



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

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

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I am writing to share with you the information obtained as part of the work we did on an agricultural program funded and overseen by the U.S. Agency for International Development (USAID). We initiated this work based on a series of hotline and other complaints received since February 2012, alleging instances of fraud, waste, and mismanagement associated with project activities conducted under the Southern Regional Agricultural Development (S-RAD) program. Our review found that poor coordination, waste, and mismanagement under S-RAD was allowed to occur because USAID did not exercise effective oversight of the implementing partner. Although this program has ended, we are alerting you to these findings so that you can take the appropriate actions to prevent such problems in future agricultural development programs.

On August 27, 2011, USAID awarded a nearly \$70 million cooperative agreement to International Relief and Development, Inc. (IRD) to implement the S-RAD program. According to IRD's program management plan, the S-RAD program was intended to (1) reduce regional instability, (2) increase agricultural employment and income opportunities, (3) assist with the regional transition to a prosperous and sustainable agricultural economy, and (4) improve the confidence of Afghans in their government. Originally intended to last 1 year, the cooperative agreement was subsequently extended without an increase in funding through October 15, 2012.<sup>1</sup>

Among other things, the S-RAD program involved providing farm and other equipment (e.g. tractors, threshers, and solar panels), agricultural supplies (seed, fertilizer, and saplings), and agricultural training to Afghan farmers and agricultural cooperatives<sup>2</sup> in 17 districts in Helmand and Kandahar provinces. S-RAD project activities were implemented through the Afghan Directorate of Agriculture, Irrigation, and Livestock (DAIL), with additional program development and planning coordination with provincial reconstruction teams;<sup>3</sup> district stabilization teams;<sup>4</sup> and U.S. officials from the Department of State, Department of Agriculture, USAID, and military units. Each of these distribution programs—farm tractors, solar panels, and agricultural supplies (more

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<sup>1</sup> S-RAD was a "bridge" program between the \$474 million Afghanistan Vouchers for Increased Production in Agriculture-Plus (AVIPA-Plus) program and a follow-on program called Regional Agricultural Development Program South under a long-term cost-plus fixed-fee contract solicited on January 22, 2013, for a 5-year period.

<sup>2</sup> An agricultural cooperative consists of a group of farmers affiliating for the purpose of sharing high-value machinery—such as farm tractors—to increase agricultural production with a relatively small number of grants distributed under the program.

<sup>3</sup> Provincial reconstruction teams are the vehicle by which the international community delivers assistance at the provincial level in Afghanistan. Due to their provincial focus, and international civilian and military resources, these teams have a unique mandate to improve security, support good governance, and enhance provincial development.

<sup>4</sup> District stabilization teams operate at the district level and are located in more isolated areas than the provincial reconstruction teams, which tend to be concentrated in provincial capitals. The district teams' mission is to improve infrastructure and opportunities in areas where the central government is considered distant from the district level.

commonly referred to as conditional asset transfers)—was designed to generally follow the same beneficiary selection and distribution process. Under this process, USAID approved the districts in which the program would be implemented, and DAIL and IRD selected the farmers or agricultural cooperatives and businesses designated to receive the respective equipment and supplies as appropriate.

## IRD's Coordination and Execution of Certain Project Activities Was Ineffective

IRD did not effectively coordinate and execute the S-RAD project activities we reviewed. For example, the S-RAD cooperative agreement required IRD to coordinate proposed project activities with provincial reconstruction teams and district stabilization teams. While IRD indicated that it had coordinated with—and incorporated input from—key stakeholders to ensure that its work plan was based upon collective priorities and that expectations for the project were realistic and attainable, we found that IRD did not effectively coordinate with some key U.S. officials at the Kandahar provincial reconstruction team, local district stabilization teams, or local U.S. military units who were responsible for program oversight.

In addition, IRD deviated from its work plan by distributing items that were more expensive than those called for in the plan or items that had not been called for under the plan. U.S. officials—as well as some local Afghan officials—questioned some of these purchases, such as farm tractors and solar panels, because of the risk of theft and waste associated with them. These officials also expressed concern about some purchases related to agricultural supplies because they had been found to be ineffective in precursor programs to the S-RAD. Below is a more detailed discussion of the problems we identified related to farm tractors, solar panels, agricultural supplies, and irrigation pumps.

