UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL

Regional Inspector General for Audit
NAIROBI

USAID/SUDAN'S BLUE NILE INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT NEEDS TO BE RESTRUCTURED TO ESTABLISH REALISTIC GOALS AND MUST BE BETTER MONITORED

Audit Report No. 3-650-82-11
March 31, 1982

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EXECUTIVE SUMMARY

Introduction

This report focuses on the progress and problems encountered in the implementation of USAID/Sudan's Blue Nile Integrated Agricultural Development Project (No. 650-0018). The project was designed to develop and provide the means to verify a viable systems approach to small farms and livestock development. It is anticipated that those elements which can be demonstrated as successful in the Blue Nile Province will be replicated over larger areas of the rainfed production subsector of Sudan.

The project purpose is to be achieved by implementing several experimental project components in a variety of areas such as agricultural mechanization, improved agronomic practices, livestock and range management, and cooperatives and credits. Funding for the project consists of a $12 million AID grant, and $3.7 million to be provided by the Government of the Sudan (GOS). The project got underway in November 1979 and the expected completion date is September 1985.

Purpose and Scope of Audit

The purpose of our audit was to (a) determine how well the project was progressing toward meeting its goals and objectives, (b) determine whether AID provided funds were being effectively and efficiently utilized, (c) determine if applicable laws, AID regulations, and the intent of Congress were being complied with, and (d) identify and report on any significant problem areas.

This review was performed during December 1981 and covered project activity from November 1979 to December 1981. Audit findings were discussed with USAID/Sudan and their inputs were considered in the development of this report.

Findings, Conclusions and Recommendations

The Blue Nile Integrated Agricultural Development Project is composed of several segments and sub-elements. The purpose of the various project segments is to ascertain which agricultural development activities can be replicated with success over the rainfed production subsector of Sudan. At the time of our audit it was too early in the projects' progress to make any predictions about the success of any specific segment of the project, or which segments would be replicable by the projects authorized completion date in 1985.

The serious problems that exist in this project required that USAID/Sudan do a thorough evaluation to determine how the project could be restructured to retain viable components which can be implemented within allotted budget and time parameters. The following critical problems could cause cost overruns and project failure:

- The Project Paper (a) failed to adequately address issues involving logistical problems caused by the projects inaccessibility during the rainy season and the problem of nomad grazing within the project area, and (b) relied on banking institutions and training facilities that did not exist.

- The technical assistance contractor's failure to provide qualified staff in a timely manner, and the frequent turnover of arrived staff adversely affected the first two years of project implementation.

- Project success was limited by a non-cooperative working relationship between the Sudanese project director and the technical assistance team. USAID/Sudan's year long efforts to solve this problem were not successful.

- Project progress and long term viability were seriously retarded because only a few of 20 planned professional Sudanese were assigned to the project.

- The Government of Sudan had not provided certain infrastructure support including water resources and road maintenance. Certain project components cannot be completed without these contributions.

The above problems are likely to cause cost overruns and additional time is likely to be required to complete the project. The technical assistance contract may need to be extended, and additional funds will therefore be required for supplies, spare parts, support costs, vehicle replacement, etc.

Because the above areas present serious obstacles to effective project implementation, we recommended that USAID/Sudan undertake an immediate evaluation to restructure the project to retain only those viable components which could be attained within reasonable budget and time parameters. In response to our draft report, USAID/Sudan advised us that "since March 1981, long prior to arrival of the audit team, USAID/Sudan had planned a thorough evaluation to be carried out concurrently with the financial audit. The evaluation is almost complete and recommendations regarding the restructuring of the project will be part of the PES."

Other problems experienced through the time of our audit were strong indicators of the necessity for increased management oversight of this project. USAID/Sudan needed to assume a more active monitorship role and make attempts to increase the involvement of the Sudanese government in coordinating the affairs of the project.

The report addresses ways in which property and financial accountability can be improved. In our draft report, recommendations were made to establish an inventory control system, improve management of project vehicles, strenthen accountability over in-country expenses, and request restitution of certain payments for project housing. Other recommendations were made to ensure that "American AID" marking requirements are met, the contractors office in Khartoum is phased out, participant training needs are reassessed, Government of Sudan surveys for the project are clarified, and controls over contractor travel are improved.

In response to our draft report, USAID/Sudan stated they "had already taken steps to increase monitorship of the project by assigning in September 1981 an assistant agricultural officer full-time to the project as soon as one was available at the Mission. GOS involvement in the Project has already been increased as evidenced by inclusion of four Sudanese officials in the evaluation of the project." In addition they noted that corrective actions had already been implemented on all of our findings, and provided documentation which enabled us to delete seven of the recommendations which had appeared in our draft report.

