625-0610
688-0201
688-0203
625-0926A

PD-AAA6-428

Auditor General

PROBLEMS IN IMPLEMENTING
A.I.D.'S LIVESTOCK SECTOR PROJECTS' ACTIVITIES
IN MALI

After four years of AID support and the expenditure of $13.1 million, AID livestock projects have had little impact in improving and sustaining the Mali livestock sector because:

-- AID's efforts were based on hastily conceived designs that are discrepant with traditional livestock practices in Mali, and

-- the Government of Mali lacks the management and financial capability to implement and absorb the recurring costs of the livestock project activities.

Also, AID funds advanced to the Government of Mali are not being properly accounted for and equipment procured with AID funds is not being properly used.

Audit Report Number 80-67

Issue Date June 6, 1980

Area Auditor General, Washington
Agency for International Development
Washington, D.C. 20523

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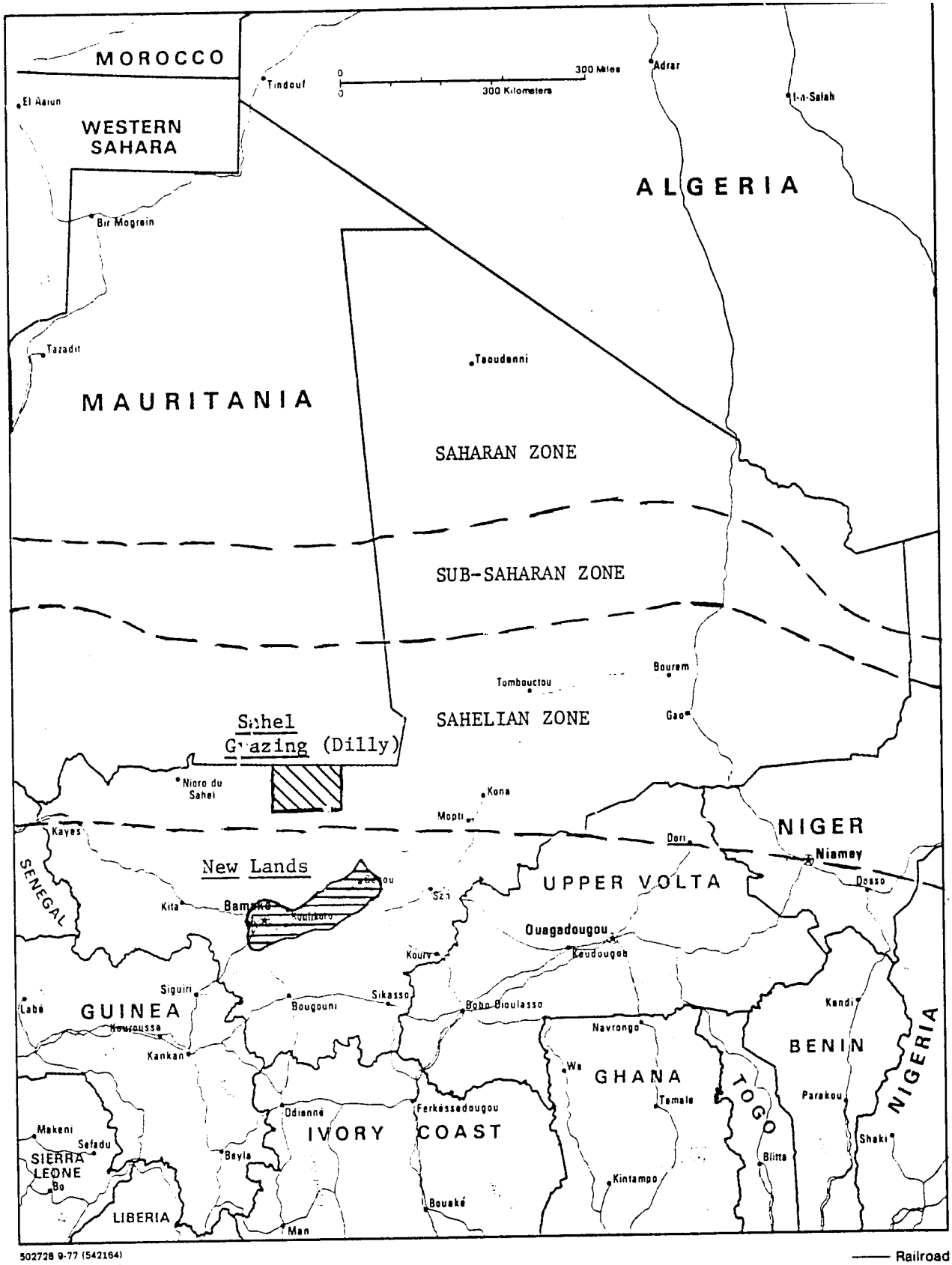
Mali



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Railroad
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PROBLEMS IN IMPLEMENTING
A.I.D.'S LIVESTOCK SECTOR PROJECTS' ACTIVITIES
IN MALI

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	i
BACKGROUND	1
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	3
The Continued Viability Of The Mali Livestock Project Is Questionable	3
Project Results Have Not Met Expectations	14
Accounting Procedures Are In Need Of Improvement	24
Need To Improve Commodity Procurement And Utilization	31
USAID/Mali Project Management Needs Improvement	34
EXHIBIT A:	
Mali Livestock Sector Financial Status of Projects At September 30, 1979	36
EXHIBIT B:	
List of Report Recommendations	37, 38
LIST OF REPORT RECIPIENTS	39

EXECUTIVE SUMMARY

Introduction

Livestock production is an important factor in Mali's economic development planning. It is the source of 25-30 percent of the country's export earnings and one of the sectors with the greatest potential for growth. Recognizing this potential, AID became involved in the sector in 1962 with a regional project to research, produce and supply vaccine for the Sahelian herds. Since then, AID's livestock program has evolved and expanded into what is fundamentally a sector level effort comprised of four projects directed towards almost all facets of the sector. Through these four projects, AID has obligated approximately $20 million as of September 30, 1979. A new comprehensive livestock sector project is now being developed which will incorporate and enlarge the activities of these projects. Funding for this new six-year project is estimated at about $50 million (pages 1-2).

Purpose and Scope of Review

This review was undertaken in response to a request received from the Director, USAID/Mali. The purposes of the review were: (1) to assess the results of the livestock sector projects, (2) to determine whether the projects were effectively and efficiently planned and managed, and (3) to ascertain whether the AID funds were expended properly and in compliance with the Agency's policies and procedures. The review included an examination of the projects' records, site visits and discussions with appropriate Government of Mali and AID officials (page 2).

The Viability of the Livestock Activities Is Questionable

The AID-financed livestock activities have had little measurable success in developing the sector. Moreover, the activities, as now designed, are not developing a viable program that Mali could eventually sustain with its own resources. This condition, in our view, is attributable to the following:

-- AID did not sufficiently study the validity of the socio-economic assumptions on which the livestock activities are predicated. The activities are based on hastily conceived designs that are discrepant with traditional livestock practices. The USAID/Mali's use of the rolling design methodology, without annual evaluations, has contributed to this situation (pages 4-6).

-- The Government of Mali lacks the financial resources to absorb the recurring costs of the activities. Unless the activities develop a self-sustaining financial capability, the Government will be unable to continue the activities after AID's financial support ends (pages 6-8).

-- AID has used the host country contracting mode without adequately assessing whether the Government of Mali had the capability to assume the management responsibilities. This arrangement has resulted in a less than satisfactory utilization of the contractor's services (pages 8-10).

-- AID and other donors are not coordinating their efforts, though they finance similar types of activities through the same Government agencies. As a result, no interchange of information and experiences are being shared (pages 10-11).

In our view, these issues must be considered and addressed by AID in the new sector project now being developed.

Results Have Not Met Expectations

After four years of AID support, including the expenditure of $13.1 million, AID livestock activities have had little impact in achieving tangible results. For example, the finish-feeding activities, Tienfala Feedlot and Embouche Paysanne (the small farmer-feeding activity), are operating at less than a third of expectations. Moreover, it is questionable whether either of these finish-feeding activities have the capability of being financially self-sustaining. Results under the Sahel Grazing Activity have also been minimal. A detailed systematic plan has not been developed to implement the grazing activity, and the only significant accomplishments have been the construction of firebreaks and the drilling of test wells. Also, the New Lands Studies are a year behind schedule because of the frequent turnover of contractor personnel. In our view, AID must determine the viability of these activities and whether they merit continuation under the new sector project (pages 14-23).

Accounting Procedures Are In Need of Improvement

AID has advanced substantial funds ($3.1 million) to the Government of Mali for defraying local costs without taking reasonable precautions that the funds would be used properly. In the Mali I Project, an inadequate accounting system was developed which has resulted in the Government being unable to provide a full and detailed accounting for the use of AID funds. In the Mali Livestock II Project, the Government has evaded USAID/Mali's $2,500 disbursement approval requirement by using multiple checks for single transactions. The Government of Mali has not maintained its accounting system in a manner that facilitates a reconciliation of expenditures to accounting records. These accounting system deficiencies have facilitated the use of AID funds for unauthorized purposes. In our view, AID must reassess the adequacy of the Government of Mali's accounting systems to ensure that AID funds are properly used and supported for authorized purposes (pages 24-30).

Need to Improve Commodity Procurement and Utilization

AID-financed equipment and facilities costing about $100,000 are not being fully utilized. An aircraft landing strip constructed at a cost of $40,000 has not been used because anticipated aircraft traffic did not materialize. A mobile home purchased for $50,000 has not been used because road conditions do not permit its transport to the project site. These and other examples of non-utilized equipment purchased with AID funds, in our view, stem from inadequate analysis of project needs. Additionally, of 51 AID-financed vehicles procured under the Mali Livestock II Project, 19 are non-operational because of inadequate maintenance (pages 31-33).

