

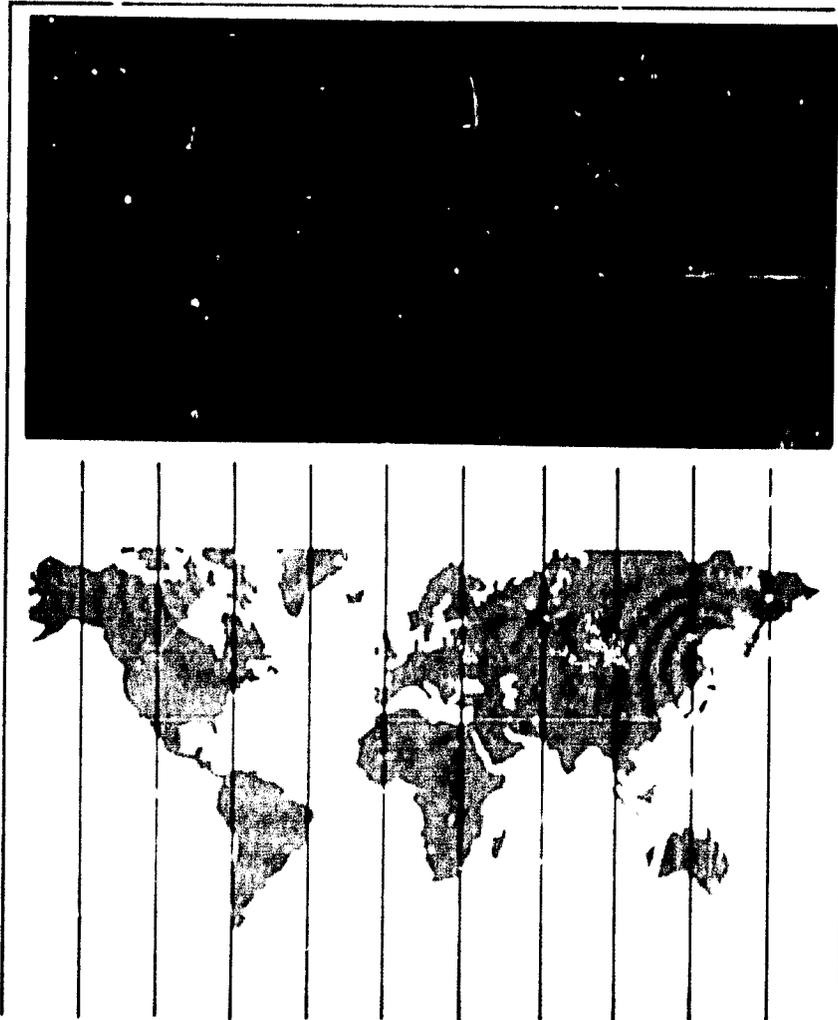
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UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
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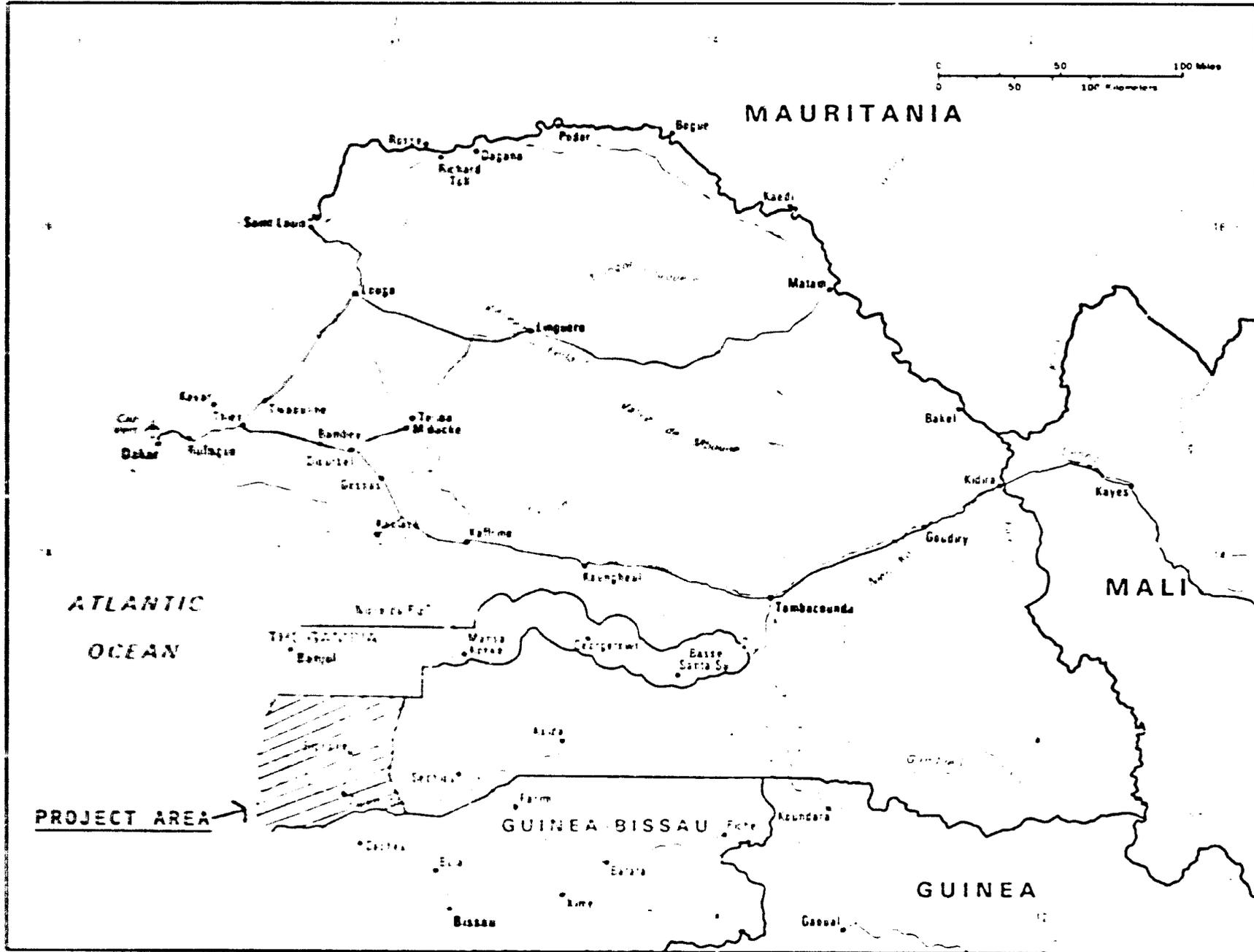
THE CASAMANCE REGIONAL DEVELOPMENT
PROJECT IN SENEGAL HAS
EXPERIENCED IMPLEMENTATION CONSTRAINTS

Audit Report No. 7-685-84-1
Dated November 17, 1983

The Casamance Regional Development Project has little to show for its efforts after nearly five years of A.I.D. support. With Project Implementation now increasing its momentum, management must take corrective action to address serious problem areas including;

- A need for the implementing agency to obtain the administrative and financial authorities it requires to implement a development program.
- A need to increase the effectiveness of technical assistance.
- A need to establish a proper accounting over project funds.

Senegal



NOTES:
 1. The map is based on the 1:500,000 scale map of Senegal published by the French Government in 1967.
 2. The map is based on the 1:500,000 scale map of Senegal published by the French Government in 1967.
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- Railroad
- Road
- ✈ Airport

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EXECUTIVE SUMMARY

Introduction

The Casamance Region of Senegal has the highest rainfall and thereby the greatest potential as an agricultural production area. Though development activities have been moving forward in the Casamance for several years, they have been primarily on an ad-hoc basis with no firm overall plan for development. To assist in developing the Lower Casamance zone of the Casamance region, AID and the Government of Senegal signed a project grant agreement in August 1978 authorizing AID funding of \$23.7 million. The project is designed to provide for the long-term development of implementing agencies, provide two social action programs and increase agricultural production. AID financed activities to be carried out under the project include institution building, studies, agricultural extension, field trails and seed multiplications, research, agricultural credit, functional literacy and health.

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 GOS project implementing agencies' and USAID/Senegal's records as well as discussions with appropriate host country and USAID officials. Site visits were made to selected locations in the Lower Casamance zone.

Project Design was Faulty

The Project Paper overestimated the capabilities of the primary implementing agency to implement this complex and ambitious project. An assessment that the GOS was capable of supporting the project financially was incorrect. The Social Action programs were poorly designed, necessitating a redesign by the USAID. As a result, the implementation of project activities has been slow, showing few tangible results after nearly five years of AID financing. There is a serious need for the implementing agency to obtain the GOS authorities it needs to operate a development program. There is also a need to reassess the size and scope of the project and determine if it should be scaled down to something the GOS will be able to support (Page 3).

Constraints to Long-Term Development Objectives

Delays in project inputs and ineffective use of technical assistance are impeding the development of the GOS implementing agencies' institutional capabilities. Implementing agencies have been given the responsibility to determine their own technical assistance needs, however, they are not able to make an effective use of it. As a result, technical assistance is not provided in several areas critical to achieving project objectives.

Nor has there been much emphasis placed on training counterparts to replace the advisors (Page 8).

Agricultural Production Activities have Progressed Slowly

After four years of AID support, the project has not had an appreciable impact on increased crop production in the Lower Casamance. Improved technical packages have not been developed for extension to farmers. Field testing and seed multiplication activities have produced few results. The credit fund activity is just starting and thus few agricultural inputs have been available to farmers. There is some doubt as to the effectiveness and competency of extension agents (Page 12).

Social Action Programs are Just Beginning

Both the Rural Health Program and the Adult Literacy Program were delayed in getting started because of faulty project design. With these activities just getting under way, USAID/Senegal needs to determine whether the extension service can effectively assume rural health extension responsibilities. There is also a need to provide increased management attention to the adult literacy program (Page 21).

Problems in Accounting for AID's Funds

AID has advanced substantial amounts of local currencies to the project's three implementing agencies to defray the local operating costs associated with the project.

The review resulted in the subsequent disallowance and refund of CFA 41.9 million (\$172,454) for which the project had been reimbursed but could not support. The project still needs to provide a detailed accounting for an additional CFA 74.9 million (\$236,350), as well as deposit into the molyette special account CFA 17.2 (\$70,716) million which were improperly used.

Due to the numerous deficiencies disclosed by our review, USAID/Senegal should re-examine its approach to financial project monitoring for all projects to ensure that implementing agencies maintain accounting systems which are in conformance with AID and GOS requirements. There is also a need for USAID/Senegal to improve its cash management practices (Page 24).

Project Management Needs to Improve Financial Oversight

Project management was poor during the early years of the project but subsequently has shown improvements. As a result, there currently appears to be an increased momentum in project implementation. Notwithstanding these improvements, there is a need for project officers to be more cognizant of their financial monitoring responsibilities (Page 33).

Conclusions and Recommendation

Project implementation has been slow, showing few tangible results after nearly five years of AID support. With implementation now increasing its momentum, there are serious problems which need to be addressed if the project is to have any lasting benefit. In this regard, the report contains 12 recommendations for USAID/Senegal action (Exhibit D).

