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AUDIT OF AID ASSISTANCE
TO GUINEA-BISSAU

AUDIT REPORT NO. 7-657-87-7

March 31, 1987

003746

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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March 31, 1987

MEMORANDUM FOR AID Representative/Guinea-Bissau,
Gussie L. Daniels, III
FROM: *Philippe L. Darcy*
Philippe L. Darcy, Acting RIG/A/WA
SUBJECT: Audit of AID Assistance to Guinea-Bissau
(Audit Report No. 7-657-87-7)

This report presents the results of audit of AID Assistance to Guinea-Bissau. Specific objectives were to assess (1) AID strategy in meeting its assistance objective, and (2) Office of the AID Representative management of the assistance program.

The audit concluded that AID's development strategy had not been successful. Although AID's development projects and food aid achieved some results, little long-term improvement had occurred in Guinea-Bissau's ability to attain food self-sufficiency. Many of the development problems identified in Guinea-Bissau were common to those found in other AID programs. However, extremely poor working conditions made the problems more difficult and more costly to overcome. Importantly, Government of Guinea-Bissau economic policies posed long-term constraints to achieving AID's assistance objective. In addition, program and administrative management by your Office needed improvement.

AID's assistance strategy needs to be reevaluated. A study should be conducted of major impediments to the program's success in achieving economic assistance objectives. Also, OAR/GB needs to improve program and administrative management.

The report recommends a reassessment of AID's assistance strategy, including a study of major impediments to the program's success. A recommendation is also made to improve program and administrative management.

Your comments, which included input from the Africa Bureau, and actions taken during and after audit field work, were considered in revising the draft report. Your suggestions were helpful in clarifying certain facts and improving the report recommendations. Also, actions already taken and those planned by the Africa Bureau, the Regional Economic Development Services Offices for West and Central Africa, and your Office should greatly improve AID's development effort in Guinea-Bissau.

Please advise me within 30 days of any additional information relating to action taken or planned to implement the audit recommendations.

I appreciate the cooperation and courtesy given to the RIG/A/WA staff during the audit.

EXECUTIVE SUMMARY

Ranked among the 20 poorest countries in the world, Guinea-Bissau has a population estimated at 858,000, with a per capita income of \$170 a year. In 1974, following war, Guinea-Bissau gained independence from Portugal. The country's economy has been characterized by stagnation and poor performance. Although AID's assistance objective was humanitarian immediately following independence, its long-term objective has been to assist Guinea-Bissau in achieving food self-sufficiency. This was to be accomplished by increasing food production through projects that help build government infrastructure, and provide farmers with technology and equipment. Between 1976 and 1986, AID had authorized about \$19 million for development assistance. In addition, \$16 million in food assistance had been provided under P.L. 480 Title II. AID management was administered by four AID direct hires, a U.S. contractor, third-country nationals and local personnel at a cost of about \$800,000 per year. Management and technical services were also provided by the Regional Economic Development Services Office for West and Central Africa, located in Abidjan, Ivory Coast.

The Office of the Regional Inspector General for Audit/West Africa made a program results audit to assess (1) AID strategy in meeting its assistance objective, and (2) Office of the AID Representative/Guinea-Bissau management of the assistance program.

AID's development strategy in Guinea-Bissau has not been successful. Although food aid and development projects had achieved some results, little long-term improvement had occurred in Guinea-Bissau's ability to attain food self-sufficiency. Also, the Office of AID Representative/Guinea-Bissau program and administrative management was not effective.

AID's assistance strategy needs to be reevaluated. A study should be conducted of major impediments to the program's success in achieving economic assistance objectives. Also, OAR/GB needs to improve program and administrative management.

If it is to be successful, AID development assistance must include realistic assessments of the working and economic conditions of the country where AID programs are to operate. AID's ability to accomplish its long-term assistance objectives in Guinea-Bissau was limited by difficult working conditions and unfavorable economic policies. AID did not effectively consider these constraints in operating its assistance program in Guinea-Bissau. As a result, AID's food and development assistance helped alleviate the effect of drought, contributed laboratories and other facilities, developed a crop protection service and helped train people, but the assistance marginally achieved the long-term AID objective of helping the country

develop food self-sufficiency. Furthermore, the conditions found in-country made it costly to operate the program. The report recommended AID's strategy and objectives be reassessed. The Africa Bureau and the AID Representative agreed.

AID Handbooks provide guidance to help missions better monitor program performance and administer mission operations. Also, to provide additional support and guidance, small country offices such as Guinea-Bissau are encouraged to use the services of the Regional Economic Development Services Office. The Office of the AID Representative/Guinea-Bissau program and administrative management was not effective because it did not adequately (1) measure project results, (2) revise project implementation schedules, (3) reassess project assumptions, (4) monitor food assistance, (5) document site visits, or (6) follow AID administrative management guidance. In addition, due to various misunderstandings, Regional Economic Development Services Office support to the representative was not effective. Management weaknesses contributed to problems in implementing the AID assistance program. The report recommended improvements in program and administrative management, and more effective regional support. The Africa Bureau and the AID Representative agreed.

Office of the Inspector General

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TO GUINEA-BISSAU

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AUDIT OF AID ASSISTANCE
TO GUINEA-BISSAU

PART I - INTRODUCTION

A. Background

Ranked among the 20 poorest countries in the world, Guinea-Bissau has a population estimated at 858,000, with a per capita income of \$170 a year. In 1974, following war, Guinea-Bissau gained independence from Portugal. After independence, the Government of Guinea-Bissau (GOGB) unsuccessfully followed a socialist development model, resulting in economic stagnation and poor performance. Beginning in late 1984, the Government reassessed its economic policies and began to institute long-term reforms aimed at improving economic performance. Chief among these reforms were currency devaluation, increased market prices for farmers, and increased privatization of economic activity.

Although AID's assistance objective was humanitarian immediately following independence, its long-term objective has been to assist Guinea-Bissau achieve food self-sufficiency by increasing food production through projects that help build government infrastructure, and provide farmers with technology and equipment. More recently, AID has also focused on private trade and investment. Between 1976 and 1986 AID had authorized about \$19 million for assistance projects (see Exhibit 1). Also, \$16 million in food assistance had been provided under P.L. 480 Title II to ease drought-related shortages. AID also provided participant training in the United States and third countries, primarily for GOGB personnel in agriculture. In fiscal years 1985 and 1986, \$420,000 and \$230,000, respectively, were provided for training.

As of September 1986, the Office of the AID Representative/ Guinea-Bissau (OAR/GB) was responsible for four projects authorized at about \$13 million. Obligations and disbursements were as follows:

	<u>As of September 1986</u>	
	(000)	
	<u>Obligations</u>	<u>Disbursements</u>
Rice Production II (657-0009)	\$ 4,500	\$ 3,086
South Coast Agricultural Development (657-0010)	4,220	850
Technical Skills Training (657-0011)	1,500	73
Food Crop Protection III (657-0012)	<u>\$ 1,250</u>	<u>\$ 102</u>
Total	<u>\$11,470</u>	<u>\$ 4,111</u>

AID planned to spend about \$2 million a year for current and follow-on projects. In fiscal year 1987, AID planned to continue activities under the Technical Skills Training project through initial funding of a \$4 million agro-industrial project. A \$6 million follow-on to the Rice Production project was proposed for fiscal year 1988. OAR/GB was also seeking AID/W approval for \$1.2 million in fiscal year 1987 for a P.L. 480 Title II (Section 206) program. This was to be part of a three-year program whereby the amount of food assistance provided would be contingent upon GOGB's performance in pursuing economic policy reforms. OAR/GB also requested \$500,000 for training activities in fiscal year 1987.

AID assistance in Guinea-Bissau was administered by four AID direct hires, one U.S. personal services contractor, six third-country national contractors, and nine local employees. In fiscal years 1985 and 1986, about \$800,000 each year was budgeted for operating costs. OAR/GB resources could be augmented by requesting assistance from the Regional Economic Development Services Office/West and Central Africa (REDSO/WCA), located in Abidjan, Ivory Coast. This Office provides project design, evaluation, contracting, legal and financial services to small AID field offices, including Guinea-Bissau.