USAID/Mali Project Management Needs Improvement

The USAID/Mali's project management of the livestock sector activities is marginal. Few substantive evaluations have been performed, financial monitoring has been inadequate and little has been done to identify and address problem areas. The USAID/Mali attributes this lack of project management to inadequate staffing. AID must consider whether large projects, such as the one now being developed, should be approved until sufficient staffing has been provided (pages 34-35).

Summary of Management Comments

USAID/Mali expressed the view that the draft report was a constructive and lucid statement that will be useful in getting the project under more effective and disciplined management. Two exceptions, however, were taken regarding the findings.

The USAID/Mali does not concur that the rolling design methodology is not appropriate for use in developing the new Mali Livestock Sector Project. It stated that the term came into use in the Mission in recognition of the need to continuously reevaluate project direction and objectives and adjust them in light of acquired experience and knowledge. The USAID/Mali feels certain that this continual review and flexibility in project implementation is not only desirable but is an obligation given AID's short period of experience in Mali. It states that the problem with the rolling design was that the procedure established for comprehensive annual evaluation in the Request for Proposal and the technical assistance contract was not followed throughout the entire period of implementation to date.

The USAID/Mali also does not concur that the principal objective of Tienfala is to demonstrate the economic feasibility of livestock feeding on a large scale. It stated that, "the original Project Paper left the impression this was the case; however, this objective was revised by an amendment. The amendment emphasized that the objective of Tienfala that would meet AID's beneficiary criteria would be to conduct feeding operations at Tienfala in a manner to determine the most economically feasible feeding system amongst the possible combinations of systems that can be used in Mali."

Conclusions and Recommendations

The AID-financed livestock activities have had little impact in addressing the problems of the Mali livestock sector because not enough was done to verify the validity of the socio-economic and financial assumptions on which the projects were predicated. This problem has been compounded by the lack of adequate USAID/Mali staffing to manage the project activities.

AID and the Government of Mali are now developing a new project that will continue and expand on the existing activities. In our view, before AID approves and funds that project, it needs to address a number of problem areas. In this regard the report contains 16 recommendations. These recommendations are listed in Exhibit B to this report.

BACKGROUND

Mali, located in the Sahelian Region of West Africa, is one of the least developed countries in the world. Its per capita gross national product of $110 (1977 dollars) is the lowest in Africa. AID estimates rural per capita income in cash and kind somewhere between $50 to $75. Agriculture and livestock constitute Mali's most important economic sector and the one with the greatest potential for growth. The sector contributes about 64 percent of Gross Domestic Product, employs over 90 percent of the active labor force and is the source of nearly 99 percent of the country's export earnings of which 25-30 percent is attributable to livestock.

Livestock production represents a singularly important factor in Mali's economic development planning. The country enjoys a unique combination of factors which place it in a position of competitive advantage over its Sahelian neighbors. It is ideally located in respect to the relatively vast markets of coastal West and North West Africa. Land and water resources exist for significant expansion of the national herd. In AID's judgment, with proven management, the marketing of cattle could be doubled in 15-20 years.

Recognizing the potential of livestock as a vehicle for accelerating social and economic development, AID first became involved in the livestock sector in 1962 with a regional project to research, produce, and supply vaccine for Sahelian herds (the Central Veterinary Laboratory). Since then, the livestock program has evolved and expanded into what is fundamentally a sector level effort comprised of four projects directed toward almost all facets of the sector. These four projects (see attached Exhibit A for financial details) are presented below:

-- Central Veterinary Laboratory (625-0610).
Purpose: Manufacture animal vaccine, diagnose animal diseases and undertake research.

-- Mali Livestock I (688-0201).
Purpose: Increase the production and marketing of cattle by finish-feeding. The major feeding activities are Tienfala Feedlot and Embouche Paysanne. The latter activity is directed toward small farmers.

-- Mali Livestock II (688-0203).
Purpose: Increase production and marketing through improved range management and expansion into new lands.

-- Tse-tse Fly and Trypanosomiasis Research and Training (625-0926A).
Purpose: Control of Vector borne cattle disease.

In March 1979, AID prepared a Project Paper, a basic design and strategy document, proposing a $46.4 million six-year comprehensive livestock sector program. This proposed project was to incorporate and enlarge many of the on-going activities of the existing four projects. However, in subsequent negotiations, the proposal was rejected by the Government of Mali. The Government's rejection was predicated on its non-involvement in the preparation of the paper. A new Project Paper is now being prepared collaboratively by the Government of Mali and USAID/Mali.

The Government of Mali's rejection of the Project Paper caused something of a dilemma for AID. That is, continued AID funding for the four on-going projects had to be provided, yet a more integrated management arrangement was considered necessary. AID finally decided, as an interim measure, to subsume the four projects within the Mali Livestock II project. Accordingly, on July 6, 1979, AID/Mali provided the Government with a grant of approximately $4.6 million. Though the Mali Livestock II project now incorporates all livestock sector funding, no changes were made in the institutional structure of implementation. The four projects continue to operate as discrete activities vis-a-vis the respective directorates within the Ministry of Rural Development.

Purpose and Scope

This review was undertaken in response to a request received from the Director, USAID/Mali.

The purpose of the review was to assess the results of the livestock sector projects, to determine whether the projects were effectively and efficiently managed and to ascertain whether AID funds were expended properly and in compliance with AID's policies and procedures. Our examination included a review of the Government of Mali's and USAID/Mali's records as well as discussions with appropriate host government and AID officials. Visits were made to selected project sites throughout Mali. (See map.)

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

THE CONTINUED VIABILITY OF THE MALI LIVESTOCK PROJECT IS QUESTIONABLE

The Mali livestock activities financed by AID have had little measurable success in implementing the Government of Mali's livestock strategy. The activities have not developed a sustaining viability. Nor do the activities, as now designed, show much potential for doing so. In our view, this is attributable to the following:

1. The USAID/Mali, in its haste to program funds, used a rolling design whereby the projects' activities were designed for one year at a time. The annual evaluations, which are an inherent aspect of this methodology, have not been performed on a regularized basis. The needed modifications in design have thus not been made. In using this design methodology, the validity of critical socio-economic assumptions have not been sufficiently studied. The activities are consequently proceeding on the basis of hastily and inadequately conceived designs that are discrepant with traditional livestock practices in Mali.

2. The Government of Mali lacks the financial resources to absorb the recurring costs of project activities. Unless the activities develop a self-sustaining financial capability, and there is little evidence of this, the Government of Mali will be unable to continue the activities after AID's financial support is withdrawn.

3. AID has used the host country contracting mode without adequately assessing whether the Government had the administrative and financial capability to assume management responsibilities. In our view this arrangement has resulted in a less than satisfactory utilization of the contractor's services.

4. AID and other donors are not coordinating their efforts, though they finance similar types of activities and work through the same Government of Mali directorates. As a result, no interchange of information and experiences is being shared by the donors.

Government of Mali Livestock Strategy

The majority of cattle in Mali are owned by herdsmen who could be described as nomadic or migratory producers. This system of livestock production is associated with those areas in Mali where crop production is difficult. The largest areas of migratory land use are the Sahelian and sub-Saharan ecological zones (see map). These two zones account for 31 percent (146,000 square miles) and 16 percent (15,000 square miles), respectively, of Mali's total land area.

To improve the productivity of the livestock sector, the Government of Mali developed a strategy in its five year plan (1974-1978) addressing production, finish-feeding and marketing. One aspect of this strategy calls for improved and controlled range management practices for preserving the fragile land resources in the Sahelian zone. Another envisages the removal of young male stock from the Sahel for feeding and fattening in areas of higher potential. Other aspects include improved animal health, marketing and training for the Government's livestock service staff. AID and other donors, such as the World Bank, have financed projects to assist the Government implement this strategy.

Project Design and Planning Need Improvement

Few AID-funded activities in the livestock sector have attained the stated objectives. For example, little use is being made of the large, modern Tienfala Feedlot that AID funded at a cost of $1.3 million; proper financial safeguards were not developed for a Revolving Credit Fund which received $600,000 in AID funds, thereby enabling the Government of Mali's implementing agencies to divert some of the funds for other purposes; confusion exists between USAID/Mali and the Government as to whether the Toronke Research Station is an authorized activity. This resulted in USAID/Mali not monitoring the activity. In our view, these and other activities, discussed later in this report, are indicative of poor project design and planning.

The Project Paper prepared by USAID/Mali in March 1979, and later rejected by the Government of Mali, acknowledges that the AID-funded livestock projects had not produced the expected results. The projects, according to the paper, were too big, expected progress too fast, and were too uncoordinated. Three causes were cited for these deficiencies:

-- "The marketing system has been inefficient in producing a sufficiently extensive incentive to producers.

-- ...Both management and coordination of the USAID-funded livestock projects have been far below expectation.

-- ...There is a grave lack of reliable information upon which to base planning, operational and technical decisions. These decisions are based principally upon opinions rather than upon statistically indicative data."

Another and more fundamental deficiency, in our judgment, has been the design methodology. USAID/Mali has been using what is called a rolling design. Under this methodology, project activities beyond the first year are designed upon actual experiences and careful evaluation and analysis of prior year experiences. This approach is in contrast to the more orthodox design and approval process which carefully delineates a design which attempts to deal with all contingencies which may arise

between a project's inception and completion. USAID/Mali justified its use of the rolling design on the basis that neither AID, the other donors, nor the Government, have enough actual experience to design long range developmental projects with competence.

Evaluation is an important element of the rolling design process. This importance lies in the fact that the next year's design is based on an evaluation of the prior year's results. In this regard the evaluations serve as a feedback for making needed design modifications. Yet, given this importance of evaluation, we found that the only substantive evaluations were performed in 1978 for the purpose of developing the new sector project. This prior lack of substantive evaluations, in our view, raises serious questions about the viability of the rolling design methodology because inherent in that methodology is the need for evaluations to adjust design.

