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Washington, D.C. 20523

OFFICE OF THE AUDITOR GENERAL

AREA AUDITOR GENERAL - AFRICA (EAST)

REPORT ON EXAMINATION
OF THE
AID PROGRAM IN KENYA

001488

Period: As of February 28, 1973
Audit Report No. 3-615-73-29
Date Report Issued: April 12, 1973

April 12, 1973.

To : Mr. Charles A. James, Acting Director, USAID/Kenya

Ray D. Cramer

From : Ray D. Cramer, Acting Area Auditor General, Africa (East)

Subject: Report on Examination of the AID Program in Kenya as of February 28, 1973.
Audit Report No. 3-615-73-29, dated April 12, 1973.

The subject report is attached for your information and action. Our more significant findings are summarized on pages two through seven; and additional findings are presented in the body of the report.

The report contains twenty-eight recommendations, twenty-six of which are addressed to USAID/Kenya. Within thirty days after receipt of this report, please provide this office with a statement of the action taken on those recommendations addressed to USAID/Kenya.

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of the
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SCOPE OF EXAMINATION

We have examined the activities of the United States AID program in Kenya, which is primarily administered by personnel of USAID/Kenya. AID's Regional Economic Development Services Office of East Africa (REDSO/EA) provides assistance to USAID/Kenya in monitoring and developing capital assistance activities. A few Africa Regional projects, which have activities within Kenya, are administered by AID/Washington.

The objectives of our examination were to (a) determine if AID activities in Kenya were being implemented in a timely and effective manner, (b) determine the extent of compliance with applicable laws and Agency policies and regulations, and (c) identify and report problem areas which require additional attention.

Our examination was centered on current AID activities, with a limited review of activities which had been completed since our last audit. We (a) reviewed official files of the USAID/Kenya and REDSO/EA, (b) discussed the program with U.S. government employees, AID-financed contractors, and Government of Kenya (GOK) officials, and (c) visited activity sites throughout Kenya. Our review of program and management operations covered the period from September 1, 1971 through February 28, 1973. Financial data presented in this report is as of December 31, 1972. Expenditures by AID during this period totaled $6.7 million.

BACKGROUND INFORMATION

AID and its predecessor agencies have provided assistance to Kenya since 1948. From inception through December 1972, AID financing totaled approximately $84.5 million. The assistance provided by AID represents a relatively small part of total foreign assistance to Kenya. Other donors include the United Kingdom, Canada, West Germany, the Nordic countries, various agencies of the United Nations, and the International Bank for Reconstruction and Development. The United Kingdom is the largest donor.

Agriculture in Kenya is of prime importance. Only ten percent of Kenya's land is suitable for intensive farming. Most of the other ninety percent of the land is suitable only for livestock development. The USAID has concentrated its efforts on livestock or livestock related activities, and is currently providing assistance to agriculture through three projects.

Health and population is the second major sector of AID emphasis in Kenya. Kenya has a population growth rate of around 3.4 percent, which is one of the highest sustained growth rates in the world. This program emphasis also reflects AID/W priorities on population control. There are currently three Kenya projects and an AID/W project in this area.

Rural development has also been addressed by the Kenya program through the Vihiga pilot project. This is a multisector approach to determine which development efforts are most successful and replicable in other similar geographic areas. There are five other projects of this nature in Kenya supported by other donor agencies.

In March 1973, the USAID/Kenya finalized a $10 million program loan with the GOK to help finance Kenya's five year Development Plan programs in agriculture and rural development. The loan will provide foreign exchange to finance normal Kenya import requirements from the U.S. and developing countries in Africa, Asia and Latin America; and the local currency which the importers pay the GOK for the imports will be used to support the Development Plan. It is planned that the projects supported by the loan proceeds will complement the current AID program in Kenya.

FOLLOW-UP ON PRIOR EXAMINATIONS

There were no uncleared recommendations from prior audits.

SUMMARY OF FINDINGS

The United States AID program in Kenya has been generally successful in achieving project and sector objectives. Although U.S. assistance is a relatively small part of the total foreign assistance provided to Kenya, it has been well received. USAID/Kenya and REDSO/EA inputs have been coordinated and reasonably well managed; however, the USAID had not been apprised by AID/Washington of all

Africa Regional and AID worldwide activities located within Kenya. We noted significant improvement in the USAID's approach to formal and informal evaluations to determine (a) if project objectives were being met, and (b) what changes should be made in strategy to meet the objectives. The following paragraphs summarize our findings on the AID Program in Kenya by activity sector.

Agriculture

There were three active projects and six recently completed projects in USAID/Kenya's Agriculture Sector. Of the active projects, one (Agriculture Credit) was satisfactorily progressing, another (University of Nairobi Veterinary Faculty) was not making much progress toward the stated objectives, and the third (National Range and Ranch Development) had been initiated too recently to judge the degree of success. On the six recently completed projects, AID technicians had made satisfactory contributions toward the success of the project; however, in some instances the AID inputs were so insignificant when compared to total GOK and other donor inputs, that it was not possible to determine how much of an impact AID assistance had contributed toward the overall success of the projects.

AID support for livestock and range development was concentrated in one recently implemented grant project -- National Range and Ranch Development, Project documentation for this project does not accurately describe the project as we understand it will be implemented. In view of rather vague implementation plans, we question the need of nine AID-financed project technicians. The financial viability of range development within Kenya has not yet been assured by policies of the GOK. In the prior livestock and range projects, the effectiveness of the AID financed technicians was hindered by recurring logistical problems, as well as by long periods of time spent in-transit to the project site. Arrangements for the GOK to pay into the Trust Fund the local salary for AID-financed operational technicians had not yet been finalized; and on the completed range project, the USAID had not requested the GOK to make such payments. Although other donors received housing allowances of up to $400 per month, USAID/Kenya had requested only $120 for housing allowances for each of the AID-financed technicians (pages 10 to 17).

In the past AID provided educational instructors to two agricultural colleges. One of these projects, Higher Agriculture Education, was completed in December 1972. It appears that the viability of AID assistance provided through this project will be jeopardized because of the premature phase-out of the project (pages 18 to 19).

AID has been providing assistance to the University of Nairobi Veterinary Faculty since 1962 through regional and bi-lateral projects. On the current bi-lateral project, because of reluctance of the University to change from the tutorial system, very little can be done by the Colorado State University (CSU) contract team toward achieving the objectives of expanding graduate training and research. We concluded that AID was premature in emphasizing development of the curricular system of graduate training as one of the prime objectives of the project. Other problems noted in implementation of the Nairobi Veterinary Faculty project were (a) under-utilization by the University of Nairobi of the CSU staff, (b) lack of University of Nairobi plans for long term Kenyanization of the Faculty, (c) lack of knowledge by USAID/Kenya of plans of other donors in providing future assistance to the University of Nairobi, (d) insufficient salary and housing contributions from the University of Nairobi for the CSU staff, (e) imposition of restrictions by the University of Nairobi which precludes CSU from utilizing local currency funds for previously planned project purposes, and (f) use of local currency funds for expenses normally funded from the University of Nairobi budget instead of using these local currency funds to the maximum extent possible to reduce dollar costs. We also had questions concerning salaries paid to some CSU instructors and on the high cost of campus backstopping, which we have passed on to AID/W for further review. Prior to the conclusion of our review, the USAID held a meeting with the Dean of the Veterinary Faculty to discuss problems noted during the audit (pages 20 to 29, and Exhibit D).

Substantial progress had been made on the Agriculture Credit project, primarily through the efforts of two U.S. Department of Agriculture technicians. This project was recently expanded, according to plan, to provide credit advisors in rural areas of Kenya (pages 29 to 31).

Rural Development (Vihiga)

As conceived by the GOK and stated in the original Non-Capital Project Paper (PROP), the purpose of this project was development through experimentation of new approaches in rural development, which would pinpoint successful approaches for replication in other geographical areas of Kenya. In recognition of the weaknesses contained in the original PROP, a revision was suggested by USAID/Kenya to AID/W in October 1972 to expand the purpose to develop a "system" which would coordinate program planning, implementation and evaluation of all sectors concerned with Rural Development. At the time of our prior audit, progress toward implementation of the project had been slow; but implementation picked up momentum with the arrival of AID-financed long term advisors and operational contractors beginning in late 1971. The principal areas of weakness noted in the Rural Development (Vihiga) Project were (a) poor financial support by the GOK, and (b) the need for a strong GOK coordinator of the various sectoral programs affecting rural development. Mission evaluations of the project had been comprehensive and objective (pages 32 to 37).

Health and Sanitation

AID assistance to this sector has been provided through four population projects, and a grant to Cooperative for American Relief Everywhere (CARE) to conduct nutrition awareness courses throughout Kenya.

The Population Dynamics project provided AID assistance in financing (a) the taking of a census and related demographic studies, (b) a study to evaluate alternative approaches to family planning in rural areas, (c) advisors, commodities, and training for GOK employees in maternal child health/family planning activities, and (d) an AID/W contract to implement a pilot marketing project to test and demonstrate a non-medical method to supplement clinical family planning techniques. The census and demographic activities were being promptly and successfully implemented. The rural area studies were behind schedule due to internal GOK problems. The broad mandate of the GOK to the Health Education Division which covers all aspects of health education, dilutes the efforts of the AID project advisors from their main goal of population control. Prior to our review, the USAID Project Officer questioned the value of continuing this indirect approach, and was considering alternative plans which might produce more direct results for an equivalent investment. The pilot project to market condums at a subsidized price was on schedule, and apparently less costly and more successful in Kenya than the attempted current public programs.

In February 1973, AID's Population Program Director visited Kenya, held discussions with GOK and USAID personnel, and tentatively offered the GOK financial assistance for maternal/child health and family planning activities of approximately $2.8 million over a five year period. Previously, the position of the USAID/Kenya had been one of active assistance with cautious optimism, and consideration of alternative methods which would provide more direct population reduction benefits (pages 37 to 42).

The final report submitted by CARE on the AID incentive nutritions grant stated that more than 3,300 Kenyans had been instructed in short courses on nutritional awareness, approximately 90 others attended more comprehensive courses, and booklets and posters on nutrition were printed and distributed. The accomplishments stated in CARE's report agreed to the items approved by AID (page 42).

Other Significant Program Activities

In recent years AID has assisted the Kenya National Youth Service (NYS) by providing instructors in vocational training and a loan for construction equipment. The project to develop a Vocational Training Center (VTC) and to train Kenyan instructors to replace the AID-financed contract instructors was completed in January 1972. Although the VTC never achieved the goal of training 500 technicians every 18 months, a training institution with adequate Kenyan instructors in three of five disciplines was established. Over $3.1 million of construction equipment was procured from an AID loan, had arrived in Kenya, and was being properly utilized by NYS. More than 100 trucks and buses sold to NYS by International Harvester had foreign componentry in excess of the amount permitted by the specifications in the invitations for bid. There was also confusion of the procedures under which NYS would be able to utilize an irrevocable deposit equivalent to $280,000 which, in accordance with the loan agreement, the GOK had made in an equipment maintenance and replacement fund (pages 43 to 45).

AID provided PL 480 Title II commodities for two voluntary agency programs in Kenya. Catholic Relief Services (CRS) had an annual program of about $1.0 million. The portion of the CRS program which was devoted to providing foodstuffs to maternal/child health centers was well monitored and operated on a reasonable basis. The other part of the CRS food program, which comprised 57% of the CRS food program, was directed toward primary, secondary and nursery schools, institutions, and adult homes. This part of the CRS program was not adequately monitored by CRS. Early in 1972, an internal audit by CRS disclosed similar problems to those found during our review, but the deficiencies had not been corrected by CRS (pages 46 to 48).

The other PL 480 program was initiated through CARE in September 1971. The FY 1972 CARE program totaled $37,000. The actual distribution of the foodstuffs was accomplished for CARE by a private organization which reported to the GOK Ministry of Cooperatives and Social Services. It appeared that the private distributor was either unwilling or unable to provide a proper field staff, did not properly report distributions to CARE, and did not have good program managership (pages 48 and 49).

Organization and Management

At the request of the Acting Director of USAID/Kenya, we identified positions where we had observed that the incumbent was not fully occupied. Prior to the conclusion of our review, the USAID obtained the services of a non-USAID/Kenya AID employee to make an in-depth analysis of the staffing requirements of the USAID (page 50).

During the course of the audit, corrective action was taken by the USAID/Kenya Controller on various minor discrepancies. The procedures followed by the USAID/Kenya Training Office were also changed during the audit to word future PIO/P's to show the GOK position to which participants should return, and the length of time the returned participant was expected to work in that position (pages 51 and 52).

Our review of the USAID/Kenya Executive Office indicated that many functions of that office were handled extremely well. We found however that (a) some non-expendable property had been loaned to unauthorized users, (b) there were some questionable dispositions of non-expendable property which in our opinion should have been resolved by a Property Survey Board, (c) additional action should be taken to reduce the USAID/Kenya Motor Pool and to clarify the USAID's recently issued Mission Order on use of AID vehicles, (d) substantial savings of time of Executive Office personnel would result if the Mission switched from providing mission leased quarters to private leased quarters, and (e) reproduction costs could probably be reduced if procedures were established stating which types of reproduction should be used for certain numbers of copies, and if a collator were procured which could be used on any of the three types of copies reproduced by the USAID (pages 52 to 60).

PROGRAM OPERATIONS

Agriculture Sector

Since the inception of the AID program in Kenya, fourteen agricultural projects have been initiated. U.S. dollar financing of these projects through December 31, 1972 totaled obligations of

$9.8 million and expenditures of $8.9 million. U.S. owned sterling (equivalent to $4.3 million) and Kenyan shillings generated from the sale of U.S. commodities (equivalent to $3.5 million) were used to support various agricultural projects in the early years of the program. In addition, an AID regional project to assist the Nairobi Veterinary Faculty was conducted entirely within Kenya and provided an additional $1.9 million in grant assistance. Current AID activities in the agriculture sector are directed toward range development, improvement of agriculture credit facilities, and improvement of the Veterinary Faculty at the University of Nairobi. Loans totaling about $20 million are being considered for future assistance to the Kenya Agriculture Sector.

Livestock Development

USAID/Kenya's assistance to livestock development began in 1955 as part of the now completed Crop and Livestock project. The livestock aspects became a separate entity in 1963 and have been implemented through two projects -- Range Development initiated in 1963, and Range Water Development initiated in 1967. Through December 31, 1972, AID has spent $1.7 million on these two Livestock projects. Both projects phased out in 1972, but the basic activities will be continued under a National Range and Ranch Development project.

Range Development Project -- The purpose of the Range Development Project was to assist the GOK in its efforts to increase agriculture production for domestic and export markets by the development of Kenya's vast range resources. The overall project goal was to assist in the intensive development of nine million acres, and the extensive development of 46 million acres to increase the output of beef cattle by 150,000 annually. AID funding provided over the life of the project was $1.0 million. During the period of our current review AID expenditures of $125,000 were primarily for contract personnel costs.

Project goals and targets included in the noncapital project paper (PROP) of August 1969 were very general, and lacked the specificity prescribed in the current instructions for preparation of a PROP. The project goals and targets as presented in the PROP were for a countrywide Range Development project being implemented by the Range and Water Development divisions of the GOK's Ministry of Agriculture, and by about 15 technicians from other donors including the UN, England, Sweden and Canada. Throughout the life of the project, AID's input was limited to two or three Near East Foundation (NEF) technicians working in two provinces, and an AID direct hire technician located at ministry headquarters. During the last 18 months of the project only two NEF contract technicians were on board. The project was terminated August 31, 1972.

