



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

John F. Sopko  
Special Inspector General

September 6, 2013

Mr. Donald Sampler  
Acting Assistant to the Administrator  
Office of Afghanistan and Pakistan Affairs  
U.S. Agency for International Development

Dear Mr. Sampler:

Thank you for your memorandum dated July 30, 2013, regarding SIGAR's recent alert letter on the Southern Regional Agricultural Development (S-RAD) program, which was funded and overseen by the U.S. Agency for International Development (USAID) and implemented by International Relief and Development, Inc. (IRD).<sup>1</sup> In your memorandum, you note that USAID disagrees with SIGAR's findings regarding oversight, work plans, and program-funded equipment and supplies.

The purpose of this letter is to provide additional information to support SIGAR's observations as detailed in our alert letter and to respond to those areas where USAID disagrees with those observations.

### **Oversight**

SIGAR is very concerned about USAID's views regarding its oversight obligations. Your assertion that USAID is not required to impose any additional restrictions on the recipients' programs or projects other than what is required by 22 C.F.R. § 226.25 (f) is troubling. Although a cooperative agreement is not a contract for purposes of the Federal Acquisition Regulation, USAID's own regulations require that cooperative agreements contain a range of contractual obligations, including conditions, objectives, and reporting requirements.<sup>2</sup> In other words, the use of a cooperative agreement does not absolve USAID of its obligations to ensure that U.S. funds are properly spent and that the desired outcomes are actually achieved. Your comments on this issue suggest that SIGAR may need to take a broader look at USAID's use and implementation of cooperative agreements in Afghanistan.

You also assert that USAID "led a robust interagency process to oversee the implementation of the S-RAD program by IRD." However, as our alert letter noted and your memorandum acknowledges, the reporting requirements contained in the original cooperative agreement were not followed. Under the August 2011 cooperative agreement, IRD was required to submit a monitoring and evaluation plan; performance monitoring reports; and weekly, quarterly, semi-annual, annual, and final program performance reports. USAID waived some of these requirements because of the agreement's short 1-year period of performance.

<sup>1</sup> SIGAR Alert 13-2, *Southern Regional Agricultural Development Had Poor Coordination, Waste, and Mismanagement*, June 27, 2013.

<sup>2</sup> See, e.g. 22 C.F.R. § 226 and USAID ADS Chapter 303.

Moreover, the cooperative agreement was revised in July 2012—after it had been extended to continue through October 15, 2012—resulting in the elimination of some of these reports. Although you assert that the elimination of these reports did not result in missed opportunities for program oversight, the frequency of reporting contained in the original cooperative agreement would have provided USAID officials with additional, useful, and more timely information to support their oversight of IRD’s activities.

### Work Plans

You disagree with our observation that IRD was given flexibility to modify project activities as long as the combined cost associated with the modifications did not exceed 10 percent of the program’s total budget. At the same time, however, your memorandum does not dispute that USAID granted flexibility to IRD. It only asserts that such flexibility is allowed under federal regulations governing USAID budget and program plans.<sup>3</sup> Our alert letter did not claim that USAID violated federal regulations or any other requirements in granting IRD such flexibility. It merely noted that such flexibility allowed IRD to purchase items not listed in its work plan without specific USAID approval. Although we agree that USAID has the ability to grant flexibility to its implementing partners to modify project activities within 10 percent of the project’s budget, such flexibility introduces additional risk that the implementing partner may engage in activities that deviate from USAID officials’ instructions—something that IRD acknowledges occurred during the S-RAD program.

While your memorandum states that USAID disagrees with our observation that it did not review and approve IRD’s work plan for S-RAD until 4 months after the start of the 1-year program and after over half of the program’s initial budget had already been obligated, it also acknowledges the delay and then describes the extensive work plan approval process. Therefore, there is no basis for USAID’s disagreement with our factual observation that the final work plan was not approved until substantial funds had already been obligated and project activities were well underway.

