

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 24-20 Audit Report**

## Afghanistan Competitiveness of Export- Oriented Business Activity Program: USAID Did Not Perform All Required Oversight and the Program Has Yielded Mixed Results



APRIL  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT SIGAR REVIEWED

Since 2002, the U.S. Agency for International Development (USAID) has worked to reinvigorate the Afghan economy by creating jobs and expanding business opportunities for Afghans. In January 2020, USAID's Office of Economic Growth awarded a 5-year contract to Development Alternatives Incorporated (DAI), to implement the \$105.7 million Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) program. The program has continued, despite the Taliban takeover in 2021.

USAID and DAI designed ACEBA to promote employment and economic growth of Afghan exporters and businesses associated with five selected industries: carpets, natural stones (marble and granite), gemstones and jewelry, saffron, and cashmere. ACEBA's three objectives are to (1) strengthen links between exporters and international markets, (2) enhance the capacity of certain Afghan exporters, and (3) strengthen selected supply chains.

After the Afghan government's collapse in August 2021, USAID suspended most ACEBA activities through December 2021. USAID and DAI suspended efforts associated with natural stones, gemstones, and jewelry because USAID felt those value chains could potentially benefit the Taliban financially. USAID also added a "livelihood support" activity to help mitigate the impact of the ensuing humanitarian crisis by helping ensure that families have the means to access food, shelter, and basic medical services. ACEBA resumed activities in January 2022.

This audit reviewed USAID's oversight and management of ACEBA from January 2020 through December 2023. Specifically, this audit assessed the extent to which (1) USAID conducted the required ACEBA program oversight; and (2) ACEBA achieved program goals and objectives, including those related to sustainability.

April 2024

## Afghanistan Competitiveness of Export-Oriented Business Activity Program: USAID Did Not Perform All Required Oversight and the Program Has Yielded Mixed Results

### SIGAR 24-20 AUDIT REPORT

### WHAT SIGAR FOUND

SIGAR found that USAID did not conduct all of the monitoring and oversight of the ACEBA program required by USAID's Mission to Afghanistan Mission Order 201.05. The mission order requires that USAID make periodic site visits, review performance reports, corroborate information from site visits and reporting, and document their oversight in Afghan Info—a central repository for all monitoring and performance data and administrative information. However, USAID officials did not conduct site visits as required for the program's first 2.5 years and did not document later site visits in Afghan Info. This limited USAID's ability to effectively review ACEBA operations for half of the scheduled 5-year program. In addition, USAID did not ensure that its contractor, DAI, met all contractually mandated reporting requirements. Although DAI produced the required monthly, quarterly, and annual reports, these reports did not contain all required reporting elements. For example, SIGAR found that 14 of the 33 monthly reports that we examined did not include security situation information.

Mission Order 201.05 states that to meet "performance monitoring requirements in the challenging Afghanistan operating environment, USAID must employ the use of a MTM [multi-tiered monitoring] approach." The order further states that a USAID contracting officer's representative (COR) should review and update the MTM plan annually, explain how USAID will use each tier to monitor the contractor's progress, and upload the updated MTM plan into Afghan Info.

However, SIGAR found that the COR did not update the MTM plan for ACEBA following the Afghan government's collapse and did not upload the plan to Afghan Info as required. USAID acknowledged that it did not update the MTM plan and told SIGAR that it would share the updated plan when finalized. However, USAID had not provided the updated plan by the completion of SIGAR's fieldwork. Thus, more than 3 years into the 5-year ACEBA program, USAID still does not have a clear plan to monitor the program in the new Taliban-controlled environment.

Moreover, USAID's original May 2021 MTM plan states that the COR "will verify some of ACEBA's data through conducting discussions with the beneficiaries, and other relevant private sectors." However, USAID did not provide any evidence that it independently sought information from beneficiaries and "other relevant private sectors" to corroborate DAI's reports, nor did it document any related monitoring activity in its monitoring capture tool as required by the mission order.

DAI's contract with USAID requires DAI to report any issues that may affect the delivery of service. ACEBA has reported that despite some challenges, "the implementation of ACEBA activities or operations remained largely unaffected by the current security situation in Afghanistan. DAI/ACEBA has established respectful relations with the Taliban, coordinating program activities without direct cooperation." However, DAI has reported that since August 2021, some Taliban actions have interfered with ACEBA activities. For example, Taliban restrictions on the movement of women have hampered ACEBA operations throughout the country to varying degrees. DAI also

reported that the Taliban have frozen DAI bank accounts three times since August 2021.

In addition, some of the 55 businesses SIGAR interviewed that were ACEBA beneficiaries echoed concerns with Taliban interference in program delivery and efficacy. For example, 4 of 10 beneficiaries in the cashmere value chain noted that local Taliban authorities were trying to introduce their own members into the cashmere industry despite being unqualified. Furthermore, eight ACEBA beneficiaries reported that restrictions on the banking industry imposed by the Taliban authorities was the primary challenge their businesses faced as result of Taliban actions and restrictions.

Mission Order 201.05 requires each program to have a monitoring, evaluation, and learning (MEL) plan—separate from the MTM approach—with performance indicators to inform USAID and the implementing partner about whether, and how, an activity is making progress toward intended results. USAID frequently changed and revised ACEBA’s performance indicators throughout the program’s first 4 years, with three versions of the MEL plan developed during this period. SIGAR found that only two indicators remained unchanged and appeared in all three MEL plan versions. While ADS 201 acknowledges that USAID or an implementing partner may need to adjust performance indicators to match changes in program scope or direction or to address problems with practicality of data collection, it also makes clear that USAID should be cautious about changing performance indicators because it compromises the comparability of performance data over time. Without the proper assessment of performance indicators and availability of comparable data across time, it is difficult to use indicators to measure program success and determine whether ACEBA is achieving its goals.

SIGAR found that DAI provided some performance indicator data in its annual and quarterly reports to USAID, as required by the ACEBA contract, but these performance indicators were incomplete. To be effective tools for measurement and meet Mission Order 201.05 requirements, performance indicators must have data collected and reported based on the schedule established for the program’s performance reports. The absence of required contractor performance information leaves USAID without data to better assess ACEBA’s ability to meet program goals and objectives.

For the performance indicators that DAI included in its annual and quarterly reports, DAI noted mixed results in meeting ACEBA program goals and objectives. SIGAR found that during the program’s first 2 years, ACEBA did not meet its performance targets. Specifically, DAI met only 25 percent of targets in 2020, and 23 percent of targets in 2021. However, DAI showed improvement in meeting targets during 2022 and 2023 (program years 3 and 4), as DAI met about 62 percent and 75 percent of targets in 2022 and 2023, respectively.

DAI and USAID reported examples of ACEBA making progress, such as creating full-time jobs for Afghans by expanding the country’s export market and economic sector, and by improving the economic situation for Afghan women. USAID’s ADS guidance does not require USAID to determine if activities are sustainable before it undertakes an activity or at its conclusion. In November 2023, USAID told SIGAR that the criterion for sustainability is based on the contract and any modifications. USAID officials stated that ACEBA looks at sustainability “from many perspectives,” including commercial viability, management, access to resources, technical and financial capacity, and the environment. The officials added that ACEBA uses extensive selection criteria for grants and activities to help ensure sustainability, but USAID and DAI cannot guarantee the sustainability of individual businesses due to other external factors such as economic downturn, the COVID-19 pandemic, and the Afghan government’s collapse. However, the majority of businesses owners SIGAR spoke with believe that their businesses are sustainable.

## WHAT SIGAR RECOMMENDS

SIGAR is not making any recommendations because in SIGAR’s May 2023 report, *Healthcare in Afghanistan: USAID Did Not Perform All Required Monitoring, But Efforts Reportedly Contributed to Progress in Vital Services* (SIGAR 23-24-AR), SIGAR reported similar problems involving USAID’s compliance with monitoring and documenting Mission Order 201.05 requirements. In response to that report, USAID’s Mission to Afghanistan advised that it was revising Mission Order 201.05 to address SIGAR’s recommendations. In November 2023, USAID issued revised Mission Order 201.05, and if implemented as stated, the changes should address the issues highlighted in this report.

SIGAR provided a draft of this report to USAID for review and comment and received written comments from USAID’s Mission to Afghanistan, which are reproduced in appendix IV. In its comments, USAID agreed with the need for program oversight, and stated that it was pleased with the overall outcome of the SIGAR’s report. However, USAID believes that the report excluded information needed to present a clear understanding of the context in which USAID conducted program oversight and management. We disagree. SIGAR updated the report, as appropriate, to address USAID’s comments.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

April 24, 2024

The Honorable Samantha Power  
Administrator, U.S. Agency for International Development

Mr. Joel Sandefur  
USAID Mission Director for Afghanistan

This report discusses the results of SIGAR's audit of the U.S. Agency for International Development's (USAID) \$105.7 million Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA) program. In January 2020, USAID awarded Development Alternatives Incorporated (DAI) the ACEBA contract. The contract included a 3-year base period (January 2020 to January 2023) and a 2-year option, which USAID exercised on September 15, 2022 (January 2023 to January 2025). ACEBA is scheduled to conclude on January 26, 2025.

We found that USAID did not conduct all of the monitoring and oversight of the ACEBA program that Mission Order 201.05 requires. Specifically, USAID officials did not conduct site visits as required for the program's first 2.5 years and did not document later site visits in Afghan Info. In addition, USAID did not ensure that DAI met all contractually mandated monthly, quarterly, and annual reporting requirements, and USAID did not document its review of DAI's reports. Further, USAID did not corroborate DAI's reported performance through discussions with ACEBA beneficiaries, and USAID did not update ACEBA's annual monitoring plan or upload all related required information into Afghan Info as required. Finally, we found that USAID did not evaluate ACEBA or assess sustainability until year 4 of the program.

We are not making recommendations because in our May 2023 report, *Healthcare in Afghanistan: USAID Did Not Perform All Required Monitoring, But Efforts Reportedly Contributed to Progress in Vital Services* (SIGAR 23-24-AR), we reported similar problems involving USAID's compliance with monitoring and documenting Mission Order 201.05 requirements. In response to that report, USAID's Mission to Afghanistan advised that it was revising Mission Order 201.05 to address SIGAR's recommendations. In November 2023, USAID issued revised Mission Order 201.05, and if implemented as stated, the changes should address the issues highlighted in this report.