The final Project Appraisal Report (PAR) dated October 4, 1972 indicated that this was a successful project, and that all goals were met or exceeded. The accomplishments stated in the PAR included the establishing of a Range Management Division operating with an up-graded staff of 300 range officers and assistants, organization of 460 ranch units, and the survey of 12 million acres of range land. AID's contribution toward the success of this project was primarily focused on providing (a) expertise to show the GOK what was needed in range management and assisting in developing the Division of Range Management, and (b) training in U.S. universities for the key officers of the GOK's Range Management Division. Our review of the technicians reports for the last 18 months, however, indicated that (a) little was done relative to the organization of new ranches, (b) substantial time was spent on improving existing ranches, (c) all the technicians efforts were at the provincial level, and (d) very limited effort was expended on the gathering of technical data on water resources. Although not mentioned as a project goal, one of the NEF technicians expended significant time and effort working on an artifical insemination program in the Rift Valley Province.

Project documents required that the project be jointly evaluated by AID and the GOK. Our review indicated that joint evaluations had not been made. In addition, a formal evaluation in the form of a PAR had not been made between December 1970 and October 1972.

Range Water Development -- The objective of the Range Water Development project was to increase the quantity and quality of livestock off-take in project areas through the development of stabilized range and water resources and an effective management program. Over the life of the project, AID provided $644,000. During the period of our current review, AID expenditures of $233,000 were primarily for personnel costs. The project ended June 30, 1972. As of July 1972 all activities under the project were transferred to the new National Range and Ranch Development project.

AID's input has been primarily technical assistance through Participating Agency Service Agreements (PASA's) with the U.S. Departments of Agriculture and Interior. The team, initially four men reduced to three in December 1970, carried out surveys of forage, ground water, and surface water throughout the 50,000 square miles of Kenya's North East Province. Subsequent to the surveys, a plan was prepared to conduct intensive development of a pilot area of 2,500 square miles and extensive development of the remaining area. Funds for the development of Phase I of the plan (eight "blocks" comprising the entire 50,000 square miles) were provided under a $6.5 million loan from Sweden and the World Bank. AID and the U.S. Peace Corps furnished the only technical assistance in the North East area of the project.

The development of the pilot area (blocks one, two and three) is completed. The construction crews have moved on to blocks four and five, but it appears that blocks six, seven and eight will not be completed with the remaining Phase I loan funds as initially planned. Construction to date included the completion of twelve boreholes, 38 water catchment basins, and more than 1,000 miles of dirt roads (tracks).

The USAID's evaluation indicates that the pilot project in the North East Province has achieved much success and gives great promise for extending the program to all appropriate areas of Kenya. Although field construction is complete and the range management staff are in place, utilization of the grazing land has just started, and we think it is too soon to claim success.

National Range and Ranch Development Project -- The National Range and Ranch Development Project (NRRD) began July 1, 1972. The objective of the project was to increase livestock production in Kenya sufficiently to meet growing domestic demands for beef at reasonable prices, and to increase exports of beef to earn foreign exchange. AID's planned input of ten technicians and $18,000 in commodities to support the technicians is insignificant compared to the GOK's cost of implementing the project. Loan funds of $6.5 million from Sweden and the World Bank were used to implement Phase I of the project, and will be completely expended by mid-1973. Estimated total funding requirements for personnel, equipment, supplies and loans for ranchers on Phase II of the project (which is countrywide) was about $80 million (including a possible $13 million loan from AID). AID obligations and expenditures through December 31, 1972 totaled $317,000 and $98,000 respectively. The PROP indicated that AID financing for the project will continue through 1982 with total grant funding of $4.7 million. Thus far, AID/Washington has approved the project for four years (FY 1973 through FY 1976).

In addition to continuing the activities of the former Range Development and Range Water Development projects, the NRRD project will also continue the activities of an AID-financed Agriculture Planning project. Only one of these former projects (Range Water Development) had been scheduled to continue beyond FY 1972. On the two projects scheduled to phase out in FY 1972, the final PAR's indicated that the project goals had been achieved and that the projects were satisfactorily implemented. The work plan for further range development (including the number of ranches to be developed and the type of development to be undertaken) is significantly broader than under the previous range project. However, as noted on page 13, we see no justification for continuing AID assistance to Agriculture Planning.

Our review of the program documentation submitted to AID/Washington prior to approval of this project (the Non-Capital Project Paper (PROP) and the Logical Framework) indicated generalities, and is now inconsistent with current GOK plans, e.g.:

1. End of project conditions were extremely broad and general; e.g., "substantially increased grazing", "increased cash income", "sold at younger age", and "increased weight".

2. We were unable to locate in the Ministry of Agriculture's Phase II plans any mention of the 150 grazing groups, cooperatives and grazing associations mentioned in the PROP.

3. A hydrologist is scheduled for the project for the next two years. The competence of Agriculture Engineers to be provided is limited to surface water, and we were unable to determine from the PROP who would provide ground water expertise after the departure of the hydrologist.

4. Specific items to be considered in the planning stage include five types of data, two of which are either (a) not in the team members area of competence, or (b) policy determinations requiring a political decision. These areas of work are (a) p pulation and social problems, and (b) amount of contribution expected from range users (pastorials).

The inconsistencies with current GOK plans occurred because the PROP was completed and submitted to AID/W prior to finalization of the Phase II plans by the GOK. Indeed, the GOK's Phase II plans are not yet complete -- revisions of plans and output indicators were recently recommended to the GOK by the World Bank after their study to determine if they should provide financing for the project. In a recently prepared Project Implementation Plan (PIP) for this project, the USAID has taken some positive steps to remove the generalities and to develop output indicators which are consistent with those recommended by the World Bank. Further, the USAID assured us that when Phase II plans are finalized, they would formally submit program documentation to AID/W for approval of significant changes.

The National Range and Ranch Development project is to be implemented under PASA's by a group of nine technicians, and an AID direct hire project manager. The technical team is expected to consist of three Range Management Planners, three Agriculture Engineers, two Agriculture Economists, and a Hydrologist. Project plans indicate that a Range Management Specialist and an Agriculture Engineer will be stationed in each of three provinces; i.e., North East, Rift Valley and Coast provinces. The two Agricultural Economists will continue to work in the Planning Division of the Ministry of Agriculture. The Hydrologist will continue with work currently underway in the North East Province, and assist in locating sources of groundwater in other areas of the project.

Our review indicated to us that the anticipated staff of nine technicians could probably be reduced to five technicians -- two teams of a Range Planner and an Agriculture Engineer, and one Hydrologist:

A. The two technicians in the North East Province are scheduled to continue to implement the development plan designed under Phase I. As stated in our comments under the Range Water project, the implementation of that work is about on schedule, and these two technicians would be available to work on remaining work in the North East and in other areas of Kenya. The PROP calls for one team of a Range Management Specialist and an Agriculture Engineer to be stationed in Nakuru and work in the Rift Valley Province, and for another team to be stationed in Mombasa to work in the Coast Province. Our review of project documentation and discussions with AID and GOK officials disclosed that it was not definitely known where the AID technicians would be assigned. In view of the lack of agreement between AID and GOK plans for assignment, areas of work, and types of ranches for which technical assistance is to be provided, we believe the USAID should re-evaluate the planned input of six Range Management Specialists and Agriculture Engineers. It is our opinion that no more than four such technicians are required at this time and for the foreseeable future.

B. Project input includes AID providing two agriculture economists to work in the Planning Division of the Ministry of Agriculture. The project as it relates to Agriculture planning is different from the previous Agriculture planning project only in that coordination between the AID financed Agriculture Planners and the other project technicians is now required. A few years ago the planning division had 15 employees, almost all of whom were expatriates provided by various donors. The planning division now has nine authorized positions and 26 professional employees, of which nine are African Kenyans. All 26 professionals were functioning as operational employees. There are also two participants in the U.S. sent under the previous project to replace the two AID funded technicians. Although the GOK does not have plans for long-range staffing of this organization, the current project plans call for additional participant training and the presence of the AID funded technicians for an extended period of time. Coordination between the planning division and other elements of the GOK and project technicians is certainly desirable; however, coordination doesn't require the presence of AID funded technicians. As the USAID/Kenya's evaluation of the previous project stated that the objectives of the project had been fulfilled, we see no reason for continued financing of U.S. technicians for the Planning Division of the Ministry of Agriculture.

<u>Recommendation No. 1</u>.

USAID/Kenya should re-evaluate the staffing requirements for the National Range and Ranch Development project.

The financial viability of range development, such as that being developed in the North East Province, is not yet assured. The project agreement indicated that contributions by the local users will be used for administration and maintenance of the improved areas. Phase I construction is now complete, and the improved areas have been utilized by the pastorials; but fees have not been charged to the pastorials. The AID technicians prepared maintenance and operating plans for the project areas, which included cost estimates. We were informed that the GOK intends to collect some funds for operation and maintenance costs through the Livestock Marketing Divisions sales fees, and that operation and maintenance costs will be about Shs. 45 (U.S. $6.50) for each animal marketed over the next 15 years. The World Bank appraisal mission studied the economic, social, and political aspects of the sub-project in considerable depth; and their economic analysis indicated an internal rate of return of 14% to 17% -- on the assumption that recurring operating costs would be recovered. This was considered sufficient to recommend the project for financing by donor groups. We think that prior to disbursing loan funds, AID should assure that this assumption regarding operation and maintenance costs is valid.

Recommendation No. 2.

> USAID/Kenya should, prior to committing additional financial support to range and ranch development activities in Kenya, require the GOK to establish an economically feasible plan for collecting funds to pay operation and maintenance costs, or otherwise provide for these costs.

Various problems were encountered on the previous related AID-financed projects. The more significant of these problems, and recommendations for corrective action where applicable, are presented in this report to avoid a recurrence of the problems on the National Range and Ranch Development project.

During the last 18 months, only one of the seven technicians (the hydrologist) on the range and planning projects worked with an individual full-time counterpart. Although AID spent $194,000 for short and long term training under the Range Management project and six participants successfully completed long term training, the returnees worked on other GOK assignments. However, the current project plans include participant training for 12 range management technicians, eight agricultural engineers, eight agricultural economists and two hydrologists.

The technicians on the Range Water Development project indicated that, as a result of delays in the logistic support supplied by the GOK, they were only about 50% effective. The technicians experience had proven that unless they personally intervened at Ministry or Division level of the GOK on such routine matters as (a) procurement of repair parts for equipment, (b) sending repair parts to the project site, (c) sending a mechanic to project site to repair deadlined equipment, and (d) sending needed equipment and supplies to the project site, the required procurement or service was frequently extensively delayed or forgotten by the GOK. Requesting and monitoring such logistic services should not be the responsibility of the technicians. The field and headquarters staff of the Ministry is supposedly staffed and equipped to perform these services.

Seven AID funded vehicles were provided for the Range Water Development project. Three of the vehicles were assigned to the technicians, one vehicle was assigned up-country with some heavy equipment, and three vehicles were deadlined in Nairobi. Vehicle maintenance was and continues to be a problem on this project. Spare parts for these U.S. manufacturered vehicles were not available up-country, and the Ministry garage in Nairobi did not stock parts for these vehicles. In addition, the work performed at the GOK garage was frequently incomplete or incorrectly done. As a result, an inordinate amount of our technicians' time was spent simply trying to "keep his vehicle on the road." The three deadlined vehicles have been inoperative for an extended period of time, and the GOK has expressed an intent to junk and/or cannibalize these vehicles. Our technician, however, thinks the vehicles are repairable and has requested the GOK to repair the vehicles. Authorized dealers with service facilities are located in Nairobi for all these vehicles.

The files include various pieces of correspondence from our technicians to the Ministry relative to problems in logistic or vehicle support. We could not locate any replies from the Ministry. The F & A Officer gave us a written statement that he had frequently interceded with GOK officials to obtain more logistic support for the Range Water Development technicians; however, he verbally stated that he had not been able to resolve the logistic support problems. The final PAR, issued September 1972, included a recommendation that under the current project action be taken to improve the Ministry's logistic support. As of mid-February 1973, the Mission had taken no action on the recommendation of the PAR.

The project site currently being developed in the North East Province is a two day drive from Nairobi. All but the first 150 miles is over extremely rough dirt roads, which are sometimes impassable during the rainy season. During a recent 12 month period ending in October 1972, the technicians spent about 2% of their time out of

Nairobi. Eliminating two days travel time to the prior project site reduced the technicians time at project site to 21% of the calendar year. The project technicians are here at considerable expense to the U.S. Government. Four days driving time for each field trip to the current work sites is extremely expensive to the U.S. Government, and an extraordinary loss of productive time to the GOK.

Recommendation No. 3.

USAID/Kenya should (a) recommend changes in the Ministry of Agriculture's logistical support system in order to allow more flexible and timely response to operational requirements in the field, and (b) request the GOK to provide the technicians with air service to and from the project site.

The seven AID funded technicians on board for the phased out three related projects -- Agriculture Planning, Range Management and Range Water Development -- were filling operational type (OPEX) positions. Employment terms for OPEX technicians have been used for many years in East Africa, and AID/Washington guidelines for employing OPEX technicians have been in existence about one year. Prior to September 1972, USAID/Kenya did not request the GOK to pay the local salary of U.S. OPEX technicians. A provision for GOK payment of local salaries was included in the draft of the current project agreement; however, the issue was unresolved when the project agreement was otherwise ready for signature. We were told that because the Ministry of Agriculture and the GOK Treasury had indicated their informal agreement to payment of local salaries, and had promised to seek authority from the Directorate of personnel for establishing operational and training positions within the GOK, the USAID had deleted that provision from the project agreement, and the agreement was signed in November 1972. The USAID subsequently sent a letter to the GOK transmitting a formal amendment to the project agreement to reinstate the language pertaining to payment of local salary and stipulated that additional U.S. technicians would not be provided until the terms of the amendment had been met. As of February 28, 1973, the amendment had not yet been signed.

The initial project agreement for the phased out Range Water Development project required that the GOK pay into a Trust Account the established GOK rates for in-country travel costs and housing allowances for the U.S. technicians. At the request of the GOK, travel cost was standardized at Shs. 150 per month ($20.00). As the U.S. technicians were in travel status about 29% of the time, the standardized rate of Shs. 150 was less than half of what would have been generated at regular GOK per diem rates. Under the current project, the GOK has agreed to pay per diem on actual travel time, rather than on a standardized monthly rate.

Under the recently concluded projects and the current Range project, the USAID decided to accept a housing allowance equal to what the GOK pays a Kenyan professional employee. The current housing allowance of Shs. 850 (\$120) is approximately 20% of the housing costs paid by the USAID for the U.S. technicians. The housing allowance structure of the GOK has three allowed rates: Government quarters, privately rented quarters, and officers owned houses. AID is being reimbursed at the privately rented quarters rate, which is the lowest of the GOK allowed rates. The GOK paid a housing allowance of Shs. 2,800 to at least one technician of another donor. OPEX guidelines require that the Host Government supply housing or a reasonable allowance in lieu of housing. Based on what the GOK is providing to some other donors, we do not think the allowance paid to USAID/Kenya is reasonable.

Recommendation No. 4.

USAID/Kenya should require that the GOK pay a housing allowance at least equal to the highest housing allowance paid to other donors.