- *Farm Tractors.* Although IRD's work plan called for the purchase of two-wheel tractors costing \$4,600 each, IRD purchased 95 four-wheel tractors costing \$17,600 each, for a total cost of approximately \$1.67 million.<sup>5</sup> Photo 1 shows a four-wheel tractor distributed to a farm cooperative in Shah-Wali-Kot District. Local IRD officials told us that they had recommended the two-wheel tractors in the work plan because of the tractor's success under the AVIPA-Plus program. The IRD officials also said that they made the decision to purchase four-wheel tractors because some Afghan officials did not want any more two-wheel tractors distributed to farm cooperatives. IRD officials we spoke with at IRD headquarters agreed that the two-wheel tractors were more appropriate for use in small plots with tight spaces, but the four-wheel tractors were better suited for wide open spaces.

**Photo 1 - Four-Wheel Tractor Distributed in Shah-Wali-Kot District**



Source: USAID, January 24, 2013.

According to USAID, Department of Agriculture, Department of State, and provincial reconstruction team officials, the two-wheel tractor option would have been more practical in the orchard areas where many of the tractors were going to be used. Had IRD kept the two-wheel tractor option as outlined in the work plan, it could have saved approximately \$1.2 million or purchased more than three times the number of two-wheel tractors for the same amount of money it spent for the four-

<sup>5</sup> The cost of \$17,600 and \$4,600 for the four-wheel and two-wheel tractors, respectively, represented an average cost because they included various attachments—such as trailers, threshers, tillers, and reapers—that differed among, and within, each type of tractor.

wheel tractors.<sup>6</sup> However, on April 30, 2012, 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.

The tractor distribution program encountered other problems. Specifically, according to a study requested by the Kandahar Mobile Outreach Support Team's director on October 6, 2012, at least one-third of the 95 tractors—worth in excess of \$560,000—that were distributed in Kandahar could not be located. This is similar to problems that occurred in S-RAD's predecessor program—AVIPA-Plus. Specifically, according to a State Department official, all of the 69 tractors that IRD distributed under the AVIPA-Plus program are now missing.

- **Solar Panels.** Although IRD's work plan called for the provision of solar power to select DAIL district offices, IRD expanded the program and distributed 300 solar panel sets costing \$2,300 each to shopkeepers in 5 districts in Kandahar. Recipients were required to qualify for the program by owning a business selling agricultural products in the district, submitting a fee equal to 10 percent of the cost of a solar panel set (\$230), and attending training on set operation and maintenance. Photo 2 shows a solar panel set distributed to a shopkeeper in Panjwai district.

IRD officials we spoke with stated that one of the principal factors considered in their decision to expand this program was the need to reduce the use of generators powered by expensive diesel fuel, the price of which is projected to increase substantially in the future.

However, some U.S. officials expressed objections to the solar panel distribution program to IRD officials during the program's planning phase, citing the potential for theft, resale, or use of the equipment other than for business purposes. They also stated that, as

most businesses were not equipped for electricity, the solar panels would impose a financial burden on business owners, who would need to invest in electrical receptacles and other electrical equipment and pay for periodic maintenance and battery replacement.

Furthermore, according to a senior U.S. representative of the Arghandab district stabilization team, the district governor strongly objected to the solar panel distribution program in his district, as he believed it unnecessary. Local Afghan officials in at least two other districts (Dand and Panjwai) also objected to the solar panel distribution program because they, too, deemed the program unnecessary.

According to a senior USAID official, the Dand district governor reportedly confiscated solar panels from participants he suspected of using the solar panels in their private residences. IRD officials we spoke with had no information on any confiscation of solar panels by Afghan officials.

- **Agricultural Supplies.** The distribution program for agricultural supplies—seed and fertilizer packages and saplings—was designed to provide Afghan farmers with the resources necessary to build immediate financial security and long-term sustainability. IRD's work plan prescribed the distribution of seed and fertilizer packages associated with high-value crops, as well as barley, corn, and legumes. We found that IRD implemented the agricultural supplies distribution program in Kandahar—at a cost of approximately \$7.8 million—even though some U.S. officials expressed concerns to IRD about the

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**Photo 2 - Solar Panel Set Distributed in Panjwai District**



Source: USAID, January 16, 2013.

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<sup>6</sup> Given the average cost, two-wheel tractors for the program would have totaled \$437,000; the four-wheel tractors totaled \$1.67 million or about \$1.2 million more than the two-wheel tractors. In other words, 363 two-wheel tractors could have been purchased for the same amount spent on the 95 four-wheel tractors.

high cost and questionable value of these projects. For example, Department of Agriculture officials did not recommend this type of distribution program during the S-RAD's planning phase on the grounds that the amount allocated for agricultural supplies was excessive, and State Department officials relayed their concerns to IRD about the potential for corruption and instability associated with this type of program. According to an August 2011 district stabilization team report, the Arghandab district governor objected to a seed distribution program for S-RAD based on the prior AVIPA-Plus program, during which he discovered the distributed seed packages were sold in local markets.

