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AUDIT OF THE
SHABA REFUGEE ASSISTANCE PROJECTS
IN ZAIRE

Project Nos. 660-0114, 660-0115,
and 660-0116

Audit Report No. 7-660-89-03

December 9, 1988

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

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December 9, 1988

MEMORANDUM FOR Dennis Chandler, Director, USAID/Zaire
FROM: Paul Armstrong, RIG/A/Dakar 
SUBJECT: Audit of the Shaba Refugee Assistance
Projects in Zaire (Audit Report No.
7-660-89-03)

The Office of the Regional Inspector General for Audit, Dakar, has completed its audit of the Shaba Refugee Assistance Projects in Zaire. Five copies of the audit report are enclosed for your action.

The draft report was submitted to you for comments, and your comments are included as Appendix 1. The report contains four recommendations. Recommendation Nos. 1(b) and 2 were closed upon issuance of this report and require no further action. Recommendation Nos. 1(a), 3, and 4 can be closed after USAID/Zaire provides evidence that planned implementation actions have been taken.

Please let me know within 30 days of further action taken to close the recommendations. I appreciate the cooperation and courtesy extended to my staff during the audit.

EXECUTIVE SUMMARY

The Shaba region of southwestern Zaire was destroyed by war in 1977 and 1978, and over half of the population suffered displacement and repatriation. In addition, the area has been host to tens of thousands of Angolan refugees. In an attempt to reintegrate repatriates and refugees into regional socio-economic development, A.I.D. authorized three projects to rehabilitate and improve rural infrastructure: Shaba Refugee Health, Shaba Refugee Roads, and Shaba Refugee Water. The three projects were approved in late 1984 and early 1985 and are scheduled for completion in late 1990 and early 1991. A.I.D. authorized grants totaling over \$12 million for the three projects, while the host country agreed to contribute about \$13 million in cash or in-kind for personnel, fuel, and commodities. The Health and Water projects were carried out under A.I.D. cooperative agreements with local private voluntary organizations. Road project technical assistance was being provided to the Zairian Office of Roads by an American contractor.

The Office of the Regional Inspector General for Audit, Dakar, conducted a program results audit of the Shaba Refugee Assistance projects in Zaire. Audit objectives were to (1) assess the adequacy of management's system for measuring project effectiveness, (2) determine the extent to which the projects were achieving a desired level of program results, and (3) identify factors inhibiting satisfactory performance.

USAID/Zaire's system for measuring the effectiveness of the Shaba Refugee Assistance projects was adequate. All three projects had made progress in achieving objectives despite delays in the early stages of implementation. Satisfactory performance, however, was inhibited by inadequate controls over Road and Health project vehicles, delays in host country provision of resources to the Road project, and by failure to provide minimal sanitary facilities at a Health project hospital.

While A.I.D. Handbook 13 permits nonproject use of project equipment in certain cases and recommends user fees, guidance clearly intends that A.I.D.-funded equipment be used substantially for project purposes. Both Road and Health project vehicles were being used for nonproject purposes. In the Road project host government personnel used project equipment, often after hours, to transport people and goods unrelated to the project. The Health project, on the other hand, levied user fees on nonproject use, but in at least three cases, such use was substantial - ranging from 66 to

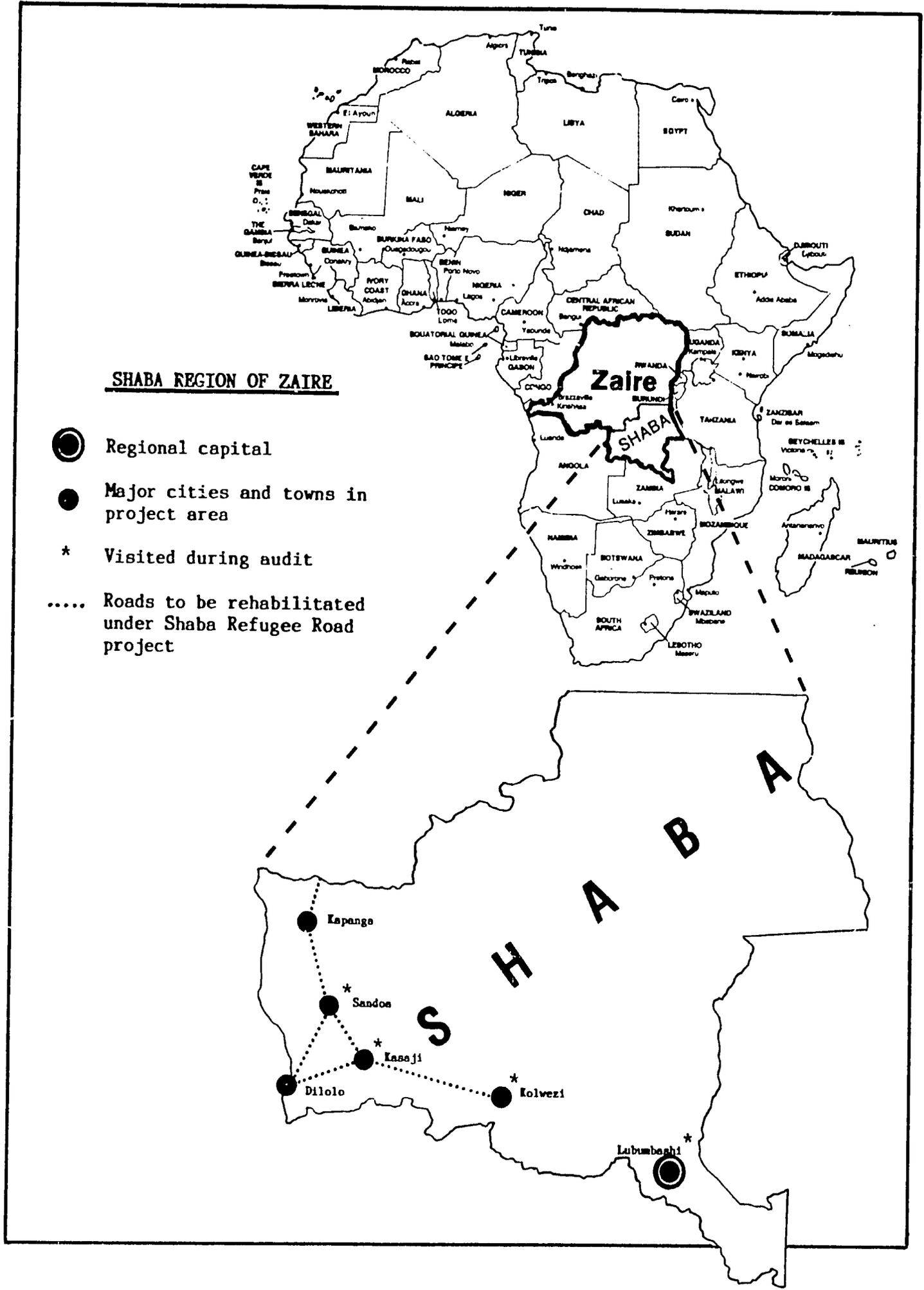
85 percent of total kilometers driven. As a result, certain vehicles were unavailable for project use as intended. The report recommends that USAID/Zaire require that the Office of Roads strengthen controls over after-hours use of project equipment, and that the Health project implementing agency strengthen requirements for reporting and payment of nonproject use of vehicles.

Good business practice requires that the location and disposition of assets be known, and if loans of such assets are made to other parties, that the terms of such loans be documented. The audit found that thirteen pieces of Shaba Refugee Road project equipment costing about \$399,000 were loaned to other A.I.D. projects, but that documentation did not exist for nine of the transfers, while only partial documentation existed for three others. The lack of documentation of interproject lending resulted in (1) the Mission being unaware of the extent of the practice, and (2) the inability to assure timely return or replacement of equipment. In one case Shaba Refugee Road project work was hindered when equipment was not returned on time. The report recommends that USAID/Zaire document the status of project equipment loaned out, and issue a Mission order requiring letters of transfer for future equipment loans.

The Grant Agreement with A.I.D. required that the Government of Zaire provide \$1.6 million in fuel and \$1.1 million in workers' salaries in an effective and timely manner as part of its contribution to the Shaba Refugee Road project. However, the Office of Roads had neither provided fuel as required, nor paid workers on time. As a result, in the last year almost four months of work were lost because of lack of fuel, and late payment of Office of Roads workers decreased worker output. The report recommends that USAID/Zaire develop a plan of action to ensure that the Government of Zaire fulfills its obligations.

Finally, the project paper for the Health project listed the provision of minimal sanitary facilities for patients and the general public as a priority for the Kolwezi Hospital reconstruction. During our visit in August 1988, the Hospital was without daytime running water. Hospital functions were being conducted using water collected in buckets during the night, and lavatories renovated with A.I.D. funds remained locked for lack of water. Neither the original project paper nor subsequent implementation plans had assessed the Hospital water problem nor established timetables for its solution. The report recommends that USAID/Zaire develop implementation plans for the immediate resolution of the Kolwezi Hospital water problem.

