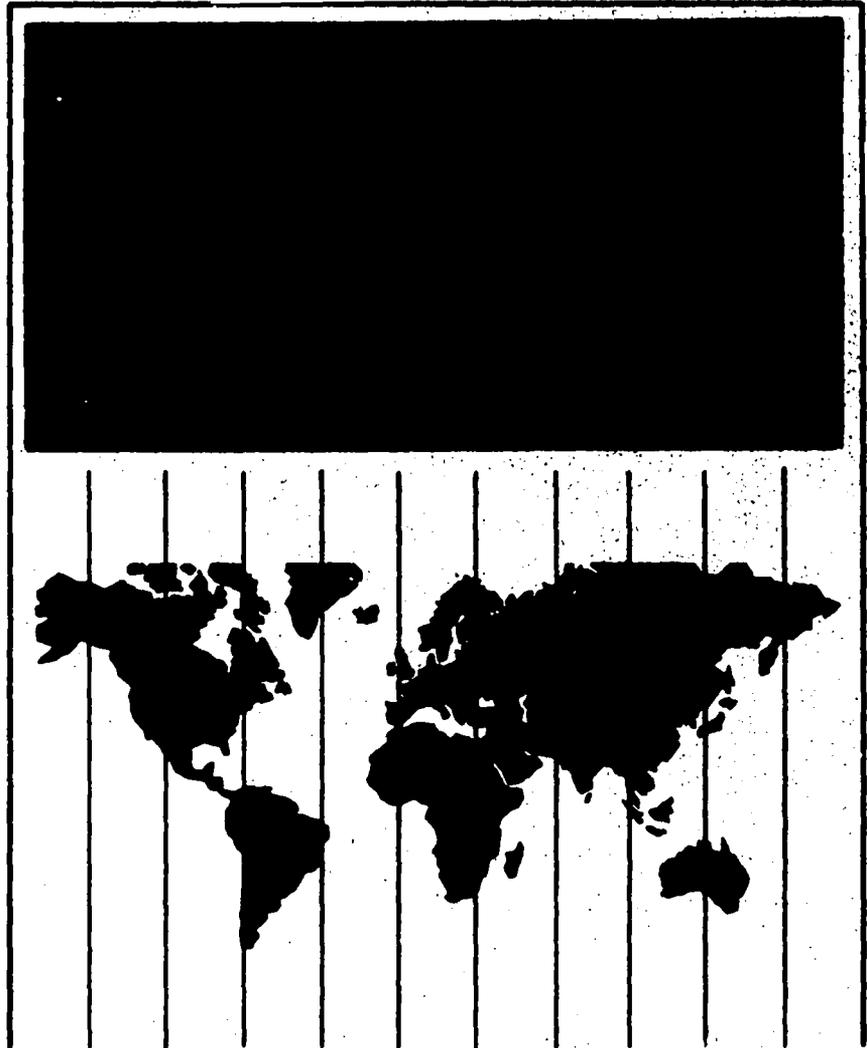


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UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE  
INSPECTOR  
GENERAL



Regional Inspector General for Audit  
NAIROBI

**USAID/SOMALIA**

**KURTUNWAARE SETTLEMENT PROJECT  
(NO. 649-0103)**

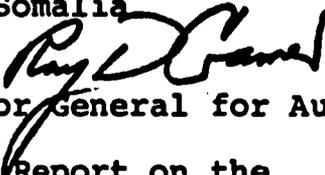
**AUDIT REPORT NO. 3-649-82-03  
December 10, 1981**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Inspector General for Audit  
Nairobi, Kenya

December 10, 1981

TO : Mr. James M. Kelley  
Director, USAID/Somalia

FROM : Ray D. Cramer   
Regional Inspector General for Audit/Nairobi

SUBJECT: Memorandum Audit Report on the  
Kurtunwaare Settlement Project (No. 649-0103)  
Audit Report No. 3-649-82-03, December 10, 1981

Introduction

We have reviewed USAID/Somalia assistance to and management of the Kurtunwaare Settlement Project. The purpose of our review was to determine if the project objectives had been achieved, and how effectively project resources were used during the project implementation period. A project evaluation review had been recently completed by a team from Kenya; therefore, we gave consideration to the findings of that evaluation and the responsive actions taken by USAID/Somalia to the evaluation report.

Background

As a result of a drought from 1973 to 1974, the Somalia government (GSDR) set up six permanent villages to accommodate the thousands of refugee nomads. These settlements were managed by a new agency established for that purpose -- the Settlement Development Agency (SDA). Kurtunwaare, one of the six villages, was set up in 1975 as an agricultural community. It is located about 150 km south of Mogadishu in an undeveloped area on the Shebelle River.

