness investment recorded by the program after the end of the latest formal reporting period.

Two bottlenecks are inhibiting the program's ability to increase access to credit for farmers and agribusiness and to increase agribusiness investment to the level intended by the program:

- The contractor has not submitted for contracting officer approval enough purchase requests to meet farmer and agribusiness demand for equipment.

- The review and approval process for farmer and agribusiness grant applications is too slow.

To facilitate the purchase of equipment like the tractor shown on the following page and other machinery through the program's financial package (thus increasing access to credit and

[2] This figure is based on the program's use of an exchange rate of 1 U.S. dollar to 4.8213 Tajik Somoni.

agribusiness investment), the program's contractor first must obtain written authorization from the program's contracting officer. The contractor obtained authorization to help farmers purchase 16 tractors through grant financial packages and was in the process of selecting applicants to buy the remaining eight tractors. (The purchase of four large onion planters through similar financing also had been authorized.) One contractor representative said he expected over 100 applications for the remaining eight available tractors.

Despite the demand, the contractor inexplicably had not submitted any purchase requests for additional tractors beyond the current eight or other equipment. These requests are needed to help facilitate the millions of dollars of loans and investment the program originally envisioned, yet no plan exists to keep up with this demand.

This tractor is one of 16 purchased by farmers through financial packages offered by the program. (Photo by Office of Inspector General, July 2011)

Additionally, the time required for the contractor and mission to review, process, and approve grants (part of the program's financial package) aimed at encouraging loans and agribusiness investment is apparently taking longer than the 4 weeks envisioned by program management. The grant applications must be approved before being submitted to the local financial institutions for loan approval; a number of these applications also require written authorization from the program's contracting officer—an extra step. Some farmers and agribusinesses had waited months before hearing anything about their applications or before completing the financial package. Others had not heard anything at all.

At the current pace, the program may not be able to achieve the level of increased access to credit and agribusiness investment originally intended. The combined achievements for these two objectives through July 2011 met only 3.3 percent of the target set for the end of September 2011. In addition, farmers and agribusinesses questioned the program's reliability. They were losing confidence because of delays in grant awards and, in some cases, unfulfilled program promises. The lack of trust and confidence could diminish the program's ability to attract

investment and maintain interest in participating in the program. We therefore make the following recommendations.

Recommendation 7. *We recommend that USAID/Central Asian Republics expedite the program's approval process for grant applications.*

Recommendation 8. *We recommend that USAID/Central Asian Republics implement a plan to facilitate purchases of agricultural equipment through more frequent purchase requests to the contracting officer and expedited approval.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of Inspector General has reviewed the mission's response to the draft report and determined that management decisions have been reached on all eight recommendations. The status of each of the eight recommendations is shown below.

In response to Recommendation 1, the mission stated that new indicators have been recommended and mission personnel are working with the contractor to improve and refine these indicators. The mission intends to complete these actions by the end of October 2011 and amend the PMP accordingly. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 2, the mission stated that end-of-program targets, as well as milestone targets, would be finalized by the end of October 2011, with a data quality assessment conducted by the end of December 2011. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 3, the mission stated that the contractor has implemented specific measures in response to this recommendation. In addition, the mission is conducting an internal assessment of the project's financial and program records and will provide recommendations based on the results to the contractor by the end of November 2011. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 4, the mission stated that a detailed plan to modify the voucher activity would be prepared by the end of October 2011. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 5, the mission reported working with the contractor to better clarify farmers' eligibility requirements and require the contractor to submit a communication plan to ensure enforcement of these requirements. The mission stated this would be completed by the end of October 2011. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 6, the mission stated that it will require the contractor to include all key dates for implementation of demonstration plots and voucher programs in the annual work plan, which the contractor is currently revising. The mission expected completion by the end of October 2011. We conclude that a management decision has been reached on this recommendation.

In response to Recommendation 7, the mission stated that it has required the contractor to evaluate the grant approval process and submit to the mission a detailed description with clear roles and responsibilities of staff, as well as review and approval timelines. The mission stated this would be completed by the end of October 2011. We conclude that a management decision has been reached.