B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit/West Africa made a program results audit to assess (1) AID strategy in meeting its assistance objective, and (2) OAR/GB management of the assistance program. The audit was conducted at OAR/GB, two project sites in Guinea-Bissau, and at REDSO/WCA. Discussions were held with Africa Bureau and OAR/GB officials, AID contract personnel, officials from REDSO/WCA, the U.S. Embassy/Bissau, the GOGB, the International Monetary Fund, and several United Nations agencies. Budget presentations, project and administrative files were examined at OAR/GB, at the Rice Production project site in northeast Guinea-Bissau, and at REDSO/WCA. AID evaluations of project results were reviewed. Within the scope of the audit, the adequacy of internal controls was also examined.

This was the first audit by the Office of the Inspector General of the Guinea-Bissau program. The audit covered AID assistance from 1976-1986 including about \$7.8 million of the \$8.6 million expended on projects during that period. Audit coverage of the P.L. 480 Food Assistance Program was based primarily on a REDSO/WCA program evaluation conducted in early 1986. Field work was completed in December 1986. OAR/GB, REDSO/WCA, and the Africa Bureau were provided a draft report in December 1986. OAR/GB comments including input from the Africa Bureau were received in March 1987. REDSO/WCA also commented on certain parts of the report. Their comments have been incorporated in the report as appropriate and the full text of

Bureau, OAR/GB and REDSO/WCA comments is included as Appendix I. The audit was made in accordance with generally accepted government auditing standards.

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PART II - RESULTS OF AUDIT

AID's development strategy in Guinea-Bissau has not been successful. Although food aid and development projects had achieved some results, little long-term improvement has occurred in Guinea-Bissau's ability to attain food self-sufficiency. Also, the Office of AID Representative/Guinea-Bissau program and administrative management was not effective.

AID's assistance strategy needs to be reevaluated. A study should be conducted of major impediments to the program's success in achieving economic assistance objectives. Also, OAR/GB needs to improve program and administrative management.

The report contains two recommendations directed toward reassessing AID's assistance strategy and improving the management of program and administrative operations.

A. Findings and Recommendations

1. AID Assistance Strategy and Objectives Needed to be Reevaluated

If it is to be successful, AID development assistance must include realistic assessments of the working and economic conditions of the country where AID programs are to operate. AID's ability to accomplish its long-term assistance objectives in Guinea-Bissau was limited by difficult working conditions and unfavorable economic policies. AID did not effectively consider these constraints in operating its assistance program in Guinea-Bissau. As a result, AID's food and development assistance helped alleviate the effect of drought, contributed laboratories and other facilities, developed a crop protection service and helped train people, but the assistance marginally achieved the long-term AID objective of helping the country develop food self-sufficiency. Furthermore, the conditions found in-country made it costly to operate the program.

Recommendation No. 1

We recommend that the AID Representative/Guinea-Bissau, with the assistance of the Regional Economic Development Services Office/West and Central Africa, and the Africa Bureau, evaluate, update and revise, as necessary, AID's objective and strategy in Guinea-Bissau. In proposing a revised strategy, the evaluation must address:

- (a) the poor working conditions in the country and the difficulties of implementing the current projects;
- (b) the influence that the Government of Guinea-Bissau's economic policies might have on implementing the strategy; and
- (c) ways to reduce the management costs of the assistance program.

Discussion

AID development assistance objectives and strategy must include realistic assessments of (1) the conditions in the country where its program will operate, and (2) the government's policies needed to achieve assistance objectives. Assessments are particularly critical in emerging nations such as Guinea-Bissau, which, at independence, had inherited a war-devastated economy, few trained people, little institutional or physical infrastructure, and no experience in planning and administering development programs. The importance of a country's economic policies was emphasized by the AID Administrator in June 1986 when he stressed the need for economic restructuring, such as increasing prices paid to farmers, in order to enhance economic development.

The audit found that AID's strategy to help Guinea-Bissau achieve food self-sufficiency had not been successful. Review of projects for which data were available^{1/} showed that most projects had made little progress in meeting their objectives. Some positive results were noted. Laboratories and other facilities were constructed, a crop protection service was developed, and training was provided. However, most projects had significant problems and were not successfully meeting their objectives. For example,

- after eight years, a \$2.4 million Agricultural Development Project had yet to achieve significant results;
- activities on a \$1.9 million Food Crop Protection Project had been stifled for about two years by lack of vehicles, spare parts and fuel;
- after about seven years, the \$4.5 million Rice Production Project had yet to demonstrate the new technology had been adopted and could be replicated by the local farmers;
- the \$5.5 million South Coast Development and the \$1.5 million Technical Skills Projects were close to two years behind schedule and had yet to show tangible results.

Appendix 2 discusses the results of the audit of development projects.

AID's development assistance strategy did not include realistic assessments of conditions in the country or host government policies. Many of the problems identified in Guinea-Bissau were common to those found in other AID programs, such as delayed projects, impeded implementation due to lack of fuel and spare parts, and credit funds not achieving intended results. However, difficult working conditions and GOGB economic policies made these problems even more difficult and costly to resolve. Consequently, there were long-term constraints to achieving AID's objectives. In reassessing its strategy and assistance objectives, AID must address the specific conditions in Guinea-Bissau, including host government policies and assistance objectives.

Working Conditions in Guinea-Bissau - Some of the causes for limited program results and project implementation problems could be traced to OAR/GB management weaknesses (see Finding Number 2). However, the problems were also largely attributable to difficult working conditions in Guinea-Bissau. These conditions not only impeded OAR/GB management but significantly increased operating costs.

^{1/} Data were available for six of nine economic development projects representing about \$17 million of the \$19 million authorized since 1976.

Responding to audit results which indicated the lack of progress on AID projects, the AID Representative noted that Guinea-Bissau was one of the poorest countries in Africa, and as such, had limitations not found in other maximum hardship posts. He wrote:

"The types of skilled personnel that A.I.D. normally uses (secretaries, accountants, accountants (sic), administrative and contract personnel, accountants (sic), etc.) are difficult to recruit in Bissau, and the Mission has to compete with the Government and other donors for the scarce personnel available. These persons more often than not are inexperienced and have poor work habits.... There are practically no opportunities to do in-country procurement of equipment, office supplies and materials. Few, if any, support services in the form of domestic consulting firms, administrative suppliers and repair services exist. Power outages and water shortages [occur] on a daily basis, and the Mission in the absence of a generator would have to cease operations for several hours per day. Breakdown of typewriters and reproduction equipment are frequent and must await the arrival of a technician from Dakar to be repaired. These costs are in hard currency. Taken together, these factors alone would make the implementation of an A.I.D. program difficult."

In spite of these conditions, the AID representative believed it was possible to move projects forward and obtain positive results in the difficult environment found in Guinea-Bissau.

The audit also found that AID direct hire staff, burdened with administrative matters such as budgeting, translation of documents, and logistics support, were able to spend only about one-half of their time on project management.

Cost of Operating Program - Operating an assistance program under these conditions increased AID's management costs. The OAR/GB operating expense budget for fiscal year 1986 was over \$800,000 and was expected to exceed \$1 million in 1987. This compares to an annual AID assistance program of about \$2 million. The high cost of doing business in Guinea-Bissau is illustrated by comparing its costs to the Foreign Affairs Administrative Support (FAAS) costs of other relatively high cost AID offices in Africa. In fiscal year 1986, annual FAAS costs for OAR/GB were about \$70,000 per U.S. direct hire, the highest in Africa. This compared to \$50,000 per capita in Sierra Leone, and \$41,000 per capita in Burundi. Larger AID missions, for example Senegal which cost only about \$6,500 per capita, are better able to keep per capita costs down because costs can be spread over a larger number of people.

OAR/GB agreed with the audit analysis of high operating costs, citing the FAAS costs as a major cause. OAR/GB was seeking ways to reduce these costs and intended to monitor them closely with help from REDSO/WCA. Also, a February 1987 AID/W management study contained several recommendations on reducing costs, such as reducing local staff, combining functions, and terminating AID warehouse facilities. These and other recommendations were under review by AID/W and OAR/GB.

Economic Policies - AID assistance efforts face long-term constraints caused by unfavorable GOGB policies and poor economic conditions, including (1) GOGB below-cost prices for farmer production, (2) deteriorating balance of payments, (3) an overvalued currency, and (4) a stagnant marketing system making food and other products unavailable. One result of these factors, according to a 1984 AID evaluation of the Rice Production project, was that 5 to 40 percent of the country's rice production was sold in black markets, mostly to adjacent Senegal and Guinea, with little benefit to the national economy. Unless the aforementioned conditions change, improved food self-sufficiency, such as through AID's major rice production project, seems unlikely.