With regard to our observation that one of the USAID officials involved in facilitating the approval process of the work plan was a former IRD employee who joined USAID in July 2011—1 month prior to the award of the cooperative agreement, your memorandum notes that USAID re-assigned the individual “within one week of the alleged appearance of conflict-of-interest coming to USAID’s attention.” Your response to this important matter fails to mention that USAID did not take any action on this conflict of interest until SIGAR discovered this problem in the course of our review. By this time, despite signing a recusal letter, this individual had already been substantially involved with the program, including facilitating the approval of the S-RAD work plan in December 2011, according to several U.S. officials.

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<sup>3</sup> 22 C.F.R. § 226.25

## Equipment and Supplies

You indicate that USAID also disagrees with several of our observations regarding the provision of farm tractors, solar panels, agricultural supplies such as tree saplings, and irrigation pumps. Let me discuss each of these areas in turn:

- *Farm Tractors.* Your assertion that just because “tractors could not be located does not prove any actually are missing” is puzzling. If something cannot be located, it is, by any reasonable definition, “missing.” Simply because “these tractors are located in isolated places hard to reach for logistical and security reasons” does not refute our statement that the tractors could not be located. In addition, your memorandum notes that both four- and two-wheel tractors were specified in the program description of the cooperative agreement. However, as our alert letter accurately stated, the final work plan—approved, as noted above, 4 months after the cooperative agreement and after project activities had already begun—envisioned only the purchase of two-wheel tractors.<sup>4</sup>
- *Solar Panels.* Although USAID argues the program was needed, we found this view was not universally shared among U.S. and Afghan officials. As our alert letter noted, IRD officials with whom we spoke stated that their decision to expand the provision of solar panels was based on their perceived need to reduce the use of generators powered by diesel fuel because IRD believes the price of diesel fuel will increase substantially in the future. However, some U.S. officials expressed objections to the solar panel distribution program, citing the potential for theft, resale, or use of the equipment for other than its intended purpose. Local Afghan officials also objected to the program, deeming it unnecessary.
- *Agricultural Supplies.* Your memorandum details the intended benefits of S-RAD’s tree sapling distribution activity, namely the restoration and rehabilitation of pre-existing fruit and nut orchards following damage or destruction resulting from counterinsurgency operations. However, it is unclear to us whether these benefits were achieved because, as our alert letter noted, some provincial reconstruction and district stabilization team officials told us that the sapling distribution program was destabilizing their areas due to perceived irregularities in the distribution process. In addition, while there may have been some benefits to the local economy, you do not explain why IRD paid nearly twice the average price for saplings quoted to district stabilization team representatives by local nurseries.
- *Irrigation Pumps.* We do not dispute USAID’s good intentions for re-distributing pumps purchased under S-RAD’s predecessor program—Afghanistan Vouchers for Increased Production in Agriculture-Plus (AVIPA-Plus). Nevertheless, it is still the case that USAID spent \$6 million to store, disassemble, and then distribute power supplies for these pumps under the S-RAD program. Contrary to your assertion, our

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<sup>4</sup> See USAID, *Southern Regional Agricultural Development Program (S-RAD) Cooperative Agreement No. 306-SOAG-306-05-00, August 27, 2011-August 26, 2012, December 11, 2011, p. 34.*

alert letter did not state that it was IRD's responsibility for preparing an environmental assessment as required 22 C.F.R. § 216. Although you state USAID completed an environmental assessment in September 2012, and regardless of whether it was USAID's responsibility or not, IRD also prepared an environmental assessment in February 2011 *after* the pumps had already been purchased by the AVIPA-Plus program.<sup>5</sup>

Once again, thank you for your comments on our alert letter. We look forward to our continued collaboration to ensure the most efficient and effective use of U.S. taxpayer funds to support the reconstruction of Afghanistan.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

Enclosure

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<sup>5</sup> See International Relief and Development, *Afghanistan Vouchers For Increased Production in Agriculture Plus Environmental Assessment For Water Pumps Revised Distribution Plan Helmand*, February 2011.