When AID resumed assistance to Somalia in 1978, USAID/Somalia agreed to assist the Somalia Government in developing a pilot project to design and construct low cost housing units which

could be replicated throughout the country. Kurtunwaare was selected as the project site to develop a feasible housing structure, and to train the nomadic population in needed construction skills. The overall development scheme calls for 4,000 new houses to be constructed at Kurtunwaare. The first phase of the scheme was to construct 400 houses with the assistance of USAID. Funds of \$2.1 million were obligated to finance the foreign exchange costs of the 400 houses, and to provide the technical assistance needed to get the project started. Approximately \$1.4 million was used to procure construction equipment and imported building materials, and about \$.7 million to finance a host country contract with Louis Berger International, Inc. (LBII). The project was to be completed by September 30, 1981, when the technical assistance contract expired.

### Summary

The Kurtunwaare project has only partially met the objectives established at its inception. The basic objective of completing 400 units was not met -- as of September 30, 1981 less than half of the target number had been completed, and none of the units had been occupied. The technical assistance contractor personnel have all departed. The remaining construction work is the sole responsibility of SDA. Most of the problem areas have been covered in detail in the project evaluation report. Although the final evaluation report was not received by USAID/Somalia until late in August 1981, at the time of our review limited action had been taken by USAID and SDA to implement the recommendation contained in the draft evaluation report available in May 1981. The Mission indicated that continued financial assistance to support the construction scheme would not be provided by USAID.

At the conclusion of our field work, an exit conference was held with appropriate USAID/Somalia and SDA officials. A draft report was also transmitted to USAID/Somalia. Comments provided by USAID/Somalia at the time of our exit conference, and to our draft report, have been incorporated into the final report.

### Achievement of Project Objectives

As noted in the Project Evaluation and the USAID/Somalia response to the draft evaluation report, the Kurtunwaare Settlement Project was marginally successful. Training of settlement dwellers in

construction skills was completed under an LBII subcontract with Florida A&M University during the period of June 1980 through January 1981. However, the major focus of the project was directed into two segments. First, to experiment with designs and materials in the first fifty units, and then have those fifty units occupied to evaluate the suitability of the design from actual experience. The second segment was to develop appropriate cost information to ensure that the housing units fit the classification of low-cost shelter -- a necessary factor if similar units are to be replicated throughout other parts of Somalia.

In the experimentation stage, ten different house models were constructed. A village committee then selected one of the models as the prototype for the remaining units to be constructed -- the chosen model had four rooms with covered entrances and a gross area of 473 square feet.

The decision on the selected model was made in late 1980, and thereafter construction began on the 350 units yet to be built. Although the project plan called for 400 units to be completed by September 1981 (when the project was to terminate), at the end of September 1981 less than half of the units had been started and were in various stages of construction. Even those units which were considered completed, did not yet contain sanitary and water facilities. Furthermore, none of the units had been occupied. Therefore, there was no way to determine the suitability of the design and construction from actual experience.

In early September, the contractor submitted the first draft of a report on cost projection. This effort was in response to a recommendation in the project evaluation report. In a meeting with the USAID Director, the contractor was advised to revise the report prior to his departure so that the report would be useful to determine if units costs and revised construction techniques would combine to meeting the criteria of replicable low cost housing.

Project management of USAID and SDA were aware that the planned number of units would not be completed by September 1981. There were numerous causes for the delay including untimely provision of local currency requirements by the GSDR, difficulty in training and retaining skilled construction laborers, delays in receipt of construction equipment and building materials, and a severe shortage of fuel during most of the construction period. Several of these problem areas were beyond the control of both

USAID and SDA, and were attributable to the severe economic restraints found in Somalia. In addition, numerous USAID internal reports focused on the need for SDA to provide more effective management of project activities -- including the relocation of project management officials from Mogadishu to Kurtunwaare. The combination of these factors led to the failure to complete the 400 units planned for the first phase of the Kurtunwaare Settlement Project.

### Project Evaluation

In April 1981, an evaluation of the project was done by an AID team from Kenya. It was a comprehensive review touching on all areas of the settlement scheme. The draft report was given to USAID/Somalia in May 1981 for their review and comments; the final report was received in August 1981. Although some exceptions were taken to specific parts of the evaluation, the findings were generally accepted by the USAID as noted in their July 9, 1981 reply to the draft evaluation report.

The major recommendations in the evaluation report were:  
(a) expedite occupancy of housing units as quickly as possible, with the first 50 by early June if possible; (b) determine if material resources already in hand were sufficient to complete 400 units; (c) with the concurrence of all parties, implement the engineering plan in the evaluation report; and (d) after the current harvest, have a joint evaluation made by all donors and agencies involved in the settlement scheme. In addition, there were some technical recommendations directed at the construction operation.