Office of the Inspector General



SHABA REGION OF ZAIRE

- Regional capital
- Major cities and towns in project area
- * Visited during audit
- Roads to be rehabilitated under Shaba Refugee Road project

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SHABA REFUGEE ASSISTANCE PROJECTS
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AUDIT OF THE
SHABA REFUGEE ASSISTANCE PROJECTS
IN ZAIRE

PART I - INTRODUCTION

A. Background

The Shaba region of southwestern Zaire was destroyed by war in 1977 and 1978, and over half of the population suffered displacement and repatriation. In addition, the area has been host to tens of thousands of Angolan refugees. In an attempt to reintegrate repatriates and refugees into regional socio-economic development, A.I.D. authorized three projects to rehabilitate and improve rural infrastructure: Shaba Refugee Health (Project No. 660-0114), Shaba Refugee Roads (Project No. 660-0115), and Shaba Refugee Water (Project No. 660-0116). The three projects were approved in late 1984 and early 1985 and are scheduled for completion in late 1990 and early 1991. A.I.D. authorized grants totaling over \$12 million for the three projects, while the host country agreed to contribute about \$13 million in cash or in-kind for personnel, fuel, and commodities.

The Shaba Refugee Health project was approved early in March 1985. Its main purpose was to rehabilitate and improve the health infrastructure in the Lualaba and Kolwezi sub-regions of Shaba, areas which are among the poorest in Zaire. The project was to move towards this purpose through capital improvements to existing public health and curative medical programs, which were being carried out by local church voluntary agencies. The project planned to renovate and reequip 45 rural dispensaries, 2 health centers, and 3 hospitals. Most dispensaries were to be entirely new structures, as existing structures were unsound. The project was being implemented under a cooperative agreement with the Southern Conference of the United Methodist Church in Zaire and consisted of fourteen subprojects. A.I.D. authorized a \$2.5 million grant for life of project funding, and major budgeted items were \$770,000 for technical assistance, \$670,000 for vehicles, and \$518,000 for hospital equipment. As of August 31, 1988, about \$1.7 million had been spent. In addition to A.I.D. funding, the Government of Zaire (GOZ) agreed to contribute \$2.3 million in counterpart funds. The project is scheduled for completion in March 1991.

The Shaba Refugee Road project was approved in September 1984. It was designed to open up the rural roads network in the Lualaba sub-region of southwestern Shaba, by assisting the GOZ Office of Roads in rehabilitating dirt roads in the

project area. Technical assistance was provided by the American ORT (Organization for Rehabilitation through Training) Federation, a private voluntary organization (PVO), under host country contract. The project paper originally called for rehabilitation of about 3000 kilometers of dirt roads (see photo below), and construction of bridges and culverts. A 1988 report by the PVO proposed the reduction of planned outputs to 1023 kilometers, and the Mission planned to analyze this proposal in December 1988. A.I.D. authorized a grant of \$7.5 million for the project. Of this amount, \$4.3 million was budgeted for equipment and spare parts, \$1.3 million for bridge elements, and \$1.2 million for technical assistance. As of August 31, 1988, about \$2.3 million in A.I.D. funds was expended. The GOZ agreed to contribute about \$6.5 million in counterpart funds and in-kind contributions. Of the \$6.5 million, \$4.6 million was for fuel, salaries, bridge materials, and spare parts. The project assistance completion date is September 30, 1990.



Resurfacing and regrading the road between Kasaji and Kolwezi (August 1988)

The Shaba Refugee Water project was approved in February 1985. The project purpose was to rehabilitate and improve rural water infrastructure in the Lualaba sub-region of

Shaba. The water project would benefit the local population through improved water supply resulting from new wells and capped springs in villages (see photo below) and through piped water systems in several larger centers. The project was being implemented by a local private voluntary organization, the International Association for Rural Development in Zaire, under a cooperative agreement with A.I.D. The project paper called for the sinking of 430 new wells, the capping of 500 springs, and the construction of several piped water systems. A.I.D. granted \$2.3 million for life of project funding. Major budgeted items were \$835,000 for technical assistance, \$445,000 for pipes and pumps, and \$432,000 for other equipment. As of August 31, 1988, about \$1.4 million had been spent. The GOZ agreed to contribute \$4 million for the project.

Also, as of August 1988, \$270,000 in A.I.D. Water project funds were being held in liquidation proceedings in Belgium. These funds had been advanced under a prior cooperative agreement to a Belgian private voluntary organization which subsequently went bankrupt. The U.S. Department of Justice has entered into a suit to get the money back.



A Water project well and hand pump in Sandoa
(June 1988)

B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit, Dakar, conducted a program results audit of the Shaba Refugee Assistance projects in Zaire. Audit objectives were to (1) assess the adequacy of management's system for measuring project effectiveness, (2) determine the extent to which the projects were achieving a desired level of program results, and (3) identify factors inhibiting satisfactory performance. As the audit progressed, the objectives were focussed on (1) the adequacy of controls over project vehicle use and over interproject lending of equipment and (2) certain specific factors inhibiting project performance.

The audit was conducted at USAID/Zaire in Kinshasa, the A.I.D. Shaba Area Development Office in Lubumbashi, and at various project sites in the Lualaba and Kolwezi sub-regions. The auditors visited all three field headquarter sites, 7 out of 327 water project sites which were complete or in progress, 3 out of 8 complete or near complete project dispensaries, 1 of the 2 health centers, and 2 out of the 3 hospitals being renovated with project funds. The auditors travelled the segment of project road between Kasaji and Kolwezi.

Auditors interviewed A.I.D., host government, technical assistance, and contractor personnel. Audit work included review and analysis of project papers, evaluation reports, project implementation reports, contracts and cooperative agreements, and other relevant documents. The audit reviewed host government compliance with the grant agreement, and implementing agency controls over project vehicles in the Health and Road projects.

The audit covered project activities from September 1984 through August 1988 and expenditures of about \$5.5 million. The audit was made in accordance with generally accepted government auditing standards.

AUDIT OF THE
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PART II - RESULTS OF AUDIT

USAID/Zaire's system for measuring the effectiveness of the Shaba Refugee Assistance projects was adequate. All three projects had made progress in achieving objectives despite delays in the early stages of implementation. Objectives for all three projects had been revised based on recommendations made by a startup evaluation in 1986, resulting in marginally reduced outputs for the Health and Water projects, and a substantial reduction in outputs for the Road project. Interviews with project officials and one outside expert indicated that the original Road project design was overambitious and that the revised objectives were closer to what one could expect to accomplish in Zaire for \$7.5 million. The Mission also emphasized that the elements of the Road project which remained were the most costly: namely, bridges and the reconstruction of national roads. Also, satisfactory performance was inhibited by inadequate controls over Road and Health project vehicles, delays in host country provision of fuel to the Road project, and failure to provide minimal sanitary facilities at a Health project hospital.

The audit noted several positive aspects of the projects. The church implementing agency for the Health project was beginning to make excellent use of computers to monitor vehicle use and maintenance. The Road project, in spite of slow procurement, delays in base camp construction, sporadic fuel unavailability, and initial difficulties with contractor performance, was now in a position to make rapid progress. The audit noted that the Water project was particularly successful in meeting most of its planned targets despite delays caused by the bankruptcy of the first contractor and the resulting loss of \$270,000 in A.I.D. funds.

The audit disclosed four problem areas. In the Road and Health projects, equipment financed by A.I.D. was being used for nonproject purposes. Also, Road project equipment was being lent to other A.I.D. projects without documentation, and progress in the Road project was constrained because the host country had not provided fuel in a timely manner. In addition, one of the Health project hospitals had not been provided minimal sanitary facilities as required.

The audit report recommends that controls over project vehicles be strengthened, that documentation be maintained on interproject lending of equipment, that the Government of Zaire fulfill its obligations under the project, and that the Kolwezi Hospital water problem be resolved.

A. Findings and Recommendations

1. Better Controls Are Needed Over Project Vehicles

Agreements between A.I.D. and the grantee provide that equipment funded by A.I.D. be used for project purposes. While A.I.D. Handbook 13 permits nonproject use in certain cases and recommends user fees, guidance clearly intends that A.I.D.-funded equipment be used substantially for project purposes. Both Road and Health project vehicles were being used for nonproject purposes. In the Road project host government personnel used project equipment, often after hours, to transport people and goods unrelated to the project. The Health project, on the other hand, levied user fees on nonproject use, but in at least three cases, such use was substantial - ranging from 66 to 85 percent of total kilometers driven. Misuse occurred because (1) Office of Roads controls were insufficient to curb after-hours use and (2) Health project requirements for systematic reporting of nonproject use and for timely payment of user fees had not been adequately documented nor consistently enforced by the implementing agency. As a result, certain vehicles were unavailable for project use as intended.

