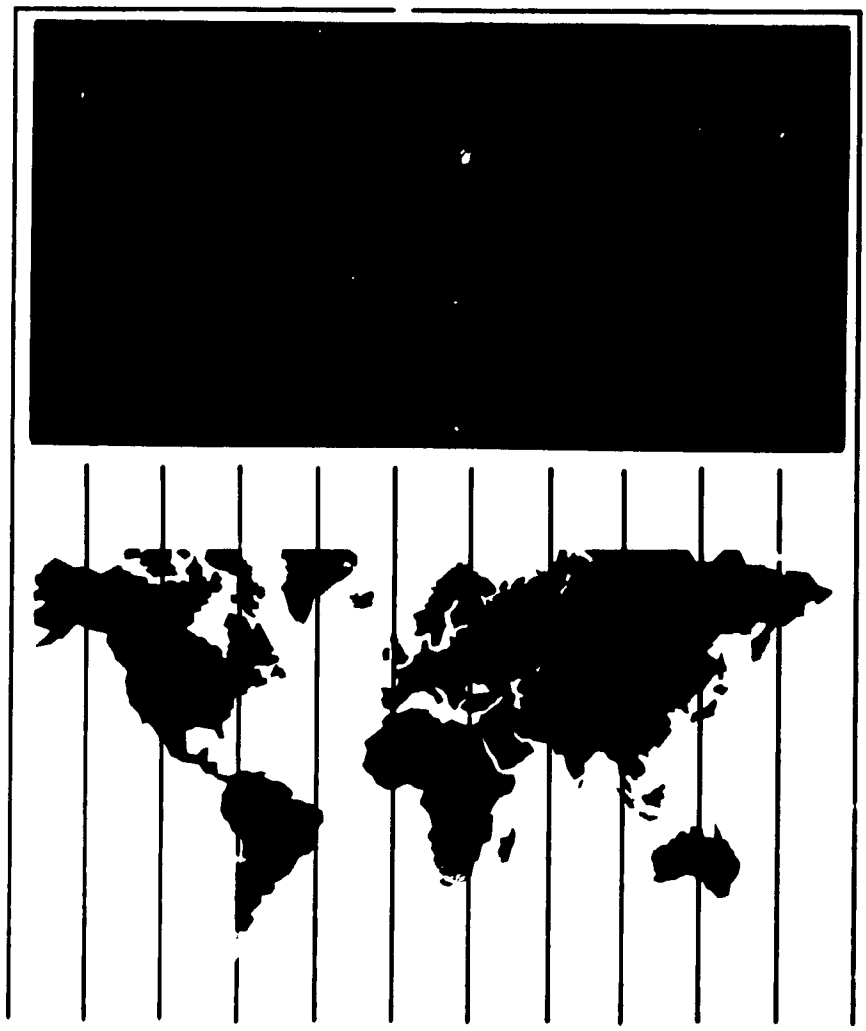
UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL



Regional Inspector General for Audit
ABIDJAN

THE NIAMEY DEPARTMENT DEVELOPMENT PROJECT IN NIGER NEEDS MORE MANAGEMENT ATTENTION

Audit Report No. 7-683-83-2
Dated February 10, 1983

The Niamey Department Development Project is experiencing problems.

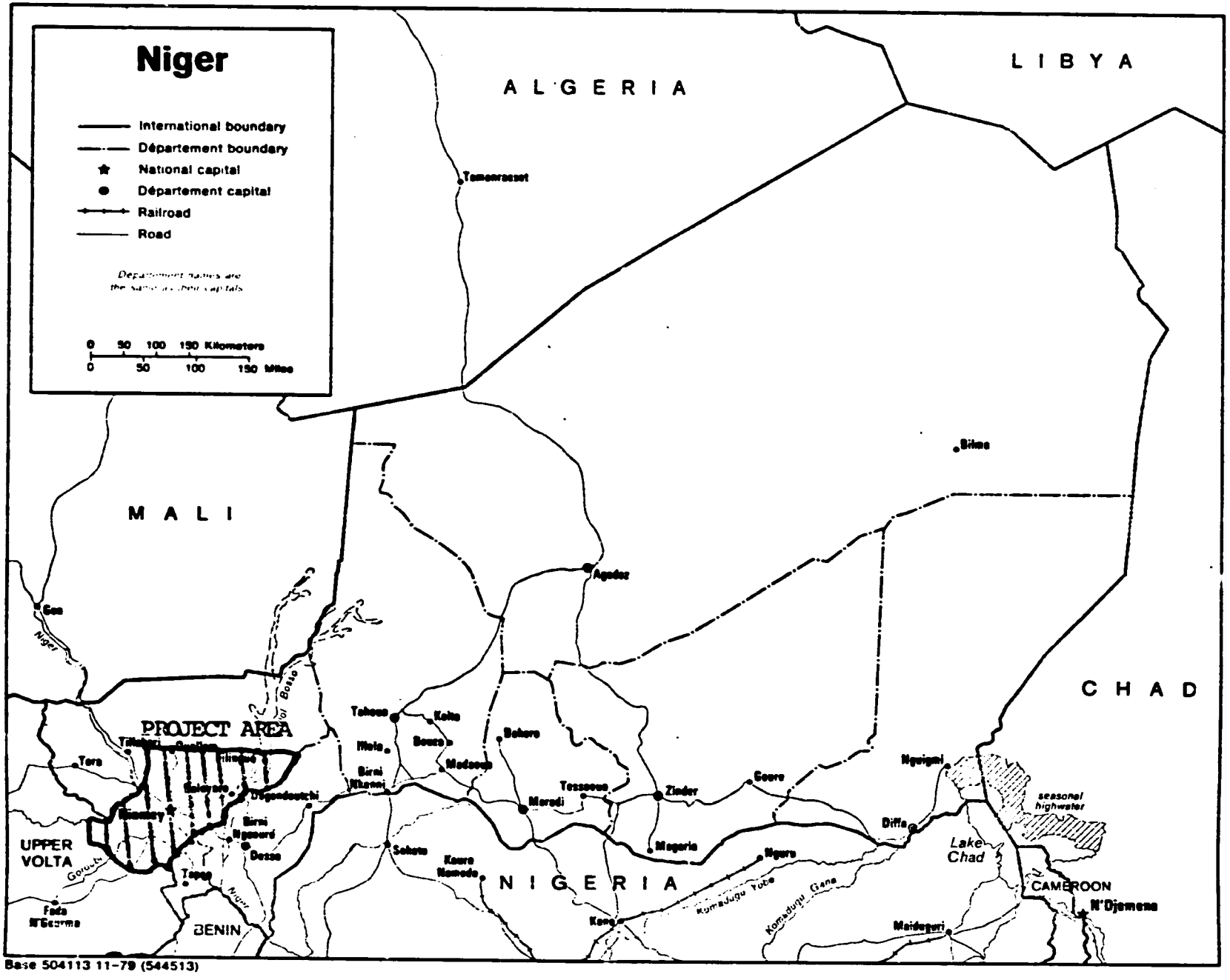
-- Few farmers are fully utilizing the agricultural techniques learned at the farmer couple training centers. This raises questions whether replication of the agricultural techniques will be achieved to any appreciable extent.

-- Funding for the credit program has been suspended pending resolution of accounting and management problems.

-- The GON lacks the funds to support the recurring project costs.

-- The project needs to improve its management practices.

Project management must take corrective action to address these and other problems if the project is to achieve its objectives.



Base 504113 11-79 (544513)

THE NIAMEY DEPARTMENT
DEVELOPMENT PROJECT IN NIGER
NEEDS MORE MANAGEMENT ATTENTION

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	i
BACKGROUND	1
FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS	4
Project is Too Ambitious - Project Design Needs Evaluation	4
Project Implementation Needs More Management Attention	6
Project Needs to Improve Management Practices	25
Need For a Reassessment of Project Financing	31
Need For Improved Management of Construction Activities	35
EXHIBIT A	
List of Report Recommendations	40
EXHIBIT B	
List of USAID Comments on the Draft Report Recommendations	44
LIST OF REPORT RECIPIENTS	50

EXECUTIVE SUMMARY

Introduction

Approximately 90 percent of the people in Niger live in rural areas under conditions of extreme poverty. Self-sufficiency in food production which leads to improvements in the rural standard of living is a major goal of Niger. To assist the country in achieving this goal, AID and the Government of Niger (GON) entered into a project grant agreement in August 1977 to develop a long range program of rural development in the Department of Niamey. During Phase I of the project (1978-1980), AID provided assistance totaling $4.7 million. The Phase II project grant agreement, signed in June 1981, provides an additional $13.6 million over a five year period. Of this amount, $5.7 million had been obligated of which $2.4 million had been expended as of September 30, 1982.

This assistance is used to finance farmer training, agricultural credit, agricultural inputs, applied research, womens' development activities, and construction. The GON Ministry of Rural Development has overall authority for organizing and managing the project. Responsibility for project implementation has been delegated to the Prefect of the Niamey Department who has delegated responsibility for project operations to the Project Director.

Purpose and Scope

The purpose of our review was to assess the results of the project's activities, to determine whether the project was effectively and efficiently managed and to ascertain whether AID funds were expended properly and in compliance with AID's policies and procedures. The examination included a review of project and USAID/Niger records as well as discussions with appropriate host country and USAID officials. Site visits were made to selected locations in the project zone.

Project Is Too Ambitious - Project Design Needs Evaluation

Phase I of the project was designed to initiate and test development activities in the project zone. Those activities, found to be viable, were then to be carried forward to Phase II for implementation on a broader basis. The objectives of Phase I proved to be too optimistic and overly ambitious. As a result, the project was redesigned in Phase II. Although the project is early into Phase II, implementation problems indicate that the project design may still be too ambitious. The utilization of farmers, trained at the farmer couple training centers (CPT), to diffuse the use of the technical package (agricultural techniques) does not look too promising. The credit program has been suspended due to accounting and management problems. Other project activities are still in the early stages of development but project management has not taken steps to develop a plan of action for these components. There are also serious reservations that the GON can support the recurring costs of the project as currently designed. An evaluation is needed to determine where the project is headed and what adjustments are necessary to achieve overall objectives. In January 1983, after completion of our field work, the USAID started an evaluation which appears to address the issues in this report (page 4).

Project Implementation Needs More Management Attention

Some of the key activities critical to the success of this project are experiencing serious problems. Project management must thus take corrective action to address these problems if the project is to achieve its objectives.

-- Success of the NDD project rests primarily on the farmer learning the new agricultural techniques at the CPT and using those techniques on his own farm. The project anticipates that the farmer will serve as a model for replication of the techniques. However, over 50 percent of the CPT graduates are using less than 15 percent of the technical package. If this low utilization continues, it is doubtful that replication of the technical package will be achieved to any appreciable extent. The farmers low utilization of the package warrants a look at the entire CPT training and follow-up programs (page 6).

-- A viable project credit fund has not been established. The project, moreover, is unable to account for $815,000 in AID funds provided to the credit fund. Thus, at our recommendation, USAID/Niger suspended AID funding to the credit fund in October 1982. If an adequate accounting cannot be made, then the USAID should request a refund. Policies and procedures from both a management and accounting standpoint should also be established prior to activating the account (page 12).

-- Deficiencies exist in the accounting for agricultural inputs at both the arrondissement and cooperative levels. Stock record cards were not consistently maintained and inventories could not be reconciled with the accounting records. The project has taken action to address the deficiencies, but there is still a need for inventory control and commodity accounting procedures for all levels within the GON supply system. Training in these procedures should be provided to the individuals responsible for inventory control (page 17).

-- Several project components are in the early stages of project development. These components deal with building the institutional capability of cooperatives, villages, and couple training centers and improving the role of women in the agricultural system. The project has not developed plans of action to implement these components (page 22).

Project Needs to Improve Management Practices

Some of the project activities are not receiving adequate management attention. This is partly due to shortcomings in various administrative and management elements of the project. The Monitoring and Evaluation Unit, which is a vital part of the project decision making process, is not working effectively. A comprehensive system for collecting evaluation data was not established (page 25).

The Project Paper provides broad objectives and goals for the project components. The Project Agreement required that more specific measurable progress indicators and criteria to determine achievement of project objectives would be developed in the project planning process. However, the annual work plans and quarterly reports thereunder were not integrated into the project's information system nor given appropriate management attention. Other project reports were not used in an effective manner. Lacking adequate plans, reports and data, project management does not have adequate information to determine if the project is spending too little or too much time on certain activities (page 26).

