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AUDIT OF
PL 480 TITLE II PROGRAM
IN EGYPT
MANAGED BY CATHOLIC RELIEF SERVICES
Audit Report No. 6-263-86-6
June 30, 1986

memorandum

DATE: June 30, 1986
 REPLY TO ATTN OF: *Joseph R. Ferri*
 Joseph R. Ferri, RIG/A/Cairo
 SUBJECT: Audit Report No. 6-263-86-6
 Audit Of PL 480 Title II Program In Egypt
 Managed By Catholic Releif Services
 TO: Mr. Frank B. Kimball, Director USAID/Egypt

This report presents the results of the audit of the PL 480 Title II Program in Egypt managed by Catholic Relief Services. The objectives of this limited program results audit were to determine whether management controls provided reasonable assurance that program resources were being used for intended purposes and whether AID governing regulations were being met.

Management controls over the Catholic Relief Services PL 480 Title II Program in Egypt were generally adequate, and the program was mostly in compliance with AID Regulation II and AID-Handbook-9. Controls were sufficient to account for food commodities from arrival in Egypt to the end-use distribution to targeted recipients.

Some exceptions in management controls and compliance were found. Storage facilities at two locations in Egypt were inadequate; a program evaluation had not been made to assess overall program impact; reporting of losses and claims was not timely or consistent; funds generated from sales of empty containers were not properly monitored; and a decision had not been made on disposition of \$4.7 million of excess commodities.

We recommended corrective action for each of the five exceptions noted. Two of the five recommendations made were closed upon issuance of the report. One of the closed recommendations addressed inadequate storage facilities and the other concerned the disposition of excess commodities. USAID/Egypt said it could not comply with the recommendation to make an evaluation of the program. The other two recommendations, agreed with by USAID/Egypt, required further action by the Catholic Relief Services.

The comments received were used in finalizing the report. Excerpts are included at the end of each findings section along with Officer of Inspector General comments. The full text, without all attachments, is included as Appendix 1 to the report.

We appreciate the cooperation extended during our audit. Please advise this office within 30 days of actions planned or taken to implement the three open recommendations in this report.

EXECUTIVE SUMMARY

The PL 480 Title II program in Egypt provides food commodities as nutritional supplements to various feeding and distribution centers in the country. In fiscal year 1985, about 33,371 metric tons of Title II commodities valued at \$10.4 million were exported to Egypt. The program is managed by Catholic Relief Services under a basic agreement with the Government of Egypt, as represented by the Inter-Ministerial Committee for Foreign Voluntary Aid. The basic agreement, signed April 3, 1974, has no expiration date; but one program activity, Primary School Feeding, phased out in fiscal year 1985. The two other activities, Other Child Feeding and Maternal Child Health, will be phased out by the end of fiscal year 1989.

The Office of the Inspector General conducted a limited program results audit of the PL 480 Title II program in Egypt. The audit covered the period from June 15, 1979 through March 31, 1986. The audit was requested by USAID/Egypt's Food for Peace Office on April 10, 1985. We agreed to examine selected program activities to ascertain whether management practices provided adequate control over program resources and whether AID governing regulations were being met.

The audit showed that management practices were generally adequate in controlling program resources, and that the program was mostly in compliance with AID regulations and policies. Title II food was being distributed to intended recipients. However, some exceptions in management practices and compliance were found. These exceptions require corrective action.

Inadequate storage facilities were found at two locations, exposing commodities to considerable risk. We recommended USAID/Egypt qualify its certification under PL 480 as to adequate storage facilities, and support all further certifications with data from the Catholic Relief Services. USAID/Egypt agreed and implemented the recommendation. The recommendation was closed upon issuance of the report.

The PL 480 Title II program had not been formally evaluated even though a requirement and a need existed. We recommended an evaluation be carried out. USAID/Egypt agreed with the

desirability of the recommendation but said that after extensive investigation it had concluded an evaluation was not feasible.

Improvement was needed in the controls over commodity losses and claims, sales of empty containers and disposition of excess stocks. We recommended (1) written guidelines be established for handling losses and claims; (2) reports be submitted by the Government of Egypt showing receipts and expenditures from sales of empty containers; and (3) a decision be made on the disposition of excess commodities. USAID/Egypt agreed with the recommendations. Resolution of items (1) and (2), however, was dependent upon further action by the Catholic Relief Services. Item (3) was resolved before the final report was issued and the recommendation was closed.

Office of Inspector General

**AUDIT OF
PL 480 TITLE II PROGRAM
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MANAGED BY CATHOLIC RELIEF SERVICES**

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AUDIT OF
PL. 480 TITLE II PROGRAM
IN EGYPT
MANAGED BY CATHOLIC RELIEF SERVICES

PART I - INTRODUCTION

A. Background

Catholic Relief Services (CRS) is one of two cooperating sponsors responsible for providing PL 480 Title II food commodities as nutritional supplements to various feeding and distribution centers in Egypt. CRS operates under a basic agreement signed April 3, 1974 with the Government of Egypt, represented by the Inter-Ministerial Committee for Foreign Voluntary Aid. The agreement has no expiration date.

CRS maintains a staff of four end-use evaluators. In calendar year 1985, the evaluators visited 1,481 distribution units operated by the Government of Egypt and made 289 other visits to ensure integrity of the program (See Exhibit 1).

Programs sponsored by CRS in Egypt are described in its operation plans approved by USAID/Egypt. The fiscal year 1986 -Operation Plan--(amended) continues the Maternal Child Health (MCH) program and Other Child Feeding (OCF) program. The MCH program focuses on the 6-36 month age group and, within that group, on children 6-18 months of age because of a high percentage of deaths in this age group. There were about 900,000 recipients in the program in fiscal year 1985. The OCF program, which focuses on food recipients in orphanages and day care centers, had about 24,000 recipients in fiscal year 1985.

One other program, Primary School Feeding, phased out in fiscal year 1985, after eight years of operation. The OCF program is due to expire in fiscal year 1988, while the MCH program will expire in fiscal year 1989.

About 33,371 metric tons of Title II commodities (nonfat dried milk, instant corn soya milk, vegetable oil, wheat, and dried raisins) valued at \$10.4 million were exported to Egypt for CRS distribution in fiscal year 1985 (See Exhibit 2). Exhibit 3 shows the distribution of CRS commodities to beneficiary programs during that fiscal year.

B. Audit Objectives And Scope

The objectives of this limited program results audit were to determine whether management controls provided reasonable assurance that program resources were being used for intended purposes, and whether AID regulations were being met. The audit was scheduled following a request for audit of PL 480 Title II by the USAID/Egypt Human Resources and Development Cooperation - Food for Peace Office on April 10, 1985.