We provided a draft of this report to USAID for review and comment and received comments from USAID's Mission to Afghanistan, which are reproduced in appendix IV. In its comments, USAID agreed with the need for program oversight, and stated that it was pleased with the overall outcome of our report. However, USAID believes that the report excluded information needed to present a clear understanding of the context in which USAID conducted program oversight and management. We disagree. We updated the report, as appropriate, to address USAID's comments.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4, and in accordance with generally accepted government auditing standards.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

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## ABBREVIATIONS

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ACEBA	Afghanistan Competitiveness of Export-Oriented Business Activity
ADS	Automated Directives System
AMELA	Afghanistan Monitoring, Evaluation, and Learning Activity
COR	contracting officer's representative
DAI	Development Alternatives Incorporated
FY	fiscal year
MEL	monitoring, evaluation, and learning
MTM	multi-tiered monitoring
USAID	U.S. Agency for International Development

Since 2002, the U.S. Agency for International Development (USAID) has worked to reinvigorate and expand the Afghan economy by creating jobs and increasing business opportunities for Afghans. USAID has undertaken efforts to enable Afghanistan's private sector to become more resilient and better integrated into the international economy. In January 2020, USAID's Office of Economic Growth awarded a 5-year contract to Development Alternatives Incorporated (DAI), a global development company, to implement the \$105.7 million Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) program. USAID designed ACEBA to assist Afghan micro-, small-, and medium-sized businesses in improving the sales-worthiness of their products by enhancing production processes, increasing productivity, and developing products for export that would meet international demand at competitive prices.

ACEBA was designed to promote the employment and economic growth of Afghan exporters and businesses associated with five selected industries: carpets, natural stones (like marble and granite), gemstones and jewelry, saffron, and cashmere. ACEBA's January 2020 contract originally had three objectives: (1) strengthen links between exporters and international markets; (2) enhance the capacity of certain Afghan exporters, for example by building export businesses capacity to comply with international market requirements and product standards; and (3) strengthen certain supply chains.

After the Taliban's August 2021 takeover of Afghanistan, USAID suspended most ACEBA activities from August 2021 through December 2021. In September 2021, USAID notified DAI that USAID "considers the ACEBA award to contribute to [U.S. government] priorities in Afghanistan," but notified DAI that "award modifications or workplan adjustments may be needed to successfully implement, given the current operating environment in Afghanistan."<sup>1</sup> In February 2022, USAID approved a revised ACEBA work plan to align with the new operating environment.<sup>2</sup> ACEBA's modified objectives were to (1) strengthen exporter linkages with international markets, (2) enhance the capacity of targeted Afghan exporters, and (3) strengthen targeted value chains. The revised work plan added an additional program activity to support private sector suppliers of humanitarian goods and services. The plan also added emphasis on "livelihood support," an initiative aimed at mitigating the impacts of the humanitarian crises in Afghanistan by ensuring that families have the means to access food, shelter, and basic medical services, while avoiding their long-term dependency on humanitarian aid. In addition, USAID and DAI suspended work in the natural stones and the gemstones and jewelry industries because USAID felt those value chains were high risk because of their potential to financially benefit the Taliban. ACEBA resumed its work in January 2022.

The objectives of this audit were to review USAID's oversight and management of ACEBA from January 2020, when USAID initiated the program, through December 2023.<sup>3</sup> Specifically, this audit assessed the extent to which (1) USAID conducted the required ACEBA program oversight; and (2) ACEBA achieved stated program goals and objectives, including those related to sustainability.

To accomplish these objectives, we reviewed documents including the ACEBA program contract and modifications, oversight documentation, and monthly, quarterly, and annual reports required by the contract, as well as reports from USAID's third-party monitor. We reviewed USAID's Automated Directives System (ADS) and other applicable policies, regulations, and procedures, as well as relevant SIGAR reports. We interviewed ACEBA award beneficiaries, and USAID officials and DAI personnel responsible for ACEBA program implementation and oversight. We performed our work in Arlington, Virginia, and in various locations throughout Afghanistan from July 2022 through April 2024, in accordance with generally accepted government auditing standards. Appendix I contains a detailed discussion of our scope and methodology.

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<sup>1</sup> USAID, ACEBA Revised Work Plan (Year 3), "Livelihoods and Humanitarian Support," February 25, 2022, p. 7.

<sup>2</sup> The ACEBA Work Plan is a document for contract performance detailing work DAI planned to accomplish during the upcoming year. The third-year work plan includes the status of the three objectives and sub-tasks, and the activities DAI planned to conduct.

<sup>3</sup> We issued a financial audit in March 2022 on the ACEBA program's incurred costs that highlighted two deficiencies in DAI's internal controls, resulting in \$3,767 of questioned costs. (SIGAR, *USAID's Afghanistan Competitiveness of Export-Oriented Business Activity: Audit of Costs Incurred by DAI Global LLC*, SIGAR 22-13-FA, March 2, 2022.) USAID determined a total of \$1,815 in questioned costs were unallowable, and DAI reimbursed USAID for those costs.

## BACKGROUND

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USAID's January 2020, ACEBA contract included a 3-year base period and a 2-year option. USAID exercised the option on September 15, 2022. The ACEBA period of performance now ends on January 26, 2025. In general, USAID awarded ACEBA to offer Afghan businesses support through

- providing technical assistance through industry specific expert advisors,
- diversifying and expanding the exporters' network of international buyers,
- facilitating access to no interest capital advances to help business recovery and sustain livelihoods,
- accessing grant funding, and
- improving livelihoods through apprenticeship programs or entrepreneurial support.

DAI implements the ACEBA program from its Kabul headquarters and local offices in Mazar-i-Shariff, Jalalabad, and Herat. It has provided grants to exporters and participating businesses to mitigate supply chain constraints and incentivize investments in upgrading production, processing, and marketing capacity. DAI identified potential export markets and helped link businesses to buyers in those markets. USAID also tasked DAI with building business development service providers' knowledge of customers, product development, production processes, and export market demand.

ACEBA's grant-making process is a competitive one overseen by USAID and designed to grow Afghan businesses. ACEBA provides grants to expand businesses, train Afghans, and provide upgraded equipment, working capital advances, or technical support.<sup>4</sup> Grant terms range from a few months to several years, and amounts can range from several thousand dollars to several million. According to USAID Mission to Afghanistan (USAID/Afghanistan) guidance, USAID must approve ACEBA grants over \$25,000.<sup>5</sup> ACEBA's fiscal year (FY) 2023 annual report noted 35 active grants as of September 2023.

### Federal Regulation and USAID Policy Require USAID to Monitor and Oversee ACEBA

Although ACEBA's program objectives changed with the Taliban takeover, the program's oversight and monitoring requirements did not. According to the Federal Acquisition Regulation, agencies shall ensure that "[c]ontracts include inspection and other quality requirements ... that are determined necessary to protect the Government's interest."<sup>6</sup> The regulation further states that contracting offices are responsible for "verifying that the contractor fulfills the contract quality requirements" and "ensuring that nonconformances are identified..."<sup>7</sup> USAID established criteria in its ADS operational policy that structures how USAID agency programs and operations are to be implemented and overseen. ADS 201 (Program Cycle Operational Policy) and ADS 302 (Direct Contracting) contain monitoring and oversight requirements for USAID applicable to ACEBA.

To fulfill agency performance monitoring requirements set forth in ADS 201, in May 2019, the USAID/Afghanistan reissued Mission Order 201.05, which states that to meet performance monitoring requirements in the challenging Afghanistan operating environment, USAID must employ the use of a multi-tiered monitoring (MTM) approach. Specifically, USAID's contracting officer's representative (COR) should triangulate multiple sources of monitoring information to verify implementation and results. The MTM includes the following three tiers that the COR must use to monitor activities throughout the award:

- Tier 1: Direct observation by U.S. government staff or through third-party monitoring.
- Tier 2: Review of implementing partner performance reporting for completeness and accuracy.

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<sup>4</sup> DAI ACEBA Grants Manual, May 2022, p. 8.

<sup>5</sup> USAID/Afghanistan, "National Security Screening (Non-U.S. Party Vetting)," Mission Order 201.06, June 7, 2015.

<sup>6</sup> Federal Acquisition Regulation, *Quality Assurance*, Part 46.102.

<sup>7</sup> Federal Acquisition Regulation, *Quality Assurance*, Part 46.103.



- Tier 3: Corroboration of Tiers 1 and 2 monitoring data with external sources of information such as Afghan government sources (prior to the Afghan government's collapse), other donors, civil society organizations, and beneficiaries.<sup>8</sup>

Mission Order 201.05 requires the USAID COR to develop an MTM plan, organized by tier, that outlines how each activity will be monitored. Mission Order 201.05 also requires the COR to document the results of the monitoring activities in the standardized Monitoring Capture Tool that must be updated as monitoring activities take place.<sup>9</sup>

Mission Order 201.05 also requires each activity to have a monitoring, evaluation, and learning (MEL) plan with performance indicators to inform USAID and the implementing partner about whether, and how, an activity is making progress toward intended results. According to the ACEBA contract, the MEL plan should be used to assess an activity's impact and whether objectives are being achieved and if they should be adjusted. The MEL plan includes performance indicators to inform USAID and DAI about whether and how an activity is making progress toward intended results. For example, one ACEBA performance indicator is, "Number of small and medium sized enterprises supported by U.S. government assistance." While ADS 201 acknowledges that performance indicators may need to be adjusted to match changes in program scope or direction or to address problems with practicality of data collection, it also makes clear that USAID should be cautious about changing performance indicators because changes compromise the comparability of performance data over time.

USAID told us that USAID/Afghanistan uses a web-based system, Afghan Info, to collect and organize information critical to program management, oversight, and reporting, including storing documentation from monitoring activities. Afghan Info serves as USAID's central repository for all performance implementation and monitoring data and administrative activity information. Mission Order 201.05 and the ACEBA contract require the COR and DAI to upload specific documents and information, such as the MTM plan and quarterly updates of information on the ACEBA program to Afghan Info.

## USAID AND DAI DID NOT CONDUCT ALL OF THE REQUIRED OVERSIGHT AND MONITORING OF ACEBA

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We found that USAID did not conduct all of the monitoring and oversight of the ACEBA program that Mission Order 201.05 requires. Specifically, USAID officials did not conduct the required site visits for the program's first 2.5 years and did not document later site visits in Afghan Info. In addition, USAID did not ensure that DAI met all contractually mandated monthly, quarterly, and annual reporting requirements, and USAID did not document its review of DAI's reports. Further, USAID did not corroborate DAI's reported performance through discussions with ACEBA beneficiaries, and USAID did not update ACEBA's annual monitoring plan or upload all related required information into Afghan Info as required. Lastly, DAI and ACEBA beneficiaries reported Taliban attempts at interference occurred, but that it was minimal.

### USAID Did Not Conduct Required Site Visits During ACEBA's First 2.5 Years and Did Not Document Later Site Visits

According to ADS 201, a mission should "perform site visits to provide oversight over agreements/awards, inspect implementation progress and deliverables, verify monitoring data, and learn from implementation." ADS 201 also states, "While each Mission and the activity's context should inform the number and frequency of site visits, in general, Missions should conduct site visits for reach activity at least once every six months." In

<sup>8</sup> USAID/Afghanistan, "Performance Monitoring," Mission Order 201.05, May 3, 2019. According to Mission Order 201.05, the MTM approach does not preference one tier over the others.