Need for a Reassessment of Project Financing

The GON's fiscal problems were evident at the time the Phase II project agreement was signed in June 1981. Since then, these problems have become more acute, which raises serious concerns about the availability of adequate financing to continue the project as planned. For 1982, the GON was only able to provide CFA 77 million of the CFA 283.4 million required for project operating costs and agricultural subsidies. By November 30, 1982, the GON was required to provide an additional CFA 200.4 million to meet its project cash commitments for 1983. The total GON contribution due as of November 30, 1982, is CFA 406.8 million, or the equivalent of $1.16 million. (page 31).

In order to keep the project going, USAID reallocated $770,000 of AID-funding to meet expenditures normally financed by the GON. This was only a temporary measure. As a result, other sources of funds must be found or project activities will have to be curtailed (page 32).

Need for Improved Management of Construction Activities

USAID/Niger's management of the Phase II construction program was weak. Site inspections were not made at critical construction points as required. When inspections were made, there were no detailed working drawings to determine structural soundness. This led to construction deficiencies which could result in added maintenance costs in the future. This situation occurred in part because USAID did not assure itself that the conditions precedent for the disbursement of construction funds were met (page 35).

USAID should recover $82,764 from the GON for construction items paid by USAID which were not approved for AID financing (page 37).

SUMMARY OF USAID COMMENTS

Exhibit B provides USAID/Niger's comments on our recommendations. USAID/Niger generally agreed with the findings and recommendations of this report and they are taking action to address the recommendations to correct the problems involved. USAID agreed with the importance of the problem areas in the audit report. However, they disagreed with our interpretation regarding how effective the project has been in dealing with these problem areas. They believe that the negative conclusions in the report, concerning the first 18 months of Phase II and one full agricultural campaign, do not fully account for project achievements. They do not believe that there is justification at this point in time to question the viability of the project.

Other significant USAID comments about the report were:

-- USAID stated that Phase I was overambitious because it was designed to evaluate the feasibility of a range of activities proposed for the project zone. USAID stated the sectoral interventions (forestry, livestock, etc.) were dropped in Phase I because the GON technical services were ineffective in addressing development problems. However, they believe Phase I was still successful in that the project achieved over 90 percent of the project logframe.

-- USAID believes that, since 1982 is the first full year of funding for Phase II, it is premature to make judgements about the Phase II CPT training until the results of the 1982 training can be evaluated during the 1983 agricultural campaign.

Conclusions and Recommendations

Although early into Phase II, the Niamey Department Development Project is experiencing serious implementation problems. If these problems continue, it is doubtful the project will achieve its objectives. Management must take action to address these problems. The USAID also needs to evaluate where the project is headed and what adjustments are necessary to achieve overall objectives. In this regard, the report contains 20 recommendations listed in Exhibit A.

BACKGROUND

Approximately 90 percent of the people in Niger live in rural areas under conditions of extreme poverty. Self-sufficiency in food production which will lead to improvements in the rural standard of living is a major goal of the Government of Niger (GON). Self-sufficiency is defined as the ability to produce sufficient grain in normal years so that the country will be able to survive at least one year of a disastrous crop failure through the efficient management of stock reserves and imports. The GON's development strategy for increasing cereal production focuses on both traditional rainfed agriculture and irrigated agriculture. In regards to rainfed agriculture, the GON wants the development to be (1) mass oriented, (2) diversified to suit regional variations in soil and climate, and (3) cautiously introduced.

After the famine caused by the Sahelian drought from 1968 to 1974, a number of "productivity projects" were started as the means of developing rainfed agriculture. Niger's cultivated areas were divided into seven productivity zones, each encompassing one department. The zones are receiving similar but separate project assistance from different donors. These donors include the European Economic Community, France, the World Bank, Canada, and Germany.

In August 1977, AID and the GON entered into a project grant agreement to develop a long range program of rural development in the Department of Niamey. During Phase I of the project (1978-1980), AID provided assistance totaling $4,7 million. The Phase II (1981-1985) project grant agreement was signed on June 4, 1981, with AID providing an additional $ 13.6 million.

The purpose of this project is to institutionalize a process of rural development through the establishment of self-managed village organizations capable of assisting farm families increase food production on a self-sustaining basis within the Niamey Department. It is intended that Phase II will build upon the successful activities of Phase I, while adding some new activities. The project zone covers approximately 45,000 square kilometers within four of the six arrondissements (districts) in the Niamey Department (see map). Because of the emphasis on rainfed agriculture, the pastoral zones and irrigation perimeters along the Niger River were excluded from the project zone. About 60 percent of the project zone is considered suitable for agriculture of which 14 percent is actually cultivated. The population totals about 440,000.

The project components of Phase II include:

-- Farmer Extension Program and Technical Services Delivery.
   Purpose: To establish seven farmer couple training centers (three were established in the first phase) which will provide intensive training to 740 farmers. The training centers will also provide short term training programs at the village cooperative level.

-- Self Managed Village Organizations.
Purpose: To encourage local cooperatives to become more active in defining their development problems and acting to resolve them. Assistance will be provided to these organizations, so that they may become functional units, by involving them more actively in project activities.

-- Credit Delivery and Cooperative Services.
Purpose: To increase the level ($3.1 million) of U.S. support by providing agricultural inputs for credit sale to farmers. A revolving credit fund established during Phase I includes farmer repayments, GON subsidy support payments, and cash sales.

-- Agricultural Input Delivery.
Purpose: To establish a system which will assure the timely delivery of agricultural inputs to the farmers in the project area.

-- Increasing Womens' Access to Development Activities.
Purpose: To design activities which address womens' participation in food production, income generation, and family support. The project will foster such participation through intensive training at the farmer couple training centers (CFT) and the organization of village women through the use of labor-saving devices. The project will ensure that women have access to the project's credit fund through their local cooperative.

-- Testing and Evaluation of Proposed Technologies.
Purpose: To expand the work of the Monitoring and Evaluation Unit which is responsible for determining the data requirements for project decision making, identifying pre-existing data sources, undertaking original research where necessary, designing studies, and establishing an orderly means of retrieving data relevant to project activities.

-- Management and Coordination of Project Activities.
Purpose: To continue the work of the Project Management Unit (PMU) which consists of the GON-assigned Project Director and his staff. The PMU is responsible for the management of project resources, the coordination and implementation of project activities and the analysis of project success.

The GON has assigned overall authority for organizing and managing this project to the Ministry of Rural Development (MRD). The MRD has delegated the responsibility for project implementation within the project zone to the Prefect of the Niamey Department who has delegated the responsibility for project operations to the Project Director who is nominated by the MRD.

AID's approved life of project funding for Phase II is $13.6 million. Of this, $5.7 million had been obligated of which $2.4 million had been expended as of September 30, 1982.

Purpose and Scope

The purpose of this review was to assess the results of the project's activities, to determine whether the project was effectively and efficiently managed and to ascertain whether AID funds were expended properly and in compliance with AID's policies and procedures. The examination included a review of project and USAID/Niger records as well as discussions with appropriate host country and USAID officials. Site visits were made to selected locations in the project zone.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

PROJECT IS TOO AMBITIOUS - PROJECT DESIGN NEEDS EVALUATION

The first phase of the project was overly ambitious which resulted in the project being redesigned for Phase II. Although the project is early into Phase II, implementation problems indicate the project design may still be too ambitious.

The Niamey Department Development (NDD) Project is a large complex rural integrated development type project. It consists of several different activities which are related to the objective of increasing food grain production in the project zone. In this regard, the project generally follows a design characteristic of food grain production projects in the Sahel. That is, the project attempts to (1) expand the use of animal traction and other agricultural inputs financed by a credit program, (2) introduce the use of improved seed varieties and agricultural practices, and (3) develop a more effective system of extension to assist the farmers with the application of more modern agricultural techniques.

The initial three year phase of the project was designed to initiate and test development activities in the project zone. Those activities found to be viable were then to be carried forward to Phase II for implementation on a broader basis. Phase I consisted of nine diverse activities. The objectives of these activities proved to be too optimistic and overly ambitious. In overloading the project with so many different activities, the project placed too great a demand on the GON's limited institutional capabilities. As a result, six of the nine components were either dropped or deemphasized in Phase II. These activities included:

- A separate farmer literacy activity was dropped because of poor results and heavy costs. In Phase II literacy training is provided to the farmers enrolled at the CPIs.

- A village information and education activity which experimented with using radio clubs as a means to educate villagers, was terminated because of poor staffing and limited GON capability.

- A livestock activity directed at on-farm fattening of cattle, village poultry rearing and the use of goats, was terminated because of poor management, inadequate coordination, inadequate data collection and evaluation, and poor adaptability of some animals to the project zone.

-- A village-level land use and soil conservation activity was dropped because of heavy cost, poor adaptability of trees in the project zone, and poor village participation.

-- An irrigation activity did not get started because the GON implementing agency wanted a complex irrigation system while the project wanted a simple system for individual farmers.

-- A study program was not carried over as a separate activity because project officials in general did not feel that they were worthwhile. During Phase II any studies deemed necessary will be performed by the Project Monitoring and Evaluation Unit.

There are indications that Phase II of the project may also be overly ambitious as currently designed. Several key activities are experiencing serious problems. The utilization of CPT graduates to diffuse the use of the technical package, for example, does not look too promising. The credit program has been suspended due to accounting and management problems. While some project activities have barely started, project management has not taken steps to transform Project Paper concepts into a plan of action. In addition, because of the GON's financial problems, there are serious reservations whether the GON can support the recurring costs of the project as currently designed. If the GON fails to provide the needed funding then other sources of funding must be found or project activities will have to be curtailed. In our view, these problems indicate the project is still too large in terms of available financial and management resources. Curtailment of some activities may be the best course of action. Although the project is early into Phase II, we believe this is an opportune time for project management to reassess the viability of project design. An evaluation is needed to determine where the project is headed and what adjustments are necessary to achieve overall objectives.

During the course of our audit, USAID officials stated they planned to perform a project evaluation. This evaluation started in January 1983 and, based on the scope of work, appears to address the issues raised in this report.

PROJECT IMPLEMENTATION NEEDS MORE MANAGEMENT ATTENTION

The project is in its early stages of Phase II. Yet, there are already indications that some key activities critical to the success of this project are experiencing serious problems. The CPT training activity which is essential to the spread effect of the technical package is having only limited impact. AID funding for the credit system, under which the inputs for the technical package are provided, has been suspended due to serious accounting and management problems. The accounting for the distribution of AID-financed agricultural inputs is inadequate. Project management must thus take corrective action to address these problems if the project is to achieve its objectives. Salient comments on these and other aspects are discussed below.

Need for Improved Training at the Training Centers and Better Follow-up on the Trainees

As the result of lessons learned in Phase I, the project's concept for extension support to the farmer changed in Phase II. The strategy in Phase I was based on the use of (1) ineffective auxillary extension agents, and (2) the use of demonstration plots by the extension workers. The Phase II extension system will be tied much closer to the production of the farm units in the project zone. Demonstrations will be carried out by the pilot farmers on their own land rather than by extension workers on demonstration plots. It is expected that these pilot farmers would be composed of farmers who have successfully completed a training cycle at the CPTs and who are committed to applying the techniques on their own farms. In effect, the project hopes to utilize the CPT graduates as a means through which a broader extension program can operate.

The training at the farmer couple training centers (CPT) is the cornerstone upon which the project hopes to achieve its goals. Increasing food production within the project zone is dependent upon the farmers utilizing the techniques they learned at the CPTs on their own farms. These farmers are then expected to form a model and reference point for other farmers to learn the same techniques. Yet, for the past three training years (1979-1981), low-utilization of the techniques learned by the CPT-trained farmers is the fact rather than the exception.

Three CPTs were established in Phase I, four more were established in 1982, and three more will be established in 1983. Each center has the capacity to train 20 couples during a full growing season. The couples are given a training program on the use of improved technical practices such as animal traction equipment, fertilizer, improved seed, spacing, etc. They are then equipped on a credit basis with the agricultural inputs necessary for the application of these techniques on their own farms.

The Project Paper recognized that the first step in such a system is to ensure that the CPT graduates use the techniques on their own farms. This was to be

accomplished by placing extension agents in the zone that would visit graduate farmers on a regular basis. Such follow-up is especially critical in the first year after the farmers have left the CPT.