We reviewed: (1) CRS, USAID/Egypt, and Government of Egypt documents, files, records and reports; (2) CRS internal procedures and controls; and (3) transactions covering shipments, warehousing, and distribution of food commodities. Field visits to selected locations were made to test receipt, storage, distribution, and use of randomly selected commodities during fiscal year 1985. The locations visited were Fayoum, Cairo, Beheira, Ismailia, Aswan, Benha, and Sharkiya. The audit tests constituted about 10 percent of the transactions at these locations. Because controls over commodity flow were adequate, the tests were not expanded to additional years of activity or to additional warehouses. The audit did not evaluate the nutritional impact of program levels or the suitability of the specific food resources made available.

We reviewed prior audit activity: a CRS internal audit report issued March 14, 1980; and a Regional Inspector General for Audit, Cairo (RIG/A/C) audit report issued June 15, 1979. This audit covered the period from the RIG/A/C report issue date of June 15, 1979 through March 31, 1986. The audit work was done between January and March 1986 in accordance with generally accepted government auditing standards.

AUDIT OF
PL 480 TITLE II PROGRAM
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PART II - RESULTS OF AUDIT

Management controls over the CRS PL 480 Title II program in Egypt were generally adequate. The program was mostly in compliance with AID Regulation 11 and AID Handbook 9. Controls were sufficient to account for food commodities from arrival in Egypt (port of Alexandria) to the end-use distribution to targeted recipients.

Some compliance and implementation problems, however, needed attention. Storage facilities at two locations in Egypt were inadequate, placing about \$1 million in commodities at risk due to weather and other problems. The program needs an in-depth evaluation after 12 years of operation, even though a phaseout of the program is planned by the end of fiscal year 1989, in order to determine whether the program is meeting its objectives. Reporting of losses and claims was not timely, and funds generated from the sale of empty containers were not tightly controlled. Finally, about \$4.7 million of excess commodities from the phased-out Primary School Feeding program were awaiting a decision on disposition.

We recommended USAID/Egypt qualify its certification on the adequacy of Government of Egypt storage facilities until improvements are made and support further certifications with data from CRS; evaluate the program in accordance with AID criteria; have CRS improve controls over losses, claims, and sales proceeds; and decide what to do with excess stocks on hand. USAID/Egypt agreed to take action on all but the recommendation to evaluate the program. Two of the five recommendations made (Recommendation Nos. 1 and 5) were closed upon issuance of the report.

A. Findings And Recommendations

1. Commodities Are At Risk

Two warehouses maintained by the Government of Egypt (GOE) had inadequate storage facilities, resulting in an undetermined amount of food damage and exposing a supply of commodities valued at about \$982 thousand to considerable risk. Section 401 of the Agricultural Trade Development And Assistance Act (PL 480), as amended, requires adequate storage facilities in a recipient country before commodities are made available there. USAID/Egypt did not qualify its certification under PL 480 on the adequacy of storage facilities because it did not have information from CRS on the condition of the warehouses. The GOE recognized the risk of having these inadequate storage facilities, but did not have the funds needed for improvements.

Recommendation No. 1

We recommend that USAID/Egypt:

- a. qualify its certification under PL 480 (Section 401) in regard to the adequacy of storage facilities until needed improvements are made to Government of Egypt warehouses storing PL 480 Title II commodities; and
- b. support further certifications by obtaining periodic reports from the Catholic Relief Services showing the condition of each warehouse.

Discussion

We visited two of the eight Inter-Ministerial Committee (IMC) warehouses and four of the thirty Public Health zone warehouses to observe commodity movement and storage. At the IMC warehouse in Benha, commodities were vulnerable to risk from rain, flood, poor drainage, infestation, and thievery. On February 11, 1986, the following commodities were stored in a walled but uncovered yard:

<u>Commodity</u>	<u>Unit</u>	<u>Quantity</u>	<u>Landed Value</u>
Nonfat Dried Milk	50-Lb bag	23,162	\$366,886
Nonfat Dried Milk	54-Lb carton	32,737	566,022
Instant Corn Soya Milk	50-Lb bag	4,046	38,315
Bulgur	50-Lb bag	<u>2,019</u>	<u>10,337</u>
Totals		61,964 =====	\$981,560 =====

Commodities were under canvas, but insufficiently protected. Many containers were rain soaked, and the bottom stacks of all commodities had been exposed to a flood caused by a broken pipe. The yard had been entirely covered by water. Warehouse officials found 105 bags of Nonfat Dried Milk valued at about \$1,680 unfit because of water damage, but the actual damage could not be assessed without a thorough inspection of all soaked commodities.

Aside from the water damage, commodities were subject to possible infestation and thievery. The commodities were stacked on wooden pallets placed on the ground but were not protected from rodents or possible theft in the uncovered yard. The warehouse manager expressed his concern that the presence of rodents was a threat to the commodities.

At the Public Health Zone warehouse in Aswan, storage facilities were also inadequate. The warehouseman complained about poor storage conditions, which previously were worse because commodities were then stored in the open. On March 15, 1986, commodities were found stored in a wooden shed lacking security and protection from the weather because of large openings in the walls and roof. Moreover, the commodities were placed on a dirt floor. According to warehouse officials, the presence of termites precluded the use of wooden pallets; metal ones were not available. Storage at Aswan consisted of:

<u>Commodity</u>	<u>Unit</u>	<u>Quantity</u>	<u>Landed Value</u>
Soybean Oil	46.2 lb carton	223	\$ 4,850
Instant Corn Soya Milk	50 lb bag	236	2,235
Nonfat Dried Milk	54 lb carton	<u>264</u>	<u>4,564</u>
Totals		723 ===	\$11,649 =====

The Agricultural Trade Development And Assistance Act of 1954, as amended, (PL 480) requires (Section 401) the Secretary of Agriculture to determine that adequate storage facilities are available in a recipient country before commodities are shipped there. Such determination is made through certification by field Missions to AID/Washington. USAID/Egypt did not qualify its certification, even though storage facilities were inadequate in at least two locations in Egypt. It did not receive periodic reports from CRS showing the condition of each warehouse that would support the certification.

GOE officials acknowledged the need for better facilities. In Benha, the Ministry of Supply had prepared a design for improvement of the warehouse but asked CRS to bear the cost estimated at \$774,000. In Aswan, commodities had been moved under cover, but GOE officials said no funds were available for additional needed improvements. CRS proposed to use funds from the Sale of Empty Containers account to help finance improvements.

Besides improved storage facilities, an assessment of actual food damage at Benha was needed. USAID/Egypt asked CRS on February 23, 1986, to examine food stocks there and to separate damaged commodities to prevent further losses. USAID/Egypt needs to follow up to establish the amount of damaged commodities, and qualify its certification on the adequacy of storage facilities until needed improvements are made.

Management Comments

USAID/Egypt, following issuance of our draft audit report, qualified its fiscal year 1987 certification to AID/Washington as to the condition of storage facilities in Egypt. It also modified its Commodity Recipient Status report to show the physical condition of each warehouse.

Office of Inspector General Comments

The above actions are responsive to Recommendation No. 1. Accordingly, the recommendation was closed upon issuance of this report.