USAID/Senegal generally agreed with the findings and recommendations of this report and is taking appropriate action to address them. USAID's comments on the draft of this report were given due consideration in preparing this final report. Where appropriate, we have included their comments in the body of this report.

BACKGROUND

The Casamance region of Senegal is the southernmost region of the country with a population of approximately 300,000 people. It is the region of Senegal having the highest rainfall and thereby the greatest potential as an agricultural production area. The Government of Senegal's (GOS's) strategy for the Casamance has been of an evolutionary nature. That is, though development activities have been moving forward in the Casamance for several years, they have been primarily on an ad-hoc basis with no firm overall plan for development. The GOS, recognizing the need for effective planning, has created an organization, Societe de la Mise en Valeur Agricole de la Casamance (SOMIVAC), to undertake this planning function.

On August 29, 1978, AID and the Government of Senegal signed a project grant agreement authorizing AID-funding of \$23.7 million to assist in developing the Lower Casamance zone of the Casamance region (See Map). This program is designed to increase agricultural production, provide two social action programs and provide for the long-term development of implementing agencies. SOMIVAC is the primary implementing agency and responsible for coordinating the various project elements which include:

Long-Term Development

Institution Building -- This component focuses on SOMIVAC, the planning, management and implementing agency. In order to fulfill its mandate, SOMIVAC requires assistance to give it a planning, analytical and implementing capability. At the project design stage, it consisted of six Senegalese professionals supplemented by a three-man technical assistance team financed by the World Bank. The agency, as it stood, was capable of little more than general policy guidance.

Studies -- This component includes two basic studies, a planning study and a health surveillance study.

Agricultural Production

Extension -- The extension activity will build upon a skeleton operation which has been functioning since the late 1960s. Additional agents are to be recruited and trained. Plans call for using a limited cadre of well-trained, senior-level agriculturalists to train, supervise and assist a larger number of local extension agents.

Field Trials and Seed Multiplications -- This component will serve the dual purpose of putting the modifications and new packages developed to test under farm conditions while, at the same time, serving as farmer demonstrations. In addition to the demonstration aspects of these field trials, a five-hectare demonstration farm will be established at Kaila to demonstrate crop rotation, technical

packages, etc., as part of the training program. A seed multiplication farm will also be established at Baila. This farm will produce seeds of recommended rice varieties for sale to farmers.

Research -- This component includes trials and research into agronomic practices, plant protection, production economics and agricultural engineering, the results of which will be utilized in modifying the present technical packages in the short-term. It will also include varietal testing, limited plant breeding, etc., which will be used in developing new technical packages for extension.

Agricultural Credit -- At the time of project design, the only credit available to farmers was one which provided fertilizers and animal traction equipment. This component was to have supplemented that program by providing credit for other items. Up to 10 percent of credit under this project was to have been permitted to be used for community construction, medicines, water supply, etc. The remainder was to have been used for short- and medium-term production credit to finance a full range of items from hand tools to small tractors.

Social Action Programs

Functional Literacy -- This component will give the farmer the capability to read and understand information presented in the local language in written form. This will facilitate communication and information flow among farmers and between farmers and various government agencies.

Rural Health -- This activity will focus on developing an outreach program based on an existing dispensary system. It consists of organizing mothers into groups which will be visited on a weekly basis and provided medical consultations, a health education lesson and a nutrition demonstration.

The project was evaluated in 1981. The evaluation concluded that, because the project was slow in getting started, it had not yet made measurable progress toward its goal. A second evaluation was planned for January 1983 to be coordinated with the audit. However, the USAID was unable to field an evaluation team until May 1983, after the audit field work had been completed.

Through December 1982, AID had obligated \$14.8 million of which \$7.8 million had been expended (see Exhibit A).

Purpose and Scope

The purpose of the 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 audit was conducted in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. The examination included a review of GOS project implementing agencies' and USAID/Senegal's records as well as discussions with appropriate host country and USAID officials. Site visits were made to selected locations in the Lower Casamance zone.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

PROJECT DESIGN WAS FAULTY

Implementation of project activities has been slow, showing few tangible results after nearly five years of AID financing. In our view, this lack of project results can be attributed to faulty project design. The Project Paper overestimated the capabilities of SOMIVAC to implement such a complex and ambitious undertaking. An assessment that the GOS was capable of supporting the project financially was incorrect. Social action programs were poorly designed, necessitating a redesign by the USAID.

The Casamance Regional Development Project is a large and complex five-year (1978-82) effort designed to meet the GOS short-term goal of food self-sufficiency, while laying a strong data and institutional base for future production efforts in the Lower Casamance zone. To achieve this purpose, the following activities were to be undertaken:

- A Long-Term Development program including an institution-building component to give the agricultural development institutions the capability to plan and implement the development program. A studies component is also included to assist the prime implementing agency in preparing its long-term plan for development of the Lower Casamance zone.
- An Agricultural Production program consisting of extending existing proven production packages to farmers and developing and testing new technical packages for introduction in the future. A rural credit program is included which is to supplement an existing GOS credit program by providing credit for items which can not be financed under the very narrow existing program.

Procurement Problems Have Impeded Project Implementation

In assigning host country contracting responsibilities to SOMIVAC, the Project Paper was overly optimistic in assessing its capability to perform them effectively and in a timely manner. As a result, procurement problems are impeding project implementation to such a degree that the attainment of project objectives within the revised project completion date is doubtful.

The project was designed to develop SOMIVAC's and PIDAC's ("Projet Integre pour le Developpement Agricole de la Casamance", an extension division of SOMIVAC) capabilities to plan and implement development activities through financing technical assistance, training, construction and some operating costs. All procurement of goods and services would be the prime responsibility of SOMIVAC under the principle that the GOS would take as much responsibility for the conduct of the project as possible and would, therefore, be able to take over and continue all aspects of the project upon termination of AID participation.

In reviewing procurement aspects under the project, we found that little headway has been made in developing SOMIVAC's and PIDAC's capabilities to adequately plan and implement project activities. Procurement is on an ad-hoc basis with little forward planning; budgets are inadequately prepared and at times exceeded; technical assistance is not fully and effectively utilized; needed construction has been delayed; and commodities are not ordered nor received on a timely basis. This has hampered effective and efficient implementation of project activities. For example:

- Under the agricultural credit component, the required credit study was delayed in getting executed. The project has also been slow in constructing warehouses for agricultural inputs.
- The field trials and seed multiplication activity is hampered by inadequate seed storage facilities, delays in receiving seed processing equipment and difficulties finding an appropriate seed farm location.
- The functional literacy program was delayed in getting implemented because of a lack of logistical support, i.e. transport, typing and duplicating equipment, and office supplies.
- The extension activity is continually facing problems with inadequate logistical support, i.e. training materials, transportation, supplies, and technical material. The effectiveness of the activity is also constrained by the lack of a training center.
- Under the studies component, technical assistance to execute the planning study was not contracted for until more than two years after signing the Grant Agreement.
- Technical advisors under the project complain of inadequate logistical support.

Implementation is also hampered because of a lack of appropriate administrative and financial authority granted by the GOS. Under the Special Covenants and Conditions section of the Grant it was agreed that:

"In order to assure that the implementing agencies of the Project (SOMIVAC, ISRA, PIDAC, MS) have sufficient administrative and financial authority to effectively implement and direct the Project, and to assure that such authorities have adequate financial autonomy, the Government of Senegal will submit, in a form satisfactory to AID, a plan outlining the respective authorities of these implementing agencies."

This Covenant was considered necessary because the GOS procurement system is bureaucratic, resulting in long delays.

The GOS never complied with this Grant Agreement provision and thus, it was necessary for USAID to take over many of the procurement functions. To compound the problem, USAID/Senegal was unprepared, at the time, to assume the procurement responsibilities which the project was unable to execute effectively. The mission was inadequately staffed to handle more than its planning, financing and monitoring functions. The project officer was

unfamiliar with the use of procurement agents and the mechanics of completing Project Implementation Orders. Subsequently, the mission created a project support office with a full-time procurement staff which has helped to resolve many of these problems. However, SOMVAC still has not received administrative and financial authority as required under the terms of the Grant Agreement, and the project is still experiencing lengthy delays in receiving GOS approvals for its budget, large valued purchases and contracting. As a result, much of the construction program is lagging and there are problems in procuring services and commodities to support project activities.

Problems in GOS Project Contributions

The GOS is not able to provide financial support to the project as envisioned in the Project Paper.

The Project Paper envisioned that the equivalent of approximately \$4.1 million would be contributed by the GOS in support of the PIDAC activities. This would be in the form of GOS payment of functionaries' salaries assigned to PIDAC, subsidies on agricultural inputs sold to farmers, increased capitalization of the GOS agricultural credit fund, and interest earned on loans to farmers. None of these contributions has materialized.

AID is financing all of PIDAC's salaries including those of GOS functionaries. Few agricultural inputs have been made available to farmers at subsidized prices. The GOS agricultural credit fund went out of business and currently, the only agricultural inputs available to farmers are under the project's credit fund for which no subsidies are provided by the GOS. The project's credit fund has just been initiated and thus, no interest has been earned on farmers' loans.

AID is also providing additional project funds for expenses that were to have been financed by the GOS. This was a result of an October 1981 meeting with Senegal's donors where it was recognized that the GOS financial position is such that without additional assistance to cover GOS investment and recurrent costs in fiscal years 1982 and 1983, all official development activity requiring GOS currency contributions would cease. AID agreed to finance these costs for eight of its projects, including the Casamance Project. In July 1982, AID authorized and paid in August 1982 CFA 60.6 million (\$178,841) of project funds to finance project costs which were to have been financed by the GOS.

Thus AID, rather than the GOS, has assumed a greater role in financing the project's recurrent costs. We question the logic of developing an institution such as PIDAC if the GOS is not going to be able to continue its operation after AID support ends. For example: There are two other donor extension projects in the Casamance region, Projet Rural de Sedhiou (World Bank) and Mission Agricole Chinoise (Chinese). Donor support for these two projects has recently ended and their future is in great doubt unless the GOS is able to find other donors to finance their continuance.

Inadequate Design of Social Action Programs

There has been little impact made by the social action programs under the project. Because of inadequate project design, these programs were delayed in getting started.

USAID/Senegal found that the health outreach program was not well defined in the Project Paper, lacking an in-depth analysis of the health situation in the Lower Casamance, i.e. available health services and related donor health services. The mission recently completed a redesign of this component. As discussed later in the report, we question if this component is suitable under this project.

The mission also had problems with the project design for the Adult Literacy program's implementation plan. This program, as presented in the Project Paper, provided that the PIDAC extension agents would carry out this activity by rendering literacy training to villagers. This rationale was unsound as extension agents were already overburdened with other duties. This aspect of the project was redesigned by creating a special corps of full-time literacy agents.

Conclusion and Recommendations

Slow progress of the project can be attributed to the project design being overoptimistic in its assessment of the host country's capabilities and to project design faults. Procurement problems are resulting in project implementation being more than two years behind schedule. There is a need for SOMIVAC to receive appropriate administrative and financial authority if effective procurement is going to be accomplished.