1. Low utilization of the technical package

During the early part of our audit, we attempted to develop from project records overall information on the CPT graduates' utilization of the technical package. Current information was not readily available. Consequently, we visited 24 graduates scattered throughout four cooperatives. During our site visits we were accompanied by project personnel. These same personnel subsequently completed visits to all the CPTs for the purpose of reviewing the follow-up program on the CPT graduates. The following information was thus obtained on the utilization of the technical package by the 150 farmers trained at the CPTs during 1979-1981.

Number of Farmers	Percentage of Total	Category
10	6.7	No longer participate in the program.
5	3.3	Could not locate.
42	28.0	Do not use any of the technical package.
29	19.3	Use 5-15 percent of the technical package.
23	15.3	Use 20-40 percent of the technical package.
22	14.7	Use 45-75 percent of the technical package
18	12.0	Use over 75 percent of the technical package
1	0.7	Deceased
150	100	

If this low utilization continues, it is doubtful that the project will develop the core of pilot farmers needed to serve as models for demonstration purposes. Moreover, if farmers after nine months of training at the CPTs do not use the new techniques, it is unlikely that farmers with little or no formal training will adopt the new techniques.

Both cooperatives and project officials cite the poor selection of CPT trainees, especially in 1979-1980, as a cause for the low utilization of the technical package. Basically the villages select their own candidates for CPT training with concurrence from their cooperatives. Through various publicity programs the project hopes that the villages realize the importance of the CPT program and select the best candidates. In 1982, project officials participated in the selection process but realistically they had to rely on the villages and cooperatives to make good selections.

In our site visits we found that the farmers place reliance on one portion of the technical package to such an extent that without that portion they abandon most of the remaining portions of the technical package. This situation particularly affected those farmers who lacked the cash to purchase fertilizer when, starting in 1980, the GON discontinued selling fertilizer on credit. Other farmers abandoned the technical package when their oxen died. In view of these problems, the project should reassess its training at the CPTs to determine if too much emphasis is placed on certain portions of the technical package.

Another possible cause for low utilization is the fact that the project does not know at what point animal traction is profitable for the farmer. The Phase II Project Paper recognized that NDD lacked data on the amount of hectares needed to make animal traction profitable. This information has yet to be developed in Phase II. The project uses 4 hectares as the minimum guide in its selection of CPT trainees. The evaluations used in the preparation of the Phase II design cite the need for anywhere from 5 to 6 hectares as the minimum hectares needed. One evaluator believed that the farmer would need 4.6 hectares of cultivated land to make ox drawn animal traction equipment profitable.

We found that 34 percent of the 1980 and 1981 CPT graduates had less than 4.6 hectares available to them. In our site visits to the farmers who used portions of the technical package, we found that very few used the technical package on all their available land. We were told that this is not an uncommon practice in the project zone. Within the geographical area of one CPT, we were told that the farmers use the technical package on no more than 2 hectares. Though the project has not developed data on the land actually farmed with the technical package, it plans to develop such information beginning with the 1982 crop year.

A short term consultant who completed a review of NDD's Monitoring and Evaluation Unit concluded that data is necessary to determine if an extension program with the CPT graduates is an effective way of disseminating the technical package. The consultant made recommendations on the type of information needed to make such a decision. One of these recommendations dealt with the extent to which CPT graduates adopt the new technology. Information to date would indicate that the CPT graduates will not be an effective means.

The project held a training session for ex CPT graduates in January 1982. There are plans to hold another session in 1983. We believe that such a session is needed. But the project must first determine the causes as to why the farmers are not using the technical package. The short-term

consultant came to the same conclusion. The CPT follow-up agents are not required to provide information on the causes. They should. After this information is developed, the project will be in a better position to develop a training program to address the low utilization.

There are also indications the CPTs need to explain certain aspects of the program more thoroughly. For example, when a farmer purchases oxen on credit, he is required to procure death insurance on the animals. During our field visits, we found four farmers whose oxen died. In each case the farmer, UNCC (Union Nigerienne de Credit et de Cooperation - the National Cooperatives Service Agency) agent, and cooperative officials did not understand the procedures for filing a claim with the insurance company. Only one of the farmers obtained the required death certificate. But even that farmer did not obtain the certificate within the prescribed period of time. Accordingly, we believe the project should develop written procedures for filing insurance claims. These procedures should be thoroughly explained to the UNCC agents, cooperative officials, and the farmer trainees at the CPTs.

2. Follow-up on the CPT graduates needs improvement

The Project Paper indicated the project would receive an adequate number of agents under the supervision of the CPTs to perform follow-up visits at two week intervals with one agent covering about 5 villages. A total of 41 agents had been trained under Phase I. It was assumed some of the better agents trained during this Phase would be used in Phase II. This did not occur because of a funding delay during the transition period from Phase I to Phase II. Due to the lack of funding during this period, the better agents left the program. It was, therefore, decided to terminate the remaining agents who were poorly trained and inexperienced.

In April 1982, the project hired seven new agents. Though project officials believe these agents are better qualified than the prior agents, these agents are still not the professionally trained agents the project hoped to receive.

When they were hired the project provided a short orientation session to these follow-up agents. During the course of their work, these agents received on the job training. The project has plans to provide further training to the CPT follow-up agents in 1983. We believe, such training is needed.

The project developed a 1982 program for the seven agents. The program, which started in June 1982, requires the agents to:

- -- participate in all activities (animal training, assembling equipment, preparation of seed, etc.) of the CPT graduate;
- -- prepare a detailed work plan of activities to be covered during the field visits; and
- -- perform two field visits of 5 days each per month.

It was planned that the agents visit each CPT graduate twice a month. However, during our field review, we found one agent who made only one trip in three months. Another agent who was discharged did not make any field trips. The performance of these agents indicate the need to improve follow-up.

In our view, it is unrealistic to expect 7 agents to cover 150 CPT graduates scattered throughout the project zone. This problem will be accentuated when 140 additional farmers graduate from the CPTs at the end of the training cycle in late 1983. There are no present plans to recruit additional agents because of the GON's lack of budgetary resources.

Inadequate transportation has contributed to the lack of follow-ups. Each arrondissement has been provided one vehicle for use under the follow-up program. The vehicles, however, have not always been available. For example, during our visits to two field locations, we found:

-- one agent was using a horse for follow-up. After our visit, we understand a vehicle was made available to the agent.

-- one Arrondissement Coordinator was making the vehicle available only 50 percent of the time. This arrondissement has two CPTs in the most widely scattered region in the project zone.

UNCC agents and women peace corps volunteers also cite the lack of transportation as a major impediment in their respective follow-up programs. Adequate transportation must be provided if a limited number of agents are to provide follow-up for a large geographical area. Appropriate action needs be taken to address this problem.

The Project Paper stresses the importance of follow-up during the first year after graduation from the CPT. This follow-up is necessary to assist the farmer from the start in utilizing what he has learned at the CPTs. However, the project's follow-up system does not give priority to the most recent CPT graduates. In fact, with its limited number of agents, the project is still following-up on farmers who received training under other GON programs. We believe the project should give top priority to visiting the most recent CPT graduates on a frequent basis.

Conclusions and Recommendations

Success of the NDD project rests primarily on the farmer learning the new agricultural techniques at the CPT and using those techniques on his own farm. By using these techniques the project anticipates that the farmer will serve as a model for replication of the new techniques. However, over 50 percent of the CPT graduates are using less than 15 percent of the technical package. If this low utilization continues, it is doubtful that replication of the technical package will be achieved to any appreciable extent. Therefore, it is doubtful that the project will have much impact in increasing agricultural production in the project zone.

In some cases the farmers disregard the entire technical package when they cannot obtain one portion of the technical package. The CPT training program should be assessed to determine if too much emphasis is placed on one portion of the technical package over the others. The farmers low utilization warrants a look at the entire CPT training program.

The project's follow-up program on CPT graduates needs to be improved. Agents need to be given adequate transportation to make more frequent follow-ups. Priority for follow-up should also be given to CPT graduates during the first year after leaving the CPT.

Accordingly, we have recommended that:

Recommendation No. 1

USAID/Niger should require the project to identify the causes as to why the CPT graduates are not using the technical package. The CPT follow-up agents should be required to identify the causes where possible.

Recommendation No. 2

USAID/Niger should evaluate the training at the CPTs to determine if (1) certain portions of the technical package are being overemphasized, and (2) changes in the curriculum would improve farmer utilization of the technical package.

Recommendation No. 3

USAID/Niger should require the project to provide the UNCC agents, cooperative officials, and farmers with procedures on the filing of insurance claims for oxen. These procedures should be thoroughly explained to these individuals during project training sessions.

Recommendation No. 4

USAID/Niger should require the project to develop procedures which give top priority to following-up on CPT graduates in their first year after leaving the CPT.

Recommendation No.5

USAID/Niger should require the project to reserve at least one vehicle at each Arrondissement for follow-up on the CPT graduates. When possible, the project should coordinate with the UNCC agents and women Peace Corps Volunteers so that these individuals can make follow-up visits at the same time as the follow-up agents.

Recommendation No.6

USAID/Niger should require the project to develop a training program for the CPT follow-up agents.

USAID Comments

Exhibit B provides USAID's response to our recommendations. USAID agrees with the recommendations and we believe they are for the most part taking the appropriate action to address them. However, in regards to Recommendation No. 3, the USAID requested that we drop or modify the recommendation because, during a training session held for UNCC and CNCA personnel in December 1982,

> "--- all UNCC agents in the project zone received copies of the insurance clauses and were requested to discuss these clauses with all of the members of the cooperatives in the project zone."

Although this response indicates the problem is being addressed, we believe, that written procedures should be prepared as recommended to preclude any misunderstanding. The recommendation has accordingly been retained.

Based on the actions taken, USAID requested that we close or modify recommendations numbers 1 and 2. We are also retaining these recommendations until the corrective action has been completed.

Need To Improve the Management and Accounting of the Niamey Department Development Credit Fund

At our request, the USAID/Niger suspended AID-funding to the Niamey Department Development Credit Fund in October 1982. The problems which required this action persisted for years without appropriate corrective action being taken by the USAID and project management. A major effort is needed to account for the use of the credit funds. Policies and procedures from both a management and accounting standpoint should be established prior to activating the account.

During Phase I of the project, a credit fund account was established at the Caisse Nationale de Credit Agricole (CNCA - National Agricultural Credit Bank). The purpose of the fund is to procure agricultural inputs needed to make short and medium term in-kind loans to the farmer members of the cooperatives within the project zone. The account is a revolving fund which requires the farmers to repay their loans in cash with interest. The repaid proceeds are then used for making procurement of agricultural inputs which are again used to make in-kind loans. The cooperative has the collective responsibility for repaying loans obtained by its members. If the delinquency rate reaches 10 percent on the total number of loans made to any given cooperative, UNCC (Union Nigerienne de Credit et de Cooperation - the National Cooperatives Service Agency) can block any further loans to the delinquent cooperative until the rate falls below 10 percent. CNCA does not have agents below the departmental level but instead relies on UNCC personnel to carry out its functions at the arrondissement and cooperative levels.

The credit process should work in the following manner. The process begins when the farmer submits a loan request to the cooperative. After approval by the cooperative, the requests are grouped by cooperative at the UNCC district level and forwarded through UNCC channels. CNCA makes the final approval on the loans. After receipt of the inputs, the cooperative makes the down payment and a credit contract between CNCA and the cooperative is prepared. Upon receipt, the farmer should sign for the inputs and obtain a copy of his approved loan request. Loan payments are forwarded through cooperative and UNCC channels for deposit into the project's credit fund account at CNCA.

During Phase I, USAID provided approximately $477,000 to the credit fund in cash and agricultural inputs. At the completion of our audit in October 1982, USAID's contribution to the credit fund during Phase II was valued at approximately $338,000 towards a life of project commitment valued at over $3 million. This contribution will be the value of U.S. financed agricultural imports and locally procured animal traction equipment.

1. Credit Fund problems were not addressed in a timely manner.

In a September 2, 1982 letter to the GON Ministry of Rural Development, USAID/Niger summarized the problems with the project credit fund:

> "The money deposited to this revolving fund is managed by the C.N.C.A. It comes from three sources:
>
> 1) the income from the cash sales of fertilizer to the farmers;
> 2) repayments of the loans contracted by the cooperatives; and
> 3) payment of input subsidies by the Government of Niger.
>
> Though funds from the above sources should be deposited in a separate account created by the C.N.C.A for this Project, funds from the first two sources are only rarely deposited in this account. Instead, they are frequently deposited in the C.N.C.A. general account. Both at the field and at the central office levels, there is little existing documentation on the operations and accounting for the fund and, to date, the C.N.C.A. has not been able to send us regular monthly statements for this account. The few statements received from the C.N.C.A. do not permit us to determine actual amounts deposited versus amounts which should have been deposited."