<sup>9</sup> The Monitoring Capture Tool is part USAID's Afghan Info performance management information system. According to the mission order, the COR uses the tool to track all monitoring activities and actions taken as a result of monitoring. Within the Monitoring Capture tool, the COR documents what monitoring activities were undertaken and the results of those activities.

addition, Mission Order 201.05 requires that USAID conduct “direct observation” (site visits) of implementing partners. However, USAID officials did not conduct any site visits for the first 2.5 years of ACEBA program’s implementation.

Multiple USAID documents explain the importance of site visits. For example, according to ADS 302, site visits are an important part of effective contract performance monitoring and officials document the visits. In addition, according to Mission Order 201.05, observations, and site visits “should be used to independently verify and confirm partner reporting.” Site visits also “give the COR the opportunity to gain information on activity implementation that is not provided in these [partner] reports to inform adaptive management in a complex environment.”<sup>10</sup>

In April 2023, USAID officials told us that due to security reasons and the COVID-19 pandemic, neither the COR nor the third-party monitor and evaluation staff could conduct site visits during the first 2.5 years of the ACEBA program.<sup>11</sup> However, since 2019, Mission Order 201.05 has allowed for virtual site visits as an alternative to in-person site visits; as such, neither the security or the pandemic excuse the COR and other USAID officials from ensuring implementing partners are performing according to the award requirements and that projects and activities are on track.

USAID’s MTM plan for ACEBA recognized the likelihood that the COR would not be able to complete in-person site visits and would instead use technology to monitor DAI’s implementation activities. According to the MTM plan, the COR would virtually observe trainings, trade shows, and other activities, along with virtually meeting with ACEBA officials. According to USAID, USAID established virtual weekly meetings between ACEBA’s technical team and the USAID COR; these allowed the COR to be fully informed on achievements and adaptive management techniques for a complex environment. In a written response to our question regarding site visits, USAID told us, “In this way, USAID officials did conduct direct observation for the first 2.5 years of ACEBA.”

While talking weekly with the contractor gave USAID insights into program implementation, the conversations did not allow USAID to directly observe implementation activities, which is the purpose of conducting site visits. Additionally, we found that USAID guidance on site visits states that routine COR meetings with the implementing partner are not considered site visits.<sup>12</sup> Without any site visits during the first 2.5-year period, USAID stakeholders lacked important, documented progress and monitoring information about ACEBA needed to apply adaptive management and timely respond to observed issues.

In June 2022, the ACEBA program began using the Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) contract to undertake in-person site visits of ACEBA activities.<sup>13</sup> The AMELA program addresses the Mission Order 201.05 requirement to perform site visits through the direct observation of each activity USAID manages during the life of the award, and documenting observations in Afghan Info by U.S. government employees or a third-party monitor. According to USAID, the COR shares the reports with ACEBA for “review and decisions” and has a weekly check-in call with the ACEBA team to discuss issues and activity implementation.

We reviewed twelve AMELA reports submitted by the third-party monitor to USAID from June 2022 through August 2023, which generally reported ACEBA program implementation going well.<sup>14</sup> In cases where AMELA identified adverse issues, ACEBA officials told us they took timely action. For example, in June 2022, AMELA did not identify any issues with apprenticeship and training at 16 of 17 site visits and found that ACEBA

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<sup>10</sup> USAID/Afghanistan, Mission Order 201.05.

<sup>11</sup> The third-party monitor reported that its organization continued to conduct third-party monitoring remotely during the pandemic and resumed remote site visits in November 2021, after in Taliban take over in August 2021.

<sup>12</sup> USAID, “How-To Note: Planning and Conducting Site Visits,” v. 4, February 2022, p. 2.

<sup>13</sup> Contract award number 70230618C00006. USAID awarded AMELA to help ensure that USAID’s development programs in Afghanistan achieve their intended results, with a focus on evaluation technical support services, monitoring technical support services, learning and adaptive management services, and program support services. AMELA is a USAID/Afghanistan contract.

<sup>14</sup> Between June 2022 and August 2023, ACEBA’s third-party monitor made 139 site visits and reported 23 potential problems at 23 sites.

implementation included applicable best practices. However, the monitor considered one training site—a hot, dark tent without electricity, drinking water, a washroom, or ventilation—unsuitable for training.<sup>15</sup> ACEBA officials told us that they followed up with the grantee implementing the training and directed the grantee to make corrections in the training environment. According to ACEBA, “As a learning activity, ACEBA and grantee staff reviewed conditions necessary for a good training venue and all training procedures and agreed on best practices.” ACEBA officials also told us that they share the results of third-party monitor activities with all staff and use the results to help plan future activities.

Although USAID started using a third-party monitor in June 2022, the USAID COR for ACEBA did not document the site visits in the Monitoring Capture Tool until November 2023 or upload the reports into the ACEBA section of Afghan Info as required. In October 2023 comments on an early draft of this report, USAID stated that USAID staff uploaded the third-party monitoring site visits into the Agency Secure Image Storage Tracking database in April 2023, 10 months after the third-party monitor completed the first site. However, USAID ADS 201 requires that within 30 days of a site visit, the COR or contracting officer must upload site visit documentation into to the Agency Secure Image Storage Tracking, USAID’s official electronic repository for all Acquisition & Assistance award documentation. USAID staff must file all award documentation, from pre-solicitation through close-out, in the Agency Secure Image Storage Tracking system. Without documenting these third-party monitor site visits in the ACEBA section of Afghan Info in the timely manner required, USAID officials and others lacked information helpful to understanding ACEBA’s work and progress.

## **DAI Progress Reports Did Not Meet Some Contract Requirements, and USAID Did Not Document Some of Its Required Report Reviews**

ACEBA’s contractor, DAI, did not meet all contractually mandated monthly, quarterly, and annual performance reporting requirements. The ACEBA contract requires DAI to include specific elements in its monthly, quarterly, and annual reports to USAID. For example, in its monthly reports, DAI is required to include any important events, challenges, and opportunities that may affect the program, and provide information on the security situation and how it affects ACEBA’s implementation. In quarterly reports, the contract requires DAI to include information on success stories, interaction with counterparts, and workplan alterations. According to the ACEBA contract, DAI’s annual reports should identify any new challenges or opportunities that may affect the program, results compared to performance indicators, and lessons learned.

We found that although DAI produced the required monthly, quarterly, and annual reports from February 2020 through September 2023, these reports did not contain all required reporting elements. For example, we found that 14 of the 33 monthly reports that we examined did not include security situation information.<sup>16</sup> Similarly, 3 of the 11 quarterly reports and 1 of the 4 annual reports did not include success stories. We also found that 3 of the 4 annual reports did not include lessons learned. Appendix II provides details of the contract requirements and the number of reports that met the reporting requirements.

We discussed the results of our analysis with USAID officials who told us they believed that ACEBA’s monthly, quarterly, and annual performance reports were not missing required elements. For example, we discussed missing special events from the monthly reports, missing success stories from the quarterly reports, and missing lessons learned from the annual reports. According to USAID, because USAID and DAI agreed to include a discussion of these events in their weekly written reports and phone calls, there was no need to include them in the monthly reports. However, the contract does not require weekly reports, and again, the required monthly reports did not include the important events. In its response to a draft of this report, USAID reiterated that it pursued more frequent engagements with DAI to improve program oversight, but also noted that it did not amend the contract to reflect these more frequent interactions. Similarly, according to USAID, in

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<sup>15</sup> AMELA, *ACEBA Third-Party Monitoring June Monthly Report*, July 15, 2022.

<sup>16</sup> Although there are 36 months in this time range, DAI only produced 29 monthly reports. According to USAID DAI can include the last monthly report of a quarter into the quarterly report. Similarly, DAI can include the 4th quarter report in the annual report.

FY 2020, ACEBA did not have any success stories to report in its quarterly or annual reports because the project started during the COVID-19 pandemic and was not fully operating. According to DAI, before ACEBA could open offices or employ staff, Afghanistan went into a pandemic-related lockdown. Activity and start-up deliverables were restricted to what could be completed with limited contact or done remotely. However, USAID did not explain why there were no success stories included in the first quarter report for FY 2022.

The contract also requires that DAI include lessons learned in its annual reports.<sup>17</sup> We reviewed the four annual reports and found that only the FY 2020 annual report included a lesson learned section. However, according to USAID officials, DIA incorporated lessons learned in the “Challenges” and “Constraints” sections of the annual reports.<sup>18</sup> We found that the Constraints section of the FY 2021, 2022, and 2023 reports discussed USAID and DAI actions to remedy the challenges and constraints encountered, but unlike the FY 2020 annual report, the section did not discuss the effects or lessons learned from these actions as required.

In addition to DAI’s reports missing required elements, the DAI also did not provide its reports in the required format. Standardized report formats are required because they allow others, such as officials at USAID/Afghanistan or USAID headquarters, to have a complete picture of ACEBA’s implementation. As the contract notes, the reported information may impact ACEBA stakeholders’ policy formulation and project design. Without complete and standardized information in the required reports, decision makers do not have all the information to make important decisions.

Finally, USAID Mission Order 201.05 requires that all CORs critically review the progress reports and performance data received from implementing partners for completeness and accuracy and document this review in the Monitoring Capture Tool in Afghan Info. However, we found that the CORs did not document any of their report reviews in Afghan Info until November 2023. Further, Mission Order 201.05 specifies that documentation of the COR’s review of performance reports should be contemporaneous with the review itself. For example, if a COR received quarterly performance reports, at a minimum, there should be quarterly entries in Afghan Info documenting the timely review of those reports. USAID officials told us that USAID reviewed DAI’s reports based on the approved annual work plan and criteria for performance outlined in the contract. Despite the requirement to review the reports for accuracy and completeness, and USAID’s claim that it reviews the reports, however, we found the COR uploaded reports into Afghan Info that were incomplete and inaccurate.

Besides stating that the COR reviewed DAI progress reports based on the annual work plan and criteria, USAID did not explain why it did not document its reviews of the progress reports for completeness and accuracy, as Mission Order 201.05 requires. Moreover, USAID did not modify contract requirements or absolve DAI from any required reporting. The incomplete, unstandardized reports demonstrate that the CORs are not performing the critical reviews that ADS 201, ADS 303, and Mission Order 201.05 require.

## **USAID Did Not Update the ACEBA Annual Monitoring Plan, Upload Some Required Information into Afghan Info, or Corroborate Contractor Data as Required**

Mission Order 201.05 states that to meet “performance monitoring requirements in the challenging Afghanistan operating environment, USAID must employ the use of a MTM approach.” The order further states that a USAID COR will review and update the MTM plan annually, explain how USAID will use each tier to monitor the contractor’s progress, and upload the updated MTM plan into Afghan Info.

In February 2023, USAID provided us with an undated MTM plan that included information on all five of ACEBA’s original supply chains; it included the natural stones and the gemstones and jewelry value chains that USAID suspended in August 2021, but did not include information on the humanitarian goods and services value chain that USAID added in October 2021. In response to our subsequent March 2023 inquiry, USAID

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<sup>17</sup> USAID ADS 540 defines lessons learned as, “The conclusions extracted from reviewing a development program or activity by participants, managers, customers, or evaluators with implications for effectively addressing similar issues and problems in another setting.” ADS 540; “USAID Development Experience Information,” December 21, 2015, p. 19.