In an April 1979 report, AID's Operations Appraisal Staff, Bureau for Program and Policy Coordination, suggested that the methodology be discontinued:

> "In Mali, the USAID has had a relatively large quantity of funds to program as a result of Congressional appropriations for drought relief, rehabilitation and, eventually, the Sahelian Development Program. U.S. staff has been scarce, familiarity with Mali was limited, and host country institutions were not prepared to deal with the large influx of assistance from many donors.
>
> "We have indeed concluded that the rolling design approach was preferable during the first years of the program. Although there may be implementation delays in the next few years attributable to the haste with which some projects were planned, and although other projects (Central Veterinary Laboratory, Tienfala Feed Lot) may well have been planned differently had the mission the benefit of hindsight, the rolling design approach basically has worked in Mali.
>
> "However, a significant question arises as to whether this approach is still appropriate, or should it be modified now that the mission is more fully (although not adequately) staffed and experienced. The disadvantages of the rolling design approach are almost self-evident. Carelessly, irresponsibly, or hastily used, it results in a costly and sometimes counter-productive use of AID funds.

The activities of the livestock sector projects are predicated on some very critical assumptions of herder acceptance. The finish-feeding activities--Tienfala Feedlot and Embouche Paysanne--are predicated on the premise that herders can be induced through price incentives to cull and sell their young male cattle. The Sahel Grazing Activity is predicated on the assumption that herders will be willing to exchange their

mobility and right to decide how many cattle they will maintain and cull at any given time in return for controlled and improved pasture, veterinary services, wells and market services. Yet according to several AID-financed evaluations, cited later in this report, it is unlikely that any of these activities will be successful until more basic groundwork is done to generate herder acceptance of governmental cattle production goals and methods. The conclusion of these evaluations is that AID is proceeding too quickly too soon. The evaluations accordingly suggested that more attention be given to the fact that raising cattle for meat production is not of paramount concern to herders. This means reevaluating the assumptions on which the activities are predicated.

Host Country Financial Support Is Constrained

The Government does not have the financial resources to absorb a significant share of the recurring project costs. Continuation of project activities after AID support is withdrawn is consequently questionable.

Under the Mali Livestock II project the Government was to provide an increasing share of operating expenses over the five year life of the project. The Government's share was to be 36 percent the first year and thereafter rise by incremental stages until the fifth year, when it was to provide 100 percent of operating costs. Because of insufficient revenues, the Government has been unable to adhere to this contribution schedule. As of September 30, 1979, we found that the Government had only provided one-third of its contribution to the Mali II project as shown below:

Contribution Required As Of September 30, 1979	MFR	172,934,834
Less:		
Cash Contributions		35,742,500
In-Kind Contributions		24,622,255
		60,364,755
Contribution Not Provided	MFR	112,570,079

USAID/Mali has recently decided to withhold further releases of AID funds until the Government makes its contribution. This action has almost brought the project activities to a standstill. Unless USAID/Mali provides the funds for those operating expenses that were to have been borne by the Government, the project will remain at a standstill.

USAID/Mali may require the Government to provide a substantial contribution in cash and kind for the new sector project. Suggestive of this is the March 1979 Project Paper (later rejected) wherein the Government

of Mali was to provide the dollar equivalent of $8.2* million or 17.7 percent of project costs totaling $46.4 million. In our view, AID must decide whether it is realistic to design such a significant host country contribution into the project. The Government of Mali has been consistently running budget deficits largely made up by the French. Any significant financial contribution required by Mali would increase this deficit.

Approximately 70-75 percent of the annual budget is spent on salaries thereby leaving few resources for other expenditure categories, including development activities. In its FY 1981 Country Development Strategy Statement, USAID/Mali provides the following insight to the budget as a major obstacle to development:

> "In the last five years, the national budget operated with a deficit ranging from about 10 billion MF in 1976 (about 20 percent of all government expenditures) to about 5 billion MF estimated for 1978, which represents only about 8 percent of expenditures. Thus any recurrent cost created by a project completed during this period could be financed only from an increase in the budget deficit. A similar situation will occur in 1979 as the budget just adopted projects a deficit of about one billion MF.
>
> "...a closer look at the budget reveals even a more serious problem. Categories other than personnel expenditures, that is expenditures on materials, equipment, services and maintenance, have been compressed in recent years to a minimum. Thus these expenditures were decreased by three percent in 1978 compared with the previous year, savings which can prove only illusory and will result either in more unpaid bills by the Treasury or in compensatory higher expenditures for future fiscal years."

The Sahelian countries, being among the relatively least developed, have been exempted from the cost sharing provision of Section 110 of the Foreign Assistance Act which requires that the host country share at least 25 percent of the annual costs of the project. Only a modest contribution was designed into the Mali Livestock II project. Yet, the project provides ample evidence that budgetary constraints make it difficult, if not impossible, for the Government to make even a modest contribution. Moreover, because of these financial constraints, AID funds provided to the Government in the form of local currency are in jeopardy of being diverted for nonauthorized purposes. The Government, for example, has been diverting AID funds programmed for credit and other purposes to operating expenses. Bonus payments, which were intended to award superior performance, have become so common that they are in effect used as salary supplements. These circumstances raise the question whether the Government has the financial capability to support a livestock sector project of the magnitude now being developed.

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* The exchange rate of Malian Franks to dollars is MF 430 = $1.00.

USAID/Mali's Strategy Statement states that:

> "Our conclusion is that Mali still has its head above water, if not by much. Financially, this is due in part to the generosity of donors, a generosity that must continue for the foreseeable future if the development program is to move forward. Only very slowly can we expect to see the GRM increase its share of costs. Along with external generosity, there must be a much greater attempt to build self-financing into new projects."

The key phrase in this strategy is self-financing. The aim is to design projects that will generate sufficient revenues to cover the annually recurring costs. In this regard, Tienfala Feedlot and Embouche Paysanne are examples. Both activities charge the users fees that are intended to offset the recurring program costs. Yet, as we indicate later in this report, we found little evidence to indicate that these activities are financially viable or will be so in the foreseeable future.

Use of Host Country Contracting Mode Is Questionable

The Government has not utilized AID-financed technical assistance fully and effectively. It is our opinion that this is due to the use of the Host Country Contracting Mode.

AID Policy Determination No. 68, Host Country Contracting Mode, issued on October 27, 1976, requires that the host countries contract for AID-financed goods and services necessary in the implementation of bilateral projects. The objectives of this policy are to reduce AID staff participation in the contracting process and thereby improve the host countries' contracting capability.

USAID/Mali is one of the few AID Missions in West Africa which uses host country contracts. Several reasons are advanced by USAID/Mali officials in favor of its use. The Malian national sensitives are such that the Government would not have it any other way. And host country contracts give the Malians a sense of accountability for the money provided and the success of the projects. As of September 30, 1979, AID had provided almost $5.6 million to finance two host country contracts with Chemonics and Experience Incorporated (terminated in June 1979).

During our review a number of criticisms were made regarding host country contracting. One criticism expressed by USAID/Mali and contractor personnel is that it imposes another bureaucratic (and sometimes less efficient) layer which allegedly hampers implementation. Another and more significant criticism is that, since the Malians feel the contractors are working for them (even though this is true of AID executed contracts), there is more of an employer/employee relationship than a contractual one. Hence, in part because of this relationship, contractor personnel feel that their services are not fully utilized.

Indicative of these problems was the AID-financed host country contract with Chemonics under the Mali Livestock II project:

-- Inadequate transportation, housing and other logistical support were provided to the contractor.

-- Funds were not provided to the contractor on a timely basis thereby requiring the contractor to advance funds to the project in order that its personnel could continue project operations.

-- An accountant provided for the design of a project accounting system during the initial period of implementation was never utilized though the accountant was in Mali for more than a year.

-- A French vehicle mechanic who arrived in July 1979 has not been fully used because insufficient spare parts and suitable repair facilities have been provided.

An AID Auditor General review (see Audit Report No. 79-71 dated May 18, 1979) on the implementation of the host country contracting mode indicated that AID's interest is sometimes best served by waiving adherence to the policy in those countries where conditions are not suitable. In this regard, the report states that:

> "The Agency needs to relax the host country contracting policy. In its present form, the policy encourages AID Missions into frequent use of host country contracting where appropriate capability and conditions do not exist."

AID policy requires that the Project Paper contain an assessment indicating whether the host country does or does not have the capability to implement the host country contracting mode. Our review of the AID Mali Livestock II Project Paper disclosed little information that would constitute the required assessment of the Government's ability to contract and provide the necessary logistical support. The absence of this assessment raises the question whether the host country contracting mode should have been used in Mali. In this regard, a 1978 evaluation by a redesign team stated:

> "The host country nature of Mali II must be seriously questioned. The concept is that the GRM will have management control of the project. Yet, time after time, the management capability of the Malians has been very inadequate. The justification for a 'learn by your mistakes' management approach can be taken too far. It may simply lead to inefficiency and frustration. In too many instances, Malians have been taken out of their field of specialty and placed into managerial positions where they are ill-equipped to deal with it. The management design of this project may have been more educational and expedient had provisions been made for management training

both on the job and out of country. Contract personnel could assist in the management development phase."

Improvement in Donor Coordination is Needed

There is a lack of coordination among donors in Mali in regard to project planning and implementation. Information and learning experiences are consequently not being shared among the donors.

The 1968-74 drought in the Sahel was one of the most crippling natural disasters in Africa during this century. Sahelian states and donors realized, however, that emergency aid could not overcome the fundamental problems of poverty, drought and underdevelopment in the Sahel. A comprehensive, long-term regional approach was needed for the recovery of the Sahel. This approach required new institutional mechanisms for regional planning and donor coordination.