Begun in 1984, GOGB's progress in policy reform has been uneven to date. AID studies in 1984 and 1985 acknowledged GOGB had made progress but had encountered delays. As of 1986, the GOGB plan for economic reform was behind target and, according to OAR/GB personnel, had not been far reaching enough to cause significant improvements. Discussions with officials from the International Monetary Fund, the United Nations Development Program, and the Food and Agriculture Organization confirmed that GOGB policy reforms were a major deterrent to farmer motivation, and that changes were necessary.

Recent negotiations with the International Monetary Fund called for another currency devaluation, reduction of the government work force, and easing of pricing policies. In commenting on the draft report, OAR/GB stated that the GOGB's economic policies were in the process of changing as a result of its implementation of the International Monetary Fund/International Bank for Reconstruction and Development program of policy reform. He cited agricultural price increases as an example of such change. In addition, he stated that as reforms are made, AID should be ready with appropriate agricultural technology to assist farmers in taking advantage of the policy changes.

In conclusion, AID assistance strategy has not adequately considered the effect of poor working conditions and unfavorable GOGB economic policies. Implementation of the assistance program has been difficult and costly, and results have been limited. Unless AID strategy is reassessed and revised to better reflect country economic conditions and policies, little will be gained through further implementation

of the current \$11.5 million project portfolio, or through additional programs which may be approved.

Management Comments

The Africa Bureau and AID Representative agreed with the thrust of the draft report recommendation but suggested certain word changes. They agreed to (1) evaluate, update and revise the AID strategy in Guinea-Bissau, addressing major factors cited in the audit report, and (2) evaluate several ongoing projects. They also provided additional information to clarify some aspects of the report (see Appendix 1).

Office of Inspector General Comments

The draft report recommendation was changed along the lines suggested. Additional information was included as deemed necessary. The Bureau's and OAR/GB comments are considered responsive and the recommendation is resolved. The OAR/GB should keep the Office of Inspector General informed on progress made in implementing the recommendation.

2. Program and Administrative Management Could Be Improved

AID Handbooks provide guidance to help missions better monitor program performance and administer mission operations. Also, to provide additional support and guidance, small country offices such as Guinea-Bissau are encouraged to use the services of the Regional Economic Development Services Office. The Office of the AID Representative/Guinea-Bissau program and administrative management was not effective because it did not adequately (1) measure project results, (2) revise project implementation schedules, (3) reassess project assumptions, (4) monitor food assistance, (5) document site visits, or (6) follow AID administrative management guidance. In addition, due to various misunderstandings, Regional Economic Development Services Office support to the representative was not effective. Management weaknesses contributed to problems in implementing the AID assistance program.

Recommendation No. 2

The Office of the AID Representative/Guinea-Bissau, assisted by the Regional Economic Development Services Office/West and Central Africa, and the Africa Bureau, strengthen controls over the management of the program and the Office of the AID Representative/Guinea-Bissau operations. Matters to be addressed are:

- (a) developing base line data for assessing project results, preparing implementation schedules, reassessing project assumptions and issuing guidelines for site visits;
- (b) monitoring the use of P.L. 480 counterpart funds;
- (c) developing an operation manual, improving inventory controls and mission files; and
- (d) reducing misunderstanding by concluding an agreement with the Regional Economic Development Services Office/West and Central Africa to better define their and the Office of the AID Representative's responsibility and promote a better relationship.

Discussion

AID guidance for project and administrative management is contained in Handbooks 3 and 23. Guidance is provided to help assure that projects and AID offices are managed effectively, economically and efficiently. For project management, monitoring is emphasized so AID offices can react to problems promptly and effectively. Monitoring requires (1) measuring project results, (2) revising implementation schedules to account for delays, (3) systematically revalidating project assumptions, and (4) conducting site visits. For food assistance, guidance is available to monitor food and the use

of funds generated from food sales for development assistance. Good administration is achieved through methods such as operation and policy guidelines, controls over finances and property, and proper filing systems. In implementing AID guidance, small missions such as OAR/GB can call on REDSO/WCA assistance.

The audit showed the need for more effective management of the development assistance projects, the P.L. 480 program, and office administration. More effective management was possible by better following Handbook guidance.

Project Results - OAR/GB did not measure project results adequately. Without this information, OAR/GB could not effectively determine if projects were meeting their objectives.

For example, the Rice Production project was intended to increase food production and incomes of about 1,200 small farm families and to demonstrate that these benefits could be replicated to other farmers. The project was to provide improved technologies, such as water management, new planting methods, use of farm implements, and improved seeds and fertilizers. After six years of project activities, no reliable data were available to show (1) the number of families participating in the project--OAR/GB estimates ranged from 250 to 800, (2) overall increases in rice production yield and farmer income, or (3) the level of farmer acceptance of the project's production technology.

The OAR/GB indicated that information about project activities was available through technical assistance team periodic reports, site visits, project evaluations and OAR/GB staff discussions. The auditors recognized that some of the information necessary to measure project results was contained in these documents. However, Handbook 3 suggests a system which periodically measures results and focuses information in a more meaningful and systematic manner.

Implementation Plans - Good project management requires the updating of implementation plans. Without updates, it is difficult to determine progress, anticipate upcoming critical activities and, in the case of a delay, to determine what can be accomplished within the time remaining. The implementation plans for the South Coast and Technical Skills projects, nearly two years behind schedule, had not been revised.

The South Coast Agricultural Development project was delayed by about two years but implementation plans had not been updated. The project paper included estimates of 36 months for the technical assistance team to strengthen the institutional capability of the Department of Agricultural Hydraulics and Soils at the site. Because of the delays, OAR/GB officials said the team would not arrive until June 1987.

By June 1987, only 27 months would remain before the project completion date. Updating the implementation plan should have raised questions such as: Could the team accomplish in 27 months what was scheduled for 36 months? Should the project completion date be extended? Would adequate funding be available? Were other project activities affected?

The OAR/GB project officer indicated he was starting to update the implementation plan. He said he had waited for a firm construction completion date since project activities could not effectively begin until construction had been completed.

Project Assumptions - Assumptions are used in establishing project goals and objectives. If an assumption is invalid, project decisions can be faulty and accomplishments risk being jeopardized. The AID Handbook notes that as conditions change, assumptions should be reassessed and projects redesigned accordingly.

OAR/GB reassessed some of the project assumptions such as the potential for technical support from a GOGB agency on the South Coast project. However, a key assumption of all projects, that GOGB economic policies would encourage agricultural development assistance, was not adequately reassessed.

For example, the Rice Production project was designed under the assumption that GOGB pricing policies would not discourage farmers to increase production. However, GOGB pricing policies were a deterrent to rice production since GOGB was paying the farmers less than their cost of production. The AID November 1984 project evaluation had cautioned the Mission that the official price for rice was too low to motivate producers.

The assumption of favorable economic policies was critical to success since the purpose of the project was to increase production and farmers' income, and demonstrate to farmers that project technology could be replicated. The assumption should have been reassessed, which would have led to a reexamination of project design and activities.

Site Visits - Project site visits are essential so AID can independently isolate problem areas and identify follow-up action. Also, a record, even if handwritten, should be kept of the highlights. If visits are not regular, implementation problems go unattended. If records are not kept, an institutional memory cannot be maintained for subsequent analysis.

The audit could not assess the adequacy of site visits because records of visits were generally not kept, and OAR/GB personnel were unclear about how many visits they had conducted and what the results had been. For example, at the time of audit, evidence was available to show that only three visits had been conducted between January 1985 and October 1986 on the Rice

Production project. None had been made to the South Coast Development Project. In commenting on the report draft, the OAR/GB stated that, according to his records, 19 site visits had been conducted on these projects. He agreed to the need for better written records and had issued a mission order requiring staff prepare reports of site visits.

P.L. 480 Food Assistance Program - In February 1986, the REDSO/WCA Food for Peace Officer reviewed the P.L. 480 program in Guinea-Bissau. The review found (1) no formalized approval procedure or follow-up on uses of local currencies generated by emergency food-aid sales, (2) no GOGB reporting on food-aid stocks and funds, (3) inadequate program monitoring due to limited OAR/GB staff and (4) inadequate record keeping. The report concluded that, although local currencies appeared to have been used for development purposes as required, corrective actions were necessary.