<sup>18</sup> USAID’s Response to SIGAR’s ACEBA Statement of Facts, October 23, 2023.

acknowledged that it did not update the MTM plan as required and told us that it would share the updated plan when finalized. In October 2023, USAID told us, “Currently the Mission is taking appropriate steps to update Afghan Info,” which will include an updated MTM plan for ACEBA.<sup>19</sup> However, at the completion of our field work, USAID had not provided us with an updated plan, and as of February 2024, had not uploaded any MTM plan in Afghan Info. As a result, more than 3 years into the 5-year ACEBA program, USAID still does not have a clear plan to monitor DAI implementation of the ACEBA program to help determine whether the program is achieving intended outcomes.

In addition, according to USAID Mission Order 201.05, Tier 3 of an MTM approach requires the COR to corroborate site visits and performance reports with external sources of information such as Afghan government sources (prior to the Afghan government’s collapse), civil society information, external evaluations and assessments, or information from activity beneficiaries. It states, “It is the triangulation of all three tiers that ensures confidence in data review and decision-making.”<sup>20</sup> Corroboration need not be exhaustive of all data collected but should focus on major intervention components and key expected results.

Although Mission Order 201.05 states that information to be corroborated should come from both site visits (Tier 1) and performance reports (Tier 2), the ACEBA-specific MTM plan states that Tier 3 corroboration would be accomplished by corroborating data in DAI performance reports with beneficiaries. Specifically, the MTM plan states that the COR “will verify some of ACEBA’s data through conducting discussions with the beneficiaries, and other relevant private sectors.” However, the COR did not corroborate information contained in the monthly, quarterly, and annual reports. For example, DAI’s monthly reports included information on activities in each of the value chains, number of persons placed in apprenticeships, and number of persons who received employment after graduating from apprenticeships. In addition, the quarterly and annual reports included information on performance indicators, progress and performance, and program challenges that may impact the program going forward. Further, some reports included information on beneficiaries in the form of success stories, and the FY 2021, 2022, and 2023 annual reports included information on businesses receiving grants, businesses that the COR could have contacted. But USAID did not provide any evidence that it independently sought information from beneficiaries and “other relevant private sectors” to corroborate DAI’s reports, nor did it document any Tier 3 monitoring activity in its monitoring capture tool as required by the mission order.

When asked why USAID did not complete Tier 3 of the MTM plan, USAID officials told us that site visits did not start until June 2022. However, a lack of site visits is not an excuse for not undertaking corroboration efforts because according to ACEBA’s MTM plan, the COR did not intend to corroborate data from site visits. According to ACEBA’s MTM plan, Tier 3 efforts “may happen once a year and critical findings will be documented in the [Monitoring Capture Tool] on an annual basis.” However, because USAID did not corroborate the information from DAI performance reports, USAID does not know if there were any critical findings that should have been addressed or whether the reported outputs were accurate.

USAID’s issues with monitoring ACEBA and complying with Mission Order 201.05 are not unique. In May 2023, we issued a report examining USAID’s monitoring of its two largest health care programs in Afghanistan.<sup>21</sup> As with ACEBA, we found that USAID did not conduct required site visits, did not ensure that contractor progress reports included all the award agreements’ required information, and did not provide evidence that USAID corroborated data obtained from site visits or the implanting partners performance reports. We also found that USAID officials did not upload required information into Afghan Info. Our healthcare report recommended that USAID enforce or develop procedures in accordance with Mission Order 201.05 requirements to help ensure that CORs conduct oversight and that activity documents and documentation of monitoring activities are uploaded into Afghan Info. USAID/Afghanistan concurred with our recommendation and told us it was updating the mission order to better reflect operating conditions in Afghanistan. In November 2023, USAID issued a revised Mission Order 201.05, which makes use of the MTM plan mandatory. The revised Mission Order also

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<sup>19</sup> USAID response to SIGAR, October 23, 2023, p. 3.

<sup>20</sup> USAID/Afghanistan, Mission Order 201.05.

<sup>21</sup> SIGAR, *Healthcare in Afghanistan: USAID Did Not Perform All Required Monitoring, But Efforts Reportedly Contributed to Progress in Vital Services*, 23-24-AR, May 19, 2023.

makes the Afghan Info Mission System Administrator responsible for tracking mission compliance with the requirements related to Afghan Info in Mission Order 201.05. We believe these recent updates to the mission order, in response to our previous health care report recommendations, can also help USAID address our concerns with ACEBA monitoring and oversight for the remainder of the program. Therefore, we are not making new, similar recommendations in this report.

## USAID's Contract Requires DAI to Report Problems Affecting Program Implementation and to Meet Vetting Requirements for Grantees

DAI's contract with USAID requires DAI to include in its quarterly reports "any issues or problems that are affecting the delivery or timing of services provided by the Contractor," and "identify any implementation issues that may inhibit or enhance contractor performance." Likewise, the contract requires that the ACEBA annual reports include any security impacts on program implementation and should identify any new challenges "...that may impact program implementation going forward."<sup>22</sup>

Generally, ACEBA has reported that despite some reported challenges, "The implementation of ACEBA activities or operations remained largely unaffected by the current security situation in Afghanistan. DAI/ACEBA has established respectful relations with the Taliban, coordinating program activities without direct cooperation."<sup>23</sup> However, since August 2021, DAI has reported that some Taliban actions have interfered with ACEBA activities. For example, ACEBA'S FY 2023 annual report noted the following:

ACEBA has experienced sporadic interference with or resistance to implementation of program activities in the provinces and particularly in more conservative areas and traditionally Taliban controlled areas, for example Wardak and Paktia [provinces]. The Taliban government has not been able to enforce the uniform application of its policies and directives across different areas of Afghanistan. A letter of support or authorization from a Ministry may be accepted in one location where ACEBA is allowed to implement without interference, while in other locations ACEBA has not been able to get agreement to implement, activities have been interrupted, or partners/beneficiaries were called in or detained by local government authorities who wish to direct support of funding.<sup>24</sup>

In addition to interference, the Taliban authorities' restrictions on the movement of women have also hampered ACEBA operations throughout the country to varying degrees. For example, local Taliban authorities have imposed inconsistent rules regarding the presence of women in offices where men work, and female staff in many locations encounter difficulties and harassment when traveling to and from work. According to DAI, it has implemented measures to continue employing women throughout the country; these include allowing women to work from home and providing internet connection for these staff, and making ad-hoc arrangements with local contacts at checkpoints to allow women to reach offices when access to office equipment or project files is necessary for work. Taliban restrictions on women's movement have made it difficult to organize, deliver, and monitor training and other activities with female beneficiaries in locations where it is inappropriate for male staff members to enter.

DAI has also reported that Taliban authorities have frozen DAI bank accounts three times since August 2021. The first incident was in June 2022, and the most recent occurrence was in August 2023. These freezes have had an impact on the program's implementation and schedule.

Some of the 55 businesses we interviewed that were ACEBA beneficiaries echoed concerns with Taliban interference in program delivery and efficacy. For example, 4 of 10 beneficiaries in the cashmere value chain noted that local Taliban authorities were trying to introduce their own members in the cashmere value chain, despite them being unqualified. Furthermore, 8 ACEBA beneficiaries reported that restrictions on the banking

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<sup>22</sup> USAID, Award No. 72030619C00008, Agreement with DAI, January 27, 2020, pp. 43 and 44.

<sup>23</sup> DAI, ACEBA 2023 Annual Report, October 30, 2023, p. 46.

<sup>24</sup> DAI, ACEBA 2023 Annual Report, October 30, 2023, p. 47.

industry imposed by the de facto government was the primary challenge their businesses faced as result of Taliban actions and restrictions.

In addition to the requirement that DAI report challenges to program implementation, such as Taliban interference, the ACEBA contract requires beneficiary (grantee) vetting in accordance with Mission Order 201.06.<sup>25</sup> As stated in the contract, USAID vets any proposed non-U.S. prime or sub-awardee when the proposed award amount is \$25,000 or more.<sup>26</sup> According to ACEBA program officials, DAI screens all grant applicants through the System for Award Management and Department of the Treasury databases of firms and organizations that are not eligible to receive U.S. government funds.<sup>27</sup> In addition, DAI employs a private company to perform additional screening measure for grants of more than \$10,000, and USAID's Kabul Vetting Unit screens grantees receiving more than \$25,000. According to ACEBA program officials, they compile the grant and vetting application, which includes the technical application, environment review forms, vetting documents, and budget reviews to submit to the COR. DAI submits all applications under \$25,000 to the COR for their situational awareness, and submits applications over \$25,000 to the COR who can approve, object, or ask for additional information. The contracting officer reviews applications for grants over \$100,000.<sup>28</sup> According to DAI officials, USAID has rejected some grant applications but has never directed DAI to terminate a grant.

Our analysis of documentation and information provided by both DAI and USAID demonstrates that DAI followed the processes outlined in USAID vetting guidance. We found that USAID vetted and approved subcontractors and grantees receiving more than \$25,000 from DAI, and DAI vetted those sub-contractors and grantees receiving less than \$25,000 using private companies and off-the-shelf services. In January 2024, we reported on the extent to which USAID adhered to applicable policies and procedures for vetting implementing partners conducting activities in Afghanistan funded by the agency. In that report, we did not identify any instances in our sample in which USAID determined that an implementing partner or a sub-awardee was ineligible for funding.<sup>29</sup>

## USAID AND DAI DID NOT FULFILL PERFORMANCE MEASUREMENT REQUIREMENTS AND REPORTED MIXED RESULTS IN MEETING ACEBA PROGRAM GOALS AND OBJECTIVES

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We found that USAID frequently changed performance indicators and that DAI did not report against all required performance indicators, making it difficult to consistently evaluate ACEBA's performance across program years. The performance indicators that DAI reported on reflected mixed results in meeting ACEBA program goals and objectives. We also found that DAI, USAID, and program beneficiaries reported some program successes and challenges. Additionally, USAID did not begin an evaluation of the ACEBA program, including the sustainability of the ACEBA model, until September 2023, nine months into year 4 of the program.

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<sup>25</sup> Mission Order 201.06.

<sup>26</sup> USAID, Award No. 72030619C00008, Agreement with DAI, January 27, 2020, p. 66.

<sup>27</sup> In June 2022, we reported serious issues with the System for Award Management database. Specifically, we found that the Department of Defense had not included newly identified prohibited entities in the database since FY 2015. Without an updated, accurate list, contracting officers and prime contractors may not have the information necessary to prevent enemies and prohibited entities from receiving U.S. taxpayer funds. (See, SIGAR, *Contracting with the Enemy: DOD Has Not Fully Implemented Processes Intended to Prevent Payments to Enemies of the United States*, SIGAR 22-29-AR, June 7, 2022.)

<sup>28</sup> ACEBA Grants Manual May 22, 2020, p. 5.