Several institutions were created in response to the problems of short-term emergency assistance. These organizations included the Permanent Interstate Committee to Control Drought in the Sahel* (CILSS) and the Club du Sahel.** The donors and Sahelian states subsequently determined that these and other new institutions would serve as the mechanism through which long-term development assistance to the Sahel would be planned and coordinated. Thus, from the beginning, donor and recipient coordination was a key element of the Sahel development approach. Yet, given this importance of coordinated planning and implementation, we found little evidence of it in Mali. The following statements from USAID/Mali's Strategy Statement are illustrative:

> "France, West Germany, Canada, the United Nations Development Program (UNDP), the World Bank and European Economic Community (EEC) constitute, with the U.S., the big-donor membership of the Club du Sahel. In most years each contributes more to Mali's development program than the U.S. does. Their motives,

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* In 1973 the Sahelian countries joined together in an alliance for regional coordination of development efforts. They formed the Permanent Interstate Committee to Control Drought in the Sahel which is better known by its French acronym, CILSS, and is headquartered in Ouagadougou. From inception, CILSS has worked toward a regional strategy to promote self-sufficiency in basic foods (grains and livestock) and accelerated economic and social development.

** In 1976 the international donors community created the Club du Sahel to support Sahelian development efforts. The Club du Sahel, which is located in Paris, is made up of the CILSS countries and 21 bilateral and multi-lateral donor agencies. The Club has neither statutory membership nor quotas for contributions. Rather, it attempts to create a climate of cooperation between donors and recipients that makes for better planned programs.

methods and styles differ significantly. Since so much needs to be done in Mali, working at cross purposes is not much of a problem. There is, however, little direct coordination or mutual reinforcement of activities. Mali's development operations, for instance, usually each have a single donor, and the donors tend to know little about what is happening in other operations. No formal mechanism for AID coordination exists in Mali except to the extent the GRM itself performs that function. In fact, the Malians appear to prefer the freedom of maneuver that the lack of such a mechanism provides."

USAID/Mali officials informed us that several donors, such as the World Bank and the European Economic Community, are financing grazing activities in the Sahel. Like AID, these donor activities are being implemented through the same directorate within the Ministry of Rural Development. Yet we found no evidence of coordination among the donors indicating an interchange of information and experiences. This lack of coordination, in our judgment, is potentially wasteful in that donors are not able to learn from the experiences of others and each may repeat the mistakes of the others.

In an April 1979 report, the AID Operations Appraisal Staff, Bureau for Program and Policy Coordination, urged the USAID to improve the coordination problem. The report stated:

> "Direct and continuous liaison among donors on projects in the same or similar subject matter fields is minimal. We became aware of a few examples where mission officers apparently knew little or nothing of projects supported by other donors which appeared to bear directly on the USAID program...
>
> "It is our understanding that the monthly meeting of the Donor Representatives in Bamako has been all but discontinued. Apparently GRM officials do not feel that it is in their interest to encourage coordination among the donors and in some instances other donors for various reasons may be less than cooperative. Finally, USAID project managers are generally so busy, or stretched so thin, that taking the time to keep up on what their other donor colleagues are doing does not receive high priority.
>
> "While this failing is common among donors in most developing countries, it is particularly serious in Mali. Given the very limited resources of Mali, it is especially important that the donors not compete for these resources. Rather, shared experience among the donors, refining the lessons learned and developing the complementaries between projects should be the rule, so as to provide the government with alternatives to select from as projects reach the stage of replication."

Conclusions and Recommendations

The AID-financed activities in the livestock sector have had little measurable success and have not developed a sustaining viability. In our view, this stems from: (1) too little attention being given to the validity of the assumption on which the activities are predicated and (2) using a rolling design methodology without assuring comprehensive evaluations were being accomplished. Also, in our view, the financial viability of the various activities must be reassessed. Unless USAID/Mali can demonstrate the financial viability of the activities, it is unlikely that the Government of Mali will continue them after AID support is withdrawn.

We believe that USAID/Mali has been too hasty in using the host country contracting mode in Mali. Thus, in developing the new project, we suggest that USAID/Mali reassess whether the Government of Mali has the capability to assume the host country contracting capabilities.

The Sahel Development Program is predicated on a coordinated development assistance response. The breakdown of this coordination at the country level in Mali is a serious problem that needs to be addressed. We believe a mechanism has to be established whereby information, experiences, etc. are shared by and between donors.

Accordingly, we recommend that:

Recommendation No. 1

USAID/Mali, in designing the new Mali Livestock Sector Project: (1) take steps to ensure the project is based on soundly developed assumptions that will provide some measure of success; and (2) reconsider whether the rolling design methodology should be used without first assuring that periodic comprehensive evaluations will be made.

Recommendation No. 2

USAID/Mali assess and demonstrate the potential financial viability of the activities in the new Mali livestock sector project.

Recommendation No. 3

USAID/Mali assess the Government of Mali's capability to utilize the host country contracting mode in the project proposal now being developed.

Recommendation No. 4

USAID/Mali take steps in conjunction with the Government of Mali and other donors to improve the coordination of donor assistance in Mali.

In responding to a draft of this report, USAID/Mali stated:

> "USAID does not concur that the rolling design methodology is not appropriate for use in developing the new Mali Livestock Sector Project. The term 'rolling design' does not itself appear in any of the project papers under which we are now operating, and project designers prepared their documents according to AID design specifications for precision, detail etc. given the information available. The term came into use in the Mission in recognition of the need to continuously re-evaluate project direction and objectives and adjust them in light of acquired experience and knowledge. We feel certain that this continual review and flexibility in project implementation is not only desirable but is an obligation given AID's short period of experience in Mali. The Mission would view a recommendation that impinges upon this need to appraise, readjust, and hopefully increase precision in defining the path to reach project objectives as an ill-directed recommendation. The problem encountered with the rolling design was that the procedure established for comprehensive annual evaluation in the RFP and the technical assistance contract was not followed throughout the entire period of implementation to date."

PROJECT RESULTS HAVE NOT MET EXPECTATIONS

AID has provided approximately $20 million of which $13.1 million had been expended as of September 30, 1979, through the four livestock projects. Despite these significant expenditures, there is little to show after four or more years of AID support just what these projects have contributed in the way of tangible results. The results of activities in the two major projects in the sector--Mali Livestock I and II--are illustrative. Salient comments on these activities are presented below.

Status of Tienfala Feedlot

The $1.3 million Tienfala feedlot has neither operated at full capacity nor produced the operating cost data necessary to determine if feedlots in Mali are economically feasible.

The objective of the activity is to construct and operate a feedlot for butchers at the Tienfala Forest Reserve located near the capital city of Bamako. The feedlot, when operational, is to accommodate 1,000 head of cattle for three periods of 60 days each. Thus, during the dry season from November to June, a total of 3,000 head of cattle are to be finished-fed.

The Project Paper envisioned a simple, low cost facility which would be more of a feeding station than a modern feedlot complex. Subsequently, at the insistence of the Government, a modern version of a U.S. feedlot complex was approved and constructed. The original cost of $174,000 estimated for constructing and equipping the Tienfala feedlot was inadequate. Though actual costs to construct and equip the feedlot were not available because of inadequate accounting records, an audit performed by the public accounting firm of Deloitte, Haskins and Sells indicated that as of May 31, 1979, approximately MF 564 million or the equivalent of $1.3 million had been expended on the Tienfala feedlot. As a result of this overrun, a 2,500 capacity feedlot to be constructed at Segou had to be eliminated from the project.

A Revolving Credit Fund established under the Mali I project was to finance 75 percent of the cost of each head of cattle that butchers put into the feedlot. The butchers were then to pay a daily fee on each head to cover feedlot costs. It was assumed that the value of the weight gained by the animal during the 60-day period of finish-feeding would more than offset the financing and feeding costs, thus making the investment profitable.

No reliable statistics were kept by the implementing directorate, the National Agency for Livestock Credit and Commercialization (ECIBEV), on the number of cattle processed through the Tienfala feedlot. A wide range of conflicting figures are consequently used in assessing the results of the activity. The following figures provided by USAID/Mali indicate the number of cattle finish-fed was substantially less than the 3,000 head planned annually:

Season	Number of Participants	Number of Cattle
1976/77	9	368
1977/78	5	122
1978/79	11	870

Moreover, Bamako butchers, the prime target users of the feedlot, have shown little interest in the program. Consequently, during the 1978/79 season, other investors (cattle buyers, etc.) were allowed to participate in the feeding program. Though this action accounted for an increase from the 1977/78 season to the 1978/79 season, the number of cattle was still far short of planned capacity.

Another objective of this activity was to have the implementing agency, ECIBEV, develop operating cost data on Tienfala to determine the feasibility of feedlot operations in Mali. However, because ECIBEV did not establish the necessary record keeping and accounting systems, this cost data was not developed. As a result, the costs to operate the feedlot are unknown and the economic feasibility left unanswered. The contractor, Chemonics, is presently attempting to develop a cost accounting system.

It is noteworthy that a recent AID-financed study by Michael Horowitz* attributes the poor success of AID and other donor finish-feeding activities to the nomadic herders' reluctance to supply cattle in sufficient quantities. Horowitz believes that finish-feeding is based on the false premise that the nomadic herders are willing to sell their cattle if the price is right. Herders, in his view, maintain large herds for survival purposes which often appear to be irrationally motivated. The supply-price relationship is thus a basic design flaw in Tienfala and other such types of activities:

> "The Club du Sahel strategy focuses on the expansion of animal production in higher rainfall zones. The reason for this is straightforward: the fear that increases in production in the Sahelian zone per se will require again building up the numbers of animals on the semi-arid pasture, with the attendant environmental risk that has been referred to in any number of papers...
>
> "...This strategy, which has become known as 'zonal stratification', envisages the removal of young male stock from the Sahel for feeding and fattening in areas of 'higher potential', ultimately for shipment to the urban domestic and export consumption centers.

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* Horowitz, Michael M., "The Sociology of Pastoralism and African Livestock Projects," May 1979; Office of Evaluation, Bureau for Program and Policy Coordination, A.I.D., pp 5-7.

"...'There are literally dozens of production zone abbatoirs in sub-Saharan Africa which have either been abandoned or operate only at a fraction of design capacity'...Similarly, feedlots established in association with agro-industrial by-products have not been able to work anywhere near capacity, and consequently their operating costs have not benefited from economies of scale. The Club recognizes that current incentives to sell off young stock are unattractive for the herdsmen.