2. Program Evaluation Needed

The PL 480 Title II program carried out by CRS in Egypt since 1974 has not been formally evaluated. An evaluation was planned for fiscal year 1981 but was never carried out because of higher priorities. An evaluation is needed to measure progress toward attainment of program objectives, to assess overall impact of the program, and to determine the appropriate level of food resources for the program. Demand for some commodities in the Maternal Child Health program far exceeded supply, while another commodity (instant corn soya milk) was unacceptable and not used by certain beneficiaries. AID's policy on the use of evaluation as a management instrument is contained in Handbook 3 (Chapter 12) and Handbook 9 (Chapter 13).

Recommendation No. 2

We recommend that USAID/Egypt have the PL 480 Title II program managed by the Catholic Relief Services evaluated in accordance with criteria set forth in AID Handbook 9 (Chapter 13).

Discussion

The basis for evaluation is established in Section 621A(b) of the Foreign Assistance Act of 1961, as amended; in Section 408 of PL 480; and in AID Handbook provisions. According to AID Handbook 9, AID's policy is to use evaluations as fully integrated instruments of program policy and management. Country-specific Title II evaluations are intended to:

- clarify current objectives of the Voluntary Agency Title II programs;
- confirm the validity of program objectives at both implementation and impact levels;
- recommend any changes in program direction or implementation which would increase its benefits.

The Title II program carried out by CRS has not benefited from an evaluation to assess the overall impact and to measure progress toward objectives. The objective of the Maternal Child Health (MCH) program is to achieve progress in combating infant mortality and morbidity. An evaluation

would be useful in determining if any change in program direction or implementation would benefit that objective as well as the overall objectives.

According to Handbook 9, an evaluation can contribute to determining the appropriate level of resources in managing Title II programs. The audit did not attempt to determine the appropriate level, but it was apparent during field visits that the demand for Nonfat Dried Milk (NFDM) far exceeded the supply. Conversely, there was very little demand for Instant Corn Soya Milk (ICSM). All 14 MCH units visited reported the supply of NFDM was insufficient to meet basic needs. Many eligible MCH families served by the units did not receive any NFDM because of insufficient supplies. In one unit, for example, 312 MCH families were receiving NFDM, but 1,000 eligible families were in need. In another unit, 150 families were receiving NFDM while 600 eligible families were in need.

MCH officials (physicians, nurses, social workers) also commented that allocations were inadequate. Families normally were receiving four allocations of NFDM a year consisting of four kilos in each allocation. Officials proposed increasing allocations by a factor of three and the number of beneficiaries by a factor of five.

At most units visited, MCH officials commented that ICSM was not acceptable as food by the beneficiaries. It was usually sold or used as chicken feed. How much ICSM was lost in this way was not established. Beneficiaries were not receptive to ICSM because the bags were similar to local bags used for cement or animal fodder, and the yellow color of the ICSM appeared as low grade flour. In rural areas, families followed traditional ways of cooking that did not involve ICSM even after being taught how to use ICSM by nutritionists. Even where ICSM was accepted, recipients preferred NFDM.

The appropriate level of resources for the MCH program can be addressed through an evaluation. An evaluation can assess whether program levels require adjustment or a reallocation at a given program level; and can assess whether commodities such as NFDM are spread too thin to have the desired program impact on combating infant mortality and morbidity. Program levels for ICSM dropped from 7.7 thousand metric tons in fiscal years 1984 and 1985 to 3.5 thousand metric tons in fiscal year 1986. An evaluation can also address the appropriate program level.

An in-depth evaluation was scheduled to be made in 1981, but was never carried out because of other higher priorities. During a program review in 1981, the reviewer recommended fiscal year 1983 as a more appropriate time for the evaluation. In 1984, USAID/Egypt requested a nutrition impact evaluation of the MCH program, subject to availability of sufficient baseline data. AID/Washington (Food and Voluntary Agencies) concluded that data essential to assessing nutrition impact was not available, and strongly recommended against a nutrition impact evaluation of the program. USAID/Egypt concurred (March 1985) in AID/Washington's decision against a nutrition impact evaluation. It also voted against a standard program impact evaluation because it felt no significant insight would be gained by evaluating the Egyptian program.

USAID/Egypt's position notwithstanding, the intent of Handbook 9 should be fulfilled for the reasons cited earlier, and an evaluation made, even though the program is due to expire at the end of fiscal year 1989.

Management Comments

USAID/Egypt's position on conducting an evaluation remained unchanged in the responses provided. In sum, USAID/Egypt said it was aware of the desirability of making an evaluation and for three years had attempted to do so. Ultimately, however, it had concurred with AID/Washington that a nutrition impact evaluation was not feasible. Thus, it would be unable to implement the audit recommendation. USAID/Egypt added that the decision not to evaluate the program was a conscious one based on a combination of factors. It considered the audit recommendation to be contrary to rational evaluation planning practices. (The comments received on Recommendation No. 2 are included as Appendix 1 to the report, pages 4-15 of 16.)

Office of Inspector General Comments

The Office of Inspector General recognizes an evaluation, given the three years the program has to run, is inherently limited in its possible effects on the Egypt program. Also, as pointed out in USAID/Egypt's response scientifically accurate data for the evaluation may not be available. Nevertheless, we continue to believe the record should be clear on what has been accomplished after 12 years of operation, even if the outcome is that we do not know what

the impact is of this long and costly endeavor. We, therefore, retained the draft recommendation for the reasons cited in the text of this section.

Alternatively, but less desirable from our point of view, the intent of the recommendation could be met by an interim summary report that formally addresses the qualitative results of program operations.

3. Reporting Inland Commodity Losses And Claims Should Be More Consistent

CRS has been inconsistent in reporting inland commodity losses promptly to USAID/Egypt at the time of occurrence. Except for large losses, CRS has reported losses when claims were paid by the GOE instead of at the time of discovery. No written instructions were issued by CRS to guide the personnel responsible for reporting losses and handling claims. Delays in reporting losses preclude prompt resolution of claims resulting from those losses.

Recommendation No. 3

We recommend that USAID/Egypt have Catholic Relief Services issue written guidelines or instructions to its staff for handling losses and claims that are in accord with AID Handbook requirements.

Discussion

AID Regulation 11 and Handbook 9 require the cooperating sponsor to promptly notify USAID/Egypt in writing of any loss, damage or misuse of commodities. CRS prepared Damaged/Missing Commodity Reports (DMCR) of losses less than \$300 when the proceeds of the claims were received from the GOE, and submitted these reports to USAID/Egypt. Reports of larger losses were prepared when identified. However, CRS was not consistent in this practice; some reports of larger losses were prepared long after occurrence. For example:

Damaged/Missing Commodity Report

<u>No.</u>	<u>Date Prepared</u>	<u>Date of Loss</u>	<u>Estimated Loss</u>
3/85	7/85	2/83	\$1,303
8/85	11/85	4/84	1,043
1/84	2/84	9/82	460
11/84	4/84	5/83	1,368

Other larger losses had not yet been reported although identified. For example, an inland transport loss of 23 cartons (563 kilos) valued at \$397 was shown on the CRS Commodity Status Report ending March 31, 1985, but no DMCR

was prepared. Also, no DMCR was prepared for an inland transport loss of 1,837 kilos of ICSM valued at \$772 as shown on the September 30, 1985 Commodity Status Report.