BACKGROUND

Introduction

The Sudan, with a territory of more than a million square miles, is the largest country in Africa. It has a population of 18 million, giving it one of the lowest person/land ratios in the world. The United Nations has classified it as one of the least developed countries in the world.

Agriculture is the major economic activity, accounting for 40 per cent of gross domestic product and employing 80 per cent of the labor force. Although the country has about 208 million acres suitable for agriculture, only 18 million acres are under cultivation. Thus, the Sudan has enormous untapped agriculture potential and is viewed as a major potential food source for the Middle East.

In light of this vast potential, the bulk of AID's development Assistance is targeted towards increasing the productivity in the traditional farming areas of the country. The Blue Nile Integrated Agricultural Development project is part of the AID program in support of this strategy.

The goal of the Blue Nile project is to increase production and income of traditional farm and herder families in rainfed areas of the Sudan. This is to be accomplished by developing and verifying a viable systems approach to small farm and livestock development in the Blue Nile Province. It is anticipated that what proves to be successful in this Province will be replicated over larger areas of the rainfed section of the Sudan.

The project is to be implemented by establishing an administrative and management unit in the Blue Nile Province which has responsibility for administering the various project components. These components are both experimental and developmental in nature; and include areas such as agricultural mechanization, improved agronomic practices, livestock and range management, and cooperatives and credit. The project, while being primarily experimental in nature, is expected to provide substantial developmental benefits to the Blue Nile Province.

Funding for the project consists of a $12 million AID grant and $3.7 million to be provided by the Government of Sudan. Obligations and expenditures as of 12/31/81 were $9.5 million and $5 million, respectively. Technical assistance to the project is provided through an $8.6 million contract with Experience Incorporated. Project implementation was started in November 1979, and the expected completion date is September 1985.

Purpose and Scope

The purpose of our audit was to determine (a) how well the project was progressing towards meeting its goals and objectives, (b) whether AID provided funds were being effectively and efficiently utilized, and (c) if applicable laws, AID regulations, and the intent of Congress were being complied with.

Audit field work was performed at USAID/Sudan in Khartoum, the Experience Incorporated office in Khartoum, and at the project headquarters in Damazin. Our work was directed primarily toward (a) reviewing USAID/Sudan and Experience Incorporated project files and financial records, (b) discussing project progress, accomplishments and problems with cognizant officials of USAID/Sudan, Experience Incorporated and the Government of Sudan, and (c) performing various tests and analyses as considered necessary.

This review was performed during December 1981, and focused on project activity during the period November 1979 to December 1981. Audit findings were discussed with USAID/Sudan. Written comments were received from USAID/Sudan and taken into consideration in this report.

FINDINGS CONCLUSIONS AND RECOMMENDATIONS

Major Problems Constrain Project Progress and Viability

The implementation of the Blue Nile Agricultural Development Project has been beset with problems from the onset. The project was behind schedule (USAID/Sudan estimates that, in general, the project is about one year behind schedule), major problems had not been resolved, and substantial cost overruns appear likely if the project is fully implemented as planned.

After more than two years the project was still in the mobilization stage. Project facilities were still being constructed. Technical assistance personnel were still drafting work plans to implement the various components of the project. Sudanese counterpart positions were not filled. Data gathering exercises and other major studies, which should have been completed before initiation of field activities, were still in process. Uncertainty exists as to whether necessary infrastructure will be built.

There are numerous reasons which explain the lack of progress and problems which hampered the project during its first two years. The major causes are (a) project design weaknesses (b) late arrival and frequent turnover of technical assistance personnel, (c) inability of the technical assistance team to establish an effective working relationship with the Sudanese project director, (d) absence of Sudanese counterpart officials, and (e) lack of necessary infrastructure to be provided by the GOS. (These areas are discussed further in succeeding sections of the report.)

Conclusion -- The cumulative effect of the above problem areas is that the project is far behind schedule and will result in cost overruns if full implementation is attempted. If some of the problems cannot be resolved quickly (e.g., poor work relationship and lack of counterparts) the project will progress very little and perhaps should be terminated. We felt that USAID/Sudan should immediately address these areas and make a decision on what the future course of the project will be. Accordingly, our draft report contained a recommendation requesting that USAID/Sudan in conjunction with the Government of Sudan, undertake a thorough evaluation of the project to determine (a) whether it should be terminated or (b) restructured to make it realistic and feasible within established monetary and time parameters.