"It is worthwhile to point out here, however, the implicit rejection by the Club of the notion that African pastoralists are irrationally motivated by desires for prestige and therefore exhibit 'backward bending' supply curves. If the price is high enough, the Club is stating, then the herders will present their animals for early sale."

In rejecting the Club du Sahel's dismissal of irrationally motivated desires, Horowitz states:

"The low rate of offtake can be understood, not in terms of prestige, but in terms of survival in a difficult environment. This is not to deny that herdsmen take enormous pleasure in possessing large numbers of animals. They do. They revere them in poetry and song. But that sense of prestige, and the reputation which is engendered by being a skillful and prudent herd manager, serves to underwrite sound ecologic practice. Development programs and projects which fail to understand the fundamental logic of herd structure and herd size, given the kind of enterprise in which pastoralists are engaged, will inevitably be faced with participant resistance, and will reinforce the almost unblemished record of project nonsuccess in the Sahelian livestock sector."

The Horowitz study provides a causal explanation for the under utilization of Tienfala and Embouche Paysanne discussed below. Thus, in our view, the Horowitz study merits close USAID/Mali scrutiny regarding the validity of the whole concept of finish-feeding.

Status of Embouche Paysanne

Embouche Paysanne, although considered by AID as the most successful activity under Mali I, has not met its quantitative objectives.

The objective of Embouche Paysanne is to stimulate increased production of beef cattle by small sedentary farmers. This result is to be obtained by providing small farmers with loan funds to purchase cattle and then finish-feeding them during the dry season. The assumption is that the value of the weight gained by the cattle during the period of finish-feeding would more than offset the attendent costs, thus providing the farmers with a supplementary income.

The Embouche Paysanne program is financed out of the Revolving Credit Fund established under the Mali I project. Loans are made to farmers to defray the purchase price of the cattle and the attendent costs of feeding and caring for the cattle during the dry season. When the farmer sells the cattle at the end of the dry season, the loan is repaid to the Revolving Credit Fund.

No reliable statistics were maintained on the Embouche Paysanne activity. Thus, like Tienfala, we found the quantitative results of the activity vary. For purposes of demonstrating the activity's results, we have used the following figures provided by USAID/Mali:

Season	Farmers	Animals	Av. Net Profit Per Head	
			MF	U.S. 1/
1975/76	48	108	18,395	42.78
1976/77	109	208	18,755	43.62
1977/78	225	482	12,722	29.59

1/ MF 430 to $1

The Embouche Paysanne quantitative goal was to have 800-1,000 participating farmers finish-feeding between 1,600 to 2,000 head of cattle at the end of the third year of the program. The above figures indicate that actual results fell substantially short of this goal.

USAID/Mali officials estimate that there were about 400 cattle finish-fed during the 1978/79 program, a leveling off from the prior season. They stated that, while there is considerable farmer interest in the program, ECIBEV has only four extension agents to handle the program. Yet ECIBEV officials informed us that 700 cattle will be purchased during the 1979/80 season. This projected increase of 75 percent from the 1978/79 season seemed unduly optimistic to us, particularly in view of the limited staff available to promote and operate the program.

The net profit figures shown above indicate that small farmers can materially enhance their income through participation in the activity. Yet it is relevant to note that average net profit decreased dramatically from $43.62 during the 1976/77 season to $29.59 during the 1977/78 season. Neither USAID/Mali nor ECIBEV officials could explain the reason for the fall in profitability.

Overextended Grazing Lands

No significant results have been derived from the Sahel Grazing activity.

The objectives of the Sahel Grazing activity are to develop modalities for modifying the use of rangeland in the Western part of the Sahelian zone which will increase livestock production and protect the fragile land resources for future generations. A test area of approximately 150,000 hectares was selected in Dilly (see map).

An AID-financed evaluation, performed in mid-1978, indicated that this area was much too large. The evaluation recommended that the test area be reduced to 4,000 hectares, thereby affording a more effective means of obtaining baseline data needed to measure the progress of the activities. However, while USAID/Mali officials agree that a large test area is difficult to control, it is of the opinion that the area is necessary for test purposes.

We found that the only significant accomplishment of the grazing activity has been the construction of approximately 580 kilometers of firebreaks in the test area. These firebreaks, according to Chemonics personnel, have been effective in saving fodder which otherwise would have been destroyed by fire during the dry season. Chemonics advisors indicated that by saving this fodder the cattle feeding in the test area during the past dry season seemed to be much heavier than those feeding outside of the area. However, since controlled grazing has yet to start, no data was available to support the validity of these observations or the extent of cattle improvement.

Water is a major constraint in implementing the grazing activity. It is not now available in the selected cattle feeding areas within the test zone. A series of test wells were drilled during the dry season of 1978/79. Although these test wells produced water, they were not drilled in the selected feeding zone and are thus not accessible for cattle use. USAID/Mali is now considering various solutions to the water problem. These solutions include using pipelines or trucks to move water to the test zone.

An AID-financed study, performed in mid-1979, indicates that the costs of transporting water will be high. In fact, the study concludes that the cost-benefit analyses support neither the installation of pipelines nor the movement by hauling. The study suggests, subject to further study, that a least cost approach be considered. This suggestion is based on the fact that it is difficult, if not impractical, to determine monetary values for many of the benefits which could be derived from range development, protection and management if new water supplies are provided. Yet, in stressing the importance of water, the study concludes that:

> "While water supplies are a key element to bringing about improvements in the Test Perimeter, the supplying of water must be coupled to compliance with all of the provisions of a range management plan, such as control of the number of livestock on the range, scheduling of pasture use, maintenance of firebreaks, etc. Without a strictly enforced management plan

and without an appropriate livestock offtake, the supplying of water by whatever system will only lead to further deterioration of the Test Perimeter."

The Dilly operation has experienced severe operational problems since its inception. Housing for Chemonics personnel, for example, is of minimal standard. Lodging consists of five small two-room bungalows without running water or adequate electricity. The only water producing well was recently contaminated by oil from a nearby vehicle repair facility. It has thus been difficult for the contractor to maintain a technical advisor in Dilly due to these hardships. A Chemonics technician presently visits the site on a rotating basis every few months.

Another problem is that the project vehicles at Dilly have been abused and poorly maintained. Only four of the 15 vehicles assigned to the activity were in operating condition the day of our visit. Nine land rovers (many with under 27,000 miles) were on blocks, six without motors. The Chemonics advisor informed us that the vehicles had been subjected to extreme abuse by Malian chauffeurs. Drag races are reportedly held on the AID-funded landing strip to the mutual harm of both vehicles and runway.

Reflective of the generally poor conditions and management was the treatment of horses purchased for the activity. Five of these horses were kept hobbled and visibly malnourished. Though Dilly is considered a demonstration site, horses owned by small farmers in areas adjacent to the project headquarters were in demonstrably better condition. A nursery activity for growing shade trees was another example of poor management. While a major part of salary payments made from AID funds in Dilly were for nursery workers, neither the USAID/Mali project manager nor the Chemonics technician at Dilly were aware that the nursery was project-funded.

In our view, the planning and management of the Sahel Grazing activity has been inadequate. There is no evidence of a well designed plan to implement the activity. In this regard, the comments of a 1978 AID-financed evaluation performed by a U.S. redesign team are instructive:

> "There has been insufficient sociological and economic study to establish the acceptability of this grazing activity... It does not appear likely that long standing migratory and value systems are going to be altered with the advent of an improved grazing activity...
>
> "It is believed that the concept of the Sahel Grazing Activity may have come much too soon considering the current status of cattle production in Mali. Far more basic groundwork must be done to generate regional and nationwide herder acceptance of governmental cattle production goals and methods that differ from their own. As long as the two factions are not in accord, it is not likely that any area specific projects such as the Sahel Grazing Activity will meet within any degree of success. The Sahel Grazing Activity is basically a short-sighted answer to the cattle production problems of Mali."

New Lands Studies

The studies being conducted to develop the plan for the New Lands activity are slow in being completed.

The objective of the New Lands activity is to determine the most economical means to increase livestock and rural income in the higher rainfall, disease-infested areas of southern Mali. This high rainfall area, comprising about 3.5 million hectares, was divided into three zones. The initial phase was to select a pilot zone. An entomology team, recruited under the Chemonics contract, was to conduct reconnaissance surveys to determine the presence and density of the tsetse flies in these zones. A socio-economic team, also recruited under the Chemonics contract, was to study which zone had the most development potential. This initial phase was completed in November 1978 when the implementing agency, the Malian Livestock and Meatboard (OMBEVI), selected zone one, an area of about one million hectares located along both sides of the Niger River between Bamako and Segou (see map).

The New Land activity, since late 1978, has focused on the entomological and socio-economic studies in the zone one area. Yet this activity, like the others, has had its share of problems. The socio-economic studies, for example, should have been completed in mid-1979. However, because the study team has changed personnel three times in the past two years, long delays have occurred. The study is not now expected to be completed before mid-1980.

The Chemonics advisors for the entomology team were to conduct the entomology survey with their Malian counterparts in OMBEVI. Yet, the AID/Washington Africa Bureau, without consulting USAID/Mali, programmed another regional project (Tsetse Fly/Tryponosomiasis) to do the same thing in the same area at the same time under the auspices of the Ministry of Rural Development's Central Veterinary Laboratory. Texas A&M University was recruited by AID/Washington to assist the Central Veterinary Laboratory conduct the surveys. This problem of duplicate responsibilities, after creating considerable confusion and ill-will within the Government, was resolved when the scope of work of the Central Veterinary Laboratory team was modified to cover other types of vector borne diseases, including experiments with the treatment of animals. Most of Texas A&M's efforts are now conducted outside the New Lands activity.

A problem, in our judgment, still exists regarding overlapping livestock research responsibilities. Both OMBEVI and the Central Veterinary Laboratory are being supported by AID to do similar type of research. OMBEVI, however, is not a research organization, nor was it ever intended to be one. It is questionable, when the Government is so critically short of funds, to develop this capability within that institution. The Central Veterinary Laboratory is a research institution that has been long supported by AID. We believe the new sector project should centralize all such research in the Central Veterinary Laboratory where it appropriately belongs.