Sixteen months earlier in an April 1981 report (two months before signing the Project Agreement) the former Project Officer, former Project Advisor, and the

current Credit/Commodity Advisor made similar observations on CNCA-UNCC credit fund management. Specifically they stated that:

-- CNCA does not have representatives at the arrondissement level. Therefore the CNCA must rely on the UNCC agents and agricultural extension agents to serve as debt collectors. In effect there is not a systematic method of collecting the money from the farmer.

-- CNCA does not have the capacity at the national level to do accounting by category of loan and by cooperative as requested by the project.

-- CNCA has made little effort to go into the field and verify the credit information it has received.

-- CNCA lacks procedures for depositing funds collected from the cash sale of project inputs into the project account. It is difficult to trace payments to the project account.

-- UNCC agents fail to do the required paperwork. Farmers begin repaying their loans before a loan contract has ever been drafted and approved. Money comes in but nobody knows what to do with it since there is no contract, loan number, etc.

Based on our field visits to the CNCA headquarters, four cooperatives and their farmer members, we found that these same problems still exist. USAID believes the problems at CNCA are a function of understaffing at both the national and departmental levels.

In response to an interim AID Inspector General recommendation, USAID/Niger, in October 1982, notified the GON that U.S. funding to the credit fund would be suspended until solutions are found to the accounting and management problems facing the credit fund.

2. Guidelines on the credit fund were never established.

With the start of the project's second phase, the project proposed an agreement between USAID, NDD, UNCC and CNCA concerning the management of the credit fund. Some of the key features of this agreement specified that:

-- The accounting for credit sales and cash sales will be kept at each level (cooperative, arrondissement, department) per activity and by cooperative.

-- CNCA would submit a monthly status report and quarterly financial report to the project on the credit fund.

However, the agreement was never implemented. The agreement was the subject of meetings between CNCA, UNCC, and the project. USAID stated that the

project apparently did not have enough authority to promote an agreement between two different GON ministries. As a result, the project has not been provided with timely and complete data concerning the operations of the credit fund. In fact the project has never received the monthly status reports from CNCA. The project received one financial report covering the period December 1979 to September 1981, but the report contained inaccurate and incomplete data.

The April 10, 1981, evaluation report suggested that the project provide CNCA with operational guidelines for the credit fund. Although needed, these guidelines have yet to be prepared. In January 1983, the project hired a consultant to develop these guidelines.

3. Major effort needed to account for the credit fund account

The Credit/Commodity Advisor has been working since April 1982, in trying to reconcile the credit fund account to its correct balance. The reconciliation was not completed when we finished our audit work in October 1982. Based on our observations, the reconciliation is complicated not only by the inadequate accounting at CNCA but also at the cooperative level. Some of the obstacles in reconciling the account are:

- Loan contracts between CNCA and the cooperatives were not prepared for months or even years after the agricultural inputs were delivered. In some cases contracts have yet to be signed for inputs delivered in 1980 and 1981.

- The loan contracts do not distinguish between agricultural inputs provided from project and UNCC stocks. CNCA and cooperative accounting records do not distinguish between the two.

- CNCA does not keep records by cooperative.

- UNCC agents are not maintaining records on the loans to the farmers and repayments thereunder.

- Farmers do not retain receipts for their repayments.

- UNCC agents are mixing cash sales of fertilizer provided by the project and UNCC.

Based on our field visits, we believe the reconciliation of the credit fund account must also be carried out at the cooperative level. In some cases visits to the farmers will be necessary to substantiate repayments. For example, several farmers we visited claimed to have made repayments but the cooperative had no record of such payments. Records were not maintained at another cooperative for at least eight months because a UNCC agent was not available. UNCC agents complain that the lack of transportation seriously hampers their ability to follow-up with the farmers on repayments.

Several farmers told us that they have not made any payments on their loans. In somes cases the farmers did not realize they had to repay their loans. A UNCC official told us that the farmer members within one cooperative thought the agricultural inputs were provided free. The project has not established a system to repossess the agricultural inputs when payments are not made.

Based on our discussions with cooperative officials, UNCC agents, and the farmers, it became apparent to us that these individuals do not really understand the project's credit fund system. In our view, this shows the need for project management to develop a credit training program for these individuals.

USAID/Niger hired consultants in January 1983 to perform a review of the project's credit fund. The objectives of the review are (1) to provide CNCA with the resources required to balance the credit fund account with loans contracted to farmers in the Niamey Department and (2) to recommend changes in the current management and accounting of the credit fund which will assure timely and reliable credit fund data in the future.

Conclusions and Recommendations

USAID and project management must spend more attention on the credit fund in the future than in the past. Management and accounting policies and procedures will have to be established and put in place. Training programs will have to be conducted to make sure that the policies and procedures are understood by the various parties within the credit fund system. Once established, USAID and the project should obtain information and actually test check on a periodic basis to determine if the procedures are actually followed.

Accordingly, prior to releasing any AID funds for the credit program, we have recommended that:

Recommendation No. 7

USAID/Niger should provide the needed manpower to assist the Credit /Commodity Advisor in accounting for the credit fund account. If the credit fund cannot be accounted for, then a refund should be requested.

Recommendation No. 8

USAID/Niger should develop detailed guidelines for the management and accounting of the credit fund. These guidelines should be directed at all levels including the project, CNCA, UNCC and the cooperatives. Once developed USAID should obtain information and test check on a periodic basis to determine if the procedures are being followed.

Recommendation No. 9

USAID/Niger should ensure that CNCA's and UNCC's systems are adequate to account for the credit fund before further AID funds are released.

Recommendation No.10

USAID/Niger should ensure that a credit fund agreement between USAID, the NDD project, CNCA, and UNCC is signed before reactivating U.S. support for the credit fund. This agreement should list policies and management and accounting procedures for the fund.

Recommendation No.11

USAID/Niger should require the project to develop a credit training program for CNCA, UNCC, cooperative personnel, and the farmer couples at the farmer couple training centers. This program should include training on the detailed credit fund guidelines being developed by the project consultant.

USAID Comments

Exhibit B provides USAID's response to our recommendations. Generally, we found that USAID is taking the appropriate action to address our recommendations. However, in our draft report, we recommended that USAID should develop a credit training program for CNCA, UNCC, cooperative personnel, and the farmer couples at the farmer couple training center. In its response, USAID requested that the recommendation be modified or dropped because credit training was provided to CNCA and UNCC personnel during an eight day period in December 1982. We believe a credit training program cannot be complete until it includes training on the credit guidelines which have yet to be developed. Recommendation number 11 has thus been retained.

USAID also requested that we close recommendation number 7. We are retaining the recommendation until the corrective action is completed.

Accounting for Agricultural Inputs Needs Improvement

The project is only now starting to address deficiencies in the accounting for agricultural inputs at both the arrondissement and cooperative levels. A major effort will have to be taken to establish a commodity accounting system which can be traced by the project. Once established, the project should test-check the system periodically to determine it is operating effectively.

From project inception in Phase I, NDD relied on the "Centrale d'Approvisionnement (CA)" and UNCC to account for project inputs and to ensure

their distribution to the arrondissement, cooperatives and individual farmers. NDD maintains records on the deliveries to the arrondissement warehouses and performs an annual physical inventory at that level. However, we could find no record that the project reconciled the inventory to the arrondissement accounting records.

In a field visit to an arrondissement warehouse, we found that the stock control system was inadequate. We were unable to trace the receipt and delivery of NDD inputs to supporting documentation. Stock record cards were not maintained. A physical inventory was not possible without a complete reorganization of the commodities at separate warehouses.

In April 1982 the project realized that the cooperatives were not maintaining adequate commodity accounting records. Subsequent to our field visit to the arrondissement warehouse, the Credit/Commodity Advisor performed a physical inventory at all the arrondissement and cooperative warehouses in the project zone. Based on the available trip reports to two of the four arrondissements and 34 cooperatives, the inventory in general disclosed that:

-- stock record cards were rarely maintained;

-- delivery and receipt records were not available or incomplete;

-- inputs in several warehouses were so poorly stored that NDD was unable to count it;

-- inventories could not be reconciled with accounting records; for example, the project could not account for over 500 tires and 190 wheels; and

-- inputs provided by UHCC could not be distinguished from project stocks. The inputs are identical and when delivered to the same arrondissement and cooperatives lost all separate identity.

During his physical inventory, the Credit/Commodity Advisor prepared stock record cards to record the physical inventory. In our field visit to four cooperatives we found that the problems, all or in part described above, still existed at the time of our visit.

NDD has made several efforts to improve the accounting for project provided inputs at the arrondissement, cooperative, and farmer levels. These efforts are also directed at providing the project with timely and complete information on the distr bution of inputs at all levels. NDD's suggestions, however, were not always followed or have not been in place long enough to

determine compliance. For example, NDD

- -- in April 1982 requested the cooperatives to establish registers for the delivery of inputs to farmers. Field visits by the Credit/Commodity Advisor and us disclosed that these registers have not been maintained.

- -- in April 1982 initiated a monthly inventory reporting form to be completed by the arrondissements and cooperatives. At the completion of our audit in October 1982, the project had yet to receive any of these completed forms.

- -- from June-August 1982 sent receipt forms to all four arrondissements for further dissemination to the cooperatives and farmers. One arrondissement made all its deliveries without using the forms. Few cooperatives in two other arrondissements have received the forms.

NDD's suggestions have been initiated through oral requests to the CA and UNCC. The project decided to proceed in this manner because the project has no direct control over the CA or the UNCC personnel involved in its input supply system. However, in July 1982, CA issued an inventory management manual which has not been fully distributed and does not fully correspond to NDD's suggestions. We found that the UNCC agents at the cooperatives do not fully understand all the changes taking place. NDD officials held inventory training sessions for the individuals responsible for stock control at the arrondissement and cooperative levels in December 1982. We believe that such training is essential. However, to be truly effective, the project first needs to prepare and distribute written inventory procedures to all levels within the supply system. These procedures should be explained fully to the individuals involved during project training sessions. The USAID should ensure that these procedures are followed through periodic visits.

Conclusions and Recommendations

The deficiencies in the inventory control system and the commodity accounting system exist at both the arrondissement and cooperative warehouse levels. Inventory control and commodity accounting procedures should be developed and the individuals involved should be trained in their use. USAID should take action to periodically check that the procedures are being followed.

Accordingly, we have recommended that:

Recommendation No.12

USAID/Niger should require the project to develop inventory control and commodity accounting procedures for all levels within the GON supply system to ensure that the project obtains timely and complete information on project inputs. These procedures should be transmitted in writing to CA and UNCC officials. USAID/Niger should perform periodic test-checks to determine if the procedures are being followed.

Recommendation No.13

USAID/Niger should require the project to provide inventory training to the individuals responsible for stock control at the arrondissement and cooperative levels. The inventory control and commodity accounting procedures should be covered during the training program.

USAID Comments

Exhibit B provides USAID's response to our recommendations. USAID requested that we close recommendations 12 and 13 based on an eight day training program held in December 1982. In their response USAID stated that this training program was an initial effort to address this issue. We believe, that USAID should first require the project to develop inventory control and commodity accounting procedures as stated in recommendation 12. These guidelines should then be the subject of training sessions for the concerned individuals. Accordingly, we are retaining recommendation number 12 and revising recommendation number 13 to specify that training be provided on the inventory control guidelines.

Blacksmith Program Has Stalled

The blacksmith training program was suspended in January 1982, because the program lacked a qualified instructor. Before starting any new training classes, we believe the project should first determine how best to utilize (1) the equipment already distributed and (2) the individuals who were partially trained.

The purpose of the blacksmith program is to provide maintenance and repair facilities for animal traction equipment and the fabrication of agricultural tools. After being provided with the necessary tools on credit, blacksmiths are scheduled to undergo a three month training program. It is then expected that blacksmith shops would be operated as a cooperative enterprise.

The blacksmith program started under Phase I but, according to project personnel, the program was so poorly implemented the farmers lost confidence in it. The project received equipment for 41 shops but distributed only 27 of them. Training was suspended after only one month because the instructor, who rarely attended classes, left the program. Materials were often not delivered, or if delivered, they were incomplete. We were told that the cooperatives are not maintaining accounting records on the equipment and are not maintaining repayment records on the loans. In our visit to two cooperatives we substantiated this fact. The Credit/Commodity Advisor told us that only two of the blacksmiths are repaying their loans. Others claim to be repaying but project personnel have not seen the documentation to support this fact.