Adding to these concerns, a USAID official indicated that an IRD employee was observed producing fake identification documents, or *tazkira*, to help villagers pose as farmers to claim seed and fertilizer kits.<sup>7</sup> However, IRD officials we spoke with told us that they had no records of an employee by the name cited in the allegation. According to a February 2012 Panjwai district stabilization team report, local officials found that some recipients of seed distribution packages had used these fake *tazkira*. The report also noted instances of insurgent groups intimidating farmers into giving up their *tazkira* or extorting payment in exchange for being allowed to keep the document authorizing them to receive the seed distribution packages.

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. For example, the whitepaper noted problems with the distribution of more than 300,000 saplings in Arghandab district in 2011, following a distribution of 600,000 saplings in 2010, which saturated the local market and resulted in a sapling mortality rate of about 75 percent. Some provincial reconstruction and district stabilization team officials told us they objected to the sapling distribution because the program was destabilizing their area of operations due to perceived irregularities in the distribution process and also because IRD was paying more than the actual market price for saplings.

We found that IRD paid nearly twice the average price for saplings quoted to district stabilization team representatives by local nurseries. IRD contended that the overall price paid for the saplings was justified because the price included additional cost elements and services not normally provided by local nurseries; IRD officials stated that the higher prices were also attributable to the stringent standards specified for the saplings being purchased.<sup>8</sup> As these factors made it difficult to analyze actual sapling unit prices, we were unable to conclusively determine whether IRD overpaid for the saplings purchased under this program.

- *Irrigation Pump Assemblies.* 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.

USAID approved IRD expenditures of more than \$23 million to purchase, store, secure, and distribute 16,000 irrigation pumps. However, 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. 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, U.S. Code of Federal Regulations, Part 216, which requires that an environmental assessment be done during the project's planning phase.<sup>9</sup>

In August 2010, the Helmand provincial governor wrote to IRD expressing reservations about distributing these irrigation pumps in the five districts participating under USAID's AVIPA-Plus program. Specifically, he reported that these districts had sufficient water resources and existing

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<sup>7</sup> The USAID official who observed this incident referred the complaint to SIGAR. The individual involved with this illegal act was arrested by Afghan local authorities but subsequently released based on intervention by an influential Afghan official.

<sup>8</sup> According to IRD, these standards included minimum cutting age, average height, and select variety types; additional services included packing, loading, unloading, and transporting the saplings, which were delivered to multiple locations.

<sup>9</sup> This requirement is also stipulated in USAID policy prescribed under its Automated Directives System, Chapter 303 pertaining to cooperative agreements. The environmental assessment could have led to guidelines being developed to minimize and mitigate environmental impacts.

irrigation canal systems. The governor's letter also cited the potential impacts of the distribution program on the current water allocation system, expressing his concern that issuing these pumps could result in water theft from existing canals. He suggested diverting 8,000 irrigation pumps to two districts in the northern part of the province and directed DAIL to assist with this initiative.

As a result of the governor's concerns, USAID approved IRD's decision to suspend the program after approximately 3,900 (about a quarter) of the irrigation pumps were distributed. The remaining 12,100 pumps were stored in warehouses or outdoor open areas.<sup>10</sup> Photo 3 shows one of the outdoor storage areas used for irrigation pumps.

A November 2011 modification to the cooperative agreement transferred the project and remaining \$4.84 million from AVIPA-Plus to the S-RAD program, with the intention of salvaging power supply units from the remaining 12,100 irrigation pumps for distribution. Following the program's suspension in Helmand, IRD also spent \$1.18 million to store and secure the irrigation pumps until the power supply units could be disassembled and distributed; this resulted in total expenditures of \$6 million to store, disassemble, and distribute these pumps under the S-RAD program. USAID program officials stated that, as of August 2012, all of the power supply units from the irrigation pumps had been distributed.

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**Photo 3 - Outdoor Storage Area for Irrigation Pumps**



Source: USAID, December 5, 2011.

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## USAID Exercised Ineffective Program Oversight

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.