There is a serious question if the GOS will be able to continue the infrastructure that the project is building up once AID support ends. The GOS is not able to meet its financial commitment to the project and AID has had to make available additional project funds to make up this shortfall. There is a need for USAID/Senegal to reassess the size and scope of the project and determine if it should be scaled down to something that the GOS will be able to sustain after AID support ends.

Accordingly, we have recommended that:

Recommendation No. 1

Per authority of Article 4, Section 4.5 of the Grant Agreement, USAID/Senegal should ensure that the GOS confers the appropriate authorities to SOMIVAC needed to carry out an effective procurement function.

Recommendation No. 2

USAID/Senegal should reassess the size and scope of the project and determine if it should be scaled down to something that the GOS will be able to support after AID financial participation ends.

USAID Comments

With respect to Recommendation No. 2, USAID intends to address the recurrent cost implications of the project in connection with the findings contained in a recent project evaluation report. At the request of USAID/Senegal we are including their following response:

"USAID/Senegal is also concerned about the recurrent cost implications of the project. A year ago, we began negotiating with SOMIVAC on the programming of activities for the last two years of the project. In this context, we have pressed the GOS to step up its financial participation in the project to the level agreed to in the project paper. Because of our concern with recurrent costs, the recent evaluation team included a recurrent cost specialist. In terms of the current financial situation of the GOS, it is important to keep in mind that the depressed world price of peanuts and other factors have resulted in a financial crisis for the GOS. As a result of this financial crisis, the GOS is not in a position to make the level of contribution originally envisaged in the Project Paper. However, this is expected to be a temporary situation and significant support to the project has been promised by the GOS for the future.

In terms of possibilities for increased GOS capacity to meet recurrent costs in the future, the project has not yet reached a stage where the potential production benefits can be accurately estimated. We only have the initial results of the applied research being undertaken. The credit component is just getting started, and the crop protection component has only been underway for one year. The effectiveness of the extension service needs to be reinforced. The literacy component, which will reinforce extension efforts, has only been in place two years. Consequently, the Mission believes that we should expect production benefits to accrue slowly during the next year and then significantly increase and lead economic growth in the region. This will establish the capacity of the GOS to sustain recurrent costs and can only be estimated at this time.

It should also be noted that the Casamance is a priority area of concentration for the Mission. We plan to continue our efforts in the area over a substantial period of time. Therefore, we are planning to provide continued financial inputs in the context of a Phase II for the project. We also plan to use some of the local currency which will be generated by the commodity imports program, to assist the GOS with the transition to full payment of recurrent costs. Technical assistance, one of the largest current expenditures, will diminish over a period of time as trained Senegalese take over more staff positions. Senegalese salaries are generally one-third of American salaries."

CONSTRAINTS TO LONG-TERM DEVELOPMENT OBJECTIVES

Delays in project inputs and ineffective use of technical assistance are impeding the development of the GOS implementing agencies' institutional capabilities.

There are two project components providing for long-term development in the project area; an institution-building component to give the agricultural development institutions the capability to plan and implement the development program, and a studies component to collect and analyze data and assist SOMIVAC in preparing its long-term plan for the Lower Casamance. These components are considered critical if the GOS is to make optimum use of limited capital resources in the future.

Need for Increased Support to Institution Building

There is little evidence that the project has yet made measurable impact upon SOMIVAC's and PIDAC's capabilities to plan and implement the development program. The reason for this lack of progress is the untimely and inadequate provision of inputs to the project.

The project's institution building component is focused on SOMIVAC, the planning, management and control agency, and on PIDAC as its implementing arm for the project area. In order to build their capabilities to plan and implement development programs, the project was to provide substantial inputs in the way of technical assistance, participant training, construction of facilities and commodity support. The agricultural production and social action components, included under the project, would serve as a means to test progress in developing the institution's capabilities.

The poor implementation of the project's agricultural production and social action components as well as a heavy reliance upon USAID to assist with implementation indicates that the project is making little progress in developing SOMIVAC's and PIDAC's planning and implementation capabilities.

Project planning is impeded by a highly bureaucratic decision making process characterized by a management by crisis methodology to project implementation. The previous Project Officer stated, prior to his departure, that:

"PIDAC's apparent inability to plan ahead continues to cause headaches. The vegetable production campaign in the Bignona Department could have been organized much better if it had been planned well in advance. Failure to foresee the requirements for handling seed from Kouidioube is another case in point."

Technical advisors and project officials also complain that decision making is too centralized with the requirement that the SOMIVAC Director make all decisions. For example, although PIDAC and USAID had agreed in 1981 on Bignona as a site for establishing an extension agent training center, the site location had to be approved by the SOMIVAC Director who preferred Querina. The project has yet to establish a training center.

There were substantial delays in providing planned technical assistance for the project. There were difficulties in getting an institution to respond to the Request for Proposal for technical assistance. Louisiana State University (LSU) was the only institution to submit a proposal. After eighteen months of protracted negotiations, LSU declined to field a team of technicians on the basis that they could not meet SOMIVAC's requirements. After an additional delay of nine months, a contract (estimated cost \$3.9 million) was executed with the South-East Consortium for International Development (SECID) in August 1981. At March 31, 1983, there were ten long-term SECID advisors providing technical assistance at the project site. In addition, there were three advisors on Personal Services Contracts providing technical assistance under the project.

The poor results can also be attributed to an ineffective use of technical assistance provided under the project. We found that in some cases advisor's scopes of work are too general, resulting in ambiguity on what is expected from them. In other cases, we found advisors who lacked the qualifications required for the positions for which they were contracted. For example:

- One advisor arrived in March 1979 to work as an economist in the studies and evaluation unit of SOMIVAC. Since January 1981 he has been working under the Director as Project Planner/Coordinator, although his background is in agricultural economics. No long-term advisors in management and planning have been provided under the project to assist SOMIVAC with its primary responsibility.
- An agricultural technician is currently charged with overseeing the effective establishment of PIDAC's capacity to produce and distribute improved seeds to the farmers. According to project officials, his background is in animal husbandry. To date, the seed farm has produced inadequate quantities of seed and distributed poor quality seed to the farmers.
- A statistician is provided under the project to establish, within SOMIVAC's studies and evaluation department, a system for collecting and maintaining appropriate production data. This advisor is an agricultural economist rather than a statistician. As a result, short-term technical assistance had to be provided in order to develop the advisor's capability to perform as a statistician.

The Project Paper recognized that the development of SOMIVAC's capability to plan and make informed decisions was contingent upon the establishment of an effective monitoring and evaluation system. However, the project was late in contracting for technical assistance to strengthen monitoring and evaluation capabilities. The three advisors provided to SOMIVAC's evaluation and studies unit are occupying line positions. In this capacity the advisors have been directed to conduct various studies rather than establish an effective monitoring and evaluation system. As a result, most activities under the project have been almost totally ignored with respect to continual monitoring and evaluation.

Many of the advisors have lacked permanently assigned counterparts, hindering long-term technical transfers. This is a result of the OOS failure to provide sufficient numbers of adequately trained personnel to the project and an ineffective participant training program. For example, we found that the

project was late in identifying and sending personnel for long-term training. This will result in participants returning to the project after advisors have left or just prior to their departure. There will be insufficient time to prepare the graduates to take over the advisor's functions.

Other participants have switched their academic study and, in one case, a graduate went to a Ministry rather than return to the project as required under the terms of the Grant Agreement. To compound matters, the project lacks any structured training program for the counterparts currently assigned to the advisors.

Some advisors also complain the counterparts lack motivation. The motivation problem stems, in part, from inadequate logistical support and facilities. We found that both project personnel and advisors are continually frustrated from not receiving basic office supplies and gasoline. In addition, new administrative buildings have yet to be constructed because of lengthy GOS administrative procedures. Project personnel are thus required to work in closely confined buildings which are not adequately ventilated. This, combined with the high temperatures of the region, produces an environment which is not conducive to effective and efficient performance.

Conclusions and Recommendations

The development of SCHIVAC's and PILAC's capabilities to plan and implement the development program is considered critical if the GOS is to make optimum use of limited capital resources in the future. To date, the project is making little progress in this key component.

The USAID should review the use of technical assistance under the project so as to provide for strengthened management and planning capabilities. Provision should be made to eventually replace advisors with trained Senegalese personnel.

Accordingly, we have recommended that:

Recommendation No. 3

USAID/Senegal should review technical assistance provided under this project and determine whether it can be effectively provided.

USAID Comments

USAID generally agrees with the recommendation and is taking action to address it. However, in response to our draft report USAID stated that;

"The Mission recognizes that our "collaborative style" of project implementation or direct in-line placement of USAID technicians may result in some short-term loss of technician efficiency in dealing with certain problems. The fact that the technicians work directly for GOS agencies means that they must work within the GOS administrative structure which certainly has its cumbersome aspects. However, in terms of a contribution to long-range institution building, the placement of the technicians directly in the administrative structure will more than offset the loss of short term technicians efficiency in technology transfer."

The above approach to project implementation can be an effective approach to project implementation when the implementing agency has the capability to execute the host country contracting mode.

However, SOMIVAC has not demonstrated this capability. The management performance of SOMIVAC has been lacking, crucial areas of needed technical assistance have not been addressed, and the training of counterparts to replace the advisors has been deficient. Advisors complain of being nothing more than high-priced government functionaries. As a result, the project has little to show for its efforts after four years of AID participation.

AGRICULTURAL PRODUCTION ACTIVITIES HAVE PROGRESSED SLOWLY

The project includes an agricultural production program designed to have an immediate impact on crop production in the project area. The program includes: extension activities directed to farmers, research to develop and test new varieties and technical packages, field testing and seed multiplication activities, and a rural credit fund activity.

After four years of AID support, it is questionable if the project's production activities have had any appreciable impact on increased crop production in the Lower Casamance zone. There is some doubt as to the effectiveness and competency of extension agents because of the lack of an adequate training program. Improved technical packages have not been developed for extension to farmers. Field testing and seed multiplication activities have produced few results. The credit fund activity is just starting and thus few agricultural inputs have been available to farmers.

Need for Improved Training and Follow-up on Extension Agents

Training provided to extension agents is inadequate. There is a lack of testing and follow-up to measure the effectiveness and competence of extension agents.

An objective of the project is the development of an enlarged and effective extension system as a means to increased crop production in the project area. This activity is implemented by "Projet Integre pour le Developpement Agricole de la Casamance" (PIDAC), an extension division of SOMIVAC.

To accomplish this objective, PIDAC was to expand its extension staff to extend existing proven production packages to farmers. To insure the effectiveness of the extension system, PIDAC was to rely upon the use of well trained senior level agriculturists to train, supervise and assist local extension agents.

In line with a 1981 evaluation recommendation, the number of PIDAC extension agents has been increased from 49 to 71 as of April 1983. The evaluation also recommended that the technical competence of extension agents be improved. A means of accomplishing this would be by establishing a periodic training program in the SOMIVAC and PIDAC training divisions.