We visited the villages of two blacksmiths. One blacksmith was disallusioned because he does not get any business. Although we did not see the other blacksmith, the cooperative president and other villagers were unaware that the blacksmith was available for work. The Credit/Commodity Advisor informed us that some of the blacksmiths are using their equipment but the extent of such use is not known. Apparently, the project has not specifically followed up on these blacksmiths since January 1982.

At the completion of our review the project had no immediate plans to revive the blacksmith program. The program cannot start until the project locates an instructor. Project attempts to locate an instructor have not been successful. Because such instructors are scarce in Niger, it may take six months just to train the instructor. The instructor will also be used for follow-up on the trained blacksmiths.

Accordingly, we have recommended that:

Recommendation No.14

USAID/Niger should request the Niamey Department Development Project to make a site visit to all the blacksmiths in order to determine how the equipment can be used effectively.

USAID Comments

In its response to this recommendation USAID stated that:

> "Even if a full-time instructor cannot be located, the project will hire a short-term consultant to perform follow-up on the previously trained blacksmiths. No further blacksmith equipment will be distributed unless arrangements can be established for competent training and follow-up."

We are retaining the recommendation until the corrective action is completed.

Project Components in the Early Stages of Development

The System of Village Based Organizations, CPT Extensive Level Extension, Adaptive Research programs and Women in Development are in the early stages of project development. The project has not developed plans of action to implement these components. The following sections summarize the status of these components:

1. System of Village Based Management Organizations

The purpose of this component is to encourage local cooperatives to become more active in defining and resolving development problems. It is anticipated that project assistance will be used to make cooperatives truly functional organizations by involving them in the planning and execution of project activities. By achieving this purpose, the cooperatives will perform functions similar to CPTs in implementing project activities at the village level. Project officials recognize that a plan must be developed to determine how the project will address this component. The project has provided limited training at the cooperative level during 1982, with plans for further training in 1983. The project plans to work with several villages in each arrondissement in 1983 to develop their organizational and managerial capability.

2. CPT Extensive Level Extension Program

The purpose of the CPT Extensive Level Extension Program is a continuation of the training program at the CPT but on a broader level. The primary purpose of the extensive level program is to increase production to the maximum extent possible. This increased production will be facilitated by expanding the training capability at the CPT to include training not only at the CPTs but also short-term training at the village cooperative level. The CPTs will also function as technical support units (credit/logistical) to the village cooperative level. In effect, the extensive level program provides for building the institutional capability of the CPTs and the cooperatives.

It is expected that over 5,000 farmers will be included in this program with over 1,000 farmers participating in one to two week village-level training programs, organized by the CPTs, with the remaining farmers having learned the new agricultural techniques from the CPT graduate farmers. The CPTs have yet to establish formal training programs at the cooperative and village levels. The extent of training provided by the CPT graduates is not known.

Project officials believe that open door activities (1-2 days) at the CPTs and short-term training organized by the agricultural chiefs of the arrondissements have had an impact in influencing farmers to use the new agricultural techniques. The extent of this impact has not been determined. With the arrival of the monitoring and evaluation advisor, the project expects that data will be gathered to measure such impact beginning in 1983.

3. Adaptive Research Program

The project hired a technical advisor to head the adaptive research program in February 1982. Experiments have begun in regards to use of pesticides and certain portions of the technical package taught at the CPT. However, these experiments will require several years of work to obtain valid results.

4. Women in Development - Uncertain Progress

The lack of GON support and concern with this activity, together with inadequate planning, monitoring and follow-up by the project staff, largely contributed to unsatisfactory progress toward project stated objectives during Phase 1. Although Women in Development is a separate project component in Phase II, the same problems are still having a negative impact in developing this component.

Under Phase I of this project, women participation was considered marginal at best. This was mainly characterized by (1) the unavailability of women for training; (2) the conflicts between rural women's heavy daily work schedule and the timing of informational talks and literacy classes; (3) the resistance by Nigerien men to women's independence; and (4) the lack of support by the GON and project management. The GON agriculture services provided limited follow-up to women including the women CPT graduates.

The most tangible impact of Phase I was the introduction of grinding mills in the villages. Ten such mills were provided under the project. According to an evaluation report published in May 1982, eight mills were in operating condition, one was closed for business and the other one had not yet been installed. While the introduction of the grinding mills is considered as a step forward toward mechanization, the report noted that the mills were generally underutilized, because (1) many were not centrally located and (2) they have not been fully accepted by farmers. The report also referred to the lack of qualified personnel to manage and maintain the mills. This was confirmed during our visit to one of these mills. Potential maintenance problems were also mentioned in our discussions with field staff and villagers. In our view, the procurement of additional grinding mills under Phase II should be contingent on the project addressing the problems in the evaluation report.

During our field visits and discussions with women and cooperative officials, we were told that women were abandoning the program because both the CPT training and follow-up were inadequate. A Peace Corps volunteer informed us that she wanted to follow-up on the women but she lacked the needed transportation. Neither the GON nor the NDD project have established a system for the delivery of extension services to women in the villages. Poultry provided to women under Phase I are still experiencing high mortality rates in Phase II. We understand that the women's training program at the four new CPTs established in 1982 has been curtailed because of the lack of qualified instructors and women Peace Corps volunteers.

The program is still impeded by the lack of acceptance. According to the project advisor, the Phase II credit program for women, as anticipated in the Project Paper, never got off the ground because a system for its implementation has not been established. Although women are cooperative members, this membership is not fully recognized in that the cooperatives are reluctant to assume the risk of extending credit to women. The project faces other uncertainties and constraints because it involves changing the traditional social patterns, which men in the rural areas continue to resent.

These problems are further amplified by the lack of adequate planning. For example, the project paper did not include time-phased actions and benchmarks to cover this project component. In addition, the project advisor failed to prepare and submit annual work plans and quarterly progress reports as required. As a result, it is extremely difficult to determine the current status of this project component or the course of action needed for its orderly implementation.

In its response to our draft report, USAID believes that the project has made good progress in women's development, such as establishing the practice of giving women 40 percent of the monthly spending allowance, coordinating visits by the Ministry of Rural Development and the Ministry of Plan personnel to the CPTs, conducting sewing lessons at three CPTs, etc. We do not discount these accomplishments. However, we believe, with the unsatisfactory results under Phase I and the shortcomings under Phase II, the project needs to develop an overall focus as to how the project should improve the role of women as agriculture contributors in the project zone. As recommended on page 30 we believe the project should develop an annual work plan for the women in development component.

PROJECT NEEDS TO IMPROVE MANAGEMENT PRACTICES

From the preceding section of this report, it is evident that some of the activities in this project are not receiving adequate management attention. This is in part due to shortcomings in various administrative and management elements of the project. The Monitoring and Evaluation Unit, which is a vital part of the project decision-making process, is not working effectively. Annual workplans elaborating on how the project objectives are to be achieved, are not being prepared. Reporting on project activities is inadequate.

The project paper and project agreement recognized that project management was given responsibility for project implementation but no control over the GON service and administrative personnel upon whom the project must rely for project execution. Although the project agreement provided a covenant to address part of the authority issue, the covenant was never implemented. In certain instances this lack of authority has restricted management's performance.

Operations of the Monitoring and Evaluation Unit Need to be Improved

Because of the trial nature of many of the components, the NDD project recognized that management needs a continuous source of data concerning the nature and consequences of project operations. Attempts to provide such data in Phase I were not successful. Several project activities in Phase I were consequently dropped because management did not have the information to assess their effectiveness. Efforts to address this need in Phase II has also not produced meaningful results.

In order to elevate the importance of monitoring and evaluation, the project established the Monitoring and Evaluation Unit as a separate project component in Phase II. The Unit is responsible for determining data requirements for project decision making, identifying pre-existing data sources, establishing systems for obtaining additional data, evaluating progress toward the attainment of project objectives, and evaluating the overall development impact of the project. However, a comprehensive system for collecting monitoring and evaluation data was not established, primarily because of the lack of attention by project management. A plan of action was not established which specifically (1) defined the unit's goals and objectives, and (2) delineated how the goals and objectives would be met.

It was not until the last year of Phase I, in January 1980, that an individual was hired to head the project's Monitoring and Evaluation Unit. Even then, at several points the individual was assigned duties unrelated to the main tasks with the Monitoring and Evaluation Unit. The individual left the project in May 1982. Two Nigeriens were working in the Monitoring and Evaluation Unit at the time of our audit. They were responsible for following-up on the CPT graduates. However, with these full-time data collecion responsibilities, they were unable to provide any overall focus to the Monitoring and Evaluation Unit.

The Phase II Grant Agreement requires all key project personnel to submit annual work plans. The work plans should provide specific measurable indicators of progress and detail the criteria to be used to determine achievement of the objectives. The work plan submitted by the monitoring and evaluation advisor was rejected as incomplete by NDD management and never resubmitted.

The Phase II Project Paper noted the lack of both reliable baseline data and information to support NDD project activities. The Phase II Project Paper further noted that discrepancies in the reported results of demonstration plots of the monitoring and evaluation advisor made it difficult to evaluate the basic project's technical package in any of the arrondissements. We also found discrepancies and lack of supporting data in the few reports the advisor prepared. Project information which was collected, was presented in a sporadic manner and frequently not analyzed for management purposes. The NDD project in 1982 was starting to develop data on the actual yields of the CPT graduates' farms. The project is not collecting data on a systematized basis on

-- actual hectares farmed with the technical package compared with the land available to the CPT graduates,

-- rate of adoption of the technical package by villagers, and

-- total production impact or gross income impact of the NDD project.

The project has not developed a system to evaluate the farmers use of the technical package in the different geographical areas of the project zone; that is, will the technical package meet the needs of the project zone and if not, why not? The Project Paper and other sources recognize that such information is essential in assessing the long-term viability of the project.

A short-term project consultant completed a review of NDD's Monitoring and Evaluation System during our audit. This report proposed changes to correct numerous deficiencies in the system and provide management with needed information. A monitoring and evaluation advisor also started work in October 1982. He filled the position which had been vacant since May 1982.

Project Planning and Reporting Needs to be Strengthened

The Phase II Project Paper provides broad objectives and goals for the project components. The Phase II Grant Agreement required each of the project's technical advisors to submit annual work plans which would provide specific measurable indicators of progress and detail the criteria to be used to determine achievement of the objectives. These work plans were to be submitted to NDD management within 30 days of the advisor's arrival in Niger and discussed and finalized within five months of the start of work. Based on these individual work plans, project management was required to prepare an overall annual workplan. Project management did not prepare such a workplan for 1982.

Four technical advisors were working for NDD during the time of our audit. One other technical advisor left the project in May 1982. Of these five advisors:

-- only one submitted a written workplan. Although this advisor used his workplan to guide his activities, the plan was never finalized with NDD management and did not contain the needed information.

-- two other advisors submitted tentative workplans which were never returned or finalized by project management. They did not use the plan to guide their work.

-- the fourth advisor had her tentative workplan reviewed and rejected by NDD management. She subsequently left the project without submitting a revised plan.

-- the fifth advisor never submitted a written workplan. She discussed her intended actions with project management but received little feedback.

In addition to the annual workplans, each advisor was required to submit quarterly reports which would detail the progress made to date in achieving the annual workplan plus recommended modifications of the workplan. Although one advisor was submitting regular reports, they were prepared only semi-annually. None of the advisors were submitting quarterly reports.

We found that the monthly reports provided to the project by the Arrondissement Coordinators were prepared on an irregular basis. When prepared the reports dealt mostly with administrative problems, such as fuel shortages, personnel absences, etc. and contain information of limited value to other levels of project management. One Arrondissement Coordinator did not report information on the CPT graduates who abandoned the technical package because he did not think it was important. Although a training session was held in February 1982 for project personnel, report formats were not standardized and each arrondissement's report addressed different matters.

In April 1982, project officials requested the UNCC delegates to prepare a monthly inventory report on project agricultural inputs. The project did not receive any of these reports during our audit work. The project did not officially request UNCC to provide these reports and did not provide any written guidance on their preparation. The same situation occurred when the project attempted to start a monthly credit fund reporting system.

A short-term consultant recently reported that decisions were rarely taken on basic issues critical to the achievement of project objectives. This was partly due to the absence of 1) annual plans that relate project activities to project objectives and 2) monitoring information on progress in achieving project objectives. As a result, it was difficult for NDD management to focus its efforts on the key issues.