Recommendation No. 1

We recommend that the Director, USAID/Zaire:

- a. require that the Office of Roads and the technical assistance contractor strengthen controls on after-hours use of project vehicles; and
- b. require that the Health project implementing agency strengthen requirements for reporting of nonproject use of vehicles and timely payment of user fees, by consolidating agency pronouncements and communicating requirements with the subprojects so as to ensure that guidance is recognized and followed.

Discussion

Agreements between A.I.D. and the grantee provide that vehicles and other equipment funded by A.I.D. be used for project purposes. In cases where ownership is ceded to the grantee, A.I.D. Handbook 13 states that user fees should be considered for nonproject activities. While the extent of nonproject use to be allowed is not specified in A.I.D. guidance, the audit concluded that the grantee's promise "to use and maintain the property for the purpose of the grant" precludes excessive nonproject use even when user fees are charged.

The Office of Roads was responsible for ensuring that all new road equipment financed by A.I.D. be utilized exclusively for purposes of the Road project, while the church implementing agency of the Health project had a system of user fees to control nonproject use and to provide funds for vehicle replacement. The church's vehicle management system had been approved by the Mission.

Road project trucks under the control of the Office of Roads were not being used exclusively for project purposes. They were being used, often after hours, to transport people and goods unrelated to the project. One A.I.D. contractor described such use as rampant. Two recent examples follow:

-- In an incident unreported to the Mission in Kinshasa, an A.I.D. contractor to the Health project was fined in February 1988 for trying to photograph a Road project truck being used at nightfall to haul firewood and people. The contractor's film was confiscated, and he was warned by local authorities against taking pictures of Office of Roads vehicles; and

-- In August 1988, one week before the auditor's visit to the town of Kolwezi, two project trucks with A.I.D. insignias and over 100 passengers aboard, stopped there at a bar at night before proceeding in the direction of Kasaji.

In the Health project, the church implementing agency attempted to control nonproject use by a system of user fees. However, poor documentation of the system and lack of consistent enforcement in several cases led to neither the church nor the Mission being aware of the extent of nonproject use.

-- The Mission had noted after a field trip that a four-wheel drive vehicle assigned to a small health center in Mwajinga had been used hardly at all for project purposes. Subsequently, a memo to the Mission from the Health project director indicated that per records at Mwajinga the vehicle was used 26 percent of the time for medical purposes. However, the memo added that nonproject use constituted 74 percent of kilometers driven: the church had rented the vehicle 33 percent of the time, local authorities requisitioned it 25 percent of the time, and the remaining 16 percent was for various uses. As of August 1988, the vehicle was being moved to another site where it would be used strictly for health work.

-- Three Peugeot station wagons were assigned to doctors and administrative staff at the Kolwezi Hospital in mid-1986. Vehicle usage was not initially reported to the church

implementing agency as required, but subsequent information provided by the Hospital showed considerable personal use. At the time of the audit visit in August 1988, staff was refusing to pay for such use. One doctor owed almost \$5000, or the equivalent of over eight times a doctor's monthly salary. (See Finding 4 for subsequent developments). Nonproject use for two of these vehicles was substantial - 66 percent for one and 85 percent for the other (See Exhibit 1). The third Peugeot was used 31 percent of the time for nonproject purposes.

-- The auditors noted two examples of nonproject use of Mercedes trucks during a one-day visit to Kolwezi in August 1988. One truck, assigned to the Kolwezi construction crew, was observed transporting three children to a school testing site. The other project truck, a vehicle assigned to the hospital in Kapanga, a town 300 miles away, was transporting a pastor and his household effects (see photo below). While such use is permitted under church rules - assuming that users pay going rates and that the transport has been properly authorized - the church agency could not provide the auditors with overall documentation as to exactly how the system was to work.



Project truck being used to transport a pastor and his household effects (Kolwezi, August 1988)

In the case of the example of the school children, however, the Mission has subsequently confirmed that the truck was in fact travelling on project business, that a typed manifest was aboard authorizing the students to ride, and that the students had paid a fee which went into the vehicle maintenance fund. Nevertheless, the apparent frequency of such nonproject use remains a concern.

Office of Roads Internal Controls - The Office of Roads had in place a number of controls designed to prevent equipment misuse. Each project vehicle had a logbook to record dates, times, and vehicle movement. Logbooks were keyed to equipment odometer readings and were reviewed by the chief of party or his Zairian counterpart. The chief of party indicated that they could catch 95 percent of misuse through this review. In addition, the government had a hierarchical system of disciplinary actions which could be instituted by the chief of party in cases where misuse was discovered. These actions ranged from a letter of reprimand, to a maximum of fifteen days suspension.

Nevertheless, these controls were ineffective at curbing after-hours activity. The Mission agreed that Office of Roads truck drivers were using project vehicles for personal gain after hours, but argued that such use occurred when a driver was on an authorized trip between worksite and base camp, and as a result misuse was next to impossible to detect. They also pointed out that the remoteness and size of the project area as well as the scarcity of transport service, made control of driver activity difficult and misuse profitable.

The auditors recognize the difficulty in controlling after-hours movement of road project equipment but believe that controls over such use should be strengthened. Additional controls could include increased penalties for unauthorized use, a discontinuance of night transport except when authorized by the chief of party, certification by the various construction supervisors that vehicles under their control will not be used for nonproject purposes, and the use of signed manifests detailing persons and property to be transported in cases where night transport is required.

Controls in the Health Project - The church implementing agency has a rather elaborate system of charges by kilometer for the use of various kinds of vehicles - whether supplied by the project or not. These "kilometrage" rates are to be applied when a person to whom a vehicle is assigned uses that vehicle for nonproject purposes. In addition, vehicles which are not assigned to a single individual are required to have a signed, typewritten manifest on board whenever

nonproject people are being transported. In such cases people being transported are to pay going rates, with revenue going into a vehicle maintenance fund.

Even though the church had a system of levying user fees, fees were not levied in all cases, requirements for systematic reporting and user fee payment were not always enforced, and no overall up-to-date compilation of vehicle policy existed. For example, fees were not charged when local authorities used the Mwajinga vehicle. In the case of the Kolwezi Hospital vehicles, there was an initial delay in reporting by the Hospital, and over two years of personal use had accumulated without user payments being made. The audit also found that the church agency had no single document summarizing vehicle policy as of a given time. Rather, guidance consisted of various annual conference and executive committee resolutions.

As a result certain vehicles were unavailable for project use. Office of Roads use of project vehicles for nonproject purposes meant that such vehicles were not available for use by the project. In the Health project, because of heavy personal use and poor maintenance, three of four station wagons provided to Kolwezi Hospital were not operating during the auditor's visit. One of the three was being scavenged for parts, and the fourth was operating poorly. Consequently, the Hospital ambulance, which was also provided by the project, was being used to pick up and drop off Hospital personnel, during which time the ambulance was obviously not available for its primary use.

Loose controls over nonproject use had a tendency to encourage more such use. The audit noted that the heaviest personal use of the Kolwezi Hospital vehicles occurred before the church implementing agency had made it clear that it would require full payment. Also, one project official noted that because of the extent of nonproject use of Road and Health project vehicles in the region, people approached Water project personnel expecting to be able to obtain use of Water project vehicles.

Finally, loose controls over personal use of vehicles at the Kolwezi Hospital also had the unintended consequence that work at the Hospital has been halted. Nonpayment of user fees by Hospital personnel for a period in excess of one year led the church implementing agency to suspend reconstruction there in November 1987 in order to force payment.

In conclusion, both the Office of Roads and the Health project implementing agency have systems in place to control vehicle use. The systems, however, can be improved by strengthening controls on after-hours use of Road project equipment, and in the Health project by better documenting project vehicle use policies.

Management Comments

With regard to strengthening controls over after-hours use of Road project vehicles, the Mission stated that a number of measures suggested by the draft report were already a part of Office of Roads regulations. The Mission regarded other more stringent control procedures as ineffective in preventing drivers from taking on passengers in remote regions where there are few vehicles and limited control facilities. The Mission does plan to attempt to strengthen controls by issuing a project implementation letter, requiring Office of Roads signature, to reemphasize the importance of after-hours control procedures already in place.

The Mission also stated that in October 1988 the Health project implementing agency informed all subprojects of its vehicle use policies and procedures, and required that vehicle use reports as well as payments for nonproject use be submitted to the central office at the end of each month. In addition, the implementing agency acted decisively to correct past abuse of vehicles at the Kolwezi Hospital, by signing an order to repossess five project vehicles and by deducting the equivalent of \$150 per month from the salaries of two doctors who still owed fees for personal use.