CRS needs to be more consistent in reporting commodity losses to provide better control of claims and to meet the intent of AID regulations regarding prompt reporting of losses. CRS should issue written instructions to its staff for handling losses and claims in accordance with AID requirements.

Management Comments

USAID/Egypt responded to this recommendation during the exit conference. It agreed with the findings and recommendations and said the Catholic Relief Services would issue the necessary guidelines for handling losses.

Office of Inspector General Comments

The recommendation can be closed when the guidelines are actually issued and implemented.

4. Better Monitoring Is Needed Over The Sales Of Empty Containers

CRS did not effectively monitor the Sale of Empty Containers account administered by the GOE because it did not receive the agreed to periodic reports from the GOE on the status of the fund. CRS, therefore, could not ensure that all local currency generated from empty container sales was deposited into the fund. The GOE Inter-Ministerial Committee (IMC) is required under the Basic Agreement with CRS to provide a monthly statement of funds received and disbursed.

Recommendation No. 4

We recommend that USAID/Egypt have Catholic Relief Services properly monitor the Sale of Empty Containers account by use of periodic reports from the Government of Egypt Inter-Ministerial Committee showing receipts, expenditures and fund balances.

Discussion

Funds for the Title II program in Egypt were generated through sales of empty containers. Previously, five Egyptian piasters (about \$.06) were collected, but this amount was raised to ten piasters (about \$.12) in order to have more funds to offset program costs. Approved costs included transportation, storage, handling, insect and rodent control, rebagging, incentive payments, and other expenses directly related with storage and distribution of Title II food. Funds collected were shared; 70 percent was retained by the Public Health Zones and 30 percent was remitted to IMC on behalf of CRS.

Data obtained from the IMC showed that the pound equivalent of \$27,139 ^{1/} was deposited in the Sale of Empty Containers account for the period July 1, 1984 through February 28, 1986. These funds were not reported to CRS even though the Basic Agreement between IMC and CRS required IMC to supply monthly reports of receipts and disbursements. All funds disbursed during the period were for incentive payments to GOE personnel involved in food distribution.

1/ LE.83 = \$1.00

Although CRS independently gathered data on local currency collected in the Public Health Zones, it was unable to compare the data it obtained with any reports from the IMC. Moreover, CRS did not trace the data into IMC records. Thus, CRS was without assurance that all funds generated from container sales were properly accounted for. In order to better control funds generated under the Title II program, CRS should obtain reports from the IMC, and validate those reports through its own field data. A CRS Internal Review, dated March 14, 1980, recommended that CRS obtain reports showing receipts and expenditures of proceeds from the sale of empty containers. The recommendation remains valid.

Management Comments

USAID/Egypt responded to this finding during the exit conference. It agreed with the recommendation. It said the Catholic Relief Services would take the necessary steps to obtain periodic reports from the Government of Egypt for monitoring the Sale of Empty Containers account.

Office of Inspector General Comments

Once the recommended procedures are in place and working effectively, the recommendations can be closed.

5. Disposition Of Excess Stocks On Hand Should Be Resolved

The Primary School Feeding Program phased out in September 1985, but CRS had not notified USAID/Egypt in writing of excess commodities totaling about \$4.7 million on hand in Ministry of Supply warehouses. AID Handbook 9 (Chapter 7) and AID Regulation 11 require such notification by the cooperating sponsor so that USAID/Egypt and AID/Washington can determine the most appropriate use of the excess commodities. In effect, the GOE was in possession of Title II commodities which had no specified use.

Recommendation No. 5

We recommend that USAID/Egypt reach agreement with Catholic Relief Services, the Government of Egypt and AID/Washington on the disposition of \$4.7 million of excess commodities remaining from the completed Primary School Feeding Program.

Discussion

The Primary School Program Feeding phased out at the end of September 1985 after operating for eight years, having begun in the 1977-78 school year. During the last year of operation, 94.4-million meals were provided to 1.5-million students enrolled in 3,552 primary schools. In fiscal year 1985, CRS provided the Ministry of Supply, on behalf of the Ministry of Education, 3.5-thousand metric tons of wheat for conversion to bread and 5.1-thousand metric tons of Nonfat Dried Milk for conversion to cheese in accordance with a conversion formula stated in the School Lunch Program Agreement. An inventory balance existed at the phasout consisting of 5.7-thousand metric tons of wheat and 4.6-thousand metric tons of Nonfat Dried Milk. This balance, valued at about \$4.7 million, represented the surplus of actual Title II shipments over CRS contributions.

According to AID Regulation 11 and AID Handbook 9, the cooperating sponsor is required to promptly notify AID of the quantities, location, and condition of excess commodities. The Mission can then determine the most appropriate use and, with prior AID/Washington concurrence, issue instructions for disposition. CRS had written the Ministry of Education on February 18, 1986, and offered to donate the commodities to that Ministry, but had not yet notified USAID/Egypt in writing.

Management Comments

USAID/Egypt reported that it had received written notification from CRS and concurrence from AID/Washington to use the commodities for the Government of Egypt's on-going school feeding program, even though the intent was for the Ministry of Education to assume full responsibility for this activity after the 1985 school year. The concurrence was justified on the basis that the commodities could not be used in the Maternal Child Health and Other Child Feeding programs.

Office of Inspector General Comments

In view of the actions taken on the basis of the draft report Recommendation No. 5 is closed upon issuance of this report.

B. Compliance And Internal Control

Compliance

Tested items in this audit, except as noted, were in compliance with applicable regulations and policies. Nothing came to our attention to indicate that untested items were not in compliance with these regulations and policies.

Internal Control

Internal controls were sufficient to account for food commodities from arrival in Egypt to end-use distribution to targeted recipients. However, improvement was needed in controls over commodity losses, claims, sales of empty containers, and disposition of excess stock. Recommendations were made in this report for corrective action.

AUDIT OF
PL 480 TITLE II PROGRAM
IN EGYPT
MANAGED BY CATHOLIC RELIEF SERVICES

PART III - EXHIBITS AND APPENDICES

EXHIBIT 1

PL 480 TITLE II PROGRAM
IN EGYPT
MANAGED BY CATHOLIC RELIEF SERVICES
Visits By CRS End-Use Evaluators
Calendar Year 1985

<u>CY 1985</u> <u>Quarters</u>	<u>Total</u>		<u>Maternal Child</u> <u>Health Program</u>		<u>Other Child</u> <u>Feeding Program</u>		<u>School Feeding</u> <u>Program</u>	
	<u>Units</u> <u>Visited</u>	<u>Other</u> <u>Visits</u>	<u>Units</u> <u>Visited</u>	<u>Other</u> <u>Visits</u>	<u>Units</u> <u>Visited</u>	<u>Other</u> <u>Visits</u>	<u>Units</u> <u>Visited</u>	<u>Other</u> <u>Visits</u>
First Quarter	709	114	503	89	18	8	188	17
Second Quarter	246	81	193	76	14	3	39	2
Third Quarter	244	45	221	38	23	7	0	0
Fourth Quarter	<u>282</u>	<u>49</u>	<u>268</u>	<u>46</u>	<u>14</u>	<u>3</u>	<u>0</u>	<u>0</u>
Total	1481	289	1185	249	69	21	227	19
	=====	====	=====	====	==	==	====	==

Source: CRS Quarterly Reports of End-Use Evaluations.