July 30, 2013

John F. Sopko  
Special Inspector General for Afghanistan Reconstruction

Reference: SIGAR Alert Letter 13-2

Dear Mr. Sopko:

Thank you for your letter of June 26, 2013, regarding USAID's management of and International Relief & Development's (IRD) implementation of activities under the Southern Regional Agricultural Development (S-RAD) program. Below, please find our detailed responses to the assertions made in the Alert Letter.

**USAID Oversight**

- ***“USAID did not exercise effective oversight of the implementing partner” (SIGAR Alert Letter, p. 1).***
- ***“We found that many of the instances of waste and mismanagement detailed above were allowed to occur because USAID did not exercise effective oversight of IRD’s implementation of approved project activities or administration of the S-RAD program.” (SIGAR Alert Letter, p. 5).***
- ***USAID’s monitoring of IRD’s performance was limited because some of the required reports were waived. “USAID’s decision to waive these requirements limited the information it could have used to more proactively monitor IRD’s implementation and mitigate waste and mismanagement for select project activities.” (SIGAR Alert Letter, p.6)***

**USAID’s Response:** USAID disagrees with these assertions.

USAID led a robust interagency process to oversee the implementation of the S-RAD program by IRD. This process was deliberative, consultative and highly responsive to stakeholder input. A key feature was placing 20 USAID

field monitors close to intervention sites to provide real-time programmatic oversight and feedback to USAID Kabul.

Other examples of USAID's judicious approach to oversight included:

A work-plan working group consisting of all key stakeholders was established to select activities implemented under S-RAD. The stakeholders included the Department of State, USDA, U.S. military and coalition forces, Afghan Government, e.g., Provincial Governor and District level-office of the Ministry of Agriculture, Irrigation, and Livestock (MAIL), and USAID.

- An Alternate Agreement Officer Representative (AOR), based in the field, organized and chaired all working group meetings held at the regional platform level. He worked closely with the AOR based in Kabul to provide direction and oversight to the program.
- USAID/Kabul designated at least one field officer or On-Site-Monitor (OSM) for each district where S-RAD activities were implemented. Devolution of authorities to the field was a deliberate USAID effort to place trained OSMs closer to activities being implemented. This effort was consistent with the wider USG commitment to increase the number of personnel at regional and district levels.
- The OSMs prepared weekly reports of S-RAD's activities in their respective districts. Information in these reports was incorporated into the Regional Command-South's (RC-South) written reports and conference calls to Kabul. Moreover, USAID worked consistently to strengthen reporting and communications between Kabul and all levels in the field. For example, the Mobile Outreach Support Teams (MOST) concept was unique to RC-South—it was introduced to support timely trouble shooting and problem-solving for OSMs at the District level.<sup>1</sup>
- The Provincial and District-level offices of the Ministry of Agriculture, Irrigation, and Livestock, along with the Provincial Governor (PG), provided concurrence on all S-RAD activities.
- IRD met monthly with the regional platform and on an as-needed basis with the Provincial Governor to guarantee adequate program oversight.

Based on the feedback received from key stakeholders, program adjustments were made on an as-needed basis to ensure that quality technical assistance was being administered.

Concerning changing the number of required reports, the letter's assertions are misleading. This one year program had robust reporting requirements as

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<sup>1</sup> Senior Civilian Representative Note to the field dated November 25, 2011, "Platform Points – Reorganization of District Support Teams".

follows: bi-weekly program performance reports, four quarterly program performance reports, two semi-annual program performance reports, and a final report of the cooperative agreement. Since, the second and fourth quarterly reports captured similar information as the semi-annual and final reports, the cooperative agreement was modified on July 23, 2012 to combine and expand certain reports to reduce duplication of efforts. For example, the fourth quarterly program performance report and the final report of the cooperative agreement were combined and expanded thus eliminating the need for two separate reports due at the same time with considerable overlapping information. For similar reasons, the requirement for a semi-annual report was met with an expanded second quarterly report; however, USAID still required and received bi-weekly and quarterly reports. The contents of these reports and the proactive monitoring provided by the OSMs and the MOSTs ensured vigorous and effective USAID oversight. There were no missed opportunities resulting from the administrative changes in reporting requirements.