In its response to the draft report the Mission requested that two of three examples of road project vehicle misuse included in the draft be deleted. One was to be deleted because specific corrective action had already been taken and the second because the Mission alleged the example was based on hearsay.

Office of the Inspector General Comments

Of the two examples of misuse which the Mission objected to, the first has been deleted as requested. The second example has been retained, as the information was obtained firsthand from a reliable source.

We recognize that, as the Mission maintains, controls over unauthorized use of vehicles at night may be extremely difficult to enforce in the remote areas where the vehicles are assigned. However, the incidence of abuse, in our

opinion, does call for some demonstration of the USAID's concern over vehicle controls. We therefore wish to review the proposed project implementation letter, emphasizing the importance of disciplinary procedures, prior to closure of Recommendation No. 1(a). Recommendation 1(b) is considered closed upon issuance of the report.

2. Interproject Lending of Road Project Equipment Needs to Be Better Documented

Good business practice requires that the location and disposition of assets be known, and if loans of such assets are made to other parties, that the terms of such loans be documented. The audit found that thirteen pieces of Shaba Refugee Road project equipment costing about \$399,000 were loaned to other A.I.D. projects, but that documentation did not exist for nine of the transfers, while only partial documentation existed for three others. Documentation was not prepared because the Mission had not provided adequate guidance to its project officers concerning the transfer of equipment between projects. The lack of documentation of interproject lending resulted in (1) the Mission being unaware of the extent of the practice, and (2) the inability to assure timely return or replacement of equipment. In one case Shaba Refugee Road project work was hindered when equipment was not returned on time.

Recommendation No. 2

We recommend that the Director, USAID/Zaire:

- a. document the status of the Shaba Refugee Road project equipment loaned to other projects and establish timetables for return or replacement; and
- b. issue a Mission order requiring that letters of transfer be drawn up to document all future interproject equipment transfers.

Discussion

Good business practice requires that the location and disposition of assets be known, and if loans of such assets are made to other parties, that the terms of such loans be made explicit and be documented. In order to assure that the terms of the transfer are understood, the parties should document in writing: the reason for the transfer; the make, model, and serial number (if applicable) of the asset; the effective date of transfer; and the proposed date of return or replacement.

Thirteen pieces of Shaba Refugee Road project equipment costing about \$399,000 were loaned to other A.I.D. projects on a mostly informal and indefinite basis. Some equipment went directly to a road project in another area of Zaire without ever being used in Shaba. Of the 13 pieces of equipment transferred to other projects, documentation did not exist for 9 of the transfers, while only partial

documentation existed for 3 others. The exact terms of transfer were documented in only one case: namely, for bridge components which were permanently transferred to two other projects. Except for the bridge components all other transfers were purportedly temporary, yet in the documents reviewed by the auditors, there was no case where return or replacement dates were precisely specified. As of August 1988, only 2 of the 12 pieces of equipment transferred to other projects on a temporary basis, had been returned (see Exhibit 2).

Thorough documentation was not prepared because the Mission had not provided adequate guidance to its project officers concerning the transfer of equipment between projects. In addition, Mission officials pointed out that the Office of Roads was the implementing agency for most of the projects, making documentation seem less of a necessity. Also, in some cases the same USAID project officer handled both the Shaba Refugee Road project and the project which received the equipment. Project officers stressed that equipment was loaned out to other A.I.D. projects because of pressing needs elsewhere, and because due to implementation delays, the equipment was not currently needed on the Shaba Refugee Road project.

While individual project officers were able to describe in general terms the transfers which had taken place, specifics such as dates of transfer and of return were often unknown. This lack of documentation of definitive terms for interproject lending resulted in (1) the Mission being unaware of the extent of the practice, and (2) the inability to assure the timely return or replacement of project equipment:

-- Project officers in Kinshasa did not always know that their projects had been the recipient of Shaba Refugee Road project equipment.

-- The nine-ton Mack truck which had been loaned to the agriculture component of another road project was to have been replaced by that project when its own equipment was received during the first quarter of 1988. However, as of August 1988, the truck had not been replaced, and the promised replacement had not even been ordered by the borrowing project.

-- One four-wheel drive vehicle was loaned to a road project in Bandundu in late 1986. The vehicle was wrecked by the recipient project, and as of August 1988, it had still not been replaced.

-- A contractor progress report noted that it was agreed in March 1987 that two graders being loaned to a road project in north Shaba were to be returned within a month. However, as of September 1987 neither grader had been returned. During this period the three Shaba Refugee Road graders on site were broken down for many weeks bringing regrading work to a halt. The two graders were finally returned in January and April of 1988.

While interproject lending of Shaba Refugee Road project equipment was arguably of some benefit as an attempt to fully utilize A.I.D.'s investment, such transfers need to be more carefully tracked. Fully documenting such transfers will keep the Mission apprised of such practices, help assure that equipment is returned or replaced in a timely fashion, and provide verification of the location of project assets during the loan period.

Management Comments

The Mission generally agreed with the finding. It noted, however, that while project personnel in Kinshasa may not always have known of interproject lending of equipment, the USAID project management office in Lubumbashi was always aware of such changes, and had, in fact, permitted what were judged to be practical approaches to logistical and project needs.

In response to Recommendation No. 2, the Mission documented the status of all project equipment which had been loaned out and established timetables for equipment return. In addition, the Mission issued a directive in September 1988, on accountability of A.I.D. - financed commodities. The directive contained a section requiring that project implementation letters be drawn up to document all future interproject equipment transfers.

Office of the Inspector General Comments

The audit recognizes that personnel at the field office site were well aware of equipment transfers to other projects. The auditors' prime concern, however, was that documentation for such transfers did not exist, either in Lubumbashi or Kinshasa.

Based on the actions taken by the Mission, Recommendation No. 2 is considered as closed upon the issuance of this report.

3. The Government of Zaire Needs to Fulfill Its Obligation to Provide Fuel and Pay Workers

The Grant Agreement with A.I.D. required that the Government of Zaire provide \$1.6 million in fuel and \$1.1 million in workers' salaries as part of its contribution to the Shaba Refugee Road project. The Agreement required that these resources be provided in an effective and timely manner. However, the Office of Roads had neither provided fuel as required, nor paid workers on time. As a result, in the last year almost four months of work were lost because of lack of fuel, and late payment of Office of Roads workers decreased worker output. This occurred because of macroeconomic constraints which limited the availability of fuel and funds to the Office of Roads, and because the Mission did not have an adequate approach to ensuring that the host country provided needed fuel and salary payments.

Recommendation No. 3

We recommend that the Director, USAID/Zaire, develop a plan of action to ensure that the Government of Zaire fulfills its obligation to provide fuel and pay workers in a timely fashion.

Discussion

The Grant Agreement with the Government of Zaire required the grantee to provide the equivalent of \$6.5 million as its contribution to the Shaba Refugee Road project. Of this amount \$1.6 million was budgeted for fuel and \$1.1 million for worker salaries. The Agreement required that all resources be provided in an effective and timely manner.

However, the Office of Roads has not provided fuel as required, nor paid Office of Roads workers assigned to the project in a timely fashion. In the last year, the project experienced both intermittent and longer term fuel shortages which delayed project activities, and the Office of Roads did not pay salaries for two extended periods.

In August 1988 an auditor observed the entire project resurfacing brigade parked in the small village of Kapele. The brigade had been out of fuel for only one day, but the construction supervisor recounted that they had lost one and a half weeks of work in July 1988 and already had lost one week in the month of August because fuel had not been provided. Workers present at the site also noted that it had been two months since they had been paid, and that earlier in the year, payroll had been delayed for two months.

Also, Shaba-wide fuel problems caused the loss of an estimated three months of work time at the end of 1987, and according to one A.I.D. official, current fuel "pipeline" problems could presage shortages later this year.

As a result of the lack of timely supply of fuel in the last year, almost four months of work was lost. Project equipment was thus not effectively used, and operators of project heavy equipment were idled. Also, late payment of workers decreased worker output, and any future downtime for project equipment and personnel could delay achievement of project objectives just at the point when the project is in a position to make marked progress.

These problems occurred because of macroeconomic constraints which limited the availability of fuel and funds to the Office of Roads, and because the Mission did not have an adequate approach to ensuring that the host country provided needed resources. While intermittent fuel supply difficulties were the result of local distribution problems and competing demands on available fuel, Mission officials emphasized that the widespread shortages experienced at the end of last year were the result of macroeconomic constraints: namely, unrealistic national fuel pricing policies. Last year low fuel prices did not permit fuel companies to cover their costs, and in addition the Government of Zaire had not paid fuel companies the money it owed them. Therefore, the fuel companies stopped paying taxes. Since the Office of Roads receives its operating funds in the form of fuel as well as cash from these taxes, the Office of Roads had neither sufficient fuel nor cash to operate. The Office of Roads, Mission officials explained, was thus powerless to fulfill its obligations under the Grant Agreement.