Our review disclosed that very little training of extension agents has been performed. One of the reasons for this is insufficient logistical support for the training divisions. We were informed by officials that they lack the necessary operating funds to carryout an effective training program. For example, a training seminar to be held in 1982 was cancelled because of a shortage of operating funds.

The training that has been given is conducted using the "en cascade" method. This method consists of seminars organized for the department and zone chiefs who transmit what they have learned to extension agents. The extension agents then pass this on to the farmers. There is some question about using this

method of training since information can be forgotten or not well explained as it is passed down. One advisor estimates that approximately 50 percent of the information is lost before it reaches the farmer. The extension agents to whom we talked, complain about this type of training and indicate they would prefer direct training. Extension agents also state they lack reference material and training manuals.

The testing of 27 extension agents in June 1981 revealed that their overall technical competence was alarmingly low. The 1981 evaluation recommended that a more systematic testing of extension agents be established by SOMIVAC/PIDAC on a regular basis to detect areas of weaknesses which would serve as a basis for training programs. We were informed by training officials that no testing of extension agents has been conducted since June 1981. Apparently, a problem in giving tests is due to cultural circumstances. For example, department and zone chiefs refused to take a test after a training seminar.

In addition, we found indications of an inadequate follow-up system by SOMIVAC/PIDAC staff on the extension agents' effectiveness and competency. One advisor complains that extension agents are not being controlled and are not devoting full time to their duties. He visited some farmer's plots in the Bignona area and found that some farmers are only being visited one time per year. In his view, the fields should be inspected two-three times per month. Another advisor attempted to do some time studies but was hindered because some agents are not maintaining log books of their activities. Nevertheless, he found some agents who could not account for twenty-five percent of their time. An advisor who is assisting with the development of production statistics in SOMIVAC's evaluation and studies unit complains that the extension service is not gathering reliable data. The advisor is of the opinion that extension agents are inadequately reporting production statistics in order to enhance the appearance of their performance.

A reassessment of the extension agent training program is needed in order to provide adequate training to extension agents. In order to justify the investment in the extension system, there is a need for a testing and follow-up program on the competency and effectiveness of extension agents.

Field Trials and Seed Multiplications have Achieved Mixed Results

The seed multiplication activity of this component has not yet achieved its intended results. There are some positive results with the field trials activity.

The field trials activity was to serve the dual function of putting the modifications and new packages developed by the Senegalese Institute for Agricultural Research (ISRA) to test under farm conditions while serving as farmer demonstrations. In addition, a five hectare demonstration farm would be established at the Baila Center to demonstrate crop rotation, technical packages, etc., as part of the training program. The Baila Center would also have a seed multiplication activity to produce seeds of recommended rice varieties for sale to farmers. The seed multiplication activity is considered necessary because of a serious deficiency of improved seeds in the Lower Casamance. Seeds for other crops were to be provided from existing seed multiplication facilities being operated by PIDAC.

The project has been experiencing difficulties in establishing an effective seed multiplication activity. As a result, the project has been unable to produce sufficient quantities of improved seed varieties needed by farmers. There are a number of factors for this poor result:

- The Project Paper was faulty in its presumption on the availability of land at the Baila Center for a seed farm. The soil was found to be too sandy and therefore unsuitable for seed multiplication work. The site was also poor for the establishment of a training center because it was neither technically nor economically feasible to install a needed high tension line.
- The project has yet to identify a permanent site for seed multiplication work. Although the activity is being implemented on temporary field locations, the soil quality is poor.
- The quality of a starter stock of improved seed, provided by ISRA, was found to be poor and had to be rejected. It was therefore necessary for PIDAC to obtain and treat an inferior quality seed.
- The technical advisor who oversaw the activity had little experience in agriculture. His background was in animal husbandry. The project was also late in assigning a trained counterpart to the advisor. Multiplication farm staff were therefore poorly managed, resulting in poor harvests.
- At the other multiplication areas it was found that the sites were too small. It has therefore been uneconomical to place much emphasis on these areas due to the high transportation costs versus the gains realized.
- The component has yet to receive adequate logistical and infrastructural support. There have been inadequate gas allocations to do good follow-up work. Facilities for the treatment and storage of large quantities of seed have not been constructed.

The project is moving in a positive direction to overcome past difficulties. The technical advisor is to be transferred to another division more in line with his background. The advisor who is currently charged with crop protection activities will assume seed multiplication activities because he is better qualified. The project recently formed a commission to actively seek out and identify a site for the establishment of a seed farm and needed facilities. In the interim, the crop protection specialist has obtained land from farmers who appear pleased with the results of his trials.

The field trials activity is achieving positive results because it has been placed under the responsibility of the crop protection specialist. For the 1982/83 season, field trials were conducted in six zones in collaboration with ISRA for the first time. While most of these trials have tested fungicides, herbicides and pesticides, the project is beginning to test other aspects of the technical package as well. As a result of rice seed variety testing, an

improved variety has been identified which is resistant to rice blast, one of the main diseases of the project area. The extension of this seed variety should preclude the use of fungicide which is too expensive for the farmers. The project is also conducting trials with intercropping in the hope of eventually reducing the requirements for herbicides and fertilizers.

The project is moving in a positive direction to identify and solve implementation problems with the field trials and seed multiplication activity. The assignment of the crop protection specialist to this activity appears to be a prudent decision. However, there does not now appear to be a sufficient number of staff under his supervision to effectively assume the new responsibilities. For example, we were informed by the advisor that his accomplishments have been hindered because his staff consists of only two people, which is inadequate for such a large project area. The project should review the personnel needs of this division to ensure that it is adequately staffed.

Need for Improved Coordination Between Research and Extension

The research activity has not yet assisted farmers with short-term remedies to their problems. The reasons for the lack of results to date have been an absence of coordination between research and extension and the untimely provision of technical assistance.

The research component is to include trials and research into agronomic practices, plant protection, production economics, and agricultural engineering, the results of which will be utilized in modifying the present technical packages in the short-term. Long-term research is also to be conducted in varietal testing, limited plant breeding, etc., in order to develop new technical packages for the future. The research program is to be undertaken by the Senegalese Institute for Agricultural Research (ISRA). In order to accomplish these objectives, a system is to be established for delivery of research results to extension organizations and to farmers and for feedback of farm experience and data to the research station to make research more meaningful. This system will rely on the establishment of an agronomic liaison unit in PIDAC which is to closely monitor field trials and on-farm results, as well as farmer acceptance of recommended technical packages and to provide feedback to the research organism.

At the time of our review, we found that little had been accomplished by ISRA in applying research to modifications of the technical packages in the short term. The technical packages being promoted through PIDAC's extension service are the same as those being promoted at the start of the project. In fact, we were informed that the technical package being extended to the Lower Casamance was the same as that designed for different conditions in the Middle Casamance. Thus, the project area lacks a technical package suitable for extension. For example, the project is promoting the application of fertilizers in fixed rate dosages according to type of crop to be planted. The 1981 evaluation pointed out the need to determine the most economic level of fertilizer use. We were informed by one technician that ISRA does not conduct soil tests to determine the types and amounts of fertilizer required. There is a high probability, therefore, that the project is recommending too much fertilizer for some farmers and not enough for others.

Part of the reason for the lack of results so far was the late provision of technical assistance to ISRA. The technical advisors who were to work on applied research, did not arrive at ISRA until late in the 1981/82 agricultural season. Therefore, there has only been one season, with research and field trials mainly confined to gathering base line data on farming systems.

Another reason for the poor results has been the lack of coordination between ISRA and SOMIVAC. According to one advisor at ISRA, ISRA considers the applied research program as part of a World Bank project and not the PIDAC project. The trials are being conducted in both the Lower and Middle Casamance zones, apparently as a result of a recent condition precedent set by the World Bank requiring ISRA to do applied research rather than just long-term traditional research. With the exception of the field trials conducted by PIDAC's crop protection specialist, ISRA's field trials are not connected with the PIDAC program. The trial locations are selected by ISRA and the tests to be executed are determined and monitored by ISRA.

The project has also been slow in establishing a liaison unit between ISRA and SOMIVAC/PIDAC. The unit was originally established under PIDAC but did not produce reliable data for transmission to IRSA. In March 1983 a new unit was established within SOMIVAC.

In March 1983 a formal agreement was established for closer collaboration between ISRA and SOMIVAC with the liaison unit playing a central role. In view of the positive results being achieved by the crop protection specialist and in view of his increased responsibilities for field trials, the project should consider linking the liaison unit with this advisor's work.

Operation of the Credit Fund Has Just Started

The initiation of the project's credit fund activity has been slow in getting started. Because of the collapse of the existing GOS credit program, the project's credit fund is now the only source of agricultural credit available to farmers in the Lower Casamance zone.

A credit fund was proposed in the Project Paper which would supplement the existing GOS credit program by providing credit to farmers in the project area for farm implements not available for financing under the GOS credit program. The Project Agreement provided that obligations of funds for this activity were conditioned upon the mutually satisfactory results of a study of credit terms appropriate to the project.

Three studies of the credit situation in the project area were made by three different consultants in March 1980, December 1980, and November 1981. The first two studies were apparently inadequate and thus the USAID was unable to issue a Project Implementation Letter (No. 27) on this activity until April 20, 1982. This Implementation Letter authorized the release of CFA 20 million to the credit fund for the purchase of farm implements for the 1982/83 crop season. The CFA 20 million were deposited into the PIDAC special credit fund account in June 1982. However, PIDAC requested USAID to procure these farm implements directly because the GOS procurement system for purchasing this large an order is burdensome and would result in long delays. The USAID purchased these farm implements (cost CFA 20,772,301) in Dakar and had them

shipped (cost CFA 678,000) to Ziguinchor (the project headquarters) in October 1982. This was too late for these implements to be used for the 1982/83 crop season. In addition, Implementation Letter No. 27 provided that materials were not to be released to farmers until PIDAC had submitted to USAID for approval a plan of action on how the credit program was to be implemented. This plan was not submitted to USAID until March 8, 1983. USAID has approved the plan and was in the process of issuing an Implementation Letter on this activity during the course of the audit. Thus, the credit fund activity is just now being implemented (See Exhibit B for the status of the Credit Fund at December 31, 1982).

A project credit fund activity supplemental to a GOS credit program has not materialized. The project credit fund is currently the only source of agricultural credit available to farmers in the project area. This has resulted from the GOS inability to operate successfully its own agricultural credit program.

When the project was initiated, agricultural credit was available to farmers from the GOS National Office for Cooperation and Assistance to Development (ONCAD). The GOS dissolved this organization in 1980 because the system had fallen into disrepute due to abuses by its management, non-payment of debt and poor accounting practices. The GOS subsequently forgave debts owed by farmers on ONCAD agricultural loans.

A new GOS organization, Societe Nationale d'Approvisionnement Rural (SONAR), was created to take over many of ONCAD's functions. SONAR also has not been able to carry out an effective credit program. Much of this is due to an inadequate national supply of agricultural inputs and late deliveries. For example, much of the fertilizer for the 1981/82 crop season was delivered too late for use by farmers. Only a limited amount of fertilizer was provided to farmers for the 1982/83 crop season. The SONAR credit program was also very limited, and provided only fertilizer on credit with payment due by the farmer at the end of the crop season. Thus, no credit has been available to farmers for farm implements since ONCAD went out of business in 1980. Because of the problems with the GOS credit program, PIDAC requested and received from USAID approval to also include fertilizer under the project credit fund activity for the 1983/84 crop season.