The SIGAR Alert letter provides no documentation to support the assertion that “USAID did not exercise effective oversight of the implementing partner.” It would be helpful if SIGAR could provide documentation that supports this statement so USAID can respond in a specific manner

**Work plan and Work plan Implementation**

- ***“First, in designing the cooperative agreement that it awarded to IRD, USAID did not incorporate sufficient requirements to ensure that its officials’ preferences for the program would be followed. Specifically, under the agreement, IRD was given the flexibility to modify project activities so long as the combined cost associated with the modifications did not exceed 10 percent of the program’s total budget” (SIGAR Alert Letter, p. 5).***

**USAID’s Response:** USAID disagrees with this assertion.

Assistance instruments (grants and cooperative agreements) are premised on USAID financial support for serving a public good. Therefore, it is inaccurate to state that IRD’s program was a USG requirement. Acquisitions (contracts) are for stated requirements of USAID or any other federal department or agency. In this instance, Title 22 Code of Federal Regulation (CFR) 226.25(f) is applicable to Cooperative Agreements under which recipients are allowed budget flexibility unless USAID takes the extraordinary steps to restrict them.

USAID is not required to impose any additional restrictions on the recipients' programs or projects other than what is required under 22 (CFR) 226.25(f).

**§ 226.25, Revision of budget and program plans**

(f) USAID may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the USAID Agreement Officer. USAID shall not permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.”

- *“Second, USAID did not review and approve IRD’s work plan for the S-RAD until December 30, 2011—4 months after the start of the 1-year program. By then, substantial funds—about \$44 million of the nearly \$70 million initially budgeted for the program—had already been obligated and project activities were well underway.” (SIGAR Alert Letter, p. 5).*

**USAID’s Response:** USAID disagrees with this assertion.

This assertion does not take into account the complete facts. For example, the delayed work plan (WP) approval was by design and consent of all the key stakeholders. As noted above, this body of stakeholders included the Department of State, USDA, U.S. military and coalition forces, GIROA (i.e., Provincial Governor and District level-office of the Ministry of Agriculture, Irrigation, and Livestock), and USAID. In accordance with standard USAID practice, work commenced under an approved interim work plan. As part of the final work plan approval process, the following protocol was observed by stakeholders:

- a. In September 2011, RC-South organized a technical working group (consisting of the stakeholders highlighted above) to formalize the work plan to be implemented under S-RAD.
- b. The working group met regularly from September to December 2011, and considered numerous options. An interim work plan was in place during that time.
- c. After four months of deliberations, the final work plan was approved by USAID/Kabul.
- d. As a “living document,” the work plan evolved with rapidly changing circumstances and priorities dictated by the operating environment. For example, the initial S-RAD design did not

envison establishing new cold storage facilities; however, S-RAD identified emerging opportunities to export pomegranates overseas that caused considerable excitement among USG and Afghan stakeholders. As there was consensus among key stakeholders of the need for a cold storage facility near the Kandahar airfield, the work plan was modified to seize this opportunity which led to the construction of a cooling tent. In sum, given the security, the importance of Afghan engagement and ownership, and other aspects of the operating environment, the work plan could not be rigid. It had to be malleable in nature in order to account for real time adjustments.

- e. The consultative work plan process was intended to promote participation and transparency.