While recognizing that certain macroeconomic constraints made it difficult for the Office of Roads to provide resources as agreed, the Mission nevertheless needed to devise a plan of action to ensure that the host country provide needed fuel and salary payments. Such a plan would include immediate Mission response when fuel or salaries are not provided. For example, the one and a half weeks of work lost in July 1988 was not even mentioned in the contractor monthly report, thus denying the Mission an opportunity to respond forcefully. Similarly, no mention was made of nonpayment of salaries. In addition, the Mission needed to develop a plan to ensure the routine maintenance of adequate fuel supplies by the host government. The plan would be based on predicted usage by the various project brigades, and on estimated time required for fuel delivery, and would also outline alternative fuel supply strategies to be put in place should fuel stocks fall below a certain minimum level.

The Mission pointed out that a contributory cause of both intermittent and widespread fuel shortages was the delay in the completion of the Road project base camp. However, the camp was to be essentially complete by the end of September, and camp fuel storage tanks capable of holding 100,000 liters of fuel were to be in operation shortly thereafter. Once filled, the tanks would permit up to three months of operation and protect against intermittent fuel shortages. However, a plan still needed to be developed to ensure that the host country routinely maintained fuel stocks, so as to minimize the effect of even widespread shortages.

Management Comments

In its response to the third finding the Mission stressed that the inability of the Office of Roads to provide resources in a timely manner is part of a national problem. Accordingly, it was participating with other donors to examine what collaborative pressures could be put on the Government of Zaire (GOZ) to make certain policy changes. Nevertheless, in response to Recommendation No. 3, the Mission had drafted a letter requesting that the GOZ reconfirm its commitment to provide in-kind contributions, such as fuel and salaries.

In addition, the Mission noted that the fuel tanks at the Kasaji base camp have been installed and are currently full. To guarantee fuel provision in time of restricted availability, the Mission has drafted a plan for the priority allocation of fuel to USAID projects. The plan will be presented to the Office of Roads for its signature in the form of a project implementation letter no later than December 12, 1988.

Office of the Inspector General Comments

Mission actions appear responsive to the issues raised in the finding. Consideration of closure will take place following RIG/A/D review of the project implementation letter.

4. Water Problems at Kolwezi Hospital Need to Be Solved

The project paper for the Health project listed the provision of minimal sanitary facilities for patients and the general public as a priority for the Kolwezi Hospital reconstruction. As of August 1988, this priority had not been achieved, in that the hospital was without daytime running water. Minimal sanitary facilities had not been provided because neither the original project paper nor subsequent implementation plans had assessed the Hospital water problem nor established timetables for its solution. In addition, the implementing agency had suspended work at the Hospital in November 1987 because of a dispute concerning personal use of project vehicles. As a result hospital functions were being conducted using water collected in buckets during the night, and lavatories renovated with A.I.D. funds remained locked for lack of water.

Recommendation No. 4

We recommend that the Director, USAID/Zaire, update project implementation plans to provide for the immediate resolution of the Kolwezi Hospital dispute on vehicle use and the establishment of a firm timetable for the solution of the Hospital water problem.

Discussion

The project paper for the Shaba Refugee Health project listed the provision of minimal sanitary facilities for patients and the general public as a priority for the Kolwezi Hospital reconstruction. While the project paper accorded first priority to building improvements to assure basic security for new equipment and drugs, it also provided for the installation of toilets with flushing mechanisms and for showers. The project paper, however, did not further define what minimal sanitary facilities were, nor did it make provision for assuring that the Hospital, in fact, had a reliable water supply.

As of August 1988, minimal sanitary facilities had not been provided: the Hospital had no daytime running water and no working toilet facilities. While the project was providing even the most remote dispensaries with roof water catchment systems and at least one inside tap, the urban Kolwezi Hospital, which was to receive a total of \$392,000 in A.I.D. and host country counterpart funds, or over eight percent of total project funds, was without daytime running water. Already in a September 1987 trip report the Mission Engineering Advisor noted that there was no adequate water

supply at the Hospital, that no toilets were functioning, and that patients were using outdoor areas behind the wards as toilets. He recommended at the time that A.I.D., through the church implementing agency, provide for an adequate water supply and sanitary installation. Otherwise, he noted, the renovation would not serve the intended health purposes.

The Kolwezi Hospital was located at the end of the local water utility supply network, and received no water during the day. Water was collected at night in buckets and various vessels, but because of the insufficiency of the supply and numerous leaks, the quantity obtained was small.

Minimal sanitary facilities had not been provided because (1) the implementing agency, the Southern Conference of the United Methodist Church in Zaire, had suspended work at the Kolwezi Hospital in November 1987 because of a dispute over project vehicle usage, leaving 60 percent of the reconstruction work undone; and (2) neither the original project paper nor subsequent implementation plans had assessed the water problem, and hence timetables for solving the problem had not been set. The revised project description of April 1988 noted that the reopening of sewers and septic tanks remained to be done, that the church architect was preparing plans after consultations on site, and that the project had requested technical advice from the Water project. However, the revised plan did not specify a solution nor a timetable to resolve the situation, even though the problem had been discussed intensively since at least April 1987.

The implementing agency had suspended work at the Kolwezi Hospital because of a dispute over payment for personal use of station wagons provided to the Hospital with project funds. Initially the Hospital had not reported personal use to the church implementing agency. Subsequently, amounts due were reported by vehicle, although doctors and hospital officials to whom the vehicles were assigned refused to pay. Finally, on September 9, 1988, the implementing agency reported to the Mission that the Hospital had drawn up a repayment schedule whereby personnel would pay amounts due, and that work could be resumed subject to approval by the USAID and project management. The same communication also noted that they believed they had arrived at a solution to the water problem (a cistern which would fill up at night to be located on the edge of the hospital grounds where the slope is sufficient to facilitate gravity flow to the Hospital) and that the church architect had already drawn up plans.

As a result of the lack of water, Hospital functions were being conducted using water collected in buckets during the night, and lavatories renovated with A.I.D. funds remained locked for lack of water (see photo on page 23). Patients had to use pit latrines at some distance from the hospital, and without quick action, the substandard water situation was likely to continue.

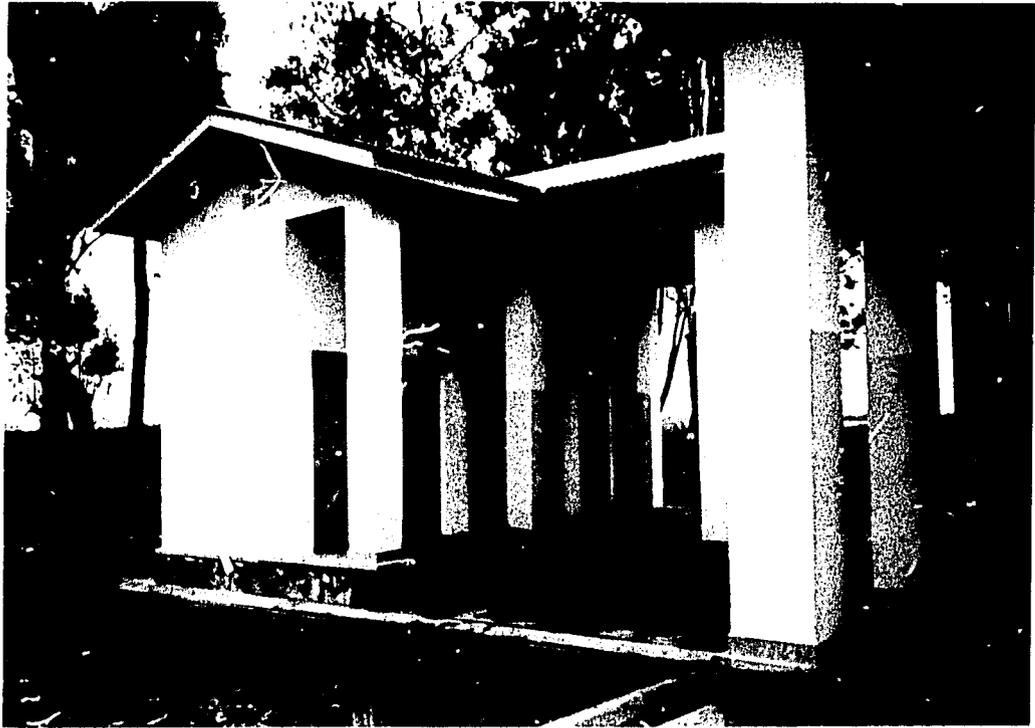
Conclusion - Although the Kolwezi water problem now seems well on its way to resolution, the Mission needs to assure that impediments to the resumption of work at Kolwezi are removed and that a firm timetable is established to remedy the problem. The timetable would include A.I.D. engineering office review of proposed architectural plans, dates for procurement of needed supplies and equipment, and dates for initiation and completion of work.