<sup>29</sup> SIGAR, *Implementing Partner Vetting in Afghanistan: The USAID Mission to Afghanistan Complied with Vetting Requirements but USAID's Bureau for Humanitarian Assistance Did Not*, SIGAR 24-11-AR, January 16, 2024.

## USAID and DAI Did Not Fulfill Performance Measurement Requirements

Throughout the program, USAID and DAI did not consistently adhere to requirements for developing and using performance indicators to measure ACEBA's performance.<sup>30</sup> Specifically, we found that ACEBA's performance indicators were frequently revised throughout the program's first 4 years, with three versions of the MEL plan developed and approved during this period.<sup>31</sup> MEL plan Version 1 (the original version) had 18 indicators, Version 2 (the first revision) had 14 indicators, and Version 3.5 (the second revision) had 13 indicators, some of which did not appear in either of the previous two versions.<sup>32</sup> Additionally, during year 4 of the program, DAI only measured results for 12 indicators, but did not provide USAID with an alternate MEL plan or an explanation as to why one indicator was suspended between Version 3.5 and ACEBA's 2023 annual report. Our analysis of the three versions of the MEL plan shows that USAID and DAI frequently removed, added, or modified performance indicators during the first 4 years of ACEBA. As a result, only 2 indicators remained unchanged and appeared in all three MEL plan versions. Although USAID guidance allows modifications to performance indicators, which may have been especially necessary in this case with the program modifications resulting from the collapse of the former Afghan government, ADS 201 states that USAID officials "should be cautious" about changing performance indicators because it compromises the comparability of performance data over time.

DAI told us it worked closely with USAID to suspend, add, and modify performance indicators. USAID and DAI also told us that they had weekly or regular communications and documented changes to performance indicators in working versions of the performance indicator tables and the MEL plan. DAI reported that some adjustments to performance indicators were made when USAID changed standardized reporting performance indicators to ensure that analogous data was collected from all USAID projects and implementing partners, whereas indicators for which USAID no longer collected data were removed.<sup>33</sup> DAI also reported that after the former Afghan government's August 2021 collapse, USAID reviewed the status of assistance programs in-country and determined that ACEBA's program scope should shift to livelihood support.<sup>34</sup> According to DAI, the new program focus meant that the original performance indicators needed to be suspended, modified, or adjusted. In an April 2023 written response to our questions, USAID stated it revised some indicators because of ACEBA contract amendments, and that the frequent changes to indicators did not affect its ability to assess DAI's performance. The frequency with which DAI and USAID modified ACEBA indicators from January 2020 through September 2023 necessarily affected the comparability of performance data over time and hindered longitudinal analysis of program performance.<sup>35</sup>

In addition, DAI did not provide data measuring some of the performance indicators as required. To be effective tools for measurement and meet Mission Order 201.05 requirements, indicators must have data collected and reported based on the schedule established for an activity's performance reports. We found that ACEBA's 12 month performance results—contained in DAI's first or second quarter reports for the following year—were inconsistent and did not provide comprehensive information or data on the results achieved against

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<sup>30</sup> According to USAID, performance indicators define the data implementing partners should collect and enable actual results achieved to be compared with planned results over time. They provide objective evidence that an intended change is occurring. USAID, "Performance Monitoring and Evaluation Selecting Performance Indicators," 2nd ed., 2010, p. 2.

<sup>31</sup> The ACEBA contract requires DAI to prepare and have approved a MEL plan which includes the performance indicators used to judge the success of the program.

<sup>32</sup> Based on information provided by USAID and DAI, iterations of the MEL plan developed after Version 2 were drafts of Version 3.5, which is the finalized and third version of the MEL Plan.

<sup>33</sup> According to ADS 201, indicators should enable consistent data collection across multiple USAID units.

<sup>34</sup> As documented in our report, the ACEBA program's revised focus on livelihood support involves mitigating the impacts of Afghanistan's humanitarian crisis and ensuring that families have the means to access food, shelter, and basic medical services, while avoiding long-term dependency on humanitarian aid. ACEBA aimed to do this work through support for domestic production and supply of humanitarian goods and services.

<sup>35</sup> In an April 2023 in response to recommendations in SIGAR's report, *Healthcare in Afghanistan* (SIGAR 23-24-AR), USAID articulated its commitment to compliance with Mission Orders and accompanying authorities and policies related to award monitoring. According to USAID, it took SIGAR's recommendations as an opportunity to review and revise Mission Order 201.05 so that the Mission Order better aligns with USAID/Afghanistan's current operating environment. USAID updated the performance monitoring procedures in Mission Order 201.05 in November 2023.



the performance indicators and targets.<sup>36</sup> For example, the ACEBA 2020 annual performance report included performance results on 18 performance indicators; however, DAI's second quarter report for FY 2021, which was required to provide further performance results on the 18 indicators, only reported on 6 of the 18 performance indicators. Similarly, the ACEBA 2021 and 2022 annual performance reports included data on 14 and 13 performance indicators, respectively, while DAI's second quarter reports for FY 2022 and FY 2023 only reported on 6 of the 14 and 8 of the 13 performance indicators. The absence of required contractor performance information leaves USAID without information helpful to better assess ACEBA's ability to meet program goals and objectives.

## Available DAI Performance Reporting Shows Mixed Results in ACEBA Meeting Performance Targets

Code of Federal Regulations Title 2, Section 200.301 requires USAID to measure an award recipient's performance "to show achievement of program goals and objectives, share lessons learned, improve program outcomes, and foster adoption of promising practices."<sup>37</sup> According to USAID, "performance indicators lie at the heart of developing an effective management system—they define the data to be collected and enable actual results achieved to be compared with planned results over time."<sup>38</sup>

As we reported above, USAID and DAI did not report against every performance indicator and USAID did not corroborate the information it received from DAI. We analyzed the performance indicators included in the performance indicator tables in the contractor's second quarter reports for FY 2021, FY 2022, and FY 2023 (which documented results for program years 2020, 2021, and 2022, respectively), as well as its first quarter report for FY 2024 (which documented results for program year 2023), because DAI reported that it would document official results against targets in those reports. We also analyzed the data in the performance indicator tables in the contractor's annual performance reports for the program's first 4 years, as these annual reports included the most complete performance indicator data available.<sup>39</sup> Our analysis found that DAI's annual and quarterly reporting showed that ACEBA did not meet its performance targets during program years 2020 and 2021 years but showed improvement in program years 2022 and 2023.

### ACEBA Did Not Meet its Performance Targets in 2020 and 2021

As we report above, DAI's 2020 annual report (which documented results achieved as of September 2020) and second quarter report for FY 2021 (which measured results achieved as of March 2021) included a total of performance data on 18 indicators, 12 of which had targets. Of these 12 indicators, 9 indicators (75 percent) did not meet their targets meaning that three indicators (25 percent) met their targets. For instance, one performance indicator, "Number of individuals with improved skills following completion of [U.S. government]-assisted workforce development programs," had a target of improved skills for 350 unique individuals by February 2021.<sup>40</sup> However, as of September 2020, DAI documented that zero individuals had improved their skills following the completion of U.S. government-assisted workforce programs. In ACEBA's second quarter

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<sup>36</sup> USAID's contract and fiscal years for ACEBA differ, with its contract year taking place January 27 through January 26 of the following year, and its fiscal year taking place October 1 through September 30 of the following year. However, the program's first year ran from February 27, 2020, through February 26, 2021. In ACEBA's 2020 and 2022 annual reports, DAI stated that because of these differences, DAI would report official performance results in the second quarter reports. However, DAI stated in its 2023 annual report that official performance results against 2023 targets would be reported in the first quarter of FY 2024.

<sup>37</sup> 2 CFR 200.301.

<sup>38</sup> USAID, "Performance Monitoring Indicators," 2010, p. 2.

<sup>39</sup> As noted in our report, because of differences between ACEBA's contract and USAID's fiscal years, DAI reported that official results would be documented in ACEBA's first or second quarter reports for each fiscal year. However, we found that the first and second quarter reports for each fiscal year did not contain results against targets for all performance indicators. As such, we relied on annual reports to analyze results against targets for some indicators, as the annual report provided the only available data for those indicators.

<sup>40</sup> USAID, MEL Plan, performance indicator number 3.5, June 2020, p. 16.

report for FY 2021, DAI reported a cumulative result of zero individuals once again, meaning ACEBA made no progress towards this indicator. In another example, under performance indicator, “Percentage of female participants in [U.S. government]-assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment),” DAI’s February 2021 target was 35 percent.<sup>41</sup> In September 2020, DAI reported a result of 0 percent, and in March 2021, DAI reported a cumulative result of 7 percent, which did not meet the indicator target. While three performance indicators met their targets as of March 2021, two of these indicators had targets of 0 percent.<sup>42</sup>

Similarly, DAI’s 2021 annual report (which documented results achieved as of September 2021) and second quarter report for FY 2022 (which measured results achieved as of March 2022) collectively included reporting on 14 indicators of which 13 had performance targets. We found that DAI did not meet its targets for 10 of these 13 performance indicators (about 77 percent), meaning that three indicators (about 23 percent) met their targets. For example, “Number of individuals with improved skills following completion of [U.S. government]- assisted workforce development programs” had a target of 3,010 individuals with improved skills by January 2022. However, in its 2021 annual report, DAI documented that 65 individuals had improved their skills after completing U.S. government-assisted workforce programs. Likewise, in its second quarter report for FY 2022, DAI reported the same cumulative result of 65 individuals, again demonstrating a lack of progress toward this indicator.

In June 2022, 5 months after the contract year had ended and 3 months after 2021 official performance results were issued, USAID gave DAI permission to reduce ACEBA’s 2021 targets by 50 percent because of the operational situation in Afghanistan.<sup>43</sup> In its report on the reduced targets, USAID provided us with data on 9 of the 14 indicators used in both DAI’s 2021 annual report and second quarter report for FY 2022; these numbers again demonstrate that the provided performance indicator data was incomplete. We found that even with the targets reduced by 50 percent, DAI did not meet its targets for 5 of these 9 performance indicators. For instance, the “Number of individuals who complete [U.S. government]-assisted workforce development programs” target was reduced from 4,300 individuals to 2,150 individuals. However, as of March 2022, only 112 individuals had completed U.S. government-assisted workforce development programs.

When we asked USAID and DAI why ACEBA did not meet its 2020 and 2021 performance targets (program years 1 and 2), both USAID and DAI told us that COVID-19 pandemic impacted ACEBA’s implementation and the initiation of planned activities for the program’s first year, which impacted program implementation again in 2021. According to USAID, COVID 19-related travel restrictions limited travel to potential beneficiaries, and the premature departure of DAI’s start-up team from Afghanistan resulted in slower hiring and affected the establishment of regional offices. The officials said that these issues prevented the organization from implementing ACEBA activities such as finalizing grants and activities related to export performance and job creation. Since ACEBA was not able to conduct some activities, ACEBA could not generate performance information and results. USAID also reported that performance indicators did not meet their 2021 targets because of the “Taliban takeover [of Afghanistan in August 2021] and the subsequent implications to the international community providing aid to Afghanistan.”<sup>44</sup> In its comments on a draft of this report, USAID reiterated the impact of the COVID-19 pandemic on ACEBA operations in 2020 and 2021.