EXHIBIT 2

PL 480 TITLE II PROGRAM
IN EGYPT
MANAGED BY CATHOLIC RELIEF SERVICES
Commodities Exported To Egypt
FY 1985

	<u>Quantity</u> <u>(000 Pounds)</u>	<u>Quantity</u> <u>(Metric Tons)</u>	<u>Export Value</u> <u>(\$000)</u>
Instant Corn			
Soya Milk	13,975	6,339	\$ 2,076
Nonfat Dried Milk	31,305	14,200	1,773
Vegetable Oil	11,176	5,069	5,137
Wheat	13,874	6,293	952
Dried Raisins	<u>3,240</u>	<u>1,470</u>	<u>489</u>
Totals	73,570 =====	33,371 =====	\$10,427 =====

Source: Commodity Credit Corporation Report No. FM-301-R as of
September 30, 1985

EXHIBIT 3

PL 480 TITLE II PROGRAM
 IN EGYPT
 MANAGED BY CATHOLIC RELIEF SERVICES
Commodities Distributed In FY 1985

<u>Program</u>	<u>Number of Recipients Program Level</u>	<u>Commodities Distributed-Metric Tons</u>					
		<u>Bulgur</u>	<u>Soybean Oil</u> (in metric tons)	<u>Instant Corn Soya Milk</u>	<u>Nonfat Dried Milk</u> <u>Bags</u> <u>Cartons</u>		<u>Raisins</u>
<u>Maternal Child Health (MCH)</u>	900,000						
1st period			1539	2417		1791	
2nd period			1319	2221		1658	
3rd period			894	1158		950	138
4th period			660	1229		827	178
Sub Total			4412	7025		5226	316
<u>School Feeding</u>	1,200,000						
1st period					1800		1275
2nd period					3000		2063
3rd period					299		440
4th period							
Sub Total					5099		1050
<u>Other Child Feeding (OCF)</u>	24,000						
1st period		195	37		46		
2nd period		54	14	6	28	3	
3rd period		6	21	13	27	5	11
4th period			16	6	40	2	38
Sub Total		255	88	25	141	10	49
Totals		255	4500	7050	5240	5236	1415
		===	=====	=====	=====	=====	=====

Source: CRS Commodity Status Reports.



CAIRO, EGYPT

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

JUNE

~~30 OCT 1985~~MEMORANDUM

TO: Joseph Ferri, RIG/A/Cairo

FROM: Frank B. Kimball, DIR *FBK*

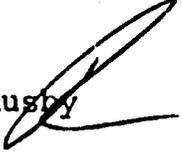
SUBJECT: Draft Audit Report: PL480 Title II
Program In Egypt Managed By CRS;
Recommendations Nos. 1, 2 and 5

The mission's response to three recommendations of the subject draft audit report is enclosed. Recommendations 3 and 4 will be responded to after issuance of the final audit report.

UNITED STATES GOVERNMENT

memorandum

DATE: June 26, 1986.

REPLY TO
ATTN OF: HRDC/FFP: Paul Rusby 

SUBJECT: Draft Audit Report: PL-480 Title II
Program in Egypt Managed by CRS - Recommendations #1,2, & 5.

TO: FM/FA: Thomas Johnstone.

REF: RIG/A/C-86-257.

Attached are three memoranda providing the appropriate response to three recommendations of the subject audit. We expect the final Audit Report to show these recommendations closed at the time of publication.

Please take the necessary action.

memorandum

DATE: June 26, 1986.

REPLY TO
ATTN OF: HRDC/FFP: Paul Rusby 

SUBJECT: Draft Audit Report: PL-480 Title II
Program in Egypt Managed by CRS - Recommendation No. 1.

TO: RIG/A/Cairo: Joseph Ferri.

REF: RIG/A/C-86-257.

Recommendation No. 1:

"We recommend that USAID/Egypt:

- (a) qualify its certification under PL-480 (Section 401) in regard to the adequacy of storage facilities until needed improvements are made to Government of Egypt warehouses storing PL-480 Title II commodities; and
- (b) support further certifications by obtaining periodic reports from CRS on the condition of each warehouse".

Action Taken:

- (a) Attached is a copy of CAIRO 11298 dated 5/13/86 subject PL-480 Title II FY 87 AERs and Operational Plans. Page 3 Section IV "Management Report" (1) (A) Audit states that an audit was conducted and summarizes the findings including "inadequate warehousing in two governorates". Section IV (A) "Bellmon Amendment" pertaining to logistics states in part "except for Benha and Aswan regional warehouses, the receiving transport and storage facilities for Title II generally are adequate".
- (b) Discussions with CRS have resulted in a modification of the quarterly Commodity Recipient Status Report. Effective immediately, the report contains a list of all IMC and MOH warehouses and a certification that each warehouse is adequate except as noted. Attached is a copy of the FY 86 second quarter report including the new certification and exceptions.

This completes action on recommendation No. 1.

memorandum

DATE: June 25, 1986.

REPLY TO
ATTN OF: HRDC/FFP: Paul Rusby *R*
AD/HRDC: Bernard Wilder. *BW*

SUBJECT: Draft Audit Report: PL-480 Title II Program in Egypt
Managed by CRS - Recommendation No. 2.

TO: RIG/A/Cairo (A) William C. Spatt.

REF: RIG/A/C-86-257.

Recommendation No. 2:

"We recommend that USAID/Egypt have the PL-480 Title II program managed by CRS evaluated in accordance with criteria set forth in AID Handbook 9 (Chapter 13)".

Action Taken:

Commencing three years ago HRDC/FFP attempted to launch a Title II nutrition impact evaluation. After extensive investigation and consultation we have accepted the advice of Washington experts that such an evaluation is not feasible. The following covers the highlights of that attempt.

I. What We Are (and Are Not) Talking About:

(1) A Nutrition Impact Evaluation - Yes:

Over the past 13 years USDA's most costly input to the CRS Egypt Title II program has been to the Maternal Child Health (MCH) recipient category. It is current wisdom that MCH, rather than school lunch or relief feeding, provides the most significant (Title II) thrust to a nation's development. This worldwide Title II policy is based on:

(a) The economic implications of maternal depletion through excessive births;

(b) The "expectation of infant death" among the majority of the world's population; an expectation compensated for by more-than-wanted pregnancies;

(c) Public health/sanitation measures (and nutrient inputs to MCH) which contribute to the population explosion; and

(d) Consequently, current consumption over-rides public and private savings for investment and development.

