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UNITED STATES
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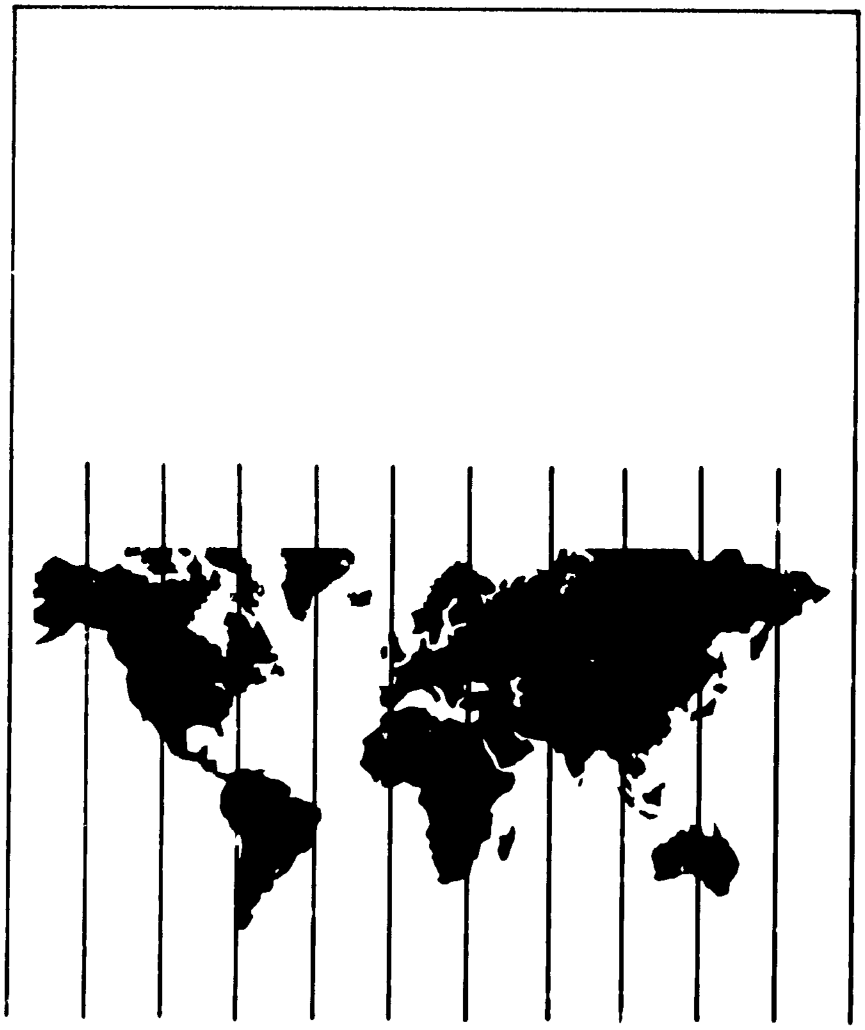

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BETTER INTERNAL CONTROLS COULD HAVE

IMPROVED AID MANAGEMENT OF THE

LIVESTOCK PROGRAM IN SENEGAL

Audit Report No. 7-685-84-4
Dated July 20, 1984

In the early 1970's, the Sahel region suffered a devastating drought and lost one-third of its livestock. In some areas losses reached 90 percent. As one of the Sahelian countries, Senegal was not spared. Since 1975, AID has committed about $13 million in support of Senegal's national policy of rebuilding the herds to feed an undernourished population. By 1984 these projects had achieved minimal results. The herds were again in the grip of a devastating drought and the livestock sector is essentially where it was in the early 1970's. This report discusses:

--why these projects did not achieve their objectives; and

--how USAID/Senegal can improve project management by establishing better administrative and accounting controls and promoting a positive and supportive attitude within the Mission toward these controls.

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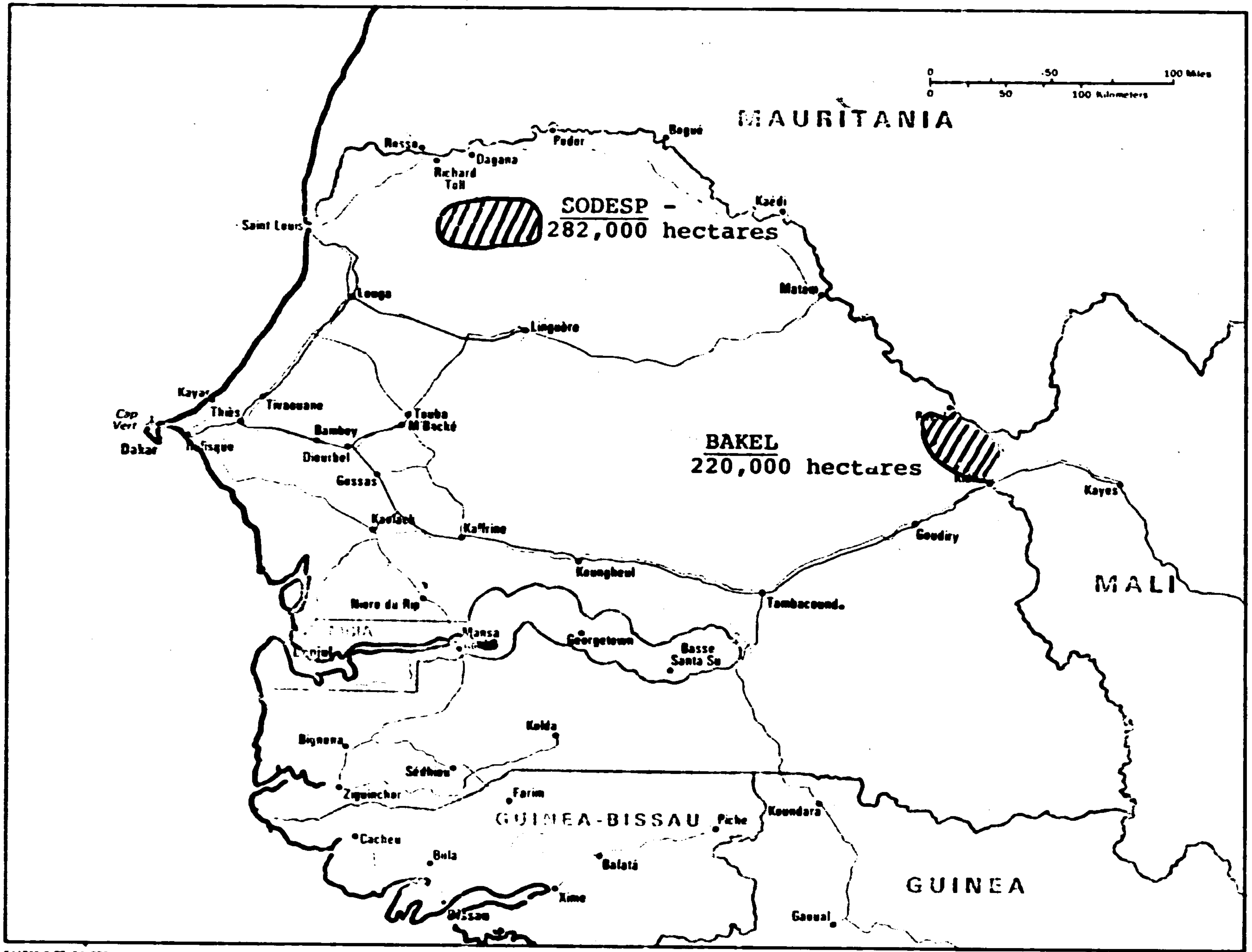