OAR/GB files contained little information on actions taken to correct weaknesses found in monitoring the P.L. 480 Title II program. For example, REDSO/WCA suggested the establishment of a joint GOGB and AID committee to better control and follow-up on approvals for the use of funds generated from the sale of food. Although the study was performed in early 1986, at the time of the audit little had been done to establish this committee. Committee members had been identified, but not formally appointed. By January 1987, the AID Representative provided evidence that the committee had been formed and had met.

As of October 1986, approximately \$300,000 in local currency under P.L. 480 Title II remained to be programmed. For fiscal year 1987, OAR/GB was proposing a \$1.2 million P.L. 480 Title II program. Under these conditions, it was essential that management weaknesses be addressed to better control program resources.

Administrative Management - Problems in program management were compounded by weaknesses in administrative management. A limited review of operations showed that OAR/GB did not have an operation manual to guide administration. Additionally, OAR/GB did not adequately control AID property and maintain complete project files.

Operation manuals help assure mission operations are conducted in conformity with AID procedures. Adequate controls assure timely and good accounting over property. Well-maintained files ease project management.

There were no records to account for mission property. Records of beginning and ending inventories, and the transactions accounting for the differences were missing. OAR/GB said that a yearly inventory was conducted, but the document could not be located during the audit. Also, no one was responsible for the

storage of property between April and the time of audit, October 1986, apparently due to shortage of qualified staff.

Because of lack of well-maintained project files, key project documents were misfiled or difficult to locate. The Agricultural Development Officer said he developed his own filing system since OAR/GB files were disorderly. The OAR/GB began corrective action to improve administrative files during the audit. He was also initiating action to develop an operation manual and inventory controls.

REDSO/WCA Services - Delegation of Authority No. 140 (DOA-140) defines the roles and responsibilities of field missions and the REDSOs. While larger missions retain ultimate authority for project authorization and implementation, the authority of smaller missions, listed under Schedule B DOA-140, is subject to the concurrence of the cognizant REDSO director. AID considers REDSO concurrence necessary to ensure more effective management.

Because they usually lack resources, small missions are encouraged to seek REDSO assistance. This partnership can be very sensitive. To promote good working relationships it is important to establish a clear understanding of the roles and responsibilities of both parties.

Misunderstandings between OAR/GB and REDSO/WCA hampered the effectiveness of both parties. OAR/GB officials said they felt REDSO/WCA wanted to play too large a role in OAR/GB decision-making. For example, in an effort to reduce its operating expense budget, OAR/GB wanted to use project monies to fund a personal services contractor who was managing one of the projects. REDSO/WCA questioned the decision because the contractor performed several administrative duties, some unrelated to project activities. REDSO felt the contractor should be funded from operating expenses. According to REDSO/WCA officials, the disagreement led to hard feelings.

REDSO/WCA officials believed the intent of DOA-140 was not realized because OAR/GB was not requesting assistance as often as necessary. For example, OAR/GB refused a REDSO offer to send a team to appraise OAR/GB's operations in August and September 1985. On another occasion, the regional commodity management officer from REDSO/WCA offered to review OAR/GB's procurement system, already identified as a problem area. OAR/GB declined the offer.

By not assuring better program monitoring and administrative controls, OAR/GB weaknesses in program and administrative management contributed to problems in implementing AID development projects and the P.L. 480 Title II program in Guinea-Bissau. OAR/GB needs to significantly improve overall management and should seek assistance from the Africa Bureau and rely more on REDSO/WCA services.

Management Comments

The Africa Bureau and OAR/GB agreed that program and administrative management needed improvement, and suggested minor changes in the draft report recommendation. Management also cited the following corrective actions taken or planned by the AID Representative:

- (1) AID/W assistance has been requested in developing an operations procedural manual, establishing appropriate management systems and procedures, and training a U.S. contractor management specialist;
- (2) the Africa Bureau has been asked to help improve project and administrative filing systems, and financial management operations;
- (3) a management study had been conducted by the Bureau in February 1987 providing several recommendations to improve overall OAR/GB management and reduce costs; and
- (4) project evaluations of the South Coast Agricultural Development and Rice Production projects would be made in March/April 1987 likely to lead to project redesign to improve implementation.

REDSO/WCA comments to the draft report stated that REDSO/WCA and OAR/GB had signed an agreement establishing working relationships. As a result, REDSO/WCA's assistance had already increased and the number of outstanding problems had been reduced.

Office of Inspector General Comments

Management comments are responsive to the audit finding. The recommendation has been revised as suggested, and other changes have been made to the draft report as considered appropriate. Based on actions already taken and those planned, the recommendation is considered resolved. The OAR/GB should keep the Office of Inspector General informed on progress made in implementing the recommendation.

B. Compliance and Internal Controls

Compliance

The audit disclosed no instances of noncompliance by the CAR/GB or GOGB with applicable laws, AID regulations or project agreements. Also, nothing came to the attention of the auditors which would indicate that items not tested were in noncompliance.

Internal Controls

Internal controls needed improvement. Finding 2 discusses the need for better controls over program and administrative management. For example, project results need to be measured, P.L. 480 Title II local currency must be monitored, and project assumptions need to be periodically reassessed.

AUDIT OF AID ASSISTANCE
TO GUINEA-BISSAU

PART III - EXHIBITS AND APPENDICES

AUDIT OF AID ASSISTANCE
TO GUINEA-BISSAU

Financial Summary of AID Projects
(in 000's)

<u>Project Number</u>	<u>Project Title</u>	<u>Authorized Amount</u>	<u>Expenditures</u>
657-0002	Agricultural Development	\$2,353	\$2,255 <u>1/</u>
657-0003	Primary Teacher Training*	456 <u>3/</u>	456 <u>2/</u>
None	Accelerated Impact Project*	275	N/A
657-0004	Rice Production*	475	N/A
657-0006	Small Scale Fisheries*	500	413 <u>2/</u>
657-0007	Food Crop Protection	1,839	1,407 <u>1/</u>
657-0009	Rice Production II	4,500	3,086 <u>1/</u>
657-0010	South Coast Agricultural Development	5,500	850 <u>1/</u>
657-0011	Technical Skills Training	1,500	73 <u>1/</u>
657-0012	Food Crop Protection III	<u>1,250</u>	<u>102</u> <u>1/</u>
		<u>\$18,648</u>	<u>\$8,642</u> +

* No files available

1/ Expenditures data from REDSO/WCA regional accounting office as of September 1986.

2/ Latest information covered expenditures through fiscal year 1982.

3/ Authorized amount was estimated. Project had been authorized for \$2.516 million. However, funds were deobligated after expenditures of \$456,000 and the project discontinued.

ACTION: RIG-2 INFO: DCM

Appendix 1
Page 1 of 7

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CC RUTADS
DE RUFNPEI #0609/01 0700935
ZNR UUUUU ZZH
O 110932Z MAR 87
FM AMEMBASSY BISSAU
TO RUTADS/AMEMBASSY DAKAR IMMEDIATE 3488
RUEHC/SECSTATE WASHDC IMMEDIATE 3002
RUEHAB/AMEMBASSY ALGERIA IMMEDIATE 5801
BT
UNCLAS SECTION 01 OF 03 BISSAU 0609