-2-

The foregoing scenario provides the conceptual framework for a major program to improve the quality and control the quantity of child birth and infancy which AID now calls Child Survival and in which this Mission is now engaged.

Improved infant and maternal nutrition is a significant purpose of Child Survival, the program goal of which is to reduce infant and maternal mortality and morbidity. More than three years ago we went on record as declaring we owed the taxpayer, the Egyptians, and ourselves a report on the degree to which we were achieving the reduced mortality/morbidity goal and the degree to which we were achieving the improved nutrient status (purpose) represented by Title II MCH food deliveries cumulatively valued at \$75 million (Estimate through FY 89 when program will end).

(2) A Compilation of Logistical Statistics - No:

Our reference to a meaningful evaluation of the MCH program purpose and goal does not mean a rearrangement of already available statistics concerning tonnages programmed, tonnages shipped, quantities safely landed, quantities lost, recipients reached and commodities stolen or black-marketed. We were repeatedly advised by Washington that to spend more taxpayer dollars for a statistical compilation would add nothing to the body of knowledge and be a waste of taxpayer money.

EXAMPLE:

"Does the Mission want a standard AID end of project report? Since probably there was no design to begin with for this CRS feeding activity, probably there is nothing to be reported for Egypt which has not already been reported elsewhere". *

* 2/25/85 Notes from Rusby conference with Sandra Callior in Washington on the subject of an MCH nutrition impact evaluation.

**II. . History of Mission Concern To Usefully Account For
The \$75 Million Egypt Title II MCH Investment:**

- (1) 5/11/83 Program Review Committee - The 5/11/83 Program Review Committee (PRC) (a) approved the FY 84 Title II AERs, (b) approved a (\$ and LE) grant for the CRS activity Nutrition Education II, and (c) requested that a nutrition impact evaluation be started within two years of that date as brought about by the Title II food supplements and Nutrition Education II.
- (2) 11/15/83 Proposed Commodity Utilization Survey - The FFPO proposed to the Associate Director HRDC and to CRS a commodity utilization survey which would:
 - (a) (1) Serve as an in-house audit (since no other audit had been done since 6/15/79), and
 - (2) Provide some evaluation of the Title II \$8 million annual investment particularly in view of persistent rumours concerning commodity misuse and/or under utilization.
 - (b) Determine whether Title II inputs promote or retard the transition to indigenous weaning foods.
 - (c) Provide baseline data reflecting the present status of mother's knowledge, attitudes and habits regarding the use of ICSM and later to make the same test and thereby assess the effectiveness of Nutrition Education II.
 - (d) Provide early indication of obstacles to overcome the transition from Title II imports to indigenous foods by answering such questions as: (1) the length of time required by mother's to understand the concept of weaning; (2) would termination of Title II milk before the full Title II program termination date, or continuing Title II milk in the program best promote mothers knowledge of weaning; (3) how important is oil; (4) to what extent are all three commodities essential; (5) does the degree of intra-family nutrient dispersion of ICSM convince us that no appreciable infant protein and mineral deprivation would occur if ICSM were dropped?
A 12/8/83 letter from the CRS Director discouraged the proposed commodity utilization survey.

(3) FY 85/86 PL-480 Evaluation Plan:

5/15/84 - STATE 142044 requested Mission inputs into the FY 85/86 PL-480 evaluation plan and on 6/20/84 CAIRO 18759 responded:

(a) Process Evaluation:

As mentioned in the FY 86 ABS (and in the Mission's Nutrition Strategy Statement) we had planned a process evaluation in connection with Phase I of the Weaning Food Supplement activity. In undertaking product development, "consumer satisfaction" involves not only the final food material itself but questions of ingredients, texture, color, odor, package size and type, and method of preparation. "Most of these questions have been put forth by various parties as reasons why Title II foods may be underused in Egypt". Likewise in the study of product delivery (also planned under Phase I of the Weaning Food Supplement proposal), modifications to the delivery system would be tested. "Integration of food distribution with other health activities will be emphasized, including nutrition education, targetting and health services, without which the food logically would be expected to (and we believe is to some extent) used by persons other than the target group, sold, or fed to animals".

(b) Nutrition Impact Evaluation (Methodology Evaluation):

Because the MCH program had been underway 8 years and because it was a very homogeneous distribution confined to MCH centers, we further stated in CAIRO 17859 that we thought it would be possible to distinguish between those who have received Title II foods and those who have not. Furthermore, some baseline data had been developed from the 1977 MIT and 1978/1980 CDC nutrition evaluation studies and we concluded CAIRO 18759 by stating:

- (1) The prerequisites for a reliable Title II nutrition impact evaluation may exist in Egypt.
- (2) The character of the Egyptian program will change significantly in the next few years with conversion from imports to indigenous foods hence, if the nutrition impact evaluation is to be undertaken, it should be initiated promptly.

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- (3) "USAID wishes to evaluate the nutrition impact of the Title II MCH program using the Senegal model ... and to complete this evaluation before June 1986. Septels will (a) seek AID/W assistance and funding to conduct the pre-evaluation survey to determine whether, in the light of the Rhoda/Callier June 1981 findings, there now exists a sufficient data base to make feasible consideration of nutrition impact evaluation, and (b) seek assistance in identifying evaluation participants and funding".

(4) Correspondence with CRS:

(A) USAID To CRS:

7/3/84 - The FFPO wrote to the Director CRS on the subject "PL-480 Title II MCH nutrition impact evaluation" (copy attached) stating therein that:

- (a) We were discussing the feasibility of a nutrition impact evaluation of the Egypt Title II program and we attached a copy of CAIRO 18759.
- (b) The FFPO had initiated in Senegal, with excellent cooperation with CRS, a similar evaluation, and
- (c) Whether or not such an evaluation could take place in Egypt depended upon the data base; we asked the CRS Director to help us provide Washington with as much information as possible about advances to the data base subsequent to the publication of the 1981 Rhoda/Callier report; and concluded: "Your most important input, of course, would be to identify those geographic areas where supplies and training were provided to carry out age weight surveillance and which subsequently have been audited to confirm the accuracy and reliability of that work".

(B) CRS To USAID:

The CRS reply to USAID on 7/8/84 was:

- (a) Non-responsive to the request for assistance on the principle question of updating Rhoda/Callier, and
- (b) Totally negative (and defensive) to the idea of a nutrition impact evaluation of more than \$51 million PL-480 Title II MCH since 1974.

(5) Report to AD/HRDC:

On 8/20/84 the FFPO provided the AD/HRDC a status report on the proposed PL-480 Title II MCH nutrition impact evaluation (copy attached) and requested his suggestions. Attachment 3 is a copy of the AD/HRDC reply dated August 26, 1984 which concluded:

"I approve of your obtaining the necessary TDY assistance to determine if we have the necessary data to conduct the CRS/MCH evaluation".