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<sup>41</sup> USAID, MEL Plan, performance indicator number CC 1.1, June 2020, p. 16.

<sup>42</sup> These two indicators were “U.S. dollar sales of exporters receiving [U.S. government]-funded assistance” and “U.S. dollar sales of micro, small, and medium-sized enterprises (non-exporters) receiving [U.S. government]-funded assistance.” According to ACEBA’s 2020 MEL plan, the indicators’ first year targets of 0 percent were based on beneficiary firms’ sales numbers from other DAI Afghanistan programs. USAID, MEL Plan, performance indicator number 1.1 and 3.3, June 2020, pp. 28–29 and pp. 34–35.

<sup>43</sup> The contract year for ACEBA’s year 2 was January 27, 2021–January 26, 2022.

<sup>44</sup> USAID response to SIGAR, April 8, 2023, p. 5.

## ACEBA Showed Improvement in Meeting its Performance Targets in 2022 and 2023

In 2022, the program's third year, DAI's 2022 annual report (which documented results achieved as of September 2022) and the second quarter report for FY 2023 (which measured results achieved as of March 2023), collectively reported on 13 indicators, all of which had targets. The performance information showed improvement in ACEBA's implementation as 8 of 13 indicators (about 62 percent) met their targets. For example, "Percentage of female participants in [U.S. government]-assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment)" exceeded its target of 35 percent. DAI reported that as of March 2023, 47 percent of participants in U.S. government-assisted programs designed to increase access to productive economic resources were female. The remaining 5 indicators in DAI's 2022 annual report either did not meet their targets or DAI did not report results.

Regarding the success of ACEBA, DAI noted in October 2022, "The success of ACEBA's programming and outreach to private sector actors that promote market stability and support livelihoods is reflected in the number of small and medium enterprises, and exporters that received assistance—141 percent and 154 percent over the targets set for year 3."<sup>45</sup> The report states that more than 29,000 people received support through small and medium enterprises or directly from ACEBA to restore or develop their livelihoods.

In an April 2023 written response to our questions regarding the status of performance results and improved progress during the program's third year, USAID reported that in January 2022, ACEBA resumed activities after the Afghan government's collapse in August 2021.<sup>46</sup> In this same response, USAID officials stated that ACEBA "has continuously adjusted activities to address actual conditions on the ground related to freedom of movement, accessibility of cash, permissiveness of local authorities, and security for participants and beneficiaries. In year 3 DAI met most [performance] targets."<sup>47</sup>

We found that ACEBA showed further improvement in meeting its performance targets in 2023, year 4 of the program. Together, DAI's 2023 annual report (which documented results achieved as of September 2023) and first quarter report for FY 2024 (which measured results achieved as of December 2023), included data on 12 performance indicators, all of which had performance targets. Of the 12 indicators, 9 (75 percent) met their targets. For instance, "Number of individuals with improved income after ACEBA assistance" had a target of 15,000 individuals to meet by September 2023. DAI exceeded that target, reporting a result of 20,160 individuals with improved income in September 2023.<sup>48</sup> DAI noted that some unmet targets occurred because of "diverse issues in cross-border trade that Afghan firms are facing post-Taliban takeover, such as sanctions on financial transactions, reluctance of foreign buyers to deal with those sanctions, the banking crisis in Afghanistan, transportation difficulties due to closed borders, cancelled air routes and difficulty securing cargo insurance."<sup>49</sup> Table 1 shows our analysis of performance indicator results against targets during ACEBA's first 4 years.

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<sup>45</sup> DAI, *Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) – FY 2022 Annual Report*, October 30, 2022.

<sup>46</sup> USAID suspended most ACEBA activities from August 2021 through December 2021. USAID approved ACEBA's new workplan to reflect the changes in value chains in December 2021, and ACEBA resumed activities in January 2022.

<sup>47</sup> USAID response to SIGAR, April 8, 2024, p. 6.

<sup>48</sup> DAI did not report on this indicator in its first quarter report for FY 2024. As a result, data as of December 2023 was not available.

<sup>49</sup> DAI, *Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) – FY 2023 Annual Report ACEBA 2023*, October 30, 2023, p. 35.

**Table 1 - Cumulative Performance Results Against Targets, 2020–2023**

Performance Data	2020	2021 (Original Targets)	2021 (Adjusted Targets)	2022	2023
Number of Indicators	18	14	9	13	12
Number of Indicators with Targets	12	13	9	13	12
Met Targets	3	3	4	8	9
Unmet Targets	9	10	5	4	3
Unreported Data	0	0	0	1	0

Source: SIGAR analysis of DAI's ACEBA annual and quarterly reports, 2020–2024.

### ACEBA's Performance Indicator Tables Showed Results Similar to Our Analysis, But Were Not Official Performance Data

In April 2023, USAID provided us with performance indicator tables for program years 2 and 3, and in April 2024, USAID provided us with the performance indicator table for program year 4. In its comments to our draft report, USAID officials told us that DAI prepared these tables on an annual basis, and USAID did not understand why the tables were not reviewed or referenced in our audit because the tables “highlight[ed] how ACEBA achieved program goals and objectives.”<sup>50</sup> In response to USAID's comments, we reviewed the USAID-provided performance indicator tables and found that the results did not significantly differ from the findings in our analysis of ACEBA's annual and quarterly reports. Appendix III presents the results of our analysis of the USAID-provided performance indicator tables.

However, the ad hoc performance indicator tables provided by USAID are not official program results. The ACEBA contract requires that DAI include performance indicators in the annual and quarterly reports, and ACEBA's annual reports specified that DAI would report official performance results in either first or second quarter reports for the following fiscal year. Neither ACEBA's annual reports and quarterly reports, nor MEL plans state that DAI would provide ad hoc performance tables to USAID, or that these performance indicator tables should be considered official performance data. Furthermore, the USAID COR did not upload the ad hoc performance indicator tables to Afghan Info, despite being required to do so.<sup>51</sup>

Most importantly, Mission Order 201.5 directs the COR to ensure that performance indicator data matches the data in implementing partner reports. The only indicator data available in Afghan Info is the indicator data included in annual and quarterly reports. As we previously stated in this report, Afghan Info is USAID/Afghanistan's performance management information system, which serves as the central repository for all performance implementation and monitoring data and administrative activity information. Additionally, according to USAID, the purpose of Afghan Info is to monitor performance while maintaining coordination between the Mission and USAID's headquarters in Washington, Congress, implementing partners, and other donors.<sup>52</sup> Users of Afghan Info would expect that the performance data included in the annual reports, which is available on Afghan Info, accurately reflects the performance of ACEBA.

<sup>50</sup> USAID Comments to the Draft Report, April 8, 2024, p. 3.

<sup>51</sup> Mission Order 201.05 requires that “Indicator data, which may come from [implementing partners] primary data collection or secondary sources, must be updated in Afghan Info.” Specifically, the Mission Order states that “the COR ... is responsible for collecting and reviewing indicator data consistently and ensuring that these data are entered in Afghan Info.” (USAID/Afghanistan, Mission Order 201.05.)

<sup>52</sup> USAID, Award No. 72030619C00008, Agreement with DAI, January 27, 2020, p. 44.

When we asked USAID officials whether they uploaded the ad hoc performance indicator tables in Afghan Info, USAID stated it did not use Afghan Info because of the COVID-19 pandemic and the Afghan government's collapse. However, neither COVID-19 nor the events of August 2021, are acceptable reasons not to use the Mission's official database.

In November 2023, USAID told us that the targets for the performance indicators under ACEBA are cumulative for the life of the project, meaning if ACEBA does not achieve a target in one year, DAI could meet it or surpass it in the following year. While life-of-the-project indicators may prove useful to determine if ACEBA was successful overall and if USAID should undertake similar efforts in Afghanistan when ACEBA is complete, finding out at the end of the project that ACEBA did not meet its targets does not help USAID adapt the ACEBA project in real time to help ensure that ACEBA meets its targets by the end of the project. USAID did not explain what would happen if, at the end of the project, ACEBA failed to meet its targets. Moreover, according to the contract, DAI and USAID should use the annual and quarterly targets established within the MEL to assess the impact of the activity to determine if objectives are being achieved and adjust targets and indicators as appropriate.

Analyzing performance indicator results provides USAID with insights into what assistance and actions are working or not working to meet strategic goals and program objectives. This information further allows USAID to adapt ACEBA to the changing conditions on the ground and make effective programming decisions. However, because of the issues with performance measurement and reporting, and the resulting inability of USAID and DAI to then have fully comprehensive performance data, USAID may have lacked the information necessary to assess the successes and failures of specific actions ACEBA took to meet its implementation goals.

## **USAID, DAI, and ACEBA Beneficiaries Reported Some Successes and Challenges, But USAID Did Not Evaluate ACEBA or Assess Sustainability Until Year 4 of the Program**

While USAID acknowledges the monitoring and performance issues we identified, USAID and DAI told us that in addition to the performance measurement reporting, they each also use other methods to collect qualitative data to help gauge ACEBA's progress. According to USAID's guidance, while performance indicators can help determine the extent to which a mission is progressing toward its objectives, indicators alone cannot tell a mission why progress is or is not being made.<sup>53</sup> For example, DAI uses focus groups, surveys, and key informant interviews to collect qualitative and anecdotal data in its quarterly and annual reports. In addition, since June 2022, USAID has used a third-party monitor, AMELA, to help track results of ACEBA.

DAI and USAID reported examples of ACEBA making progress towards its program goals by creating full-time jobs for Afghans by expanding the country's export market and economic sector, and by improving the economic situation for Afghan women. For example, in 2022, DAI reported that 3,721 apprentices (about 93 percent of whom were women) completed apprenticeships with 66 carpet companies; this resulted in the employment of 2,424 people, 95 percent of whom were women. DAI also reported that the quality of cashmere and wool improved because of ACEBA's training of herders, and that the price paid for both cashmere and wool increased by an estimated 19 percent and 11 percent, respectively, in 2022.

In January 2023, USAID's third-party monitor completed site visits to 10 businesses that received ACEBA grants. Most of the grantees (7 out of 10) reported that they "strongly believed" they could sustain the benefits from the grants without further assistance from USAID.<sup>54</sup> The third-party monitor also reported that, for example, the ACEBA grants created 680 full-time, 1,700 seasonal, and 356 part-time jobs.

To help further understand ACEBA activities and progress on the ground, in May 2023, we interviewed ACEBA beneficiaries in Afghanistan to help determine the program's impact through anecdotal evidence. We interviewed 55 businesses that were ACEBA beneficiaries, all of whom reported that production increased, and

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<sup>53</sup> USAID, Monitoring Toolkit: Selecting Performance Indicators, March 2021.

