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# Auditor General

## AN ASSESSMENT OF AFRICARE'S ACTIVITIES

Africare is a private voluntary organization which currently derives over 90 percent of its revenues from AID through support and project grants. Since 1974, Africare has received \$14.8 million in such grants. Some problems noted during our review were:

- Africare needs to broaden its private funding base in order to remain independent of AID and qualify for matching grants.
- Africare has had only limited success in meeting project objectives.
- Inadequate financial and accounting controls exist over grant expenditures which can lead to misuse of AID funds.
- AID monitoring of Africare activities can be improved and Africare progress reports do not contain the necessary information to measure project accomplishments.

This report contains recommendations for management improvements.

**Audit Report Number** 81-6

**Issue Date** October 14, 1980

Area Auditor General, Washington  
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Washington, DC. 20523

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## EXECUTIVE SUMMARY

### INTRODUCTION

Africare was incorporated in 1971 as a private organization to mobilize financial support for development projects in Africa. Its objectives are to: (1) develop comprehensive rural development programs in Africa which will integrate water resources, agricultural production, and rural health services; and (2) create in the United States an awareness and concern about Africa, especially among Black Americans. Other than AID, Africare has had only one major contributor--the Lilly Endowment Foundation.

Africare currently derives over 90 percent of its revenues from AID. Since 1974, AID has provided Africare \$2.5 million in general support grants for development of Africare's management and technical capabilities. Another \$12.3 million in AID-funded project grants are presently administered by Africare (see page 1).

### Purpose And Scope Of Review

Our review was directed toward evaluating: (1) Africare's ability to attract a broadbase of private funds for its operations and development projects, (2) three AID-funded development projects, (3) financial controls over AID-funded expenditures, and (4) AID's monitoring of Africare activities. We reviewed the applicable Africare and AID records and visited project sites in Upper Volta and Niger to observe project implementation. We discussed our observations with Africare and AID officials and obtained their written comments on our draft report.

### AID's General Support Of Africare Should Be Phased Out

In November 1974, AID began supporting Africare's operations with a Development Program Grant. At that time, Africare was expected to be self-supporting after two years. The annual cost of this support is \$380,000 which primarily pays for the salaries of Africare executives and support staff. The current general support grant period ends in December 1981.

Africare's ability to raise private funds to support its general operations has not been successful. Since 1975, the net unrestricted revenues from private sources averaged \$83,000 annually. The net amount raised in 1979 was only \$50,000. Africare also has had little recent success in raising private funds for project financing. Since 1976 Africare received over 90 percent (\$12.3 million) of its project financing from AID grants. As of April 1980, Africare only had 7 projects (\$324,000) designed and ready for private financing.

In response to our draft report, Africare indicated several steps have been or will be taken to stimulate private fund raising. The most notable is admission in July 1980 to the Combined Federal Campaign (CFC) annual fund raising drive. According to Africare, it can conservatively expect to net over \$500,000 annually as a full CFC participant.

Whatever the outcome of Africare's private fund raising activities, we believe that AID should phase down and eventually cease paying for Africare's general support. By the end of 1981, AID will have supported Africare's operations for a period exceeding seven years (see page 3).

### Projects Too Large For Africare To Effectively Administer

The three major AID-funded development projects administered by Africare are behind schedule and several project objectives may not be accomplished. The following are illustrative:

- The cost effectiveness of the Tara Hydro-Agriculture Project, costing \$3.3 million, is questionable and key elements have not been implemented.
- The Diffa Basic Health Services Delivery Project, costing \$2.8 million, has encountered long delays in implementation; planning and coordination between Africare and Niger officials needs to be improved; and Niger's ability to continue health services after the project ends is highly questionable.
- The Seguenega Integrated Rural Development Project, costing \$6 million, is behind schedule two years and little substantive progress has been made.

In our view, these problems stem from the projects being too large and complex for Africare to administer effectively. The projects were funded with the use of Operational Program Grants. It is questionable whether such projects are consistent with the intent of the Operational Program Grant program. Their size and complexity is overly ambitious and they share some of the characteristics of large, complex AID-implemented projects (see page 7).

### Controls Over AID-Funded Expenditures Need To Be Strengthened

We identified certain weaknesses in financial and accounting controls over expenditures of AID funds made by Africare field offices and host country intermediaries. We found inadequate record keeping and insufficient documentary support for Tara project expenditures. Overpayments were made to a local contractor from the Diffa project funds. For the Seguenega project, several weaknesses were identified in controls over a revolving credit fund and questionable salary payments were made to host government officials (see page 20).

Several actions have been taken to correct the financial and accounting control deficiencies noted in our draft report. For instance, a separate bank account for the Seguenega project revolving credit fund has been opened. Control and subsidiary accounts were established to track individual and aggregate credit transactions. The Africare Representative in Niger is making efforts to recoup the overpayment to the local contractor (see page 41).

### More Should Be Done By AID To Monitor Project Implementation

With regard to Africare grants, AID officials have not met their oversight and evaluation responsibilities. Once a grant has been approved and the project becomes operational, very little monitoring is done by AID over Africare projects.

- Periodic reports are not required to be submitted by the AID Missions to AID/W.
- No field trips to the project sites have been undertaken by AID/W officials to observe physically the progress of the projects.
- USAID/Niger has done little in monitoring Africare's administration of projects. The Mission has had little, if any, official contact with Africare. Mission officials have neither visited the project sites, nor followed up on the Diffa progress reports.
- Between September 1979 and February 1980, USAID/Upper Volta officials made three visits to various project sites. The information acquired by USAID/Upper Volta on these visits was not shared, however, with the AID/W Africa Bureau--the responsible AID office for administration of the grant (see page 25).

AID monitoring has been restricted to the review of Africare quarterly progress reports which lack sufficient information to measure success in meeting project objectives. We also found that expenditures shown in the progress reports cannot be compared to project paper budgeted amounts. Africare has revised the projects' budgets, but has not submitted them to AID for review and approval (see page 29).

### Conclusions And Recommendations

In our view, AID cannot continue to pay indefinitely for the salaries of Africare's staff and other support items. Furthermore, it is not in the best interest of Africare to continue receiving most of its operating support from AID if it wants to remain an independent development organization. Therefore, we recommend that AID:

- develop a specific plan of action and take steps to phase out general support for Africare.

Our review of three major AID-funded projects administered by Africare revealed major shortcomings in reaching project goals and objectives. The projects may be too large and complex for Africare to effectively manage. In any event, AID was not aware of these shortcomings because of inadequate project monitoring and progress reports. In addition, AID's oversight of Africare activities is not effective because monitoring responsibilities have been dispersed to several AID offices. Therefore, we recommend that AID:

- centralize monitoring of Africare activities and require more meaningful progress reports on project accomplishments and shortfalls.

- develop more specific criteria regarding the size, scope and complexity of Operational Program Grants awarded to Africare.

These and other recommendations to improve the management of Africare activities are included in Exhibit H.

### Summary Of Management Comments

In early June 1980, we requested written comments to our draft report from the Bureau for Private and Development Cooperation (PDC) and Bureau for Africa. PDC's response, received on June 17, 1980, essentially agreed with the contents of the draft and endorsed the idea that the Africa Bureau is the proper bureau for monitoring Africare activities. PDC also noted a number of organizations, which start up with AID funding, have great difficulty replacing the AID funds with private monies. PDC intends to work with the Africa Bureau to build a long-term strategy on AID's support to Africare (see Exhibit E).

Africare took exception to some of the observations contained in the draft report. See Exhibits C and D for the full text of Africare's comments and our views on their comments.

On October 6, 1980, we received the Africa Bureau's response to our draft report. The Bureau did not have any significant disagreements with the factual contents of the report, but it was not fully in agreement with some of our conclusions and recommendations. The major disagreement relates to our position that AID formulate a plan for phasing out general support of Africare's operations. In this regard, the Bureau stated:

"The Africa Bureau takes a different approach to the Report's conclusion that AID's General Support Grant to Africare should be phased down, eventually to zero.... The Bureau notes that the Agency is adopting new PVO guidelines which eliminate the current requirement of at least 20 percent support from non-AID sources in favor of a more flexible 20 percent guideline. This new policy has been set to encourage greater opportunity for smaller and minority PVOs such as Africare. If Africare can come close to this flexible criterion, I believe we should base any decision regarding future general support to Africare on performance....

"For the United States to deliver assistance effectively and take full advantage of the diversity of its people, the use of minority contracting is imperative. In this regard, Africare has built a solid base and AID support should be sustained, if justifiable."

See Exhibits F and G for the full text of the Africa Bureau's comments and our views on their comments.

USAID/Niger made an important observation concerning the centralized management and operational structure of Africare. The Mission was informed by the local Africare representative that all project accounting and administrative procedures are formulated and directed by Africare at its headquarters in Washington. Consequently, the Africare office in Niger could not respond to

the Mission's queries on procedures to carry out an AAG/W audit report recommendation. Furthermore, USAID/Niger is concerned that if the Mission is to effectively monitor AID-financed Africare activities in Niger, the local Africare representative should be delegated sufficient authority to speak for project and administrative issues. The present Africare structure necessitates the local Africare representative to obtain instructions from Africare/Washington prior to responding to USAID/Niger requests, or, alternatively, the Mission must work through AID/W as an intermediary to obtain an official response from Africare/Washington.

During our review in Niger and Upper Volta, we encountered the same organizational problems. On several occasions, Africare local officials would not answer our queries about project activities since they felt it was beyond their authority. Even what we considered minor questions were referred to Africare's Washington office. Since this was an internal mechanism set up by Africare to manage its field operations, we did not believe it was appropriate for us to address it in our report. Nevertheless, we believe that Africare should decentralize its decision making processes so that it can more effectively and efficiently administer AID-financed projects. While we are not making any formal recommendation in this area, we are requesting that the Africa Bureau discuss this organizational problem with Africare/Washington officials.

## BACKGROUND

Africare was incorporated in 1971 as a private organization to mobilize financial support for development projects in Africa. Its objectives, according to its Articles of Incorporation, are:

"...to assist in the improvement of the health of the people of Africa, including improvement of health resulting from economic, agricultural, educational and social development in harmony with the environment."

Africare was one of the first organizations to bring the Sahelian drought to the attention of the American public in 1973. It quickly raised between \$300,000 and \$450,000 through private donations, 65 percent of which came from Black Americans. The funds were distributed among six Sahelian countries, partially in checks of \$10,000 each. The Lilly Endowment Foundation also donated \$250,000 to Africare in 1973 for a water resources development program. This program, which opened wells in Chad, Mali and Niger, was primarily designed to provide water for nomads and villagers whose water supplies had deteriorated.

As the drought diminished, Africare began reshaping its program toward development activities of long term impact. In its planning of such activities, Africare gave emphasis to the concept of "integrated rural development," in which there would be rational and harmonious development of agricultural production, water resources, health, education, etc., which would respond to the interrelated needs of the people of a given area.

In 1974, Africare received a Development Program Grant from AID, which had as its primary objective the creation of an institutional capability within Africare to carry out projects of integrated rural development. At about the same time Africare was provided with an opportunity to take over its first large project of integrated rural development (Tara irrigated rice project in Niger) through an arrangement with Lilly Endowment, which agreed to provide major financing.

During its subsequent history, Africare's major thrust has been to improve its capability in designing and organizing major projects of integrated rural development. Africare has also continued its activities in developing smaller projects that it can present for financing to churches and other groups in the United States.

Africare is experiencing problems acquiring a broad funding base of various donors. Other than AID, Africare has had only one major contributor--the Lilly Endowment Foundation. Since 1974, AID has awarded Africare \$14 million in general support and development project grants (see Exhibit A).

As of January 1980, Africare had a staff of 46, most of whom were assigned to its Washington, D.C. office. The other staff members are assigned to various countries in Africa.

Washington, D.C.	25
Niger	10
Upper Volta	7
Mali	2
Senegal	1
Zambia	<u>1</u>
	<u>46</u>

### Scope

The primary purpose of our review was to evaluate Africare's overall effectiveness in implementing AID-financed development projects. Our review included: (1) an evaluation of Africare's ability to attract a broadbase source of funds for its operating support and development projects; (2) an evaluation of three development projects; (3) an examination of Africare's financial controls over AID-funded expenditures; and (4) an evaluation of AID's role in monitoring Africare activities.

A detailed examination was made of \$12.4 million in general support and operating program grants (see Exhibit A). We reviewed the applicable program and financial records of these grants and discussed our observations with Africare and AID officials in Washington, D.C. Three project sites in Upper Volta and Niger were visited to observe project implementation.

The review was performed in response to a request from AID's Bureau for Program and Management Services, Contract Management, Regional Operations Division. The Bureau felt a comprehensive review was warranted since AID is currently the primary supporter of Africare activities and the volume of AID funds may increase in the future.

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### AFRICARE SHOULD BECOME MORE SELF-SUPPORTING

Africare's primary problem as a private voluntary organization (PVO) is its lack of funding support from private sources. Since 1976 AID has financed over 90 percent of Africare's overhead and development projects. In our view, Africare must broaden its base of private support to continue functioning as a genuine PVO.

#### Cost of supporting Africare

Since 1974, AID has provided Africare with \$2.5 million in support grants to pay for the salaries of Africare's executives, program development staff, administrative personnel and other support costs. The following chart shows the costs that were charged to the general support grants in calendar year 1979.

	<u>General Support Grants</u>		<u>Total</u>
	<u>1340</u>	<u>1525</u>	
Personnel	\$ 89,564	\$221,586	\$311,150
Travel	12,966	25,632	38,598
Equipment & Supplies	-0-	2,233	2,233
Training	-0-	2,923	2,923
Other	<u>10,211</u>	<u>12,888</u>	<u>23,099</u>
Total	<u>\$112,741</u>	<u>\$265,262</u>	<u>\$378,003</u>

On November 11, 1974 AID awarded a Development Program Grant which had as its primary objective the creation of an institutional capability within Africare to carry out projects of integrated rural development. Africare at that time expected to be on a self-supporting basis after two years through development of a network of contributing members and member chapters in cities, colleges, and elsewhere. Africare believed that through the development of a volunteer staff and increased staff capability paid for by the grant, the amount of unrestricted funds from individuals and organizations would increase sharply.