The project credit fund activity has been very slow in getting started. In view of the bad experiences encountered by the GOS with its agricultural credit programs, it is understandable that the USAID has proceeded with caution to implement this activity. We have reviewed the credit fund system to be used by PIDAC for implementing the credit fund activity. We believe that this system, if operated as designed, will adequately account for the credit fund activity. We do have some comments and observations for USAID's consideration regarding the credit fund activity as it has developed and is currently proposed.

1. The record keeping for the credit fund program will be a cumbersome task, particularly in view of the volume that will be generated with credit sales for small farm implements and with the addition of fertilizer sales under this program. PIDAC is putting too much reliance on the farmer groups to maintain records and make collections on farmers' loans.

We question if the farmer groups have the capability to carry out these functions. We have seen other credit programs where this method was attempted but without success. Some consideration might be given for technical assistance in this area.

2. USAID has instructed PIDAC to maintain records and data on the credit fund activity in order that its progress can be analyzed. We did not see any mechanism for reporting data accumulated, i.e. periodic reporting with such information as financial status of the fund, inventory on hand, loans in arrears, etc. We suggest that a format be designed for use by PIDAC in reporting this data.
3. We noted that an interest charge of 10 percent is to be charged on farmers' loans, which is in line with that recommended in the latest consultant's report. However, we note that the sales price of implements sold to farmers does not include shipping costs for farm implements shipped to Ziguinchor. The farm implements purchased by the USAID for CFA 20,772,301 were shipped to Ziguinchor from Dakar at a cost of CFA 678,000. These shipping charges have not been included in the sales price of these implements to be sold to farmers. Shipping costs are a part of the purchase price of farm implements and should be included in the sales price to farmers.
4. Project funds have been used to purchase seeds that have been sold to farmers on credit. Repayments are made by farmers either in-kind or cash at the end of the crop season. For the 1982/83 crop season, CFA 2,516,003 of seeds were sold to farmers. Of this amount, CFA 1,166,656 were repaid in-kind, CFA 196,930 were repaid in cash, and the balance of CFA 1,152,417 outstanding were to be repaid in cash at the end of April 1983. The cash repayments for these seeds should be deposited in the credit fund special account. Currently, PIDAC is depositing these repayments in its regular operating account.
5. Due to drought conditions in the Casamance Region during the 1980/81 crop season, there were limited planting seeds available for the 1981/82 crop season. AID Disaster Assistance funds were authorized and used to purchase 200 tons (cost \$49,094) of rice seed from Gambia for the 1981/82 crop season. Of these 200 tons, 110 tons were distributed to farmers for the 1981/82 crop season, 5 tons were lost, 10 tons were sold for CFA 619,410 and the balance of 75 tons remain on hand. The seeds on hand are no longer suitable for planting but are suitable as consumables. USAID and PIDAC agreed that the seeds should be sold and the proceeds be deposited to the credit fund special account. We agree and believe that these seeds be sold as soon as possible since they are taking up warehouse space and serve no project purpose. We were informed that PIDAC has proposed that these seeds be sold to employees on credit terms. This method of disposal will only add to the record keeping and collection tasks of PIDAC. We suggest that the 75 tons of rice seed on hand be sold in bulk, as soon as possible, to eliminate any additional burden on PIDAC to handle these seeds.

6. Each farmer that joins a farmer group pays CFA 1,000 as an entry fee. These amounts are deposited into a "blocked bank account" and are available to PIDAC as a guarantee on loans made to farmers. We noted that PIDAC has used some of these funds to purchase herbicides and has borrowed from it to finance its operating costs. Herbicides costing CFA 1,180,000 were purchased in 1981 and sold to farmers on credit. The farmers have repaid this amount, but recoveries have not been deposited back into the "blocked bank account." Because of a shortage of operating funds, PIDAC borrowed CFA 3.6 million from the "blocked bank account" in July 1982. During the same period, PIDAC also borrowed CFA 4 million from the credit fund special account. These amounts were promptly repaid. The "blocked bank account" is a good method to help insure the viability of the credit fund activity. However, PIDAC should be discouraged from using the "blocked bank account" for purposes other than for non-repayment of farmers' loans.
7. The USAID Controller's office has been given the responsibility to periodically inspect the credit fund operation. We question if this office has the necessary resources to carry out this function. We suggest that the USAID consider the use of technical assistance to perform the credit fund activity oversight function.

Conclusions and Recommendations

The agricultural production activities have experienced some problems in getting started which have impeded the project from realizing a strong impact on crop production in the project area. The effectiveness of the extension program, which is considered the main vehicle to increased crop production, has been hindered by delays in establishing a credit fund for the financing of farm implements. Extension efforts are constrained by an absence of improved seed and improved technical packages for extension. With agricultural production activities now picking up momentum, the project needs to improve the competency of extension agents and install a program to monitor their effectiveness. There is also a need for a closer collaborative effort between research and extension activities.

Accordingly, we have recommended that:

Recommendation No. 4

USAID/Senegal should ensure adequate training is provided to PIDAC extension agents. This training should be supplemented with a system to continually test the competency of extension agents and monitor their effectiveness.

Recommendation No. 5

USAID/Senegal should ensure the project provides sufficient staff to implement and monitor the field trials and seed multiplication activity effectively.

Recommendation No. 6

USAID/Senegal should ensure there is closer collaboration between research and extension activities.

USAID Comments

In response to Recommendation No. 6, USAID felt the establishment of the formal agreement for closer collaboration between ISRA and SOMIVAC as well as an establishment of a plan of work for the needed exchange were sufficient to close the recommendation. In view of past difficulties in establishing a link between research and extension, we are retaining the recommendation until such time as the Project can demonstrate that a link has been established and is functioning as intended.

SOCIAL ACTION PROGRAMS ARE JUST BEGINNING

The project includes a program of social interventions consisting of two activities: A rural health outreach program and an adult literacy program. These programs have had little impact in the project area due to delays in getting these activities started.

The Rural Health Program was Poorly Designed

The rural health component has not yet been implemented due to faulty project design.

This activity was to have focused on developing a health outreach program based on the existing dispensary system operated by the "Programme de la Protection Nutritionnelle et de la Sante" (PINS). This system consists of organizing mothers into groups who are visited in the villages on a weekly basis by PINS technicians providing medical consultations, a health education lesson and a nutrition demonstration. The project activity was to have expanded upon the PINS system by stressing the health education aspect and utilizing pilot activities to encourage the villages to get involved in providing their own medical and sanitation support infrastructure. A special health education unit, under the GOS Ministry of Health, was to have managed and implemented this activity.

Commencing in early 1980, a series of evaluations and an Inspector General audit report (No. 0-685-81-50) raised serious questions about USAID/Senegal's health program. Among the issues raised were the need to redesign existing health projects and improve the management approach.

In view of the issues raised, USAID/Senegal decided there was a need to redesign this project's health component. Unfortunately, the mission did not have the staff resources to oversee the redesign and implementation of a new health component. Although the project had contracted for technical assistance in 1979 to assist with implementation, this advisor was assigned as Deputy USAID Health Officer to oversee the entire mission health program.

With an increase in the USAID health office staff in early 1982, there is now a full-time health officer to monitor this activity. Technical assistance was contracted to assist with the redesign of the health activity which is currently awaiting GOS approval. Of particular significance, USAID/Senegal has taken measures to ensure proper management attention to the implementation of this project component - more than half of the dollar valued inputs to the component will be technical assistance.

The thrust of the redesigned health component is to develop a village level activity which will focus on two specific health interventions - an antimalarial campaign and the pretesting of relevant health and nutrition education materials. PIMC is the principle implementing agency with its extension agents playing a key implementation role.

We question the rationale of adding an additional burden not compatible with agricultural production, on the PIMC extension service which is already having difficulties in carrying out its existing duties. We believe that

USAID/Senegal should reassess this activity and determine whether it would be more suitable to have it as a separate project under an existing Ministry of Health program operating in the Lower Casamance zone.

Need for Increased Management Attention to the Adult Literacy Program

The literacy program is just getting off the ground because of inadequate support and a need to redesign the component to make it operational. However, an effective monitoring and evaluation system has not yet been established to measure the effectiveness of this activity.

The thrust of this program is to give the farmers the capability to read and understand information presented in the local language in written form. The entire program, including the transcription training phase, would make use of examples and training aids which relate directly to the technical packages, agriculture or other, which are being promoted. A special corps of PIAC extension agents would be utilized as literacy trainers to carry out this program. It is expected that this program will facilitate communication and information flow among farmers and between farmers and various government agencies. The need for continual and constant follow-up in extension programs would thus be decreased. In effect, the literacy training would be a form of extension training.

The literacy program has been slow in getting implemented. A 1981 evaluation found that it was still in a pre-implementation stage, working on strategy planning and organization development. The program was held up waiting COS's institutional reforms and suffered from a lack of needed logistical support.

With the opening of seven literacy centers in 1982, we found that the literacy component is still not receiving adequate and needed logistical support. For example, a spelling book has been designed incorporating subject matter relating to the technical packages, but due to a shortage of paper these documents have never been printed. The agents therefore do not have instructional material for their sessions. We also found a lack of material to be distributed to graduates in post-training exercises. The reason for the lack of logistical support has been the cumbersome budget approval process as pointed out in the procurement section of this report.

We also found that neither PIAC nor SCHWAC have procedures in place to monitor and evaluate the effectiveness of this program and make timely decisions to correct deficiencies. An evaluation of this activity in 1982 pointed out that literacy agents were not adequately trained, were not reporting on their results and there was little course planning, with each agent determining his own curriculum. No follow-up on students has been made to ascertain the effectiveness of the program.

Conclusions and Recommendations

The rural health program was delayed in starting because of inadequate project design. This program, as currently redesigned, not only adds additional duties on PIAC extension agents but such duties are incompatible with their prime function. In this regard, USAID/Senegal should reassess the appropriateness of this activity under the project.

Due to the lack of adequate logistical support and lack of follow-up, the literacy component is not meeting its objective. USAID/Senegal should require the project to install a continual monitoring and evaluation system. The project should provide sufficient financial support to this activity to eliminate logistical problems which have hindered implementation.

Accordingly, we have recommended that:

Recommendation No. 7

USAID/Senegal should reassess the appropriateness of including the rural health program under the project.

Recommendation No. 8

USAID/Senegal should require the project to establish a monitoring and evaluation system in order to measure the effectiveness of the adult literacy program. USAID/Senegal should also ensure that sufficient project funds are made available for implementing the adult literacy program.

USAID Comments

With respect to Recommendation No. 7, the USAID has reassessed the rural health component and determined that it is appropriate under the project as designed. USAID/Senegal's experience has led the mission to link the health strategy with its agricultural programs through rural health services projects designed to utilize local institutions. Through the utilization of extension agents for the delivery of health messages, institutional costs are thus minimized.