--Approximate zone area for each project

Railroad
Road
Airport

EXECUTIVE SUMMARY

Introduction

The Sahel region of Africa experiences large variations in rainfall and faces periodic droughts. Such a drought in the early 1970's focused world attention upon the plight of this region. Crops and livestock were devastated, threatening the survival of the Sahelian populations. The world community, including the United States, responded with a massive drought relief effort.

This effort, undertaken in 1973 and 1974, was costly and complex. The donors and Sahelian countries soon realized that far more costly relief efforts in the future were inevitable unless fundamental long-term changes were made to provide for the minimal self-sustaining needs of the people. AID started programs to meet this challenge in various economic sectors. Livestock was one of these.

In Senegal, the AID strategy was to recover the losses in livestock, sustain livestock production, and promote sale and consumption of meat. Critical to the success of this strategy was the management of rangelands so resources would balance with livestock. The overstocking which existed in the country prior to the drought contributed to the huge losses. AID undertook two projects:

--The Senegal Range and Livestock Development Project in Bakel, eastern Senegal, established in 1975 to manage a grazing reserve of 110,000 hectares, increase cattle from 11,200 to 16,000, develop year-round water resources, and provide veterinary care. Amendments increased the range to 220,000 hectares and cattle to 25,000. As of December 1983, about $3.9 million of the $5 million granted had been spent. Completion was scheduled for January 31, 1985.

--The Sodesp Livestock Development Project in northern Senegal, established in 1978 to provide integrated livestock production by financing production and commercialization activities. The project was also to develop a system for water and range management, forestry, improve the quality of life of the herders' families and create a data base for research and monitoring. As of September 1983, about $7 million of the $8 million granted had been spent. Completion was scheduled for June 30, 1984.

Project accomplishments were, however, far less than planned:

--By December 1983, most of the $3.9 million in Bakel had been spent to develop, at most, 110,000 hectares of range, instead of the 220,000 for which the project was ultimately designed. Cattle population increased by 832 instead of several thousands, and other production factors had not increased appreciably. In March 1984, year-round water resources had not been developed and herders were short of water. Deterioration of the range had not been checked. On the other hand, the veterinary health program had shown positive results.

--A USAID/Senegal technical assistance advisor concluded in March 1984 that a permanent solution to Bakel must include water development, accompanied by a change in the existing livestock and range management system. These conclusions were essentially the same as those used to justify the project in 1975.

--Most of the $7 million spent on the Sodesp project was for livestock production, essentially supplemental feeding and marketing. By 1984, Sodesp had sold 263 cattle, compared with objectives of 6,250 cattle and 4,950 small ruminants. The range management, quality of life for herders, and the research and monitoring components were not implemented.

Purpose of Review

The purpose of our review was to determine the reasons for the limited results achieved in these projects and to recommend ways to improve USAID/Senegal's project management. We focused on USAID/Senegal's system of management controls in an attempt to identify systemic causes of problems found in this and previous reviews in the Sahel.

Findings

These projects failed to meet their objectives due to factors similar to what we have found in reviews of other AID-assisted projects in the Sahel. There was (1) unrealistic project design, (2) poor project implementation, and (3) inadequate accounting and management of project assets. A basic cause of these problems could be attributed to weaknesses in USAID/Senegal's system of internal administrative and accounting controls. We found:

--Project assumptions were not periodically reevaluated. Some assumptions in the design made it impractical, if not impossible, for these projects to succeed. For example, both projects assumed that range livestock populations could be controlled so that livestock, water and forage could be balanced. Overlooked was the fact that these range areas are public domain, accessible to transient herders who use them heavily each year. As a result, project attempts at range management were unsuccessful.

--Project activities were not adequately monitored or reported through the Mission management system, so that variances which should have better alerted the Mission to lack of progress were not highlighted.

--There was an over-reliance on project evaluations to redirect the projects in areas which should have been resolved through Mission monitoring. Conversely, key evaluation findings were disregarded when it came to justifying new funding.

--Mission officials perceived that 1) considerable pressure existed to program and spend project funds, with a lesser concern for effective use of the monies; 2) overstated project objectives were required to gain AID/Washington approval; 3) project design, even though unrealistic and overambitious, could not easily be changed once approved; and 4) benefits can accrue from project activities despite little or no progress in meeting project objectives.