Our analysis of Africare's financial statements indicated that Africare has not obtained a broadbase constituency. Africare's membership dues are substantially less and unrestricted revenues from private donations have not increased since 1975.

	1980 a/	Fiscal Year Ending April 30,				
		1979	1978	1977	1976	1975
(In 000's)						
Contributions	\$41	\$36	\$32	\$ 33	\$27	\$42
Donated Facilities, Services, etc.	-	-	3	3	13	20
Membership Dues	11	7	9	18	18	19
Interest Income	27	23	37	38	24	13
Special Events	2	9	-	-	-	-
Other	-	-	-	10	17	5
	<u>\$81</u>	<u>\$75</u>	<u>\$81</u>	<u>\$102</u>	<u>\$99</u>	<u>\$97</u>
Fund Raising Expense b/	Unknown	<u>25</u>	<u>12</u>	<u>-0-</u>	<u>1</u>	<u>3</u>
Total		<u>\$50</u>	<u>\$69</u>	<u>\$102</u>	<u>\$98</u>	<u>\$94</u>

a/ Data was not audited.

b/ A portion of the fund raising expenses also relate to restricted fund raising activities.

Because Africare did not generate sufficient unrestricted funds from private sources, AID awarded Africare two follow-on general support grants. These grants generally covered the same cost elements and objectives of the first development program grant. The current general support grant ends on December 31, 1981.

#### Results of consultant's study

A consultant's report of August 1978 noted that the development program and general support grants have been successful in enabling Africare to become a viable and effective organization capable of developing and presenting good projects. The report stated, however, that the grants had no discernible effect in improving Africare's ability to raise private funds to operate without AID support. It further stated that the fundamental problem of Africare continues to be the lack of a broad and substantial base of private support and the lack of sufficient unrestricted funds to mount a large-scale appeal for funds. The cause cited for this problem was inadequate staffing for fund raising and related publicity campaigns. This function was essentially being done by Africare's Executive Director and its Director of International Development on a part-time basis.

The report concluded that the demands on Africare to develop projects for AID financing and to comply with AID requirements have diverted attention that might otherwise have been directed toward strengthening its private sources of support.

An AID official told us that several discussions were held with Africare about its private fund raising problem. At these meetings, Africare was confident it would be successful in future fund raising efforts.

Current status of fund raising efforts

In response to our draft report, Africare stated it had identified several steps it has or plans to take to increase the receipt of unrestricted operating funds (see page 37). The most promising step achieved is Africare's admission to the Combined Federal Campaign (CFC) in July 1980. According to Africare, it can conservatively expect to net over \$500,000 annually in additional unrestricted support as it becomes a full participant in CFC campaigns. One Africare official expects attainment of this goal within three years.

Africare unable to generate private sources of project funds

Our analysis of Africare's sources of funds shows little recent success has been made by Africare in generating specific project financing from private contributors. During 1974-75 project financing by the Lilly Endowment had enabled Africare to maintain itself as a predominantly privately supported organization. Since then Africare has rapidly become an organization that receives most of its project financing from AID.

Africare Project Financing  
(In \$000)

<u>Year</u>	<u>AID</u>	<u>Lilly Endowment</u>	<u>Other Donors</u>	<u>Total</u>
1974-75	\$ -0-	\$1,909	\$228	\$ 2,137
1976	2,821	-0-	164	2,985
1977	1,100	164	178	1,442
1978	6,956	-0-	246	7,202
1979	1,389	-0-	148	1,537
	<u>\$12,266</u> a/	<u>\$2,073</u>	<u>\$964</u>	<u>\$15,303</u>
Number of Projects	7	9	27	43

a/ Does not include the \$2.5 million in general support grants.

Although Africare has been unable to obtain significant private financing for development projects since 1975, it has identified several potential donors who may finance 12 projects totaling \$812,000. The estimated cost of these projects range from \$7,150 to \$275,000. Africare also has developed or is in the process of developing 5 projects for AID financing totaling \$2.9 million. These projects range in cost from \$101,000 to \$1.7 million. (See Exhibit B for the current status of projects Africare would like to implement should financing become available.)

### How long should Africare be supported?

Before the present support grant terminates on December 31, 1981, AID must decide the extent to which it wants to continue paying for Africare's support or core costs. AID does not have a firm limitation on the duration of support assistance to grantees. We believe, however, that AID should phase down and eventually cease paying for Africare's general support. The Bureau for Africa placed five years as a reasonable period to phase out the support assistance for another grantee. By the end of 1981, AID will have supported Africare's operations for a period exceeding seven years.

### Conclusions and Recommendation

The development projects Africare wishes to finance from private sources may not sustain Africare at its current level of operations without continued AID general support. Therefore, AID must determine its future relationship to Africare. An alternative relationship would be to treat Africare on a contractual basis. Africare would then be required to compete on an equal basis with other contractors for technical services and development projects. In our view, it is not in the best interest of Africare to continue receiving most of its operating support from AID if it wants to remain an independent development organization. Therefore, we recommend that:

#### Recommendation No. 1

The Assistant Administrator, Bureau for Africa, develop a specific plan of action and take steps to phase out general support for Africare. AID must also address what its future relationship with Africare should be.

## DEVELOPMENT PROJECTS ARE BEHIND SCHEDULE AND OBJECTIVES ARE NOT BEING MET

Our evaluation of three development projects administered by Africare revealed the projects are behind schedule and several project objectives will not be accomplished within the specified time frames. These shortcomings are due to: (1) the projects are overly ambitious in what can be accomplished given the harsh environment of West Africa; (2) the inability of Africare and local government officials to manage and implement the projects efficiently; and (3) the lack of clearly defined roles for Africare, local government and village member participants.

### Projects Are Too Large And Complex

The Africare projects are experiencing serious implementation problems. In our view, these problems stem from the projects being too large and complex.

AID defines Operational Program Grants as:

"...two or three year programs typically...which are initiated and developed by the PVO (rather than AID) and fully compatible with AID's legislative mandate...It represents the most field-oriented of our grant relationships with PVOs and certainly exemplify the long-range relationship with PVOs which AID is trying to encourage. Note, however, that OPG grant relationships are usually managed somewhat more closely by AID..."

AID documents do not define the optimum funding level of an Operational Program Grant. Yet, if the two-to-three year duration period is indicative, then it would seem that the grant is used to finance projects of relatively limited size, scope and complexity.

The three Operational Program Grants awarded to Africare for the projects discussed below do not conform with this limited size and scope. On the contrary, the Africare projects share some of the characteristics of large, complex AID-implemented projects. The funding level of the three Africare projects, for example, vary from \$2.8 million for the Basic Health Services Project in Niger to \$6 million for the Integrated Rural Development Project in Upper Volta. The latter project is larger than any AID-implemented project in Upper Volta. Moreover, the scheduled implementation periods for the Africare projects range from three to five years. Yet even these longer implementation periods are unrealistic. The Health Services Project has already been extended to four years and additional extensions may be necessary for the other two projects.

Africare is experiencing a number of serious problems in implementing its projects. The following are illustrative:

- The irrigation portion of the Tara Hydro-Agriculture Project is not cost effective and other key elements of the project have not been implemented.

- Arrangements have not been made for the continued operation of the health facilities by the Government of Niger under the Basic Health Services Delivery Project.
- After almost two years of implementation, little substantive progress has been made under the Integrated Rural Development Project in Upper Volta.

We question whether the above three Africare projects are appropriate for Operational Program Grant funding. Their size and complexity strikes us as being overly ambitious. This is not to say that Africare has not made some progress. The implementation of development projects in West Africa is difficult under the best of conditions. Nevertheless, we believe that the size of Africare projects funded by Operational Program Grants should be reduced in scope and complexity.

### Conclusion and Recommendation

The Operational Program Grants awarded to Africare are extremely large and complex. In our view, it is questionable whether such projects are consistent with the intent of the Operational Program Grant program. Accordingly, we recommend that:

#### Recommendation No. 2

The Assistant Administrator, Bureau for Africa, should develop more specific criteria regarding the size, scope and complexity of Operational Program Grants awarded to Africare and other PVOs.

#### Hydro-Agricultural Project - Tara, Niger (932-0111)

Our review of the Tara project indicates serious problems in reaching project objectives. The amount of land that can be irrigated for rice production was reduced by more than half. Other major project components are significantly behind schedule and will not be accomplished by the end of the grant period.

Africare's first major development project was the hydro-agricultural project in Tara, Niger. The village of Tara has a population of about 1,800 and is located along the Niger River. Its economy is based on the rainfed farming of cereals. Between the village fields and river, there lies a tract of annually flooded alluvium, which has historically been used as grazing land for livestock during the dry season.

A project to irrigate and grow rice in this river bottom land was initiated in the early 1970's through the joint efforts of the Government of Niger (GON), World Vision and the Lilly Endowment. An airstrip and various buildings were constructed, a considerable amount of equipment was bought, and a "temporary dike" was built.

The project experienced difficulties in its management, which necessitated a new approach. In 1975, the Lilly Endowment requested Africare to take over the management of the foreign assistance component of the project.

In May 1977, Africare submitted a project proposal to AID for additional financial support. On September 30, 1977, AID awarded a grant for \$1.1 million for completion of the Tara project. The grant period ends on September 30, 1980. The following is the current financial status of the Tara project:

As of December 31, 1979  
(In \$000)

	<u>Funds Committed</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Remaining</u>
Lilly Endowment	\$1,850	55.5	\$1,850	\$-0-
AID	1,100	33.0	648	452
UMCOR	40	1.1	40	-0-
Kansas West Conference	300	8.9	169	131
World Vision	50	1.4	50	-0-
Ramapo College	1	< 1	1	-0-
Africare	<u>2</u>	<u>&lt; 1</u>	<u>2</u>	<u>-0-</u>
	<u>\$3,343</u>	<u>100.0</u>	<u>\$2,760</u>	<u>\$583</u>
GON (In Kind)	\$ 200		(Unknown)	

Of the \$2.76 million in expenditures, about \$2.3 million was for the construction of the irrigation works. The balance of the funds expended went for construction of a Tara-Gaya access road, an artisan workshop, literacy training, and other project activities.

Irrigated land area reduced significantly

The objective of developing 500 acres of Niger River flood plains developed for intensive irrigated agriculture has been reduced by 282 acres or 56 percent. The original estimate was based on a study performed by the GON which concluded that a dike constructed in 1973 could be up-graded and utilized for the Tara project. A later study performed by the GON, which was financed by the project, indicated another dike should be constructed farther from the river bed. The new dike was necessary because the temporary dike flooded when the river reached high levels.

Africare was aware of the potential flooding problem prior to the approval of the grant by AID on September 30, 1977. The decision to reduce the area to be irrigated was apparently made at some time between Africare's submission of the Tara project to AID in May 1977 and the commencement of the dike construction work later that year. According to the minutes of a meeting of May 13,

1977 between Africare and Genie Rural, "There was general agreement to move the dike slightly to the inside of the wetter areas...The movement of the dike will occasion a slight loss of exploitable field surface. This has not yet been measured exactly." Our review of Africare's Tara progress reports showed the dike, at a cost of \$1.2 million, was completed on September 9, 1977--three weeks before AID approved the grant.

The reduction of land that can be irrigated has had a negative impact on reaching various project objectives.

- It was anticipated 1,500 tons of cereal equivalent would be produced annually on the irrigated area. The actual production total for 1979 was 477 tons.
- It was anticipated each of 300 families would be provided about 1 and 2/3 acres of irrigated land. Presently, 256 families will be provided only about 4/5 acre each.
- The effect of the reduced irrigated land has significantly affected the economic benefits of the project. The village of Tara can now expect to receive a net cash income of \$79,625 compared to \$182,000 annually for its excess rice production. The per family net increase in cash income is \$311 (256 families) compared to \$606 (300 families).

Although the farmers in Tara are receiving an increase in cash income because of the irrigation system, it is questionable whether it can be considered cost effective. As previously noted, the net cash income to the village of Tara will be about \$79,625 annually. The cash income does not reflect, however, the real economic viability of the irrigation system. Other factors which require consideration include: (1) the cost of operating and maintaining the system; (2) capital improvement cost; and (3) the amortization and operating cost of the animal traction units. An example of a major capital improvement is two intake pumps which may be necessary for continued operation of the irrigation system.

Maintenance person was directed to wade in river to demonstrate the four intake pumps cannot be used if the river level becomes lower. Two additional pumps placed out in the river may be required for the project. 3/80.

Africare contends the irrigation project will be cost effective. In response to our inquiry on this matter, Africare stated the following:

"The project continues to be cost effective within the context of bilateral development assistance, concessional development financing, and importantly, Africare's project paper of May 1977. We do not believe the project would now or in the past exceed the investment criteria of profit seeking private investors...

"The estimated \$2.3 investment, which incidentally was comprised almost entirely on non-USAID funds, is currently expected to generate rice crops whose net value, after expenses, is \$2.9 million, received over 24 years and discounted at a 4% interest rate. This 4% interest rate is used because the project's original internal rate of return was 4.8%, and a conveniently available even number discount table was used for the present recalculation."

Although we did not perform a complete cost/benefit analysis, an August 1978 consultant report agrees with our position that the cost effectiveness of the irrigation project is highly questionable. In this regard, the report stated:

"Since Africare's institution of the Tara project, the major change made in the project was to reduce the amount of land to

be endiked for irrigation from 200 hectares to 120 hectares. The area taken by irrigation ditches and research parcels will reduce further the amount available to farm families to around 100 hectares. There has been no corresponding reduction in engineering costs. Thus there can be little question that a recalculation of internal economic rate of return would produce a negative result..."

In summary, we believe that the costs will more than offset the income that will be derived from the irrigation system. Moreover, we believe that had AID been aware of the questionable cost effectiveness of the project during its negotiations with Africare, it is unlikely the grant would have been approved. Given the high per family cost of \$13,300, AID would have been better off using its limited funds for more cost effective development projects.

#### Other project components are behind schedule

Other major project components are significantly behind schedule. In this regard, it is questionable whether the more significant project components will be completed by the expiration of the grant period on September 30, 1980. The primary reason cited by Africare for the delays encountered was inaction on the part of GON officials. We believe another cause is that Africare was too ambitious in what it expected to do under the project. Below are examples of project components which are behind schedule.