#### Equipment and Supplies

- *“The USAID Agreements Officer retroactively approved IRD’s purchase of the four-wheel tractors without any documented explanation regarding why the decision was made to allow IRD to purchase the more expensive tractors.” (SIGAR Alert Letter, p.2/3).*
- *“...at least one third of the 95 tractors...that were distributed in Kandahar could not be located.” (SIGAR Alert letter, p.3)*
- *Solar Panels - The letter highlights solar panels under the rubric “IRD’s Coordination and Execution of Certain project Activities Was Ineffective.” (SIGAR letter p. 3)*
- *“The USAID senior development officer and Department of Agriculture advisor also objected to instituting a sapling distribution program under the S-RAD, citing in a September 2011 “whitepaper” the major problems experienced during the AVIPA-Plus program.” (SIGAR Alert Letter, p. 4).*
- *“We also reviewed an irrigation pump distribution project initiated under the AVIPA-Plus program in Helmand province and later transferred to the S-RAD program. This review revealed instances of gross mismanagement... Neither USAID nor IRD officials were able to explain how they determined that Helmand province needed 16,000 irrigation pumps and acknowledged that they had not conducted a capability needs assessment.” (SIGAR Alert Letter, p. 4).*

- *“We also found that IRD did not conduct an environmental assessment until after the irrigation pumps had already been purchased. This was inconsistent with title 22, US Code of Federal Regulations, Part 216, which requires that an environmental assessment be done during the project’s planning phase.”(SIGAR Alert Letter, p. 4)*

**USAID’s Response:** USAID disagrees with SIGAR’s assertions.

These assertions are either inconsistent with the facts or do not take into account all the facts. Both four- and two-wheel tractors were specified in the program description of the Cooperative Agreement<sup>2</sup>.

The SIGAR assertion that tractors could not be located does not prove any actually are missing. The Afghan farmers who are most vulnerable and least resilient to crop failures and income losses also live in some of the most remote areas where farmer cooperatives are prevalent. GIRoA, USAID’s partner, distributed the larger tractors purchased under S-RAD to farmer cooperatives in accordance with protocols established following broad consultations with local government officials. Some of these tractors are located in isolated places hard to reach for logistical and security reasons.

USAID would be happy to respond to questions about solar panels if SIGAR would provide specifics. It is nonetheless important to note the following:

- In a country with unreliable or no electricity supply in rural areas, and increasing cost of operating diesel generators, solar technology is viewed widely as a viable alternative. The solar panels are affordable and easy to maintain and improve overall community quality of life by providing electricity to enable longer trading hours for village shopkeepers, the ability to refrigerate critical temperature-sensitive items, such as animal vaccines, as well as evening studies for students. S-RAD provided 600 solar power units to small business owners in Kandahar and Helmand who were willing and able to make a 20 percent copayment and participate in training on the operation and maintenance of the system. When IRD became aware that some beneficiaries were submitting fraudulent identifying documents, it suspended the program in Dand, Garmser and Nawa districts. In Dand, IRD officials took corrective action when they became aware some business owners were installing the panels in their homes, rather than

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<sup>2</sup> Cooperative Agreement for S-RAD dated August 27, 2011 (see page 41)

businesses, as intended. In most cases, distribution of solar panels resumed once new beneficiaries were selected.<sup>3</sup>

To put the tree sapling distribution activity in context, S-RAD was as a stabilization program designed to support the counterinsurgency strategy in the south. An outcome of the strategy was the destruction of or severe damage to orchards. As a part of an effort to stabilize the region, assessments were conducted by agronomists, horticulturalists and value chain experts that led to S-RADs' tree sapling distribution technical element. In addition, IRD performed a survey of sapling distribution efforts begun under AVIPA<sup>4</sup> which led, among other things, to the restoration and rehabilitation of pre-existing fruit and nut orchards critical to the livelihoods of rural people. The survey found the survival rate of the trees and increased yields from improved orchard management practices were high enough to justify continuing to supply saplings. More than one million fruit and nut saplings were planted that rehabilitated orchards and benefited more than 5,000 farmers. Also, since the saplings were purchased at local Ministry of Agriculture-certified nurseries, the local economy benefitted.