--The Mission did not adequately monitor project accounting and the use of project assets.

Recommendations and Mission Comments

This report recommends that USAID/Senegal improve project management by establishing better administrative and accounting internal controls and promoting a positive and supportive attitude toward these controls. We offer suggestions for the Mission to consistently reevaluate the validity of project assumptions, develop a better reporting system, improve monitoring and the use of project evaluations, and provide better accounting.

In response to a draft of this report, the Mission stated that, given the mature phase of these projects, the primary thrust of the recommendations, i.e., focusing on measures to improve general Mission management, was constructive. It pointed out that attempts to improve project management have been continuing over the years, but it recognized that reporting and reviewing procedures used in the past may not have adequately met project management objectives. The Mission also outlined the action planned in response to our recommendations. We concur with the Mission's plan of action.

BACKGROUND

INTRODUCTION

The Sahel region of Africa experiences large variations in rainfall and, as a result, is faced with severe periodic droughts. Such a drought in the early 1970's focused world attention upon the plight of this region. Crops and livestock were devastated, threatening the survival of the Sahelian populations. The world community, including the United States, responded with a massive drought relief effort. This effort, undertaken in 1973 and 1974, was costly and complex. Through it, the donors and Sahelian states realized that far more costly relief efforts in the future were inevitable unless fundamental long-term changes were made to provide for the minimal self-sustaining needs of these people. AID started programs to meet this challenge in various economic sectors in the Sahelian countries. Livestock was included among these sectors.

In Senegal, the AID strategy was to recover the losses in livestock, sustain livestock production, and promote sales and consumption of meat. Critical to the success of this strategy was the management of rangelands to avoid the overstocking which existed in the country prior to the drought and which led to the huge losses in livestock. AID undertook two projects:

--The Senegal Range and Livestock Development Project (Bakel) (Project No. 685-0202) in eastern Senegal.

--The SODESP1/ Livestock Development Project (Project No. 685-0224) in northern Senegal.

Bakel Project

The project agreement was signed between the Government of Senegal (GOS) and AID February 26, 1975. AID funding of $2.225 million was provided for about four years to assist the recovery of the livestock sector and prevent further loss and degradation of the range.

The project was to be implemented by the GOS Ministry of Rural Development and Hydraulics, Livestock and Animal Production Service. AID was to provide funding for construction, technical assistance, commodities, operating costs and training of GOS personnel. Although the GOS had primary responsibility for overall management, AID was responsible for oversight and use of AID resources.

The project was to establish a managed grazing reserve of 110,000 hectares to increase livestock by developing water resources and a comprehensive animal health program, as well as construction of about 300 km of firebreaks. Livestock in the project zone was to increase from about 11,200 to 16,000 over the life of the project. Fertility and growth rates, milk production and sales of livestock were to increase, and mortality was to decrease.

1/ Societe de Developpement de l'Elevage dans la Zone Sylvo-Pastorale -- the parastatal organization under the Ministry of Rural Development which is charged with the regional development of the sylvo-pastoral zone.

Later amendments increased the range to 220,000 hectares, and cattle to 25,000. Funding also increased and, as of December 1983, $5 million had been granted, of which $3.9 million had been spent. Completion was scheduled for January 31, 1985.

By December 1983, most of the funds had been spent to develop at most 110,000 hectares of range, instead of the 220,000 for which the project was ultimately justified. Cattle population increased by 882 instead of several thousands, and other production factors had not increased appreciably. In March 1984, year-round water resources had not been developed and herders were short of water. Range deterioration had not been checked. The veterinary health program, however, had shown positive results.

A USAID/Senegal technical assistance advisor concluded in March 1984 that a permanent solution to Bakel must include water development, accompanied by a change in the existing livestock and range management system. These conclusions were essentially the same as those used to justify the project in 1975.

Most of these problems were reported to the Mission in a 1980 AID evaluation of project activities, when the initial $2.225 million had been spent. Foremost was the conclusion that there was no evidence that the small recovery in the Bakel herds had resulted from the project. The Mission was advised to reduce the cattle objectives from 16,000 to 9,000 and to reevaluate the validity of continuing several project activities. Instead, the Mission expanded the project.

SODESP Project

The grant agreement was signed between GOS and AID on December 30, 1978. AID funding of $8 million was authorized for five years to help develop a more productive system of livestock raising, consistent with the preservation and improvement of the natural resource base. The project was to be implemented by SODESP.

The project was to establish a system of integrated livestock production by financing the extension, production, and commercialization activities of SODESP; develop a system for water, range and forestry resource management by controlling cattle; improve the quality of life of herders' families; and develop a comprehensive data base for research and monitoring and improved resource management.

Productivity was to be increased by improving the quality of the herds in the project zone and by buying weaned livestock, raising it in better pastures in the south, and selling it to urban centers at higher weight than livestock handled under the traditional marketing system. Project zone activities involved registering some 12,500 cattle and 12,500 sheep and goats with SODESP. Upon registration, the herders were to sell their old non-productive livestock. SODESP would also buy all weaned livestock not necessary for production. In all, 6,250 cattle and 4,950 sheep and goats were to be sold. In exchange for this, SODESP was to ensure a controlled range livestock population, a veterinary health program, and food supplements.

By September 1983, $7.03 million out of the $8 million grant had been obligated. The project was scheduled for completion June 30, 1984.

By 1984 most of the project funds were spent on livestock production, essentially supplemental feeding and marketing. SODESP had sold 263 cattle. Qualitative factors such as weight and birth rates had declined. Other aspects of the project, i.e., range management, improvement of the quality of life of the herders, and research and monitoring, were either not implemented or reduced to a point where their contribution to the project was minimal.