In reviewing the project's overall reporting system, the consultant concluded that:

-- many project reports have either not been done or have been done on a sporadic basis;

-- the reports are not structured by project component, project outputs, and achievements; and

-- the reports lack benchmarks.

In his October 1982 report, the consultant suggested changes in the project's reporting system. These changes refer to the frequency, content and format of these reports. We believe project management should use the consultant's report as a basis for revising the project reporting system.

Project Management Lacks Control over Project Activities

A Special Covenant to the Project Agreement stated that:

> "... the Project Director will, as a member of the Technical Committee of the Niamey Department (COTEDEP), report to the Department Prefect; that coordinators will be selected to coordinate project activities at the arrondissement (district) level and that these coordinators will be under the authority of the Project Director."

The project paper also intended that the Project Director would exercise direct control over the technical services personnel at the arrondissement level when they are engaged in project responsibilities. However, this provision was not made a part of the project agreement. The need for this authority was based on experiences in Phase 1 when project management had been given responsibility for project implementation but no control over the GON service and administrative personnel upon whom the project must rely for project execution.

The authority stipulated in the special covenant was not provided to the project director. We were told that it is not politically feasible to realign the GON structure to provide such authority. Lacking such authority, we found that project management appears to take a passive role in addressing some project implementation problems. For example, project attempts to improve inventory control, inventory reporting, and credit fund reporting have been

made through oral requests to the GON agencies. The project proceeds in this manner because it does not have the authority to officially request the GON to make changes in its existing system. In effect, the project must hope that the agencies willingly accept the changes. At the completion of our audit the improvements discussed above either were not implemented or not implemented as planned, in some cases five months after the request.

In his October report, the project consultant who was reviewing the project's monitoring and evaluation system provided the following comments on project management's control over project activities:

> "From a monitoring and evaluation standpoint, the major implication of the above described organization is that project management does not have complete control over most of the activities that are important to the achievement of project objectives."

In its response to our draft report, the USAID stated the GON is aware of the control problems and they are committed to adopting solutions. USAID cites the recommendations of GON officials during a November 1982 conference to increase the authority of the project directors and arrondissement coordinators as indicators of the GON's commitment.

Conclusions and Recommendations

An effective monitoring and evaluation system is an integral component in any AID project. It is especially important for NDD which is a multi-year experimental project, located in geographical areas in which little reliable information is available. We believe that USAID/Niger and NDD management should identify the type of data and information necessary for project decision making and for evaluating progress towards project objectives. Procedures should be developed to accumulate such information and to present it to management on a recurring basis. The report developed by the short-term project consultant should be used as a guide for the reestablishment of the monitoring and evaluation unit. Unless project management takes these measures, it cannot be assured of having needed information to analyze the progress of project activities in meeting goals and objectives.

The Project Paper provides broad objectives and goals for the project components. The Project Agreement required that more specific measurable progress indicators and criteria to determine achievement of project objectives would be developed in the project planning process. However, the annual work plans and quarterly progress reports thereunder were not integrated into the project's information system nor given appropriate management attention. Other project reports were not used in an effective manner.

Project management has not translated project objectives and concepts into specific targets. Lacking specific plans and objectives to guide their work, project management and its staff appear to be working on an ad-hoc basis without a central focus on developing the project components. With the inadequacies in project reporting, project management does not have adequate information to determine if the project is spending too little or too much time on certain activities.

Accordingly, we have recommended that:

> Recommendation No. 15
>
> USAID/Niger should require the project to use the consultant's report as a basis for (1) improving the monitoring and evaluation unit, (2) identifying the type of data and information necessary for management purposes, and (3) developing procedures to accumulate data and information and present it to management on a recurring basis. The consultant's report should also be used to revise the project reporting system.
>
> Recommendation No.16
>
> USAID/Niger should require the Niamey Department Development Project to establish a process to develop an annual work plan and prepare quarterly progress reports as required in the Project Agreement. An annual plan should be prepared for each project component.

USAID Comments

Exhibit B provides USAID's comments on our recommendations. The project is taking action to use the consultant's report to make the needed improvements in the monitoring and evaluation system and the project reporting system. The project's monitoring and evaluation advisor is designing a range of measures to provide quantitative and qualitative baseline data necessary for impact evaluation. He is also developing a process which will be used to develop an overall project plan and a plan for each project component. We are retaining the recommendations until the corrective actions are completed.

NEED FOR A REASSESSMENT OF PROJECT FINANCING

Under Phase I of the RDD Project, the GON provided a cash contribution of $2.2 million against a planned contribution of $1.5 million. This contribution represented 32 percent of total project costs for Phase I. However, during Phase II of the project, the GON is behind in meeting its cash commitments. If these funding problems continue, it is doubtful that the project will meet its objectives as stated in the Project Agreement.

GON is Behind in Meeting its Cash Commitments

During the design of Phase II, the GON wanted to provide a 50 percent cash contribution but the sudden decline of natural uranium prices on the world market forced them to inform the USAID, in September 1980, that they could only support close to 30 percent of total project costs. This reduction in the planned GON contribution placed considerable budgetary constraints on the project. AID's contribution was therefore increased.

Phase II is a $21.3 million project of which $13.6 million is AID-financed. The GON is to provide the balance of $ 7.7 million of which at least $5.8 million is to be in the form of cash payments for operational costs and subsidy payments to the project's credit fund account. The remaining contribution is "in-kind", primarily in the form of GON-paid local personnel.

Government fiscal problems were evident when the project agreement was signed in June 1981. The pricing structure of natural uranium had deteriorated further, dropping from a high of $95 per kilo in 1979 to $65 per kilo in 1981. The GON was at the same time behind on its commitments to other AID-funded projects. In November 1980, a World Bank team was in Niger to develop a memorandum on the agricultural sector. During their briefing to AID on the structural constraints to Niger's agricultural development program, the team voiced particular concern about the negative effects of falling uranium prices and the GON policy toward subsidies. We understand the World Bank is currently conducting a study on the problems faced by Niger in meeting recurring project costs.

In view of the deteriorating uranium market and its impact upon Niger's investment income, two special covenants were included in the Project Agreement to prevent possible budgetary constraints. These covenants require the GON to:

1. "---deposit or cause to be deposited into the Project's agricultural credit fund account by November 30 of each year during the life of the project funds sufficient to cover the difference between the cost of farm inputs procured for the Project and the price at which such inputs are made available to farmers in the project area, as well as additional amounts as may be required to

prevent decapitalization of the credit fund. The amount of such annual deposits will be established by mutual agreement by May 31 of each year."

2. "---replenish the project's operational account by November 30 of each year on the basis of a cash needs request submitted by the Project Director to the Ministry of Rural Development by May 31 of each year."

The Project Agreement required the GON to deposit CFA 22 million to the credit fund account and CFA 116 million to the operational account during the first year of the project. However, in May 1981 (one month before signing the Project Agreement) the NDD Project Director submitted a revised request to the Ministry of Rural Development for CFA 283.4 million, CFA 181 million for operating costs and CFA 102.4 million for agricultural subsidies to be deposited by November 30, 1981. The GON contributed CFA 27 million in subsidy costs. In August 1982, the GON provided CFA 50 million from its National Investment Fund for project operating expenses. The GON is still behind CFA 206.4 million in meeting 1982 requirements. This deficiency could be much larger in the near future. In order to cover 1983 expenses, the Project Director in May 1982 submitted a request to the Ministry of Rural Development for CFA 231.4 million for operating expenses and agricultural subsidies to be deposited by November 30, 1982. The GON contributed CFA 31 million towards the subsidy costs which leaves the 1983 contribution still due at CFA 200.4 million. The total GON contribution due as of November 30, 1982, is CFA 406.8 million ($1.16 million).

Need to Determine the GON's Financial Commitment

The NDD project is not the only project for which the GON has fallen behind on its financial commitments. In order to keep NDD project activities going, USAID issued a Project Implementation Letter (PIL), dated April 20, 1982, in which $770,000 of U.S.obligations earmarked for construction were reallocated to cover local operating expenses (training, vehicle operations and maintenance, and local personnel). The Project Grant Agreement stipulates that these expenditures are the GON's responsibility over the life of the project. We could not find any written agreement between USAID and the GON as to how the GON will repay the $770,000. As of September 30, 1982, USAID provided $268,000 of the $770,000 earmarked. Although the USAID is maintaining overall accounting records for these expenditures, we found that the Mission had not established accounting records which distinguishes those local currency expenditures which are the GON's responsibility from those which are USAID's responsibility.

In the April 20th Project Implementation Letter, USAID requested the GON to provide the USAID by June 30, 1982, with a statement regarding its cash contribution commitments to the project for the current and future years. At the completion of our review the GON had not provided a response to this

request. Based on our interim recommendation during the audit, USAID sent another letter to the GON, in November 1982, requesting their response.

The delivery of agricultural inputs to farmers in the project zone depends on the timely replenishment of the project's credit account. We understand that the GON is behind schedule in its purchase of agricultural inputs for the 1983 campaign. This same problem existed during Phase I. Lack of GON subsidy payments, if continued, will result in the decapitalization of the credit fund.

Conclusions and Recommendations

Because of the depressed uranium market, the financial picture for Niger in the near future does not look hopeful. This situation is reflected in the GON's failure to meet its cash contributions for the NDD project. If this situation continues, it will be difficult for the project to meet its obligations as stated in the Project Agreement. Without GON subsidy payments, the credit fund will be decapitalized and its revolving fund status will be eroded. USAID needs to determine what the GON will provide in the way of its cash contributions to the project. Lacking such a commitment, USAID has no assurance that the GON will commit its funds to the project as currently designed.

USAID recognized the need to provide US-funding to meet project expenditures normally funded by the GON. Although the reallocation of US-funding for this purpose was properly documented, USAID is not maintaining separate accounting records to distinguish between expenditures made on behalf of the GON from those expenditures which are valid US obligations. Such records should be established. The USAID and the GON should also agree in writing on the manner and timetable in which the GON will repay USAID for expenditures made on its behalf.

Accordingly, we have recommended that:

> Recommendation No.17
> USAID/Niger should obtain from the GON a plan as to when it will provide funding for the project operating account and credit fund account.
>
> Recommendation No.18
> USAID/Niger should establish separate accounting records for expenditures paid by the U.S. on behalf of the GON from those expenditures which are valid U.S. expenditures. USAID/Niger should reach a written agreement with the GON on the manner and timetable in which the GON will repay USAID for expenditures made on its behalf.

USAID Comments

Exhibit B provides USAID's response to our recommendations. USAID requested that we close recommendation number 17 based on USAID's latest request to the GON to provide a plan as to when the GON will meet its financial commitments to the project. We are retaining the recommendation until the GON provides the plan.

USAID is taking the appropriate action to address recommendation number 18. We are retaining the recommendation until the corrective action is complete.

NEED FOR IMPROVED MANAGEMENT OF CONSTRUCTION ACTIVITIES

USAID/Niger's management of the construction program was inadequate. Site inspections have not been made at critical points as required. When inspections have been made, there have been no detailed drawings to determine structural soundness. This has led to construction deficiencies which could result in added maintenance costs in the future. This situation occurred in part because USAID did not assure itself that the conditions precedent for the disbursement of construction funds were met. In addition, the Mission did not provide detailed construction guidelines to the GON to preclude any misunderstandings about responsibilities.

Under Phase I of the NDD project, USAID/Niger provided $863,547 for the construction of 21 buildings. Under Phase II, as of September 30, 1982, USAID further expended $757,561 toward the construction of thirty (30) additional project facilities at the CPT, cooperative and project headquarters levels. These construction activities were awarded to small Nigerien firms using a combination of local and imported materials and common local techniques. The architectural, engineering, and supervision responsibilities were assigned to Genie Rural, a technical division within the GON Ministry of Rural Development.

Conditions Precedent Have Not Been Fully Satisfied

The Grant Agreement provided for the GON to satisfy certain conditions prior to AID disbursements for project construction costs. Under Section 4.3 the GON agreed to provide AID with construction-related documentation, such as plans and specifications, bid request documents, cost estimates and construction contracts. The GON also agreed to provide evidence that qualified technical personnel will be assigned to oversee all construction work and to provide progress reports acceptable to AID. The conditions precedent were further amplified through a Project Implementation Letter (PIL) which, based on previous USAID/Niger experience, required the GON to provide detailed roof connection drawings for the warehouses and the project management office and site plans for all the construction.