Agriculture Planning

The Agriculture Planning project began in June 1965. The objective of the project was to provide assistance to the GOK's Ministry of Agriculture and Animal Husbandry in its efforts to develop a planning department within the Ministry which would supplement the planning activities of the Ministry of Economic Planning and Development. The project was phased out on schedule at June 30, 1972; however, all activities of the project relating to livestock development were being continued under the National Range and Ranch Development project. Obligations and expenditures through December 31, 1972 were \$431,000 and \$416,000 respectively. During the period of our current review, AID expenditures of \$95,000 were primarily for personnel costs.

Over the life of the project AID provided two short term and five long term specialists under a PASA with the U.S. Department of Agriculture. Currently, two agricultural economists are in Kenya serving in the Ministry of Agriculture. In addition to USAID/Kenya's support of operational agriculture planners in the Ministry, the Ford Foundation, the United Kingdom, West Germany, and Canada also provided operational planners and funds. AID's project agreement with the GOK was not predicated upon the support of other donors. The PROP for this project, prepared in August 1969, indicated that the project would be completed in 1972. The initial Project Appraisal Report (PAR) for the project was prepared in January 1969; the second and most recent PAR was prepared in October 1972, almost four years later. The current PAR indicates that all project goals have been met.

Prior to 1972 the USAID, for this project which began in 1965, was unable to identify potential counterparts to be sent for participant training. Currently, two participants are in training in the United States. One is studying for a B.S. degree, and the other for a M.S. degree.

Although AID's input was modest in relation to the total assistance for agriculture planning, we concluded that our technicians were productive and had performed in accordance with the terms of the project agreement.

Agricultural Education

USAID/Kenya's assistance to agricultural education in Kenya began in 1960, when the Higher Agriculture Education project began. AID also provided assistance to the Nairobi Veterinary Faculty under a regional project since 1962, and since July 1971 this support has been financed under a USAID/Kenya allotment. To date, the USAID/Kenya has obligated $2.8 million to support Agricultural Education in Kenya. In addition AID expended $1.9 million on the Nairobi Veterinary Faculty project when it was a regional project.

Higher Agriculture Education -- AID assistance to Edgerton College at Njoro, the only diploma-granting agricultural education institution in Kenya, began in 1960. The objective of the project was to assist Edgerton College to strengthen its resources and capabilities as an agricultural college. Since inception of the project AID expended $1.6 million. The U.S. input, up to six instructors at any one time, was only a small part of the total faculty of about 70 professors. Other donors providing assistance to Edgerton College included the U.N., the U.S. Peace Corps, the United Kingdom, Netherlands, and Denmark. During the period of our current review, AID expenditures of $297,000 were primarily for contract personnel costs and training participants.

The project was implemented through a contract with West Virginia University (WVU), which provided equipment and approximately 63 man years of instructors. WVU provided assistance in most of the areas of study offered at Edgerton. In 1965, it was decided to establish three new departments -- an Agricultural Engineering department, a Range Management department, and an Extension and Education department. As there was no other Agricultural Engineering faculty in Eastern or Southern Africa, AID concentrated much of its input in the new Agriculture Engineering department. The initial PROP, prepared in 1969, indicated that the project should phase out in June 1972. USAID/Kenya recognized that this close-out date was unrealistic and attempted to extend the project. AID/W approved an extension of six months, through December 1972, when the project phased out.

The Agricultural Engineering department is currently staffed by one AID-financed participant with a B.S. degree and 17 months teaching experience, and four instructors (trained by other donors) who also have B.S. degrees and six months or less teaching experience. Project plans provided that Edgerton graduates, sent to the U.S. for participant training, would replace the contract funded faculty members. Six years minimum is required from the admission of a first year student into Edgerton through graduation from a U.S. University with a B.S. degree. Thus, assuming the presence of a qualified participant in the first engineering class offered at Edgerton in 1965, the earliest a participant could return with a B.S. degree and no teaching experience would be about June 1971. Advanced degrees with considerable experience was a prerequisite placed upon recruitment of the WVU contract staff. It is our opinion that both the original PROP and the revised PROP contained unrealistic close-out dates, and the satisfactory continuance of the Agricultural Engineering department is jeopardized because of the premature phase-out of the project.

One of the two returned participants trained in Agricultural Engineering remained at Edgerton for 18 months and then resigned to enter private business. The bond between the participant and the GOK was paid to the GOK by the participants employer. Details of the PIO/P for this project simply indicate that the participant is bonded by the GOK and that the participant will work for the GOK. The PIO/P does not (a) stipulate the period of time that the participant must work for the GOK, or (b) require that the participant remain with the project for a specific period of employment. For further discussion of this matter, see the Training Office section of this report (page 51).

<u>University of Nairobi Veterinary Faculty</u> -- The current Veterinary Faculty project began in July 1971. The objectives of the project were to maintain and improve the level of undergraduate training particularly in clinical theory and practice, to expand graduate training and research, and to Kenyanize the faculty. The estimated funding for the life of this project to be concluded by 1978 was $2.3 million. Obligations and expenditures through December 31, 1972 were $963,000 and $532,000 respectively. The current project is being implemented under a contract with Colorado State University (CSU).

AID also financed a prior project for the Nairobi Veterinary Faculty as an East Africa Regional project. The objective of that project which began in March 1962, when the University of Nairobi was still part of the University of East Africa, was to assist in the development of a Faculty of Veterinary Science at the University of Nairobi. The prior project phased out in June 1971, with total AID financing of $1.9 million. During the life of the project, also implemented by Colorado State University, AID funded approximately 40 man years of instructors and a major campus building and equipment for the building. The building and equipment cost about $800,000.

The primary difference between the purpose of the previous project and the purpose of the current project is the current emphasis on undergraduate clinical studies, and on post graduate training and research. Most of the team members under the previous contract lacked the academic qualifications required to teach and/or conduct research at the post graduate level. As a result the previous team members were replaced by men with higher academic qualifications at a higher rate of pay. We concluded, however, that the project (as currently being implemented) was nearly the same as the prior project. There was significantly more involvement by the CSU team in undergraduate clinical studies, but very little was being done by the CSU team on post graduate training and research. Only one of the six team members was teaching at the post graduate level, and his post graduate work was limited to tutoring one graduate student. Research was emphasized in project plans so that graduate students could be exposed to the professional approach for conducting independent research. Most of the current team members were conducting work on an approved research project; however, only one team member was being assisted by a graduate student.

The current project has been under way since July 1, 1971. The CSU staff from the previous project remained on board through June 1972, and most of the staff for the current project arrived about June 1972. To date, the CSU staff have had very little opportunity to improve the post graduate program at the Nairobi Veterinary Faculty. The CSU staff indicated that it was premature to develop a post graduate curriculum -- at the present and for the foreseeable future the tutorial system of graduate study will prevail at the Nairobi Veterinary School. There were 26 students studying for advanced degrees at the University of Nairobi Veterinary School. All 26 were studying under the tutorial system. All candidates work with a faculty member who prescribed the areas of study and directed the research project of the student. The Dean indicated that a catalog of formal graduate courses was prepared in 1970 for two of six departments of the University. The University of Nairobi had not yet formally approved the courses; however, a graduate course in anatomy and pathology was being given, and a graduate course in microbiology had been taught by one of the previous CSU team members in early 1972. (The former CSU team did not assist the University of Nairobi in the preparation of the catalog of graduate courses.) The Dean of the School of Veterinary Medicine had not (except in one instance) assigned graduate students to work with the CSU staff, nor had he requested CSU input for the graduate program.

Considering the limited number of annual graduates, and the firm entrenchment of the tutorial system, we conclude that AID was premature in emphasising the curricular system of graduate training in the current project. The Mission recognizes various problems in future implementation of the project, and has requested assistance from AID/Washington so that a comprehensive evaluation of present and future needs of the Veterinary Faculty may be determined. We were told that project documents, including the PROP, will probably be revised after the evaluation is concluded.

Current contract staffing provides for AID funding of six field positions as follows:

(1) One Parasitologist (also serves as Contract Chief of Party)
(2) One Microbiologist
(3) One Pharmacologist
(4) One Clinical Surgeon
(5) One expert in Clinical Medicine
(6) One expert in Clinical (Laboratory) Medicine

In addition AID funds a Campus Staff at Colorado State University consisting of a Campus Coordinator (one-half time), and a full time secretary.

The previous CSU team had five instructors on board at most times, all of whom departed from Kenya about June 1972. The current team, except for the chief-of-party who arrived in May 1972, arrived in mid-June 1972. Only the current and previous chief-of-party had any appreciable period of overlap. In most cases the current team member had little or no prior information about what was expected of him, or even about what courses he would teach.

The Project Agreement and the PIO/T state that the Chief of Party should be a senior academic with qualifications equivalent to a visiting professor and department head at the University of Nairobi. The stipulation concerning the Department Head was included because only Department Heads are in a position to (a) affect curriculum, (b) approve changes, and (c) implement a comprehensive approach to teaching. None of the CSU staff members have been designated as Department Heads. While naming of Department Heads is the sole responsibility of the University of Nairobi, the Dean did indicate that another donor (when contributing a new building) was offered a Department Head position. To date, AID has committed about $3 million in support of this project and the predecessor Regional project. Although the Mission recognizes the value of having AID funded instructors in positions of influence; e.g. Department Heads, the files do not indicate that the Mission had discussed the subject with University of Nairobi officials.

Recommendation No. 5.

> USAID/Kenya should, prior to providing additional funds for this project, urge the University of Nairobi to appoint the CSU Chief of Party or others from the CSU team as Department Heads.

Three of the CSU staff members who have a Doctorate of Veterinary Medicine (DVM) and a Doctorate of Philosophy (PH.D.) work in the Clinical Department. The objective of the project to improve undergraduate training in clinical theory and practice was being achieved. The Department Head was a German from the German donor group. Each of the three expressed satisfaction in respect to their ability to perform their job; and each of the three indicated that their opportunity to originate, innovate, or coordinate between sections was reasonably satisfactory. However, in at least two of the three positions concerned, the work being done and, to the best of their knowledge, the work to be done does not require a DVM with a PH.D. They told us that the work was relatively routine, and that a DVM or a DVM with a Masters Degree and some experience could easily perform the jobs which had been assigned to them by the University of Nairobi.

The Pathology and Microbiology Department was chaired by a Kenyan who was also the Dean of the school of Veterinary Medicine and the Acting Head of the Pharmacology Department. Our review of the day to day activities of the Microbiologist, the Parisitologist and the Pharmacologist provided by AID indicated the following:

(1) Each man had been assigned to teach only one undergraduate course with laboratory per term.

(2) Other professional instructors were also presenting the same course as these three CSU team members.

(3) Text books were not available for two of the three courses presented in the July to December 1972 term.

(4) The Pharmacologist had not been provided with textbooks, office space or clerical assistance.

(5) The Department Head (Dean) did not even respond to an offer by the Microbiologist to become active in areas additional to the one course he was assigned to teach.

(6) Each of the three have expressed dissatisfaction towards the limited utilization of their skills, and each expressed concern with the apparent lack of interest shown towards them by the Department Head (Dean).

Staffing under the previous CSU contract included the position of a Microbiologist, for which a participant was trained to the PH.D. level. Based on our discussions with members of the current CSU team, it appears that (a) the returned participant is fully qualified to present the subject matter currently being presented, and (b) the work load is such that the returned participant could handle most of the work currently assigned to himself and the CSU team member. It would be more practical if the University of Nairobi assigned all undergraduate work to this returned participant, and utilized the services of the CSU team member to fulfill the project objective of expanding graduate training and research in Microbiology.

It appears that each of the six CSU staff members are well qualified to perform any assignment given them; and each of the six expressed the desire to accept additional responsibility. The responsibility for most of the above mentioned problems lie solely with the Dean of the Nairobi School of Veterinary Medicine, who is also Department Head or Acting Department Head for each of the three dissatisfied instructors. It is the Dean's (Department Head's) responsibility to fully utilize all resources available to him. It is the USAID/Kenya's responsibility to make sure that all AID input is fully utilized and fully productive.

A method which would possibly solve the problem of underutilization of the three dissatisfied CSU instructors would be the appointment of Acting Department Heads of the Department of Pathology and Microbiology and the Department of Public Health, Pharmacology and Toxicology. These Acting Department Heads would have the needed time to devote to the planning of the utilization of the CSU technicians in those two departments. The utilization of these technicians should be planned jointly by the Acting Department Heads, the Dean, and with the concurrence of the CSU Chief of Party.

Recommendation No. 6.

USAID/Kenya should (a) intervene with the University of Nairobi to assure that the Parisitologist, the Microbiologist, and the Pharmacologist (costing AID about $120,000 per year) are fully productive and able to perform up to their full capabilities, or (b) consider eliminating the three positions from future funding.

Kenyanization of the faculty was discussed with the Dean of the school, who verbally presented the following staffing information. The school has 65 established teaching positions. Budget limitations restricted employment potential in 1973 to 60 positions, but only 48 positions were filled as of December 1972. The composition of the staff was as follows:

22		East African
38		Donors:
	5	United Kingdom
	7	Germany
	6	United States
	5	Norway
	1	Denmark
	1	Sweden
	1	Australia
	2	Expatriates named but not yet on board
	10	Vacant expatriate positions - unable to identify candidates
60		

Although Kenyanization of the faculty was stated to be one of the objectives of the project, neither the USAID/Kenya nor the CSU staff were aware of the overall plan for Kenyanization of staff. The Dean indicated that the Kenyanization plan calls for the Kenyanization of all 42 lecturer positions by 1978. Considering (a) the 22 East Africans now on staff, (b) the 26 post graduate students currently enrolled, and (c) the [illegible] participants to be trained by AID, it is possible that the goal of 42 Kenyans will be met. However, even with 42 Kenyans on staff in 1978 there will remain a need, with no increase in the number of positions, for at least 23 expatriates or about the same number as are currently on board.

As noted previously, AID was just one of many donors to the University staff, but USAID/Kenya was not aware of the current or future plans of any of the other donors. Mission management, in September 1972, requested that the F & A Officer coordinate planned inputs for the project with the other donor groups. As of February 15, 1973, the suggested meetings with the other donors had not taken place.

Recommendation No. 7.

> USAID/Kenya should (a) request the University of Nairobi to submit a comprehensive plan for the long term Kenyanization of the faculty, (b) coordinate current and future plans with other donors, and (c) after determining the University's and other donor's plans, re-evaluate AID's willingness to continue long range support for this project.

One participant was sent for training under the previous project, completed his training, and returned to the Microbiology department in Nairobi. Plans for the current project include the training of twelve participants. Two had been identified and were in the United States. The University of Nairobi and CSU officials were reviewing the applications of about 10 potential participants. It was anticipated that a number of the applicants would be sent to the U.S. for the 1973 - 1974 school year.

The FY 1971 Project Agreement included a statement that the University of Nairobi would provide a maintenance allowance in accordance with University Regulations. The provision was deleted from the FY 1972 and FY 1973 Project Agreements. The two participants currently in the U.S. do not qualify for a family maintenance allowance because of "normal university regulations". In one case, the lack of a family maintenance allowance may result in the participant resigning from the program.

CSU staff members is based on position occupied, total deposits for the year will be between Shs. 336,240 (U.S. $47,000) and Shs. 425,840 (U.S. $60,000) instead of deposits of Shs. 144,000 (U.S. $20,000) based on the current negotiated rates.