Livestock in the project range area could not be controlled, leading to overstocking and increased land degradation. Because no provisions had been made for drought conditions, most of the project livestock left the area by February 1984 and moved several hundred kilometers to the south, seeking forage. In 1984, SODESP, with the approval of USAID/Senegal, was using the funds remaining on the project, some $1.1 million, to provide emergency relief to livestock stranded in Senegal with little forage or water.

AID evaluated the SODESP project in 1982. In December the evaluation recommended that, unless SODESP was willing to remedy the problems noted in the report, USAID/Senegal terminate the project. The Mission temporarily stopped funding in March 1983 to force SODESP to conduct an impact study of the project. This study was conducted in late 1983. By January 1984, the Mission resumed funding and ultimately extended the project to June 30, 1984. The other recommendations of the evaluation team were not implemented by SODESP to any appreciable degree.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of our review was to determine the reasons for the limited results achieved in these projects and to recommend ways to improve the management of future projects in Senegal. We conducted our review between December 1983 and March 1984. There were no prior audits of these projects.

We reviewed GOS and USAID project records. We held discussions with appropriate GOS and USAID officials and visited project sites. While at the project sites, we spoke with representatives of the local population.

Our review was made in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions. We reviewed selected aspects of AID/Senegal's internal controls (accounting and administrative). In so doing, we focused on USAID/Senegal's management system, including 1) how the Mission evaluates or reevaluates assumptions made in the project design phase, 2) how project activities are monitored, 3) how project evaluation and redesign are handled, and 4) how Mission personnel view their responsibilities in helping to achieve agency objectives.

As tests of accounting controls, we:

--reviewed the validity of expenditures submitted by the GOS to USAID, including use of revolving funds;

--reviewed USAID procedures to ensure that income and expenditures were properly reported by the GOS;

--reviewed selected controls maintained by GOS organizations responsible for administering the projects; and

--determined whether AID-provided assets were being appropriately used.

This is the first in a series of reviews on AID assistance to livestock production in the Sahel. Livestock projects constitute the second largest group of AID food production projects in the Sahel, following crop production activities. Although USAID/Senegal's participation in livestock was near completion at the time of our review, we used these projects as a vehicle to focus on the Mission's system of management controls. We attempted to identify systemic causes of repeated problems reported in prior IG 1/ and General Accounting Office reports on the Sahel. These problems included:

--unrealistic project design;

--poor project implementation causing little or no results; and

--mismanagement of assets and inadequate accounting for project funds.

1/ "Inadequate Design and Monitoring Impede Results in Sahel Food Production Projects" No. 84-20, dated 1/31/84;
"Need to Improve the Design and Implementation of Agricultural Credit Programs in the Sahel," No 6-698-84-16, dated 12/21/83

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

BETTER INTERNAL CONTROLS COULD HAVE IMPROVED MISSION MANAGEMENT

AID's $13 million commitment notwithstanding, the livestock sector in Senegal is essentially where it was in the early 1970's.

As of March 1984, the Bakel project had not significantly assisted in the recovery of livestock or prevented further loss and degradation of the range. SODESP did not develop a more productive system consistent with the preservation and improvement of the natural resource base.

While some of the reasons for the lack of success of these projects can be attributed to GOS management, much rests upon the effectiveness of USAID/Senegal's oversight of project activities. In our effort to discover systemic causes, we found that they could be related in large part to the Mission's project management system. This system can be examined through analyses of administrative and accounting internal controls. These controls are recognized by AID as a means whereby an organization governs its activities to accomplish its defined purpose. In evaluating how the Mission managed these projects, we found a number of problems which demonstrate weaknesses in its system of internal controls, namely:

--Project design assumptions were not reevaluated periodically, and yet these assumptions made it impractical, if not impossible, for projects to succeed.

--Project activities were not monitored in such a fashion that Mission management could clearly evaluate progress.

--Mission management over-relied on project evaluations to redirect the projects in areas which should have been resolved as the projects progressed. Conversely, it disregarded key findings when it came to further justification of new and substantial funding.

--Mission officials perceived that 1) considerable pressure existed to program and spend project funds, with a lesser concern for effective use of the monies; 2) overstated project objectives were required to gain AID/Washington approval; 3) project design, even though unrealistic and overambitious, could not easily be changed once approved; and 4) benefits can accrue from project activities despite little or no progress in meeting project objectives.

--Mission management did not adequately monitor project accounting and the use of project assets.

For AID assistance projects, internal controls are established to ensure that:

--project objectives are met;

--project funds are used for agreed purposes and in accordance with applicable law;

--funds, property and other assets are adequately safeguarded against waste, loss, unauthorized use or misappropriation.

Fundamental to achieving these objectives are periodic reevaluations of the projects, a monitoring system to ensure that objectives are met effectively and economically, good project accounting, and a system to ensure that project assets are properly protected and effectively used.

A good internal control system is even more critical when dealing with a host government which may have a different sytem of management than AID's. If at any point the system breaks down, information may not be passed on at the right level; thus, decisions may not be adequate or timely.

In overseeing a project, AID management faces difficult choices. It must generate enough enthusiasm to enlist the cooperation of the host government; yet it must ensure that the practices followed are effective, business-like, and in accordance with AID procedures. In these endeavors, it has to have enough flexibility to ensure that daily problems are properly and speedily addressed. Major disagreements about project goals or objectives are much more difficult to resolve. It takes fortitude on the part of a mission to tell the host country that the project is being discontinued, or that funding is being terminated or reduced.

Such decisions cannot be taken lightly. Conversely, if management does not believe in and sustain the objectives which have been set for the project and which have been incorporated in the agreement between AID and the host country, convincing the host country to meet them would be difficult. If the objectives cannot be met, they should be revised, consistent with the project still being worthwhile.

Project Design Assumptions Must be Reevaluated Periodically

Assumptions are used to justify project goals and objectives. If an assumption is invalid, most often all subsequent decisions and accomplishments will be jeopardized. The AID Handbook notes that because assumptions can be erroneous during design, or as social, economic and administrative environments change, they may have to be reevaluated and the project redesigned accordingly. Periodic review is useful in apprising management once there is project experience, or when conditions change.