There is no question that the recurrent cost implications must be considered in the design of development strategies in Senegal. However, to expect the Project's extension service to be able to effectively assume greater responsibilities, before it has demonstrated its capability to exercise its existing responsibilities, is probably overly optimistic. We are therefore retaining Recommendation No. 7 until USAID reassesses the feasibility of incorporating health extension activities into the present agricultural extension system.

PROBLEMS IN ACCOUNTING FOR AID FUNDS

The audit of the three accounting systems, employed and certified under the Guisance Regional Development Project, disclosed significant problems in accounting for project funds advanced for local costs. In our view, USAID/Senegal should re-examine its approach to financial project monitoring for all projects to ensure implementing agencies maintain accounting systems which are in conformance with AID and GOS requirements. USAID should assure itself that the GOS accounting system is properly linked to the AID accounting system.

The PIDAC Accounting System Needs Improvement

Problems With Accounting for Operating Expenses

AID reimbursed PIDAC CFA 144,767,603 (\$595,580) for project local costs claimed for the period June 1979 through March 1982. Our review of two reimbursement vouchers within this period disclosed significant amounts of questioned costs. These questioned costs represented primarily advances which were claimed as expenses, invoices which were submitted in support of more than one reimbursement voucher, invoices which could not be reconciled with PIDAC's accounting records, and other expenses not eligible under the terms of the Project Agreement.

Under USAID accounting/reporting requirements, the PIDAC chief accountant segregated copies of invoices as they were paid and placed them into individual folders by budget line item of the reimbursement requests. When the chief accountant prepared the reimbursement requests, he worked with these folders, the petty cash journal, and the bank account journal to develop worksheets. These worksheets sometimes had individual listings of invoices by budget line item, but frequently, there were only summary figures listed under the budget line items. Adding machine tapes were not retained nor was the USAID furnished expense journal maintained. From the worksheets, the chief accountant then prepared the reimbursement requests.

We had difficulty auditing the expenditures under this system. For example, when we were presented with the budget line item folders for the 10/1/81 to 12/31/81 reimbursement voucher, we found CFA 31,755,586 were claimed and reimbursed, (the individual line items on the voucher actually totaled CFA 31,744,586) but the folders only contained CFA 30,044,695 worth of supporting documentation. For CFA 12,100,400 claimed and reimbursed under the 1/1/82 to 3/31/82 reimbursement voucher (the individual line items on the voucher actually totaled CFA 11,959,839), the folders only contained CFA 6,101,000 worth of supporting documentation. The chief accountant's worksheets were also missing. In view of this, we were unable to audit the vouchers since there was no link between the reimbursement requests and PIDAC's books of account.

Project personnel had great difficulty in re-establishing the link between the reimbursement requests and PIDAC's accounting system. After one month, project personnel informed us that they had reconciled all reimbursement requests. We therefore resumed our verification work by attempting to trace individual invoice payments into the books for the same

two vouchers that we had attempted to audit previously. As a result of our review, we questioned CFA 10,449,083 of CFA 43,704,425 claimed and reimbursed on these vouchers. We had the following difficulties with the documentation provided to us in support of some expenditures:

- We found that PIDAC claimed transfers of funds to the zones as an expense. For example, PIDAC transferred CFA 6,000,000 to the zones for the purchase of seeds. The CFA 6,000,000 were claimed to AID as an expense, however, PIDAC could only furnish invoices totaling CFA 1,437,377 for seed purchases.
- Many of the invoices given to us as justification represented purchases at the zone level. The project could not furnish the zone journals as evidence of payment.
- Project funds were used for the payment of various taxes. Under the terms of the Project Agreement this is not an eligible expense. Project officials informed us that they deducted tax payments when preparing the reimbursement requests, however, more than CFA 700,000 worth of tax bills were provided to us as justification.
- In some cases the justification made reference to line item payments in the journal but the invoices could not be furnished.
- We also found that the project was making duplicate claims for expenditures. For example, two invoices totaling CFA 413,785 were furnished to us as support for the 1/1/82 to 3/31/82 reimbursement voucher. We found copies of the same two invoices included as support for the 1/1/80 to 6/30/80 reimbursement request.

The USAID controller's office has been conducting periodic on site reviews of reimbursement requests and the PIDAC accounting system. The controller's staff did not have available documentation to indicate what verification work had been accomplished on their periodic visits. Because of the numerous deficiencies disclosed from our review, we question the verification methods used by the controller's staff.

Inadequate USAID oversight has led to a situation whereby the project could not adequately account for the use of project funds turned over to it for project activities. Based on the findings of our review, the controller's office re-examined the two reimbursement vouchers we audited. While the controller's staff was able to obtain justification for some of the questioned costs, PIDAC could not provide justification for CFA 8,700,781 (\$35,795). As a result of our audit, the USAID issued a Bill for Collection for this amount (See Exhibit C).

In response to a recommendation in our draft audit report, the Controller's office re-examined all remaining PIDAC reimbursement vouchers paid under the project. As a result of that review, the USAID issued a Bill for Collection for an additional CFA 33,217,739 (\$136,659). Since all prior reimbursement vouchers have been re-examined and since the disallowed costs have been recovered, we have removed the applicable recommendation from this final report.

GOS Contribution to the Project

USAID/Senegal needs to obtain an accounting for project funds disbursed to PIDAC for project costs which were to have been part of the GOS contribution to the project.

Project Implementation Letter No. 31, issued July 15, 1982, authorized the use of CFA 60,627,000 (\$178,841) to finance project costs which were to have been financed by the GOS. In August 1982, USAID disbursed these funds which were deposited into the PIDAC project's regular account. Although a budget for these funds was given to the project, no agreement was made for their accountability. Nor was the Project Agreement amended to reflect AID's increased contribution to the project's local costs. The project has yet to account for the use of these funds.

Accordingly, USAID/Senegal should amend the Project Agreement and overall project budget to formalize AID's increased contribution to local costs under the project and require PIDAC to provide an accounting for the CFA 60,627,000.

Mobylette Loans Recoveries Improperly Used

There is an activity under the project to finance the cost of mobylettes which are sold to PIDAC employees on credit. Repayments by these employees are made through payroll deductions. During 1979 and 1980, seven cars were also purchased by PIDAC employees and were partially financed by the project. The practice of project financing for cars was discontinued in 1980.

The financial status of this activity at December 31, 1982, was as follows:

		<u>CARS</u>	<u>MOBYLETTES</u>	<u>TOTAL</u>
Employee Loans	CFA	9,842,377	28,085,000	37,927,377
Employee Payments		<u>3,235,522</u>	<u>13,953,395</u>	<u>17,188,917</u>
Outstanding Loans	CFA	<u>6,606,855</u>	<u>14,131,605</u>	<u>20,738,460</u>

The recoveries on the mobylette loans have been generally good. The recoveries on four of the seven car loans have been a problem because three of these employees were transferred to other GOS organizations and one employee left the GOS service. PIDAC has requested the GOS Central Payroll Office to deduct from these employees' salaries amounts due on car loans.

Although this activity was authorized by USAID, no specific instructions were issued on how it was to operate until the issuance of Implementation Letter No. 28 dated June 25, 1982. This Implementation Letter provided that a special bank account be opened by PIDAC and that all recoveries be deposited to it. These funds are to be used to purchase replacement mobylettes. The conditions and terms on which mobylettes are to be sold to employees are also included in this Implementation Letter.

PIDAC has opened a special bank account for mobylette and car recoveries. However, the amount of recoveries had not been transferred to it as of March

31, 1983. We were informed by PIDAC officials that because PIDAC is one year behind in submitting reimbursement vouchers to USAID, it has been necessary to use these recoveries to help finance operating costs. PIDAC currently does not have sufficient funds to make the required transfer to the special account. USAID should follow-up with PIDAC to ensure that recoveries from this activity are transferred to the mobylette special bank account.

Need for Accounting System Compatibility

We reviewed the accounting system currently in use by PIDAC as required under COS regulations. We found a good system of internal controls which far exceeds AID's minimum requirements. By requiring PIDAC to maintain a separate parallel accounting system, the USAID complicated project accounting, contributing to PIDAC's inability to meet certification requirements.

The accounting system needs to be modified to conform with both AID and COS requirements. The modified system should place as much reliance upon the Senegalese system as possible but at the same time be able to support the line item expenditures of the reimbursement request.

USAID should also redesign current procedures for reconciling project funds. Under current procedures, PIDAC subtracts total expenditures from total receipts to give total cash on hand. As currently designed, the reported disbursement total does not agree with total disbursements as recorded in PIDAC's books. Nor does the reported cash on hand agree with the book balances.

Upon our recommendation, USAID/Senegal immediately contracted for financial technical assistance to modify PIDAC's accounting system and procedures for reconciling project funds. Once appropriate modifications have been determined for the PIDAC accounting system, USAID/Senegal should ensure that they are properly implemented and maintained.

ISRA Needs to Follow Established Accounting Procedures

Reimbursement vouchers, submitted by ISRA, are not easily auditable because of the difficulty of verifying payment of invoices claimed on AID reimbursement vouchers. This situation could have been avoided if ISRA had followed USAID instructions on disbursement procedures. Because these instructions were not followed, the project could not account for CFA 14,265,302 (\$57,509) reimbursed to ISRA for salaries claimed.

On March 16, 1979, disbursement procedures were given to ISRA through the issuance of Implementation Letter No. 4, stating:

"For local purchases to be effected by ISRA, records shall be maintained in accordance with sound accounting procedures adequate to show the receipts and disbursements of funds and the receipt of goods and services acquired. At a minimum, a check register should be maintained, that shows the issuance of checks in numerical and chronological order, the names of the payee, a basic description and a distribution to one or more of the budget categories shown in the budget. All payments should be supported by vendor invoices, evidence of competitive price comparisons, and a receiving report showing that the goods were received and/or that the services were performed."

Although ISRA does have a special bank account for AID financial transactions, it is not used as envisioned in the above instructions. ISRA pays all expenses from its regular operating account which is used for all donor funds. Once a month the regular operating account is reimbursed from the AID special account for the amount equal to the total of all AID expenses to be claimed. It is difficult to verify invoices to payments and to the supporting documentation, such as purchase orders and receiving reports because they do not always have the proper codification to trace into the ISRA regular books of account.

The failure by ISRA to abide by the provisions of Implementation Letter No. 4 resulted in a lack of accountability for CFA 14,265,302 (\$57,509) of salaries claimed and reimbursed on vouchers paid for the periods 7/1/79 through 6/30/82.

The project budget for salaries of ISRA's permanent personnel provided for the financing of three COS functionaries; (1) Researcher, (2) Chauffeur and (3) Horticultural Technician. Accordingly, on each three month reimbursement voucher, ISRA claimed and was reimbursed a quarter of the AID approved budget for this line item. The reimbursements for these amounts were transferred from the ISRA project special bank account to ISRA's regular operating bank account.