Questionable Project Activity

Confusion exists whether Toronke Research Station is an eligible project activity.

The Mali Livestock II Grant Agreement states that AID would provide assistance for the Toronke Research Station. The agreement describes Toronke as a research station near Lake Magui where studies aimed at improving Zebu Toronke cattle would be carried out.

Our review indicated that progress under this activity has been very limited. Except for the selection of a site for the construction of facilities, little else has been done. We were informed by USAID/Mali officials, when reviewing Toronke, that it was not an authorized project activity, though it is clearly stated as such in the grant agreement.

OMBEVI officials have regarded Toronke Station as an authorized activity. These officials stated, and our review confirmed, that they have been reporting the AID funds expended on this activity to USAID/Mali for some time. We find it disturbing, if USAID/Mali does not consider Toronke to be an authorized activity, why it did not delete Toronke from the agreement and why no one within USAID/Mali has questioned the apparent assignment of two AID-financed vehicles and approximately $21,000 in AID funds programmed for the activity.

Overextended Language Training Center

An AID-financed language center being operated by OMBEVI has expanded to the point where only slightly under 20 percent of the enrolled students are directly involved with the Mali livestock projects. The remaining 80 percent are from various Government of Mali ministries and the private sector.

The Language Training Center was originally intended to provide English language preparation for project participants scheduled for U.S. training. It has now expanded to the point where it provides not only English but also French and Bambara language training for U.S. and other nationals. Attendance figures provided by OMBEVI, as of June 1979, showed that of 120 enrollees 23 were associated with OMBEVI and the livestock projects. Fifteen other students were connected with other directorates of the Ministry of Rural Development. The remaining 82 were from other public and private institutions having no apparent connection with the livestock project, examples being the U.S. Peace Corps, Mobil Oil and Air Afrique. Both USAID/Mali and the Government recognize that the activity represents an anomaly in the context of the livestock project. USAID/Mali has been agreeable to the program since no other capability is available in Mali. Yet, in our judgment, it would be more appropriate for the Center to be transferred to another entity outside the project.

Conclusions and Recommendations

The AID-financed activities in the livestock sector have not achieved the expected results. The Tienfala Feedlot, constructed at a cost of about $1.3 million, is operating at less than a third of capacity. The Embouche Paysanne has similarly fallen far short of expectations. It is our view that AID needs to assess whether Tienfala and Embouche Paysanne have the capability to become financially viable before it commits additional AID funds to these finish-feeding activities.

Except for the construction of firebreaks and the drilling of test wells, very little has been accomplished under the Sahel grazing activity. There is little evidence, moreover, of a well-defined implementation plan. It is our view that no additional AID funds should be committed to this activity until a carefully defined plan of action has been developed.

There is overlapping livestock research responsibilities in the New Lands activity between the Government of Mali's OMBEVI and the Central Veterinary Laboratory. In our judgment, all livestock research should be centralized in the Central Veterinary Laboratory.

Some confusion exists between USAID/Mali and the Government regarding Toronke Research Station as an eligible activity. Though the research station is shown in the grant agreement as an eligible activity, the AID/Mali project manager states otherwise. Thus, in our view, steps should be taken to clarify the situation.

Most students attending the Language Training Center are non-project related. It is our view that it would be more appropriate for the Center to operate under the auspices of the U.S. International Communication Agency or within the Malian Ministry of Education.

Accordingly, we recommend that:

Recommendation No. 5

USAID/Mali provide no additional construction funds for the Tienfala feedlot until its economic feasibility has been determined.

Recommendation No. 6

USAID/Mali defer the release of additional AID funds for the Sahel Grazing activity until a definitive plan of action has been developed.

Recommendation No. 7

USAID/Mali consolidate all livestock sector research in the Central Veterinary Laboratory.

Recommendation No. 8

USAID/Mali clarify whether Toronke Research Station is an eligible project activity and, if so determined, then ensure that the activity is properly monitored.

Recommendation No. 9

USAID/Mali take such steps as necessary to establish the Language Training Center outside the project.

The USAID/Mali stated in its response to the draft of this report that:

> "We do not concur that Tienfala is to demonstrate the economic feasibility of livestock feeding on a large scale as its principal objective. We do concur that the original project paper left the impression that this was the principal objective; however, we had advised that this objective was being revised at the time the $700,000 additional funds were provided under amendment no. 3 to the grant agreement. This amendment emphasized that the objective of Tienfala that would meet AID's beneficiary criteria would be to conduct feeding operations at Tienfala in a manner to determine the most economically feasible feeding systems amongst the possible combinations of systems that can be used in Mali."

ACCOUNTING PROCEDURES ARE IN NEED OF IMPROVEMENT

Improvements in the accounting for AID funds advanced to the Government of Mali directorates for local costs are needed. In the Mali Livestock I project, the accounting system developed was not adequate to control the receipt and expenditure of all funds. As a result, USAID/Mali has no assurance that the funds are being used for the purposes provided. In the Mali Livestock II project, USAID/Mali developed the concept of a Joint Fund to provide more direct accounting control over the expenditures, e.g. any disbursement over $2,500 requires USAID/Mali approval. Yet the Government has evaded such control by means of using multiple checks for single transactions. USAID/Mali's lack of proper oversight, in our view, is responsible for these accounting deficiencies. AID/Mali's Office of Financial Management is not sufficiently involved in assessing the adequacy of the projects' accounting systems and ensuring that the advances of AID funds are expeditiously liquidated and properly supported.

AID funds provided under the livestock projects are used to defray dollar and local costs. Dollar costs include those services and commodities procured in the U.S. and other eligible sources. Local costs include in-country procurement of services and commodities as well as the provision of funds for project related credit activities and operating (salaries, spare parts, fuel, etc.) expenses.

As of September 30, 1979, about $10.7 million had been expended under the Mali Livestock I and II projects. Of this sum, $3.4 million or 32 percent had been expended for local costs. This sum was about evenly divided between the two projects, Mali I accounting for $1.6 million and Mali II $1.8 million.

Mali Livestock I

ECIBEV, the host country implementing institution for the Mali Livestock I project, prepares, usually at three-month intervals, a projection of cash needs. This cash projection, which pertains to credit, construction and operating expenses, is subsequently sent to USAID/Mali. USAID/Mali uses this cash projection to buy local currency funds which are then advanced to the project. The method for liquidating these advances is through periodic expenditure reports submitted by ECIBEV to USAID/Mali.

ECIBEV maintains separate bank accounts for credit, construction and operating expenses. We found that the AID funds advanced to the directorate were deposited to the respective accounts but were subsequently transferred from one account to another. Also deposited into these accounts were those funds generated from the Tienfala Feedlot and the Embouche Paysanne credit activities. It was impossible to determine, however, whether all such funds generated from these two activities were in fact deposited to the accounts, the reason being that ECIBEV does not maintain adequate records for recording cash receipts.

Another serious deficiency was the absence of adequate records relating to the disbursement of funds. We found, for example, that ECIBEV does not have the necessary records to prepare expenditure reports liquidating AID advances. In mid-1979, USAID/Mali recognized that something had to be done about this situation. Therefore, in conjunction with ECIBEV, it contracted the public accounting firm of Deloitte, Haskins and Sells to perform a financial audit. The accounting firm issued a preliminary report in October 1979, stating it was unable to render an opinion because of the lack of accounting records, procedures and internal controls, and the absence of supporting documentation relating to the receipt and expenditure of funds. The firm also indicated that its efforts to reconstruct receipts and expenditures was hampered by the absence of sufficient documentation. In view of the above, it is unlikely that a full and detailed accounting for the receipt and utilization of all project funds will ever be rendered.

At the present time the AID-financed contractor, Chemonics, is assisting ECIBEV to develop an accounting system. This system, when completed and instituted, should enable the directorate to account for the future receipt and expenditures of all funds.

Mali Livestock II

USAID/Mali buys and releases local currency funds to the Mali Livestock II host country implementing institution, OMBEVI, on the basis of estimated cash needs. These AID funds are then deposited by OMBEVI to a Joint Fund account established at the Banque Centrale. The advances are liquidated on the basis of periodic expenditure reports submitted to USAID/Mali.

The Fund's financial procedures require that OMBEVI obtain USAID/Mali's approval for any disbursements from the Joint Fund in excess of MF 1,000,000 ($2,500). This requirement was designed by USAID/Mali to facilitate its control over the directorate's use of the AID funds. We found that this USAID/Mali approval of larger disbursements was being evaded.

OMBEVI felt that this AID approval requirement was an unnecessary imposition on small disbursements. Thus, in June 1977, the Director of OMBEVI requested and received USAID/Mali approval to open a second Joint Fund Account at the Banque de Developpement. This account was to be used for those project expenses under MFR 1,000,000. However, in authorizing OMBEVI to open this account, USAID/Mali imposed no limitations on the balance of funds which could be kept in the account at any one time. In practice, we found that shortly after AID funds are deposited to the Joint Fund account at Banque Centrale most of them are transferred to the account at Banque de Developpement.

OMBEVI may be using the second account at Banque de Developpement to circumvent USAID/Mali's approval. We found, for example, that on April 18, 1979, five checks, totaling about MF 3.1 million were made to the order

of the same payee for one transaction. Another case involving two checks, totaling MF 1.4 million, were made to the order of the same payee on August 24, 1979 for one invoice. This practice of using multiple checks to evade USAID/Mali's approval should, in our view, be discontinued immediately.

OMBEVI maintains a system of records to account for the expenditure of AID funds. From these records OMBEVI prepares financial reports which are submitted to USAID/Mali for liquidating the cash advances. Yet, when we tried to reconcile these financial reports to the project records, we were unable to do so. The directorate's records classify payments by activity (New Land, Dilly, etc.) whereas the financial report is classified by cost component (labor, material, etc.). OMBEVI's Financial Director informed us that worksheets are used to transform the amounts recorded in the records to the financial report. These worksheets, however, were not retained. Consequently, when we requested the Financial Director to provide us with a reconciliation of the financial reports to the project records for three selected months, he was unable to do so.