LOC: 108
11 MAR 87 13
CN: 11881
CHRG: AID
DIST: RIG

AIDAC

DAKAR FOR RIG/A/WA:JCOMPETELLO; AID/W FOR LRICARDS; DAA/AFR/WCA

AND AFR/CCMA:JCOLES; ALGERIA FOR LBOND; REDSO/WCA

L.O. 12356: N/A

SUBJECT: COMMENTS ON GUINEA-BISSAU DRAFT AUDIT REPORT

REF: BISSAU 0162

1. MISSION COMMENTS, INCLUDING AID/W'S INPUT, ON DRAFT AUDIT REPORT ARE AS FOLLOWS:

A.I.D. STRATEGY IN GUINEA-BISSAU

THROUGHOUT THE DRAFT AUDIT REPORT, EXCEPT FOR THE INTRODUCTORY SECTION, THE REPORT STATES THAT A.I.D. STRATEGY IN GUINEA-BISSAU WAS TO HELP OVERALL FOOD PRODUCTION (PART II, PP. 5, 6, 8 ETC.). WE BELIEVE THAT A MORE ACCURATE STATEMENT OF THIS STATEMENT OF THIS STRATEGY IS THAT FOUND ON PAGE 1 OF THE DRAFT AUDIT REPORT WHICH STATES: 179TH: ALTHOUGH A.I.D.'S ASSISTANCE OBJECTIVE WAS HUMANITARIAN IMMEDIATELY FOLLOWING GUINEA-BISSAU'S INDEPENDENCE, ITS LONG-TERM OBJECTIVE HAS BEEN TO ASSIST GUINEA-BISSAU IN ACHIEVING FOOD SELF-SUFFICIENCY BY INCREASING FOOD PRODUCTION THROUGH PROJECTS THAT HELP BUILD GOVERNMENT INFRASTRUCTURE AND PROVIDE FARMERS WITH TECHNOLOGY AND EQUIPMENT. MORE RECENTLY, A.I.D. HAS FOCUSED ON PRIVATE TRADE AND INVESTMENT. UNQUOTE. WE BELIEVE THAT THE DRAFT AUDIT REPORT SHOULD BE REVISED TO REFLECT THIS MORE ACCURATE VERSION OF THE CURRENT OAR GUINEA-BISSAU (G-B) STRATEGY WHENEVER A REFERENCE IS MADE TO THE STRATEGY IN THE REPORT. IN REGARD TO THE RECOMMENDATION MADE ON PAGE 7 CONCERNING THE NEED TO EVALUATE AND RESTATE THE CURRENT USAID/GUINEA-BISSAU STRATEGY, WE ACCEPT THE THRUST OF THIS RECOMMENDATION, BUT BELIEVE THAT THE WORDING OF RECOMMENDATION SHOULD BE MODIFIED ALONG THE FOLLOWING LINES:

WE RECOMMEND THAT THE A.I.D. REPRESENTATIVE/GUINEA-BISSAU, WITH THE REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE/WEST AND CENTRAL AFRICA AND AFRICA BUREAU ASSISTANCE, EVALUATE THE CURRENT A.I.D. ASSISTANCE STRATEGY IN GUINEA-BISSAU BY UPDATING AND REVISING, AS APPROPRIATE, THE SMALL COUNTRY PROGRAM STRATEGY DOCUMENT ON GUINEA-BISSAU. THIS REVISION SHOULD ADDRESS IN ADDITION TO SETTING FORTH THE PROPOSED PROGRAM STRATEGY:

A. THE DIFFICULT WORKING CONDITIONS IN THE COUNTRY AND

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PROBLEMS BEING ENCOUNTERED IN IMPLEMENTING THE CURRENT PROJECT PORTFOLIO;

- B. THE INFLUENCE THAT THE GOVERNMENT OF GUINEA-BISSAU'S ECONOMIC POLICIES MIGHT HAVE ON IMPLEMENTING THE STRATEGY PROPOSED;
- C. EXAMINE WAYS OF REDUCING THE MANAGEMENT COSTS OF THE ASSISTANCE PROGRAM.

2. HOST COUNTRY ECONOMIC POLICIES

THE DRAFT AUDIT REPORT ON PART II, PP. 14, AND 20 POINTS OUT THAT QUOTE UNDER CURRENT GOGB ECONOMIC PROBLEMS, AND PARTICULARLY PRICING POLICIES, A.I.D.'S LOGIC IN JUSTIFYING PROJECTS DESIGNED TO INCREASE RICE PRODUCTION MUST BE QUESTIONED. UNQUOTE. IN ADDITION, ON P. 21, THE DRAFT REPORT STATES: QUOTE THE 1984 A.I.D. PROJECT EVALUATION FOUND GOVERNMENT PRICING POLICIES WERE THE MAJOR CONSTRAINTS TO PROJECT SUCCESS. UNQUOTE. WHILE WE BELIEVE THAT THE GOGB'S PRICING POLICIES ARE IMPORTANT AND HAVE HAD AN IMPACT ON THE MISSION'S AGRICULTURAL PROJECT PORTFOLIO, IT IS FELT THAT THIS WAS NOT THE SOLE FACTOR IMPACTING ON AGRICULTURAL PRODUCTION. THE EVALUATION REPORT ON THE RICE PRODUCTION PROJECT CITED IN THE DRAFT AUDIT REPORT AND THE REDSO/WCA ECONOMIST REPORT ON GUINEA-BISSAU MADE AVAILABLE TO THE AUDIT TEAM CITED OTHER FACTORS THAT SHOULD BE TAKEN INTO ACCOUNT IN THE DRAFT AUDIT REPORT, INCLUDING FOREIGN EXCHANGE RATES, AVAILABILITY OF INPUTS AND CONSUMER ITEMS, ADEQUACY OF INPUTS DISTRIBUTION SYSTEM AND OUTPUT MARKETING CHANNELS AND INFRASTRUCTURE.

IN ADDITION, THE DRAFT AUDIT REPORT STATEMENT ON P. 20 THAT QUOTE UNDER CURRENT GOGB ECONOMIC PROBLEMS, AND PARTICULARLY PRICING POLICIES, A.I.D.'S LOGIC IN JUSTIFYING PROJECTS DESIGNED TO INCREASE RICE PRODUCTION MUST BE QUESTIONED. UNQUOTE. THE OAR-GB BELIEVES THAT THE GOVERNMENT'S ECONOMIC POLICIES ARE IN THE PROCESS OF BEING CHANGED AS A RESULT OF ITS IMPLEMENTATION OF AN IMF/IBRD PROGRAM OF POLICY REFORM, THE AGRICULTURAL PRICE INCREASES, FOR EXAMPLE, HAVE BEEN MADE AT THE REQUEST OF THAT REFORM PROGRAM. IT FURTHER BELIEVES, AS THESE REFORMS ARE MADE, A.I.D. SHOULD BE READY WITH APPROPRIATE AGRICULTURAL TECHNOLOGY TO ASSIST THESE FARMERS TO TAKE ADVANTAGE OF THE POLICY CHANGES.

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3. HIGH COST OF ADMINISTERING A.I.D.

WE AGREE WITH THE DRAFT AUDIT REPORT THAT THE COST OF ADMINISTERING THE A.I.D. PROGRAM IN GUINEA-BISSAU APPEARS QUITE HIGH WHEN COMPARED TO OTHER SMALL AFRICAN MISSIONS. THIS HIGH COST IS MAINLY DUE TO THE HIGH FAAS COSTS WHICH ARE IN PER CAPITA TERMS ONE OF THE HIGHEST IN AFRICA. THE MISSION IS LOOKING FOR WAYS TO REDUCE ITS SHARE OF FAAS COSTS AND WILL SEEK TO MONITOR THESE CLOSELY WITH HELP FROM RMO/ABIDJAN. IF FAAS COSTS ARE DEDUCTED FROM THE REGULAR OPERATING EXPENSE BUDGET, THEN OPERATING COSTS IN GUINEA-BISSAU WOULD COMPARE FAVORABLY WITH OTHER SMALL POSTS IN AFRICA. THE DRAFT AUDIT REPORT SHOULD NOTE THAT A MANAGEMENT STUDY WAS CARRIED OUT BY AFR/MGT IN FEBRUARY 1987 AND HAS MADE SEVERAL RECOMMENDATIONS ON HOW THESE COSTS MIGHT BE REDUCED BY CUTTING BACK ON CERTAIN LOCAL STAFF POSITIONS, COMBINING OTHER FUNCTIONS, TERMINATING A.I.D. WAREHOUSE FACILITIES, DROPPING A HOUSING LEASE, FURTHER CONSOLIDATING POST OPERATIONS AND REVIEWING LOCAL WAGE AND COMPENSATION MEASURES. THESE AND OTHER RECOMMENDATIONS ARE NOW UNDER REVIEW BY AID/W AND OAR/G-F.