Management Comments

The Mission stated that Health project implementing agency would issue a project implementation plan by December 31, 1988, which would establish a firm timetable for the solution of the water problem. As discussed above in the management comments following the first finding, the vehicle use dispute at the Kolwezi Hospital has now been resolved and according to the Mission, work will resume in December 1988. The Mission also noted that even during the suspension of work at the Hospital, the implementing agency architect visited the Hospital site several times seeking to solve the water problem, and as a result has drawn up plans for a solution.

Office of the Inspector General Comments

Planned actions are responsive to the audit's concerns. Consideration of closure will take place following RIG/A/D review of the updated project implementation plan and upon receiving Mission assurances that work at the Hospital will proceed without delay.



Health project renovated lavatories at Kolwezi Hospital, locked because of water supply problems (August 1988)

B. Compliance and Internal Controls

Compliance

The Government of Zaire did not fully comply with the terms of the Road project grant agreement. Finding 3 discusses the government's need to fulfill its obligations with regard to timely provision of fuel and payment of workers. Finding 4 discusses the need for the Health project implementing agency to comply with project paper provisions for providing minimal sanitary facilities at the Kolwezi Hospital. The review of compliance was limited to the findings presented in this report.

Internal Controls

Internal controls needed improvement. Findings 1 and 2 discuss the need for better controls over project vehicles and equipment. The audit review of internal controls was limited to the findings presented in this report.

AUDIT OF THE
SHABA REFUGEE ASSISTANCE PROJECTS
IN ZAIRE

PART III - EXHIBITS AND APPENDICES

15

Personal Use of Kapanga, Kasaji and Kolwezi Vehicles
Shaba Refugee Health Project (Project No. 660-0114)
As of August 31, 1988

<u>Vehicle Description</u>	<u>Site</u>	<u>Vehicle Cost</u>	<u>Total Km. to Date</u>	<u>Date in Service</u>	<u>Personal Use</u>		
					<u>No. of Km. to Date</u>	<u>Paid or to Be Paid by User</u>	<u>Percent</u>
Mercedes 1113 truck	Kasaji	\$39,147	64212	6/1986	7228	\$1,759	11%
Landcruiser	Kasaji	13,971	39869	4/1988	1088	244	3%
Landcruiser	Kasaji	13,971	37928	1/1988	1812	352	5%
Mercedes 1113 truck	Kapanga Hosp.	39,722	?	?	?	?	?
Mercedes 1113 truck	Kapanga	60,535	12522	3/1988	1297	333	10%
Ambulance	Kapanga	13,173	?	?	?	?	?
Peugeot 305	Kolwezi Hosp.	9,318	42083	6/1986	0	0	0%
Peugeot 305	Kolwezi Hosp.	9,318	31112	6/1986	9682	1,367	31%
Peugeot 305	Kolwezi Hosp.	9,318	41952	6/1986	35725	4,201	85%
Peugeot 305	Kolwezi Hosp.	9,318	25860	6/1986	17136	2,567	66%
Isuzu Pickup	Kolwezi Hosp.	8,764	62165	5/1986	3155	410	5%
Ambulance	Kolwezi Hosp.	13,886	88570	10/1985	?	?	?
Mercedes 1113 truck	Kolwezi	39,147	14228	3/1988	3451	934	24%
Landcruiser	Kolwezi	18,614	40035	2/1987	6166	1,275	15%
Isuzu Pickup	Kolwezi	8,117	28240	5/1986	8320	?	29%
Landcruiser	Maternity Kapanga	17,500	8674	4/1988	3457	867	40%
		<u>\$323,819</u>					

? = Information not available at time of audit

Equipment Loaned to Other Projects
Shaba Refugee Road Project (No. 660-0115)
As of August 31, 1988

<u>Equipment Description</u>	<u>Equipment Cost</u>	<u>Recipient Project No.</u>	<u>Documen- tation Not Found</u>	<u>Date Loaned Out</u>	<u>Date Returned</u>	<u>Comments (per discussions with project personnel)</u>
1 Nine-ton Mack Truck	\$58,000	660-0105		7/87	-	To be replaced by recipient.
1 Landrover	20,000 <u>1/</u>	660-0028	X	?	-	Wrecked; to be replaced by recipient.
1 Fuel Tank Trailer	4,000	660-0105	X	?	-	To be returned 11/88.
1 Engine Hauler	12,000	600-0028	X	?	-	To be returned.
3 Cement Mixers	26,000	660-0105	X	?	-	To be returned.
		660-0028	X	?	-	To be returned.
		660-0028	X	?	-	To be returned.
3 Power Saws	4,000 <u>1/</u>	660-0105	X	?	-	To be replaced by recipient.
1 Bridge Component Set	57,000	660-0097 660-0026		8/87	N/A	Permanent transfer.
2 Road Graders	218,000 <u>2/</u>	660-0105		3/87	1/88	Returned.
<u>13</u>	<u>\$399,000</u>			3/87	4/88	Returned.

- 1/ Estimated dollar cost of equipment purchased with counterpart funds
2/ Purchased for project No. 660-0115 using commodity import program funds
 ? Information not available at time of audit

ACTION: RIG-2 INFO: DCM

Appendix 1
Page 1 of 6

VZCZCDK0996
OO RUEHDK
DE RUEHDKI #7282/01 3331528
ZNR UUUUU ZZH
O 281528Z NOV 88
FM AMEMBASSY KINSHASA
TO RUEHDK/AMEMBASSY DAKAR IMMEDIATE 3093
INFO RUTARI/AMCONSUL LUBUMBASHI 0525
BT
UNCLAS SECTION 01 OF 03 KINSHASA 17032

20 NOV 88
CN: 55677
CHRG: AII
DIST: RIG

FOR RIG/A/DAKAR, PAUL ARMSTRONG
LUBUMBASHI PASS TO SHADO

E.C. : N/A

SUBJECT: DRAFT REPORT ON THE AUDIT OF SHABA REFUGEE
- ASSISTANCE PROJECTS IN ZAIRE
-

MISSION COMMENTS ON SUBJECT DRAFT REPORT FOLLOWS:
-

1. A. RECOMMENDATION NO. 1, A. ON PAGE 10 STATES THAT OFFICE DES ROUTES (O.R.) AND THE TECHNICAL ASSISTANCE CONTRACTOR MUST STRENGTHEN CONTROLS ON AFTER HOURS USE OF PROJECT VEHICLES. O.R.'S CURRENT REGULATIONS DO NOT PERMIT AFTER HOURS USE OF VEHICLES BY ITS STAFF. O.R. HAS ESTABLISHED DISCIPLINARY PROCEDURES TO PROHIBIT AFTER HOURS AND FRAUDULENT USE OF VEHICLES AND OTHER EQUIPMENT. WHEN IT IS NECESSARY TO USE PROJECT VEHICLES AFTER HOURS FOR WORK PURPOSES, SUCH USE MUST BE AUTHORIZED BY THE CHIEF OF PARTY. PASSENGERS ARE NOT PERMITTED ON PROJECT VEHICLES EXCEPT WHEN AUTHORIZED BY THE CHIEF OF PARTY. IT SHOULD BE NOTED THAT ALTHOUGH DISCIPLINARY SANCTIONS DISCOURAGING THE PRACTICE OF TAKING PASSENGERS EXIST, THE FACT THAT THE PROJECT IS IN A REMOTE REGION WHERE THERE ARE FEW VEHICLES TRAVELING AND LIMITED CONTROL FACILITIES MAKES IT DIFFICULT, EVEN WITH SEVERE PENALTIES, TO PREVENT DRIVERS FROM TAKING AN OCCASIONAL PASSENGER. TO REEMPHASIZE THE IMPORTANCE OF THESE DISCIPLINARY PROCEDURES, THEY HAVE BEEN PUT INTO THE FORM OF A PROJECT IMPLEMENTATION LETTER (PIL) REQUIRING O.R.'S SIGNATURE. THE SUBJECT PIL IS EXPECTED TO BE SIGNED BY O.R. NO LATER THAN DECEMBER 12, 1988.

B. RECOMMENDATION NO. 1, B. ON PAGE 10 STATES THAT THE PVO WHICH IMPLEMENTS THE HEALTH PROJECT, ISROS (INFRASTRUCTURE DE LA SANTE RURALE DANS L'OUEST DU SHABA), MUST STRENGTHEN REQUIREMENTS FOR REPORTING OF NON-PROJECT USE OF VEHICLES AND TIMELY PAYMENT OF USER FEES BY CONSOLIDATING AGENCY PRONOUNCEMENTS AND COMMUNICATING REQUIREMENTS WITH THE SUB-PROJECTS SO AS TO ENSURE THAT THE GUIDANCE IS RECOGNIZED AND FOLLOWED.