In response to Recommendation 8, the mission stated that all grant programs are to be identified in the annual work plan to facilitate planning by the USAID contracting office. Additionally the mission will work with the contractor to decrease the number of approval requests to the contracting office through the use of blanket waivers and the grouping of grants of similar types for approval and submission. We conclude that a management decision has been reached.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards.[3] Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Tajikistan's Productive Agriculture Program was achieving its main goals of increasing the productivity of traditional agricultural crops and expanding agricultural profitability. To implement the program, USAID awarded a $9.8 million cost-plus-fixed-fee completion contract to ACDI/VOCA, covering the 5-year period from September 30, 2009, through September 29, 2014. As of June 30, 2011, cumulative obligations and disbursements under the program totaled $3.2 million and $2.5 million, respectively.

The audit covered program activities over almost a 2-year period, from the inception of the program on September 30, 2009, through July 29, 2011, to the extent that data were available. The latest available formally reported data was for the 18-month period ending March 31, 2011. Auditors conducted visits to selected program-supported activity sites to observe product demonstration plots and interview program participants.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and performance targets and indicators. Specifically, we reviewed and evaluated the following:

- Program work plans for FYs 2010 and 2011
- Performance Plans and Reports for FYs 2010 and 2011
- Certification required under the Federal Managers' Financial Integrity Act of 1982[4]
- Portfolio review sheets
- Implementing partner contract and modifications
- Reported results
- Financial reports

Audit fieldwork was performed at the USAID/Central Asian Republics and USAID/Tajikistan missions (in Kazakhstan and Tajikistan, respectively), as well as at the contractor's offices in Dushanbe and Khujand, Tajikistan, from July 7 to 29, 2011. In that period, the audit team conducted field trips through 17 districts to observe program activities and interview program participants as well as contractor staff. During these site visits, the auditors obtained input from 37 farmers, 17 agribusinesses (such as input dealers, processors, and exporters), and 5 other entities including local NGOs and financial institutions interacting with the program.

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[3] *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).
[4] Public Law 97–255, as codified in 31 U.S.C. 3512.

Methodology

To determine whether the program was achieving its main goals, the audit team initially interviewed key staff in USAID/Central Asian Republics, USAID/Tajikistan, and at the contractor's offices to gain an understanding of the program, the key players and their roles and responsibilities, and the reporting procedures and controls for monitoring the program. Additional work to answer the audit objective entailed conducting field trips to selected districts to observe program activities and interview a sample of targeted program beneficiaries. Auditors reviewed and analyzed documents to validate data reported under selected performance indicators.

To view a wide range of program activities, the audit visited selected activity sites in all 17 of the districts where the program operates. These activities included the observation of an open field day event at product demonstration plots and interviews with farmers and agribusinesses. The audit also made an effort to validate reported results for selected performance indicators through testing and analytical procedures. Because this testing was based on a judgmental—not a statistical—sample of indicators and districts, the results and overall conclusions related to this analysis were limited to the items tested and cannot be projected to the entire audit universe.

To assess the test results, the audit team established a materiality threshold of 85 percent, based in part on the challenging environment in which the program operated. For example, if at least 85 percent of tested results data reported under a specific performance indicator for a selected province were adequately supported, the auditors concluded that the reported results were reasonably accurate.

MANAGEMENT COMMENTS

USAID | CENTRAL ASIAN REPUBLICS
FROM THE AMERICAN PEOPLE

MEMORANDUM

DATE: October 19, 2011

TO: Bruce N. Boyer, Regional Inspector General/Manila

FROM: Erin E. McKee, USAID/CAR Regional Mission Director /s/

SUBJECT: Audit of USAID/Tajikistan's Productive Agriculture Program (Audit Report No. 5-119-11-00X-P)

Please find attached our comments in response to the subject draft report. USAID/CAR concurs with all eight recommendations to strengthen the Productive Agriculture Program and has set forth corrective action plans and related target dates for completion.

The only other comment concerns the language used on pg. 7 of the draft report. The section heading states, "Communication, Eligibility, and Timing Snags Make the Voucher Activity Ineffective." USAID/CAR respectively request that this language be changed to, "… Make the Voucher Activity less effective."