The senior lecturer housing allowance of Shs. 1,360 per month, or $190, is only about 35% of the amount paid by AID for housing and utilities for the CSU staff members. One CSU staff member lives in a University of Nairobi owned residence. For this professor, the University pays Shs. 1,360 per month into the special account, while CSU with dollars converted into local currency pays Shs. 1,700 to the University of Nairobi for the University of Nairobi owned house the CSU staff member occupies. The University is providing housing to some staff members funded by other donors.

Recommendation No. 9.

USAID/Kenya should (a) require a local salary contribution for the CSU team members equivalent to the position occupied, and (b) attempt to have the University of Nairobi furnish housing in lieu of a housing allowance.

The monies accrued in the Special Account were to be used to pay all local costs connected with the project. The Project Agreement required an approved budget and expenditures to be approved by the Dean and the Chief-of-Party. No other restrictions were noted in the Project Agreement. We found that an annual budget for the use of the funds was prepared by the Chief of Party and approved by the University of Nairobi and USAID/Kenya, and expenditures were approved by the Chief of Party and the Dean of the faculty. However, the Special Account maintained by the University of Nairobi and conditions relative to use of the funds were further controlled by University of Nairobi fiscal regulations. The limitations imposed by the University of Nairobi on the use of special account funds were a deterent to the implementation of the project.

(1) All expenditures for secretarial or administrative assistance were processed through the established University of Nairobi personnel office. CSU had no authority to hire part time clerical assistance or to hire qualified personnel at other than the University of Nairobi salary scale. The Chief-of-Party needs a competent Administrative Assistant; however, because of University personnel policy, he is not authorized to hire one.

(2) All purchases were made through the University of Nairobi procurement office. Routine procurement frequently required six weeks from placement of order to receipt of locally available goods. In a recent instance the University of Nairobi sent requisitions back to the Chief-of-Party for additional justification although approvals required by the Project Agreement (including the Kenyan Dean) had previously been obtained.

Recommendation No. 10.

USAID/Kenya should, in order to preserve the basic intent of the special account and to allow CSU the necessary latitude, (a) require that the University of Nairobi abide by the provisions of the Project Agreement as they relate to budget and expenditure approvals, and (b) require that the special account be established within the USAID/Kenya Trust Fund if CSU is not provided the necessary latitude.

Certain allowed uses of the special account as described in the Project Agreement were for expenses normally funded from the University budget. Such uses include (a) vacation employment and fellowships for professional improvement of Kenya citizen staff members, (b) travel costs to help establish contact between Kenyan members of the Veterinary Faculty and fellow scientists in Africa and elsewhere, and (c) post graduate awards. In our opinion support for such expenses should be funded by the University of Nairobi and not by the AID Special Account, and the Special Account funds should be used to the maximum extent possible to reduce dollar costs.

Recommendation No. 11.

USAID/Kenya should renegotiate the Project Agreement to maximize use of funds in the Special Account for expenses now paid by dollars; e.g., housing, utilities, and educational allowances for the CSU staff members and their dependents.

Project documents available in Nairobi indicate that four of the CSU staff members received salary increases of about 25% when joining the contract team. Contract provisions limit the overseas incentive to not over 10% of the previous annualized base salary. The Contracting Officer, in reply to our query, stated the contractor had been requested to supply salary standards and information on possible deviations from the contract provisions.

The CSU contract includes campus staff and overhead costing AID approximately $100,000 per year. Our review of documents in the field indicate little or no professional backstop assistance was provided by CSU for the field staff. The field staff had little orientation as to what to expect in Kenya. The CSU failed to organize an effective transition from the outgoing (previous staff) to the incoming staff. With one exception, the incoming staff found little or no assistance in determining what was being done and what should be done. It appears that primary input by CSU has been recruitment of staff, and a very modest amount of procurement of supplies and equipment.

The above discussion on contractor salaries and backstopping have been referred to AID/Washington AG/AUD for consideration when performing the next audit of the contractor's home office.

The first semi-annual report required from the current CSU staff for the six month period ending December 31, 1972 was received in February 1973. The report was very comprehensive and objective -- achievements and problems were candidly presented.

Prior to the conclusion of our review, the Acting Director of USAID/Kenya met with the Dean of the University of Nairobi Veterinary Faculty to discuss the more significant problems presented in this report. The USAID Project Officer and the CSU Chief of Party also attended the meeting. A copy of a Memorandum to the Files on this meeting is attached to this report as Exhibit D.

Agriculture Credit

The Agriculture Credit project began in 1969 as a sub-project of the Agriculture Support project. In June 1971 it became a separate project. The objective of the project was to provide expertise for the management of the Agriculture Finance Corporation (AFC) to improve the capability of the GOK to provide credit to farmers and ranchers. Obligations and expenditures through December 31, 1972 were $504,000 and $256,000 respectively. During the period of the current audit, expenditures of $204,000 were primarily for personnel costs.

The project was implemented by a PASA with the U.S. Department of Agriculture (USDA). The USDA has provided a Financial Specialist who functions as the AFC General Manager, and a Credit Specialist serving as head of the AFC loan department. In August 1972, AID entered into a contract with Agricultural Cooperative Development

International (ACDI) to provide three Agriculture Credit Technicians to fill operational field positions as area supervisors for the AFC. The two USDA technicians have been on board since 1970, the three contract technicians arrived in September 1972. The tours of duty for the two USDA technicians end in mid-1973. The Kenyan Deputy Director of AFC has been named General Manager, therefore the financial advisor (General Manager) will not be replaced. The Credit Specialist is expected to be replaced by a contract employee. About 15 expatriates are in management positions at AFC. Kenyanization of the remaining four AID positions is planned in this project, but the USAID is not aware of existing plans for the Kenyanization of the other 10 expatriate positions.

When established, AFC assumed the portfolio and most of the operating procedures of its predecessor. Many of the "old loans" created collection problems for AFC. Various operating procedures; e.g., loan periods of 15 years, purposes for which a loan may be granted, and the requirement that the General Manager approve each loan, created administrative problems and extensive delays in AFC's attempt to provide effective credit for Kenya's farmers and ranchers. Substantial progress has been made by AFC, primarily through the efforts of the two USDA technicians. Evaluations prepared by USAID/Kenya indicate, and we concur, that the USDA technicians have done an outstanding job.

The project agreement and the PIO/T leading to the ACDI contract stated that the GOK/AFC would supply housing and hard furnishings for the contract technicians. Other project documents prepared at the time indicated that AFC would not be able to provide furnishings. The current project agreement does not mention hard furnishings for the three technicians. The ACDI contract included a provision for reimbursement to the technicians for the purchase of hard furnishings if they were not supplied by the GOK. One of the ACDI technicians purchased hard furnishings and appliances, including air conditioning which is not authorized at the technician's assigned post, for which he was reimbursed $3,470. During the audit we questioned why the USAID had not provided excess furnishings from either USAID/Kenya or USAID/Uganda to the GOK to reduce the U.S. dollar costs of this project. Subsequently, sufficient excess AID property from USAID/Uganda was "granted-in-aid" to the GOK to provide sufficient furnishings, except for gas appliances, for the other two ACDI technicians.

Salary and allowances offered by the AFC, a quasi governmental facility, are higher than those paid by the GOK. The Shs. 850 housing allowance to be paid into the Trust Fund for one of the USDA technicians may be in accordance with GOK allowances, but is substantially less than the amount allowed by AFC for housing.

Recommendation No. 12.

USAID/Kenya should ensure that the AFC pay into the Trust Fund an amount equal to the housing allowance they are providing for other expatriate employees.

Crop and Livestock (Extension)

AID assistance for crop and livestock development began in 1955. In 1965 the Crop and Livestock project was segmented into five sub-projects. Only the extension sub-project was active during this audit period. The objective of this sub-project was to train personnel to establish an effective agricultural field service capable of making agricultural "know how" available to Kenya's rural families. Other donors contributing technical assistance to this project included West Germany, Norway, the Netherlands and the United Kingdom. AID funding over the life of the project totaled $2.5 million. Expenditures, primarily for personnel and training participants, during the current audit period were $141,000.

During the period of review, AID inputs to the project consisted of one extension advisor, employed under a contract with Near East Foundation (NEF). Our review indicated that the NEF technician was experienced and well qualified, but that contrary to project design functioned more as an operational technician than as an advisor.

Project targets, including (a) training instructors, (b) training participants, (c) preparation of instruction manuals, (d) training of field staff, and (e) preparation of extension handbooks had been met when the project was terminated in August 1972. However, the viability of this project is questionable in that one major goal was not achieved. All extension personnel were assigned to one of the many Operation Divisions at Provincial level. A Ministry level extension organization had not been established. As a result of the absence of a Ministry level extension organization, nationwide overall policies and decisions on extension were not possible; and coordination or cooperation between provinces or divisions was on, at best, an ad hoc basis.

The GOK was to supply suitable housing and hard furnishings, or provide an allowance in lieu thereof. While the GOK did supply housing, the rent exceeded what the GOK would pay. As a result the technician had to pay part of the rent. The final revision to the project agreement authorized reimbursement to contract personnel for housing expenses incurred beyond those paid by the GOK. We saw no indication that the USAID attempted to require the GOK to abide by the provisions of the project agreement. A recommendation for obtaining a more adequate housing allowance from the GOK on future projects is discussed in the National Range and Ranch Development section of this report (page 17).

USAID Management of Agriculture Sector

The Food and Agriculture (F & A) Officer was responsible, at the time of our examination, for three active Agriculture Sector projects under which AID financed the services of nine contract and seven PASA employees. The F & A Officer was Project Manager for one of the projects. The Deputy F & A Officer was Project Manager for one of the projects, and in addition was designated Project Manager for the two Public Law 480 Title II food distribution projects. A third direct hire technician recently reported on-board to be Project Manager of the new National Range and Ranch Development Project.

We concluded as a result of our examination of the Agriculture Sector projects that although some improvements had occurred in the past year in (a) negotiating reasonable local salary contributions and housing allowances for operational technicians, and (b) making evaluations of project accomplishments, there was room for improvement in (a) resolving logistic support problems, (b) timely preparation of Project Implementation Plans, and (c) documenting actions considered or taken.

Rural Development (Vihiga)

Formal participation by AID in the GOK Special Rural Development Project (SRDP) began with the signing of a project agreement in January 1971. The program was based on the Rural Development chapter of the GOK's 1970 - 1974 Development Plan, and was designed to operate in 14 pilot areas in Kenya. As of the date of audit, six pilot areas were in operation -- one each supported by Sweden, the Netherlands, Norway, the United Kingdom, the United States and the GOK. There were also ten other donors contributing to activities which may be considered a part of SRDP. The GOK determined not to carry out the remaining eight Division-level pilot programs, and was reviewing proposed District-level programs. The extent and type of future activities of rural development was also being considered by the GOK in the preparation of their 1974 - 1978 development plan.

Total cost of SRDP was estimated at $19 million. The cost of the Vihiga portion was estimated at $4.6 million, of which the U.S. was expected to contribute $2.2 million over the anticipated six year life of the project. AID expenditures incurred through December 31, 1972 were $351,000.

Planning Stages

As conceived by the GOK and stated in the original Non-Capital Project Paper (PROP), the purpose was development through experimentation of new approaches in rural development, which would pinpoint the successful approaches for replication in other geographical areas of Kenya. In recognition of the weaknesses contained in the original PROP, a revision was submitted to AID/W in October 1972, which expanded the purpose of the project to develop a "system" which would coordinate program planning, implementation, and evaluation of all sectors concerned with Rural Development. The discrete sub-projects would merely serve as vehicles for demonstration purposes, with possible replication to other rural areas. Therefore, the success or failure of a sub-project is not the measurement of the overall project because the sub-project is merely a learning experience.

The October 1972 revision to the PROP explained in considerable detail the overall SRDP program and inputs by other donors, and obscured AID activities and expected outputs. While the purpose as stated in the draft revised PROP was the purpose of SRDP, the AID involvement should be specifically identified in a logical framework by sub-project with related indicators. The purpose of this exercise would be to determine the AID impact on the total program and the degree of success of AID inputs. AID/W commented on the revised PROP and requested a resubmission clarifying the USAID position with more specific references to AID inputs and expected results. A supplement to the revision was submitted by USAID on January 30, 1973. At the conclusion of our review, AID/W had not advised the USAID of their comments or approval of the revised PROP.

AID Inputs to Vihiga

Activities at the divisional (field) level were integrated with normal GOK services. Twenty-three elements of the Rural Development Program were regarded to be component parts of the Vihiga SRDP, whether or not they were directly financed from GOK SRDP funds. GOK funds for SRDP flow to the field through regular ministry budgets. USAID furnishes financial assistance to eight elements, and provides advisory support to four other elements.

During the period July 1970 to August 1971, AID provided seven short term contract direct hire personnel to make surveys related to various elements of the project. As of that date progress had been relatively slow. The program picked up momentum with the arrival of long term advisors and operational contractors for Vihiga beginning in late 1971.

In September 1971, AID contracted with Florida Agricultural and Mechanical University (FAMU) to assist the GOK in developing and implementing SRDP in the Vihiga pilot area. The contract provided for three staff members -- a Rural Development Specialist, an Agriculture Farm Extension Specialist, and an Agriculture Economist/Production Marketing Specialist. The Chief of Party (Rural Development Specialist) arrived in December 1971, the Extension Specialist in February 1972, and the Marketing Specialist in May of 1972. None of the team members had previously been on the staff of FAMU. The rural development and marketing specialists developed work plans, and have adhered to the plans reasonably well. As a work plan has not been prepared by the Agriculture Extension Specialist until January 1973, it was rather difficult to assess his contribution to the team effort. From an overall viewpoint, the efforts of the FAMU team have been in accordance with the scope of work of the contract and guidance received from USAID/Kenya.

AID also provided two economists and a road engineer under their blanket contract with Trans-Century Corporation. At the time of our site visit the two economists had arrived and were performing duties as required under contract. The road engineer arrived in January of 1973. Although two of these three contractors were in GOK operational positions, the GOK does not pay any part of their salaries. The only individual support provided by the GOK is housing for the economist working in Nairobi at the Ministry of Agriculture. When AID supported U.S. nationals are employed in operational type positions, the cooperating government should assume the costs of those positions to the extent of remuneration and benefits equivalent to that paid to a national of the cooperating government.

<u>Recommendation No. [illegible]</u>

USAID/Kenya should include a provision in the next project agreement that the GOK will provide salary and personal logistical support to the two Trans Century contractors.

The Task Order of AID's blanket contract with Trans-Century provided for payment of a post allowance of $865. This is contrary to the U.S. Department of State Indexes of Costs of Living Abroad which do not provide a post allowance for either Nairobi or Kisumu -- the closest location to the contractor's residences. During the course of the audit USAID/Kenya took action to notify AID/W of the above contractual anomaly.

On March 10, 1972, a grant of $40,000 was made to the Partnership for Productivity Service Foundation (PFP), a Kenya Corporation. A fidelity bond was furnished by an international bank, and a guarantee of performance was given by the PFP/USA. The purpose of the grant was to provide funds to the PFP to cover certain expenses incurred in connection with providing technical assistance to small scale rural industrial development in Vihiga. Through December 31, 1972, reimbursement to PFP by USAID amounted to $[illegible],768 for costs incurred as permitted by the grant agreement. The accounts of PFP were audited by Kenyan independent accountants as of September 30, 1972.

The PFP had approximately 24 private enterprise projects in operation. It also furnished advisory services to the Kevege Village Polytechnic, a type of vocational school adapted to rural needs. Because of the short period under the grant and a lack of baseline data, a valid quantitative measure of the effectiveness of PFP activity in meeting the overall goal of rural industrial development could not be made. Observation and a subjective opinion indicated, however, that some individual PFP projects had been highly successful.