ISROS HAS, IN FACT, BEEN TIGHTENING CONTROLS OVER BOTH PROJECT-MANAGED VEHICLES AND VEHICLES CEDED TO HEALTH INSTITUTIONS. AS OF THE OCTOBER 1988 ANNUAL PROJECT CONFERENCE, ALL SUB-PROJECTS WERE INFORMED OF VEHICLE

USE POLICIES AND PROCEDURES AND WERE REQUIRED TO SUBMIT VEHICLE USE REPORTS, INCLUDING KILOMETRAGE AND PAYMENTS FOR NON-PROJECT USE, TO THE CENTRAL OFFICE WITHIN 30 DAYS OF THE END OF EACH MONTH. ADDITIONALLY, ISROS PROJECT MANAGEMENT AND THE PVO RECIPIENT, THE UNITED METHODIST CHURCH OF SHABA, HAVE ACTED DECISIVELY TO CORRECT PAST ABUSE OF VEHICLES AT KOLWEZI HOSPITAL. THE ISROS PROJECT DIRECTOR AND THE METHODIST BISHOP JOINTLY SIGNED AN ORDER REPOSSESSING FOUR PEUGEOTS AND AN ISUZU PICK-UP TRUCK CEDED TO KOLWEZI HOSPITAL, OWING TO GROSS MISMANAGEMENT AND ABUSE OF THEIR USE. THE METHODIST BISHOP HAS FURTHER DIRECTED THAT A MONTHLY AMOUNT EQUIVALENT TO DOLS. 152.00 WILL BE SUBTRACTED FROM SALARIES OF TWO ZAIRIAN DOCTORS WHO STILL OWE KILOMETRAGE FEES UNTIL THOSE PAST DUE FEES ARE COLLECTED IN FULL.

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C. BASED UPON THE ABOVE ACTIONS, THE USAID REQUESTS THAT RECOMMENDATION NO.1 BE CONSIDERED CLOSED.

2. A. RECOMMENDATION NO. 2, A. ON PAGE 19 STATES THAT USAID MUST DOCUMENT THE STATUS OF THE SHABA REFUGEE ROADS PROJECT EQUIPMENT LOANED TO OTHER PROJECTS AND ESTABLISH TIMETABLES FOR ITS RETURN OR REPLACEMENT. IT SHOULD BE NOTED THAT USAID AND O.R. HAVE NOW DOCUMENTED ALL TRANSFERS. EXHIBIT 2 SHOULD BE REVISED TO REFLECT THE CURRENT STATUS OF THE EQUIPMENT, AS FOLLOWS:

DESCRIPTION	LOAN DATE	RETURN DATE
MACZ TRUCK	7/87	10/89
LANDROVER	LATE 1986	12/89
FUEL TANK TRAILER	LATE 1986	6/89
ENGINE HAULER	LATE 1986	3/89
CEMENT MIXERS	LATE 1986	9/89
POWER SAWS	LATE 1986	11/89

--
B. RECOMMENDATION NO. 2, B. ON PAGE 19 STATES THAT A MISSION ORDER SHOULD BE DRAFTED REQUIRING THAT LETTERS OF TRANSFER BE DRAWN UP TO DOCUMENT ALL FUTURE INTERPROJECT EQUIPMENT TRANSFERS. USAID/KINSHASA DIRECTIVE NO. 311, ISSUED ON SEPTEMBER 9, 1988, MEETS THIS RECOMMENDATION IN ITS ENTIRETY. RIG/DAKAR WAS SENT A COPY OF THIS DIRECTIVE ON SEPTEMBER 20, 1988. NUMBER 8C OF THE SUBJECT DIRECTIVE SPECIFICALLY ADDRESSES THE QUESTION OF INTER-PROJECT LOANS AND TRANSFERS OF

MISSION COMMENTS ON SUBJECT DRAFT REPORT FOLLOWS:
EQUIPMENT AND ESTABLISHES GUIDELINES TO BE FOLLOWED WHEN
SUCH SITUATIONS ARISE.

C. BASED UPON THE INFORMATION PRESENTED HEREIN, THE
USAID REQUESTS THAT RECOMMENDATION NO. 2 BE CONSIDERED
CLOSED.

3. A. RECOMMENDATION NO. 3 ON PAGE 24 STATES THAT A
PLAN OF ACTION BE DEVELOPED TO ENSURE THAT THE
GOVERNMENT OF ZAIRE FULFILL ITS OBLIGATION TO PROVIDE
FUEL AND PAY WORKERS IN A TIMELY FASHION, I.E. FULFILL
ITS HOST COUNTRY CONTRIBUTION UNDER THE PROJECT. THIS
ISSUE, OF COURSE, IS PART OF A NATIONAL PROBLEM WHICH
USAID, THE IMF, IBRD AND OTHER DONORS HAVE BEEN
ADDRESSING IN MULTIPLE FORA AT THE HIGHEST LEVELS OF
GOVERNMENT. IN 1989, USAID WILL BE PARTICIPATING IN THE
FINANCING OF A WORLD BANK STUDY EXAMINING O.R. IN LIGHT
OF ITS FINANCIAL DIFFICULTIES AS A RESULT OF DECREASING
REAL REVENUES FROM THE FUEL TAX. THE STUDY WILL
SPECIFICALLY EXAMINE THE VIABILITY OF O.R. GIVEN ITS
FINANCIAL DIFFICULTIES AS WELL AS ASSESS O.R.'S PAST
OVERALL PERFORMANCE. IN MAY AND OCTOBER 1988, USAID
INITIATED TRANSPORT SECTOR DONOR COORDINATION MEETINGS
IN KINSHASA TO EXAMINE WHAT COLLABORATIVE PRESSURE THE
DONORS COULD PUT ON THE GOZ TO MAKE POLICY CHANGES IN
THE TRANSPORT SECTOR. CURRENTLY, STRATEGIES ARE BEING
DEVELOPED BY EACH DONOR
AND WILL BE PRESENTED DURING THE NEXT SCHEDULED DONORS'
MEETING IN DECEMBER 1988. O.R. IS PAYING BASE SALARIES,
A PORTION OF PREMIUMS AND MEDICAL COSTS, AND HAS
PROVIDED APPROXIMATELY SEVENTY (70) PERCENT OF THE FUEL
NEEDS OF THE PROJECT FOR CY1988. A LETTER HAS BEEN
DRAFTED REQUESTING THAT THE GOZ RECONFIRM ITS COMMITMENT
TO PROVIDE IN-KIND HOST COUNTRY CONTRIBUTIONS, SUCH AS
SALARIES, PREMIUMS, FUEL, AND SPARE PARTS. IT IS
EXPECTED THAT THIS LETTER WILL BE SENT TO THE GOZ NO
LATER THAN DECEMBER 1, 1988. THE FUEL STORAGE TANKS
(TOTAL CAPACITY OF 20,000 LITERS) AT THE KASAJI BASE
CAMP IN SHABA HAVE BEEN INSTALLED AND ARE CURRENTLY
FULL. ADDITIONAL FUEL HAS BEEN PURCHASED AND IS
AWAITING SHIPMENT TO KASAJI TO REPLACE FUEL BEING USED.
TO GUARANTEE FUEL ALLOCATION TO USAID PROJECTS IN TIMES
OF RESTRICTED FUEL AVAILABILITY, A POLICY OF PRIORITY
ALLOCATION OF FUEL TO USAID PROJECTS WILL BE INTRODUCED
IN THE FORM OF A PROJECT IMPLEMENTATION LETTER (PIL),
REQUIRING O.R.'S SIGNATURE, EXPECTED TO BE SIGNED BY
O.R. NO LATER THAN DECEMBER 12, 1988. ON NOVEMBER 4,
1988, THE CHIEF OF PARTY OF THE TECHNICAL ASSISTANCE
TEAM WAS INSTRUCTED TO IMMEDIATELY NOTIFY USAID WHEN
WORK IS STOPPED DUE TO LACK OF FUEL.