Please advise should you have any questions or need for more information. We will keep you informed regarding progress and provide supporting documentation showing corrective actions taken.

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Attachment A

The report recommends that USAID/Central Asian Republics:

1. Establish additional output indicators to adequately report on the achievement of the voucher activity such as the number of participants receiving vouchers and the number of vouchers redeemed (page 6).

Agree. USAID has recommended new indicators to the contractor for vouchers as well as other outputs. We are currently working with the contractor to improve and refine the list. By the end of October, the list will be finalized and the PMP amended accordingly.

2. Adopt end-of-program targets, as well as milestone targets, for all output indicators as required by Automated Directives System (ADS) 203.3.3.1.b.

Agree. This will be finalized by the end of October as well. Data Quality assessment will be conducted by the end of FY12/Q1

3. Adopt procedures to ensure reported achievements are adequately supported with reliable data and reflect the intended measurement of the indicator.

Agree.
USAID is conducting an internal assessment of the project's financial and program records and based on the results will provide specific recommendations by the end of November 2011. In the meantime, the contractor has implemented measures in response to this recommendation to address this issue. These measures are as follows:

1. Collection of more detailed documentation of training events which will be systematically filed in the project office.
2. Financial disbursements to implementing partners to pay for training monitoring activities require approval of monitoring and evaluation department.
3. Database assistant will conduct regular reviews of data entered by training partners.
4. More frequent staff meetings will be used as an opportunity to emphasize the importance of monitoring data collection.
5. The contractor has reduced the number of and focused more training on partners responsible for collecting monitoring data.

4. Modify the voucher activity as necessary to communicate the purpose of the voucher activity more effectively.

Agree. USAID has discussed this recommendation with the contractor in detail and agree that the project:

1) Will strengthen the capacity of sub-contracted NGOs that implement the voucher program by increasing training sessions provided by project staff and will task project staff to gather feedback more regularly from NGOs.
2) Ensure that voucher participants are better informed by requiring that they participate in field days which are conducted on crop demonstration plots.
3) Improve demonstration of best practices and review and improve the training curriculum and training process to better communicate the goals of the voucher programs.
4) Improve the selection of farmers

A detailed plan to implement the above-mentioned measures will be prepared by project by the end of October.

5. Clarify the farmers' eligibility requirements with its contractor. The contractor should then communicate in writing the requirements to personnel implementing and monitoring the voucher activity so that they select only eligible individuals to participate.

Agree. Working with the contractor, by the end of October USAID will define priority value chains, priority regions and minimum requirements for voucher participants as well as selection processes. It is expected that this will result in a more nuanced set of criteria, taking into account differences in the target crops and farms which produce them. USAID will require the contractor to submit a communication plan to ensure enforcement of these requirements.

6. Identify the key dates by which farmers need voucher inputs for various crops and implement a schedule for delivering inputs well in advance of those dates, giving farmers sufficient time to save or identify financing for purchasing these inputs

Agree. USAID has required that all the key dates for implementation of demonstration plots, trainings, voucher programs (including identification of farmers and input dealers, schedule of input delivery, voucher distribution, voucher redemption and monitoring dates) be identified in the annual work plan. Any changes in these dates are to be reflected in the quarterly reports. The contractor is currently revising the work plan for year 3 to address these requirements. The expected completion date is end of October.

7. Expedite the program's approval process for grant applications

Agree. USAID has required that the contractor evaluate the current grant review/approval process and submit a detailed description of the grants approval process with clear roles and responsibilities of staff, as well as identification of maximum time for the review and approval. The deadline for submitting this description to USAID is the end of October. In addition, all the major grants programs envisioned by the contractor are to be identified in the annual work plan.

8. Implement a plan to facilitate purchases of agricultural equipment through more frequent purchase requests to the contracting officer and expedited approval.

Agree. As indicated above, all grants programs are to be identified in the annual work plan which will facilitate planning by the USAID contracting office. In addition, USAID will work with the contractor to decrease the number of approval requests to the contracting office. This will be done by maximizing the use of blanket waivers and grouping grants of similar types for approval submission.

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