In undertaking these projects, AID was motivated by the droughts of the 1970's and the need to provide sustained growth to meet the minimal needs of the people -- thereby reducing the future need for more costly food relief. Yet, a fundamental assumption of both projects was that normal climatic conditions would prevail. The assumption column of the SODESP design document reads: "No basic changes in local conditions, i.e., no major droughts or epidemics." As a result, there was no provision for forage or other food supplement for livestock should drought conditions arise. In the Bakel project, provisions for year-round water to the herds and herders were not actively pursued.

The worsening drought started in 1982, and by 1984, according to a recent publication, had reached proportions akin to the 1970's, or perhaps worse. In the Bakel area the need for water for livestock was acute -- but there was forage. In the SODESP area there was no forage, but deep wells provided water. Lack of forage created an exodus of project cattle south to areas already short of forage. GOS project officials expected large losses this year. In addition, about 500,000 cattle from northern Senegal and Mauritania were said to be on the move in late 1983 and early 1984. The GOS appealed for help in 1983, and various donors, among them the United States, responded. An emergency program was to bring food to these cattle.

In its reply to our draft report, the Mission indicated that the intensity of a drought year like 1983 is a 50- to 100-year probability, and that allowance for events of that nature were not designed in the project paper. We agree that planning cannot be refined to that extent but believe that drought conditions of varying intensity are so pervasive in the Sahel that projects have to deal with drought as a matter of course. This point is supported by a draft of the revised Sahel Development Strategy Statement which states that: "***despite the fact that average precipitation, even though improved, is not at the level of the "wet years" of the sixties, i.e., the "drought" although diminished in severity, continues.".

Another assumption which made project success doubtful was that the number of livestock in the project zone could be limited to that which water and forage resources could support. Both projects envisaged sustained growth and care through management of water and forage, by keeping a balance between resources and the number of livestock grazing in the area. This assumed that the number of livestock using the range could be controlled. If not, livestock within and without the project zone would exceed the capacity of the range, and degradation of land and overgrazing would occur.

The project areas are public domain in Senegal and accessible to sedentary and transient herders. The Bakel project documents contemplated changing the legal status of the project areas to set aside the land, but provided no means to enforce this in areas traditionally used for cattle migration. For 1983, the GOS estimates that over 150,000 head of cattle from Mauritania passed through northern Senegal. Without control over water or fencing and police power to enforce it, the GOS project director recognized that herds on the range cannot be controlled. Also, GOS project officials have indicated an inability to control these areas because they are traditional migration paths. As a result, the range management components of these projects could not be implemented as designed.

In February 1984 an independent study of SODESP project impact noted that soil degradation in the project area has worsened over the years. When we visited the SODESP project area that month, for the most part only sand was left on the ground. This is due to drought conditions, as well as inability to manage the range.

In the Bakel area the designers assumed the herd size could be increased and the range resources enhanced. They did not address a marketing mechanism for the livestock once the herd size exceeded the carrying capacity of the land. These assumptions overlooked the fact that the herders in the area traditionally do not sell cattle for commercial purposes but for subsistence. To the herders, cattle are a source of personal wealth and are the equivalent of money in the bank. Because very little is marketed out of the area, increases in the livestock population further tax the forage and water resources.

Progress Must be Consistently Measured

Guidance contained in AID Handbook 3 is clear about the need for a continuing assessment of the validity of project objectives and design. In order for management to gauge progress, the objectives set for a project have to be monitored, i.e., compared periodically to established milestones. Field visits play an important role in this process. If this is not done, management cannot adequately correct or anticipate problems. For both projects, specific objectives were established as follows:

--For Bakel, a range of 110,000 hectares was to be developed initially. The population of cattle was to increase from 11,200 to 16,000 and milk production from 150 liters to 300 liters; mortality was to be reduced from 12 to 8 percent; and the sale of cattle raised from 8 to 14 percent. Certain other components were also included, such as health programs for the herds, construction of 500 km of firebreaks, and the construction of 44 wells, 17 reservoirs, 30 deep pits and 4 dikes.

--At SODESP, the range was to be controlled at 5,000 head of cattle around each of four deep wells. Cattle milk production was to increase from 250 liters to 400 liters; mortality was to be reduced from 20 to 10 percent; 6,250 cattle were to be sold from the project area to a ranch 300 km south for fattening; 4,950 sheep and goats were also to be sold; 650,000 trees were to be planted; and a health program was to be introduced for the herds. To help monitor the project and help refine future goals, a research and monitoring component was also included.

We found that results in both projects could be obtained by analyzing AID and GOS project files. This information was either not gathered or, if gathered, was not organized and presented in such a way that, periodically, management could know where the project stood relative to these objectives. Mission management had little knowledge of 1) cattle population in each of the project zones, 2) milk production, 3) mortality and birth rates, 4) increases in weaning weight, or (5) sales. All of these data were used in the project document to demonstrate how the project could be successful.

Project results showed that objectives were not being met to any relevant degree. For example, available data for SODESP showed that indicators such as milk production, birthrates, etc., were regressing (see Appendix I). Mission analysis of such data would have shown these projects were not economically sound based upon the criteria used to justify them. Had the Mission monitored these data, it would have been in a better position to assist in implementing and redirecting project efforts. If mission management does not have the relevant information, a project can flounder, and the day of reckoning occurs at the project's end. For Bakel, for example, this translates to nearly all project monies having been spent to support activities mostly in one project zone, with no significant increase in livestock.

Field Visits can be More Effective

In monitoring the project, USAID requires information through written and/or oral reports from the host government. The only independent means available to know what is actually happening are site visits by the project officer and Mission personnel. The project officer told us he visited SODESP about once a month initially to check construction. He visited Bakel 14 times during the last three years.