B. BASED UPON THE INFORMATION PRESENTED HEREIN, THE
USAID REQUESTS THAT RECOMMENDATION NO. 3 BE CONSIDERED
CLOSED.

4. A. RECOMMENDATION NO. 4 ON PAGE 29 STATES THAT PROJECT
IMPLEMENTATION PLANS SHOULD BE UPDATED TO PROVIDE FOR

THE IMMEDIATE RESOLUTION OF THE KOLWEZI HOSPITAL DISPUTE ON VEHICLE USE AND THE ESTABLISHMENT OF A FIRM TIMETABLE FOR THE SOLUTION OF THE HOSPITAL WATER PROBLEM. THIS UPDATED IMPLEMENTATION PLAN IS TO BE ISSUED BY DECEMBER 31, 1988. AS DISCUSSED IN PARA 1, B ABOVE, THE VEHICLE USE DISPUTE AT KOLWEZI HOSPITAL HAS BEEN RESOLVED BY REPOSSESSION OF THE VEHICLES BY JOINT ORDER OF ISROS PROJECT MANAGEMENT AND THE METHODIST BISHOP AND BY A REPAYMENT GUARANTEE ORDERED BY THE METHODIST BISHOP. WITH THIS REPAYMENT GUARANTEE AND REPAYMENT SCHEDULE CURRENTLY BEING DRAWN UP BY ISROS, WORK WILL RESUME AT BOTH THE KOLWEZI AND KAPANGA HOSPITALS IN DECEMBER. WITH REGARD TO THE KOLWEZI HOSPITAL WATER PROBLEM, IT SHOULD BE POINTED OUT THAT: 1) THERE WAS NO WATER PROBLEM INITIALLY UNTIL A MILITARY BASE WAS CONSTRUCTED BETWEEN THE PUMPING STATION AND THE HOSPITAL; AND 2) THIS PROBLEM WAS NOT ONLY RECOGNIZED BUT ADDRESSED BY THE PROJECT IN CONSULTATION WITH USAID ENGINEERS, THE PROJECT 660-0116 (WATER) PROJECT DIRECTOR, GECAMINES GEOLOGICAL DEPARTMENT AND REGIDESO (ZAIRIAN NATIONAL WATER UTILITY) TO FIND A SOLUTION TO THE CURRENT UNRELIABLE WATER SUPPLY. IN FACT, EVEN DURING THE SUSPENSION OF WORK AT KOLWEZI HOSPITAL, THE ISROS ARCHITECT VISITED THE HOSPITAL SITE SEVERAL TIMES TO SOLVE THE WATER PROBLEM, AND, AS A RESULT, HAS DRAWN UP PLANS FOR A CISTERN TO BE PLACED ON HOSPITAL GROUNDS. WHEN WORK ON THIS FACILITY RESUMES IN DECEMBER, THE WATER PROBLEM WILL HAVE TOP PRIORITY.

MISSION COMMENTS ON SUBJECT DRAFT REPORT FOLLOWS:

B. AS A RESULT OF THE ACTION ABOVE THE USAID REQUESTS THAT RECOMMENDATION NO. 4 BE CONSIDERED CLOSED.

5. WE SUGGEST THAT THE FOLLOWING EDITORIAL CHANGES BE MADE TO THE DRAFT REPORT:

A. PAGE 2, LINE 4, SHOULD READ: QUOTE THE PROJECT AS AMENDED PLANNED TO RENOVATE AND REEQUIP 45 RURAL DISPENSARIES, 2 REFERENCE HEALTH CENTERS, AND 3 HOSPITALS. UNQUOTE.

B. PAGE 2, LINE 23, QUOTE AMERICAN CONTRACTOR UNQUOTE IS CHANGED TO QUOTE AMERICAN PVO. UNQUOTE. THIS POINT OF CLARIFICATION IS IMPORTANT TO EMPHASIZE THE HUMANITARIAN NATURE OF THE PROJECT. AND TO CLARIFY THAT THE RELATIONSHIP WITH AID IS THROUGH THE HOST COUNTRY CONTRACTING MECHANISM WHICH AFFECTS OPERATING PROCEDURES.

C. PAGE 3, LINES 1-3, THE SENTENCE IS CHANGED TO READ QUOTE A 1988 REPORT BY AMERICAN ORT FEDERATION RECOMMENDED THE REDUCTION OF PLANNED TOTAL OUTPUTS TO 1023 KILOMETERS, CONSISTING PRIMARILY OF FIRST PRIORITY NATIONAL ROADS AND REGIONAL PRIORITY ROADS. THIS GREATLY REDUCES THE REGIONAL SECOND PRIORITY AND FARM-TO-MARKET ROADS ORIGINALLY PLANNED FOR REHABILITATION UNDER THE PROJECT. USAID WILL BE ANALYZING THIS PROPOSAL IN DECEMBER 1988. UNQUOTE.

D. PAGE 11, PARAGRAPH 3 IS TO BE DELETED IN ITS ENTIRETY AS REQUESTED IN THE CLOSE-OUT AUDIT MEETING HELD WITH MR. BOYER. THIS MATTER HAS SINCE BEEN RESOLVED.

E. PAGE 11, LAST PARAGRAPH. USAID HAS VERIFIED THAT THE INCIDENT DESCRIBED INVOLVED AN AID SUB-CONTRACTOR. HE WAS NOT ARRESTED BUT WAS CALLED IN THE DAY FOLLOWING THE INCIDENT AND ASKED TO PAY A FINE FOR ILLEGALLY TAKING A PHOTOGRAPH. IN ZAIRE, ONE MUST OBTAIN A PRIOR PERMIT IN ORDER TO TAKE PHOTOGRAPHS OF ANY GOVERNMENT PROPERTY.

F. PAGE 12, PARAGRAPH 1, WE RECOMMEND THAT THIS ENTIRE PARAGRAPH BE DELETED AS IT IS SIMPLY HEARSAY AND NEITHER RIG NOR USAID HAS ANY BASIS TO EITHER CONFIRM OR DENY THAT THIS EVENT ACTUALLY OCCURRED.

G. PAGE 13, LAST PARAGRAPH. WE HAVE CONFIRMED THAT THE FIRST EXAMPLE OF ALLEGED NON-PROJECT USE OF THE TRUCK ASSIGNED TO THE KOLWEZI CONSTRUCTION CREW FOR TRANSPORTATION OF THREE SCHOOL CHILDREN IS INCORRECT. THE TRUCK WAS TRAVELING FROM KOLWEZI TO LUBUMBASHI ON PROJECT BUSINESS. THERE WAS A TYPED MANIFEST ABOARD THE VEHICLE AUTHORIZING THE STUDENTS TO RIDE. ALL THREE STUDENTS PAID A FEE WHICH WENT INTO THE VEHICLE MAINTENANCE FUND.

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H. PAGE 20, LINE 20-PAGE 21, LINE 1 THE SENTENCE
BEGINNING QUOTE OF THE 13 PIECES OF EQUIPMENT
TRANSFERRED TO OTHER PROJECTS, UNQUOTE IS DELETED AND
REPLACED BY QUOTE FOR ALL EQUIPMENT TRANSFERRED,
DOCUMENTATION OF THE TRANSFER EXISTS. UNQUOTE.
--

I. PAGE 22, PARAGRAPH 2, IS CHANGED TO READ QUOTE
PROJECT OFFICERS IN KINSHASA SOMETIMES DID NOT KNOW THAT
THEIR PROJECTS HAD BEEN THE RECIPIENT OF SHABA REFUGEE
ROAD EQUIPMENT. HOWEVER, THE USAID PROJECT MANAGEMENT
OFFICE IN LUBUMFASHI WAS ALWAYS AWARE OF SUCH CHANGES
AND HAD, IN FACT, PERMITTED WHAT WERE JUDGED TO BE
PRACTICAL APPROACHES TO LOGISTICAL AND PROJECT NEEDS.
UNQUOTE.
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6. WE REQUEST THAT THE ABOVE COMMENTS/CHANGES BE
INCORPORATED INTO THE FINAL REPORT OR PRESENTED AS AN
ATTACHMENT THERETO. HARROP

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#7282

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AUDIT OF THE
SHABA REFUGEE ASSISTANCE PROJECTS
IN ZAIRE

Report Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	7
We recommend that the Director, USAID/Zaire:	
a. require that the Office of Roads and the technical assistance contractor strengthen controls on after-hours use of project vehicles; and	
b. require that the Health project implementing agency strengthen requirements for reporting of nonproject use of vehicles and timely payment of user fees, by consolidating agency pronouncements and communicating requirements with the subprojects so as to ensure that guidance is recognized and followed.	
<u>Recommendation No. 2</u>	14
We recommend that the Director, USAID/Zaire:	
a. document the status of the Shaba Refugee Road project equipment loaned to other projects and establish timetables for return or replacement; and	
b. issue a Mission order requiring that letters of transfer be drawn up to document all future interproject equipment transfers.	
<u>Recommendation No. 3</u>	17
We recommend that the Director, USAID/Zaire, develop a plan of action to ensure that the Government of Zaire fulfills its obligation to provide fuel and pay workers in a timely fashion.	
<u>Recommendation No. 4</u>	20
We recommend that the Director, USAID/Zaire, update project implementation plans to provide for the immediate resolution of the Kolwezi Hospital dispute on vehicle use and the establishment of a firm timetable for the solution of the Hospital water problem.	

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Appendix 3

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