In response to our final draft report, USAID/Sudan stated:

> "Since March 1981, long prior to arrival of the audit team, USAID/Sudan had planned a thorough evaluation to be carried out concurrently with the financial audit. The evaluation is almost complete and recommendations regarding the restructuring of the project will be part of the PES.

Although we deleted the recommendation from this final report, we request that USAID/Sudan transmit to us a copy of the evaluation report when it is completed, including their plan for restructuring the project.

Project Design Weaknesses

The project, as detailed in the project paper, is very complex and presents quite a challenging task for successful implementation. There are numerous components to the project-- each having several subactivities. There are also a lot of interrelationships among the components. Consequently, a delay in one component or activity could affect the progress of another activity.

In addition to being a difficult project to administer, the project paper contained several weaknesses which affected project implementation. Examples of these shortcomings are:

- Access to field sites in the project area is difficult during the rainy season. This is especially true in one of the three field site locations. Inaccessibility has caused serious logistical problems and created delays in project implementation. (Two boats were purchased to facilitate access to some of the sites, and a road grader procured to help make the roads to the project more passable. Although this will help ease the situation somewhat, poor site accessibility will continue to slow progress.)

- The Project Paper envisioned that training would be provided by training centers to be established in the Blue Nile Province. However, these training centers were not established. This will force the project to establish its own training programs.

- The Project Paper relied upon the development of a Cooperative Bank for the cooperative and credit components of the project. The Cooperative Bank does not exist. (In response to our draft report, USAID/Sudan advised us that an alternative arrangement is currently being sought with the Agricultural Development Bank.)

- A lot of land in the project area is in the traditional grazing area for several thousand nomads. It is still uncertain whether the nomads can be successfully brought into the project. The nomads' grazing herds can easily disrupt the new agricultural programs being introduced into the area. (In response to our draft report, USAID Sudan stated: "Initial finds indicate that the nomads are receptive to the project. Activities contemplated for the project area are intended to benefit nomads directly, and, hence, minimize conflict with sedentary farmers.")

Conclusion -- All of the above were unforeseen problems which can affect project implementation. They are illustrative of some of the problems which need to be considered when USAID/Sudan makes a decision on restructuring the project. There may be numerous other areas which also will have to be contended with. We are making no recommendation because these areas should be addressed during USAID/Sudan's evaluation of the project.

Contractor Failed to Provide Qualified Staff on Time

The project got off to a bad start because Experience Incorporated was slow in recruiting and fielding a qualified team in the Sudan.

USAID/Sudan signed a contract with Experience Incorporated in November 1979. The contractor was to provide technical direction to the project by providing qualified staff in specialized fields. In 1980, the first full year of project implementation, the contractor furnished approximately three staff years of effort (two staff years were junior personnel). These individuals' time was consumed primarily with administrative matters, drafting procurement specifications, and arranging for construction contracting. Consequently, the project advanced very little during the crucial first year.

USAID/Sudan attributed the slow staff build-up to Experience Incorporated's nomination of people who did not have the qualifications outlined in its proposal. Consequently, USAID/Sudan rejected several personnel nominated by the contractor. This resulted in additional delays while the contractor searched for alternate candidates. The contractor attained its full complement with the arrival of a general services officer in December 1981.

The personnel situation and hence progress was further exacerbated by the frequent turnover of contractor personnel after their arrival. To illustrate:

- The project had three chiefs-of-party during the first year of operation, and several periods when no Chief-of-Party was in country. Turnover in this critical position was very disruptive

- The project had two agronomists during the first year, with a five month lag in replacing the first agronomist.

- A soil range team arrived in January 1981; however, three out of four of these individuals departed prior to completing their work.

Conclusion -- The failures of Experience Incorporated in its initial recruiting efforts led to delays in fielding a qualified team. This problem was exacerbated by frequent turnovers of recruited staff. As the contractor attained its full complement of staff in December 1981 with the arrival of a general services officer, no recommendation is considered necessary. However, it is our opinion that Experience Incorporated is responsible for some of the delays and cost overruns caused by their failure to recruit a technical assistance team. This fact should be noted by USAID/Sudan when information is requested about the contractor by AID/Washington.

Ineffective Working Relationship Undermines Project

One of the most serious obstacles affecting project implementation was the ineffective working relationship between the Sudanese project director and the technical assistance team. The technical assistance team felt the project director failed to provide leadership and support to the project. Contractor personnel we contacted felt he did not understand his role as project director, did not comprehend the real nature of the project, showed little interest in recruiting people, and was slow to act on project matters. Therefore, the technical assistance team was working around the project director.