AID also provided $[illegible] for commodities, of which $24,000 had been expended. The major commodities received were four Jeep Wagoneers which were being properly utilized in the Vihiga area.

<u>GOK Inputs</u>

Our prior audit report stated that the GOK had not met its commitments for transportation, housing and personnel. We found that little or no improvement had occurred during the current audit period.

The FY 1971 project agreement stipulated that four landrovers and eight motor-cycles would be furnished by the GOK for GOK technicians. The motor-cycles were not supplied because the GOK, after reviewing experience, made a general policy decision against their use. The GOK has not proposed an alternative means of transportation for their technicians. Our observation also indicated that there was a shortage of petrol for the landrovers. It is essential to the success of the project that project personnel have transportation to perform their duties. The FY 1971 project agreement also stated that eighteen pre-fabricated housing units were to be erected. Eight were erected during the current audit period, and the remaining ten are projected for construction during FY 1973 and FY 1974.

The FY 1972 project agreement was not clear as to whether the GOK contribution to the project included 19 or 23 additional positions. In any event the status is the same as reported at the time of our previous audit as of August 1971. Nine GOK positions were filled by transfer, of which five vacancies created by the transfer remain vacant, resulting in a net gain of four positions.

The FY 1971 and 1972 project agreements provided AID funds for cattledips, local currency costs of four GOK personnel, and other GOK costs. The cattle dip program is a local self-help type project in which the community should bear one half the cost and the GOK bear the remaining half. USAID/Kenya stated that payment of some local currency costs were justified in accordance with AID and Africa bureau guide-lines. However, we believe that where a cooperating government has an established policy of offering assistance to local communities on a share the cost basis, our financial assistance should be directed to other projects requiring financial assistance.

Recommendation No. 14.

USAID/Kenya should not divert its limited financial resources to the support of local currency costs of projects for which the cooperating government has already established a policy of support from its own funds.

Evaluation

There has been a constant exchange of views among FAMU, the Project Officer, various GOK officials, and visiting consultants. Particularly important has been the ongoing evaluation of various aspects of the project, among these the contribution of the Institute for Development Studies (IDS) of the University of Nairobi. At one time the IDS had a member of their staff stationed in Vihiga Division for the purpose of evaluating the maize and small holders' credit program, but later they decided to withdraw their resident evaluator. In lieu thereof AID has provided (AID/W funded) a program analyst who has assumed a similar function.

A project appriasal review was held during the week of December 4, 1972. The review was complete and comprehensive. The notes of the meeting indicated that problems were frankly discussed and valid conclusions were reached. The general concensus was that the project was proceeding reasonably well at division (field) level, but was in serious trouble over the long run unless high level GOK policy level attitudes toward the role of SRDP in Kenya's national rural development efforts can be clarified. It was suggested that the project design might be modified if it were determined that a meaningful role for USAID remained possible within a redefined government strategy. It was also noted that if such a role could not be pursued with reasonable assurance of success, the project might have to be phased out sooner than anticipated.

The forthcoming year of CY 1973 should see the crystalization of GOK intentions. A review team recommended that the position of Chief of SRDP be strengthened and given more authority. The present situation is that the current expatriate chief of SRDP will be leaving in late March 1973, and a Kenyan with limited SRDP experience has been designated to replace him. The PROP states that the achievement of the objective of SRDP requires that the stature of the individual appointed to head SRDP be equivalent to the rank of cabinet minister or someone of that level, to give authority to coordinate the sectoral programs of the various ministries as they relate to rural development.

In the event that the GOK does not strongly support the current objective of SRDP, we believe the project should be terminated at the earliest possible date. We do not believe that the project should be redesigned, as the cohesive element of the project is to construct a system of "coordinated" planning, implementation and evaluation for Rural Development. If high level coordination is removed, AID will be left with a fragmented project consisting of small projects in a localized area.

Health and Sanitation Sector

Population Dynamics

The Population Dynamics project began in April 1969 to help the GOK reduce Kenya's rapid rate of population growth. The latest revision of the PROP estimated that AID assistance will be provided thru FY 1976 at an estimated cost of $1,728,000 for (a) design and processing of the Kenya Census (to be completed in FY 1973, estimated cost $139,000), (b) establishment of a Demographic Studies Unit (to be completed in FY 1976, estimated cost $800,000), (c) technical services and commodities for the Health Education Unit (to be completed in FY 1974, estimated cost $660,000), and (d) support of family planning programs in a rural area (to be completed in FY 1974, estimated cost $60,000). Disbursements through December 31, 1972 totaled $545,000. In addition AID/W has funded a population marketing research contract in the amount of $316,000 with Population Services Inc. of Chapel Hill, North Carolina.

Census Activities -- This part of the project was to help the GOK conduct a population census as part of a general program for improving the quality of census and demographic data, so that more accurate population and related projections could be made. Except for publication of one volume of census data, this part of the project has been satisfactorily completed. The U.S. demographic advisor stated that the length of time taken to complete the final volume was not unusual and compared favorably with that of the U.S. Census Bureau.

To provide continuity of census activities, USAID agreed to assist the GOK in the establishment of a Demographic Studies Unit. Under a contract with the University of North Carolina, AID brought back the former direct hire demographic specialist who had been previously provided under a PASA with the U.S. Bureau of Census. He immediately started the task of assisting the Central Statistics Bureau of the Ministry of Finance and Planning to organize and establish a Demographic Studies Unit. Actions since then have mostly related to preparing for the data gathering and analysis phases. GOK support and participation is considered more than satisfactory. Although some delay was encountered in negotiating the contract by AID/W, the project was reasonably on schedule.

Family Planning - Rural Areas -- The purpose of this subactivity of the Population Dynamics project was to evaluate three alternative approaches to family planning services in a rural setting. The Vihiga area was selected as the site for this activity to coordinate with AID's involvement in SRDP. Activities were to be carried out by the GOK and the Family Planning Association of Kenya (FPAK). USAID agreed to finance up to $60,000 of operational costs of the program for two years. At the end of that time the GOK may or may not continue the same level of effort in the project area as during the period of U.S. financing. The project agreement was signed August 15, 1972; however, it was not until January 1973 that the GOK began recruiting operational personnel. FPAK has selected personnel to perform its part of the project, and began training courses in February 1973.

<u>Health Education</u> -- This part of the Population Dynamics Project was to assist the GOK Ministry of Health (MOH), Health Education Division, in developing the training, informational and educational inputs for a Maternal Child Health/Family Planning Program. AID allocated approximately $430,000 through December 31, 1972 to cover the costs of participants, commodities, and the services of a U.S. Health Educator and an Audio-Visual Specialist.

The Audio-Visual Specialist arrived in June 1970, and the Health Educator in July 1970. Except for time spent in the U.S. for home leave and attendance at seminars, both advisors worked on planning programs, training, and development of audio-visual aids for health education in general -- stressing family planning when appropriate. Their efforts have contributed to the limited improvement of MOH support of Family Planning.

The principal actions taken by the MOH in the last fifteen months have been to appoint a Director for Family Planning, and to designate twelve participants. Five of the participants were to be trained in the fields of Health Education/Family Planning, and seven trained in Maternal Child Health/Family Planning clinical service techniques. Due to personal problems one of the participants returned before completing his studies. Seven participants returned to Kenya during February and March 1973. During [illegible], the Health Education Adviser conducted a 226 hour training course in Health Education for six personnel. The Health Education Adviser also conducted on-the-job training in health education techniques, communications skills, and methods of presentation for five other personnel; and participated in health and family planning education at various Kenyan institutions. While these were positive accomplishments, it was difficult to measure the impact on the primary goal of population control.

Various problems were noted. There were relatively few GOK clinics for dissemination of family planning information and contraceptives. The Director of the Family Planning section was hampered in carrying out his duties because of the required detailed coordination with other organizational elements of the MOH. The Health Education Division was understaffed in several critical positions, one of which was the vacant position of an audio-visual production manager who may be considered as the principal counterpart to the AID funded Audio-Visual Specialist. In addition the Audio-Visual and Health Education Adviser had no clerical assistance, and as a consequence were required to type their own reports and correspondence.

The broad mandate of the GOK to the Health Education Division, covering all aspects of health education, dilutes to some degree the efforts of the AID project advisors, and as a consequence detracts from the major goal of the project. During the course of the audit we questioned this indirect method of supporting Family Planning, and found that the USAID Project Officer was considering alternative plans which might produce more direct results for an equivalent investment.

The plans of the Project Officer were explained in considerable detail in the USAID's message to AID/W in December 1972 on "Kenya's Five Year Family Planning Plan; IBRD Mission Review and USAID/Kenya Comments." The substance of the message was that the present level of inputs to the Health Education Division should be continued through CY 1973. Continuance of this aspect of U.S. assistance would be dependent on how responsibilities were allocated between Health Education and the new Information, Education, Communication section of the National Family Welfare Center. Further, the Project Officer thought that based on results achieved to date in the Contraceptive Marketing Research Project, the potential of the private sector as a vehicle for the dissemination of material and the distribution of contraceptive supplies might easily equal that of the public sector. He thought it possible that a private sector program would appear to allow achievement of a given population growth rate reduction target at a fraction of the cost of a public sector program. The changes sought by the USAID/Kenya Project Officer appear to be a reasonable approach to the resolution of the problems encountered in the indirect method of presenting family planning techniques through health education.

AID provided commodity support valued at approximately $61,000 to this phase of the project. The commodities consisted primarily of an audio-visual van, two four wheel drive vehicles, a station wagon, photographic and reproduction equipment, film, and supplies. Proper utilization and storage of equipment was difficult because of lack of space in the Health Education Division. We found that an offset process copy camera (procured from surplus U.S. equipment for $950, but valued at $3,000) was not being used, and was stored on the veranda of the Health Education Division offices. We also found other items of equipment stored in hallways because of lack of space.

The Health Education Division had a satisfactory system of property control; however, the system was not effective because the information posted to the property ledgers was incomplete and not current. The responsible individual was a Health Education Technician who had other duties in addition to property responsibility. His duties took him away from the Nairobi Headquarters for several weeks at a time. His travel combined with his additional duties made it difficult for him to maintain adequate property records.

During our review, the USAID informed the GOK of the actions necessary to correct the conditions noted on utilization and control of property. In response, the MOH Health Education Division advised USAID/Kenya that (a) they would not be able to use the offset camera until 1976, and (b) the property ledgers were being updated. USAID/Kenya told us they were attempting to find an alternate use for the offset camera.

Marketing Research - Population -- An AID/W centrally funded contract with Population Services Inc. provides for implementing a pilot marketing project to test, perfect and demonstrate a non-medical vehicle with which to supplement the clinical family planning program. The test area is in the Meru District of Kenya, a rural area.

The contractor arrived in March of 1972 and, using local commercial resources, has established an effective marketing and distribution system. A brand of lubricated condom donated by AID is marketed under the Swahili name of Kinga at the subsidized price of 50 Kenyan cents (U.S. $0.07) for a packet of three. In conjunction with distribution of contraceptives and an aggressive public relations policy, family planning pamphlets and other educational materials are distributed to those who desire the information.

The project is on schedule and has not encountered insurmountable problems. The dissemination of family planning information and practice of family planning through this approach appears tentatively less costly and more successful in Kenya than the attempted current public programs.

Proposed Program -- During the first week of February 1973, AID's Population Program Director visited Kenya and held discussions with the Ministry of Health and the Ministry of Finance and Planning, as well as with USAID/Kenya personnel. As a result, a discussion paper was prepared and sent to the GOK offering financial assistance of approximately $2.8 million over a five year period. Prior to the visit of the Population Program Director, the position of the USAID/Kenya had been one of active assistance with cautious optimism, and consideration of alternative measures which would afford a more direct approach. In view of the previous dilatory cooperation of the GOK, the fact that the FY 1974 - 1978

Family Planning Plan has not been officially approved by the GOK, and the two current experimental population projects on family planning approaches for rural areas and on marketing research, we believe the program under discussion is premature. Further, it appears that there was unseemly haste to prepare and handcarry a preliminary program proposal to AID/W. It is difficult to understand the recent actions of urgency and promised availability of a relatively large sum of money for population activities, when compared to the previous consistent and thoughtful negotiations of the USAID.

<u>Nutrition Awareness Grant</u>

An AID incentive grant of $45,966 was given to Cooperative for American Relief Everywhere, Inc. (CARE) for the eighteen month period of July 1, 1970 through December 31, 1971. The objective of the program supported by the grant was to provide training for Nursery Center instructors in Nairobi so that they could conduct nutrition awareness courses throughout Kenya for mothers of nursery school children. This training was to include instruction in nutrition and utilization of locally available high nutritional foods. The grant financed salaries of the instructors, the living allowances of the participants, travel costs, equipment and supplies.

A final report submitted by CARE stated that (a) 3,331 nursery school instructors and supervisors attended ten day courses on nutritional awareness, (b) an additional 94 persons attended three month comprehensive courses on nutrition, (c) 17,460 booklets on nutrition were reproduced, and (d) 55,000 posters were printed. Most of the printed materials were distributed to the course participants with the remainder being donated to the Social Welfare division of the Ministry of Cooperatives and Social Services.

We found that the items accomplished according to CARE's final report were the items proposed in the original project proposal made by CARE. All project expenditure receipts had been forwarded to the New York CARE office for their submission to Washington. We therefore could not review the detail behind the project expenditures. The CARE/Kenya records indicated that $46,[illegible] was spent on the reimburseable items of the project, with AID providing $4[illegible]. We noted that on one line item, travel, the budgetary amount was stated to be $[illegible],525 and the actual expense claimed was $11,00[illegible]. Based on our review of records available in the CARE/Kenya office and other data on the cost of transportation within Kenya, we concluded that the costs shown for travel were reasonable, and that the budget line item was under-estimated.

Other Program Activities

National Youth Service

The National Youth Service (NYS) is a voluntary quasi-military organization in which young Kenyans serve for a period of two years learning skills and working on national development projects. The volunteers are provided vocational training in classrooms and practical training at project worksites and camps. Since 1964 AID has assisted the NYS by providing (a) instructors to establish a Vocational Training Center, (b) commodities and construction equipment (primarily from surplus U.S. military sources), (c) short term training for nine participants, and (d) PL 480 Title II Foodstuffs. In recent years AID assistance to this activity has been directed toward Kenyanization of the Vocational Training Center (VTC), and modernization of the NYS construction equipment pool financed by an AID loan. Since the inception of the program, AID has provided $3.3 million in grant funds, and a loan of $3.5 million.

One of the prime objectives of the project was to assist the NYS in the development and operation of a formal training program -- capable of training 500 technicians every 18 months. To achieve this objective, AID funded a contract between the GOK and the World Organization for Rehabilitation and Training Union (ORT), whereby ORT was to provide expatriate instructors to develop and operate the VTC, and to train Kenyans to replace the expatriate instructors.

AID assistance to the VTC part of this project terminated in January 1972, when the last of the ORT contract team departed. Although the VTC never achieved the goal of training 500 technicians every 18 months, an institution for training technicians was established under the ORT contract. ORT's final report on the VTC stated that during their time in Kenya, 1,127 trainees were admitted to the courses, 799 completed the courses, 75 did not complete the course, and 253 were still in training at the conclusion of their contract. Of the 735 trainees who sat for the Trade Tests, 561 or 76.3% passed at their first sitting.

