OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PHILIPPINES' MANGROVE REHABILITATION FOR SUSTAINABLY MANAGED, HEALTHY FORESTS PROJECT

AUDIT REPORT NO. 5-492-15-005-P
MARCH 27, 2015

MANILA, PHILIPPINES

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Two years after MARSH began, it has provided training, taken initial steps to build the capacity of UPNG for the forest carbon monitoring, reporting, and verification, and planted 688 seedlings in one degraded area. However, the project has not had much success in restoring degraded mangrove forests, and strengthening community-based, sustainable mangrove forest management and reforestation. For example, the consortium completed only about 10 percent (18 of 178) of planned outputs for the second-year work plan. Additional time may be needed, because many planned activities are scheduled to be completed over 5 years, and most community-based awareness training and strengthening capacity activities began after October 2013—1 year into the 5-year performance period.

This happened in part because MARSH got off to a slow start. IUCN did not make subawards until late in the first year of implementation (four local subawards after 6 months and two international subawards after 9 months). Furthermore, neither USAID nor IUCN understood the operating environment in PNG. Since IUCN had not operated there before, it took 2 years to obtain legal registration to work in the country. This delayed many actions needed to work effectively, such as opening a bank account, obtaining tax-exempt status, competitively hiring local employees, and getting a vehicle for site visits.

In addition, the mission and IUCN underestimated logistics, operating costs and weather-related obstacles. PNG's transportation infrastructure is poor, and the project sites were in remote locations.

The report discusses seven areas in which project accomplishments have been delayed or where improvements can be made.

- The project significantly underestimated costs of operating in PNG (page 4). Port Moresby is one of the most expensive cities in the world.

- Some targets were unrealistic and unachievable (page 5).

- The project did not try hard enough to

2. Require IUCN to conduct a cost-benefit analysis, comparing the cost of procuring carbon stock equipment versus outsourcing (page 5).

3. Require IUCN to implement a plan to train PWM and the Centre for Locally Managed Areas on how to conduct baseline surveys (page

AUDIT FINDINGS

Project Significantly Underestimated Costs

USAID's ADS 201.3.15.3, "Stage 2: Process – Analytical Stage," states that economic and financial analysis is part of project design. It describes cost-benefit analysis as "a decision-making approach used to determine if a proposed project is worth undertaking or to choose between several alternative ones."

USAID/Philippines granted a cooperative agreement to IUCN's Oceania Regional Office without conducting a cost-benefit analysis to operate in PNG. Consequently, IUCN's proposal significantly underestimated the funds necessary to achieve the project's goals. For example:

- No indirect costs were proposed.

- It did not include costs of getting subrecipients to remote areas. The award total budgets to carry out activities for Centre for Locally Managed Areas and PWM were $227,000 and $225,400,

The project had not completed management plans for various reasons. For the first 16 months, the COP spent only 41 percent of his time in PNG because of personal issues. Furthermore, the PMU did not ensure consistency in the completion of management plans among partners. The COP allowed partners to design their own work plans, and two of the four included developing management plans for the designated provinces in the second year work plan.

As a result, MARSH was not achieving targets. Furthermore, without management plans, the project did not implement activities to effectively engage the communities. For example, in October 2014 the project constructed a nursery in the coastal community of Manumanu West to be used to grow seedlings that could be planted in deforested areas after 3 to 4 months. According to the subrecipient, it did not have a plan to maintain the nursery or supply the nursery with plastic bags used to grow seedlings. The subrecipient also said the community did not change mangrove management practices after the project provided conservation training. Consequently, the community continues to use the forest for firewood and building materials.

Residents of a community in Manumanu West are not using a nursery (left) for mangrove seedlings and continue to use mangroves as building materials (right) instead of conserving the wood. (Photos by RIG/Manila, November 2014)

In another example, the project built a nursery in Pari in National Capital District without a management plan in place. A management plan would have clarified that community participation in MARSH activities would not be compensated. Consequently, the nursery was not sustainable as community organizers said they were expecting compensation for work on mangrove management.