<sup>54</sup> During the first quarter of FY 2023, ACEBA reported that it had 24 active grants with terms ranging from a few months to several years.

the final quality of their products improved under the ACEBA program.<sup>55</sup> According to these beneficiaries, production growth and quality improvement resulted from purchasing machinery and equipment; training personnel in carpet and wool weaving, saffron drying, and carpet dyeing; and expanding the number of personnel and increasing salaries. Additionally, nearly all 55 beneficiaries reported that trainees' standards of living improved because of ACEBA-supported training. One beneficiary said, "In the past, when we dried the saffron, up to 50 percent of the saffron was damaged by our staff, but now, our staff is able to dry the saffron without any problems. This is quite effective [for] the knowledge of trainees."<sup>56</sup> Other beneficiaries reported that the training increased the capacities and technical skills of their employees. ACEBA beneficiaries also participated in numerous trainings, including sorting, drying, gathering, and packing of saffron; designing carpets; collecting and storing wool and cashmere; operating and maintaining machinery; and using Microsoft Office and QuickBooks to manage their businesses. According to one beneficiary, "The results of the program are sustainable in different aspects. First, it helped our company to have technical staff. In addition, it caused our products to have better quality." Another beneficiary told us, "With the help of the technical tips we learned from ACEBA, we can continue our work even after the completion of the program."<sup>57</sup>

The ACEBA beneficiaries we interviewed also reported several challenges that hindered program implementation, including banking issues, a decrease in exports, and greater restrictions on women. Most beneficiaries stated that these challenges resulted from the Afghan government's collapse and the Taliban's return to power. One beneficiary told us that production of carpets decreased by 70 percent because products could not be easily exported. Another beneficiary described the impact of restrictions on women stating, "It really affected our business because we lost most of the women who were working with us from home, and also the NGOs [nongovernmental organizations] and institutions are not working with us anymore."

According to ADS 201, the mission must conduct at least one evaluation per activity (such as ACEBA) that has a total estimated cost of \$20 million or more. Questions that USAID could address by an evaluation include whether (1) outcomes have been, or are likely to be, sustained; (2) the expected results of a particular strategy, project, or activity have been achieved; and (3) USAID assistance contributed to the results achieved. According to the ACEBA contract, "USAID expects to conduct an independent mid-term program evaluation scheduled near the end of the second year of the contract [December 2021]." According to USAID, it postponed the evaluation because of the delays in program implementation associated with the COVID-19 pandemic and the Taliban takeover.<sup>58</sup>

Finally, despite sustainable development being a foundation of USAID's activities, USAID's current ADS guidance does not require USAID to determine if activities are sustainable before it undertakes an activity or at an activity's conclusion.<sup>59</sup> USAID officials stated that ACEBA looks at sustainability "from many perspectives," including commercial viability, management, access to resources, technical and financial capacity, and environmental impact. The officials added that ACEBA uses extensive selection criteria for grants and activities to help ensure sustainability, but DAI cannot guarantee the sustainability of individual businesses due to other external factors such as economic downturn, the COVID-19 pandemic, and disruptions in the banking industry. However, while DAI cannot guarantee that individual business will continue, the majority of businesses owners we spoke with believe that their business are sustainable.

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<sup>55</sup> USAID provided us a list of 359 ACEBA beneficiaries active as of June 2022. From this list, we identified 105 businesses across 10 Afghan provinces: Balkh, Bamiyan, Farah, Ghazni, Helmand, Herat, Jawzjan, Kabul, Kandahar, and Nangarhar. Out of the 105 selected businesses, 55 agreed to be interviewed. In July 2023, USAID provided us with an updated list of ACEBA beneficiaries and reported that there were 821 beneficiaries as of June 2023.

<sup>56</sup> SIGAR Representatives Interview with ACEBA Beneficiaries, May 15, 2023.

<sup>57</sup> SIGAR Representatives Interview with ACEBA Beneficiaries, May 15, 2023.

<sup>58</sup> Following completion of our fieldwork and communicating our findings to USAID, the AMELA contractor completed USAID's evaluation of ACEBA. The evaluation addressed the following five areas: 1) the extent to which ACEBA achieves its intended results; 2) evidence of the program's effect on the incomes of beneficiaries in the target population; 3) the extent to which the program improved the businesses and profitability of participating firms; 4) the extent to which the program integrated women into implementation; and 5) whether or not the ACEBA livelihood model was sustainable and replicable.

<sup>59</sup> USAID, "Local Systems Framework Supporting Sustained Development," April 2014, p. 5.

## CONCLUSION

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Security issues in Afghanistan have long made oversight of U.S.-funded activities difficult. In the last 4 years, the global COVID-19 pandemic and withdrawal of U.S. personnel from Afghanistan after the Taliban takeover only made oversight of USAID programs like ACEBA even more difficult. USAID has monitoring procedures and requirements in place to help program officials overcome those challenges, including requirements associated with site visits, performance reporting reviews, corroborating data with outside sources, and information management to allow officials to understand performance and decision-making processes. However, USAID did not follow ADS 201 and Mission Order 201.05 monitoring requirements while its contractor, DAI, implemented the approximately \$106 million ACEBA program, which started in January 2020. As a result, USAID does not have all the information needed to fully assess ACEBA implementation and progress, and to determine whether USAID should continue the ACEBA program through January 26, 2025. Although USAID and DAI identified mixed program results through qualitative evidence and some contractor performance reporting, they have not adhered to all USAID performance measurement guidance, frequently changed performance measurement indicators and targets, and did not complete a program evaluation or measure sustainability until the program's final year, making it nearly impossible to identify and make any meaningful program changes before ACEBA ends in 2025.

## RECOMMENDATIONS

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We are not making any recommendations in this report because in our May 2023 report, *Healthcare in Afghanistan: USAID Did Not Perform All Required Monitoring, But Efforts Reportedly Contributed to Progress in Vital Services* (SIGAR 23-24-AR), we reported similar problems involving USAID's compliance with monitoring and documenting Mission Order 201.05 requirements. In response to that report, USAID's Mission to Afghanistan advised that it was revising Mission Order 201.05 to address SIGAR's recommendations. In November 2023, USAID issued revised Mission Order 201.05, and if implemented as stated, the changes should address the issues highlighted in this report.

## AGENCY COMMENTS

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We received written comments on a draft of this report from USAID's Acting Mission Director for Afghanistan, which are reproduced in appendix IV along with our response to several technical issues. We updated the draft report in response to USAID's comments, as appropriate.

USAID commented that our report does not provide sufficient context for the reader to understand the operating environment in Afghanistan at the time USAID and DAI initiated the program; we disagree. We included USAID's and DAI's explanations of why the ACEBA program was unable to meet its performance targets in program years 2020 and 2021. Our explanation includes all the reasons USAID highlighted in its comments, along with additional details.

In its comments, USAID also expressed concern that we did not use the performance results included in the ad hoc performance indicator tables that USAID provided. In response to USAID's concern, we analyzed the USAID-provided performance indicator tables and found that the results did not significantly differ from the findings in our analysis of ACEBA's annual and quarterly reports. Since the ad hoc performance indicator tables provided by USAID are not official program results, as we explain in our report, we determined that it was more appropriate to use the official program results to determine the ACEBA program's performance. Appendix III presents the results of our analysis.

## APPENDIX I - SCOPE AND METHODOLOGY

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This report provides the results of our audit of the U.S. Agency for International Development's (USAID) Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) program. In January 2020, USAID awarded a 5-year contract to Development Alternatives Incorporated (DAI) to implement ACEBA. The objectives of this audit were to review USAID's oversight and management of ACEBA from January 2020, when USAID initiated the program, through December 2023. Specifically, this audit assessed the extent to which (1) USAID conducted required ACEBA program oversight; and (2) ACEBA achieved stated program goals and objectives, including those related to sustainability.

To achieve our objectives, we reviewed USAID award documentation, oversight documentation, and program performance data for ACEBA from January 2020 through September 2023. We reviewed public laws, and agency policies, procedures, and other documentation governing the program. For example, we reviewed USAID's Automated Directives System (ADS) and Mission Order 201.05. Additionally, we reviewed annual, quarterly, and monthly performance reports, and activity monitoring, evaluation, and learning (MEL) plans to identify additional program-specific requirements. We also accessed and reviewed Afghan Info—USAID's Mission to Afghanistan's central repository for all monitoring and performance data and administrative information—to determine if required documentation of monitoring activities, performance reports, and monitoring and evaluation plans had been reviewed and uploaded. We sent questions to USAID to which they provided written answers. We also interviewed DAI representatives and submitted questions to which they provided written answers.

In December 2014, SIGAR entered into a cooperative agreement with civil society partners working in Afghanistan. Under this agreement, our partners conduct in-country inspections, evaluations, and interviews on our behalf. We used a civil society partner to obtain the views of ACEBA beneficiaries. To that end, we developed a set of structured interview questions, as well as a list of ACEBA beneficiaries to be interviewed. We reviewed the interviews and the summary documents that our civil society partners provided and included examples of the data in our report. We believe the information to be credible but acknowledge the interviewees' opinions do not represent the views of all the ACEBA beneficiaries operating in Afghanistan.

We assessed the significance of compliance with regulations such as ADS 201 and Mission Order 201.05, which are regulations necessary to satisfy the audit objectives. For our audit objectives, we did not rely on computer-processed data.

We conducted our audit work in Arlington, Virginia, and various locations in Afghanistan from July 2022 through April 2024, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR performed this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4.



## APPENDIX II - COMPLIANCE SUMMARY FOR THE AFGHANISTAN COMPETITIVENESS OF EXPORT-ORIENTED BUSINESS ACTIVITY PROGRAM'S MONITORING REQUIREMENTS

The U.S. Agency for International Development (USAID) contract for Development Alternatives Incorporated (DAI) to implement the Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) program included specific monitoring requirements for DAI to provide monthly, quarterly, and annual reports to the agency. Table 2 provides details of the contract requirements and the number of reports that met the reporting requirements.