An important element of our review was to verify the validity of the documentation for checks drawn on the Joint Fund accounts at the Banque Centrale and Banque de Developpement. Although documentation was made available for all payments, the quality in some cases was questionable. Some receipts presented to us for supporting the payment of bonuses to OMBEVI personnel were for earlier periods and had been changed to show the month payment was recorded. There were other instances where the duplicates of the invoices were provided rather than the originals. OMBEVI's explanation in these cases was that the original invoices had been lost.

Bonus Payments Funded Under the Joint Fund

The Project Paper for the Mali Livestock II Project indicates, in a breakdown of project costs, that the Government of Mali was to defray 100 percent of its personnel costs. The Grant Agreement (Section 3.3.b.1) reiterates that the Government will pay all local expenses for locally employed personnel. Only participant trainees would receive any funding from the Joint Fund (for travel and per diem).

On February 24, 1978, USAID/Mali issued Implementation Letter Number 15 which specifically provided an exception to Section 3.3.b.1. The exception authorized expenses related to per diem, performance bonuses and hazardous duty pay to be financed from the Joint Fund. An annex to the letter states that the bonus was "a benefit which must be earned and... not granted as a salary component." The annex assigned the AID project manager the responsibility for reviewing (on a quarterly basis) the administration of this supplementary bonus to evaluate if the bonus grants were awarded on a basis that reflects actual achievement of acceptable performances.

We found that payments for bonuses, per diem and overtime are significant. As of April 1979, such payments totaled nearly $130,000. Payments of $44,360 were also made from the Joint Fund for guards, watchmen and other manual laborers. Both USAID/Mali and OMBEVI officials stated that they consider only regularly salaried workers as coming under the meaning of locally employed personnel. Yet, in spite of this interpretation, almost 32 percent of the Joint Fund expenditures as of April 1979 represented some form of payment to Malians employed locally by the project.

Other deficiencies noted were as follows:

-- The USAID Project Manager has not made the quarterly review of the bonus program, though he acknowledged that the practice of giving everyone bonuses has become automatic.

   USAID/Mali admits that the bonus system is in need of revision, and is presently working with the Malian Government to establish a set of standards which would make it more genuinely based on merit. We feel strongly that, until such a revision is made, the AID project manager must assume his responsibilities for reviewing administration of the bonus program and take whatever steps are necessary.

-- Bonus and wage payments made in the field (outside Bamako) were almost impossible to verify due to the fact that supervisors often signed for bonus payments for workers under them. Some of the employees we talked to were unaware that the amount they received was composed of both a salary and a bonus component, a further indication of how automatic the system of bonuses had become.

-- Government employees at the Central Veterinary Laboratory, where bonuses were not given in the past, have complained of discrimination. Some employees have reportedly left the Central Veterinary Laboratory to obtain an OMBEVI position where the bonus is paid. Now the Central Veterinary Laboratory has adopted the OMBEVI system of bonuses.

It should have been apparent to USAID/Mali that when the Government has very limited resources, as is the case in Mali, there would be pressure to substitute AID funds for budgetary shortfalls. In our view, the USAID has been remiss in exercising prudent oversight of bonus payments to local employees.

Revolving Credit Fund

AID funds provided for the Revolving Credit Fund have been improperly controlled. As a result, no records have been maintained on the loans made and repaid. This lack of control has enabled the Government of Mali to use AID funds for unauthorized purposes.

A Revolving Credit Fund was established under the Mali I project to provide loans to finance the purchase of cattle and related feeding costs for the Tienfala Feedlot and Embouche Paysanne activities. AID funds totaling $800,000 have been obligated for the Credit Fund, of which $600,000 had been disbursed as of September 30, 1979. Nevertheless, no adequate records were established to provide an accounting for the use of these AID funds. No reliable information exists, therefore, regarding the number of loans made and repaid.

We found that the lack of accounting controls has facilitated the improper use of funds. An undeterminate amount of funds has been used for operating expenses though programed for other purposes. Moreover, in August and September 1979, MF 28.8 million ($72,000) were withdrawn from the Credit Fund by ECIBEV officials to buy 2,017 sheep. According to Chemonics personnel, ECIBEV officials bought the sheep, speculating on a price rise associated with increased demand during the Moslem holidays in November. When we tried to obtain an accurate accounting for the sheep, we were unable to do so. No one seemed to know what happened to the sheep or funds. (During our review, USAID/Mali sent a letter to the Director of ECIBEV requesting that the funds should be returned to the Revolving Credit Fund account.)

The Revolving Credit Fund may be substantially enlarged under the new sector project now being developed. However, in our judgment, no additional funds should be provided to this Fund until such time that an adequate ECIBEV operating staff has been provided and trained and an adequate accounting system designed and installed.

USAID/Mali Oversight Needs to be Tightened

The new sector project now being developed may significantly enlarge existing activities. This means that the amount of local currency funds provided by AID to the host country institutions will increase. Consequently, in view of the above deficiencies, we believe that steps must be taken by USAID/Mali to improve its oversight.

USAID/Mali's Office of Financial Management has to be much more involved in the financial aspects. As a matter of routine it should assess the adequacy of the host country accounting system before funds are advanced. That office must also ensure the host country submits expenditure reports on a timely basis to liquate AID advances. Moreover, using these reports, the office should selectively verify the records to ensure that there is adequate documentation supporting the expenditures.

Also, in our view, USAID/Mali's project managers have to be much more actively involved in monitoring the host country's use of AID funds. This includes verifying the timely reporting of expenditures; reviewing the rate of expenditures in accordance with approved budgets; approving the disbursement of funds for large transactions; and testing on a selective basis that the services and commodities procured were received. Had the project managers done this, the deficiencies in the accounting systems as well as the abuse of bonus payments and the improper use of the Revolving Credit Fund may not have occurred.

Conclusions and Recommendations

There are serious deficiencies with the Government of Mali's accounting controls and systems. In the Mali Livestock I Project there is an absence of adequate records and documentation relating to the receipt and disbursement of project funds. In the Mali Livestock II Project the Government is evading USAID/Mali's disbursement approval by writing multiple checks for single transactions, and failing to maintain adequate documentation and records. These deficiencies require that steps be taken to ensure that the Government of Mali's financial controls, records and reporting are adequate to protect AID funds.

A significant amount of AID funds were deposited to the Joint Fund for use as bonus payments for superior performance. These bonus funds, however, have been used as salary supplements. In our view, this practice should be discontinued immediately.

Little is known about the number and amount of loans made and repaid from the Revolving Credit Fund. We believe that no additional AID funds should be provided to this Fund until an adequate accounting system has been developed and staffed with trained personnel.

AID is providing substantial amounts of funds to the host country without taking reasonable precautions to ensure that those funds are expended properly. It is our view that the above deficiencies occurred in part because such precautions were not taken. Too little was done in terms of assessing the adequacy of the Government's accounting systems, verifying the timely reporting of expenditures, reviewing the rate of expenditures in accordance with budgets and approving and testing procurement transactions. USAID/Mali should take steps to tighten up its financial monitoring.

Accordingly, we recommend that:

Recommendation No. 10

USAID/Mali take appropriate steps to ensure that OMBEVI does not use the Joint Fund at the Banque de Developpement to circumvent USAID/Mali's required approval for individual expenditures over $2,500.

Recommendation No. 11

USAID/Mali review the format of the financial reports to ensure that they are reconcilable to OMBEVI's accounting records.

Recommendation No. 12

USAID/Mali not release any additional AID funds to the Revolving Credit Fund until ECIBEV establishes an adequate accounting system and provides increased and trained staffing to implement the program.

Recommendation No. 13

USAID/Mali take appropriate steps to ensure that the financial monitoring responsibilities of the Office of Financial Management and AID project managers are adequately defined and implemented.

NEED TO IMPROVE COMMODITY PROCUREMENT AND UTILIZATION

Local procurement, except for about $250,000, was made by the Government of Mali in conformance with competitive bidding procedures. The $250,000 in non-competitive bidding, according to Government of Mali officials, was due to the lack of in-country supply sources. We found, however, that AID-financed equipment and facilities costing about $100,000 are not being utilized. Also, because of inadequate Government maintenance facilities, many of the AID-financed vehicles are not operational.

Commodity Procurement

All procurement under the livestock grants was the responsibility of the host country implementing institutions. The exception was in those cases where given categories of commodities were incorporated in the technical services contracts and procured by the contractors directly. However, in assigning general procurement responsibility to the Government, the Project Papers stated that the project contractors and USAID/Mali would provide such assistance as was required.

Our review indicated that AID-financed commodities and services were generally procured in accordance with AID's competitive bidding requirements. A small amount of in-country procurement, which we estimate to be less than $250,000, appears to have been procured non-competitively. Much of this procurement involved supplies, equipment, etc. Officials of the Government implementing institutions attributed this non-competitive procurement to the lack of in-country supply sources. In some instances the local black market was used as a source of supply. A June 1979 financial report, prepared by OMBEVI, stated that this market was used for spare parts because of inadequate stocking by legitimate suppliers.

The most questionable of these non-competitive procurement transactions concerned an informal agreement awarding $100,000 to the Government of Mali's Ministry of Industrial Development to drill water wells at Dilly. There was no evidence that the Ministry of Industrial Development had provided a proforma estimate justifying the amount. USAID/Mali officials indicated that, in approving the payment for a billing of the services, it rationalized that similar services provided by a private firm would have cost even more--$350,000.

Commodity Utilization

A number of commodities and facilities procured with AID funds are not being fully and effectively used and in some cases are standing idle. We attribute this, in part, to poor procurement decisions. Examples are cited below.

-- A landing strip for light aircraft was constructed at Dilly at a cost of about $40,000. This landing strip was considered necessary because of the remoteness of the project site. However, since its construction, the landing strip has been

used very infrequently. In fact, according to the contractor's (Chemonics) reports, it appears to be used mostly for drag-racing project vehicles.