- The project paper anticipated an increase in poultry production by 80 tons per annum. A scheme was to be developed for commercial poultry production and 20 village women were to be trained, equipped and supplied by 1979. As of March 1980, the physical aspects of the poultry production has not started. Although 30 village women have received training in the maintenance and health care of poultry, none have been equipped and supplied. According to Africare officials, the delays in the poultry program can be attributed to lack of action by the GON, which preferred another approach that would emphasize egg production over meat production. As of March 1980, Africare had not received the new plans from the GON.
- The project paper set a goal to equip 300 farm families with animal traction units (a team of oxen, plow, cultivators, ox cart and accessories such as yokes and chains) by the end of the project period. As of March 1980, the farmers of Tara have purchased only 43 animal traction units. Forty-six other farmers who have ordered units are awaiting financing from the cooperative credit union.
- The project paper set a goal to establish a pilot fish program by early 1978. This included the purchase of fish processing and preservation equipment, development of a fish marketing structure, and training of villagers. It was estimated the village fish catch would have increased by 84 tons per annum beginning 1980. The village fish component of the project has been delayed. The GON Ministry of Water and Forestry only recently approved the expenditure of \$65,000 to start the fish program. It has withheld approval

for constructing a planned building until the yield of fish becomes known. Africare officials told us the delay resulted because GON technicians could not decide on specific aspects of the fish program. They stated that the fish component of the project will begin shortly after Africare/Washington approves the initial financing.

- The project paper anticipated a functioning village health program for Tara by the end of the project period. As of April 1980, the village health clinic which was to be financed by the project has not been built. According to Africare officials, construction of the health facility at Tara was postponed until the GON Ministry of Health could decide its policy on the relationship between the size of a dispensary and the village population.
- The project paper anticipated a village cooperative system for agricultural, poultry and fish production. As of March 1980, cooperative systems for fish and poultry production have not been established. They will be established upon completion of the physical aspects of these project components.

### Conclusions and Recommendation

The project was designed to be fully operational in June 1980, at which time Africare's support would be withdrawn. In light of the numerous delays in implementing various project components, it is unlikely this expectation can realistically be met. We believe that Africare should reevaluate what it can accomplish with the available funds. An amendment to the grant extending the grant period may be necessary to increase the chances of success for the project. Accordingly, we have recommended that:

#### Recommendation No. 3

The Assistant Administrator, Bureau for Africa, require Africare to submit a revised project paper for the Tara project. <sup>1/</sup> The paper should restate the project's goals and the time required to accomplish remaining project activities. AID should evaluate the revised submission and consider extending the grant period if this action is justified.

### Basic Health Services Delivery Project - Niger (683-0214)

Africare has been able to generate an awareness within the GON for the need to develop a comprehensive health care delivery system in the Diffa Department. However, the project has encountered long delays in implementation; planning

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<sup>1/</sup> On page 28, we are recommending that AID centralize oversight of Africare within the Bureau for Africa. Therefore, this recommendation is directed to that Bureau rather than the Bureau for Private and Voluntary Cooperation--the current responsible Bureau for the Tara project.

and coordination between Africare and GON officials was inadequate; and the ability of the GON to effectively carry out health care services in Diffa after the project ends is questionable. In this regard, it is imperative that the future strategy of Africare include plans for continued operations of the medical facilities at Diffa after the departure of Africare personnel.

The purpose of this project is to assist the Ministry of Health (MOH) of the GON in designing, implementing and evaluating a low-cost comprehensive basic health care delivery system of preventive, educative and curative care which incorporates local community participation of the urban and rural population, particularly in the Diffa department. The project's specific objectives are to: (1) increase the level of health services in the Diffa Department; (2) increase the capability of the GON to deliver these health services; (3) institutionalize public health training; and (4) create within the GON a systematized approach to health data collection, reporting and analysis.

The estimated cost of the project, which is fully obligated, is \$2,818,107. Total expenditures incurred from the project's inception on September 30, 1976 through December 31, 1979 amounted to \$2,017,584. The grant period ends on September 30, 1980.

The shortcomings of the project are discussed in detail below.

#### Inadequate planning and coordination contributed to delays in project implementation

The grant agreement stated that the project was to be completed by September 30, 1979. It was evident by May 1979 that many of the project activities were seriously behind schedule. Consequently, AID agreed to extend the completion date by one year to September 30, 1980.

The principal reasons for the delay were as follows:

- Although the grant agreement was signed in September 1976, the project paper outlining Africare's specific goals and objectives was not finalized until January 1977.
- Recruitment of project personnel was not completed by Africare until June of 1978 or 18 months after the inception of the program.
- Obtaining a waiver from AID for procurement of local equipment contributed to delays in project implementation. Although Africare requested the waiver in November 1976, it was not granted by AID until April 1978.

We believe insufficient planning by Africare and inadequate coordination between Africare, GON and AID contributed to the failure of Africare to meet its completion schedule.

### Ability of the GON to operate its health care facilities at Diffa after project ends is questionable

The project's overall success depends on the continuation and expansion of basic health services acquired in the Diffa Department during the grant period. The project paper states in part, "...Africare, in direct consultation with the Ministry of Health officials (shall)...design plans for continued operation and support of project activities after the initial three year period." The Niger Basic Health Services Delivery Project grant expires on September 30, 1980. On that date, the services of the Africare project personnel--a public health coordinator, surgeon, gynecologist, garage mechanic, and a bio-medical technician will be withdrawn. Yet, as of March 1980, no definitive plans have been made to find replacements for these personnel. Niger has very few trained physicians, most of whom are reluctant to transfer to Diffa. Moreover, Diffa is a remote and undeveloped region with limited educational facilities. Consequently, the availability of locally trained medical and technical personnel is practically non-existent.

Ancillary services such as a blood bank and radiology are not available at the medical facility in Diffa because of lack of suitable equipment and trained technical personnel. The hospital laboratory needs at least two trained laboratory technicians. Presently, it is staffed by a Peace Corps volunteer whose services may not be available beyond August 1981. Although these shortages are known to the MOH, no action has been taken to provide these services for the future operation of the Diffa medical facility. Inadequate ancillary services prevent delivery of proper medical care.

Our visit to the various health care facilities at Diffa, N'Guigmi, Mainesoroa and Gueskerou revealed a shortage of drugs and medical supplies at all locations. An inspection of medical kits provided to two village health volunteers also indicated a shortage of these items. Lack of adequate quantity of drugs and medical supplies prevents the Africare medical personnel to perform their functions effectively and hinders administration of proper medical care.

Africare established an automobile garage at Diffa to service and repair the fleet of vehicles operated by the MOH. The services of an auto mechanic was provided by Africare to manage the garage. The MOH assigned one Nigerien mechanic and an apprentice to work under the supervision of the garage manager. We noted that the garage has a serious shortage of spare parts to repair and service vehicles. Additionally, in our view, neither of the two Nigerien mechanics are considered capable of taking over responsibility for the garage after expiration of the grant.

### Conclusions and Recommendation

Africare has laid the foundation for a health care program in the Diffa district. However, the program's long-range effectiveness is dependent on ensuring the continuity of the health care delivery system by the GON. We believe that Africare should, in conjunction with the GON, formulate a plan for continuation of the medical activities developed under the project. Consequently, we have recommended that:

#### Recommendation No. 4

The Assistant Administrator, Bureau for Africa, instruct Africare to obtain a firm commitment from the GON to continue the basic health care services that were developed under the project. A plan of action should be developed for continuation of the operations of the medical facilities to include: (1) recruitment of personnel to operate the medical facilities; (2) acquisition of adequate ancillary services such as a blood bank and radiology; (3) acquisition of adequate stocks of drugs and medical supplies; and (4) acquisition of adequate supplies of spare parts and continuation of training for operating personnel for the garage.

#### Integrated Rural Development Project - Upper Volta (686-0231)

In our view, the Seguenega project is overly ambitious and the complexity of integrating the basic project components makes it questionable whether desired results can be readily achieved. Additionally, the project is behind schedule by many months. Thus, it is uncertain what can be realistically accomplished within the remaining grant period.

The first extensive evaluation of the project by Africare and Upper Volta government officials is scheduled to begin in October 1980. The outcome of the evaluation may entail significant revisions with respect to the project goals and implementation schedule. Upon completion of the evaluation, a revised project paper should be submitted for AID's review and approval.

The goal of the Seguenega project is to improve the quality of life of the nearly 110,000 people who live in the Seguenega Sector of Upper Volta. The Upper Volta Yatenga ORD (Regional Development Organization) has the overall responsibility for project implementation. Africare plays an advisory role to the ORD in planning and managing the project. The estimated cost of the project is \$5,956,000 of which \$2,000,000 is presently obligated. An additional \$3,956,000 may be provided when funds are available. Total expenditures incurred from grant inception on October 1, 1978 to December 31, 1979 amounted to \$1,158,207.

The project activities are placed in three broad categories as follows:

- Social Services:** Village Development Committees  
Placement and Support of Resident ORD Extension Agents  
Special Credits, Grant Funds and Village Technician Training  
Village-Based Health Services  
Functional Adult Literacy  
Young Farmer Training
- Production:** Vegetable Production  
Development of Low-Lying Areas (bas fonds) and Related Rice Production  
Livestock and Poultry Production

**Support Services:** Well Construction  
Rural Access Road Improvement  
Revegetation/Soil Conservation  
Central Management and Support by the Yatenga  
ORD to the Villages  
Financial and Management Support to the ORD by  
Africare and Other Agencies

Since an integrated rural development approach is being taken, it is impossible to separate any one area of the above project activity from another in terms of social or material benefit. Every area of project activity, whether it involves improvements to farm roads, to agriculture or to health services, is supposed to contribute to both the social and material progress of the villagers concerned. Whether Africare can successfully integrate the numerous project components as envisioned by the project paper is questionable. As discussed below, the major problem is the inability to establish roles for Africare, Upper Volta government officials and village member participants.

The project's success or failure depends on the timely selection and active participation of at least 45 villages. These villages were to be classified as a Type I, II or III village. All three types of villages were to be eligible for production and supportive activities, well construction and reforestation support. The major differences among the three types of villages were the social service activities that they would receive. By the end of 18 months after the project started, it was expected 36 villages would be selected and receiving development aid.

All three types of villages were to organize a Village Development Committee through which the ORD would work in considering applicable development assistance. The committee would provide a forum for deciding on the village's development strategy and the means to undertake that strategy, including the delineation of village inputs and the persons responsible for accomplishing them. Once the Village Development Committees are organized, other forms of project assistance were to be planned and undertaken. It was anticipated that at least eighteen Village Development Committees would be established within the first year with at least 45 being operational by the end of the third year.

As of March 1980--eighteen months after the project began--no villages have been selected for development activities as envisioned by the project paper. Nor has the role of the Village Development Committee been defined.

Africare officials stated the delays encountered with the project implementation can be attributed in part to the inaction of ORD officials. Since Africare was to play an advisory role to the ORD, it had to wait for the ORD to become actively involved in the project implementation. Africare's Project Advisor stated the project was delayed at least 6 months because the roles of Africare and ORD officials were not clearly defined. Other causes of project delays were attributed to late arrivals of Africare technical assistance personnel. In response to our inquiry, Africare's Washington office stated:

"The project is somewhat behind schedule. In terms of physical, 'concrete' things such as wells, buildings, tree plantations, vegetable gardens, etc., I see no problem in making up for lost time and even getting ahead of schedule within a year. The hard part of a project is the establishment of roles, systems, etc. within Africare and the ORD. Once these roles are well defined (and a lot of progress has been made) and once the systems are in place and people trust one another on a personal basis, the rest is easy. In the first year of the project considerable time was spent on these aspects.

"It is true that no VDC's have been organized and that their precise role is being re-examined...The organization of the VDC's is very difficult and delicate. Nonetheless, we have meetings planned for this month (April 1980) to determine their role and make some preliminary choices of village types."

According to Africare officials in Upper Volta, the future of the project depends largely on a survey of the Seguenega Sector villages. The survey will be used in part to determine the project direction, type of activities, and evaluation of development results. The survey will be accomplished in 3 phases. The first phase (starting in April 1980) will concentrate on collection and analysis of demographic and other data. It will also entail a visit to villages to study their organizational structures. Preliminary identification of the 45 villages to be included in the project will be done during Phase 1 of the survey. Phase 2 will cover a whole year of activities of selected village households. Data collected in Phase 3 will be utilized in the evaluation of project results. It is uncertain when Phase 2 and 3 of the survey will start or be completed.

The first extensive joint Africare/ORD evaluation of the project is scheduled to begin October 1980 (see page 39). Africare expects USAID/Upper Volta to participate in the evaluation. One of the issues intended to be covered by the evaluation will be strategies for generating more realistic activity calendars.

While the delay in selecting villages and appointing Village Development Committees has negatively impacted many development activities, other project activities are showing tangible results. The project has financed the construction of an administration building for the ORD which is about two thirds completed. About one half of the \$1.3 million equipment and supplies for the project has been delivered or is on order. The development activities such as reforestation, livestock production, adult literacy, garden and school wells, and health care are also progressing but at a slower pace than anticipated.

### Conclusions and Recommendation

Because of the numerous project delays, it is unlikely that all development activities can be completed within the remaining project period. Thus, Africare should redefine the project activities and goals upon completion of the joint Africare/ORD project evaluation. We also believe the project paper should be streamlined and only include those development activities which can be readily and successfully pursued. In our opinion, Africare should

concentrate on development activities which are more physical in nature and less emphasis should be placed on activities which tend to change the social and cultural conditions of the targeted villages.

Africare believes that concentrating on the project's physical attributes would amount to abandonment of its concept of integrated rural development. In our view, it is not realistic to assume that Africare can successfully set up and actively work with 45 Seguenega Sector village committees in planning and undertaking development assistance. Therefore, we believe that for the project to succeed, Africare should emphasize providing more in terms of wells, reforestation, livestock and poultry production, etc. to a reduced number of villages.

#### Recommendation No. 5

We recommend that prior to approval of significant funds for the Seguenega project the Assistant Administrator, Bureau for Africa: (1) directs Africare to revise the project paper based on the results of the joint Africare/ORD evaluation of the project; (2) reviews and evaluates the revised project paper to assure the goals are realistic and the estimated cost reasonable; and (3) incorporates the revised project paper as part of the grant agreement.

