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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

OFFICE OF THE AUDITOR GENERAL
AREA AUDITOR GENERAL - LATIN AMERICA

AUDIT REPORT

USAID/PANAMA

RURAL COMMUNITY HEALTH AND NUTRITION

PROJECT No. 525-22-560-170

(LOAN AID 525-L-040)

Period covered: 1/1/73 - 11/30/74
Audit Report no. 1-525-75-59
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I BACKGROUND AND SCOPE

In 1971 the Panama Ministry of Health (MOH) initiated a pilot project designed to combat basic malnutrition in rural Panama. The pilot project consisted of supplementing traditional, low-nutrient content, and establishing potable water systems in selected small communities. Because of the success of the pilot project the MOH requested A.I.D. assistance to expand the project throughout Panama.

The MOH and USAID/Panama developed an integrated project to encourage the participation of rural communities in (a) environmental sanitation, (b) maternal-child, (c) adult medicine, and (d) nutrition and health education. The total cost of this integrated project was estimated at \$9.5 million in 1972. On January 25, 1973, A.I.D. extended a loan to the MOH for \$3.8 million, and these resources are being used to finance the nutrition and potable water components of the integrated project. The total cost of these two components was estimated at \$8.7 million. In addition to the A.I.D. loan of \$3.8 million, the MOH will provide \$3.1 million from its own funds and \$1.8 million from other sources.

The nutrition phase of the project involves establishing 200 community gardens over a three-year period and the cost is estimated at \$3.5 million; \$2.1 million A.I.D. loan funds, \$1.0 million host country funds, and UNICEF contributed about \$0.4 million worth of Kubota hand tractors.

The potable water systems phase of the project consists of 200 wells with motor driven pumps, and 1,200 wells with hand pumps to be provided over a three-year period. The cost of this phase of the project is estimated at \$5.2 million; \$1.7 million A.I.D. loan funds, and \$3.5 million host country funds.

Both phases are self-help endeavors and the participating communities are contributing labor, some

materials, and land, all included in these estimated costs.

The USAID/Panama project manager is a medical doctor. He has direct responsibility for two other major A.I.D. loan financed projects, and shares staff responsibility for five other USAID activities. The project manager is assisted in these activities by a staff of three local employees. During the first year of the project, and A.I.D. direct hire agronomist was also available for consultation and monitoring. However, this agronomist departed post around mid CY 1973 and the position was vacant until September, 1974, when another direct-hire A.I.D. agronomist was brought on board and has assumed some of the duties of project manager.

This is an initial review of the project and covered the period from project inception, January 1, 1973, through November 30, 1974, and disbursements of about \$0.7 million of A.I.D. funds. The review focused on current operations to determine the effectiveness and efficiency of the MOH's efforts to manage and implement the project, and to evaluate the efforts of USAID/Panama in fulfilling its role as project monitor.

The examination included a review of records and other data at USAID/Panama and the MOH, as well as discussions with USAID/P and MOH personnel. A selective sample was made of about 6% of the existing community gardens during a field trip carried out in August, 1974, and conversations were held with about 100 villagers participating in the project.

The review was made in accordance with generally accepted audit standards exercising due regard for A.I.D. statutory requirements. The contents of this report were discussed with USAID/Panama management and any pertinent comments were given due consideration.

II SUMMARY

The results of our examination showed that A.I.D. assistance is consonant with the host government's economic and human resources development goals. We found that implementation progress of the community gardens is on schedule, but the potable water system phase was delayed due to commodity procurement difficulties. USAID/Panama and the MOH had taken the necessary action to correct the delays and coordinate commodity arrival.

III STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. Potable Water Systems

Water well drilling is behind schedule because of delays caused by the supplier of well drilling equipment. In November, 1973, the MOH gave USAID/Panama a list of materials which were urgently needed to implement the project. The list included six truck-mounted, well-boring rigs. In April, 1974, a Panama firm representing a U.S. manufacturer was awarded the contract and was committed to deliver the six well drilling units in October, 1974. In June, 1974, the contractor informed the MOH that the six truck-mounted drills could not be delivered until June, 1975, and at a substantial price increase. After a series of meetings the MOH and USAID/Panama decided to cancel the contract, invoke the penalty clause, and offer rebidding opportunities to another firm. According to the MOH, the second bidder promised delivery of the six project-financed well drills for December, 1974, and January, 1975. Accordingly, the delay is being rectified, and a recommendation is not being made.

B. Nutrition

This phase of the project was designed to increase the nutritional quality, the level of subsistence production

and to diminish community food shortages by developing 200 community gardens over a three-year period.

During CY 1973, the project was to have included 70 to 75 communities with efforts directed at preparing an additional 100 communities so these could be ready for CY 1974. This is a self-help endeavor and the communities contribution consists of labor and land.

According to the USAID/Panama and the MOH project managers, as of November 30, 1974, there were about 104 community gardens under cultivation, and the MOH planned to have 40 additional gardens under cultivation by the end of CY 1974.

Of the 104 gardens, we selected 17 sites for examination and, of the 17 sites, three had been developed for institutional use, 12 were flourishing community gardens, one site did not have a garden and one site was later deleted from the project.