The project officer told us his visits consisted of discussions of overall progress with GOS personnel. The visits were limited to finding out what was being done on the project, e.g., was construction taking place -- necessary information but short of demonstrating whether the project was doing any good. He did not, nor was he required to, prepare reports of site visits. He prepared them only if he felt there was something significant to report and indicated that his primary interest was project progress. If administrative problems were found, he would contact the GOS in Dakar.

With regard to comparing results to project objectives, the project officer said he had to translate the objectives contained in the project paper into reality. He considered the project paper a "sales document" with objectives which might be realistic but timeframes which are not. Another Mission official told us projects should be designed for longer periods of time -- as long as ten years.

We believe that comparisons of project results with objectives is the type of information which could alert management that timeframes are not realistic. The project officer, through his constant association with the project, provides a continual link between the project activities and Mission management. As stated in the AID handbook: "An appraisal of performance based on comparison of written reports and site visit findings against implementation plans should provide a basis for isolating problem areas * * * "

Project Evaluations Cannot Replace Good Management but Can Help Greatly in Project Redesign

The AID Handbook stresses that evaluations are essential to compare actual project results to those anticipated during project design and to provide an objective and rational basis for redesign if necessary. Evaluations:

--provide a mechanism for objectively reviewing projects;

--reinforce judgments and commitments to the project;

--provide additional information; and

--provide those outside the project with evidence that a process for managing, assessing, and redirecting the project exists as a means to improve the chances for project success.

The evaluations should consist of a thorough review of all facets of the program, including such parameters as the sociology and economics of the area.

Usually these evaluations are at the end of a prescribed phase to decide if further phases should be undertaken, or at the end of the project as "lessons learned."

The SODESP evaluation was conducted in 1982, when about $4 million out of $6.2 million had been spent and four years after the project started. The Bakel evaluation was conducted after project funds of $2.06 million had been expended. We found that the Mission:

--over-relied on scheduled project evaluations to redirect the project in areas which should have been resolved as the project progressed, and

--disregarded key evaluation findings when it came to further justification of new funding.

The chief of the office of agriculture, (who oversees about 85 percent of all USAID/Senegal projects) told us he preferred to wait until scheduled evaluations for hard evidence before making a decision to redesign. The project officer indicated that evaluations do not reveal anything new. Other Mission personnel we interviewed were not very aware of the problems faced by these projects. They, too, relied on evaluations, and on the knowledge of the project officer and the chief of the office of agriculture. Since evaluations are the only documents known to us which compare project objectives and results, it follows that these personnel would be constrained in solving problems not known to them until the evaluation.

We believe these views partly explain why timely corrective action was not taken on these projects before the evaluations. For example, the SODESP evaluation, four years after the project had started indicated livestock in the range area could not be controlled. USAID/Senegal told us that the evaluation was scheduled in part because of these problems. Yet this information was known to the former project officer three years earlier, when only $81,000 had been spent on this project. No action was taken at that time, or at the time of the evaluation. This inability to control the range jeopardizes any attempt at range management and results in waste of the monies assigned to that component.

The evaluation also indicated that the research and monitoring component had not been implemented, yet USAID considered this a must if the project were to continue. This was known to the Mission in 1981 but not effectively resolved. It finally became a factor in the December 1982 evaluation, and the Mission temporarily stopped funding the project in January 1983 until SODESP conducted an impact study.

Throughout the Bakel project the Mission knew, or at least had enough information to know, that progress was not being achieved. The range could not be controlled, a year-round water supply was not developed, and sale of cattle was minimal. In short, all the ingredients were there to ensure that the project would not meet its objectives. Waiting for the results of project evaluations only delayed decisions which should have been made earlier.

Additionally, the Mission disregarded key evaluation findings. In spite of the critical evaluation in 1980, the scope of the Bakel project was expanded and completion dates extended. For SODESP, although funding was temporarily suspended, the project was extended with no substantive changes. Bakel illustrates how the mission redesigned the project.

The evaluation found that project objectives had not been met, and there was no evidence to indicate that the limited recovery of the herds was facilitated by the project. The evaluation recommended a retrenchment of project activities, including lowering the 16,000 head of cattle objective to 9,000 because it was over-optimistic. The 1982 $1.6 million amendment increased the project area from 110,000 to 150,000 hectares, ponds by ten (see photograph next page), firebreaks by 62 kms, and livestock population objectives from 16,000 to 25,000. This was justified to AID headquarters on the basis that "an evaluation was performed which determined that the project was sound in goal and purpose."

We asked Mission personnel how they could translate the evaluation findings into "sound in goal and purpose." We were told that the evaluation was negative and the Mission rewrote it. The rewritten product, which was produced concurrently with project redesign, was referred to as a combination evaluation and redesign document. Another rationale was that the Bakel project was an existing institution, in place to receive available funds. The impact of the Mission's actions is demonstrated by the continued lack of progress of the project.

Mission Perception of Project Management Must Change

Two important elements of AID's implementation policy are to provide assistance as speedily as possible while ensuring its proper and efficient utilization, and to aim at an increasingly larger role for recipient countries in the implementation of projects. The likelihood of conflicts between these principles is well recognized. Stressing efficiency in project implementation may run counter to maximizing involvement of the recipient government's personnel. Stressing the speedy provision of assistance can violate applicable laws and legislation, negate project objectives and, thus, be of minimal benefits to the people we are attempting to assist, despite our substantial investment.

One of the most important contributions the AID mission can provide to the host government is to exemplify a genuine belief in the objectives which have been set and agreed to by all parties in the project agreement, and that it wants to see quality results through a prudent utilization of AID resources.

We spoke with Mission officials concerning their perception of Mission policy in regard to project implementation and management. Views expressed by Mission officials explain, in part, why certain decisions discussed in this report were made which:

--did not make best use of project funds; and

--were of limited benefit to intended recipients.