## WEAKNESSES IN CONTROLS OVER EXPENDITURES BY AFRICARE FIELD OFFICES AND HOST COUNTRY INTERMEDIARIES

Based on our review of project expenditures, we found certain weaknesses in financial and accounting controls over expenditures of AID funds made by recipient governments. In our view, the deficiencies occurred in part because not enough was done by Africare to monitor and evaluate the adequacy of the governments' (Upper Volta and Niger) accounting systems. Africare also has authorized expenditures for purposes which go beyond the scope of the grant agreements. For example, Africare inappropriately authorized salary supplements for ORD personnel so that timely action would be taken on Seguenega project activities. Unless tighter controls are instituted, AID funds could be misused or again diverted to areas not intended. In view of these weaknesses, we believe that Africare needs to monitor the financial aspects of AID projects more closely.

### Financial And Accounting Controls Are Inadequate

Funds are transferred periodically from Africare/Washington to its field offices overseas such as Ouagadougou (Upper Volta) and Niamey (Niger). Each field office maintains a bank account for incurring local expenditures and transferring project funds to recipient country governments responsible for project implementation. For the Tara and Seguenega projects, recipient government officials make the actual expenditures. Africare country representatives are responsible for assuring the recipient governments have adequate controls over expenditures. They are also responsible for assuring the project funds are properly expended. Expenditures relating to the Niger Basic Health Services project are controlled entirely by Africare from Washington and Niamey.

We found serious deficiencies in the accounting for AID funds advanced to the host countrys' agencies for defraying local costs. In the Tara Hydro-Agriculture Project in Niger, there was inadequate record keeping and insufficient documentary support relating to expenditures. Consequently, in several instances we were unable to determine just how the AID funds were expended. Compounding this deficiency was the fact that the host country Project Director was assigned procurement and disbursing functions. It is possible, where such functions are assigned to the same individual, that abuses can occur.

In the Seguenega Integrated Rural Development Project in Upper Volta, AID funds are being provided to a Revolving Credit Fund. The control of this Fund rests with the host country agency. Our review of the Revolving Credit Fund indicated the following weaknesses in control:

- Credit funds provided for under the Segueneg project are commingled with other project funds.
- Repayments of loan amounts by borrowers who pay in monthly installments are not banked upon receipt.

- No separate bank account has been established to handle the receipts and disbursements relating to the credit operations.
- Although the Africare Credit Coordinator monitors the credit operations and maintains written records of amounts advanced and monies received, a standardized monthly financial control procedure, reconciling the advances and payments received is not performed.

In our opinion the misuse of funds could occur unless efforts are taken to tighten up the accounting controls of this credit fund. Subsequent to our audit, the ORD opened a separate bank account for the Seguenega project. In addition, the ORD has incorporated control and subsidiary accounts in their accounting plan to track individual and aggregate credit transactions.

Where substantial amounts of AID funds are turned over to the host country directly, Africare is responsible for taking reasonable precautions to ensure that those funds are expended properly. In our view, too little has been done by Africare in terms of assessing the adequacy of the host country agencies' accounting systems, verifying the reporting of expenditures, and approving and testing procurement transactions. Accordingly, in our opinion, Africare should take steps to tighten up its financial oversight.

Subsequent to our audit, Africare engaged a public accounting firm to perform a limited scope review of the ORD. In addition, the ORD is soliciting bids from a number of independent audit firms to perform a complete audit of its accounting records. In this regard, Africare has requested the ORD to approach other donors to share in the cost of the audit. It is anticipated the first full audit will cover the fiscal year ending December 1980.

### Questionable Payments

Our review also revealed that the following questionable payments were made from project funds:

	<u>Hydro-Agri Project-Tara</u>	<u>Inte. Rural Dev-Seguenega</u>	<u>Niger Basic Health Services</u>	<u>Total</u>
Estimated Salary Supplements to Voltaic Officials (1979)	\$ -	\$14,400	\$ -	\$14,400
Overpayment on Construction Contract	-	-	40,000	40,000
Purchase of Rice Thrashers	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>9,500</u>
	<u>\$9,500</u>	<u>\$14,400</u>	<u>\$40,000</u>	<u>\$63,900</u>

The questionable payments are discussed in detail below.

### ORD salary supplements

We believe Africare has inappropriately approved the use of grant funds for supplemental salary payments for certain ORD management and administrative personnel. The ORD Director receives \$1,500 per year in supplemental salary payments. The various ORD section chiefs (14 in number) receive between \$900 and \$300 yearly. Other administrative personnel also receive salary supplements. Most of these ORD personnel are not directly involved with implementing the AID project. They perform support functions associated with the AID project as well as other donor projects.

The project paper includes financial assistance to strengthen the ORD central support and management capabilities. However, the paper is specific on the personnel salaries which will be paid for with AID funds. The following is quoted from the project paper.

- "- The project will support the salary of a Voltaic Assistant to the Director of Planning of the ORD for the five-year period of the project....
- The project will also support a Senior Accountant attached to the Financial Section of the ORD and a Secretary, both Voltaics, for the five years of the project....
- Two Voltaic agents specializing in credit operations will be supported under the program for a period of five years."

Africare disagrees with our position that it inappropriately approved salary supplements for ORD personnel. Africare stated:

"The use of 'Indemnities Responsibilities' to motivate and compensate persons partially involved in projects over and above normal responsibilities is frequent in the development context. Ideally, the use or prohibition of these payments should have been addressed directly in the project agreement. It was not. We feel it would be disruptive to the project to put a halt to indemnities...."

We believe the project paper did not intend to provide for widespread salary supplements for Voltaic ORD personnel. The ORD has the responsibility of administering other donor as well as AID financed projects. Therefore, we believe it is a dangerous precedent to provide salary supplements to ORD personnel to entice them to implement AID-financed projects. Should other donors follow a similar practice, the salaries of ORD personnel could become exorbitant.

### Overpayment on construction contract

According to a bilateral agreement between the USA and the GON, any construction contract financed in Niger by the U.S. Government for purposes of any program or project shall be exempt from any taxes or fees imposed under laws in effect in the territory of Niger.

In March 1977, Africare paid an amount of \$225,000 to a local contractor for the construction of a medical facility at Diffa. This amount included taxes totaling \$40,000 which was paid to the contractor.

After the discovery of this error, Africare wrote to the Minister of Finance of GON in April 1978 and September 1979, requesting a refund of the taxes. No reply has been received nor any reimbursement of the amount obtained by Africare from the GON. As of the date of our audit, April 1980, Mission and Africare officials could not provide us with any evidence of further inquiries into the reimbursement. According to Africare's response to our draft report, its representative in Niger is now making efforts to recoup the overpayment. Africare stated it is fully prepared to take its appeal to the President of Niger for resolution.

#### Purchase of rice thrashers

In February 1980, Africare paid \$9,500 to a Nigerien cooperative credit union for purchase of 100 rice thrashers for the Tara project. It was learned that this equipment was obtained by GON from the Peoples Republic of China and was several years old. The purchases were approved by the Project Director and no competitive bids were obtained from other vendors. Also, the grant agreement between AID and Africare prohibits purchase of equipment originating from communist countries including the Peoples Republic of China. In our opinion, the rice thrashers should have been provided to the project as assistance in kind by the GON.

#### Conclusions and Recommendations

We believe that Africare has not taken all the measures necessary to ensure AID funds are properly accounted for and expended in compliance with the grant agreements. Africare should be more aggressive in monitoring the expenditures made by recipient governments. It should ensure the recipient governments exercise reasonable financial and accounting controls over grant expenditures. Africare should also not authorize expenditures which are outside the scope of the grant agreements. Accordingly, we recommend that:

##### Recommendation No. 6

The Assistant Administrator, Bureau for Africa, instruct Africare to take appropriate steps to ensure that the financial aspects of the projects are properly monitored.

##### Recommendation No. 7

The Assistant Administrator, Bureau for Africa, direct Africare to cease paying the salary supplements and obtain reimbursement from the Government of Upper Volta for the total amount of salary supplements that was inappropriately paid to ORD personnel.

**Recommendation No. 8**

The Assistant Administrator, Bureau for Africa, require that Africare, in conjunction with USAID/Niamey, contact the Ministry of Finance of GON at the highest level to expedite recovery of the amount of taxes erroneously paid. Also, all future contracts should be subject to close scrutiny by Africare management to ensure that erroneous payments do not occur.

**Recommendation No. 9**

The Assistant Administrator, Bureau for Africa, instruct the Africare Country Representative to determine the propriety of the rice thrasher transaction and take adequate steps to prevent recurrence.

## AID MONITORING OF PROJECT IMPLEMENTATION NEEDS TO BE IMPROVED

AID's oversight of Africare activities is not effective because monitoring responsibilities have been delegated to several AID offices. This has resulted in a lack of coordination on the part of AID as to whether Africare is operating effectively as a private voluntary organization. In our view, AID should centralize its monitoring of Africare activities.

AID generally requires self-restraint in controlling the activities of grant recipients. However, the fact that AID decides to make a grant does not relieve it of the obligation to exercise prudent management over public funds. Prudent management as a minimum requires AID responsible officials to:

- Make periodic site visits as frequently as practicable to review program accomplishments and management control systems.
- Maintain a regular contact and liaison with the grantee including receipt, review and analysis of progress reports on operations and accomplishments.
- Evaluate program effectiveness.

Grant recipients also have a responsibility to adequately report on the progress of grant activities. The progress reports should include a comparison of actual accomplishments with the goals established and reasons why the goals were not met. If the objectives of the grant programs can be readily quantified, the progress reports should include quantitative analysis of stated goals and applicable deviations.

### AID/W monitoring

Our review of AID/W project files and discussions with cognizant program officers revealed AID/W monitoring of Africare activities is superficial. Once a grant has been approved and the project becomes operational, very little monitoring is exercised by AID/W over Africare projects. The following was ascertained relative to the extent of AID/W monitoring:

- Periodic reports are not required to be submitted by the AID Missions to AID/W. Furthermore, there has been very little other communication between AID/W and the AID Missions on project implementation.
- No independent evaluation has been performed on the Africare projects other than a study of the development program and general support grants which was conducted by a consulting firm in August 1978 (see page 4).
- No field trips to the project sites have been undertaken by AID/W officials to physically observe and discuss with appropriate officials the progress of the projects.
- Africare submits a quarterly activity progress report on each of their AID-funded projects. However, there is no documentary evidence of follow-up by AID/W program officers after the reports are received from Africare.

### AID mission monitoring varies between Upper Volta and Niger

USAID/Upper Volta has assigned an official to monitor the administration of the Seguenega project. Between September 1979 and February 1980, USAID/Upper Volta officials made three visits to various project sites. Although the applicable trip reports did not address the progress of the project in any great detail, our discussions indicated Mission officials are knowledgeable of the overall problems and progress of the project. The information acquired by USAID/Upper Volta was not shared, however, with the AID/W Africa Bureau--the responsible AID office for administration of the grant.

USAID/Niger has done little in monitoring Africare's administration of the Tara and Diffa projects. With regard to the Tara project, USAID/Niger does not receive Africare's quarterly progress reports; does not maintain a project file; and has had little if any official contact with Africare. In the case of the Diffa project, USAID/Niger maintains a project file and receives Africare's quarterly progress reports. However, there was no documentary evidence of any project monitoring by Mission officials. Mission project officers have neither visited the project sites, nor followed up on the Diffa progress reports.

AID Mission officials in both countries contend AID oversight responsibilities for private voluntary organizations have not been sufficiently defined. They believe AID has not yet determined the extent of AID monitoring required for projects which are administered by private voluntary organizations. AID Mission officials in Upper Volta expressed the desire to have a more direct responsibility in the review and evaluation of Africare activities.

### Africare progress reports lack sufficient information to monitor projects

The grant agreements for the three development program grants selected for review requires Africare to submit quarterly evaluation reports to various AID offices. These reports should be sufficiently comprehensive in scope and detail so that they can be used to monitor the project's progress.

The progress reports of the three projects do not contain the necessary information to adequately determine whether project goals and objectives are being achieved. For example, in the case of the Tara project, none of the progress reports sufficiently highlighted the problems noted during our review: (1) they did not indicate the adverse affect the reduction in irrigated land area would have on reaching project objectives; and (2) they did not address the extent and causes of project delays associated with the health, fish, and poultry project components. The progress reports for the Seguenega and Diffa projects also did not highlight the problems of these projects. See pages 13 and 17 for further discussion on the problems noted with these projects.

### AID monitoring of Africare activities is fragmented and lacks cohesion

Monitorship of Africare activities is assigned to various AID/Washington and overseas offices. In Washington two AID Bureaus, three offices of these

bureaus, and six program officers have oversight responsibility for the seven ongoing grants awarded to Africare. One office has three program officers assigned to monitor Africare grant projects. There is no one office within AID that coordinates the activities of these offices. The table below shows the distribution of responsibility within AID for current Africare grants.

<u>Responsible AID Office</u>	<u>Grants</u>	<u>Program Officers Assigned</u>
<u>Bureau for Private and Development Cooperation</u>		
Office of Private and Voluntary Cooperation	Hydro-Agriculture Project, Tara, Niger	One
<u>Bureau for Africa</u>		
Office of Development Resources	General Support Grant	One
	Refugee Assistance Project, Southern Africa	One
Office of Sahel and Francophone West Africa Affairs	Integrated Rural Development Project, Seguenega, Upper Volta	One
	Basic Health Services Delivery Project, Diffa, Niger	One
	Pilot Fish Production Project, Sam, Mali	One
AID Mission/Niger	Rural Health Improvement Project, Niger	One

The dispersion of oversight responsibility in AID/W has contributed to confusion on the part of AID as to whether Africare is operating effectively. For instance, the AID official who requested this review felt Africare was an efficiently run organization. Another AID official told us Africare was ineffective as a development organization. Neither of these opinions are, in our view, justified. While Africare has achieved some positive results in implementing development projects, it needs to improve the overall management of these projects.

The dispersion of oversight has also created an unfavorable impression on Africare. One Africare official stated that because of the turnover of AID personnel and organizational changes in AID, on occasion it is uncertain what AID offices should receive the various required reports.