In reviewing the GON's compliance with the Grant Agreement, we found little evidence that the provisions of section 4.3 and the Project Implementation Letter have been fully met. We were unable to verify GON submission of the required documentation or USAID/Niger notification which, according to the agreement, should convey USAID's determination that the conditions precedent on construction have been satisfied.

USAID/Niger still had not received detailed drawings, structural roof connecting drawings or timely progress reports at the completion of our audit. This resulted in project monitoring being less than adequate. The USAID/Niger Engineering Office, for example, was unable to determine the structural soundness of the buildings or the acceptability of contractors' performance without having detailed plans, drawings, and specifications at

hand. Since project construction is over 95 percent complete, the need to meet the conditions precedent is no longer necessary. In the future we believe USAID should give more attention to assuring that conditions precedent are met before construction starts.

Implementation and Monitoring Was Inadequate

The lack of timely Genie Rural progress reports, less than adequate USAID inspections, together with the lack of detailed plans has contributed to (1) the use of substandard construction materiels going undetected because of inadequate testing, (2) poor workmanship, and (3) an overall uncertainty as to structural soundness and durability of the construction. We believe that this situation could have been prevented if USAID had (1) formally spelled out the construction responsibilities of USAID, NDD, and Genie Rural; and (2) better coordinated the activities of the parties involved.

Construction under Phase II commenced in January 1982 and was estimated over 95 percent complete as of January 1983. While major construction contract periods varied between six and eight months which would make monthly progress reporting desirable, Genie Rural submitted only two reports on construction progress during that period. These reports included summary statements with no discussion whatever as to the quality of work, the conformity with the plans and specifications or the overall performance by the contractors. However, the USAID Engineering Office inspection reports continuously pointed out problems with the materiels and/or workmanship. Although the Grant Agreement requires the GON to provide timely progress reports, USAID did not provide specific guidelines to Genie Rural which delineated the contents, format, and frequency of the reports. In its response to our draft report, USAID stated that they planned to provide the GON with detailed construction reporting guidelines for future AID-financed construction.

The Project Paper provides for progress payments to contractors to be approved following joint inspection of progress at critical construction points. Inspections were to be carried out by the NDD, Genie Rural, and USAID/Niger project and engineering officers upon completion of the foundations, when the building was at lintel height, at the roofing stage, and upon completion of the facility. In April and May 1982 memoranda, the USAID Engineering Officer and General Development Officer expressed the importance to the USAID Project Managers in preparing and coordinating inspection schedules with the GON and the USAID Engineering Office. The General Development Officer stated that such scheduling is important because the USAID Project Managers had a tendency to (1) plan inspections at the last moment, and (2) expect mission certification based on one inspection of completed work. However, the USAID Project Officer did not prepare detailed inspection schedules for the NDD project. As a result, the Engineering Office was not involved with inspections at all critical points.

The requirement for joint inspections was not included in the Grant Agreement and related Project Implementation Letters. Genie Rural personnel informed

us that they perceive their role as being responsible to NDD and not USAID. This attitude explains in part why Genie Rural did not always show-up when inspections were scheduled.

We believe that a number of construction deficiencies could have been prevented had adequate monitoring been performed as prescribed. Deficiencies noted during our and USAID site visits included:

-- Walls were crumbling and cracks were forming between walls and columns;

-- Warehouse doors were installed incorrectly; and

-- Spacing between the roof and walls was inadequate which could cause serious water leaks during the rainy season.

Because of the lack of adequate inspections at critical construction points, it is the general feeling of the USAID engineering staff, that other construction defects may have been covered up which could materialize at a later date.

In an October 1982 letter to the Ministry of Rural Development, the USAID Mission Director requested that all detailed construction drawings be submitted to USAID prior to the start of construction. He further stated that

> "Unless such drawings are provided, USAID will find it difficult, if not impossible, to agree to inspect and approve project construction for payment."

This action is obviously too late for the NDD project in which construction is over 95 percent complete. However, the experiences in the NDD project should provide the mission with the lessons learned to assure that drawings are obtained in the future.

Ineligible Construction Items

USAID/Niger has reimbursed the NDD project $82,764 for various local construction activities which are ineligible for AID financing.

On December 9, 1981, USAID issued PIL No.4 which earmarked $1.4 million for the construction of 30 buildings approved for financing by AID. With the exception of the U.S. procurement of one pre-fab warehouse, the buildings were to be financed with local currency. The Grant Agreement provides for the GON to finance the construction of up to seven water wells for the CPTs. It also stipulates that additional construction costs are the responsibility of the grantee, in that the GON agreed (section 3.2) to provide "...all funds in addition to the Grant, and all other resources required to carry out the project effectively and in a timely manner."

In June 1982, USAID/Niger committed $395,021 (of the $1.4 million obligated under PIL No.4) for construction activities which the GON failed to finance as agreed. There was no evidence that this switch in funding was authorized by the issuance of a PIL or the approval by AID of a revised budget. In fact, USAID/Niger reimbursed the NDD project $82,389 for such expenses, before an obligating document was even established.

As of September 30, 1982, NDD applications for reimbursement by AID totaled CFA 43.8 million ($137,044). Of this amount 19 million CFA ($54,280) was expended to complete authorized Phase I construction. The remaining 24.8 million CFA ($82,764) was used for the construction of wells, cattle sheds, huts and other miscellaneous construction materials and services which are not included in the project construction items to be financed by AID. A detailed schedule of the ineligible transactions was formally provided USAID/Niger during the course of our audit.

It is our understanding that USAID/Niger's approval and certification of the cited payments, totaling $82,764, were prompted by (1) the need for the construction items to permit the project to proceed without interruption and (2) the lack of GON budgetary resources to meet construction costs.

Competitive Bidding and Prior AID Approval Not Fully Adhered to

Under GON standard construction practices, a letter order ("Lettre de Commande") is the official notification to a successful bidder. It confirms the bidders selection and sets up an outline of major provisions to be executed under a contract at a later date.

In reviewing NDD contracting, we found that letter orders for significant construction activities were being used in lieu of formal contracts. We identified CFA 69.1 million ($194,633) in construction work under letter orders. In one case, a notice to proceed totaling the equivalent of over $50,000 was issued, before a letter order was even signed. While this NDD practice was due to the urgent need of the facilities and as a means of getting around the otherwise cumbersome and time consuming GON contracting procedures, it nevertheless did not comply with basic provisions under the Grant Agreement:

(a) Letter orders did not provide for the procurement of construction materials which are exempt from tax and custom duties. The letter order did not extend other AID requirements which are routinely included in contract Standard Provisions Annexes.

(b) AID was not given the opportunity to formally review and approve construction activities under letter orders.

c) Competitive bidding procedures were not used for the procurement of construction services totaling over $100,000 under letter/service orders. Therefore, we were unable to verify that those services were awarded at a reasonable price to the lowest responsive firm.

Conclusions and Recommendations

USAID/Niger's management of the Phase II construction program was weak in many respects. Site inspections were not made at critical construction points as required. When inspections were made there were no detailed working drawings to determine structural soundness. This led to construction deficiencies which could result in added maintenance costs in the future. This situation occurred in part because USAID did not assure itself that the conditions precedent for the disbursement of construction funds were met. In addition, USAID did not provide detailed construction guidelines to the GON to preclude any misunderstandings about USAID requirements and responsibilities thereunder. These guidelines should have been issued in a Project Implementation Letter before USAID released funds for construction purposes. Also, the USAID Project Officer needs to better coordinate the activities of NDD, USAID, and the GON.

Therefore, we have recommended that:

Recommendation No.19

USAID/Niger should assess the use of GON Letter Orders in USAID-funded projects. Guidelines on the use of these Letter Orders should be developed and provided to USAID Project Officers.

Recommendation No.20

USAID/Niger should (1) formalize the use of $395,021 in USAID funds through the issuance of a Project Implementation Letter requiring the GON to reimburse AID the cost of these items which would normally be funded by the GON, (2) develop a budget for the $395,021 which delineates between costs eligible for AID-financing from those which are the GON's responsibility, and (3) issue bills of collection to the GON for the $82,764 and any other items paid by USAID for construction items not approved for AID-financing.

USAID Comments

Exhibit B provides USAID's comments on our recommendations. USAID is taking the appropriate action to address the recommendations.

EXHIBIT A

LIST OF REPORT RECOMMENDATIONS

	Page
Recommendation No. 1	11
USAID/Niger should require the project to identify the causes as to why the CPT graduates are not using the technical package. The CPT follow-up agents should be required to identify the causes where possible.	
Recommendation No. 2	11
USAID/Niger should evaluate the training at the CPTs to determine if (1) certain portions of the technical package are being overemphasized, and (2) changes in the curriculum would improve farmer utilization of the technical package.	
Recommendation No. 3	11
USAID/Niger should require the project to provide the UNCC agents, cooperative officials, and farmers with procedures on the filing of insurance claims for oxen. These procedures should be thoroughly explained to these individuals during project training sessions.	
Recommendation No. 4	11
USAID/Niger should require the project to develop procedures which give top priority to following-up on CPT graduates in their first year after leaving the CPT.	
Recommendation No.5	11
USAID/Niger should require the project to reserve at least one vehicle at each Arrondissement for follow-up on the CPT graduates. When possible, the project should coordinate with the UNCC agents and women Peace Corps Volunteers so that these individuals can make follow-up visits at the same time as the follow-up agents.	
Recommendation No.6	11
USAID/Niger should require the project to develop a training program for the CPT follow-up agents.	

Recommendation No. 7 16

USAID/Niger should provide the needed manpower to assist the Credit /Commodity Advisor in accounting for the credit fund account. If the credit fund cannot be adequately accounted for, a refund should be requested.

Recommendation No. 8 16

USAID/Niger should develop detailed guidelines for the management and accounting of the credit fund. These guidelines should be directed at all levels including the project, CNCA, UNCC and the cooperatives. Once developed USAID should obtain information and test check on a periodic basis to determine if the procedures are being followed.

Recommendation No. 9 17

USAID/Niger should ensure that CNCA's and UNCC's systems are adequate to account for the credit fund before further AID funds are released.

Recommendation No.10 17

USAID/Niger should ensure that a credit fund agreement between USAID, the NDD project, CNCA, and UNCC is signed before reactivating U.S. support for the credit fund. This agreement should list policies and management and accounting procedures for the fund.

Recommendation No.11 17

USAID/Niger should require the project to develop a credit training program for CNCA, UNCC, cooperative personnel, and the farmer couples at the farmer couple training centers. This program should include training on the detailed credit fund guidelines being developed by the project consultant.

Recommendation No.12 20

USAID/Niger should require the project to develop inventory control and commodity accounting procedures for all levels within the GON supply system to ensure that the project obtains timely and complete information on project inputs. These procedures should be transmitted in writing to CA and UNCC officials. USAID/Niger should perform periodic test-checks to determine if the procedures are being followed.

Recommendation No.13 20

USAID/Niger should require the project to provide inventory training to the individuals responsible for stock control at the arrondissement and cooperative levels. The inventory control and commodity accounting procedures should be covered during the training program.

Recommendation No.14 22

USAID/Niger should request the Niamey Department Development Project to make a site visit to all the blacksmiths in order to determine how the equipment can be used effectively.

Recommendation No. 15 30

USAID/Niger should require the project to use the consultant's report as a basis for (1) improving the monitoring and evaluation unit, (2) identifying the type of data and information necessary for management purposes, and (3) developing procedures to accumulate data and information and present it to management on a recurring basis. The consultant's report should also be used to revise the project reporting system.

Recommendation No.16 30

USAID/Niger should require the Niamey Department Development Project to establish a process to develop an annual work plan and prepare quarterly progress reports as required in the Project Agreement. An annual plan should be prepared for each project component.

Recommendation No.17 33

USAID/Niger should obtain from the GON a plan as to when it will provide funding for the project operating account and credit fund account.

Recommendation No.18 33

USAID/Niger should establish separate accounting records for expenditures paid by the U.S. on behalf of the GON from those expenditures which are valid U.S. expenditures. USAID/Niger should reach a written agreement with the GON on the manner and timetable in which the GON will repay USAID for expenditures made on its behalf.

Recommendation No.19 39

USAID/Niger should assess the use of GON Letter Orders in USAID-funded projects. Guidelines on the use of these Letter Orders should be developed and provided to USAID Project Officers.

Recommendation No.20 39

USAID/Niger should (1) formalize the use of $395,021 in USAID funds through the issuance of a Project Implementation Letter requiring the GON to reimburse AID the cost of these items which would normally be funded by the GON, (2) develop a budget for the $395,021 which delineates between costs eligible for AID-financing from those which are the GON's responsibility, and (3) issue bills of collection to the GON for the $82,764 and any other items paid by USAID for construction items not approved for AID-financing.