ORT stated that the training of Kenyan counterparts to replace the expatriate instructors had not been fully accomplished. We discussed the status of the VTC with two Peace Corps volunteers who had worked at the center after the ORT people left. They stated that in their opinion an institution had been established; and that at least three of the five disciplines had instructors who had the potential for being adequate to good teachers.

On August 11, 1970, AID signed Loan Agreement No. 615-H-005 with the GOK to provide up to $3.5 million for heavy construction equipment and related services for the NYS. To date equipment valued at $3,123,000 has arrived in Kenya, $275,000 has been deobligated, and AID approval has been granted for additional procurement for the remaining balance in the loan of approximately $102,000.

As a condition precedent to the loan agreement, the GOK was required to establish an equipment maintenance and replacement fund for NYS, and to make an irrevocable deposit to the fund of K£100,000 (U.S. $280,000). The fund was established as required; and a system to use rental revenues collected by NYS for repair and eventual replacement of the loan funded equipment was instituted by NYS. The rental revenues collected by NYS were maintained in a fund separate from the initial deposit by the GOK. The NYS superintendent of the mechanical section did not know why the funds were separate, or under what circumstances he would be permitted to use the replacement funds provided by the GOK as an initial deposit. During our review, USAID/Kenya requested the GOK Ministry of Finance and Planning to call a meeting to clarify these problems, but at the conclusion of our review the meeting had not yet been held.

<u>Recommendation No. 15</u>.

> USAID/Kenya should follow-up with the National Youth Service and the Ministry of Finance and Planning to ensure that replacement funds will be available for use by NYS as anticipated at the time the loan agreement was signed.

We found that four of the loan procured vehicles had been damaged so that they were unusable. Two of the vehicles were wrecked in 1971 while being delivered from the port in Mombasa to the NYS equipment pool. The other two were wrecked after being put into service. NYS told us they plan to repair or replace these four vehicles, but apparently the NYS - GOK procedures for taking action to repair or replace vehicles are slow. The sinking fund was designed to provide funds for such contingencies, but they were either not available or not available in a timely manner. During the review the USAID queried the GOK concerning the equipment repair. It appears that they also need to discuss possible changes in the GOK procedure to facilitate prompt action on these types of activities.

Recommendation No. 16.

USAID/Kenya should discuss with the GOK and the NYS a means of streamlining procedures so that vehicles may be promptly repaired or replaced when the need arises.

We noted that the diesel engines in 106 diesel propelled International Harvester (IH) trucks and buses were manufacturered in the United Kingdom. The Invitation for bid package (IFB) restricted non-U.S. componentry to 10% of the value of the vehicle, not including the value of ocean transportation and insurance. According to IH figures for the value of the engine on this size order, (approximately $1,200 per engine), the componentry varies between 13% on the 7 buses to 16% on the 99 trucks. IH certified to the componentry limitations in their IFB and on their shipping documents. There was no waiver for variation from the restrictions. As componentry restrictions have been placed in AID sponsored loans to assist U.S. manufacturers and to help alleviate the U.S. balance of payments problem, we believe that IH should be asked for a refund in the amount of the foreign exchange used to purchase the Perkins Diesel engines.

Recommendation No. 17.

AID/W General Counsel should take appropriate action against International Harvester Company for not complying with the terms of the Invitation for Bid.

Two Roads Loan

AID Loan No. 698-H-004 was signed by the Government of Kenya and the United States in September 1967 for an amount not to exceed $3.6 million. The loan was to finance two sections of road in Kenya, which are part of an international highway linking the three capital cities of East Africa -- Dar es Salaam, Nairobi, and Kampala. Construction and the supervisory engineering services for the roads was jointly financed by AID, the African Development Bank (ADB) and the GOK, at an estimated cost of $9.1 million. The GOK and the ADB agreed to finance $3.2 and $2.3 million, respectively; and AID agreed to provide $3.1 million for foreign exchange costs and $500,000 for local costs. AID expenditures since inception totaled $3,320,000, of which $312,000 was expended since our last review.

Construction engineering and supervisory services were provided by Tippetts-Abbett-McCarthy and Stratton (TAMS) of New York City under a GOK-TAMS agreement dated June 30, 1966. The original contract estimated that TAMS services would cost approximately $700,000. The first two construction firms encountered financial difficulties causing delays and requiring that a third firm undertake the construction. The delays extended the project life by three years, and the current expected TAMS reimbursements are estimated to be $1,326,765. The excess of costs over the original $700,000 is to be financed by the GOK. The successful construction firm, Mowlem, completed all of the work originally planned for the 156.6 miles of highway, and was in the process of submitting final billings to the GOK.

Recently REDSO/EA engineers made a review of the completed roads. On the Eldoret-Tororo Road they found large pot holes and cracking at frequent intervals on the Turbo-Kipkorren segment. This portion of the road had been complete since August 12, 1970. REDSO/EA notified USAID/K, and they requested the GOK's Ministry of Works (MOW) to provide information on the remedial action to be taken. The MOW reply to the USAID/K request stated that repair work had been initiated and a status report would be issued shortly.

Public Law 480 - Title II Programs

Catholic Relief Services -- The Catholic Relief Services (CRS) PL 480 Title II program in Kenya is designed to assist in the feeding of 96,200 people through 487 distribution centers. The program for FY 1972 totaled $1,076,000, and the program approved for FY 1973 is estimated at approximately $1.0 million.

We found that CRS/Kenya did not have a current operating agreement with the Government of Kenya. Although lack of an agreement had not yet hampered the activities of CRS, it could hamper activities in the future. CRS was negotiating with the GOK for an agreement, and for a program of installing Maternal/Child Health feeding assistance in GOK run clinics.

Of the 487 centers where CRS distributed PL 480 foodstuffs, 89 centers were maternal/child health (MCH) centers. These MCH centers (the top priority in AID's PL 480 program) provided food to between 39,250 and 42,000 children. This was approximately 43% of the CRS PL 480 program in Kenya. The MCH program seems to be well monitored and operated on a reasonable basis.

Primary, Secondary, and Nursery schools, institutions, and adult homes make up the other 398 distribution centers, with an estimated total of 50,000 recipients. Adequate program monitorship or information was not available to CRS to properly run this portion of the program, which totals 57% of the CRS PL 480 Title II activities in Kenya. Of these 398 distribution centers, 252 centers (63%) did not submit the required monthly reports in any of the last three months. Of the 146 centers which did submit some monthly reports, only 109 centers submitted data on the number of food recipients. The number of recipients accounted for by the 109 centers was 9,398, or 19% of the total approved 50,000 recipients in this phase of the program. With the limited CRS staff, on the average only one visit per year had been made to the distribution centers by CRS personnel. CRS had taken little action to force compliance with the regulations at those centers which had been visited and where adverse conditions were noted; e.g., poor storage facilities, no records, no reports, and differences between number of feedings authorized and actual feedings.

Recommendation No. 18.

USAID/Kenya should advise CRS that (a) within 60 days CRS institute a system whereby they can properly monitor the distribution centers and recipients of PL 480 Title II foodstuffs and terminate those distribution centers which are not complying with the monitoring system, or (b) except for the MCH portion, AID will terminate the CRS PL 480 Title II program in Kenya.

The CRS internal auditors made a review of CRS/Kenya in February and March 1972. When we began our review, December 1972, the USAID/Kenya had not yet received a copy of the CRS internal audit report. As a result of our request a copy of the report was forwarded to the USAID. About one year before our review, the CRS auditors found problems in program management similar to those which we identified. They also identified the problem of the USAID not receiving copies of the CRS audits.

Timely submission of internal audits by CRS to the USAID is necessary to assist AID in monitoring the program in a timely manner. Timely corrective action by CRS/Kenya is also necessary so that proper program management is assured. The next CRS audit is scheduled to begin in May 1973.

Recommendation No. 19.

USAID/Kenya should make arrangements with CRS for the USAID to receive copies of the CRS internal audits on a timely basis.

Cooperative for American Relief Everywhere, Inc. (CARE) -- The CARE P.L. 480 Title II program in Kenya began distribution of commodities in September 1971. The size of the FY 1972 program was $37,000 with approximately 20,000 recipients; and the approved FY 1973 program was for $126,000 with an end of year count of recipients expected to total 70,000. The CARE program is for the distribution of foods (wheat soy blend) in a pre-school feeding program in day-care centers. Actual distribution and administration of the program was conducted for CARE by the National School Feeding Council (NSFC). NSFC is a private organization operating with a GOK grant, and reporting to the division of Social Welfare in the GOK Ministry of Cooperatives and Social Services.

During our review CARE/Kenya reported to USAID/Kenya that instead of increasing the number of recipients, the program had declined to around 8,000. They attributed this decline to various problems within NSFC. We found that very few distribution centers were submitting status reports to NSFC, and end use checks by NSFC were sketchy. CARE recently assigned one of the three American's on their Kenya staff to work full time on the problems which have developed.

It was the assigned man's opinion that it would take three months to do a complete review of the program and its problems, and that another three months would be required to institute changes through the NSFC which would increase recipients. He discussed some of his initial findings and possible solutions with us. CARE appears to be pursuing the problem; however, we believe that if the NSFC is unwilling or unable to have a proper field staff, adequate reporting, and good program managership, AID should curtail assistance to the NSFC program.

During our review the USAID raised the problem of NSFC's administration problems with the GOK. The GOK responded that it was their intention to provide increased guidance and technical assistance to the NSFC so that the CARE program would be carried out with improved efficiency. USAID/Kenya and CARE realize that they must watch the developments closely and assist the GOK where they appear to be weak.

An additional program has been recently planned by CARE directly through the Social Welfare Department to feed pre-school children in the drought areas of Kenya. This program will, if started, absorb the excess commodities CARE now has in its warehouse.

A financial audit was conducted of CARE activities in Kenya by a Kenyan accountant in July 1972. The type of work performed on this financial audit did not fulfill AID's requirements for a comprehensive internal audit. Prior to the conclusion of our review, USAID/Kenya requested CARE to make an internal audit of the food distribution program in Kenya, following the AID guidelines; and were advised by CARE that such an audit would be made prior to the end of FY 1973.

Government of Kenya Commodity Support -- During our review USAID/Kenya continued its negotiations for inclusion of a national nutrition policy in the 1974 - 1978 Kenya Development Plan. They also pressed for direct support of the child feeding programs by the GOK in the form of local commodity inputs. In February 1973, the Ministry of Finance promised that in 1973/1974 the GOK would provide 3,293,000 pounds of Kenyan maize meal and 2,204,000 pounds of nonfat dry milk (NFDM) for use in the CRS administered P.L. 480 Title II child feeding program. The Kenyan input is to directly replace the NFDM and the bulgar wheat previously provided by AID through CRS. The CRS program will continue to provide corn-soya-milk and vegetable oil.

Housing Guarantee Program

A Housing Guarantee Loan of $2.1 million was approved in 1969. Construction was completed and final expenditures against the loan were $2.0 million. Activities under the loan were currently being reviewed by representatives from the AID/Washington Controller's Office and the National League of Insured Savings Association, a management consultant working for AID under a contract. The reviewers audit program appeared to be comprehensive and some substantive issues were being raised. In view of the examination currently being conducted, we did not audit this activity.

Two additional Housing Guarantee Loans, one for $2.5 million and the other for $15.0 million were under consideration.

Regional activities

In Kenya, as in most of the other Eastern and Southern Africa countries, we have found references to AID financed activities for which the USAID has little knowledge and no responsibility. We find it difficult to see how AID can have an integrated, limited sector program when the team which is supposed to manage that program doesn't know about all of the AID inputs in that country.

In Kenya the stated sectors of influence are agriculture, population and rural development. Examples of AID programs which fall within the sectors of influence but are not the direct responsibility of the USAID are the Pest Management and Related Environmental Factors project, and the East African Workshop on Nutrition and Child Feeding. It appears that AID/W might provide the USAID more information concerning AID's inputs to these programs which fall within the USAID's sectors of influence so that better coordination could be accomplished in Kenya.

Examples of other non-USAID/Kenya AID programs within Kenya which are not in the USAID's sectors of influence are Smithsonian Institute activities, two labor advisors instructing Kenyans in technical education, a primary school mathematics specialist serving with the Kenya Institute of Education, and U.S. university research contracts which operate in Kenya under section 211(d) of AID legislation. We recognize that AID/W has determined that certain regional and worldwide key development problems must be addressed, even if they do not fall in the Mission sector of concentrations. However the Mission should be apprised by AID/W when such a determination has been made and programs are instituted within a Missions geographic area.

Recommendation No. 20.

AID/W, Africa Bureau should obtain information on all AID regional and worldwide activities within Kenya, and forward that information to USAID/Kenya on a continuing basis.

ORGANIZATION AND MANAGEMENT

Personnel

In connection with our audit and pursuant to a special request from the Acting Director, we made a review of USAID/Kenya staffing requirements. Our review was made to determine the need for personnel on board, and did not differentiate between direct hire and personal services contract employees. In total, we identified four U.S. and fourteen local positions where in our opinion the employee was not fully occupied. Prior to the conclusion of our audit, the Acting Director obtained the services of a non-USAID/Kenya AID employee to further analyze the staffing requirements of the USAID/Kenya Mission.

Training Office

As a result of a steady decline in participant training by USAID/Kenya and the transfer of responsibility for East Africa regional participants to USAID/Tanzania, the position of a U.S. direct hire Development Training Officer was eliminated in May 1972. The incumbent assumed duties as a USAID/Kenya project officer, and continued as an advisor to a local employee who will assume full responsibility for the remaining training activities in Kenya. The local employee has had several years experience with the Training Office, and in October of 1972 completed a six weeks Advanced Seminar in Training at Washington, D.C.

Our current examination disclosed some problems of management control in the Training Office. Except for the maintenance of a status board for participants being processed and participants abroad, there was no coordinated system which could give a periodic status of actions taken and actions planned. During the course of the audit, procedures were established to control and plan internal office actions.

Our review of Project Implementation Orders for Participants (PIO/P's) indicated that the provisions of the PIO/P did not stipulate the position (or general area) to which the participant was to return, or the length of time the returned participant was expected to work in that position. Prior to the conclusion of our audit, USAID/Kenya advised us that the wording of PIO/P's would be changed in the future to incorporate the provisions noted above.

Program Office

The Program Office has a staff of three U.S. direct hire employees (Program Officer, Assistant Program Officer and Secretary) and a local Kenyan Program Operating Assistant. The Program Officer also functions as the Mission Capital Development (Loan) Officer. In addition to his usual program functions, the Assistant Program Officer functions as Mission Evaluation officer, and is designated Project Manager for the Population Dynamics project and the Housing Guarantee Program. The Program Office also handles all residual matters for completed projects.

Controller Activities

The Office of the Controller, East Africa Accounting Center (EAAC) was established September 1, 1972. Due to the newness of the EAAC, we reviewed activities pertaining only to the Kenya Mission. Our examination included cashier activities, trust fund, accounts receivable, local payrolls, time and attendance procedures for U.S. and local employees, and the most recent Review of Unliquidated Obligations made by USAID/Kenya. Corrective action has been accomplished on minor discrepancies noted during the course of the audit. In all other respects our examination disclosed that the functions noted above were being performed satisfactorily.