The project director felt the Experience Incorporated contract team did not understand many of the Sudanese methods of conducting affairs. He felt he had been treated quite poorly by some members of the contract team, had been avoided on project matters, and had requests placed on him which he could not possibly meet.

Conclusion and Recommendation -- All parties agreed that the present situation was extremely detrimental to the project and must be resolved as soon as possible. The problem was evident for more than one year, but had gone unresolved. USAID/Sudan attempted, since January 1981, to remove the project director but was not successful. We feel that USAID/Sudan should continue action with the Government of Sudan to resolve this problem.

In response to our draft report, USAID/Sudan stated:

> "The USAID Director discussed the issue of project leadership with the new State Minister of Agriculture on December 8, 1981. In response the Ministry nominated a replacement Project Director on February 1, 1982. After further joint consideration of qualifications of the candidate relative to the needs of the position, the Ministry withdrew the nomination and is now preparing to nominate another candidate. USAID will inform RIG/A/Nairobi when a new project director is appointed."

Since this matter has not yet been resolved, we are retaining the recommendtion from our draft report.

Recommendation No. 1

USAID/Sudan resolve the conflicts between the project director and the technical assistance team by consultation at the highest level of the Government of Sudan

Lack of GOS Counterparts Retards Progress and Long Term Project Viability

The overall success of this project (both short and long-term) is dependent upon having a large number of qualified Sudanese counterparts to assist with project implementation, and to carry on or expand the project after USAID/Sudan's involvement ends. During the first two project years the Government of Sudan (GOS) provided very few counterparts. Their absence has slowed progress and lessens the assurance that the long-term objectives of the project will be achieved.

All of the components of the project are dependent upon having professional Sudanese employees on board to assist in project implementation. The Project Paper envisioned that the Government of Sudan would provide 20 professionals and 24 semi-professionals to work on the project. During 1980 the project director was the only Sudanese professional assigned to the project. During 1981 a few more technical people were added, but staffing levels were still far less than anticipated.

At the end of 1981, some members of the expatriate team still did not have counterparts. This shortcoming will become more crucial as project components begin to move from the planning stage to actual implementation in the field. For example, the Experience Incorporated extension advisor does not speak Arabic and will encounter difficulty implementing a program in the field unless there are counterparts who can speak the language. (In response to our draft report, USAID/Sudan stated: "Since the visit of the audit team at least four counterparts have been appointed, including key extension personnel. This has occurred despite weak project director leadership.")

Conclusion and Recommendation -- Most people we talked to felt that inadequate Sudanese staffing was the direct result of the unsatisfactory working relationship between the Sudanese project director and the Experience Incorporated technical assistance team. It was anticipated that once this problem is solved, Sudanese counterpart staffing will improve. However, this is another major problem which requires a satisfactory resolution if the project is to have any chance for success.

In response to our draft report, USAID/Sudan also stated:

> "The issue of insufficient counterpart personnel was addressed in the project evaluation. The problem is directly associated with deficient Government of Sudan (GOS) project leadership and will be the first priority upon the selection of a new Sudanese Project Director. The project evaluation includes specific recommendations for counterpart requirements, qualifications and numbers, based on planned project revisions."

Since this matter has not yet been resolved, we have retained our recommendation.

Recommendation No. 2

USAID/Sudan advise the Government of Sudan that a suitable number of counterparts must be provided if the project is to continue.

Capability of GOS to Make Planned Inputs To Project Is Questionable

Due to the poor financial condition of the Government of Sudan, it seems unlikely that the GOS will be able to make their contribution to the project. The project agreement calls for the GOS's contribution to include $3.7 million, land for project sites and offices, the development of new water resources, and the maintenance of roads to and within the project area.

As of November 30, 1981, the GOS has contributed all the land which is required for the project, and financial contributions totaling $121,000. Nothing had been done to develop the water resources or to maintain the roads in the project area.

The GOS project director told us he still expects the Government to send a team to the project area to look for water resources. He was doubtful that they would ever be able to maintain or improve roads in the project area. In our opinion, any decisions about the future of this project should be made with a realistic assumption of the Government's capability to make its required project contributions.

Without GOS contributions to the project area the project cannot be completed as envisaged. Therefore USAID/Sudan must either fund the work required for project success or drop the components dependent upon Government inputs.

In response to this finding USAID/Sudan stated:

> "Initial activities of the project are heavily oriented to the U.S. dollar procurement of goods and services. As the level of technical activities increases, the GOS counterpart contribution should rise accordingly. The evaluation will take into account the current and projected GOS financial contribution and will through special trust accounts ensure a full GOS contribution."