THE DRAFT AUDIT REPORT SHOULD POINT OUT THAT PROGRAMS IN SMALL, ISOLATED COUNTRIES LIKE GUINEA-BISSAU ARE ALWAYS COSTLY TO ADMINISTER SINCE NEARLY ALL GOODS AND SERVICES HAVE TO BE IMPORTED AND THIS ADDS HIGH TRANSPORT COSTS. RECENTLY, THE SIZEABLE DEPRECIATION OF THE U.S. DOLLAR HAS ALSO HAD AN IMPACT IN INCREASING OUR OPERATING COST IN GUINEA-BISSAU. \$

4. NEED TO IMPROVE PROGRAM AND ADMINISTRATIVE MANAGEMENT
IN GENERAL THE THRUST OF THE DRAFT AUDIT REPORT'S CONCLUSIONS ON THE NEED TO IMPROVE PROGRAM AND ADMINISTRATIVE MANAGEMENT IS ACCEPTED. NEVERTHELESS, WE BELIEVE THAT RECOMMENDATION NO. 2 SHOULD BE MODIFIED ALONG THE FOLLOWING LINES:

THE OFFICE OF THE A.I.D. REPRESENTATIVE/GUINEA-BISSAU, ASSISTED BY THE REGIONAL DEVELOPMENT SERVICES/WEST AND CENTRAL AFRICA AND THE AFRICA BUREAU SHOULD DEVELOP OPERATIONAL AND POLICY GUIDELINES TO GAIN BETTER MANAGEMENT CONTROL OVER THE PROGRAM, IMPROVE PROGRAM EFFECTIVENESS AND REDUCE OPERATING COSTS OF CAP-G-E OPERATIONS. TOPICS THAT SHOULD BE ADDRESSED ARE:

A. DEVELOPING BASELINE DATA FOR ASSESSING PROJECT RESULTS, ISSUING GUIDELINES FOR SITE VISITS, PREPARING IMPLEMENTATION SCHEDULES AND REASSESSING PROJECT ASSUMPTIONS;
B. MONITORING THE USE OF P.L. 480 COUNTERPART FUNDS; AND
C. DEVELOPING A SET OF OPERATIONS MANUALS; AND FURTHER, THE OAR-G-B AND REDSO/WCA WILL NEGOTIATE AND CONCLUDE AN AGREEMENT DEFINING THEIR RESPECTIVE RESPONSIBILITIES. THIS MEANS HAS PROVED EFFECTIVE ELSEWHERE AND WE BELIEVE COULD BE HELPFUL IN RESOLVING SUCH QUESTIONS. THE DRAFT AUDIT REPORT POINTS OUT THAT ONLY A FEW SITE VISITS WERE MADE BY OAR/GB AND NOTES THAT SITE VISIT REPORTS ARE NOT AVAILABLE IN OAR/GB FILES (PART II, PP. 24, 25, AND 27). CONTRARY TO THIS STATEMENT, OAR/GB RECORDS SHOW THAT BEGINNING IN MAY 1985 THROUGH OCTOBER 1986, A TOTAL OF NINETEEN PROJECT SITE VISITS WERE MADE TO THE RICE PRODUCTION AND SOUTH COAST PROJECTS.

NEVERTHELESS, MISSION AGREES WITH THE DRAFT AUDIT REPORT THAT IT NEEDS TO KEEP BETTER WRITTEN RECORDS OF THESE VISITS. SINCE THE VISIT OF THE AUDIT TEAM, OAR/GB HAS ISSUED A NEW MISSION ORDER LAYING OUT THE REQUIREMENT FOR THE PREPARATION OF SITE VISIT REPORTS.

5. REVISION OF AFR/CCWA STATEMENT

IN SECOND PARAGRAPH OUP. 36, BEGINNING WITH SECOND SENTENCE, IT

SHOULD BE REVISED AS FOLLOWS QUOTE BY 1986, THIS WAS NO LONGER SO BECAUSE SOME OF THE EARLIER PROBLEMS NOTED HAVE BEEN ADDRESSED. UNQUOTE.

6. COMMENTS ON SPECIFIC PROJECTS

A. AGRICULTURAL DEVELOPMENT PROJECT (0022) PP. 9 AND 10. THE DRAFT AUDIT REPORT, AS CURRENTLY WRITTEN DOES NOT TAKE INTO ACCOUNT ACHIEVEMENTS MADE UNDER THIS PROJECT, INCLUDING THE COMPLETION OF THE CONSTRUCTION OF A SEED LAB, TWO WAREHOUSES, A GREENHOUSE AND PATHOLOGY LABORATORY. IN ADDITION, THE PARTICIPANTS WHO COMPLETED LONG-TERM TRAINING IN THE U.S. HAVE ASSUMED IMPORTANT MIDDLE-LEVEL POSITIONS IN AREAS SUCH AS EQUIPMENT MAINTENANCE AND SPARE PARTS SUPPLY, DIRECTING THE SOIL'S LABORATORY, SUPERVISING THE CARTOGRAPHY DIVISION OF THE MINISTRY AND SUPERVISING THE ECONOMIC STUDIES. THIS IS NOT A SMALL ACHIEVEMENT IN VIEW OF THE UNIVERSITY-LEVEL TRAINED PEOPLE AVAILABLE AT THE TIME OF INDEPENDENCE ONLY SLIGHTLY MORE THAN A DECADE AGO AND THE SMALL NUMBER OF PEOPLE STILL IN GUINEA-BISSAU WHO QUALIFY FOR ENTRANCE TO U.S. UNIVERSITIES.

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B. FOOD CROP PROTECTION II AND III PROJECTS (0007 AND 0012) PP. 12-12)

THE COMMENTS IN THE DRAFT AUDIT REPORT APPEAR TO SWELL MAINLY ON THE PROBLEMS FOUND IN THIS PROJECT. IN ORDER TO GIVE SOME BALANCE TO THE REPORT, WE BELIEVE THAT THE FOLLOWING ACHIEVEMENTS UNDER THIS PROJECT SHOULD BE NOTED. THE NATIONAL CROP PROTECTION SERVICE (CPS) HAS EVOLVED FROM A PAPER CONCEPT INTO A VIABLE ENTITY FOR PEST CONTROL. CPS ACTIVITIES HAVE NOW BEEN EXTENDED TO ALL FOUR OF THE COUNTRY'S REGIONS, WITH 23 WELL-TRAINED FIELD AGENTS, THREE FIELD SUPERVISORS, TWO SCIENTIFIC OFFICERS, AND ONE NATIONAL DIRECTOR. IN ADDITION TO THIS, 232 VILLAGERS HAVE BEEN RECRUITED UNDER THE WORLD FOOD PROGRAM (FOOD-FOR-WORK PROGRAM) TO ASSIST IN SURVEY AND CONTROL OF OPERATIONS. POSTERS AND CALENDARS DEPICTING CROP PROTECTION HAVE BEEN PRODUCED AND DISTRIBUTED TO FARM FAMILIES. WEEKLY RADIO PROGRAMS IN VARIOUS DIALECTS DELIVERING CROP PROTECTION NEWS ARE BEING BROADCASTED NATIONWIDE.

THE AUDIT REPORT ON PAGE 29 STATES QUOTE THAT THE PROJECT HAD DISTRIBUTED ONLY 50 PCT OF THE PESTICIDES TO FARMERS. ACCORDING TO AN OAR/GE OFFICIAL, THE DELIVERIES WERE TOO LATE FOR EFFECTIVE PEST CONTROL SINCE THIS WAS THE END OF THE GROWING SEASON. UNQUOTE. WE RECOMMEND THAT THE STATEMENT AS QUOTED ABOVE BE DELETED. THE PROJECT PAPER SHOWS THAT PESTICIDES WERE ONLY TO BE USED IN AN EMERGENCY SITUATION WHEN OTHER PEST CONTROL METHODS FAILED. IT SHOULD ALSO BE NOTED THAT THE PESTICIDES WERE PROPERLY STORED. IN ADDITION, THE DRAFT AUDIT REPORT FAILS TO TAKE INTO ACCOUNT THE FACT THAT SPARE PARTS FOR VEHICLES AND MOTORBIKES HAD BEEN ORDERED AND WERE DUE IN BISSAU IN FEBRUARY 1987, AND HAVE SINCE BEEN DELIVERED.

C. RICE PRODUCTION PROJECT (0009) PP. 13-16

THE DRAFT AUDIT REPORT CITES A NUMBER OF THE PROBLEMS ENCOUNTERED IN IMPLEMENTING THIS PROJECT. THE DRAFT SHOULD ALSO NOTE THAT THE MISSION HAS PLANNED TO CARRY OUT AN EVALUATION OF THIS PROJECT WITH PEDSO/WCA ASSISTANCE IN MARCH/APRIL 1987. IN ADDITION, ON PAGE 30, THE DRAFT REPORT SHOWS PICTURES OF EQUIPMENT AND A CAPTION WHICH STATES THAT PLOUGHS AND FERTILIZER WERE LEFT UNGUARDED AND EXPOSED. THIS CAPTION IS MISLEADING. IN FACT THE PLOUGHS AND FERTILIZER HAVE BEEN, AND STILL ARE, SECURED BEHIND A FENCE WITH GUARDS POSTED.