During calendar year 1972 there was an average of 32 U.S. direct hire AID employees posted in Kenya. As of February 8, 1973, there were 38 differences in leave balances. During 1972, USAID/Kenya was forced to make an inordinate number of requests to the AID/W Controller for leave adjustments. Some adjustments were made by the AID/W Controller, others were not made. In January 1973, the EAAC again advised the AID/W Controller of required adjustments (which had been previously submitted). To further assist SER/FM/ESD, the Controller, EAAC again on February 9, 1973 forwarded a listing of all outstanding adjustments. Finally, all adjustments were made by AID/W during the second and third pay periods of CY 1973; however, a considerable amount of U.S. employee time and EAAC personnel time was used in discussing leave balance errors.

Executive Office

Non-Expendable Property

As of the last physical inventory and reconciliation, USAID/Kenya was responsible for $315,300 of non-expendable property. In reviewing that reconciliation we found that the Mission did a satisfactory job and that their records were accurate. We found however that the USAID/Kenya had property on loan to another U.S. Government agency and to private individuals not in accordance with AID guidelines.

(1) Furniture and office equipment had been on loan to the U.S. Embassy in Nairobi for over a year. Two full sets of household furniture in Embassy occupied quarters was recovered by USAID during our review. A $4,150 flexowriter being used by the Embassy finance division was still located there at the conclusion of our review. USAID/Kenya, during

our review, advertised to other AID Missions that this flexowriter was excess to USAID/Kenya's needs.

(2) Three beds and a refrigerator which had not been returned by a former AID contractor upon completion of his assignment had not been recovered at the conclusion of our review.

(3) Three refrigerators which had not been returned by contractors upon completion of their assignment were recovered by USAID during our review.

<u>Recommendation No. 21.</u>

USAID/Kenya should promptly recover property improperly loaned or obtain reimbursement for it.

We found that the USAID/Kenya had provided grant-in-aid excess property to projects supported by AID. Providing commodities from excess rather than procuring new equipment appears to be one of the best ways USAID has to save U.S. Government funds. The projects specifically aided were the Nairobi Veterinary Faculty project, the Vihiga project, the Population project, and Rinderpest. During our review, excess furniture from USAID/Uganda was provided to ACDI technicians by USAID/Kenya. This transferred property was not recorded on USAID/Kenya property records, therefore an official "grant-in-aid" had not been made to the GOK. Without recording this property on official USAID/Kenya records, subsequent follow-up on disposition will be virtually impossible.

<u>Recommendation No. 22.</u>

USAID/Kenya should record the excess property transferred from USAID/Uganda on their property records, and officially "grant-in-aid" it to the GOK for the Agriculture Credit project.

USAID/Kenya donated expendable household furnishings (primarily rugs, draperies, and fire place equipment) which had been procured at an original cost of $3,750, to the U.S. Embassy for use in the Deputy Chief of Mission's residence -- formerly the AID Director's residence. We understand that much of the draperies and rugs were very worn and of doubtful use in other AID residences, but this appeared to be an unusual method for disposition of AID property. The USAID/Kenya Executive Officer told us he gave the rugs and fireplace equipment to the Embassy to avoid having to spend considerable money to restore the property to its original condition; i.e., refinishing the floors if the glued down carpets were removed, and doing masonry work on the fireplace if the permanently installed firescreen had been removed.

During the period reviewed there had been considerable disposition of household equipment by sale at established prices. The established price for most of the equipment was in line with current market prices for used commodities; however, twelve refrigerators were sold at an established price which was approximately 50% of book value. Prior sales of used refrigerators in Kenya had netted the USAID more than book value. The negotiated price for ten of these refrigerators had been established with the U.S. Embassy Administrative Officer in attempting to sell the used refrigerators to the U.S. Peace Corps. When the Peace Corps could not obtain official funds to procure the refrigerators, the ten refrigerators were sold directly to the Peace Corps Volunteers at the previously negotiated price.

Although USAID/Kenya had established a Property Survey Board, all of the dispositions, sales, grants-in-aid, and donations to other U.S. Government agencies were approved by the Property Disposal Officer. Because of the questions raised when property is disposed of by other than grant-in-aid or auction, we believe the board of survey should have been convened to provide additional guidance.

Recommendation No. 23.

USAID/Kenya should establish a policy of convening the board of survey to approve dispositions of AID non-expendable property, when such dispositions are made by establishing sales prices or as donations.

Motor Pool

USAID/Kenya's Motor Pool has nine vehicles including the Director's vehicle, two sedans, five station wagons and one truck. Disposal action was being considered for two station wagons. During our review we examined (a) vehicle acquisition and disposal records, (b) dispatch and trip records, (c) gasoline purchase and utilization controls, (d) spare parts purchase and issuance controls, (e) preventive maintenance procedures, and (f) motor vehicle reports.

An AIDTO Circular dated October 1972 provided "Guidelines for Reduction of Mission Motor Vehicle Operations". At the conclusion of our audit, USAID/Kenya had implemented some of the suggested changes by (a) reducing the personnel assigned to the Motor Pool, and (b) eliminating use of offical vehicles for trips to and from the Nairobi airport. We believe that further reductions as suggested by the "Guidelines" could be implemented in this Mission; e.g., (a) disposition of the "Ambassador" sedan assigned to the AID Director to reduce excessive maintenance costs and standardize the USAID fleet, (b) eliminate use of USAID/Kenya vehicles for official business within Kenya by encouraging use of taxis in Nairobi and use of leased vehicles or privately owned vehicles for field trips, and (c) eliminate use of USAID/Kenya vehicles for recreational purposes by employees and their dependents.

Recommendation No. 24.

USAID/Kenya should, as suggested by AIDTO 1444, take additional action to reduce the USAID's motor vehicle operations.

During our review we noted that the USAID's Mission Order on use of vehicles was vague and in conflict with AID Manual Orders. As a result of our findings USAID/Kenya issued a revised Mission Order, dated February 14, 1973. The revised Mission Order resolved many of the previously noted problems; however, it did not resolve the following two problems:

(1) The Mission Order does not prescribe who (U.S. employees, dependents, or local employees) may order a vehicle for official business, or the procedure to be followed when ordering an official vehicle.

(2) Official transportation for recently arrived U.S. employees is extremely broad and general. We think that most transportation for shopping and social affairs should be non-official.

Recommendation No. 25.

USAID/Kenya should revise Mission Order No. 5-3 dated February 14, 1973, to (a) prescribe the procedure to be followed when ordering an official vehicle including who may order a vehicle, and (b) clarify what is official transportation for newly arrived U.S. employees and what is subject to billing as non-official transportation.

Our review of the Annual Motor Vehicle report disclosed that the reported total cost of $17,751 was overstated by about $2,775, and that the reported miles per gallon were overstated by 20 percent. The reported cost included duty on gasoline which is refunded to AID and dealer discounts, which together amount to about 50% of the gasoline cost. The miles per gallon were computed on the basis of an imperial gallon which is 20% larger than a U.S. gallon. These findings were discussed with Executive Office personnel, who indicated that corrective action would be taken.

Procurement

In our review of USAID procurement we found two areas of concern. The first was the procurement process used for electric clothes dryers, and the second was the local purchase of carpeting.

In the purchase of dryers the Mission accepted a nonresponsive bid which resulted in the dryers being unusable for a year. The specifications for the 50 dryers stated that they were to be 220 volt, 50 cycle. After receipt of bids the USAID accepted a bid for dryers at 115 volt, 60 cycle with a transformer. There were two responsive bidders, but their prices were $30 and $89 higher per unit respectively. After the dryers arrived in Nairobi it was found that they would not function properly. In response to comments in our draft report, the USAID/Kenya Executive Office stated that they did not think they had accepted a nonresponsive bid because the suppliers representative had assured Executive Office personnel that the 115 volt, 60 cycle dryers with a transformer would operate satisfactorily on 220 volt, 50 cycle current. Based on this assurance, the supplier provided free replacement parts and service to make the dryers operational, but the delay in getting the dryers operational was a full year. Specifications for equipment, especially electrical equipment, are critical; and in future procurement the purchasing section and their American supervisors should consult with qualified technicians before accepting equipment without proper specifications.

We found that 256 square yards of carpeting had been purchased locally by the Mission -- 47 yards for use in two residences, and 209 yards for use in the USAID offices. We do not consider the purchases to have been necessary for the offices, and found that procurement of carpets from the U.S. would have been less expensive. The carpeting procured for the USAID offices was used to put wall to wall carpeting in the Director's Office, the Assistant Director's Office, and the Executive Office. In these days of austerity, it does not seem appropriate to use 146 square yards of carpet for wall to wall coverage in the Assistant Director and Executive Offices.

The stated justification for purchasing carpet locally was because the Executive Office computed that a cheaper local price could be obtained than could be obtained by ordering carpet from the United States. When we reviewed the calculations we found that a significant error had been made. Instead of U.S. carpeting costing \$28 per square yard as computed by the USAID, the actual figure was \$7.20 per square yard. The equivalent carpet in Nairobi cost \$14 per square yard. When justifications for procuring non U.S. goods are made, it appears that a more in depth review of the figures is necessary.

Recommendation No. 26.

USAID/Kenya should establish procedures to ensure that non-U.S. procurement is made only when fully justified.

Mission Leased Property

Residential Quarters -- In April 1972, at the request of USAID/Kenya, AID/W established rental and operating expenditure standards for employee housing in Nairobi. This standard is a guideline for the USAID for rental and operating expenses for different sizes of houses, and is based on previous actual expenditures in Kenya. The guide is used for mission leased quarters.

USAID/Kenya has been leasing residential quarters for employees since March 1966. The Quarters Allowance authorized by the Standardized Regulations has not been adjusted in several years to reflect the rising costs, Considering the concern expressed by AID/W about the number of persons involved in support activities and in having AID personnel be self sufficient, consideration should be given for having the quarters allowance adjusted; and a switch made from mission leased quarters to private leased quarters. This switch would relieve the Executive Office of the management and financial responsibilities pertaining to leasing, maintenance and utilities. For 1972 the Mission calculated that the housing allowance in accordance with the Standard Regulations was \$129,800 and the actual expenditures were \$196,550. These actual expenditures did not include the time spent on housing by the Executive and Deputy Executive Officers, the General Services Officer, and up to two GSO clerks.

AID directives require that a Rental Control Board be established at each post where two or more U.S. Government agencies are leasing residential property. The purpose of such a Board is to (a) eliminate bidding against each other when leasing property, (b) conduct periodic surveys to justify and/or recommend changes in the established Quarters Allowances, (c) justify or recommend U.S. Government leasing when appropriate, and (d) compare rental rates to quality and quantity of space required. The board is to be composed of a representative from each U.S. Government agency, the U.S. private sector, and the international agencies with which the U.S. government is affiliated. In response to our draft audit report, the USAID Executive Office advised us that the Administrative Officer of the U.S. Embassy stated that she did not think the establishment of a rental control board by the Embassy would serve any purpose, and that there was a frank exchange of information on available houses between AID and the Embassy. If, as we suggested previously, the mission took positive steps to extract itself from Mission leased housing, there would be a need to coordinate this action with the other U.S. agencies in Kenya who are also leasing quarters.

Recommendation No. 27.

USAID/Kenya should (a) pursue the idea of discontinuing Mission leased quarters, and (b) officially request the U.S. Embassy to convene a Rental Control Board to discuss the advantages and disadvantages of not having Mission leased quarters.

Office Space -- In reviewing the USAID office space and its leasing arrangements we found that, because of office arrangement and the constantly changing number of personnel, there was an excess of space in certain areas. During this period we also heard discussions which indicated that the mission was considering leasing additional space. However, during our review the mission stated that even though there was additional personnel expected for the AID complex in Nairobi, they hoped to accommodate all personnel in the present space through re-arrangement of offices and use of moveable partitions. We found that in the current office market the USAID has more favorable terms than could be negotiated for new space elsewhere in Nairobi.

Reproduction Facilities

As part of our audit we reviewed reproduction facilities within USAID/Kenya. For the six month period from April through September 1972, USAID/Kenya paid Shs. 8,675 ($1,22[illegible]) more for Xerox services than they did for the same period in 1971. In all of 1972 there were two Xerox machines leased by the Mission. Prior to October 1971 only one machine had been leased. During the latter part of our review (March 1973), the Mission returned the second machine to Xerox.

We found no guidelines in the Mission of when to use what form of reproduction (Xerox, mimeograph, hectograph). Hectograph was usually not considered an acceptable form of reproduction. We calculated that it was less expensive to reproduce on Xerox than mimeograph when less than three copies per page of material was reproduced. When more than three copies per page are reproduced, the Xerox charges continue to accumulate while the only charge for mimeograph is the cost of the paper. The Executive Office commented that it had saved money in labor costs by reproducing multiple copies of reports on the Xerox and using the Xerox sorter attachment for collating the copies. The sorter costs an additional Shs. 350 ($50) per month, and was brought into the mission in October 1971. We found that a collating machine from a local supplier, which would collate Xerox, mimeograph or hectograph copies, sold for Shs. 2,000 ($285). This cost would be recovered in six months of rental costs for the Xerox sorter.

The major offices having a large number of copies run on the Xerox are the Executive Office and the Vihiga project office. The Executive Office has been issuing most of its mission notices and circulars on the Xerox, and the Vihiga office has been reproducing multiple copies of technician reports. The Vihiga project office also had considerable reproduction of project documentation which was reproduced on hectograph and required overtime for collating the copies. If the Mission had acquired a multipurpose collating machine they could have alleviated the overtime required to put the Vihiga documentation together.

Recommendation No. 28.

USAID/Kenya should reduce the costs of reproducing by (a) exploring the possibility of purchasing a collator which will handle mimeograph, hectograph, and Xerox copies to replace the sorter on the Xerox machine, and (b) establishing written procedures on which types of reproduction should be used for certain numbers of copies in line with machine economies.

Security

Guard Services -- During our review we circulated a questionnaire to American employees concerning guard services financed by the USAID/Kenya. Generally the employees considered the services provided were adequate. It was noted in approximately one-third of the responses that the guards did not have flashlights or illuminating devices; a few employees stated that they had found their guard asleep; and some stated that their guards spent less than the full shift (12 hours) on duty, while others were not sure when their guards left the premises in the morning. All responses indicated that the guard service was necessary. We transmitted the returned questionnaires to the Executive Office for action on specific problems, which wrote to the guard contractor to obtain appropriate action.

Emergency and Evacuation Plans and Procedures -- During our review we found that the E & E Plan was out of date by 4 years, and that no one in AID knew what the plan contained or their personal responsibilities. Prior to the conclusion of our review the U.S. Embassy revised the plan, and appropriate personnel within AID reviewed the revised plan.

Negotiable Instruments -- We found that 2,000 Government Transportation Request (GTR) forms were stored in the warehouse with no log or control kept by the Executive Office. During the review the GTR's were moved to the security of the C & R vault. The C & R supervisor was made custodian of the documents, and a control log was established.

Consolidation of Administrative Functions

A review of the duplication of administrative functions between USAID and the U.S. Embassy was made to see if additional consolidation of activities had taken place since our last audit. We found the following changes had taken place. Personnel administration for local employees which had been handled by the Embassy during our last review was being handled separately by AID and Embassy for their own people. AID previously handled the clearing of all sea freight, and the Embassy the clearing of all air freight. Each agency now handles freight clearances for themselves. The motor pool which is located in a single location is still operated as two motor pools. The property warehouses which are physically located side by side are still separate entities, each with its own staff. In responding to these points in the draft audit report, the USAID stated that discussions with the Embassy concerning consolidation had continued during the period under review. The changes were a result of an evaluation of costs and expediency. This evaluation showed that the USAID was better equipped to handle some of the logistics functions and at a lower overall cost to AID. Other changes were a result of the Embassy requesting that certain functions be returned to Embassy.