We are not making a recommendation because funding problems were considered as part of the restructuring of the project, as stated in USAID/Sudan's comments.

USAID/Sudan Oversight Has Been Inadequate

USAID/Sudan recently improved its monitoring of the implementation of this project. Until September 1981, USAID/Sudan's lack of technical expertise, and its failure to uncover and resolve problems hurt the projects' progress. Questionable payments were made, financial controls were weak, local involvement was not adequately pursued, and other regulation requirements were not adhered to.

USAID/Sudan's Project Monitoring Failed To Solve Early Implementation Problems

We found little evidence of past USAID/Sudan oversight at the project site or in USAID/Sudan's project files. Specifically, project files contained little information on trip reports, memorandums of meetings, or what attempts were made to alleviate the various problems which arose. Site visits revealed a lack of spare parts with poor controls and inadequate financial records. USAID/Sudan's management of this project was not sufficient because of the following shortcomings:

- The absence of Sudanese counterparts and the ineffective work relationships were evident shortly after the project began. An early solution to these problems should have been more actively pursued.

- Many of the problems discussed throughout this report (slow selection of participants, inadequate inventory control, lack of spare parts, poor financial records, etc.) could be detected during site visits. As we found little evidence of action taken to ensure that corrective action was taken on project problems, we question if sufficient in-depth site visits were made by USAID/Sudan staff.

- USAID/Sudan's role in project implementation was weakened because the USAID's prior project officer did not have an agricultural background. In fact, USAID/Sudan did not have any staff with an agriculture background for a lengthy period of time.

- Certain irregularities also demonstrate areas where project management may have been inadequate; e.g., approval of the purchase of a second hand tractor which is contrary to U.S. Government regulations, procurement of personnel services by using a purchase order instead of a contract, and failure to ensure that property accountability records were developed.

Conclusion -- We feel that delays and problems experienced with the project were caused by a lack of in-depth monitoring activities and a failure to solve problems as they developed.

In response to our draft report USAID/Sudan stated:

> "The current USAID Project Manager, a Ph.D. agriculturalist with five years experience as an A.I.D. Loan Officer, has been assigned full-time to the project since his arrival at post in September 1981, and is following the precepts of the Project Officer's Handbook. The Mission's system includes site visits at least bi-monthly, detailed trip reports, memoranda of important meetings, review of contractor advances and vouchers, monthly project reviews by Mission management, and other monitoring actions. The current more intensive monitoring system ensures adequate monitorship of the project. In our view the objective of the recommendation has already been achieved, and we ask that the recommendation be deleted."

We concurred with USAID/Sudan that based on the recent increase in technical expertise and emphasize on project monitoring, the recommendation from our draft report could be deleted.

GOS Blue Nile Provincial Committee Has Had Minimal Involvement In Project Affairs

The Project Agreement anticipated that the long-term success of this project would depend on receiving substantial support from the Government of Sudan. To ensure Sudanese participation, project committees formed at the national level were included in the project agreement as conditions precedent. These committees were to be instrumental in providing overall policy guidance and address major issues during project implementation. USAID/Sudan subsequently modified this condition to require only one committee at the provincial level. We were told that the provincial committee had held only two meetings, and had not been active in project issues.

USAID/Sudan should make an effort to use this committee, in a more active role, to resolve problems such as the lack of counterparts, and the poor working relationship between the contractor and Sudanese project director. This is particularly desirable because the province will be responsible for continuing the organizations created by the project after U.S. funding terminates.

Conclusion and Recommendation -- The GOS has not played as active a role in project affairs as was anticipated. In our opinion, their involvement is a crucial element in ensuring project success.

In response to our draft report USAID/Sudan stated:

> "The USAID has already gained increased participation of the Blue Nile Provincial Committee by involving several of its members in the recent project evaluation. The evaluation recommendations address the role of the Committee, inter alia, in further integrating the project into the GOS administrative structure."

We are retaining our recommendation until the evaluation has been completed, and a final decision made on how active a role is required by the Blue Nile Provincial Committee.

Recommendation No. 3

USAID/Sudan ensure that the Blue Nile Provincial Committee takes an active role in project affairs.

Inventory Control System Needs to be Established

The technical assistance contractor had not established a system to control or account for AID financed equipment and supplies. There was no inventory system to indicate what items were purchased, in what quantity, or where they were located.