Mission officials perceived:

--considerable pressure to program and spend project funds with a lesser concern for effective use of the monies;

--overstated project objectives were required to gain AID/Washington approval;

--project design, even though unrealistic and overambitious, could not easily be changed once approved; and

BAKEL Project - example of a
pond built during the project

February 1984

--benefits can accrue from project activities despite little or no progress in meeting project objectives.

Some of the problems which stem from these perceptions have been reported in previous General Accounting Office (GAO) and IG audits.1/ For example, in March 1979, the GAO noted the limited capability of Sahelian countries to use the large amounts of aid being provided. It cautioned AID against providing too much financial help too soon, and urged AID to improve design performance and emphasize project implementation. A March 1981 IG report carried much the same message.

In commenting on our draft report, the Mission acknowledged that, especially in the earlier days of the Sahel program, there was considerable pressure to program and spend project funds. However, an overall thrust to focus greater attention on implementation, project progress and results started at least four years ago. The Mission asserted that statements made by Mission officials and included in the draft report did not properly reflect past and present Mission concerns for implementation of projects.

We do not dispute that Mission policy emphasizes effective project implementation and management. We do suggest, however, that the Mission needs to better communicate and reinforce its policy goals with its staff.

The attitude of AID staff that project goals are unrealistic and incapable of being attained can be reflected in that of host country personnel. Is it therefore reasonable to expect host country project personnel to meet the objectives set for them which their AID counterparts consider unrealistic? It would appear that agreement on reasonably attainable goals would improve credibility and AID's relationship with the GOS.

Monitoring Project Accounting and the Use of Project Assets Can Improve

AID is responsible for ensuring that AID resources are protected and utilized in a prudent business-like manner. AID must also provide an acceptable accounting of these resources, even though most of the project resources are placed with the host country through its implementing agencies. In addition to requiring the host country to use these resources responsibly, the Mission must visit the project periodically to verify the accuracy of reports and determine that the resources are used as intended.

We found that the Mission did not adequately monitor project accounting and the use of project assets. In addition, Mission monitoring of SODESP accounts and SODESP's accounting for project commodities was inadequate. We also believe that project assets could have been better controlled in both projects.

While none of these issues are significant in and of themselves, they further demonstrate the need for better project monitoring.

1/ "U.S. Development Assistance to the Sahel -- Progress and Problems", No. ID-79-9, dated March 29, 1979
"Improvements Must be Made in the Sahel Regional Development Program", No. 0-625-81-52, dated March 10, 1981

SODESP Accounting

Since 1978 the Mission has not reconciled SODESP's operating and revolving account balances with those of USAID/Senegal. Mission verifications have been limited to checking the supporting documentation accompanying the vouchers submitted by SODESP. This is a necessary procedure, but short of what is needed to ensure that all SODESP income and expenditures are reported to USAID and adjustments requested by USAID are implemented.

A limited review of the revolving fund and operating expense accounts disclosed 1) receipts and expenditures not reported to USAID by SODESP and 2) disallowed vouchers which were not adjusted in SODESP records. As of March 31, 1983, SODESP received CFA 39.8 million in advance (about $100,000, at a rate of CFA 400 per U.S. dollar in March 1984) -- more than it should have received. It had not reimbursed the revolving fund account for about CFA 20.7 million of expenditures which had been disallowed by USAID, and had not made various other adjustments. This issue was addressed in our draft report, and a recommendation was made for USAID to adjust the advance account (see Appendix II for detail).

In July 1984, Mission officials told us that SODESP had submitted documents to justify project fund advances. The expenditures disallowed and interest not reported were offset (this would represent about $68,000). The Mission suggested that other adjustments not be made because the grant agreement and project papers did not clearly indicate what was required of SODESP. In view of the Mission's action, we have deleted this recommendation.

Use and Maintenance of Project Assets

Assets furnished to these projects included vehicles, equipment, air-conditioners and barbed wire. To properly account for and safeguard these assets, a system must be in place which records the (1) receipt of the assets, (2) receipt in stock, (3) issuance from stock, and (4) delivery. There must also be adequate maintenance of project assets.

In making limited end-use checks on selected items, we found receipts and issues which were not recorded, and stock cards which did not agree with the quantities purchased by USAID for the project. In those cases where the stock was issued, there was no numerical control of issuance slips. Similarly, project officials stated some items should have been on hand but could not furnish any receipts that commodities were delivered.

The impact of the absence of sound procedures is reflected in the results of our limited tests on three items -- air-conditioners, fans and tents. We found only 9 of 19 air-conditioners, 30 of 32 fans, and none of 10 tents which were on project records. Although there was no documentation, SODESP personnel told us that 1) the missing air-conditioners were installed in their headquarters, 2) the two fans were mounted in the house of one of the project advisors, and 3) the tents had recently been sent out to the field.

Maintenance problems were reflected by the poor condition of project vehicles. About 16 passenger vehicles were purchased for Bakel and 15 for SODESP. These vehicles were to be used by project personnel to contact herders for enrollment in the project and to provide veterinary health care. During our January 1984 visit to SODESP we observed that most project vehicles had been inoperable since June 1983 (see photo on page 14a). These cars averaged only 40,000 miles of usage. The vehicles at Bakel did not fare well either. The causes can be attributed to lack of preventive maintenance and repair, parts manuals, and spare parts.

To resolve the spare part problem, we suggested the Mission purchase a full set of spares when the car was delivered. Mission personnel indicated this was now being done on other projects.

CONCLUSIONS AND RECOMMENDATIONS

Despite a heavy commitment by AID since 1975, the plight of livestock in Senegal has remained essentially the same. This has occurred in part because project design included aspects which made success impractical, if not impossible. Even if design had been better, problems, once they did occur, were never effectively resolved due to a poor monitoring system, or lack of Mission resolve. Both projects, in spite of critical program evaluations, were either expanded or continued with no substantive changes. In addition, accountability for AID funds could have been better.