**Table 2 - Number of Monthly, Quarterly, and Annual Reports that Met the Reporting Requirements Included in DAI Contract Award**

Report Criteria	Monthly Performance Reports	Quarterly Performance Reports	Annual Performance Reports
	(Met/Total Number of Reports)	(Met/Total Number of Reports)	(Met/Total Number of Reports)
Activity progress and performance	33/33	n/a	n/a
Challenges	31/33	n/a	n/a
Important event	Unable to Identify	n/a	n/a
Opportunities	22/33	n/a	n/a
Security impact on activity implementation	19/33	n/a	n/a
Reporting period plan described in the work plan	n/a	10/11	n/a
Activity monitoring, evaluation, and learning plan indicator progress	n/a	11/11	n/a
Contractor and short-term technical assistance specific accomplishments	n/a	11/11	n/a
Discussed U.S. small businesses used	n/a	2/11	n/a
Summarize activity progress against tasks and benchmarks	n/a	11/11	n/a
Identifies implementation issues that may inhibit or enhance contractor performance	n/a	11/11	n/a
Success stories	n/a	8/11	n/a

Interaction with counterparts	n/a	9/11	n/a
Necessary alterations to work plan and initial timetable	n/a	7/11	n/a
Does the annual report reporting period end on September 30	n/a	n/a	4/4
Does the report summarize previous year activities and accomplishments against respective work plan indicators	n/a	n/a	3/4
Did the contractor prepare the report 30 calendar days prior to the end of every year	n/a	n/a	1/1*
Did the contractor prepare and submit an annual report by 30 calendar days after the end of every fiscal year	n/a	n/a	1/3**
Does the report clearly distinguish between quarterly and annual results	n/a	n/a	3/4
Does the report include results against indicators	n/a	n/a	4/4
Does the report include any security impacts on the program implementation	n/a	n/a	4/4
Does the report include any lessons learned over the year	n/a	n/a	1/4
Does the report include analysis of any key topics identified by the contracting officer's representative	n/a	n/a	None
Does the report identify any new challenges that may impact the program going forward	n/a	n/a	4/4
Does the report identify any new opportunities that may impact the program going forward	n/a	n/a	3/4
Does the report include information on the issuance of grants under contract	n/a	n/a	4/4
Does the report include information on the administration of grants under contract	n/a	n/a	4/4
Does the report include information on the monitoring of grants under contract	n/a	n/a	3/4

Source: SIGAR analysis of DAI's Afghanistan Competitiveness of Export-Oriented Business Program (ACEBA) reporting.

\* ACEBA Annual Reports for fiscal year (FY) 2021 through FY 2023 are not applicable because as of April 21, 2021, USAID Modification 3 to the ACEBA Award changed the requirement of preparing and submitting an annual report from 30 days prior to the end of every fiscal year to 30 days after the end of every fiscal year.

\*\*ACEBA Annual Report for FY 2020 is not applicable because as of April 21, 2021, USAID Modification 3 to the ACEBA contract changed the requirement of preparing and submitting an annual report from 30 days prior to the end of every fiscal year to 30 days after the end of every fiscal year.

## APPENDIX III - SIGAR ANALYSIS OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S AD HOC PERFORMANCE INDICATORS

In April 2023, the U.S. Agency for International Development (USAID) provided us with performance indicator tables for program years 2 and 3 of the Afghanistan Competitiveness of Export-Oriented Business Activity (ACEBA) program. In April 2024, USAID provided us with the performance indicator table for ACEBA's program year 4. In its comments on our draft report, USAID officials told us that its contractor, Development Alternatives Incorporated (DAI), prepared these tables on an annual basis, and USAID did not understand why we did not review or reference the tables in our audit. In response, we analyzed these USAID-provided performance indicator tables prepared by DAI and found that the results did not significantly differ from the findings in our analysis of ACEBA's annual and quarterly reports.

Table 3 shows the targets and results for the ACEBA program's performance indicators and includes information for years 2, 3, and 4 of ACEBA's implementation. The data comes from DAI's ad hoc 2021, 2022, and 2023 performance indicator tables. As Table 3 shows, ACEBA did not achieve most of its targets during 2021 (program year 2) but met most targets in 2022 and 2023 (program years 3 and 4).

**Table 3 - USAID's Performance Indicator Tables, 2021–2023**

Performance Data	Year 2: 2021 (Original)	Year 2: 2021 (Adjusted)	Year 3: 2022	Year 4: 2023
Number of Indicators	9	9	13	12
Met Targets	3	4	10	11
Unmet Targets	6	5	3	1
Percentage of Met Targets	33.3%	44.4%	76.9%	91.7 %
Percentage of Unmet Targets	66.7 %	55.6 %	23.1 %	8.3%

Source: USAID ad hoc performance indicator tables for years 2, 3, and 4.

Note: In July 2022, USAID reduced the performance targets for program year 2021, 5 months after the end of the program year. According to USAID, DAI did not provide a Performance Indicator Table for program year 1 because in April 2021, USAID modified the contract to zero out the indicators for the first program year. USAID modified the contract after DAI reported performance indicators for program year 1.

## APPENDIX IV - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT AND SIGAR'S RESPONSE

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### MEMORANDUM

**TO:** The Honorable John F. Sopko, The Special Inspector General for Afghanistan Reconstruction (SIGAR)

**FROM:** Heather Bomans, Acting Mission Director, USAID/Afghanistan/s/

**DATE:** April 08, 2024

**SUBJECT:** **Management Comments to Respond to the Draft Performance Audit Report Provided by the SIGAR titled, “The Afghanistan Competitiveness of Export-Oriented Business Activity Program: USAID Did Not Perform All Required Oversight, and the Program Has Yielded Mixed Results.” (SIGAR 24-XX /SIGAR 155A)**

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The U.S. Agency for International Development (USAID) would like to thank SIGAR for the opportunity to provide comments on the subject draft report which does not have any recommendations for the Agency.

USAID agrees that program oversight and achievement of program goals and objectives are essential to the stewardship of the funding USAID receives. We take seriously our duty as stewards of American taxpayer money and hold ourselves and our implementing partners to the highest standards to ensure that U.S. assistance funds are used wisely, effectively, and for their intended purposes.

**SIGAR  
Comment 1**

While the ACEBA audit has no recommendations for USAID and USAID is pleased with the overall outcome of the audit, USAID wishes to relay that the report excludes information and thereby does not provide the reader of the report with a clear understanding of the context in which USAID conducted its overall activity oversight and management. Specifically, USAID considers the report to exclude necessary context on the operating environment and information or actions taken by USAID outside of the contractual provisions with DAI.

USAID indicated to SIGAR that to understand the actions taken related to the contract it is essential to understand the context of the operational environment. Specifically, in year one of the contract (2020), COVID-19 severely restricted program implementation of the new program. DAI experienced delays in establishing offices and was unable to conduct site visits to potential partners thereby delaying finalization of grants. In year two (2021), COVID-19 continued and the program's implementation was further impacted by the Taliban takeover in August 2021. At the requirement of the National Security Council, all programs were paused and reviewed. The review process identified ACEBA as meeting strategic priorities of the U.S. Government but the contract required an adjustment to the scope of work to narrow the focus to livelihoods. By year three of the contract (2022), the program resumed activities and since that time has accelerated its progress on meeting the overall program goals and objectives expected by the end of the contract.

USAID concludes that a reader with an understanding of the operating context can better interpret the actions USAID took as a result of the external challenges that arose. Of note, USAID’s management and oversight for this activity adhered to ADS 201 for the implementation of adaptive management practices. Adaptive management as defined in ADS 201.6 is “[a]n intentional approach to making decisions and adjustments in response to new information and changes in the context.” USAID’s Adaptive Management Discussion Note (ADS 201.5a) states “[p]erhaps most importantly is the need for mutual trust between USAID and its implementing partners. Maintaining an open line of communication and jointly reassessing what is not working during implementation is a critical part of learning and adapting during activity implementation.”

Given the operating environment over the three-year period 2020 to 2022, USAID identified increased risk related to its program and the need to adapt. As a result, USAID implemented additional controls to mitigate the increased risks. For example, while the contract called for standard reporting on a monthly, quarterly, and annual basis, USAID requested more frequent and real-time engagement with DAI. USAID did not amend the contract to request increased frequency of reporting or engagement. Rather, USAID and DAI both agreed that real-time discussion would improve contract oversight and implementation and the result was a weekly cadence of program calls between USAID and DAI. Additionally, the weekly calls assisted both USAID and DAI with working through challenges of modifying work plans, adjusting performance indicators, and addressing delays in program implementation. While these calls were not required under the contract, they mitigated increased risk of non-performance or less than full achievement of program goals. The meetings reflect active program oversight during a period of time when reassessment of approaches was required.

**SIGAR  
Comment 2**

SIGAR noted that the absence of site visits in itself suggests that “USAID stakeholders lacked important, documented progress and monitoring information about ACEBA needed to apply adaptive management and timely respond to observed issues.” However, USAID had information as related external factors and through partner discussion to trigger adaptive management approaches. USAID, therefore, adhered to Agency policy as relates to adaptive management. Site visits are one form of verification of results. USAID concludes that its efforts during the first years of the contract adjusted appropriately for the risk of non-performance or less than full performance for the program and did not need to rely on site visits to inform responsive actions.

**SIGAR  
Comment 3**

USAID understands that SIGAR considered only reports required under the terms of the contract to conclude on USAID’s management and oversight of ACEBA. However, USAID does not understand why the Performance Indicator Tables prepared by DAI on an annual basis were not reviewed or referenced in the audit as these tables highlight how ACEBA achieved program goals and objectives.

**SIGAR  
Comment 4**

SIGAR recognizes in Footnote 51 “the AMELA contractor completed USAID’s evaluation of ACEBA” but does not otherwise incorporate the findings of the evaluation into the audit. For instance, the AMELA evaluation, which used the Performance Indicator Tables, indicates that the activity in year 3, met 11 out of its 13 targets. The activity fell short of meeting two indicators: 1) 6.95 percent shortfall on a target 40 percent change in the sales of exporters who received U.S. government assistance, and 2) \$3 million shortfall on the \$15 million total U.S. dollar value of cash transferred to beneficiaries.

These results show that despite the challenges of external factors that delayed program start-up and implementation, DAI has accelerated its efforts and is making progress on overall program goals and objectives. Thus, USAID concludes that the adaptive management approaches facilitated putting the program on a positive track to meet the intended goals and objectives of the program. Additionally, site visits through USAID's third-party monitor were implemented beginning in 2022.

## SIGAR's Response to Comments from the U.S. Agency for International Development

**SIGAR Comment 1:** Regarding USAID's comment that the report does not provide sufficient context for the reader to understand the operating environment in Afghanistan at the time USAID and DAI initiated the program, we disagree. We included USAID's and DAI's explanations of why the ACEBA program was unable to meet its performance targets in program years 1 and 2. Our explanation includes all the reasons USAID highlighted in its comments along with additional details.

**SIGAR Comment 2:** Regarding USAID's comments on the use of site visits, it is true that site visits are one form of verification of results, as we point out in the report. However, USAID guidance, as well as Mission Order 201.05, require site visits. USAID did not provide us with any evidence that the Mission waived the site visit requirement for ACEBA, nor did USAID include an explanation in the ACEBA Multi-Tiered Monitoring Plan as to why USAID did not undertake remote site visits during the COVID-19 pandemic.

**SIGAR Comment 3:** We updated the report to include an analysis of the ad hoc performance indicator tables that USAID provided. We found that our analysis of the official performance indicator data included in the ACEBA annual and quarterly reports did not differ significantly from the results of the ad hoc performance indicator data provided by USAID. We also explained that we did not use the ad hoc indicator data because it is not official program data, and we determined that it was more appropriate to use the official program data to determine the extent to which ACEBA had met its goals and objectives.

**SIGAR Comment 4:** As we note in footnote 58, USAID's evaluation was provided to us after we completed our fieldwork.

## APPENDIX V ACKNOWLEDGMENTS

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This performance audit was conducted  
under project code SIGAR-155A.

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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## SIGAR's Mission

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