AID is funding in excess of $1.2 million of commodities for the project. It is essential that an adequate inventory control system be established to account for these items. Presently, substantial supplies could be diverted from the project without detection. Due to the lack of controls and accountability records, there was no way for us to determine whether supplies/equipment were misappropriated.

Conclusion -- There is a need to establish an inventory control system. This need was recognized more than one year ago but no action was taken.

In response to our draft report USAID/Sudan stated:

> "By letter dated January 23, 1982, USAID instructed the contractor to establish an adequate inventory control system by no later than March 31, 1982. Experience, Inc. (EI) has submitted to USAID a full explanation of this system and USAID has approved it. A copy of all pertinent documentation is attached. USAID requests this recommendation be deleted."

Based on the recent actions taken by USAID/Sudan, we have deleted the recommendation.

Project Vehicles Require Management Action

There were too many project vehicles, and maintenance of these vehicles was not adequate. In addition, the vehicles were being used for personal business without reimbursement to the project.

The project agreement calls for procuring 32 vehicles to meet transportation requirements. As of November 30, 1981, 23 vehicles had been procured for use by project personnel, and three vehicles for a Sudanese survey team. There were also four Suzuki motorcycles. The project does not need or have the capacity to maintain a fleet of 32 vehicles.

One vehicle each was assigned to the Chief of Party in Damazin and the Administrative Officer in Khartoum. A vehicle was assigned to each expatriate personnel and the Sudanese project director. An additional 11 vehicles were either idle, unassigned, or cannibalized. Contractor and GOS personnel we interviewed agreed that half of the vehicles were excess to present project requirements.

In spite of the excessive number of vehicles at the project site, it appears the project will soon be experiencing frequent vehicle downtime due to a lack of maintenance. Our visit to the mechanical workshop in Damazin disclosed that the facility had limited repair capability because they had few tools and spare parts. Without tools and spare parts, routine maintenance (changing oil or air filters, lubrication, engine tune-ups, etc.) cannot be performed. Some vehicles had already been cannibalized for spare parts. In January 1981, another vehicle was abandoned 50 kilometers from the project site because it could not be repaired.

We also noted that project vehicles were used for both official and unofficial business. We were told that vehicles were used for personal shopping, taking children to school, and for hunting and fishing trips. To date, there have not been any charges for unofficial use of vehicles.

Conclusion and Recommendation -- The present fleet is clearly in excess of need for the present level of project activity. USAID/Sudan needs to determine how many vehicles will be required after the reassessment of the future scope of the project. However, it should be expected that vehicle breakdowns will increase as the fleet ages because of a lack of maintenance. Since Experience Incorporated did not authorize shipment of private vehicles for most expatriates, it seems reasonable that they be permitted to use project vehicles for personal use; however, this use should not be at Government expense.

In response to the recommendation in our draft report, USAID/Sudan stated:

> "Regarding part (A) on numbers of vehicles, the project evaluation recommendations will address anticipated project vehicle requirements based on projected activities and suggest adjustments, if any, in fleet size. Regarding part (B) on vehicle maintenance and procurement of spare parts and tools, by letter dated January 23, USAID requested from EI by February 28, 1982 (later extended to March 31 because of an emergency absence of the EI General Services Officer) a plan for the rehabilitation of repairable vehicles, routine maintenance activity and procurement of spare parts and tools. Following the arrival in December 1981 of the General Services Officer, the mechanical workshop has been upgraded and local personnel are being trained to perform repair functions. A recent second site visit in February 1982 by the vehicle factory representative should further assist in improving the maintenance system. Regarding part (C) on the personal use of project vehicles by EI staff, the contractor has advised USAID that there has been no personal use of project vehicles away from the project site, and due to strict controls over gasoline use, personal use in Damazin has been minimal. The handling of personal use of project vehicles where no personal vehicle is permitted is a subject common to several projects and the USAID is in the process of establishing a policy for all USAID contractors. We will forward a copy of the policy determination to RIG/A/Nairobi when issued "

We appreciate USAID/Sudan's response and initiation of appropriate actions; however, we are retaining our recommendation until evaluation decisions on project vehicle needs, the EI plan for rehabilitation of vehicles, procurement of spare parts and maintenance tools, and establishment of a policy and controls on private use of project vehicles, have been completed.