III. Investigations:

(1) Mission Request For Evaluation Feasibility Survey and Design Team:

9/13/84 CAIRO 28110 - This message pursued CAIRO 18759. First, it reviewed prior evaluation plans principally the July 1981 Rhoda/Callier Report which constituted a program review. The Report had emerged from an anticipated indepth nutrition impact evaluation planned for the fall of 1981 but which Rhoda/Callier determined was not feasible due to the absence of an adequate data base generated by a program of systematic infant weaning and maintenance of age weight charts. The report stated that a nutrition impact evaluation might be feasible three years hence contingent upon the then prompt installation of an age weight surveillance system. Secondly, our message reviewed a possible alternative data base for the requested evaluation. Thirdly, our message (1) reviewed the justification for a nutrition impact evaluation (obligation to taxpayers for more than 50 million spent); (2) anticipated fundamental changes in the terms of reference of the MCH program; (3) acknowledged that the impact evaluation might have to be abandoned if a feasibility survey indicated non existence of the data base. Our message concluded with a request for (1) travel to Egypt of one person to determine on-site the adequacy of data; (2) design in Egypt of the evaluation itself, the scope of work and schedule; and finally (3) if the body of information already supplied to Washington indicated that a reliable nutrition impact evaluation (similar to that conducted in Senegal) could not be carried out to so advise the Mission.

(2) AID/W's Interim Reply:

12/12/84 STATE 369615 responded to CAIRO 28110 (and a 10/5/84 memo Wilder to Sukin) and indicated its willingness to assist. The message stated, however, that "FVA believes it is not possible to carry out a reliable retrospective impact evaluation. FVA has found that based on past experience with Title II impact evaluations and recommendations from a recent meeting of evaluation experts and Cornell University, confounding variables such as selection bias mean that it is nearly impossible to obtain scientifically accurate results retrospectively on such variables as infant mortality. Nonetheless, the other questions in the (10/5/84 Wilder/Sukin memo) remain valid and could be addressed in an evaluation of a current program and in the plans for the phase over to indigenous foods".

The message concluded "We see the next steps in two categories:

- (1) For project evaluation now - preparation of budget and scope of work.
- (2) For future evaluation of impact on nutritional status, infant mortality, etc. - design of a feasible information system and supplemental studies for data collection and analysis. Please advise what types of assistance are required, desired timing and funding source".

(3) Mission Specific Request to AID/W for Advice/Assistance Re Feasibility of Nutrition Impact Evaluation:

2/13/85 CAIRO 4307 (copy attached) in response to STATE 369615 "Our prime concern (objective) in discussing MCH evaluation is to see what nutritional impact, if any, can be identified as a result of the approximately \$50 million invested to date in the 8 year CRS Title II MCH food grant program. We feel a strong sense of obligation to deliver some report on this investment. We are, therefore, opting for project evaluation now".

Our reply continued that AID/W's last message reinforced our own uncertainties about whether the above objective in fact was attainable. We proposed and sought AID guidance as to whether, prior to developing the scope of work and budget for an evaluation per se, one TDY individual might examine our present situation and determine if there was any basis upon which to design a nutrition impact evaluation of the investment to date.

-8-

Our message concluded by requesting the following specific action:

- (1) Advise if, based on communications to date, AID/W experts believe a nutrition impact evaluation of the existing CRS MCH program is theoretically possible.
- (2) Advise if you concur in sending a TDY to Egypt to further test the feasibility.

IV. AID/W Finding and Final Recommendation:

3/15/85 STATE 79341 (copy attached):

- (1) "FVA does not find that the present situation of the Title II MCH program in Egypt represents an adequate basis for conducting an evaluation of nutrition impact. Based on a February 25 conversation in AID/Washington with Rusby and previous reviews of the program, we understand there is no mechanism in place that collects the nutrition status information on beneficiaries, data essential to assessing nutrition impact".
- (2) "To reiterate and build on (STATE 369615) paragraph 2, FVA's considerable evaluation experience has demonstrated that an impact evaluation should be considered only if reliable data to assess impact exists and if basic program operations are adequate so that impact might be reasonably expected. Further, a recent meeting at Cornell University on nutritional surveillance in evaluation of Food For Peace programs confirms the experience of Title II evaluations regarding retrospective assessment of nutrition impact. If confounding variables such as self selection biases, aging, secular trends and seasonal effects, are not controlled for in the course of the program and if program characteristics are not well documented, it will be impossible to obtain scientifically accurate results. For these reasons, FVA strongly recommends against attempting a retrospective evaluation of the nutrition impact of Egypt's Title II MCH program".

V. Conclusion:

Mission Acceptance of Judgement that Nutrition Impact Evaluation Is Not Feasible:

3/20/85 CAIRO 7914 (copy attached) - In this message we:

- (1) Accepted the judgement and recommendation of FVA not to attempt a retrospective evaluation of the nutrition impact of Egypt Title II MCH program.

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(2) Indicated our lack of interest in a prospective evaluation of program impact and a standard project evaluation because:

- (a) The Title II MCH program will soon be phased out and (we thought) replaced with an indigenous program, and
- (b) Many standard Title II evaluations have been conducted worldwide and we agree with Washington's judgement previously made that "no significant additional knowledge or insight will be gained by evaluating the Egyptian program".

The foregoing indicates a three year earnest effort to conduct a meaningful evaluation of the degree to which the MCH program investment of \$75 million achieved its purpose of improved nutritional status and contributed to the Child Survival goal of reduced infant and maternal mortality and morbidity. Our three year effort concluded with a judgement by the best brains and accumulated wisdom in Washington that the nutrition impact evaluation was not feasible. The Mission concurred in the Washington judgement.

I trust the foregoing adequately describes the Mission's:

- (a) Awareness of the desirability of the audit recommendation No. 2.
- (b) Three year attempt to implement the recommendation.
- (c) Use of related evaluations to test the acceptability of Title II commodities and our prompt action based on those results, but ultimately
- (d) Inability to implement the audit recommendation following our very extensive consideration of its feasibility.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

July 1, 1986.

From : Frank B. Kimball, DIR *FB Kimball*
 To : Joseph Ferri, RIG/A/Cairo (A),
 Subject : Draft Audit Report, PL 480 Title II, Recommendation No. 2

Recommendation No. 2

"We recommend that USAID/Egypt have the Title II program managed by CRS evaluated in accordance with criteria set forth in AID Handbook 9 (Ch. 13).

USAID/Egypt Response:

USAID believes this recommendation does not reflect the spirit of current Agency and Bureau thinking on evaluation planning. This guidance - as reflected in the recently published ANE Bureau Procedural Guidelines for Evaluation - is that the primary criterion influencing the decision to evaluate should be the potential usefulness of the evaluation to the USAID Mission.