Some action has been taken in response to the evaluation. A determination was made that sufficient imported materials were available to complete the planned 400 housing units. However, at the project completion date, there were still no houses occupied. The rationale for not letting occupants move into the units was that sanitation facilities were not completed, and the warehouse was not completed so that materials and equipment could be safeguarded.

Although the AID-financed inputs to the project have been concluded, to preclude waste of U.S. resources there needs to be a mutual agreement between GSDR and USAID/Somalia that the first phase of the project will be completed and that the SDA is solely responsible for the completion of the project. Such an agreement should set forth the work yet to be accomplished, such as completion of sanitary and water facilities.

In a cable response to the draft report (Mogadishu 7221, dated 9 December 1981), the USAID advised us that an agreement had been reached with SDA regarding completion of the 400 housing units and a plan to occupy the first 50 units by December 15. This joint action by the USAID and SDA deletes the necessity for including a formal recommendation in this report.

### Host Country Contract

A contract between the Settlement Development Agency (SDA) and Louis Berger International, Inc. (LBII) was effected May 4, 1980, to provide technical assistance in connection with a low cost minimum shelter construction program at Kurtunwaare. The agreement included sub-contract services by Florida A&M University to establish a training program. Contractor personnel arrived in May 1980 for various periods -- all had departed by September 30, 1981.

One of the continuing problems throughout the contract period was that the SDA project management office and the LBII project manager remained in Mogadishu rather than move to the project site at Kurtunwaare. The USAID had been applying pressure to SDA since late 1980, but to no avail. At the time of our review in early September 1981, neither the SDA project management office nor the LBII project manager had physically moved to the project site. Whether the transfer of responsible project management to Kurtunwaare would have resulted in more effective management with increased production can only be a matter of speculation at this time. Of importance is the fact that the USAID had less direct control over the contractor under the host country contract arrangement. There were numerous USAID internal reports indicating that SDA had difficulty in effectively implementing project performance. As the project period has been completed and there is no indication that the project support to SDA will continue, no recommendation is considered necessary.

We noted that the SDA was in the process of completing a review of local currency expenditures controlled by the contractor. This was the second internal audit by SDA of the expenditures funded through PL 480 generations.

We reviewed the reimbursement vouchers submitted by the contractor and paid by AID. One area of concern is that a few budget line items have been billed at the budgeted amount rather than at actual costs. A specific example was that the May 1981 invoice for equipment was computed by subtracting the cumulative amount billed from the amount shown in the budget estimate, and including the difference as the charge for May. This technique was also

used to recover costs for international travel and per diem. As this contract is of a cost reimbursable nature, the contractor should provide data on actual costs rather than budget estimates.

In response to our draft report, USAID/Somalia advised us that on December 6, 1981, SDA sent a letter to the contractor requesting submission of actual cost expenses rather than budget estimates. The USAID was provided a copy of the letter.

#### Recommendation No. 1

USAID/Somalia should ensure that the SDA reviews the contractor's supporting data to guaranty that the amounts reimbursed are for actual costs rather than budget estimates.

#### Commodities

About two-thirds of AID's assistance to the Kurtunwaare project was to finance construction equipment and building materials. Other than some \$275,000 for 2,500 metric tons of cement purchased in Greece with an approval waiver, most of the other items were procured through a U.S. purchasing agent. Numerous delays were encountered before some of the major items were received in-country. Spare parts had been a problem throughout the construction period. As late as September 1981, the largest diesel generator was still not functioning. All of the equipment and building materials were stored at the project site except for the cement. SDA had been renting warehouse space in Mogadishu where the cement was stored pending completion of the warehouse at Kurtunwaare, which needed a roof and flooring before it could be utilized.

The project files of commodities indicated that various items (cement, lumber, etc.) were loaned by SDA, with USAID concurrence, to other activities -- including the USAID. At the time of our review, SDA had not had the materials replaced by the borrowers. These items should be replaced to SDA for use on the Kurtunwaare project.

In response to our draft report, USAID/Somalia advised us that some of the borrowed cement had been returned, but 13,000 bags are still on loan. It was expected all the cement would be returned by the end of January 1982.

**Recommendation No. 2**

USAID/Somalia should review the commodity control records of SDA for the Kurtunwaare project, and ensure that the materials loaned from project inventory are promptly returned or replaced.

**CC: Deputy Administrator**  
**AA/AFR (5)**  
**AA/LEG**  
**IG**  
**GC**  
**AFR/EA**  
**FM/ASD**  
**IDCA/LPA**  
**PPC/E**  
**DS/DIU (4)**