EXHIBIT B

LIST OF USAID COMMENTS ON THE DRAFT REPORT RECOMMENDATIONS

Recommendation No. 1. USAID/Niger should require the project to identify the causes as to why the CPT graduates are not using the technical package. The CPT follow-up agents should be required to identify the cause where possible.

USAID Action: "The Mission agrees and has discussed these issues with the Project Director and the project advisors concerned with implementing these recommendations, the Training Specialist and the Monitoring and Evaluation (M/E) Specialist. The M/E Specialist is designing an Adoption Survey which will collect information concerning the villagers' knowledge, application, and skill level concerning the techniques taught at CPT's. The M/E Specialist and the Training Specialist have scheduled a two-week training program for CPT follow-up agents at which time the agents will be trained in the use of the instrument. The instrument also attempts to pinpoint the use of new techniques in relationship to the resource constraints experienced by the farmer. This recommendation should be dropped or modified to reflect the action taken."

Recommendation No. 2. USAID/Niger should evaluate the training at the CPTs to determine if (1) portions of the technical package are being overemphasized, and (2) changes in the curriculum would improve farmer utilization of the technical package.

USAID Action: "The scope of the work for the Agricultural Economist member of the evaluation team addresses the issue of the technical package. Based on the follow-up results obtained from this year and the preliminary results of the Applied Research component (concerning inter-cropping millet and cowpeas, for example), changes in CPT training will be proposed for the 1983 season. These changes will be discussed with the CPT staff at their annual training program scheduled for February 13-19, 1983. Since this issue is being routinely handled by the Mission as part of the first interim evaluation, we suggest that it be deleted as a recommendation."

Recommendation No. 3. USAID/Niger should require the project to provide the UNCC agents, cooperative officials, and farmers with procedures on the filing of insurance claims for oxen. These procedures should be thoroughly explained to these individuals during project training sessions.

USAID Action: "An eight-day training program was held for UNCC and CNCA personnel, December 10, 1982. At that program, all UNCC agents in the project zone received copies of the insurance clauses and were requested to discuss these clauses with all of the members of the cooperatives in the project zone. The participants also adopted the following recommendations:

1) that the insurance policy be made voluntary;

2) that the Livestock Service develop a risk/mortality table showing the percentage of animals that dies for each age class;

3) that mortality data be applied order to calculate the premium necessary to cover the estimated risks;

4) that the insurance policy be set up as a revolving fund administered by the Union Locale des Cooperatives (canton-level) or the Union Sous-Regionale des Cooperatives (arrondissement level) in order to facilitate payment of insurance benefits."

"This recommendation should be dropped or modified to reflect the actions taken."

Recommendation No. 4. USAID/Niger should require the project to develop procedures which give top priority to following up on CPT graduates in their first year after leaving the CPT.

USAID Action: "The Mission is preparing a PIL requesting project personnel to develop a set of Procedures prior to the beginning of the 1983 campaign. The project has already scheduled a workshop which will be held for the 1982 CPT graduates to review their training. These follow-up procedures will be thoroughly explained to follow-up agents during their two-week training program."

Recommendation No. 5. USAID/Niger should require the project to reserve at least one vehicle at each arrondissement for follow-up on the CPT graduates. When possible, the project should coordinate with the UNCC agents and Women Peace Corps Volunteers so that these individuals can make follow-up visits at the same time as the follow-up agents.

USAID Action: "Since March 1982, one vehicle at each arrondissement level has been reserved for the follow-up of CPT graduates. Frequent demands by technical personnel has resulted in these vehicles being under-utilized for follow-up. For the upcoming season, monthly follow-up workplans will be required from each arrondissement. Gasoline allocations to the arrondissements will be dependent upon the submission of these workplans. The workplans will be required to indicate the participants in the follow-up activity. A minimum of 10 days of follow-up for each CPT has been proposed for this agricultural season. The Mission will request that the GON formalize these commitments in a PIL."

Recommendation No. 6. USAID/Niger should require the project to develop a training program for the CPT follow-up agents.

USAID Action: "The follow-up agents participated in a two-week training course in 1982. The project realized that this training was insufficient to promote the desired levels of performance and has programmed an additional two-week program for March 1983. It is expected, moreover, that at least two-weeks in-service training for follow-up agents will be required each year. The detailed training plan will be submitted to the Mission prior to the training event scheduled for this year."

Recommendation No. 7. USAID/Niger should provide the needed manpower to assist the Credit Advisor in reconciling the credit fund account to its correct balance. (Recommendation was revised in the final report).

USAID Action: "A short-term agricultural credit advisor has been identified for this task and is currently in Niamey on a five-week TDY. As a result of the action undertaken, this recommendation should be dropped from the Final Report."

Recommendation No. 8. USAID/Niger should develop detailed guidelines for the management and accounting of the credit fund. These guidelines should be directed at all levels including the project, CNCA, UNCC and the cooperatives. Once developed, USAID should obtain information and test check on a periodic basis to determine if the procedures are being followed.

USAID Action: "The Mission has identified a credit management specialist, with four years' experience working with the CNCA in Upper Volta, to work in developing a new set of guidelines governing the management of credit at all levels for the project. The Mission's Controllers Office will be responsible for test checking the system. This specialist will arrive in Niger January 16."

Recommendation No. 9: USAID/Niger should ensure that CNCA's system is adequate to account for the credit fund before further AID funds are released. (Recommendation was revised in the final report).

USAID Action: "With the exception of the material ordered for delivery to the 1982 CPT graduates, all credit funds operations have been suspended until the necessary improvements now being developed in accounting and management are actually adopted and in place."

Recommendation No.10: USAID/Niger should ensure that a credit fund agreement between USAID, the NDD project, CNCA, and UNCC is signed before reactivating U.S. support for the credit fund. The agreement should list policies and management and accounting procedures for the fund.

USAID Action: "The short-term agricultural credit advisors have the responsibility for drafting such an agreement before their departure. U.S. support for the credit fund will not be reactivated until this agreement is signed by all the interested parties, including USAID."

Recommendation Nr.11: USAID/Niger should develop a credit training program for CNCA, UNCC, cooperative personnel, and the farmer couples at the farmer couple training centers. (Recommendation was revised in the final report).

USAID Action: "An eight-day training program for CNCA and UNCC personnel was held December 10-17. The design for this workshop is provided. Credit training, incorporating the Kandallaye recommendations and the procedures contained in the revised credit agreement, will also be provided at all CPTs. This recommendation should be dropped or modified to reflect actions already undertaken."

Recommendation No.12: USAID/Niger should develop inventory control and commodity accounting procedures for all levels within the GON supply system to ensure that the project obtains timely and complete information on project inputs. These procedures should be transmitted in writing to CA and UNCC officials. USAID/Niger should perform periodic test checks to determine if the procedures are being followed.

USAID Action: "The recommendations from the eight-day credit and inputs training program at Hamdallaye directly address this issue. The Mission's Controllers Office will be responsible for test-checking at least once a year. The Mission's Supply Officer (actually being recruited) will also be available to support project efforts in this area. We request that this recommendation be reformulated as an information item as opposed to a recommendation in your final report."

Recommendation No.13: USAID/Niger should provide inventory training to the individuals responsible for stock control at the arrondissement and cooperative levels. (Recommendation was revised in the final report).

USAID Action: "The eight-day Hamdallaye training program was an initial effort to address this issue. Like credit training, repeated on-the-job training will be required on at least an annual basis. All 52 UNCC agents in the Niamey Department, the CNCA Department Chief, and the UNCC Niamey Department Warehouse Clerk attended this workshop. This recommendation should be dropped or modified to reflect the actions undertaken."

Recommendation No.14: USAID/Niger should request that the Niamey Department Development Project make a visit to all blacksmiths in order to determine how the equipment can be used effectively.

USAID Action: "The Mission has assisted the GON in its attempt to locate a qualified instructor to replace the initial instructor. Even if a full-time instructor cannot be located, the project will hire a short-term consultant to perform follow-up on the previously trained blacksmiths. No further blacksmith equipment will be distributed unless arrangements can be established for competent training and follow-up."

Recommendation No.15: USAID/Niger should require the project to use the consultant's report as a basis for (1) improving the monitoring and evaluation unit, (2) identifying the type of data and information necessary for project decision making, and (3) developing procedures to accumulate data and information and present it to management on a recurring basis. The consultant's report should also be used to revise the project reporting system.

USAID Action: "Mission agrees with this recommendation and it has, in fact, already been implemented. A copy of the consultant's report, translated into French, and documents prepared on the basis of this report for the project's annual management and planning workshop, January 1983, are provided. On the basis of this action, we believe this recommendation should be deleted from your final report."

The Mission provided the following comments on the use of the consultant's report to revise the project reporting system:

"Shortly after the termination of the M/E advisor's contract in July 1982, the Mission submitted a request to ST/MD to provide assistance in assessing the

M/E component of the project. Scheduling conflicts delayed the consultant's arrival until September. The Mission specifically communicated to the consultant that his report was to serve as the basis for revising the project's reporting system. The report contains a list of indicators, most of which will be retained in the final design of the M/E system. The report and documents developed by the new M/E advisor, will be key resources at the second annual management and planning conference to be held January 16-22. The procurement of a micro-computer will also strengthen the project's reporting system. This recommendation should be deleted or modified to reflect the action undertaken."

Recommendation No.16: USAID/Niger should require the Niamey Department Development Project to establish a process to develop an annual workplan and prepare quarterly reports as required in the Project Agreement. An annual plan should be prepared for each project component.

USAID Action: "The M/E consultant developed a model annual workplan which he discussed with each of the project advisors. The new M/E advisor is working with each of the other advisors to define end-of-project indicators and 1983 measurable indicators for each project component. These plans will be discussed at the project's annual management and planning workshop. The product of this week-long workshop will be a project zone annual plan. This recommendation should be deleted or modified to reflect the actions undertaken."

Recommendation No.17: USAID/Niger should request that the GON provide a plan as to when it will provide funding for the project operating account and credit fund account. (Recommendation was revised in the final report).

USAID Action: "The Mission has written the GON requesting this information. The Mission Director discussed this issue further in January with the Minister of Rural Development. We would suggest that this recommendation be deleted from the final report or that the report indicate that the necessary action was taken to close the recommendation."

Recommendation No.18: USAID/Niger should establish separate accounting records for expenditures paid by the U.S. on behalf of the GON from those expenditures which are valid U.S. expenditures. USAID/Niger should reach a written agreement with the GON about the manner and timetable in which the GON will repay USAID for expenditures made on its behalf.

USAID Action: "This analysis is now being conducted with the assistance of RLDSO/WCA. The result will become part of the first interim evaluation and will provide the basis for an action recommendation to be undertaken jointly by USAID and the GON."

Recommendation No.19: Mission should assess the use of GON Letter Orders in USAID-funded projects. Guidelines on the use of these Letter Orders should be developed and provided to USAID Project Officers.

USAID Action: "A detailed review of the use of Letter Orders will be conducted by the USAID Engineering Office. Following this review, written guidelines will be established and issued as a Mission policy directive."

Recommendation No.20: USAID/Niger should (1) formalize the use of $395,021 in USAID funds through the issuance of a Project Implementation Letter requiring the GON to reimburse AID the cost of these items which would normally be funded by the GON, (2) develop a budget for the $395,021 which delineates between costs eligible for AID-financing from those which are the GON's responsibility, and (3) issue bills of collection to the GON for the $82,764 and any other items paid by USAID for construction items not approved for AID-financing.

USAID Action: "A draft PIL formalizing the use of $395,021 in USAID funds is now being prepared. This PIL delineates the responsibility for various costs. The appropriate Grant Agreement Amendment will follow."

LIST OF RECIPIENTS

	No. of Copies
AA/M	1
AA/AFR	5
USAID/Niger	5
REDSO/WCA	1
Niger Desk	1
AFR/EMS	1
AFR/SWA	1
Director/LEG	1
M/FM	1
GC	1
OPA	1
S&T/DIU	4
PPC	4
AID REP - Club du Sahel	1
IG	1
IG/PPP	1
IG/EMS	12
IG/II	1
RIG/II/ABIDJAN	1
RIG/A/W	1
RIG/A/CAIRO	1
RIG/A/MANILA	1
RIG/A/KARACHI	1
RIG/A/NAIROBI	1