-- A mobile home was purchased in the U.S. at a cost of approximately $50,000, including transportation. The mobile home was to be used to house Chemonics' technicians stationed at Dilly. However, since the arrival of the mobile home in Bamako, Mali, in October 1978, the Government has been figuring ways of getting it to Dilly. At some points along the way to Dilly there are no roads, making transport difficult. Though temporarily used for three months at a non-project related site, the mobile home has since been unutilized for over a year.

-- A 20,000 liter gas tank costing approximately $10,000 was purchased and installed at Dilly. This tank was procured to ensure there would be sufficient fuel on hand for project needs. However, since its installation in May 1979, the tank has never been used. The reason, according to Government officials, is that insufficient operating funds have been available to purchase gas in volume.

The Government, the contractor and USAID/Mali knew prior to the procurement of the mobile home, for example, that the road conditions to Dilly made transport difficult, if not impossible. Yet this factor was evidently ignored. This situation, in our view, indicates the need for better analyses of project requirements.

Fifty-one vehicles, costing approximately $600,000 were procured under the Mali Livestock II project. The implementing agency's, OMBEVI, efforts to keep these vehicles in operational condition has been poor. As a result, lack of adequate operational vehicles has been a major constraint in implementing the project, a problem which the contractor, Chemonics, has consistently reported to USAID/Mali over the years.

At the time of our review, 19 of the 51 project vehicles were not operational. The problem was most serious at Dilly, where only 4 of the fifteen vehicles were in operating condition.

To address this problem, Chemonics, with USAID/Mali and OMBEVI approval, made a French vehicle maintenance advisor available to the project in July 1979. The efforts of this advisor have resulted in new procedures being instituted for the maintenance and control of spare parts. But further effort at improvement has been impeded by inadequate repair facilities. The contractor has proposed that a separate area be established for the repair function. No action has been taken by OMBEVI regarding this proposal, and the maintenance problem persists.

We noted that an additional 13 vehicles were ordered for delivery in 1980. Unless the maintenance problem is addressed effectively, these vehicles will augment the growing fleet of idle vehicles.

Conclusions and Recommendations

Commodities and facilities costing about $100,000 are not being fully utilized. In our view, procurement decisions were made without sufficient analysis to conditions existing in Mali. This situation leads us to believe that a more critical evaluation regarding the feasibility and need for facilities and commodities must be made prior to the procurement. The important matter at the moment, however, is to find some constructive use for the items not now being used.

Almost 35 percent of the AID-financed project vehicles (19 of 51) were non-operational at the time of our review because of maintenance problems. An additional 13 vehicles were ordered for delivery in 1980. It is our view that unless more attention is given to the maintenance problem the Government of Mali's fleet of idle vehicles will continue to grow, having an adverse affect on implementation.

Accordingly, we recommend that:

Recommendation No. 14

USAID/Mali take steps to evaluate the need for all non-utilized commodities and facilities.

Recommendation No. 15

USAID/Mali request OMBEVI to defer the purchase of additional vehicles until adequate vehicle repair facilities are provided.

USAID/MALI PROJECT MANAGEMENT NEEDS IMPROVEMENT

USAID/Mali's project management of livestock sector activities could be improved. For example, few substantive evaluations have been performed, financial monitoring has been inadequate and little is being done to identify and address problem areas. USAID/Mali attributes these management problems to inadequate project management staffing.

Project management has been described as the process whereby AID oversees and monitors all aspects of an AID-financed activity from its conceptualization through its design, approval, funding, implementation and evaluation. Project management is a continuum encompassing the roles and interactions of AID assistance recipients and intermediaries such as contractors and grantees. Varying with the scope and complexity of a project, effective project management generally relies upon a number of managerially accepted oversight methods and mechanisms. These include approval of prescribed activities of the assistance recipient, liaison with the intermediaries, progress reporting, problem identification, site visits and approval of disbursements.

In reviewing USAID/Mali project management, we found that few of these responsibilities were performed effectively. Evaluation was one such example. Evaluation is a key element of the AID management process. The evaluations, as such, enable management to appraise whether the activity(ies) is meeting its goals and merits continued funding. Evaluations in Mali are of particular significance since they are an integral part of USAID/Mali's rolling design methodology. Though regular evaluations are a required and key element of the project management process, we found that they were only made in 1978 for the purpose of developing a new livestock sector project.

Approval of disbursements is another example of USAID/Mali's inadequate project management. Substantial amounts of AID funds have been released to the Government implementing agencies. These transfers of funds to the Government dictated a close surveillance. Yet, as we have shown in our earlier discussion on the subject, this surveillance has not been satisfactory. The fact that a Revolving Credit Fund was established without adequate financial controls is one indication. The manner in which the Government used the Joint Fund for bonuses is another indication. We recognize that USAID/Mali Project Managers are often not versed in accounting controls and procedures. Nonetheless, in our view, this is an inadequate excuse for abrogating such responsibilities. USAID/Mali has an Office of Financial Management upon whom the project managers can and should call for assistance when required. We could find no evidence that this was done.

In our discussions, USAID/Mali officials generally agreed that project management was deficient. The cause most often cited was inadequate staffing. In this regard, the report issued by the Operations Appraisal Staff in April 1979 is instructive:

"Staff recruitment continues to be a major problem particularly in the key area of agriculture, where senior jobs in livestock and crops have remained vacant for more than 18 months. The problem is apparently caused by the shortage within the Agency of French-speaking agriculturists available for service in Mali. However, some have suggested that the problem lies, at least in part, with the inability of the personnel system to enforce the requirements of world-wide service, and that there are qualified agricultural technicians who are able to manipulate the system to avoid going to Mali."

Conclusions and Recommendation

There are serious problems in USAID/Mali's project management of the livestock sector. Too little is being done in performing substantive evaluations, monitoring implementation and reviewing financial aspects. According to AID/Mali officials this monitoring problem stems from inadequate Mission staffing. Nevertheless large AID-financed projects are programmed in Mali without adequate project management. In our view, we do not believe that the new livestock sector project, now being developed, should be approved until sufficient staffing has been provided to manage the project properly. Accordingly, we recommend that:

Recommendation No. 16

The Assistant Administrator, Bureau for Africa, ensure adequate project management is provided for the new Livestock Sector Project in Mali before it is approved and implemented.

EXHIBIT A

Mali Livestock Sector
Financial Status of Projects
At September 30, 1979

Project Number & Title	(U.S. $000) Obligations	Expenditures	Balance
No. 688-0201 Production & Marketing of Livestock in Mali (Mali Livestock I)	4,500	4,102	398
No. 688-0203 Program to Develop Livestock Production & Marketing in Mali (Mali Livestock II)	12,191	6,617	5,574
No. 625-0610 Central Veterinary Laboratory	1,737	1,688	49
No. 625-0926A Tsetse Fly & Trypanosomiasis Research & Training	1,492	792	700
Total	19,920	13,199	6,721

LIST OF REPORT RECOMMENDATIONS

Page

Recommendation No. 1

USAID/Mali, in designing the new Mali Livestock Sector Project: (1) take steps to ensure the project is based on soundly developed assumptions that will provide some measure of success; and (2) reconsider whether the rolling design methodology should be used without first assuring that periodic comprehensive evaluations will be made. 12

Recommendation No. 2

USAID/Mali assess and demonstrate the potential financial viability of the activities in the new Mali livestock sector project. 12

Recommendation No. 3

USAID/Mali assess the Government of Mali's capability to utilize the host country contracting mode in the project proposal now being developed. 12

Recommendation No. 4

USAID/Mali take steps in conjunction with the Government of Mali and other donors to improve the coordination of donor assistance in Mali. 12

Recommendation No. 5

USAID/Mali provide no additional construction funds for the Tienfala feedlot until its economic feasibility has been determined. 22

Recommendation No. 6

USAID/Mali defer the release of additional AID funds for the Sahel Grazing activity until a definitive plan of action has been developed. 22

Recommendation No. 7

USAID/Mali consolidate all livestock sector research in the Central Veterinary Laboratory. 22

Recommendation No. 8

USAID/Mali clarify whether Toronke Research Station is an eligible project activity and, if so determined, then ensure that the activity is properly monitored. 23

LIST OF REPORT RECOMMENDATIONS

	Page
Recommendation No. 9	
USAID/Mali take such steps as necessary to establish the Language Training Center outside the project.	23
Recommendation No. 10	
USAID/Mali take appropriate steps to ensure that OMBEVI does not use the Joint Fund at the Banque de Developpement to circumvent USAID/Mali's required approval for individual expenditures over $2,500.	29
Recommendation No. 11	
USAID/Mali review the format of the financial reports to ensure that they are reconcilable to OMBEVI's accounting records.	29
Recommendation No. 12	
USAID/Mali not release any additional AID funds to the Revolving Credit Fund until ECIBEV establishes an adequate accounting system and provides increased and trained staffing to implement the program.	29
Recommendation No. 13	
USAID/Mali take appropriate steps to ensure that the financial monitoring responsibilities of the Office of Financial Management and AID project managers are adequately defined and implemented.	30
Recommendation No. 14	
USAID/Mali take steps to evaluate the need for all non-utilized commodities and facilities.	33
Recommendation No. 15	
USAID/Mali request OMBEVI to defer the purchase of additional vehicles until adequate vehicle repair facilities are provided.	33
Recommendation No. 16	
The Assistant Administrator, Bureau for Africa, ensure adequate project management is provided for the new Livestock Sector Project in Mali before it is approved and implemented.	35

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator/AFR	5
USAID/Mali	5
REDSO/WA	1
Mali Desk	3
AFR/EMS	1
AFR/SFWA	1
Assistant Administrator/LEG	1
Office of Financial Management, Controller	1
Office of General Counsel	1
DS/DIU/DI	4
PPC/E	1
Auditor General	1
AAG/EA	1
AAG/EAFR	1
AAG/Egypt	1
AAG/LA	1
AAG/NE	1
AG/PPP	1
AG/IIS	1