To address these issues, the audit issued Recommendation 1 to prioritize activities that can be achieved realistically.

Project Bypassed Technical Approaches to Work With Communities

According to the agreement, the PMU must ensure consistent implementation at the 23 sites using baseline surveys, mangrove vulnerability assessments, and management plans. Contrary to the agreement, the project bypassed technical approaches to do any of these.

Project Did Not Conduct All Baseline Surveys. ADS 203.3.9, “Setting Performance Baselines and Targets,” states that a baseline is required to learn from and be accountable for the change that occurred during the project with the resources availabl

MARSH Inconsistencies Reported as of September 30, 2014 (Audited)

Indicator	Reported Results	Audited Results
a. Number of training hours completed in sustainable landscapes	18,955	items tested were overstated by 9 percent
b. Number of metric tons of CO_2 greenhouse gas emissions reduced		

Recommendation 7. We recommend that USAID/Philippines require the International Union for the Conservation of Nature and Natural Resources to implement procedures to verify reported data before submitting them to the mission.

Project Did Not Promote and Mark Commodities and Activities Consistently

The project's marking plan states that all commodities (including office equipment, computers, field equipment, projectors, cameras, etc.) and all publicity and materials produced should be tagged with the USAID identity. This is in keeping with ADS 320.3.3.1 "Co-branding and Co-marking," which states that the project name represents both USAID and the implementing partner, and the USAID identity and implementer's logo must both be visible with equal size and prominence on materials produced for project purposes.

However, MARSH did not consistently promote and mark USAID commodities and activities. Through confirmations during site visits and from interviews with beneficiaries, most communities were not aware that USAID was supporting the project. Although some sites had signs, when asked what organization was supporting the project, most people did not know. Some activities did not mark commodities or use USAID identity at project sites, as shown in the photos below.

Signs (left) that should have been displayed at two sites in West New Britain Province instead were stored in an office. At right, a project-funded nursery located in the National Capital District does not have any USAID signage or logo. (Photos by RIG/Manila, November 2014)

Other examples of marking not being done are listed below.

- Equipment purchased for UPNG laboratory at Motupore Island and its main campus at the finance officer's workspace.
- Household questionnaires used for baseline surveys.
- Three sites in West New Britain Province and one in Delena, Central Province.
- Nursery in Manumanu West, Central Province.

This occurred because some subrecipients were hesitant to promote MARSH as a U.S. Government-supported project. They believed that by doing so, communities would expect compensation in one form or another. Even when markings were present at activities, people did not understand the USAID logo. In addition, some USAID markings were not on commodities and some activities in part because the project did not employ a communications specialist.

The COP said not all sites had significant levels of activity going on; therefore, he did not want to put signs in those locations. Further, the COP cited other reasons that included the project's challenging logistics; it is not possible to have signs made in remote provinces because nobody knows how to make them, and even in the capital it can be challenging and costly to have a sign made and transported to a remote province.

Without promoting and properly marking the USAID logo at project locations, activities, and commodities, USAID and taxpayers do not receive credit for their efforts and investment. Therefore, we recommend the following.

> Recommendation 8. We recommend that USAID/Philippines determine which USAID-funded activities and commodities under its Mangrove Rehabilitation for Sustainably Managed Healthy Forests project are unmarked and mark them as appropriate.
>
> Recommendation 9. We recommend that USAID/Philippines require the International Union for the Conservation of Nature and Natural Resources to provide branding and marking instructions and guidance to its Mangrove Rehabilitation for Sustainably Managed Healthy Forests subrecipients.