When we attempted to verify actual payments to the three functionaries at the project location, we found that supporting payment documentation was not available. ISRA officials informed us the supporting documentation would have to be obtained from the ISRA office in Ikar. Our review at that office disclosed that the salaries for the three COS functionaries were not paid by ISRA but by the COS Central Payroll Office under the Ministry of Finance. ISRA had not reimbursed the Central Payroll Office for these salaries nor did they know how much the Central Payroll Office had paid on these salaries.

Since the COS has been financing the same salaries for which AID has reimbursed ISRA, and since AID reimbursements for these salaries were transferred to ISRA's regular operating bank account, we were unable to ascertain for what purpose these funds (CFA 14,265,302) were used.

In response to our findings, USAID instructed ISRA to follow the agreed upon procedures as outlined in Implementation Letter No. 4 in order that adequate accounting controls over project funds be reinstated. USAID is in the process of reviewing the disposition of salary reimbursements by AID for permanent personnel. To date USAID has collected CFA 1,996,957 of the CFA 14.2 million claimed. We believe that ISRA should either reimburse the COS Central Payroll Office (Ministry of Finance) for the salaries paid to the three employees or refund to AID the amount of salaries reimbursed by AID to ISRA.

Health Study Accounting System Needs Improvement

A special bank account and accounting records are maintained for the Health Study activity. The check register needs to be maintained and reconciled periodically to the special bank account.

During the course of our review, we verified one reimbursement voucher covering the period 2/9/82 to 8/25/82. We found that the budget line item expenditures, as reported to AID, were completely supported by entries in the

books. Each entry was further supported with invoices. However, we had problems verifying the bank reconciliation, furnished to AID, on this voucher.

We found that the reported receipts, expenditures, and bank balances of the bank reconciliations do not reflect accurately the activity in the AID special account. For the period ending 8/25/82 the bank reconciliation showed a bank balance of CFA 29,561. Upon examination of the bank statement, we found that the true balance at that date was CFA 147,947. On 8/26/82 the activity's Director wrote a check to himself in the amount of CFA 118,386 in order to reduce the bank balance to the reported CFA 29,561. This check was not supported with an invoice, nor was it recorded in the books of account. The Director stated that he frequently pays invoices out of his own pocket and after calculating what his bank balance should be, he writes a check to himself for the difference.

Upon examination, we found that interest earned on the account was not always recorded in the records. Therefore, the Director has been reimbursing himself for more than his actual out of pocket expenses. We were not able to determine the extent of this problem because many bank statements were missing.

USAID should, accordingly, obtain copies of all bank statements, determine the amount of interest earned on the account, and obtain a check from the Director for all interest earned on the account. USAID should also instruct the Director to maintain a check register for all payments made from this account.

Interest Earned on AID Funds

USAID/Senegal needs to determine and recover the amount of interest earned on AID funds and have it deposited in the appropriate account at the U.S. Treasury.

US Treasury Regulations (1 TRM 6-2000) require that interest earned on Federal funds by recipient organizations be paid to the Treasury.

Pursuant to AID procedures, all AID advances to the three implementing agencies are deposited to separate commercial bank accounts from which disbursements are to be made for project expenses. In reviewing these bank accounts, we found that the three implementing agencies are earning interest on the outstanding balances.

We found that as of September 30, 1982, PIME had earned interest of CFA 2,215,325 on AID funds. As of June 30, 1982, ISIA had earned interest of CFA 326,815 of which only CFA 180,721 had been returned to AID. For the Health Study Activity, we were not able to determine the full amount of interest earned because some bank statements were not available. Available statements showed CFA 31,433 of earned interest which the USAID promptly recovered. The USAID has requested, from the Health Study activity, copies of the missing bank statements.

Based on our recommendation, USAID/Senegal issued instructions to the implementing agencies requiring that all future interest, earned on AID funds, be promptly paid over to AID. USAID/Senegal should determine and recover the amount of all interest earned on Federal funds and have this amount deposited in the appropriate US Treasury Account.

Cash Management Needs Improvement

Reporting by COS implementing agencies on the expenditure of AID local currency funds, advanced to the project, is not performed on a timely basis. USAID/Senegal should strengthen its cash management practices to ensure adequate control over advances.

Under AID procedures, local currency funds are usually advanced to the project's implementing agencies to cover estimated costs for a 90-day period. The 90-day period is a compromise insuring that project implementation is not interrupted nor impeded and that U.S. dollars are retained in the account of the U.S. Treasury, as long as possible, to minimize interest costs on the public debt. Implementing agencies are required to submit quarterly reports to USAID/Senegal accounting for advances. These reports are then reviewed and certified by USAID/Senegal to either liquidate the advances or replenish the advance accounts.

In reviewing these procedures, we found the project's three implementing agencies have been remiss in not submitting the required reports on expenditures in a timely manner. AID has also been remiss in making additional advances without obtaining an accounting for prior advances and in making advances in amounts greater than that needed for a 90-day period. For example:

- In June 1982, USAID/Senegal advanced the local currency equivalent of \$38,188 to PIDAC. PIDAC had yet to provide an accountability for \$195,550 advanced through June 1981.
- In January 1983, USAID/Senegal advanced the local currency equivalent of \$44,510 to ISPA, increasing the advance account to \$62,798. This was to cover expenditures for one year instead of a 90-day period.
- In May 1982, USAID/Senegal advanced the local currency equivalent of \$66,890 to PIDAC for expenditures under the credit program. These funds have remained unutilized in the special account.

As a result, the implementing agencies, which have received excessive advances, have been able to earn interest on AID funds at the expense of the U.S. Government. The USAID has also found it difficult to monitor adherence to approved budgets because of the lack of timely reporting. In some cases, the budgets had to be retroactively amended. At the time of our audit, the continuity of PIDAC's operations was impeded because PIDAC had failed to submit reimbursement requests for a one-year period and, therefore, had no funds available to pay for project expenses.

Shortly before our review, USAID/Senegal executed a review of over \$4 million in outstanding advances to various projects. Of this amount, USAID identified approximately \$2 million which they considered excessive.

In our view, to ensure that advances are properly controlled, USAID/Senegal should insist that the project's three implementing agencies provide more timely reporting on the use of AID funds. USAID/Senegal should also closely examine advance requests so that funds are not advanced in excess of disbursement needs for a 90-day period. Funding shortages could be avoided

during the preparation and processing of expenditure reports, if the USAID were to require monthly reporting rather than quarterly reporting as is now required.

Conclusions and Recommendations

The audit of project funds disbursed to the three implementing agencies disclosed problems in accounting for the use of these funds. Specifically, we found:

- CFA 8.7 million (\$35,795) of disallowed costs claimed by PIDAC for operating costs.
- CFA 100.9 million of costs claimed by PIDAC of which CFA 33.2 million (\$136,659) was disallowed through the USAID Controller's Office review.
- CFA 60.6 million (\$178,841) disbursed to PIDAC to finance costs which were to have been financed by the OOS and need to be accounted for.
- CFA 14.3 million (\$57,509) disbursed to ISRA for salaries which need to be accounted for.
- CFA 2.4 million (\$9,844) of interest earned on Federal funds.
- CFA 17.2 million (\$70,716) of mobylette loan repayments which need to be deposited in the mobylette special account.

In our view, USAID/Senegal should re-examine its approach to financial project monitoring for all projects to ensure that implementing agencies maintain accounting systems which are in conformance with AID and OOS requirements.

Accordingly, we have recommended that:

Recommendation No. 9

With regard to PIDAC, USAID/Senegal should;

- a) Ensure that necessary modifications to the accounting system are implemented to properly account for project costs.
- b) Ensure that PIDAC provides an accountability for the CFA 60.6 million disbursed by AID as OOS contributions to the project.
- c) Amend the Project Agreement to reflect the CFA 60.6 million increase in local costs paid by AID under the project.
- d) Ensure that PIDAC reimburses to the mobylette special account, amounts collected from employees on project sales of cars and mobylettes.

Recommendation No. 10

With regard to ISRA, USAID/Senegal should;

- a) Ensure that ISRA operates and maintains the project accounting records in accordance with Implementation Letter No. 4.
- b) Review with ISRA the propriety of CFA 14.3 million claimed for salaries and take appropriate refund action on any amount not substantiated.

Recommendation No. 11

USAID/Senegal should ensure that a check register is maintained for all payments made on the special health study account.

Recommendation No. 12

With regard to financial management, USAID/Senegal should;

- a) Reassess its method of verifying project local costs on site visits and make necessary modifications to ensure that this task is effectively carried out.
- b) Modify its cash management practices to ensure that funds are not advanced to projects in excess of their immediate disbursing needs.
- c) Ensure that implementing agencies submit reimbursement vouchers on a timely basis.
- d) Ensure that all interest earned on project special accounts is refunded to the U.S. Treasury.

USAID comments regarding Recommendation No. 12 are:

"...In order to trace the information contained in the summary report submitted along with the voucher it is necessary for someone to travel to Ziguinchor and do exactly what the audit team did. USAID/Dakar has done this on a test basis subsequent to the certification date but staff constraints prevent such verification on all vouchers of all our projects. The best that can be expected is increase verification of a larger sample. USAID has taken action to increase verification of local costs as follows:

(1) Two ex-Peace Corps Volunteers who formerly spent about half their time monitoring Local Currency Accounts have had all other duties redistributed and now are employed full-time monitoring L/C Accounting Stations.

(2) A new FPH Financial Analyst Position is being established in Dakar and will be staffed in the near future. The incumbent of this position will spend about three fourths of his time working with L/C Accounting problems. Mission believes that these two actions combined with normal voucher audit procedures will provide the necessary increased verification of project costs."

PROJECT MANAGEMENT NEEDS TO IMPROVE FINANCIAL OVERSIGHT

Project management was poor during the early years of the project but subsequently has shown improvements. However, there is a need to improve financial management.

Project management has been described as the process whereby AID oversees and monitors all aspects of an AID-financed activity from its conceptualization through its design, approval, funding, implementation and evaluation. Project management is a continuum, encompassing the roles and interactions of AID assistance recipients and intermediaries such as contractors and grantees. Varying with the scope and complexity of a project, effective project management generally relies upon a number of managerially accepted oversight methods and mechanisms. These include approval of prescribed activities of the assistance recipient, liaison with the intermediaries, progress reporting, problem identification, site visits and approval of disbursements. In 1964, AID adopted the concept of assigning these responsibilities to a single AID officer (Project Officer).

Relations between USAID and SGMIVAC were not good during the first two years (1978-80) of the project. The apparent cause of this was due to some confusion among the USAID project managers and their counterparts as to what their respective roles were concerning implementation of the project. SGMIVAC was of the opinion that the USAID project manager seemed to lack the necessary authority to make decisions which would allow for speedier and more harmonious implementation of the project. The SGMIVAC Director General commenting on the situation in 1980 said he "considered an earlier project manager to be nothing more than a mail drop." Another problem during this period was that project managers seemed to be tied down with administrative details and had very little time to talk to SGMIVAC staff about the substance of the project.

We believe that there has been a marked improvement in USAID project management since 1980. Relations between USAID and the project implementing agencies appear to be greatly improved. An example of this is the bi-annual project reviews held at the project site between top USAID management and GOS Officials. We note also that the quality of project implementation reporting has vastly improved. The establishment of the USAID procurement office has increased the efficiency of project management by eliminating a lot of the administrative duties that had bogged down earlier project managers. Although project implementation has still been somewhat slow, there currently appears to be an increased momentum in project implementation.