Concerning how the need for 16,000 irrigation pumps was determined, it is important to note that increasing the area of irrigated land is critical to Afghanistan's future. Neglect and destruction of irrigation structures during decades of war have reduced Afghan cultivated land from three million hectares to 1.6 million hectares. In Helmand, farmers at the tail end of canals suffer from unreliable water supplies for irrigation. The pumps were intended to increase access to water and bring more land into production. To determine the demand for pumps, AVIPA field teams consulted with stakeholders in the AVIPA Plus<sup>5</sup> target districts. Furthermore, a needs assessment survey it conducted revealed a demand for 16,000 pumps (OAG Status Report of AVIPA Pump/Power Unit Distribution Status, August 17, 2011).

S-RAD assessed the best use of the undistributed pumps once AVIPA-Plus ended. Following extensive droughts, a number of studies found the pumps would aggravate water shortages. Based on the findings from the environmental assessment and other studies, S-RAD distributed some pumps to carefully selected districts in order to minimize damage to the environment. After broad consultations with USG and Afghan stakeholders and careful deliberations over reports experts prepared, and in light of the potential for

<sup>3</sup> S-RAD Final Report January 15, 2013, page 43

<sup>4</sup> Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Program is the predecessor program to S-RAD

<sup>5</sup> Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Plus Program expanded objectives to the original AVIPA Program

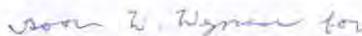
serious environmental damage, and limited electricity supply, USAID considered it reasonable to repurpose and distribute the remaining pumps as power supply units. Among other uses, they generated electricity that powered job creating enterprises in welding, flour milling, and post-harvest handling for high value crops.<sup>6</sup> Concerning SIGAR's assertion that the Initial Environment Examination (IEE, Reg. 216) was not done by IRD, it should be noted that the pumps were purchased under AVIPA Plus. There is an approved IEE and subsequent amendments for AVIPA Plus dated May 30, 2008; May 3, 2009; and July 13, 2010, respectively. USAID acknowledges that even though S-RAD was a follow-on bridging activity, it too required an IEE, which was not done quickly enough. On September 19, 2012, USAID corrected the oversight and completed an IEE. This responsibility was USAID's; it was not IRD's, as erroneously stated in the alert letter.

- *“We also found that one of the USAID officials involved in facilitating the approval process of the work plan was a former IRD employee who joined USAID in July 2011—1 month prior to the award of the cooperative agreement. This individual performed these functions despite signing a recusal letter and receiving guidance from the USAID Senior Regional Legal Advisor precluding substantial involvement with any programs conducted by his former employer—IRD—for a period of 12 months after joining USAID.” (SIGAR Alert Letter, p. 5-6).*

**USAID's Response:** Although we found no evidence of wrongdoing by the employee, within one week of the alleged appearance of conflict-of-interest coming to USAID's attention, USAID/Kabul re-assigned the individual in question to another platform.

USAID appreciates our ongoing collaboration.

Sincerely,



Donald Sampler  
Acting Assistant to the Administrator  
Office of Afghanistan and Pakistan  
Affairs

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<sup>6</sup> Water Pumps Revised Distribution Plan Helmand, AVIPA PLUS, IRD, January 13, 2011 Environmental Assessment for Water Pumps Revised Distribution Plan Helmand”, AVIPA PLUS, IRD, February 2011; Letter to H.E. Mohammad Gulab Mangal, Governor of Helmand Province, Lashkar Gah, dated 7 June 2011, signed by the USAID Mission Director]

cc:

The Honorable James B. Cunningham  
U.S. Ambassador to Afghanistan

Dr. Rajiv Shah  
Administrator, U.S. Agency for International Development