A major cause of these problems is the Mission's unwillingness to hold the GOS and itself accountable for the effective use of AID-provided resources. We believe this stems from deficiencies in USAID/Senegal's system of administrative and internal accounting controls. Mission management simply has either not established adequate controls, or not properly used existing controls, to minimize risks, thereby maximizing successful implementation of these two assistance projects. Yet, by withholding funds from SODESP when SODESP did not agree to conduct an impact study, the Mission demonstrated it could hold the GOS accountable for its actions.

We recognize the difficulties faced by the Mission in dealing with the host government, and the high risk generally associated with implementing development projects, particularly in Africa. A certain amount of flexibility is necessary to manage these projects if the capability of the host government is to be enhanced. We also recognize that hardship conditions found in the rural areas of a country like Senegal can stifle the best of intentions.

However, we believe that when issues arise which virtually ensure project failure, lack of effective management action leads not only to a waste of funds but is detrimental to those we and the host government are trying to help. The problems may not be totally resolvable, but if the attempt is made and, upon deliberation by the proper level of management, a decision is made to continue, the risks and benefits ought to be clearly set forth and the basis for the decision defensible.

We also believe that involved Mission staff has not been attentive to internal control matters and has not demonstrated a positive attitude toward effective project results. Unless Mission officials believe in the objectives which have been agreed to by all parties, they cannot convince the host government it should comply with them. If the objectives are not realistic, they ought to be changed. USAID/Senegal must exemplify concerned but effective management.

We recommend that:

SODESP Project vehicles - average

mileage about 40,000

January 1984

Recommendation No. 1

The Mission Director, USAID/Senegal, improve project management by establishing better administrative and accounting internal controls and promoting a positive attitude toward these controls. As part of its project management system, the Mission must:

a. At least once a year reevaluate project assumptions and the continued validity of project objectives as part of the Mission's semiannual project reviews, the results of these reevaluations to be submitted to the director.

b. Design a simple system listing project objectives and require that project results be compared periodically. The current format of host government project activity reports will need to be revised as necessary. This information will become part of the decision-making process during the semiannual project reviews.

c. Ensure that project officers submit trip reports of site visits as suggested in the AID Handbook. These visits should be designed to verify the validity of reports of project activities, compliance with AID regulations, and the grant agreement -- including the use and maintenance of project commodities. Conversely, the format has to be kept simple enough not to overburden project officers with paperwork.

d. Include justification whenever a significant evaluation finding or recommendation is not accepted by the Mission when redesigning a project. This need not be elaborate but must include the finding or recommendation and management's rationale on how its decision will contribute to AID objectives.

e. Reconcile the balances in project accounts periodically with those of the Mission, with emphasis on 1) adjustments for cost disallowed, 2) unreported income, and 3) expenditures for unauthorized purposes.

USAID/Senegal Comments

The Mission has agreed that, given the mature phase of the Bakel and SODESP projects, the primary thrust of the recommendations, i.e., focusing on measures to improve general Mission management of projects, was constructive. The Mission recognizes that reporting and reviewing procedures used in the past may not have adequately met project management objectives. It points out, however, that efforts to improve project management have been under way since

1980. In part, these efforts led to the joint GOS/USAID management review of project activities about every six months.

The Mission has promised to stress the importance of internal administrative and accounting controls to the senior staff. It has outlined a plan of action to implement the other aspects of our recommendations. We concur with this plan. The Mission wants its management system to:

--Provide for periodic reevaluation of project assumptions and objectives. The Mission suggested this be done yearly instead of every six months, as we recommended. We have changed the recommendation accordingly.

--Compare results with project objectives through concise summary presentation of the annual workplan, as well as a quantified analysis of project results obtained to date, and those to be reached during the current and next workplan.

--Ensure that project officers submit trip reports, as provided in AID Handbook 3, Chapter 11.

--Support departures from evaluation recommendations with statements justifying the decision and how it will contribute to AID objectives.

--Continue close follow-up of local currency accounts and improve reporting procedures.

Other Mission comments are addressed in the pertinent sections of this report.

COMPARING RESULTS TO OBJECTIVES -- SODESP PROJECT

	Before Project	Initial Project Objectives	At 6/30/81	At 6/30/82	At 6/30/83	At 12/83
CATTLE						
ENROLLED (head)	-0-	12,500	2,772	7,358	11,427*	12,778
SOLD TO MKT. (head)	-0-	6,250	-0-	-0-	104	263**
WEANING WT. (kgs.)	150	175	X	136	133	135
MILK PROD. (ltrs.)	250	400	X	X	X	X
BIRTH RATE (%)	60	72	X	58	X	X
MORTALITY (%)	20	10	X	X	X	X
GOATS AND SHEEP						
ENROLLED (head)	-0-	12,500	1,941	1,787	4,648	5,217
SOLD (head)	-0-	4,950	-0-	-0-	-0-	-0-***
WEANING WT. (kgs.)	8	12	X	X	X	X
MILK PROD. (ltrs.)	75	150	X	X	X	X
BIRTH RATE (%)	110	150	X	X	X	X
MORTALITY (%)	30	20	X	X	X	X

X No data available

* Final sales to market

** As of December 1983, SODESP was holding 2,102 cattle for fattening and for future sale

*** In 1984, SODESP was holding 389 sheep for future sale

SODESP PROJECT
Expenditures and Income not Properly Recorded
in Revolving Account Fund
as of March 31, 1983

		CFA
	USAID/SENEGAL ADVANCES	135,580,567
Less:	Reimbursement vouchers	(127,534,226)
	Advances not yet covered by vouchers	8,046,341
Add:	Expenditures disallowed by AID	20,653,885
	Loan repayments not reported to AID	8,925,765
	Sales of cattle not reported to AID	3,547,700
	Interest not reported to AID	1,548,262
	Funds available	42,721,953
	Balance per SODESP books	(2,895,262)
Difference		39,826,691

As of March 1984, CFA 39,826,691 would amount to about $100,000, at a rate of CFA 400 per U.S. dollar.

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