D. SOUTH COAST AGRICULTURE DEVELOPMENT PROJECT (0010) PP 16-17

THE DRAFT AUDIT REPORT SHOULD NOTE THAT AN EVALUATION OF THIS PROJECT HAS BEEN SCHEDULED BY THE MISSION WITH PEDSO/WCA ASSISTANCE IN APRIL 1987, WHICH IS LIKELY TO RESULT IN PROJECT DESIGN MODIFICATIONS.

E. TECHNICAL SKILLS TRAINING (0011) PP. 17

SOME OTHER EXAMPLES OF PROGRESS THAT MIGHT BE NOTED IN THE DRAFT AUDIT REPORT ON THIS PROJECT INCLUDE: A CURRICULUM REDESIGN STUDY HAS BEEN COMPLETED AND CHANGES HAVE BEEN ADOPTED BY THE NATIONAL INSTITUTE FOR PROFESSIONAL TRAINING; THE FIRST CLASS OF TRAINEES IN OFFICE-BUSINESS ADMINISTRATION HAD GRADUATED AND IS BEING PLACED IN THE PRIVATE SECTOR; AND STUDIES OF GUINEA-BISSAU'S PRIVATE SECTOR AND AGRO-INDUSTRIAL POTENTIAL ARE ALREADY UNDERWAY.

7. ACTIONS TAKEN BY MISSION TO ADDRESS PROBLEMS CITED IN THE AUDIT REPORT.

IN THE ADMINISTRATIVE MANAGEMENT AREA, OAR/GE HAS REQUESTED AID/W TO PROVIDE TTY ASSISTANCE IN DEVELOPING AN OPERATIONS PROCEDURAL MANUAL; ESTABLISHING APPROPRIATE MANAGEMENT SYSTEMS AND PROCEDURES, AND IN TRAINING A US/PSC MANAGEMENT SPECIALIST. THE OAR/GE HAS ALSO REQUESTED AFR/MGT ASSISTANCE IN IMPROVING PROJECT

AND ADMINISTRATIVE FILING SYSTEM AS WELL AS FOR A CONTRACTOR TO ASSIST IN IMPROVING FINANCIAL MANAGEMENT OPERATIONS. IN ADDITION, A MANAGEMENT STUDY OF OAR/GB WAS CARRIED OUT IN FEBRUARY 1987, WHICH PROVIDES SEVERAL RECOMMENDATIONS FOR IMPROVING OVERALL OAR/GB OPERATIONS AND FOR REDUCING OPERATING EXPENSES ASSOCIATED WITH RUNNING THE USAID OFFICE. BESIDES WORKING CLOSELY WITH AFR/MGT AND REMO/ABIDJAN TO IMPLEMENT THE RECOMMENDATIONS OF THE MANAGEMENT REPORT, OAR/BISSAU WILL AS A REGULAR PART OF ITS OPERATIONS LOOK FOR ADDITIONAL WAYS TO REDUCE O.E. EXPENDITURES AND INCREASE OPERATIONAL EFFICIENCY.

ON THE PROGRAM SIDE, THE OAR/GB HAS REQUESTED REDSO/WCA ASSISTANCE IN CARRYING OUT PROJECT EVALUATIONS IN MARCH/APRIL 1987 OF THE SOUTH COST AGRICULTURAL DEVELOPMENT AND RICE PRODUCTION PROJECTS WITH A VIEW TO MAKING PROJECT DESIGN CHANGES AS APPROPRIATE TO FACILITATE IMPLEMENTATION. BLACKEN

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ACTION: RIG-2 INFO: DCM

VZCZCTAA785EVA601
 PP RUTADS
 DE RUEHAB #7041 0780911
 ZNR UUUUU ZZH
 P 190911Z MAR 87
 FM AMEMBASSY ABIDJAN
 TO RUTADS/AMEMBASSY DAKAR PRIORITY 9415
 INFO RUFHPBI/AMEMBASSY BISSAU 6075
 INFO RUEHC/SECSTATE WASHDC 6275
 BT
 UNCLAS ABIDJAN 07041

LOC:
 19 MAR 87
 CN: 13351
 CHRG: AID
 DIST: RIG

AIDAC

FOR RIG/A/WA

E.O. 12356:N/A
 SUBJECT: GUINEA BISSAU DRAFT AUDIT REPORT

REF: BISSAU 0609

REDSO/WCA SUPPORTS USAID COMMENTS ON THE DRAFT AUDIT REPORT AS EXPRESSED IN FEETEL AND WOULD LIKE RIG/WA AND AID/W TO NOTE THE FOLLOWING RECENT DEVELOPMENTS:

A. IN RESPONSE TO AUDIT RECOMMENDATION NO. 4, AN AGREEMENT HAS BEEN WORKED OUT AND SIGNED BETWEEN THE OAR/BISSAU AND REDSO/WCA WHICH PROVIDES A WORKING UNDERSTANDING BETWEEN THE TWO ORGANIZATIONS. AS A DIRECT RESULT, THE NUMBER OF REDSO/WCA TDY'S TO BISSAU HAS INCREASED SIGNIFICANTLY IN THE SECOND QUARTER OF THIS FY AND THE NUMBER OF OUTSTANDING PROBLEMS HAS BEEN REDUCED. THIS INCREASED LEVEL OF SUPPORT TO THE BISSAU MISSION IS EXPECTED TO CONTINUE FOR AS LONG AS REQUIRED. A COPY OF THE AGREEMENT HAS BEEN FORWARDED BY USAID BISSAU TO THE RIG/WA AND THIS ACTION IS EXPECTED TO RESULT SHORTLY IN THE CLOSING OF REC. NO. 4.

B. REDSO/WCA IS WILLING TO ASSIST THE USAID IN THE PREPARATION OF AN UPDATED SMALL COUNTRY PROGRAM STRATEGY STATEMENT. UPCOMING TDY'S WILL PROVIDE AN OPPORTUNITY TO WORK OUT THE DETAILS OF THIS EFFORT.

C. USAID, WITH REDSO/WCA SUPPORT AND CONCURRENCE, IS IN PROCESS OF RECTIFYING A NUMBER OF OUTSTANDING PROBLEMS IN THE SOUTH COAST AG DEVELOPMENT PROJECT VIA A PP SUPPLEMENT. THE SUPPLEMENT WILL EMPHASIZE MANAGEMENT ASPECTS OF THE USAID/GOGB PROJECT AND PROVIDE ADDITIONAL RESOURCES AND TIME TO STRENGTHEN PROJECT ADMINISTRATION. KUX

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#7041

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Results of Audit of
AID Development Projects in Guinea-Bissau

Audit of six development projects, which represented about \$17 million of the \$19 million authorized since 1976, showed that all projects experienced significant implementation problems which limited effectiveness. As discussed below, the problems ranged from those commonly found in AID programs, such as lack of fuel and spare parts, to more serious problems caused by Government policies.

Agricultural Development Project (No. 657-0002)

This completed \$2.4 million project, authorized in 1977, was to initiate technology for seeds, soils, and plant disease identification for use on future AID projects and to reclaim land. After almost eight years, according to a 1985 AID evaluation, the project continued to be dormant awaiting the return of long-term trainees from the United States. Also, apart from successful land reclamation and participant training, the accomplishments of the project were limited. The evaluation concluded that the project should be completed as soon as possible.

Responding to the report draft, the OAR/GB noted some project accomplishments. A seed lab, two warehouses, a greenhouse and pathology laboratory were constructed, and participants who had completed long-term training had assumed important mid-level positions in areas such as equipment maintenance, spare parts supply, soil laboratory, cartography and agronomics.

Food Crop Protection II (No. 657-0007)
Food Crop Protection III (No. 657-0012)

The Phase II project, authorized in 1978 for about \$1.9 million and completed in 1985, was to help develop the GOGB's infrastructure and to bring technology to farmers to protect crops against insects and other pests. A February 1985 end-of-project AID evaluation reported that project activities were progressing well and recommended a Phase III.

The Phase III project, authorized in 1985 for about \$1.3 million, was to continue Phase II efforts. In April 1986, the AID project manager reported to OAR/GB that project implementation was proceeding well and on schedule.

The audit identified several significant problems. In a visit to the project site in October 1986, the auditors found project activities at a standstill because most project vehicles were inoperative. The GOGB Acting Project Manager indicated project implementation was curtailed during the past two years by

lack of transportation. For example, during the last growing season (June to October 1986), 5 of 9 project vehicles (including 2 new vehicles), and 23 of 35 motorcycles (including 10 new motorcycles) used by project extension agents were sidelined due to lack of parts and fuel. As a result, extension services were curtailed and only 50 percent of the project pesticides were delivered to the farmers. According to an OAR/GB official, this was too late in the growing season to be of use.