AID officials in the Bureau for Private and Development Cooperation and Bureau for Africa were of the opinion one AID office should have the overall responsibility for overseeing Africare activities. However, there was disagreement as to which Bureau should have this responsibility. The Bureau for Private and Development Cooperation official believed all AID-financed projects and the general support grant should be shifted to the Bureau for Africa since Africare is unique to Africa. The Bureau for Africa official thought the Bureau for Private and Development Cooperation should oversee Africare since it is a private voluntary organization that receives most of its operating support from AID. We believe that since the Bureau for Africa already has the responsibility for administering the general support grant and four of the six operating program grants, it is the logical Bureau to oversee Africare activities.

### Conclusions and Recommendations

It is important that AID monitor Africare's overall effectiveness so that realistic determinations can be made on Africare's ability to effectively implement future AID-financed projects. Presently, AID does not have this capability.

In order to streamline and improve the oversight and evaluation of Africare activities, we recommend that:

#### Recommendation No. 10

The Assistant Administrators for the Bureau for Private Development Cooperation and Bureau for Africa, take immediate steps to centralize oversight of Africare activities within the Bureau for Africa.

#### Recommendation No. 11

The Assistant Administrator, Bureau for Africa, provide specific direction and guidance to the applicable AID/Missions on their responsibilities in monitoring the AID-funded projects that are administered by Africare. The AID/Missions should take a more active and aggressive role in monitoring these activities.

#### Recommendation No. 12

The Assistant Administrator, Bureau for Africa, work closely with Africare in designing more informative progress reports that will actually reflect the progress made on AID-financed projects. These reports should quantitatively address the progress of the project in terms of stated milestones. The progress reports should explain the reasons for significant variances between the actual experience versus stated milestones. Significant changes in project activities should be justified and communicated in the progress reports.

## BUDGET REVISIONS NOT COMMUNICATED NOR APPROVED BY AID

As part of our review, we wanted to compare actual and budgeted expenditures for the Tara, Seguenega and Diffa projects. The budgets were included in the project papers which were submitted to AID by Africare prior to obtaining funding approval. Our primary objective was to determine whether Africare was meeting project objectives as reflected in the budgets. We also wanted to analyse any significant variances between actual and budgeted amounts to assure monies spent were in compliance with the project papers. We found that the budget formats were not compatible with Africare's accounting system. Consequently, we could not make a meaningful comparison of budgeted versus actual expenditures.

Africare is required to submit a quarterly activity report on all projects to AID, indicating an analysis of project accomplishments and expenditures. The activity reports show the total amounts budgeted by broad classifications and actual expenditures by quarter and total. We found that the budgeted amounts have little relationship to the project paper budgets. Therefore, the activity reports have little usefulness in monitoring actual project expenditures.

In May 1979, Africare adopted a revised chart of accounts designed to improve financial reporting and budgetary controls. Budgets as included in the project papers were subsequently revised and uniform expense classifications were introduced to enable forecasting and reporting all project activities on a consistent basis. The revised budgets have not been submitted by Africare to AID for review and approval.

Accordingly, we recommend that:

### Recommendation No. 13

The Assistant Administrator, Bureau for Africa, require that all budget revisions be promptly communicated by Africare to AID for approval in order to facilitate timely and effective monitoring over project expenditures.

### Recommendation No. 14

The Assistant Administrator, Bureau for Africa, instruct Africare to include in its quarterly activity reports analyses of revised budgeted versus actual expenditures together with explanations for significant variances.

EXHIBIT A

AID Grants Awarded To Africare  
(As of April 1980)

<u>Grant Number</u>	<u>Period</u>	<u>Description</u>	<u>Amount (In \$000)</u>
Pha-G-1076	11/74- 6/77	Development Program Grant	\$ 558 <u>a/</u>
Afr-G-1340	10/77- 2/79	General Support Grant	552 <u>a/</u>
Afr-G-1525	4/79-12/81	General Support Grant	<u>1,431 a/</u>
Total Support			\$ 2,541
Pha-G-1186	9/77- 9/80	Hydro-Agri Project, Tara, Niger	1,100 <u>a/</u>
Afr-G-1271	10/76- 9/80	Basic Health Services Delivery Project, Niger	2,818 <u>a/</u>
Afr-G-1470	10/78- 9/83	Integrated Rural Development Project, Seguenega, Upper Volta	5,956 <u>a/</u>
Afr-G-1399	2/78- 4/78	Refugee Assistance in Southern Africa	37
Afr-G-1468	9/78- 3/81		1,000
683-0208	8/79-12/81	Rural Health Improvement Project, Niger	1,058
688-0220	9/79- 9/81	Pilot Fish Production Program, San, Mali	<u>\$ 294</u>
Total AID Grants			<u>\$14,804 b/</u>

a/ Grants selected for detail review.

b/ Does not include \$3,000 provided to Africare by the U.S. Embassy, Upper Volta.

**EXHIBIT B****Africare Projects Planned For The Future  
(As of April 1980)**

<u>Project Title</u>	<u>Location</u>	<u>Project Paper Completion</u>	<u>Project Amount</u>	<u>Potential Donors</u>
Developing Western Basin, Maine-Soroa	Niger	Not Completed	\$ 63,000	None
Gremani Irrigation Project	Niger	Not Completed	Unknown	None
Poultry Production, Banfora	Upper Volta	Not Completed	5,700	None
Poultry Production, Schools Koukoussi	Upper Volta	Not Completed	4,000	None
Rouko Nurses' Residence	Upper Volta	Not Completed	2,830	None
Maternity/Well, In Broum-Broum	Upper Volta	Not Completed	20,500	3
Ossouye Bee Production	Senegal	1979	35,200	1
Senegal Fire Brigades	Senegal	Not Completed	78,430	6
Windmill/Water Project	Senegal	1979	210,120	5
Community Poultry Project	Senegal	1979	7,150	1
Bee Production	Senegal	Not Completed	275,000	2
Bignona Poultry	Senegal	1979	21,250	1
Tin-Aicha Dispensary	Mali	Not Completed	20,400	1
Tien Soke Community Development	Mali	Not Completed	93,290	1
Mbouna Dispensary	Mali	1979	25,810	1
Bwambo/YMCA Farms Scheme	Uganda	1980	15,180	2
Health, Nutrition, Literacy	Zambia	1979	9,830	3
<b>Total Potential Non AID</b>		<u>17</u>	<u>\$ 887,690</u>	
Reforestation In 5 Villages	Senegal	1979	\$ 101,000	AID
Diffa Health Extension	Niger	Not Completed	500,000	AID
Reforestation Assistance	Senegal	Not Completed	250,000	AID
Hydo Agricultural	Mauritania	Not Completed	300,000	AID
Food Production	Ghana	Not Completed	Unknown	AID
Integrated Health	Uganda	1980	1,700,000	AID
<b>Total Potential AID</b>		<u>6</u>	<u>\$2,851,000</u>	
<b>Total Project Planned</b>		<u>23</u>	<u>\$3,738,690</u>	



# **AFRICARE**

**"Improving the quality of life in rural Africa through the development of water resources, increased food production and the delivery of health services."**

**HONORARY CHAIRMAN:**  
His Excellency Dr. Kenneth Kaunda  
President of the Republic of Zambia

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**AFRICARE RESPONSE TO A.I.D.**

**DRAFT AUDIT FINDINGS**

**Submitted to:**  
**A.I.D. AUDITOR GENERAL/WASHINGTON**

**September 3, 1980**

**Executive Director:**  
C. PAYNE LUCAS

**Not Associated With CARE, The Worldwide Relief Organization**

## INTRODUCTION

Africare is submitting the following comments in response to the draft report issued by the AID Auditor General's office, "A Management Review of Africare Activities."

In depth, independent audits both by certified public accounting firms and major donors provide necessary and potentially constructive oversight of PVO stewardship of public funds. Africare's full appreciation of the importance of the audit process led us to provide maximum support to the AID audit team in the form of ready accessibility to staff, cooperating host country officials, written records and project sites. Ideally, the audit findings and recommendations should provide a well thought-out and objective assessment of Africare weaknesses and strengths to which the organization could react with measures to correct deficiencies or alternately build on past effectiveness.

While this audit makes some recommendations that are extremely helpful to Africare, regrettably it contains many factual errors. Moreover, there are significant incorrect reproductions of financial data from Africare's certified annual audits, unsubstantiated speculation about Africare's future ability to attract non-government funding, and factual errors such as the claim that: "AID is currently the sole supporter of Africare activities." (See draft, p.4)

More importantly, the audit report frames its core recommendations for the future design and implementation of Africare development projects around notions concerning Third World development which run counter to the best thinking of those closest to development issues, including those responsible at USAID itself for defining policy at the highest level. By way of example, the auditor's opined on page 27 after analyzing the multi-year Seguenega Integrated Rural Development project that Africare's project paper should be streamlined and:

". . . only include those development activities which can be readily and successfully pursued. In our opinion, Africare should concentrate on development activities which are more physical in nature and less emphasis should be placed on activities which tend to change the social and cultural conditions of the targeted villages."

The above audit recommendation would mean for Africare the complete abandonment of the concept of integrated rural development which is the cornerstone of our organization's development strategy. Moreover, Africare's particular approach to integrated rural development has been developed over several years with host country nationals and the ongoing support and involvement of AID officials. This process has served as the basis for substantial developing country participation in projects which they are eventually expected to sustain once external donor assistance has phased out. This approach is consistent with the

AID policy statement as contained in the Agency's Fiscal 1979 Congressional Presentation:

"Thus, when we talk about meeting basic human needs we are not talking about an international welfare program. We are talking about giving the poor a chance to improve their standard of living by their own efforts-- involving the poor as an 'engine of growth.' We are talking about giving them the opportunity and the means to rise above those extreme poverty levels that degrade and brutalize human existence." (AID FY79 C/P, p. 14)

The text of Africare's response to the audit focuses on those important conclusions and recommendations found in the draft report which Africare believes to be incorrect or misleading enough to justify deletion or substantial revision prior to a final report being issued.

The response is organized into five Exceptions which detail the important areas of concern which Africare would like to see resolved before a final version of the AID audit is written and released.

#### EXCEPTION 1

The audit grossly overstates the historical amount and significance of AID support to Africare:

(1) It states unconditionally on page 4 that "AID is currently the sole supporter of Africare activities." As detailed below, that is an unfounded assertion.

(2) It states in charts and the narrative that \$14 million of AID funds have gone to support Africare activities without ever alerting the reader to the significant fact that as of April 1980 fully 50% of that \$14 million represents unexpended commitments and unobligated funds that are budgeted for use as far into the future as September 1983.

(3) The report compares, on page 7, actual historical expenditures of non-government funds to projected receipts of USAID funds to produce a highly misleading picture of the cost of Africare activities to date and the relative contribution of USAID to covering these costs. From its inception, through the end of FY 1979, Africare spent only \$7.7 million in total. The left hand column below indicates the amounts and percentages of Africare spending by source and provides a sharply different picture from that portrayed by the

draft audit figures in the right hand column:

Africare Expenditures By  
Source of Financing - 1972 to 1979

<u>Source</u>	<u>Actual Expenditures By Source of Funds</u>		<u>AID Audit Draft Version of Sources of Funds Thru 1979 (See Page 7)</u>	
	<u>\$000</u>	<u>%</u>	<u>\$000</u>	<u>%</u>
Lilly Endowment	2,796	36	2,073	14
Other Private Sources	1,295	17	964	6
U.S. Government	<u>3,627</u>	<u>47</u>	<u>12,266</u>	<u>80</u>
	7,718	100	15,303	100

(4)The report bases substantial conclusions and projections about Africare's future viability on misread data. Specifically, the audit overstates by 100% Africare's level of unrestricted revenue in 1975 and uses the resulting inflated standard to "prove" that Africare's public support had fallen drastically from \$196,000 in 1975 to only \$50,000 in 1979. In fact, Africare had unrestricted, non-government revenue of \$97,000 in 1975, \$75,000 in 1979 and \$81,000 in 1980. The modest decline in unrestricted earnings is more than offset by increases in contributions of restricted funds from small donors.

Africare Fiscal Year Unrestricted Revenue  
(\$000)

	<u>Actual 1980</u>	<u>Actual 1979</u>	<u>Actual 1975</u>	<u>Erroneously reported by AAG for 1975</u>
Contributions	41	36	42	137
Donated Facilities	N/A	N/A	20	25
Memberships	11	7	19	19
Interest Income	27	23	12	13
Special Events	2	9	0	0
Other	<u>0</u>	<u>0</u>	<u>4</u>	<u>5</u>
	81	75	97	199

(5)The draft asserts on page 4 that "since 1976 AID has funded 95% of Africare's overhead . . ." In fact, AID had funded only \$509,000 of indirect costs representing only 53% of Africare's total indirect costs reimbursements:

<u>Indirect Costs (\$000)</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Cumulative</u>	
					<u>\$000</u>	<u>%</u>
Non USAID reimbursements	\$120	138	119	66	\$443	47%
USAID reimbursements	<u>40</u>	<u>51</u>	<u>128</u>	<u>290</u>	<u>509</u>	<u>53%</u>
	\$160	189	247	356	\$952	100%

(6)On page 8 the report claims that "Africare has been unable to obtain significant private financing for development projects since 1975 . . ." despite the fact that total restricted grants and contributions for the year ended April 30, 1980 amounted to \$540,000 from non-government sources. Also, the comparable amount of non-government revenue for the fiscal years 1978 through 1980 totals \$3.7 million as follows:

<u>Private Restricted Revenue (\$000)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>5 Year Total</u>
Grants	\$13	140	794	364	1,333	\$ 2,944
Contributions	68	94	210	48	224	644
In Kind Contributions	<u>159</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>167</u>
Total	\$540	242	1,004	412	1,557	\$ 3,755

EXCEPTION 2

The audit concludes that ". . . it is unlikely Africare will have much success in the immediate future raising substantial funds from private sources." The auditors, in fact, never requested management to provide a description or progress report on current and anticipated efforts to raise unrestricted funds. Instead, the auditors limited their information requests to plans for government and non-government development project funding. The auditors did not inquire into Africare management's plans for raising unrestricted general operating funds.