USAID/Egypt has made "usefulness" the guiding criterion in recent evaluation planning exercises. In several instances USAID has made a conscious decision against committing the staff time and financial resources necessary to organize a formal evaluation. This may have been because major implementation problems were well documented, or because an evaluation was seen as having limited utility in the absence of a planned follow-on activity. In such instances, USAID believes there are other means of meeting Agency requirements for documenting project outcomes, than a formal evaluation. These include internal information systems such as the "continuous self-audit" built in to the Title II program implemented by CRS. This approach is supported by the Bureau evaluation guidelines, which have to some extent replaced the more dated Handbook evaluation sections.

The major problems with the Title II program in Egypt are well known. Any follow-on activity would be very differently designed, based on past experience. For these reasons, we do not believe it useful to conduct a formal evaluation of the CRS-managed program at this time. Nor do we accept the following reasons for performing an evaluation, cited in the audit report:

- "An evaluation is needed to assess the overall impact of the program and to measure progress toward attainment of program objectives."
- "An evaluation would be useful in determining any change in program directions or implementation that would benefit that objective (combating infant mortality and morbidity) as well as the overall objective."
- "The appropriate level of resources for the MCI program can be addressed through an evaluation."

- 2 -

First, it is methodologically enormously complex - if not impossible - to measure program impact on infant mortality/morbidity or even nutritional status. This is not unique to the Title II program. There are major methodological difficulties in measuring the impact of many other types of health interventions, including water/wastewater, oral rehydration etc. There are simply too many intervening variables to single out the impact of any one intervention in the real world. As AID/W has pointed out, it is not very fruitful to continue a discussion of an evaluation at this level.

Moreover, the decision to phase-out the program reflects the determination that the original program objectives are of limited relevance in the Egyptian context. There is no shortage of food or widespread malnutrition in Egypt. What malnutrition that exists is largely confined to a limited age group - 6 to 24 months - and is more a problem of maternal education than of poverty or food scarcity. These problems - as well as some of the problems with end-use of certain commodities - have been acknowledged since 1983. The decision to phase out the program was made in FY 84. A new nutrition project is currently under consideration, but as currently proposed would have a very different design, emphasizing indigenous weaning foods and maternal nutrition education. The decision to phase-out, in fact, represents an internal evaluation of the relevance of program objectives by USAID.

If the program were to be continued, an evaluation of the implementation process and achievement of more proximate objectives might have some utility. We do not believe this to be the case. We believe an evaluation would have little, if any, impact on the implementation of the current program in view of its imminent termination. The recently completed evaluation of the related, CRS nutrition education program is of more direct relevance to the design of the proposed indigenous weaning food project, that may eventually follow the current Title II program, than any evaluation of the overall Title II program could provide at this time.

The audit report suggests that an evaluation would help to determine appropriate program levels, citing examples of centers where the demand for dried milk far exceeded available supplies. This is not a convincing argument. People generally want more of any free or highly subsidized good. Moreover, Title II was not authorized to meet a public demand, but rather to address the nutritional needs of a small group of mothers and infants. Our experience to-date has taught us that the real nutrition problem in Egypt is not a question of appropriate Title II program levels or even of effective targeting of resources. It is, rather, a problem of developing effective nutrition education outreach and acceptable, locally available weaning foods. In any event, since annual Title II assistance levels are already programmed to decline gradually as part and parcel of an orderly phase-out of the current program, this rationale for conducting an evaluation has little relevance.

- 3 -

Conclusion: USAID/Egypt has made a conscious decision not to evaluate this project, based on a combination of factors. These include the difficulties inherent in conducting a valid nutrition impact evaluation; the well-established skepticism regarding the relevance of program objectives in the Egyptian context; availability of commodity distribution data through the program's "continuous self-audit" system; the imminent phase-out of the program; and the very different focus of follow-on activities planned by USAID. In this context, a major, formal evaluation is viewed as having limited, if any, utility. Given the staff time and funds necessary to organize a formal evaluation by a team of consultants and/or USAID staff, we consider the recommendation to conduct an evaluation of the Title II program managed by CRS to be contrary to rational evaluation planning practices.

memorandum

DATE: June 16, 1986.

REPLY TO
ATTN OF: HRDC/FFP: Paul Rusby 

SUBJECT: Draft Audit Report: PL-480 Title II
Program in Egypt Managed by CRS - Recommendation No. 5.

TO: RIG/A/Cairo (A) William C. Spatt.

REF: RIG/A/C-86-257.

Recommendation No. 5:

We recommend that USAID/Egypt reach agreement with Catholic Relief Services, the Government of Egypt, and AID/W on the disposition of \$4.7 million worth of excess commodities remaining from the phased out primary school feeding program.

Action Taken:

- (a) CRS letter dated 4/16/86 (copy attached) advised that 4,632 MT NFDM and 5,708 MT wheat were surplus at the close of the FY 85 School Lunch Program. The letter requested AID's authorization to grant the commodities to the Ministry of Education for continuation of the Ministry's on-going biscuit program. The letter provided the formula for utilization of the commodities.
- (b) On 4/22/86 CAIRO 10107 (copy attached) advised AID/W/FFP about the CRS request and recommended AID/W approval.
- (c) STATE 149060 dated 5/10/86 (copy attached) approved the grant and requested periodic reports and certification that the commodities could not be used elsewhere in the Title II program.
- (d) CAIRO 12684 dated 5/28/86 (copy attached) provided the certification and advised Washington that accountability would be carried, as for all the commodities, in the quarterly Commodity Recipient Status Report.
- (e) Our letter June 2, 1986 to CRS (copy attached) completed this transaction and requested CRS to charge into the account the utilization of NFDM and whole wheat for the school year just completed.

This completes the action on recommendation No. 5.

LIST OF RECOMMENDATIONS

<u>Recommendation No. 1</u>	<u>Page</u>
We recommend that USAID/Egypt:	4
a. qualify its certification under PL 480 (Section 401) in regard to the adequacy of storage facilities until needed improvements are made to Government of Egypt warehouses storing PL 480 Title II commodities; and	
b. support further certifications by obtaining periodic reports from the Catholic Relief Services showing the condition of each warehouse. (Closed upon issuance of the report.)	
<u>Recommendation No. 2</u>	8
We recommend that USAID/Egypt have the PL 480 Title II program managed by the Catholic Relief Services evaluated in accordance with criteria set forth in AID Handbook 9 (Chapter 13).	
<u>Recommendation No. 3</u>	12
We recommend that USAID/Egypt have Catholic Relief Services issue written guidelines or instructions to its staff for handling losses and claims that are in accord with AID Handbook requirements.	
<u>Recommendation No. 4</u>	14
We recommend that USAID/Egypt have Catholic Relief Services properly monitor the Sale of Empty Containers account by use of periodic reports from the Government of Egypt Inter-Ministerial Committee showing receipts, expenditures and fund balances.	

Recommendation No. 5

16

We recommend that USAID/Egypt reach agreement with Catholic Relief Services, the Government of Egypt and AID/Washington on the disposition of \$4.7 million of excess commodities remaining from the completed Primary School Feeding Program. (Closed upon issuance of the report.)

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