Recommendation No. 4

USAID/Sudan (a) determine the number of vehicles needed for the project and adjust its fleet size accordingly, (b) ensure that adequate tools and spare parts are available for required vehicle maintenance, and (c) establish vehicle controls so personal use can be determined and billed to contractor personnel

Accountability Over In-Country Expenses Can Be Strengthened

Experience Incorporated spends a substantial amount of project funds for local purchases of equipment, gasoline, supplies travel, office furniture, etc. We attempted to audit in-country purchases but were unable to do so because support documentation was not retained in the field, and accounting records for petty cash transactions were inadequate. The assurance that these expenditures were valid project expenses and that the goods and services were actually received was also lessened because USAID/Sudan did not review these purchases.

EI/Khartoum mails support documentation for in-country expenses directly to their home office in the States. Copies of the documentation was not retained in the field nor were they being reviewed by USAID/Sudan. A review of these expenses by someone in the States could not detect whether travel was necessary, if supplies or equipment purchases were needed and actually received, whether repair and maintenance expenses were necessary, etc. We feel the project officer is in the best position to detect whether there are any irregularities in expenses incurred within the country

The contractor also has a petty cash fund to handle small scale purchases. We could not audit these purchases because accounting records were inadequate. Additionally, support documentation for these expenses was not retained in-country

Conclusion -- A review of project expenses is necessary to ensure that funds are properly spent, and that goods and services are actually received. There is no assurance that contractor expenses will be audited at the home office. An in-country review would also provide the project officer with an additional method to keep abreast of the project -- since most project activity revolves around the expenditure of funds. These is also a need for maintaining adequate accounting records for petty cash transactions and for retaining copies of support documentation in the field.

In response to the recommendation in our draft report, USAID/Sudan stated:

> "USAID requested by letter dated January 23, 1981, that EI send all vouchers and supporting documentation to the USAID Project Manager for review prior to submission to EI's home office. USAID has requested, by letter of March 16, 1982, that EI retain copies of vouchers and support documentation for in-country expenditures and establish and maintain written records of all petty cash expenditures. A copy of this letter is attached for your information. We ask that this recommendation be deleted.

Based on the actions taken by USAID/Sudan, we have deleted the recommendation.

Foreign Assistance Act Marking Requirements Need to be Stressed

During our field visits we noted that project sites and AID financed commodities and vehicles were not properly marked or identified with the AID insignia.

The Foreign Assistance Act of 1961 contains a provision which states "Programs under this Act shall be identified appropriately overseas as American AID." This provision was addressed in the Project Agreement with a general covenant which required the host government to give appropriate publicity to the project by identifying the project site and goods financed by the United States. This marking requirement is generally accomplished by posting the AID emblem at project sites, and affixing the emblem on goods or vehicles.

Our visits to project locations revealed that this requirement was not adhered to. Project locations, commodities, and vehicles were not appropriately identified with USAID insignias. After we brought this to the attention of USAID/Sudan officials they took action to ensure that the AID emblem was posted at project sites and affixed to commodities and vehicles. This action eliminates the need for any recommendation, but follow-up inspections to verify compliance should be made.

Conclusion -- Because USAID/Sudan has taken action to have the project contractor mark project sites with AID signs and place AID insignias on all AID furnished vehicles and commodities, we are not making a recommentation.

Contractor Office in Khartoum Can Be Phased Out

Experience Incorporated handles administrative/logistics support for the project from their Khartoum office, while all other project activity is located in Damazin. The Khartoum office costs approximately $30,000 a year to operate and is staffed by one contractor employee and five Sudanese.

An administrative office in Khartoum was probably justified at the start of the project because of a lack of facilities in Damazin, poor communication, and the general unsettled conditions which existed during the first two years of project implementation. However, now that activities are becoming more organized and headquarters office space is under construction, administrative/logistical operations could be best handled if they were not separated from the rest of the project. If some administrative tasks still need to be performed in Khartoum, a Sudanese employee could be retained

Conclusion -- The need for a project office in Khartoum is no longer justified. Administrative and logistical functions would be more effective if they were located with the rest of the project. A time frame for closing the EI office in Khartoum should be established.

In response to the recommendation in our draft report, USAID/Sudan stated:

> "USAID has reviewed and approved the EI plan and timetable for closing the Khartoum office by December 31, 1982. A copy of the plan and USAID's approval letter are attached. We ask that this recommendation be deleted."

Based on the actions taken by USAID/Sudan, we have deleted the recommendation.

Participant Training Needs to be Reassessed

The long-term success of this project depends on having a number of well-trained Sudanese professionals to continue the project in the Blue Nile Province, and expand successful project aspects to other areas of the country. Consequently, one of the goals of the project was to develop the technical expertise of the staff of the Blue Nile Provincial Government.