Financial Status of the
AID Activities in Kenya
As of December 31, 1972

Project Title and Number	(In Thousands) Obligations	Expenditures	Unliquidated Obligations
Agriculture Sector			
* Range Development 615-11-190-100.1	$ 1,023	$ 1,022	$ 1
* Range Water Development 615-11-190-100.2	644	639	5
National Range and Ranch Development 615-11-130-157	317	98	219
* Agriculture Planning 615-11-190-133	431	416	15
* Higher Agriculture Education 615-11-110-102	1,860	1,783	77
University of Nairobi Veterinary Faculty 615-11-110-158	963	532	431
Agriculture Credit 615-11-140-148	504	256	248
* Crop and Livestock Extension 615-11-130-101.5	2,470	2,470	-
* Agriculture Support 615-11-199-121	873	873	-

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Financial Status of the
AID Activities in Kenya
As of December 31, 1972

(In Thousands)

Project Title and Number	Obligations	Expenditures	Unliquidated Obligations
Population Sector			
Population Dynamics 615-11-580-141.1	$ 570	$ 500	$ 70
Population Dynamics Pop Lab 615-11-580-141.2	288	45	243
Population Dynamics - Vihiga 615-11-580-141.3	30	-	30
Rural Development Sector			
Vihiga Project 615-11-810-147	564	351	213
Other			
* National Youth Service Training Center 615-11-995-123	3,293	3,293	-
National Youth Service Loan 615-H-005	3,225	3,123	102
* Two Roads Construction Loan 698-H-004	3,600	3,320	280
Technical Support 615-11-999-000	3,493	3,468	25
	$ 24,148	$ 22,189	$ 1,959
Previously Audited		15,494	
Current Audit Value		$ 6,695	

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Financial Status of the AID Activities in Kenya As of December 31, 1972

Project Title and Number	(In Thousands) Obligations	Expenditures	Unliquidated Obligations
Public Law 480 Title II	$	$	$
Catholic Relief Services (1972 Program $1 million) (1973 Program $1 million)	N/A	N/A	N/A
Cooperative for American Relief Everywhere (1972 Program $ 37,000) (1973 Program $126,000)	N/A	N/A	N/A
Regional Projects			
* Nutrition Awareness Grant AID/csd-2793 (CARE)	46**	46**	-
Housing Investment Guarantee 615-HG-001	2,000	2,000	-
Population Dynamics 698-11-570-374	316	N/A	N/A

* Physically completed projects at the time of our audit.

** Values not verifiable from field to AID/W records - value is Contractor's value.

AID Program in Kenya
Dollar Expenditures by Cost Category
Covered by Current Audit as of December 31, 1972
(In Thousands)

Project Title and Number	Personnel	Commodities	Participants	Other Costs	Total Expenditures
Agriculture Sector					
Range Development 615-11-190-100.1	$ 25 87 1/	$ 7	$	$ 5 1 1/	$ 125
Range Water Development 615-11-190-100.2	156 2/	31	7	39	233
National Range and Ranch Development 615-11-130-157	72 2/ 12			14	98
Agriculture Planning 615-11-190-133	75 2/ 5		8	7	95
Higher Agriculture Education 615-11-110-102	204 1/	1 1/ 31	61		297
University of Nairobi Veterinary Faculty 615-11-110-156	478 1/ 27	17	8	1	531
Agriculture Credit 615-11-140-148	38 1/ 122 2/ 20	6	5	13	204
Crop and Livestock Extension 615-11-130-101.5	72 1/ 32	3	34		141
Agriculture Support 615-11-199-121	8 2/ 76	1		16	101

AID Program in Kenya
Dollar Expenditures by Cost Category
Covered by Current Audit as of December 31, 1972
(In Thousands)

Project Title and Number	Personnel	Commodities	Participants	Other Costs	Total Expenditure
Population Sector	$	$	$	$	$
Population Dynamics 615-11-580-141.1	59 80 2/	31	16	23	209
Population Dynamics Pop Lab 615-11-580-141.2	1 41 1/	3			45
Population Dynamics - Vihiga 615-11-580-141.3	-	-	-	-	-
Rural Development Sector					
Vihiga Project 615-11-810-147	166 1/ 58	24		91	339
Other					
National Youth Service Training Center 615-11-995-123	85 1/ 1	20			106
National Youth Service Loan 615-H-005		3,005			3,005

AID Program in Kenya
Dollar Expenditures by Cost Category
Covered by Current Audit as of December 31, 1972
(In Thousands)

Project Title and Number	Personnel	Commodities	Participants	Other Costs	Total Expenditures
Other (Cont.)	$	$	$	$	$
Two Roads Construction Loan 698-H-004	-	419			419
Technical Support 615-11-999-000	13 1/ 399	32	3	300	747
	$ 2,412	$ 3,631	$ 142	$ 510	$ 6,695

1/ Contract Reimbursements

2/ PASA Reimbursements

No Notation - Direct AID Disbursement

AID Program in Kenya
AID Financed Contract Personnel
As of February 28, 1973

Name	Position	Date of Arrival	Date of Departure
	University of Nairobi Veterinary Faculty		
	Project No. 615-11-110-158		
Colorado State University			
Contract No. AID/afr-425			
J. Cheney	Assoc. Professor of Parasitology (Chief-of-Party)	7-31-71	6-10-72
C. Kimberling	Professor of Clinical Medicine	8-31-71	7-11-72
L. Parsons	Veterinary Physiologist	5-25-69	10- 3-71
L. Laureman	Assistant Professor of Microbiology	5-18-70	6-16-72
G. Gilbert	Professor of Clinics and Surgery	6-14-70	6- 8-72
Contract No. AID/afr-790			
L. Johnson	Senior Lecturer Clinical Medicine	10- 1-71	*
R. Rubin	Professor of Parasitology (Chief-of-Party)	5- 6-72	*
G. Burrows	Senior Lecturer in Clinical Medicine	8-26-72	*
D. Grant	Senior Lecturer in Microbiology	6-13-72	*
L. Davis	Professor of Pharmacology	6-10-72	*
E. Usenik	Visiting Professor of Clinics and Surgery	8-20-72	*
J. Cunningham	Short Term - Professor of Pharmacology	11-22-71	3- 3-72
	Agriculture Credit		
	Project No. 615-11-140-148		
Agricultural Cooperative Development International			
Contract No. AID/afr-856 - Cost Reimbursement			
W. Slotten	Area Credit Supervisor (Kisumu)	9-25-72	*
B. Behrens	Area Credit Supervisor (Nyeri)	9-30-72	*
P. Bergland	Area Credit Supervisor (Nairobi)	9-30-72	*

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AID Program in Kenya
AID Financed Contract Personnel
As of February 28, 1973

Name	Position	Date of Arrival	Date of Departure
	Population Dynamics - Pop. Laboratory **Project No. 615-11-580-141.2**		
University of North Carolina **Contract No. AID/csd-2495 Task Order No. 3 - Cost Reimbursement**			
H. Rose	Demographic Advisor	6-29-72	*
	Population Dynamics **Project No. 698-11-570-374**		
Population Services Inc. **Contract No. AID/afr-827**			
T. Black	Project Director	3-27-72	*
	Rural Development - Vihiga **Project No. 615-11-810-147**		
Florida A & M University **Contract No. AID/afr-801 - Cost Reimbursement**			
F. Holmes	Chief-of-Party	12-10-71	*
H. Mills	Agricultural Extension Specialist	2-12-72	*
M. Hanrahan	Economist	5-10-72	*
Trans Century Corporation **Contract No. AID/afr-771 Task Order No. 19**			
E. Crawford	Economist	2- 1-72	*
P. Weisel	Program Analist	9- 1-72	*
R. Bartolo	Road Engineer	1-22-73	*

AID Program in Kenya
AID Financed Contract Personnel
As of February 28, 1973

Name	Position	Date of Arrival	Date of Departure
	National Youth Service Training Center Project No. 615-11-995-123		
World ORT Union Contract No. GOK/NL/NYS/12/A			
J. Baur	Chief-of-Party	6-27-70	1-**-72
W. Brownlie	Electrical Instructor	2-15-70	9-30-71
D. Graditor	Education Advisor	11-12-72	2-**-72
A. Schapper	Masonry Instructor	5- 9-70	1-**-72
A. Hafner	Turning and Fitting Instructor	6- 5-70	1-31-72

* On Board as of 2-28-73
** Not Available in the USAID

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Copy of Memorandum to the Files
Meeting Between USAID/Kenya Officials and the
Dean of the University of Nairobi Veterinary Faculty

March 16, 1973

To : The Files

From : Alex Dickie, Jr.
Deputy Food & Agriculture Officer

Subject: Session with Dean Mugera attended by:

Mr. Charles A. James, Director
Dr. R. Jensen, Campus Coordinator
Dr. Robert Rubin, Chief of Party
Mr. Alex Dickie, Jr., Project Manager

Director James started the meeting by telling the Dean of the problems AID has with the project as revealed by the current audit as well as the quarterly reviews of the project which he holds as Mission Director. He told the Dean that the purpose in seeking this meeting was to try to resolve some of these shortcomings of the project as outlined in the discussion paper attached which we gave the Dean prior to the meeting. Unless he and the Dean could find ways to improve the performance of the CSU Team, toward accomplishing the objectives of the project, Director James said that he would have no choice but to recommend that the project be terminated.

In response to Mr. James' question as to whether the CSU team was fully employed or not, Dr. Rubin replied that he and the team thought they could do more and serve a very useful role in the University development.

Dean Mugera responded that it takes time to evaluate new staff members and that six months was not much time for him to decide how to best utilize these team members. As the team's arrival date was uncertain the Dean said the University plans were necessarily made before the team arrived for this year. He indicated that he had intended to more fully utilize the CSU team and would be assigning graduate students to them as students enrolled in the disciplines taught by the team members.

The Dean said the three occupying clinical positions were working very hard and performing well, mainly at the undergraduate level. Stating that he did not meet with them on an individual basis, he said however that he had his own way of assessing the work being performed by the staff members. At this point Mr. James suggested that the fact that he had not met with the CSU team members might well be a part of the problem and that he wondered if it would not be well for the Dean to get the team together and outline the program he had in mind and what he expected of them.

The Dean felt this would be a good idea and that he would call them together following the completion of exams on March 23. Dr. Rubin said that as his Campus Coordinator Jensen would be leaving the 22nd, he wondered if it would be possible for Dean Mugera to meet with the staff before Jensen's departure. The Dean agreed, even though it was a very busy time for all involved. After looking at the exams schedule he said the 19th was a possible date.

The Dean said he had some complaints from CSU staff members that they were not involved in working out the university curriculum. He also said he had a complaint from a staff member to the effect that the curriculum was too American in its orientation. He said the curriculum discussions took place in April of each year which meant the decisions for the year had already been made before the CSU team arrived. Again this year in April according to the Dean, each Faculty member will have the opportunity to submit suggested curriculum changes to his department for consideration by the University Curriculum Committee.

Replying to Dr. Rubin's question as to who from the CSU team was on the Curriculum Committee, the Dean said that Cheney and Kimberling had been until they departed and two other CSU team members would be elected in April, and a parasitologist will be elected. The Dean said that the present trend at the University was for more course work to be offered in the graduate school.

Dr. Jensen told the Dean that the CSU team wanted very much to be of assistance to him particularly in the field of graduate studies in which the CSU team was highly competent. He suggested the Dean might want to give them specific assignments and to designate graduate students to work with each of them. In the case of Dr. Usenik the Dean stated he was working well at the undergraduate level but no graduate students were currently enrolled in surgery.

On the subject of participant trainees, the Dean said his Sub-Committee would meet on March 23 to select participants from the applications for submission to the Dean's Committee for final selection. Dr. Rubin asked if it would be possible to make these selections before Dr. Jensen returns to the States on March 22. At this point the Dean called the Registrar to see if it would be possible to advance the date to comply with the Rubin request. The Registrar stated that notices had already been mailed for March 23, and because some of the applicants would be coming from distant points in Kenya, it would not be possible to make the change. As the Dean's Committee will have met on March 22 the Dean did agree to ask them to sit in a special session to approve his Sub-Committee recommendations for submission to A.I.D.

While on the subject of participant trainees, Director James asked the Dean about the University policy on Asian Kenyans. The Dean replied that the University would make no distinction but that he understood the Government would only approve African applicants.

Dr. Rubin injected that this being the case, the sub-committee should submit additional names in case Asian Kenyans were selected. The Dean did say that a trained Asian Kenyan returning to the staff would have the same commitment as an African and advance according to his ability to perform the duties. The Dean said that the University had authorized him to include family support for participant trainees, that is wife and children only.

In discussing Kenyanization the Dean says that the University does have definite plans and he would work with us in detailing such a plan. He said he has the power to summon Kenyan veterinarians from other Government posts to serve on the Vet. Faculty if he so desires. Dr. Jensen said that he felt Kenyans should be named as Department Heads with very able assistance from the CSU team members. When Mr. Dickie pointed out that our discussion paper was asking the University to name CSU team members as Department Heads, Dr. Jensen said he did not believe this should apply where Kenyans could be filling the slots. All of us agreed that Dr. Jensen's suggestion was proper, and we should not ask for Department Heads that can be filled by capable Kenyans. The Dean said only in the clinics would he have difficulty in identifying a Kenyan to be a Department Head.

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Mr. Dickie told the Dean that the auditor stipulated that AID should insist on positive identification of staff positions for returning participant trainees and AID needed a stronger commitment than we now have that the participant will be returning to the staff. In the case of our participants the Dean said each will be going for training for a specific staff position and he would work with us on the details we seek to assure the participant does return to the staff position.

When we discussed the University contribution to the Trust Fund, the Dean said he would review our request to increase the University contribution to match the salary scale to the position occupied by the CSU staff member. He said the decision on this matter will have to be made by University Budget Committee but he was willing to submit a recommendation. Dr. Rubin said that next year's budget of the Trust Fund should include more specific language than the last year's budget contained. This would spell out in greater detail the items eligible for expenditure such as travel for CSU staff members to International Conferences. Both the Dean and Dr. Rubin felt that if the language was specific in the budget agreement then our problems with Universitv approval would be minimal.

Replying to our question on the positions occupied by the CSU team members, the Dean said Drs. Rubin, Davis and Usenik were at the Professor level, Grant and Johnson were senior lecturer grade and that Burrows was a lecturer. For internal funding, Davis for some reason was funded at a senior lecturer level. This has no effect on his rank of Professor.

Mr. Dickie told the Dean that he wanted to apologize for the many changes in Project Managers on this project during his four years in Kenya, but wanted to fore warn him that again on or about July 1 we would be making another change. At that time, Mr. Jones would probably replace him reversing the action of July 1972 when he was named Manager replacing Mr. Jones. Mr. Dickie asked him to be patient with us and that he would diligently pursue the agreements made today in the hopes of completing the action and follow-through by the end of June.

As the meeting was about to end, Dr. Rubin asked the Dean if he had problems he would like to bring it to the attention of the AID or the Campus Coordinator. To this the Dean replied that he had no problems at the moment. Director James told the Dean his door was always open and he hoped they could meet again as often as would seem to be useful. Mr. James said he would be following the developments very closely, giving his personal attention to the progress of this project.

EXHIBIT E

Distribution of Audit Report

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