The failure of the auditors to conduct an "exit interview" before issuing a draft audit report resulted in the complete omission of discussion of Africare management's impressive progress and plans in the area of unrestricted fundraising. The auditor's Exhibit B lists our projected restricted donor funding but omits our unrestricted fundraising plans.

The following highlights of Africare's unrestricted fundraising plans and actual recent successes were readily available to the auditors had they broadened the scope of their inquiry or conducted a timely exit interview as mandated by the AAG office:

- A. As recommended in the General Research Corporation evaluation of Africare, the organization has undertaken to seriously strengthen its Governing Board as a strategy to enhance our fundraising effectiveness. To date, the Honorable Andrew Young has accepted a Directorship and President Kenneth Kaunda of Zambia has agreed to serve as Honorary Chairman of the Board. Our current Vice Chairman, the Honorable Oumarou G. Youssoufou has recently been elected OAU Ambassador to the United Nations. In addition, the Board has agreed to the nomination of several other prominent Americans who are now being approached to serve.
- B. Africare applied early in the spring of 1980 to be admitted to the Combined Federal Campaign (CFC) annual fundraising drive, and in July 1980 was accepted. Based on the historical average revenues of the campaign and the actual distributions to current participants in the international service agency group, Africare can conservatively expect to net over \$500,000 annually in additional unrestricted support as it becomes a full participant in the campaign.
- C. Africare received in May 1980 seed money to initiate an "Africare Business Forum." The Forum should provide a another new vehicle for securing corporate contributions to Africare at a point in history when corporate giving has begun to surpass foundation giving as a source of philanthropic support to non-profit organizations.
- D. Africare has received cash and in-kind gifts to initiate a major national media campaign. Over one hundred broadcasting stations as well as one of the three national television networks have aired Africare public service announcements recorded by prominent Americans. The Washington Chapter of Africare donated funds to record and distribute a phonograph record of Miss Lillian Carter describing problems in the Sahel and Africare's response.
- E. Africare Chapters are being strengthened as are the organization's ties with major religious denominations. A meeting of Africare Chapter Presidents was convened in June and Africare's presentations before churches and church philanthropic groups have been increased.

#### CONCLUSION 1

Africare has taken numerous steps to bolster its receipt of unrestricted operating funds and has already achieved tangible results. Africare can

realistically project that both unrestricted and restricted revenues from non-government sources will exceed several hundred thousand dollars per year.

The audit agency's more pessimistic forecast is based not only on a failure to make a full inquiry into this aspect of Africare's progress and plans, but also on a factually incorrect reading of the organization's fundraising record in 1975 which the auditors choose to use as a base year.

We believe that the audit discussion on Africare's financial support is factually incorrect and request that the entire section as well as the resulting audit recommendation #1 be substantially revised or removed from the final report.

### EXCEPTION 3

The audit report routinely criticizes differences between planned and actual implementation schedules while failing to analyze whether or not such delays contributed to or detracted from the prospects for eventual cost effective realization of the stated development objectives. While the audit report concedes that Africare personnel ". . . have gained the respect and cooperation of recipient country officials," the report fails to acknowledge that the high priority Africare has placed on developing those strong relationships is also the prime cause for slower implementation of the more easily measurable project objectives.

In the case of TARA, Africare is channeling more than \$3 million into the project and has only placed one expatriate technician on site in a full-time position to oversee the Africare involvement in the project. The project is truly managed by the Government of Niger through local officials and has fostered improvements in the administrative infrastructure of the Gaya Sous-Prefecture. In those instances where Ministry or Sub-ministry bureaus have failed to adequately plan or have furnished unreasonably high cost estimates, Africare has withheld funds and worked with them to arrive at a suitable plan of action. This can be a painstaking process, but it is at the heart of the integrated rural development model.

Hundreds of families at TARA have been organized into agricultural cooperatives as a result of the project. The cooperatives have village leaders and the members understand and value the principles of cooperative organization. Many have had to enroll in the project-funded adult literacy classes in an effort to become informed participants in a credit-based economic system.

Project implementation schedules are important management tools and serve as a basis for shared expectations between the donor, the PVO, and host country. Africare's policy is to develop implementation schedules which, while realistic, still establish challenging goals whose accomplishment will require maximum effort of host country leaders as well as Africare's on-site technicians. This process of getting the host country to adopt firm and aggressive implementation schedules is in and of itself a part of the integrated model of development.

EXCEPTION 4

The recommendation that "Africare--revise the project paper based on the Seguenega Village Survey" reflects a complete misunderstanding of the purpose of the survey.

The socio-economic survey was to be undertaken to supplement the information the ORD technicians already have. The ORD technicians, as agricultural extension agents, animaters, etc., spend considerable time visiting the 110 villages which make up the Seguenega sector of the Yatenga ORD. As indicated on page 31 of the project paper, they already know a great deal about the conditions of villages, crop production, village structure, etc. Data collected from the survey is to help fill in the gaps in their knowledge. Data from the survey will also provide certain base line data which will enhance further evaluations.

Revision of the Seguenega implementation schedule and project budget has been anticipated in the original project paper and is being undertaken on a routine quarterly and annual basis. For more than two years Africare conducted broad based workshops to work out a project design that the leadership and people of the Yatenga ORD were able to embrace as their own. The General Research Corporation evaluation funded by AID concluded about Seguenega that:

" . . . the preparatory work for this project has been thorough and workmanlike, the project design is good and is appropriate to the locale, and there exists a constructive working relationship between Africare and the Voltaics involved that argurs (sic) well for successful implementation."

Both Africare and the ORD have invested considerable administrative time and energy setting up systems to monitor and report on the financial, commodity, and personnel activity under the project based on the specific framework set forth in the project paper. Both organizations have gone to considerable expense to modify their entire accounting systems and retrain personnel specifically in response to the reporting and planning requirements of the Seguenega project.

The first extensive joint Africare/ORD evaluation of the project is scheduled to begin October 1980, and AID mission participation is anticipated. As outlined on page 76 of the original project paper, a major outcome of this evaluation will be elaboration and revision of the year 3 through 5 implementation schedule. Meanwhile, the ORD continues to prepare quarterly budget forecasts and activity calendars against which actual results are compared. One of the many issues taken up at the evaluation will be strategies for generating more realistic activity calendars and coming closer to full realization of the plans outlined therein.

Thus it should be clear that the conclusion drawn by the auditors that "the survey will be used to determine the project direction, type of activities and evaluations of development results" is erroneous. The direction of the project and the type of activities which are undertaken in the various villages is being determined through the dynamic process of interaction between the villagers and officials and technicians at the Seguenega ORD level.

## CONCLUSION 2

The project implementation strategy outlined in the Seguenega project paper is participatory and iterative. Revisions to specific aspects of the project will be negotiated through the workshop and evaluation format without undermining the carefully worked-out consensus on basic project parameters. Discarding the project paper that spells out the ground rules for responding to changes in the project environment as they occur would amount to a very wasteful exercise in "reinventing the wheel."

## EXCEPTION 5

The audit draft recommends that much of the responsibility for routine financial control over project funds be withdrawn from the host country designated project managers and revert back to Africare. This recommendation is based on an overstatement of observable weaknesses in host country financial controls, and the auditors' refusal to accept the strategy implicit in the integrated rural development model of strengthening host country administrative ability by vesting considerable responsibility for management of project resources in the hands of local leadership.

Unfortunately, only one of the two members of the audit team chose to make a site visit to TARA. Although much of the two days at TARA was devoted to the Nigerien project director, the representative of Union Nigerienne de Credit et de Cooperative (UNCC), and the Sous Prefet of Gaya, explaining the elaborate administrative and financial controls that were in place, there was a definite language problem because the French-speaking member of the AID audit team was not present. While it was clear during the site visit that documentation for the credit program, as well as project-funded government personnel was stored on site, the audit findings were drawn up by the team member who did not travel to TARA and were based only on observation of those records duplicated in the Africare Niamey office.

The TARA project director must have all checks countersigned by the Sous Prefet of Gaya before issuance. Thus, he does not have a free hand in using project funds without independent oversight. Additionally, the Africare coordinator participates in the approval of vouchers. Recurring quarterly expenses are pre-authorized by Africare Washington through formal budgets.

The grant agreement (Attachment A, page 7) outlines the audit and review procedures for the project:

"Africare receives a copy of all receipts for which payment has been made by funds deposited in the BDRN account. Africare receives all financial bank statements relating to receipts and expenditures. Africare then maintains complete accounts for the project in its National office in Washington. These accounts are audited annually by Africare's auditors, Haskins and Sells. In addition, all donors have full auditing rights of these accounts, both in Washington and in Niger."

The above procedure is followed to the letter. The Niger accountant in our Washington office scrutinizes each Tara invoice and voucher. Both he and the Director of Finance and Administration examine and approve the monthly bank reconciliations.

The auditors requested Africare to pull a number of vouchers from a list they provided. Each voucher was retrieved and no inadequacies in documentation were reported. As noted above, the vouchers on file in Washington are complete with respect to both domestic as well as overseas checking accounts. The auditors should provide Africare a list of missing or inadequate vouchers to confirm that our documentation is less than complete.

The auditors' recommendation that Africare staff be empowered to write disbursement and payroll checks from the GON Tara account ignores the spirit and letter of the written Africare Host Country accord and the negative impact of relieving the Government of full management control and accountability for funds delivered to its stewardship.

With respect to the ORD management of Seguenega funds, the audit report asserts that no written procedures exist outlining the process of credit approval, collections, and handling of funds. On the contrary, a lengthy document, "Un Systeme Preliminaire de Credit Pour le Projet du Developpement Rural Integre dans le Secteure de Seguenega: 2eme Edition," lists the 11 criteria for borrowers to qualify for credit, enumerates Africare's expectations of the ORD in managing the credit program, and outlines a proposed credit delivery mechanism. This document had been shared with the AID/UV mission and the auditors were shown the above document as well as the various forms used to administer credit.

Subsequent to the audit, the ORD opened a separate bank account for credit funds. They have incorporated control and subsidiary accounts in their accounting plan to track individual and aggregate credit transactions. The principle of banking credit repayments upon receipt is a sound one. However, the reconciliation of the loan fund balance must remain the responsibility of the ORD's central accounting office. The integrity of the loan fund will be tested in the annual independent audit and the responsibility for that integrity runs directly to the ORD director. Expanding the oversight role of the Africare Credit Coordinator might be expedient in the very short run but would in no way increase the ORD management ability nor the ORD commitment to preserving the revolving fund.

Africare had engaged Deloitte Haskins & Sells to perform a limited scope review of the ORD. Based on this engagement, that CPA firm did visit the ORD in November 1978 and again in June 1979. They issued a lengthy report concerning ORD internal control and their recommendations have been received by the ORD for implementation. The ORD received no project funds during its fiscal year 1978, and, therefore, the language in the draft report that no audit has been performed "since the inception of the project in October 1978" is misleading.

While the project paper calls for an audit of ORD activity on pages 29 and 79 respectively, it is not clearly stated whether there should be an audit solely of the "project accounts" or of the entire ORD. The \$10,000 budgeted annually would have provided comfortably for an audit based on USA costs experiences. However, for audit services available in West Africa, certain international CPA firms have indicated that they would charge over \$35,000 for a full scale audit of the entire ORD.

The ORD is actively soliciting bids from a number of independent audit firms to insure the most reasonably priced audit services. In addition, Africare has requested the ORD to approach its other major donors to request that they share in the cost of the undertaking. Because of the time required to complete these processes, the first full audit following up on the limited Haskins and Sells reviews cited above will be for the year ending December, 1980.

The ORD has a well planned yet complex accounting system which must account for over 200 paid employees, a large physical inventory and the credit operation. All records are kept manually. The audit draft recommendation that only 45 days be allowed for the issuance of year-end audited financial statements is unrealistic and unnecessary.

With respect to the draft audit recommendation No. 8 that the Government of Upper Volta be forced to reimburse AID for salary "indemnities," we agree fully with the position expressed by the USAID/Upper Volta mission on page 3 of its May 14, 1980 memorandum to the auditors:

"USAID/Upper Volta is currently coordinating a comprehensive analysis of GOUV policy concerning the payment of indemnities. Payment of this type is not unique to Upper Volta, but is common throughout West Africa. As for the Africare project, the use or prohibition of these payments was not directly addressed in the project paper. Both Africare and USAID agree that the project agreement should be amended to include the payment of indemnities, in lieu of stopping payments altogether at this stage of the project."

On January 25, 1978, Africare wrote to AID requesting a waiver to purchase the rice threshers in Niger. The price estimate was \$500 per thresher. The cost of used units purchased from inventory through UNCC was about \$100 per unit, resulting in a significant savings to the project. As the centralized agency designated to procure and disburse credit commodities, UNCC was allowed to handle the acquisition of the rice threshers at Tara.

The payment of \$40,000 in duties under the terms of a \$225,000 construction contract was under review by Africare staff long before the current AID audit. At present the Africare Representative in Niger is persisting in efforts to recoup these funds. If his efforts at the ministerial level are not successful, Africare is prepared to take our appeal to the President of Niger.

SUMMARY

Africare has operated effectively in managing substantial USAID as well as private donor funds. The audit draft dismisses or gives inadequate consideration to important constraints and objectives of development assistance; and as a result portrays several of Africare's prudent and responsible organizational decisions in a negative light. Africare's effective deployment of AID general support grants, and growing credibility with African governments has facilitated a dramatic increase in both our USAID and non-AID funding. However, the audit keys in on the relatively larger increase in AID funding that resulted from signing of the \$5.9 million Seguenega grant, and from the simple reality that government grants tend to be larger than privately financed grants.

Rather than giving Africare credit for refusing to disburse donor funds before host country governments have satisfied all prerequisite planning, administrative, and fiscal requirements; the audit report focuses narrowly on the fact that some project components are behind schedule. The audit fails to note that for unmet project objectives, Africare holds unexpended grant balances. This reflects an awareness and responsiveness to actual development realities, even at the expense of adherence to pre-stated plans and strategies.

In conclusion, the Africare model of integrated rural development is comprised of three essentials:

- 1) improvement in the economic conditions of rural people;
- 2) improvement of the quality of life of rural people; and
- 3) integration of rural people into the development process.