It was anticipated that the project would send 14 students for long-term training to the U.S. (2 PHD's and 12 M.S. degrees). To date, two people have left for training and an additional two were being processed. We were told that more training was not done because candidates were not available. It appears unlikely that the remaining participants can be selected and trained before the project completion date.

Conclusion and Recommendation -- It is doubtful that the anticipated level of training for Sudanese professionals will be achieved by the project completion date. This will affect the capability of the Sudanese Government to carry on or expand project activity.

In response to our draft report, USAID/Sudan stated:

> "USAID believes that there is sufficient time remaining in the project lifespan to train the recommended number of Sudanese professionals, provided that they be identified within the next year. The evaluation addressed this concern and specific recommendations are being included in the project

We feel it necessary to await the outcome of the evaluation to ascertain what action will be taken, thus we have retained the following recommendation.

Recommendation No. 5

USAID/Sudan establish realistic goals for participant training which fit into the restructured project.

Government of Sudan Surveys for Project Require Clarification

During 1979, the National Economic and Social Research Council (ESRC) completed one study for the project. However, the study was of little use because it was prepared using inconsistent methodology, contained data which was subject to misinterpretation, and was not what was anticipated.

The Project Agreement calls for ESRC to provide assistance to the project by conducting a few economic and social field studies. AID, in turn, is to finance five advanced degree scholarships for ESRC employees and provide certain commodities for their use (three vehicles, copying machine, typewriters and calculators).

The ESRC had been given some of the commodities called for in the Project Agreement, and was actively seeking to receive the rest (particularly three vehicles). The expatriate contract team was reluctant to release the additional commodities because they were dissatisfied with ESRC support of the project. The issue seemed to be at a stand still at the time of our audit.

Conclusion and Recommendation -- ESRC is scheduled to do additional studies for the project in the near future. To do that work they will need additional commodities; however, before the work is undertaken, the roles and responsibilities of all parties needs to be clarified.

In response to our draft report USAID/Sudan stated:

> "The future role of the Economic and Social Research Council (ESRC) was considered in the evaluation, and USAID is currently negotiating with the ESRC to reach agreement on such role. As soon as the ESRC's participation in the project has been determined and agreed upon in writing, RIG/A/Nairobi will be advised.

Our recommendation is being retained until decisions have been finalized on the role of ESRC and their further involvement in the project.

Recommendation No. 6

USAID/Sudan take steps to ensure there is agreement specifying exactly what further studies ESRC is to perform, how such studies will relate to the project, and what additional commodities (if any) are required by ESRC.

Improved Controls Needed Over Contractor Travel

We were informed of frequent in-country travel by Experience Incorporated team members to Khartoum. We were not able to determine the magnitude of this travel or whether it was job related and necessary because of a lack of supporting documentation at the field level. The lack of documentation existed because Experience Incorporated had not established adequate procedures and controls for in country travel.

We were told that the Experience Incorporated Chief of Party verbally approved all trips by team members. No formal justification/approval system existed to document the purpose and length of trip or how it related to project activity.

Conclusion -- In-country travel can become expensive and is often abused if proper controls are not in effect. In our opinion, Experience Incorporated needs to establish a written travel authorization system.

In response to the recommendation in our draft report, USAID/Sudan stated:

> "By letter dated January 23, 1981, USAID requested EI to establish a formal, written travel authorization procedure to include purpose of travel, location, period of travel and submission of a trip report. The procedure is already being implemented. Copies of relevant documents are attached. Accordingly, we ask that this recommendtion be deleted."

Based on the action taken by USAID/Sudan, we deleted the recommendation.

List of Report Recommendations

Page No.

Recommendation No. 1 — 6

USAID/Sudan resolve the conflicts between the project director and the technical assistance team by consultation at the highest level of the Government of Sudan.

Recommendation No. 2 — 8

USAID/Sudan advise the Government of Sudan that a suitable number of counterparts must be provided if the project is to continue.

Recommendation No. 3 — 11

USAID/Sudan ensure that the Blue Nile Provincial Committee takes an active role in project affairs.

Recommendation No. 4 — 13

USAID/Sudan (a) determine the number of vehicles needed for the project and adjust its fleet size accordingly, (b) ensure that adequate tools and spare parts are available for required vehicle maintenance, and (c) establish vehicle controls so personal use can be determined and billed to contractor personnel.

Recommendation No. 5 17

USAID/Sudan establish realistic goals for participant training which fit into the restructured project.

Recommendation No 6 18

USAID/Sudan take steps to ensure there is agreement specifying exactly what further studies ESRC is to perform, how such studies will relate to the project, and what additional commodities (if any) are required by ESRC.

APPENDIX B

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