Mission Did Not Amend Agreement When Necessary

The agreement states that the project will implement activities in more than 30 communities within PNG. In addition, according to ADS 303.3.18, "Award Administration," when an amendment to the award is necessary, the AOR prepares internal USAID documentation that supports the amendment and meets the satisfaction of the agreement officer. ADS 308.3.14, "Standard Provisions," states:

> Standard provisions for cost-type awards are contained in standard provisions for cost-type awards to PIOs. If you need additional provisions because of the nature of the program, you may use the appropriate provisions found in standard provisions for non-U.S., nongovernmental recipients.

The mission did not amend the agreement when necessary. First, the mission did not amend the agreement after informing IUCN to reduce the scope of work. In March 2014 mission officials met with IUCN officials and told them to reduce the number of project sites from 33 to 23. However, as of December 2014, the mission had not amended the agreement.

Second, the agreement only included mandatory provisions for a PIO and did not add standard provisions for non-U.S. nongovernmental recipients. By awarding a cooperative agreement to a PIO, it was the agreement officer's discretion to add standard provisions for non-U.S. nongovernmental recipients if deemed necessary. According to the director of the mission's office of acquisition and assistance, in this case, adding standard provisions for non-

U.S.

Recommendation 7. USAID/Philippines will require IUCN to revise the M&E plan to include data verification procedures. The target date for completion is June 30, 2015. We acknowledge the mission's management decision.

Recommendation 8. USAID/Philippines decided to work with IUCN on a list of all commodities, equipment, and other significant items, and validate them for branding and marking compliance. It will also revise the AOR designation letter to require validation of branding and marking compliance by IUCN and its implementing partners during AOR quarterly site visits. The target date for completion is September 30, 2015. We acknowledge the mission's management decision.

Recommendation 9.

SCOPE AND METHODOLOGY

Scope

RIG/Manila

Actions Planned/Taken: The Mission will require IUCN to implement procedures for data verification and incorporate these in the revised M&E Plan. The AOR will review performance data quality reported by IUCN and its implementing partners and also conduct data quality verification through quarterly site visits.

The recommendation will be closed upon completion and approval of the revised M&E Plan by June 30, 2015.

Recommendation 8. We recommend that USAID/Philippines determine which USAID-funded activities and commodities under its Mangrove Rehabilitation for Sustainably Managed Healthy Forests project are unmarked and mark them as appropriate.

Actions Planned/Taken: The Mission will require IUCN to create an inventory of all equipment, commodities, and other items and ensure that they comply with the branding and marking plan for MARSH. All future deliverables such as training events, meetings, technical reports, scientific papers, and other publications, will be inspected for branding and marking compliance before acceptance. In order to ensure compliance, the AOR designation letter will be revised to include, at a minimum, quarterly monitoring visits to check and validate the inventory for branding and marking compliance by IUCN and its implementing partners.

The recommendation will be closed upon completion of the inventory and validation for branding and marking compliance by the AOR and the revision of the AOR designation letter by September 30, 2015.

Recommendation 9. We recommend that USAID/Philippines require the International Union for the Conservation of Nature and Natural Resources to provide branding and marking instructions and guidance to its Mangrove Rehabilitation for Sustainably Managed Healthy Forests subrecipients.

Actions Planned/Taken: The AOR will verify in a signed letter from the subrecipients that IUCN provided branding and marking instructions and guidance as per approved Branding and Marking Plan. In order to ensure compliance, the AOR designation letter will be revised to include, at a minimum, quarterly monitoring visits to check on branding and marking compliance by IUCN and its implementing partners.

The recommendation will be closed upon receipt of the signed letter from the subrecipients by the AOR and the revision of the AOR designation letter by June 30, 2015.

Recommendation 10. We recommend that USAID/Philippines amend the cooperative agreement to further reduce the number of project sites and add standard provisions for non-U.S. nongovernmental recipients, as appropriate.

Actions Planned/Taken: As presented under Recommendation no. 1, USAID will issue an amendment that will reduce the number of project sites and add standard provisions for non-U.S. nongovernmental recipients, as deemed appropriate.
The recommendation will be closed upon issuance of the modification by June 30, 2015