Implicit in Africare's commitment to this development strategy is our willingness to see the development process proceed no faster than the ability of the rural population to participate fully therein.

Africare still remains hopeful that a final audit report will be issued which provides a meaningful assessment of past performance and which sets forth relevant and constructive recommendations. Such a report would be a vast improvement over the current draft in terms of factual accuracy, objectivity, and sensitivity to the conceptual framework of integrated rural development in the Sahel.

AAG/W COMMENTS ON AFRICARE'S RESPONSE TO DRAFT REPORT

Africare requested that its written response to our draft report be appended to the final audit report so that the reader may consider the two documents jointly. We have complied with this request and the following represents our views on the five exceptions taken by Africare to the draft report.

EXCEPTION 1 (pages 34 to 36)

Africare's comment that the AAG/W draft report contained an erroneous statement that "AID is currently the sole supporter of Africare activities" is correct. This quote was contained in the Scope Section of the draft report. It was a paraphrase of a discussion with an AID official. We have revised our final report to state that AID is currently the "primary" supporter of Africare activities. Nevertheless, the subsequent chapter of the draft and final report clearly demonstrates with facts and figures that Africare is receiving financial support from sources outside the U.S. Government. At our exit conference with Africare in early August, we explained the final report would be revised with respect to the one word factual error.

The draft and final report describes total actual financing of Africare projects for the years 1974 through 1979 from U.S. Government and private sources. In this regard, we believe that to clearly demonstrate Africare's ability or inability to raise project funds from the private sector requires trend analysis of total project financing. Africare, on the other hand, uses project expenditures (based on accrual accounting) to show success in private fund raising. In any event, using accrual accounting data does not show any real recent success by Africare to raise funds from private sources. For instance, as the below indicates, over 90 percent of Africare's reported revenues in 1979 came from U.S. Government sources. These revenues were basically used to cover Africare's project and operating expenditures in that year.

<u>Revenue Item</u>	<u>Source of Revenue (In \$000)</u>		
	<u>U.S. Government</u>	<u>Private</u>	<u>Total</u>
Private Grants	\$ -	\$140	\$ 140
Contributions & Donations	-	139	139
Contracts & Grants	4,189	-	4,189
Membership Dues	-	7	7
Interest Income	23	-	23
Gain on Foreign Exchange	6	-	6
Other	-	11	11
	<u>\$4,218</u>	<u>\$297</u>	<u>\$4,515</u>
Percent to Total	93	7	100

AAG/W COMMENTS ON AFRICARE'S RESPONSE TO DRAFT REPORT

We believe that the makeup of revenues in future years will be about the same as 1979 unless Africare can raise significant project financing from private sources. In addition, Africare has recently received \$1.6 million from the U.S. Government either directly or indirectly to finance projects in Niger and Somalia. Furthermore, as shown in Exhibit B, Africare has developed or is in the process of developing only \$887,000 in projects for private sector financing. As of April 1980 only 7 of the projects (\$324,000) of the 17 projects making up the \$887,000 were designed and ready for financing. It is uncertain whether the private sector will actually finance these projects.

Africare uses various tables to show that the draft report overstates the historical amount and significance of AID support to Africare. For example, the table on page 35 compares actual expenditures to project financing. Such a comparison is meaningless since Africare compares 7 years of expenditures to 6 years of project financing.

Africare is correct in stating the draft report erroneously reported unrestricted revenues for 1975. The data in the draft report was derived from an Africare summary of its audited 1975 financial statements. Apparently, the Africare summary commingled restricted and unrestricted revenues. We have since obtained Africare's audited 1975 financial statements and have revised our report accordingly.

EXCEPTION 2 (pages 36 to 38)

We do not believe that Africare has shown adequate justification for us to revise our conclusion and recommendation concerning Africare's inability to raise significant funds from private sources. However, we have included in our final report comments on Africare's fund raising plans (see page 5).

EXCEPTION 3 (page 38)

Since Africare did not take any exception to the factual content of the draft, we have not made any revisions to our final report.

EXCEPTION 4 (pages 39 to 40)

Again Africare does not take any exception to the factual content of the draft report. The final report has been revised to reflect Africare's plans to evaluate the Seguenega project with ORD officials in October 1980 (see pages 16 and 18).

**AAG/W COMMENTS ON AFRICARE'S RESPONSE TO DRAFT REPORT**

However, we believe that whenever an AID-funded project is significantly behind schedule and it becomes uncertain what can be accomplished within remaining project period and funds, it is reasonable and appropriate for AID to request a revised project paper for review and approval. Therefore, we have not revised our recommendation requiring Africare to resubmit the project paper for AID approval.

**EXCEPTION 5 (pages 40 to 42)**

Based on Africare's comments to our draft report, we have revised our report. In addition, the final report recognizes Africare's endeavors to improve the accounting system of the ORD in Upper Volta.

JUN 16 1980

Jun 17 10 40 AM '80

MEMORANDUM

TO : AAG/W, Mr. George L. DeMarco  
FROM : AA/PDC, Calvin H. <sup>28</sup> Raulerson  
SUBJECT: Draft Audit Report on AFRICARE

In general, the audit report is well written, clear, helpful and the recommendations reasonable and sensible. It should provide the Agency direction in resolving the issues with AFRICARE. We have both specific and general comments on the report.

Specific Comments

1. We concur that the monitoring of the grant to AFRICARE for the Tara project has been inadequate. Tara, however, is atypical of the kind of grant PDC/PVC normally makes. Whereas the project is country specific and the agreement is like an OPG, PDC/PVC supports global and institutional programs of PVOs and does not make or monitor OPGs. Furthermore, the grant was forward funded for the life of the project, so that there were none of the normal annual opportunities to review incremental funding and project progress.
2. Per Audit Recommendation No. 2, we are taking immediate action to transfer the Tara project from PDC/PVC to AFR/DR. If the Niger Mission is assigned responsibility, we would expect better monitoring than in the past. We have informed AFRICARE that PDC/PVC will not extend the Tara Grant but will leave that decision to AFR after transfer.
3. We endorse the idea that within AID/W a single office be cognizant of all AFRICARE activity at the information level. Monitoring of different country projects will of necessity be distributed among several offices in the field and in AID/W.
4. We agree that the Africa Bureau is the proper locus for AFRICARE monitoring since that organization works exclusively in Africa and the Africa Bureau is in effect monitoring everything but the Tara project at present.

General Comments

Although beyond the scope of this Bureau's specific responsibility for AFRICARE's program, we have a number of general observations to make on this useful report

1. We have found that a number of organizations which start up with major A.I.D. funding have great difficulty ever replacing the A.I.D. funds with private monies. Similarly, it is not surprising that AFRICARE's decline in other private funds coincides with the Lilly Endowment's forced defection. Finally, AFRICARE's primary U.S. constituency hasn't the same philanthropic tradition that most PVOs' constituencies have. In other words, in addition to the general and increasing difficulty PVOs have in raising private funds, AFRICARE's history presents some unique and further exacerbating problems. We would very much like to work with the Africa Bureau to build a long-term strategy for A.I.D.'s support to AFRICARE. Several PVOs funded by this Bureau present similar challenges to A.I.D.'s decision-making.

2. We feel the audit report doesn't adequately confront a major AFRICARE dilemma -- the necessity but difficulty of a small organization working through the structures and systems of a resource-poor LDC government.

3. We are skeptical regarding the suggestion (p.27) that AFRICARE should concentrate on "physical" development activities rather than on activities which tend to change the social and cultural conditions of the targeted villages. These two aspects of development are interrelated and should not, we feel, be approached in isolation.

4. We share the report's recommendation that a better A.I.D. understanding and definition of monitoring and oversight responsibilities is badly needed. We would like to work with the Africa Bureau on this question as well.

MEMORANDUM

TO : AG, Mr. Herbert Beckington

0 6 OCT 1980

FROM : AAA/AFR, Goler T. Butcher

SUBJECT: Audit Report - Africare Activities in Niger and Upper Volta

The following responds to the subject audit of certain activities of the PVO, Africare, and to the advice therein as to steps taken - or to be taken - by the Bureau for Africa with respect to the fourteen recommendations offered. Comments will be made in the same sequence as the proffered recommendations.

The delay in our response to a significant degree has resulted from the need to gain from our missions in Ouagadougou and Niamey their views with respect to particular findings. In addition, there was need to reconcile advice from the GAO and from a separate assessment of the (Niger) Diffa OPG (Basic Health Delivery Services) and the bi-lateral Rural Health Improvement projects which offered comments from a perspective other than that which served as the basis for your recommendations.

You are in receipt of earlier responses from our missions in Ouagadougou and Niamey as well as a formal reply from the Washington Office of Africare. We offer the following additional comments which we understand will be appended to your final report or included in the Executive Summary.

Comments for the Executive Summary

The thrust of the Africa Bureau's concern here does not relate to the factual material presented in the Audit Report. Generally speaking there is not a major disagreement with respect to the facts, although there are a few points here and there where we see the facts differently. We are not in full agreement with the conclusion of the report. Our major concern relates to the substantive approach to development and the need for this PVO. For example, the Seguenegà project is reported to involve the people in the project so that it is not the PVO's project but that of the community itself. This the essence of development. Too often some development projects are like vaccinations that may or may not take. Africare's mode of operation is such that the Africare projects herein examined represent not an external injection but an internal community process. A PVO that can and does operate in this fashion is, therefore, one whose programs we must encourage; for, it is important to the accomplishment of the Agency's fundamental objective of development. The Bureau, therefore, remains strongly supportive of Africare. Africare's philosophy of development

and willingness to address complex development issues coincide with the policy and approach of the Africa Bureau and the Agency for International Development more generally. In addition, since its inception, Africare has exhibited a unique capacity to work at the grass roots level and to engage local communities in the development process. It has also been most successful in recruiting committed individuals from the private sector for field assignments, often in remote or Francophone areas. As a minority PVO with increasing capabilities and potential, it is in the interest of the United States Government to encourage the continued expansion of Africare's capacity and effectiveness.

The Africa Bureau takes a different approach to the Report's conclusion that AID's General Support Grant to Africare should be phased down, eventually to zero. (The current grant terminates December 31, 1981.) The Bureau notes that the Agency is adopting new PVO guidelines which eliminate the current requirement of at least 20 percent support from non-AID sources in favor of a more flexible 20 percent guideline. This new policy has been set to encourage greater opportunity for smaller and minority PVOs such as Africare. If Africare can come close to this flexible criterion, I believe we should base any decision regarding future general support to Africare on performance. (See our comments on Recommendation No. 1, below.)

For the United States to deliver assistance effectively and take full advantage of the diversity of its people, the use of minority contracting is imperative. In this regard, Africare has built a solid base and AID support should be sustained, if justifiable.

#### Recommendation No. 1

We recommend that the Assistant Administrator, Bureau for Africa, develop a specific plan of action and take steps to phase out general support for Africare. AID must also address what its future relationship with Africare should be.

As you are aware, we are presently in the second year of the current three-year General Support Grant to Africare in which the Africa Bureau is assisting this PVO to finance certain institutional development capabilities, develop assistance services/facilities and providing budgetary support to Africare Washington-based personnel. The type, quality and appropriateness of services Africare has provided this Bureau is a matter of continuing review and assessment. Favorable findings in this regard prompted authorization of the current General Support Grant in 1979. Very clearly, the value of these support services in general and the performance of Africare in particular project efforts, will weigh conclusively in any Bureau decision should the PVO request continuing support at the conclusion of the current grant. Obviously, the matter of Africare's ability to draw support from entities other than AID or this Bureau will be a subject of concern.

Recommendation No. 2

The Assistant Administrator, Bureau for Africa, should develop more specific criteria regarding the size, scope, and complexity of Operational Program Grants awarded to Africare and other PVOs.

The Bureau has long recognized that PVOs can make some unique contributions to our overall development effort in Africa and has established the OPG mechanism to finance such efforts. This audit has highlighted the need to provide our USAIDs with guidelines for approving OPGs. We concur with this recommendation, and, in conjunction with the Bureau for Private and Development Cooperation, will draw up guidance concerning the size, scope, and complexity of OPGs for transmittal to our missions by March 31, 1981.

Recommendation No. 3

We recommend that the Assistant Administrator, Bureau for Africa, require Africare to submit a revised project paper for the Tara project. The paper should restate the project's goals and the time required to accomplish remaining project activities. AID should evaluate the revised submission and consider extending the grant period if this action is justified.

Since initial discussions with your staff on this particular centrally funded Specific Support Grant, and after consultation with USAID/Niamey, the Office of Private and Voluntary Cooperation (PDC/PVC) has agreed to an unfunded extension for the life-of-project of one year. Approximately \$600,000 remains of the original authorization. This action is intended to provide necessary time to realize the purpose of the project as put forth in the original Grant Agreement. If necessary, project objectives will be revised and reflected in an amended Grant Agreement. The mission in Niger has accepted responsibility for project implementation; in turn, AID/W backstopping responsibility has been transferred to AFR/DR/SWAP and is assigned to the incumbent Projects Officer for Niger.

Recommendation No. 4

The Assistant Administrator, Bureau for Africa, instruct Africare to obtain a firm commitment from the GON to continue the basic health care services that were developed under the project. A plan of action should be developed for continuation of the operations of the medical facilities to include: (1) recruitment of personnel to operate the medical facilities; (2) acquisition of adequate ancillary services such as a blood bank and radiology; (3) acquisition of adequate stocks of drugs and medical supplies; and (4) acquisition of adequate supplies of spare parts and continuation of training for operating personnel for the garage.

Because Africare has a relatively small development role in Niger, it is doubtful that it can exert the degree of influence over the GON

necessary to obtain a firm commitment from the GON to continue the basic health care services that were developed under the OPG project. Nevertheless, the GON has already replaced the two doctors stationed in Diffa with three Egyptian doctors. The USAID bilateral project, Rural Health Improvement (RHI), authorized in FY 1979, envisaged a nation-wide health intervention into which the Diffa OPG would someday be incorporated. USAID/Niger is presently taking action to allow the continued funding of past Africare Diffa activities (e.g. training of village health workers and vehicle maintenance) through the RHI project. An amendment request for the RHI project is also being worked on which will ask that that project be allowed to subsume certain of the OPG personnel, including the mechanic assigned to Diffa. Lastly, Africare fully intends to supply the remaining equipment and supplies, including a radiology machine, that it has committed to supply but had not yet arrived in Diffa at the time of the audit.