However, we did find a need for an improvement in financial monitoring. In our opinion USAID/Senegal needs to require project officers to become more familiar with financial management aspects of their respective projects.

Project Officers have primary responsibility for the effective use of AID provided resources during project implementation. To ensure effective use of resources project officers are required to review and administratively approve all vouchers submitted to AID. AID's Project Officers Guidebook states;

"...the Project Officer plays a pivotal role in discharging the Agency's

overall stewardship and accountability for the use of public funds. He must therefore keep in mind the fact that there is an irreducible minimum of oversight which must be maintained over AID-financed contractors and grantees to assure the prudent management of AID's development investments. Although the Project Officer may not delegate his overall oversight responsibility, he may arrange to have specific monitoring tasks assigned to other staff members (including qualified local employees) or to non-AID specialists under contractual arrangements. Where such arrangements are made, however, the Project Officer must assure that the tasks thus assigned are effectively carried out."

For the Casamance Project we found that financial monitoring responsibilities had been delegated to the USAID controller's office. The Project Officer felt his sole financial monitoring function was to ensure that the expenditures claimed on reimbursement vouchers did not exceed approved budgets. The project officer should have been aware that PIR/C was not maintaining the accounting system as intended. He should also have been aware of the resulting constraints this placed on the Controller's Office on their on-site reviews. The project officer thus would have been in a position to discuss with his counterpart the appropriate corrective actions and see to their implementation.

because the Project Officer did not exercise appropriate financial monitoring responsibilities, accounting problems have been permitted to exist uncorrected for a long period of time. In re-examining its approach to financial project monitoring, USAID/Senegal should ensure that Project Officers become more cognizant of their financial monitoring responsibilities.

EXHIBIT A

CASAMANCE REGIONAL DEVELOPMENT
PROJECT FINANCIAL STATUS
at December 31, 1982

	(U.S.\$000)		
	<u>Obligations</u>	<u>Expenditures</u>	<u>Balance</u>
Participant Training	817	612	205
Technical Assistance	7,044	3,920	3,125
Commodities	1,151	957	193
Construction	100	33	67
Health	146	71	75
Joint Project Costs (1)	193	124	69
Other Costs	2,592	2,097	495
Uncommitted	<u>2,773</u>	-----	<u>2,773</u>
Total	<u>14,816</u>	<u>7,814</u>	<u>7,002</u>

(1) Represents certain administrative expenses which were formerly charged to the Missions operating expense budget and subsequently apportioned between the projects. These include the costs of U.S. contract technicians who are the counterparts of the Senegalese project managers, the cost of procurement services relating to the purchase of AID-financed project supplies and equipment, and support costs of U.S. contract technicians working outside of Dakar at project sites.

USAID/Senegal obtained the concurrence of the COS Ministry of Plan and Cooperation to charge the projects for these costs since the mission found they did not have a sufficient administrative budget to handle a greatly expanded program. Subsequently, the mission found that not all of these costs could be properly charged to program and project budgets. USAID/Senegal has, therefore, taken measures to obligate no further funds against program/project funding for those expenses which should be charged against the mission operating expense budget.

EXHIBIT B

CASAMANCE REGIONAL DEVELOPMENT
PROJECT CREDIT FUND STATUS
AT DECEMBER 31, 1982

SPECIAL CREDIT FUND BANK ACCOUNT:

USAID Reimbursement/Project Funds	CFA	20,000,000
Proceeds from Sale of Banjul Seeds		619,410
Interest Earned		<u>531,693</u>
Total Deposits		21,151,103
Less Bank Charges	<u>5,956</u>	
Bank Balance 12/31/82		21,145,147

PURCHASE OF FARM IMPLEMENTS:

PIO/C 685-0205-4-10136	CFA	20,772,301
Freight Charges	<u>678,000</u>	<u>21,450,301</u>
CREDIT FUND STATUS 12/31/82	CFA	<u><u>42,595,448</u></u>

CASAMANCE REGIONAL DEVELOPMENT
AUDIT VERIFICATION TEST PERIOD
10/1/81 - 3/31/82

Voucher Line Item	(CFA FRANCS)			
	Claimed and Reimbursed	Costs Questioned	Justified thru Con- troller's Review	Bill for Collection 5/1/83
Warehouse Construction	1,883,941	6,171		6,171 1/
Office Furniture and Equip.	834,878			
Training Material	976,775	976,775	976,775	
Fuel Purchases	17,429,000			
Ordinary Seed Purchases	6,000,000	4,562,623	(1,437,377)	6,000,000 2/
Maintenance Products	85,030	5,320		5,320 3/
Consumable Supplies	834,522	14,911		14,911 4/
Vehicle Spare Parts	1,247,849	380,696		380,696 5/
Construction Supplies	752,905			
Rents and Rental Charges	1,800,000			
Vehicle Repairs and Maint.	956,918	873		873 6/
Garden Seed Purchases	704,650	366,000	366,000	
Consumable Office Supplies	150,750	150,500	150,500	
Misc. Repairs and Maint.	12,425	3,645		3,645 7/
Honoraries	145,937	80,437		80,437 8/
Bank Service Charges	630			
Training Center Costs	587,955	266,680		266,680 9/
Warehouse Expense	670,077	8,318		8,318 10/
Other Outside Services	3,546,138	907,957	115,729	792,228 11/
Meeting Expense	762,050	591,250	402,100	189,150 12/
Temporary Personnel Wages	2,445,510	485,885	68,275	417,610 13/
Training Courses	1,547,575	1,489,475	1,106,300	383,175 14/
Social Medical Charges	328,910			
Total Claimed & Reimb.	43,855,992			
Addition Errors	151,567	151,567		151,567 15/
TOTALS	<u>43,704,425</u>	<u>10,449,083</u>	<u>1,748,302</u>	<u>8,700,781</u>

1/ to invoice.

2/ PIDAC claimed CFA 6,000,000 representing money advanced to the zones for the purchase of seed. PIDAC could only furnish CFA 1,437,377 worth of invoices. The USAID controller's office has disallowed the entire amount until PIDAC completes its search for zone invoices.

3/ An invoice in the amount of CFA 5,320 could not be supported with an entry in PIDAC's books.

4/ An invoice in the amount of CFA 14,911 could not be supported with an entry in PIDAC's books.

- 5/ No invoice for CFA 810. Two invoices totaling CFA 120,036 could not be supported with entries in PIMAC's books. Seven invoices totaling CFA 259,850 were claimed and reimbursed twice; once for the period 10/1/81 - 12/31/81, and once for the period 1/1/82 - 3/31/82.
- 6/ No invoice for CFA 873.
- 7/ No invoice for CFA 3,645.
- 8/ An invoice in the amount of CFA 80,437 could not be supported with an entry in PIMAC's books.
- 9/ An invoice in the amount of CFA 3,680 could not be supported with an entry in PIMAC's books. Two invoices totaling CFA 263,000 were claimed and reimbursed twice; once for the period 10/1/81 - 12/31/81, and once for the period 7/1/81 - 9/30/81.
- 10/ No invoices for CFA 8,318.
- 11/ An invoice in the amount of CFA 9,768 could not be supported with an entry in PIMAC's books. Taxes, a non-reimbursable item, were claimed in the amount of CFA 782,460.
- 12/ An invoice in the amount of CFA 5,650 could not be supported with an entry in PIMAC's books. Two invoices totaling CFA 183,500 were claimed and reimbursed twice; both for the period 10/1/81 - 12/31/81, one for the period 4/1/81 - 6/30/81, and one for the period 1/1/82 - 3/31/82.
- 13/ Two invoices totaling CFA 3,825 could not be supported with entries in PIMAC's books. Two invoices totaling CFA 413,785 were claimed and reimbursed twice; once for the period 1/1/82 - 3/31/82, and once for the period 1/1/80 - 6/30/80.
- 14/ A cash transfer to the zone of Mignona was claimed as an expense.
- 15/ Both reimbursement requests do not foot. Because the total of all line items are less than the total amount of the reimbursement request, PIMAC was overpaid CFA 151,567.

LIST OF REPORT RECOMMENDATIONS

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<u>Recommendation No. 1</u> For authority of Article 4, Section 4.5 of the Grant Agreement, USAID/Senegal should ensure that the COS confers the appropriate authorities to SCHIVAC needed to carry out an effective procurement function.	6
<u>Recommendation No. 2</u> USAID/Senegal should reassess the size and scope of the project and determine if it should be scaled down to something that the COS will be able to support after AID financial participation ends.	6
<u>Recommendation No. 3</u> USAID/Senegal should review technical assistance provided under this project and determine whether it can be effectively provided.	10
<u>Recommendation No. 4</u> USAID/Senegal should ensure adequate training is provided to PLIAC extension agents. This training should be supplemented with a system to continually test the competency of extension agents and monitor their effectiveness.	19
<u>Recommendation No. 5</u> USAID/Senegal should ensure the project provides sufficient staff to implement and monitor the field trials and seed multiplication activity effectively.	19
<u>Recommendation No. 6</u> USAID/Senegal should ensure there is closer collaboration between research and extension activities.	20
<u>Recommendation No. 7</u> USAID/Senegal should reassess the appropriateness of including the rural health program under the project.	23
<u>Recommendation No. 8</u> USAID/Senegal should require the project to establish a monitoring and evaluation system in order to measure the effectiveness of the adult literacy program. USAID/Senegal should also ensure that sufficient project funds are made available for implementing the adult literacy program.	23

Recommendation No. 9

31

With regard to PIDAC, USAID/Senegal should;

- a) Ensure that necessary modifications to the accounting system are implemented to properly account for project costs.
- b) Ensure that PIDAC provides an accountability for the CFA 60.6 million disbursed by AID as GOS contributions to the project.
- c) Amend the Project Agreement to reflect the CFA 60.6 million increase in local costs paid by AID under the project.
- d) Ensure that PIDAC reimburses to the mobylette special account, amounts collected from employees on project sales of cars and mobylettes.

Recommendation No. 10

32

With regard to ISRA, USAID/Senegal should;

- a) Ensure that ISRA operates and maintains the project accounting records in accordance with Implementation Letter No. 4.
- b) Review with ISRA the propriety of CFA 14.3 million claimed for salaries and take appropriate refund action on any amount not substantiated.

Recommendation No. 11

32

USAID/Senegal should ensure that a check register is maintained for all payments made on the special health study account.

Recommendation No. 12

32

With regard to financial management, USAID/Senegal should;

- a) Reassess its method of verifying project local costs on site visits and make necessary modifications to ensure that this task is effectively carried out.
- b) Modify its cash management practices to ensure that funds are not advanced to projects in excess of their immediate disbursing needs.
- c) Ensure that implementing agencies submit reimbursement vouchers on a timely basis.
- d) Ensure that all interest earned on project special accounts is refunded to the U.S. Treasury.

LIST OF RECIPIENTS

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IPC	4
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IG/PPP	1
IG/IMS	12
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