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. This allowed IRD to purchase some of the items not listed in the work plan without specific USAID approval. When we discussed this issue with IRD officials at their headquarters, they noted that USAID officials in Afghanistan rotate in and out of the country frequently and are often "misinformed" about individual projects. Therefore, it was appropriate for IRD to deviate from USAID officials' instructions.

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.<sup>11</sup> According to IRD officials, the significant delay in USAID's approval of the work plan contributed to any problems that may have occurred under S-RAD. 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

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<sup>10</sup> The complete irrigation pump assembly consists of an impeller system (water pump) driven by a diesel power supply unit mounted on a two-wheel chassis that can be towed by a vehicle.

<sup>11</sup> The work plan authorized IRD to immediately initiate limited project activities based on the expectation that USAID would approve the plan within 2 months of the program's start date.

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. Several U.S. officials we spoke with expressed concerns that this individual, at least in appearance if not in fact, was instrumental in IRD's decisions to exclude some of their recommendations from the work plan developed for the S-RAD program.

Third, USAID's overall monitoring of IRD's performance was limited. For example, the cooperative agreement required IRD to submit a monitoring and evaluation plan, performance monitoring reports, and weekly, quarterly, semi-annual, annual, and final program performance reports; however, USAID program officials told us that they waived some of these requirements because of the agreement's short 1-year period of performance. USAID's decision to waive these requirements limited the information it could have used to more proactively monitor IRD's implementation of the program and mitigate waste and mismanagement for select project activities. Although the S-RAD program has ended, SIGAR will continue to monitor development programs, including agricultural assistance programs, for the types of problems we identified through this work.

## Conclusion

In the absence of effective oversight from USAID, IRD made programmatic decisions that led to both waste and mismanagement of resources under the S-RAD program. Robust oversight by funding agencies—in this case USAID, is the first line of defense when U.S. government dollars are on the line. In environments such as Afghanistan, strong oversight is especially important. However, in the case of the S-RAD program, USAID did not exercise oversight as effectively as it could and should have. As a result, equipment was purchased that may be left unused or stolen; inflated prices for agricultural products were potentially paid; and unnecessary costs for storing, disassembling, and distributing unneeded pumps were incurred.

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Appendix I discusses our scope and methodology in conducting this work. Should you or your staff have any questions or need additional information, please contact my Assistant Inspector General for Audits and Inspections, Ms. Elizabeth Field, at 703-545-6006 or [elizabeth.a.field9.civ@mail.mil](mailto:elizabeth.a.field9.civ@mail.mil).

Sincerely,



John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

In May 2012, we initiated work on purchases made under the S-RAD program pertaining to allegations we received on IRD activities conducted in Kandahar province that program participants and implementers believed were questionable. Specifically, these allegations pertained to the distribution of farm tractors, solar panels, and agricultural supplies. In addition to the three areas cited in the allegations, we reviewed a project for the purchase of irrigation pumps for Helmand that was initiated under USAID's Afghanistan Vouchers for Increased Production in Agriculture-Plus (AVIPA-Plus) program, but was subsequently transferred to the S-RAD program for completion of project activities.<sup>12</sup>

To assess the basis for acquiring and the process for distributing agricultural equipment and supplies, we reviewed S-RAD program documents, including the cooperative agreement, performance management plan, work plan, and related memoranda and emails. We interviewed USAID officials in Kabul, including the director and senior advisor of the Office of Agriculture, as well as the deputy director of the Office of Acquisition Assistance and the Agreement Officer's Technical Representative for the S-RAD cooperative agreement. We also interviewed IRD officials in Afghanistan, who were responsible for implementing the S-RAD program, and IRD officials from its headquarters in Arlington, Virginia. In addition, we interviewed U.S. officials in Kandahar, who were responsible for recommending project activities for the S-RAD program work plan and monitoring the execution of activities in their areas of operation. We spoke with a USAID senior development officer in Kandahar; U.S. military personnel based in the province; and USAID, Department of State, and Department of Agriculture officials assigned to the region, provincial reconstruction team, and district stabilization teams. We reviewed field reports prepared by these officials during the program period. We also reviewed the irrigation pump distribution project documentation for the program in Helmand.

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<sup>12</sup> According to USAID, the AVIPA-Plus program is an expansion of its 2008-2009 emergency voucher program, which provided 297,000 vulnerable farmers with vouchers entitling them to discounts on, and access to, improved wheat seed and fertilizer in an effort to lower and stabilize food prices. USAID subsequently expanded the AVIPA-Plus program to provide counter-insurgency stability programming in Helmand and Kandahar provinces within an agricultural framework.