Recommendation No. 5

We recommend that prior to approval of significant funds for the Seguenega project the Assistant Administrator, Bureau for Africa: (1) directs Africare to revise the project paper based on the results of the joint Africare/ORD evaluation of the project; (2) reviews and evaluates the revised project paper to assure the goals are realistic and the estimated cost reasonable; and (3) incorporates the revised project paper as part of the grant agreement.

USAID/Ouagadougou has presently scheduled an evaluation of the Seguenega Integrated Rural Development Project (OPG) in October 1980. The Mission will participate actively with Africare in this effort and has requested AID/W participation as well. A member of AFR/DR/SWAP will participate.

Recommendation No. 6

The Assistant Administrator, Bureau for Africa, instruct Africare to take appropriate steps to ensure that the financial aspects of the projects are properly monitored.

The Assistant Administrator will review measures already taken by Africare to address this recommendation for projects in both Niger and Upper Volta. In addition, the respective missions will further address implementation aspects -- including record keeping and financial management -- as the project monitoring role by missions is strengthened. For Upper Volta, measures already taken include a document which lists eleven criteria to qualify for credit, enumerates Africare's expectations of the ORD in managing the credit program, and outlines a proposed delivery mechanism. In addition, as noted in the Audit, the ORD and Africare are presently working towards an independent audit of the ORD's accounting records; the required audit is expected to be performed very early in CY 1981. Further assessment of procedures will be made during the October 1980 evaluation.

Recommendation No. 7

The Assistant Administrator, Bureau for Africa, directs Africare to cease paying the salary supplements and obtain reimbursement from the Government of Upper Volta for the total amount of salary supplements that was inappropriately paid to ORD personnel.

This is a matter of interpretation, since it was not specifically addressed in the project agreement. Although it is the practice of some donors, USAID/Upper Volta and AID/W are not in agreement with the principle of indemnity payments on top of existing GOUV salary schedules to encourage greater efforts on USAID-funded projects. It is our opinion, however, that suspension of existing payments would now have negative consequences on on-going project activities. These payments will be terminated when the existing OPG expires and the GOUV will be so notified. Further, it is our opinion that it is virtually impossible to obtain reimbursement from the GOUV for payments already made without threat of discontinuing the entire project activity.

Recommendation No. 8

We recommend that the Assistant Administrator, Bureau for Africa, require that Africare, in conjunction with USAID/Niamey, contact the Ministry of Finance of GON at the highest level to expedite recovery of the amount of taxes erroneously paid. Also, all future contracts should be subject to close scrutiny by Africare management to ensure that erroneous payments do not occur.

Whereas the Grant Agreement with Africare contains a provision to exempt from GON taxes project related commodities, we are advised a construction contract in connection with this project inadvertently omitted this privilege.

Two attempts by the PVO to recover from the GON import taxes paid under this construction contract have met with no response. USAID/Niamey is presently assisting the PVO in a third attempt while, at the same time, initiating its own inquiry/request of the Government of Niger. These efforts will be continued.

Recommendation No. 9

We recommend that the Assistant Administrator, Bureau for Africa, instruct the Africare Country Representative to determine the propriety of the rice thrasher transaction and take adequate steps to prevent recurrence.

We are advised the rice thrashers under question were a gift from the Peoples Republic of China (PRC) to the Government of Niger. As such, the mission has taken the position the PVO payment to the Nigerian cooperative credit union for this procurement was not in

violation of the intention of the restriction against procurement from certain countries or categories of countries. Notwithstanding, this type action should - and will be - avoided in future.

Recommendation No. 10

We recommend that the Assistant Administrators for the Bureau for Private Development Cooperation and Bureau for Africa, take immediate steps to centralize oversight of Africare activities within the Bureau for Africa.

All current Africare development activities in cooperation with the Agency are limited to the Africa Bureau. To the extent this continues to be the case, it will be possible to centralize oversight within this Bureau. To the extent, however, that Africare may avail itself in the future of Agency-wide, centrally funded existing or new program grants, or to the extent this PVO is in receipt of a contract or grant from another Regional Bureau, it will not be feasible to consider any form of centralized oversight. Within the Bureau for Africa, however, responsibility for Africare activities is now vested with the Office of Regional Affairs (AFR/RA) with respect to the General Support Grant and for any future activities of an Africa-wide nature, and with the respective geographic region project offices for project contracts or grants within the respective geographic areas, e.g., AFR/DR/SWAP for Africare's Sahel activities. The Bureau Coordinator for African Refugee and Humanitarian Affairs is responsible for liaison with all Private and Voluntary Organization activities.

Recommendation No. 11

We recommend that the Assistant Administrator, Bureau for Africa, provide specific direction and guidance to the applicable AID/missions on their responsibilities in monitoring the AID-funded projects that are administered by Africare. The AID/missions should take a more active and aggressive role in monitoring these activities.

In responding to this recommendation, I call attention to the distinction between bi-lateral, AID-funded projects for which a contract is let (e.g., Niger: Rural Health Improvement Project with Africare as contractor) and Operational Program Grants (OPGs), which PVOs propose and for which AID, through the project authorization process, provides funding to carry out services on the basis of self-direction and evaluation. The Diffa, Seguenega and Tara projects are in this latter mode and are governed by Agency regulations distinct from those regulating bi-lateral project contractor relationships. In the first instance, mission monitoring is somewhat less than that given bi-lateral projects for which contracted services are obtained.

We have been advised that, contrary to the assertion on page 26 of the Audit Report, USAID personnel have, in fact, visited the Tara and Diffa project sites.

The Bureau for Africa has authorized OPGs at levels greater than those in other Regional Bureaus, and to this extent, finds that the reality of administering/monitoring some of the larger grants (such as those awarded Africare) extends beyond that which was envisaged by the original regulations governing OPGs. Notwithstanding the distinction between the degree of responsibility for field monitoring of OPGs and contracts, there is the requirement of all missions to assure prudent stewardship of U.S. appropriated funds. Steps have been taken to orient the newly designated Health Officer assigned to USAID/Niamey as to the requirements and scope of mission monitoring responsibility; similar direction will be given to mission personnel in Upper Volta to give total support to assure greater effectiveness in the administration and implementation of the Seguenega OPG.

Recommendation No. 12

We recommend that the Assistant Administrator, Bureau for Africa, work closely with Africare in designing more informative progress reports that will actually reflect the progress made on AID-financed projects. These reports should quantitatively address the progress of the project in terms of stated milestones. The progress reports should explain the reasons for significant variances between the actual experience versus stated milestones. Significant changes in project activities should be justified and communicated in the progress reports.

The matter of project reporting has varied from mission to mission, from contract to contract, grant to grant, and in some circumstances, depending upon whether or not a contract is with the recipient government. It is our intention to standardize this. As the (Niger) Rural Health Improvement Project is only now in the first steps of implementation and the (Upper Volta) Seguenega Integrated Rural Development OPG will be undergoing thorough evaluation, the matter of effective progress reports will be addressed and implemented as soon as practicable.

Recommendation No. 13

We recommend that the Assistant Administrator, Bureau for Africa, require that all budget revisions be promptly communicated by Africare to AID for approval in order to facilitate timely and effective monitoring over project expenditures.

We accept this recommendation with respect to the timeliness of advice of budget revisions. Formalizing this requirement will be considered within the general context of progress reporting.

Recommendation No. 14

We recommend that the Assistant Administrator, Bureau for Africa, instruct Africare to include in its quarterly activity reports analyses of revised budgeted versus actual

**expenditures together with explanations for significant variances.**

**This recommendation will be handled concurrently with the one under the preceding recommendation.**

AAG/W COMMENTS ON AFRICA BUREAU'S RESPONSE  
TO DRAFT REPORT

The Africa Bureau requested that its written response to our draft report be appended to the final audit report. We have complied with this request and the following represents our views on the Africa Bureau response. Our comments are keyed to the report recommendations in which the Bureau indicated disagreement or plans to take only limited action.

Recommendation No. 1 (page 6)

In our view, the Africa Bureau's position not to phase out general support of Africare's operation is unjustified. Since 1974, AID has provided Africare with \$2.5 million in support grants to pay for the salaries of Africare's executives, program development staff, administrative personnel and other support costs. It currently derives over 90 percent of its revenues from AID. By the end of 1981, AID will have supported Africare's operations for a period exceeding seven years. The Bureau placed five years as a reasonable period to phase out the support assistance for another grantee. We do not believe Africare should be treated differently than other grantees. Additionally, Africare will have little incentive to become self-supporting should AID set a policy of providing support assistance without any time limitation. Therefore, we still believe the Bureau should develop a specific plan of action and take steps to phase out general support for Africare.

Recommendation No. 3 (pages 15 to 16)

The Africa Bureau has extended the Tara project by one year without requiring Africare to submit a revised project paper for its evaluation and approval. In our view, the original project objectives were not realistic and some probably will not be accomplished within the one year grant extension. Therefore, we believe that in order for AID to adequately monitor the remaining project activities, a revised project paper should be: (1) submitted by Africare, (2) evaluated by AID, and (3) reflected as an amendment to the grant agreement.

Recommendation No. 5 (page 19)

It is unclear from the Africa Bureau's response whether it intends to request a revised project paper from Africare for the Seguenega project. In our opinion, because of the numerous delays and the project's complexities, it is imperative that AID: (1) directs Africare to revise the project paper based on reliable goals and objectives; (2) reviews and evaluates the revised project paper to assure the goals are realistic and the estimated cost reasonable; and (3) incorporates the revised project paper as part of the grant agreement.

**AAG/W COMMENTS ON AFRICA BUREAU'S RESPONSE  
TO DRAFT REPORT**

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**Recommendation No. 7 (pages 22 to 23)**

In our view, the Africa Bureau did not respond adequately to this recommendation. Our recommendation entails termination and recovery of supplementary salary payments paid to ORD administrative personnel. Although the Bureau agrees that, in principle, AID should not be making such payments, the Bureau stated it would not seek recovery or terminate the salary payments until the grant expires. We believe this position is not responsive to the recommendation since the grant expires in October 1983--the same time all project activities cease. The Bureau's rationale for this position is that: (1) suspension of existing payments would now have negative consequences on on-going project activities; and (2) it is virtually impossible to obtain reimbursement from the Government of Upper Volta for payments already made without threat of discontinuing the entire project activity.

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The Assistant Administrator, Bureau for Africa, instruct Africare to obtain a firm commitment from the GON to continue the basic health care services that were developed under the project. A plan of action should be developed for continuation of the operations of the medical facilities to include: (1) recruitment of personnel to operate the medical facilities; (2) acquisition of adequate ancillary services such as a blood bank and radiology; (3) acquisition of adequate stocks of drugs and medical supplies; and (4) acquisition of adequate supplies of spare parts and continuation of training for operating personnel for the garage.	16
<u>Recommendation No. 5</u>	
We recommend that prior to approval of significant funds for the Seguenega project the Assistant Administrator, Bureau for Africa: (1) directs Africare to revise the project paper based on the results of the joint Africare/ORD evaluation of the project; (2) reviews and evaluates the revised project paper to assure the goals are realistic and the estimated cost reasonable; and (3) incorporates the revised project paper as part of the grant agreement.	19

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<u>Recommendation No. 6</u>	
The Assistant Administrator, Bureau for Africa, instruct Africare to take appropriate steps to ensure that the financial aspects of the projects are properly monitored.	23
<u>Recommendation No. 7</u>	
The Assistant Administrator, Bureau for Africa, direct Africare to cease paying the salary supplements and obtain reimbursement from the Government of Upper Volta for the total amount of salary supplements that was inappropriately paid to ORD personnel.	23
<u>Recommendation No. 8</u>	
The Assistant Administrator, Bureau for Africa, require that Africare, in conjunction with USAID/Niamey, contact the Ministry of Finance of GON at the highest level to expedite recovery of the amount of taxes erroneously paid. Also, all future contracts should be subject to close scrutiny by Africare management to ensure that erroneous payments do not occur.	24
<u>Recommendation No. 9</u>	
The Assistant Administrator, Bureau for Africa, instruct the Africare Country Representative to determine the propriety of the rice thrasher transaction and take adequate steps to prevent recurrence.	24
<u>Recommendation No. 10</u>	
The Assistant Administrators for the Bureau for Private Development Cooperation and Bureau for Africa, take immediate steps to centralize oversight of Africare activities within the Bureau for Africa.	28
<u>Recommendation No. 11</u>	
The Assistant Administrator, Bureau for Africa, provide specific direction and guidance to the applicable AID/Missions on their responsibilities in monitoring the AID-funded projects that are administered by Africare. The AID/Missions should take a more active and aggressive role in monitoring these activities.	28

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<u>Recommendation No. 12</u>	
The Assistant Administrator, Bureau for Africa, work closely with Africare in designing more informative progress reports that will actually reflect the progress made on AID-financed projects. These reports should quantitatively address the progress of the project in terms of stated milestones. The progress reports should explain the reasons for significant variances between the actual experience versus stated milestones. Significant changes in project activities should be justified and communicated in the progress reports.	28
<u>Recommendation No. 13</u>	
The Assistant Administrator, Bureau for Africa, require that all budget revisions be promptly communicated by Africare to AID for approval in order to facilitate timely and effective monitoring over project expenditures.	29
<u>Recommendation No. 14</u>	
The Assistant Administrator, Bureau for Africa, instruct Africare to include in its quarterly activity reports analyses of revised budgeted versus actual expenditures together with explanations for significant variances.	29

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Deputy Administrator	1
Assistant Administrator/Africa	5
Assistant Administrator/Private and Development Cooperation	5
USAID/Upper Volta	1
USAID/Niger	1
AFR/EMS	1
SER/CM	1
Assistant Administrator/LEG	1
General Counsel	1
Controller, FM	1
IDCA's Legislative and Public Affairs Office	1
PPC/E	1
DS/DIU/DI	4
Auditor General	1
AAG/EA	1
AAG/EAFR	1
AAG/Egypt	1
AAG,LA	1
AAG/NESA	1
AG/PPP	1
AG/IIS	1
IIS/AFR	1
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