Responding to the draft report, the OAR/GB stated that spare parts for vehicles and motorbikes had been ordered and, as of March 1987, had been delivered. The OAR/GB also asked that reference to pesticide distribution be deleted from the report as the project paper showed that pesticides were only to be used in situations where other methods failed. The statement has not been deleted because, regardless of what the project paper stated, attempts were made to distribute pesticides.

The OAR/GB also noted that these two projects had helped develop a crop protection service with 28 agents, and information had been distributed to farm families and broadcast in the local language.

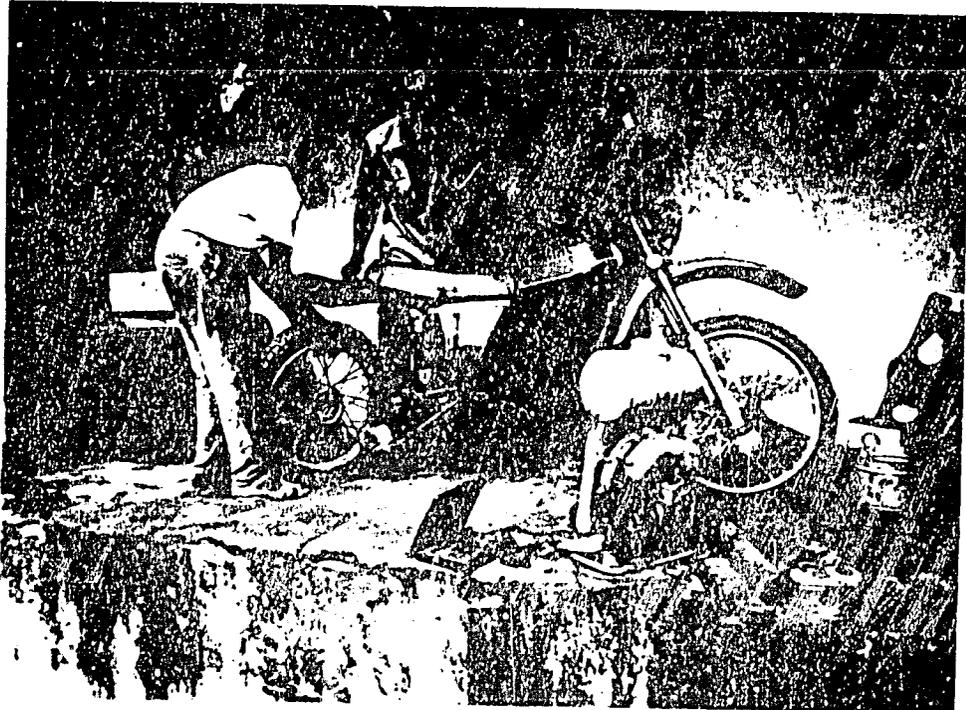
Rice Production Project (No. 657-0009)

This project, approved in August 1980, and authorized for about \$4.5 million, was to increase food production and farm income of about 1,200 small families in northeast Guinea-Bissau, and to demonstrate that such increases could be replicated elsewhere. The project had been active since 1980 and was evaluated by AID in 1984.

Available data indicated that project technology resulted in significant increases in rice yields per hectare. However, farmers' acceptance of the technology was questionable and it was unlikely they would adopt it without continued AID input.

The 1984 AID project evaluation found only 10 hectares of rice land had been developed against a goal of 400 hectares. Furthermore, the evaluation noted that some of the technology (water pumps) was not practical because of lack of fuel and spare parts. As a result, water pumps were eliminated. The project was redirected from the land development objective, to greater emphasis on replicability, i.e., the technology brought to the 1,200 farmers would be used by other farmers once they realized the advantages.

OAR/GB estimated the project reached between 250 and 800 families by 1986, was active in 17 of 20 villages, and put 225 hectares under cultivation. While this may indicate good



Lack of Motorcycle Spare Parts
Restricts Extension Activities
October 1986



Project Vehicles Sidelined
October 1986

progress, an AID project evaluation, the U.S. technical assistance contractor (AURORA) reports, and auditor interviews with contractor and OAR/GB personnel indicated the replicability of the project was questionable.

The AID evaluation questioned whether farmers would allocate time and resources to rice production, in spite of increased yields. According to OAR/GB, other factors limiting project success were the low price the farmer could obtain for rice under current Government policies, low foreign exchange rates, unavailability of inputs and consumer items, and inadequacy of distribution systems, marketing channels and infrastructure. AURORA reports also questioned the extent of farmer participation without intensive and continuous project inputs. During the auditor visits, the technical assistance team personnel reiterated their concerns about replicability.

The contractor also reported that the credit fund, designed to provide farmers with tools, small farm machines, and fertilizer, could not be self-sustaining because (1) in accord with GOGB policy, project furnished commodities, such as equipment, were sold at lower than purchase price, and (2) once current inventory was exhausted, only limited purchases of equipment could be made with the highly devalued local currency available to the farmer. Additionally, the contractor reported in 1986 that while new farmers had requested participation in the project, others were dropping out of the program. Farmers believed project technology was labor intensive and required use of male labor for activities normally handled by women. Under agricultural practice in the region, women grow the rice, while men devote their time to cash crops.

The U.S. technical assistance team leader stated that as early as 1985 she had suggested that OAR/GB stop the project, or limit activities to training and developing GOGB infrastructure. In response to audit questions, OAR/GB personnel agreed replicability was a problem. The Agricultural Development Officer indicated there were fewer farmers participating in the project than he had been led to believe, and that he had recently asked AURORA to find out why.

Contributing to limited project results were serious implementation problems. Initially, technical assistance was delayed for several months because there was no housing. Project activities were constrained sporadically because project-supplied vehicles lacked fuel or spare parts. As a result, extension agent and credit activities had to be curtailed. Fuel shortages nearly jeopardized the health and well-being of the technical assistance team. Without adequate fuel supply, generators could not supply the power necessary to pump water or operate refrigerators.

Mostly as a result of these difficulties, the project, since 1980, had only two growing seasons, 1985 and 1986, to implement technical packages and evaluate results. The project was to end in September 1987. In commenting on the draft report, the OAR/GB stated that this project would be evaluated with REDSO/WCA assistance in March or April 1987.

South Coast Development Project (657-0010)

Approved in 1983, this project, authorized for about \$5.5 million, was part of a multi-donor effort to strengthen Guinea-Bissau's government infrastructure and promote rice production in the South Coast region. The project was to construct a housing complex, office buildings and workshop to be utilized by the GOGB and the project technical assistance team. By 1986, the project was close to two years behind schedule because of problems in preparing construction contract documents and completing contract negotiations. While recognizing project delays, OAR/GB noted that other donors were also encountering difficulties, and had not started construction. Regarding project results, the OAR/G noted this was a long-term land reclamation project which was not expected to achieve measurable results for several years.

Also, in replying to the draft report, the OAR/GB noted that this project was scheduled for an OAR/GB and REDSO/WCA evaluation in April 1987 which would likely result in project design modification. In addition, REDSO/WCA comments to the draft report stated that OAR/GB and REDSO/WCA were in the process of rectifying a number of outstanding problems in this project. In particular, management aspects of the project were being emphasized. It was believed that additional resources and time would help strengthen project administration.

Technical Skills Project (No. 657-0011)

Approved in 1984, this project, authorized for about \$1.5 million, was to assist Guinea-Bissau attract private investment to the agricultural sector. It was to be a joint effort by Guinea-Bissau, Portugal and the United States. The project included eight components involving three GOGB institutions, and the negotiation of five contracts. The management of this complex project required resources beyond OAR/GB's capabilities, according to a REDSO/WCA official. By 1986, the project was about 17 months behind schedule due to (1) lengthy negotiations between the countries, (2) complex work plan preparation, (3) lack of a Portuguese Government representative, and (4) lengthy contracting processes.

In responding to the draft report OAR/GB noted some progress had been made since the audit was completed. For example, a curriculum redesign study had been completed and changes had been adopted by the National Institute for Professional Training. Also, studies of Guinea-Bissau's private sector and agro-industrial potential were underway.

AUDIT OF AID ASSISTANCE TO GUINEA-BISSAU

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