The 12 developed gardens ranged in size from one to about 12 acres, were well tended and produced a variety of vegetables; one 12-acre garden, worked by 21 families, had 12 different vegetables, in addition to rice, corn, and beans under cultivation simultaneously.

In order to determine what effects, if any, the community garden input has on increasing the nutrition and subsistence level of the communities, or reducing community food shortages, the MOH planned to distribute printed forms to each community garden group. When these forms are collected, and the statistics evaluated, the degree of goal achievement will be measured. The project manager and the MOH feel community shortages are being diminished in proportion to the amount of vegetables produced, and the villagers are being exposed to some vegetables not common in their diets.

The three sites developed for institutional use were at local hospitals. These gardens were being tended by paid hospital labor, the produce was being used to

supplement the hospital food supply, and the laborers did not directly benefit from the garden output. These gardens do not meet the project philosophy or criteria of a community garden. The USAID project manager claimed this type of garden was justified because the hospital gardens are being used, principally, as training centers for MOH staff and local villagers in the areas.

At the site where a community garden did not exist, but had been planned, we found (a) the village selected has access to market sources, and/or (b) the type of villager found there is gainfully employed, and has little or no incentive to devote free time to community garden development. These two factors prevailed even though there might exist a low nutritional level and shortages of some foods. As of July 31, 1974, the MOH reviewed the project and deleted 30 sites where community gardens had previously been scheduled. The MOH informed the USAID/Panama that they will again review their community garden site schedule and eliminate those areas which do not meet the criteria for community gardens, therefore we are not making a recommendation.

C. Fertilizer

According to USAID/Panama, approximately 4,000 tons of fertilizers will be needed for the 200 community gardens programmed and a budget of \$1.2 million was set-up for fertilizer purchases. In an earlier draft report we pointed out that the MOH fertilizer storage facilities were in need of improvement and that inventory records were not accurate. Recommendations made achieved storage improvement and inventory records were corrected. We also questioned the quantity of fertilizers then in storage and the planned purchases as being excessive and appropriate recommendations were made. USAID/Panama and the MOH then reassessed project requirements and claimed that the fertilizer stocks were adequate but agreed to make periodic reviews of future fertilizer needs. The actions taken by USAID/Panama to clear the recommendations made

in the draft audit report were acceptable to the auditors.

D. Progress Reports

USAID/Panama files contain one progress report, and one financial report, from the MOH. USAID/Panama has been making periodic field trips and recording the results of these inspections. However, periodic, comprehensive reports which would enable USAID to adequately monitor project implementation have not been received from the MOH.

Recommendation No. 1

USAID/Panama should request the MOH to submit, periodic comprehensive project progress reports.

E. Training

According to the project financial plan a component of \$100,000 had been budgeted for training. The type of training appropriate for this project had not been defined by USAID/Panama or the MOH, nor had a training schedule been formulated.

Recommendation No. 2

USAID/Panama, and the MOH, should develop a training program appropriate for the project, or deobligate the funds.

F. Technical Assistance

The project plan contains a component of \$80,000 for technical assistance in tropical horticulture and environmental health. During a joint review of the project held in October, 1974, the MOH project manager said he was planning to use a portion of these funds to pay for a

technical evaluation of the community gardens phase of the project. The current MOH staff consists of about 27 people including agronomists, one physician/sociologist, community development workers, and several agricultural supervisors. The Ministry of Labor had assigned at least two agronomist to assist the MOH with the nutrition phase of the project.

However, neither the USAID/Panama nor the MOH had finalized definite plans for the use of the funds.

Recommendation No. 3

USAID/Panama, in conjunction with the MOH, should develop a technical assistance plan, time-phase the introduction of the plan to the implementation schedule, or deobligate these funds.

AID PROGRAM IN PANAMA
CAPITAL ASSISTANCE
RURAL COMMUNITY HEALTH & NUTRITION
FINANCIAL STATUS (at 11/30/74)

<u>Description</u>	<u>Date</u>	<u>Loan Amount</u>	<u>Funds Advance</u>	<u>AID Reimbursements</u>			<u>Total</u>	<u>Loan Balance</u>
				<u>Wells</u>	<u>N u t r i t i o n Protein</u>	<u>Gardens</u>		
A Loan Available	1/25/73	\$3,800,000	\$	\$	\$	\$	\$	\$3,800,000
B Revolving Fund	9/26/73		370,000					3,430,000
C MOH Reimbursement Requests								
#1	4/26/74			56	1,580	-0-	1,636	
#2	3/6/74			21,861	924	-0-	22,785	
#3	4/26/74			23,796	5,534	125	29,455	
#4	4/26/74			15,013	21,041	-0-	36,054	
#5	5/8/74			9,016	2,524	63,095	74,635	
#6	5/8/74			50,898	131	-0-	51,029	
#7	6/14/74			27,265	36	20,384	47,685	
#8	6/14/74			10,347	95	-0-	10,442	
#9	6/14/74			38,418	-0-	4,852	43,270	
#10	6/20/74			90,717	-0-	-0-	90,717	
#11	8/6/74			39,351	186	-0-	39,537	
#12	9/12/74			31,766	1,352	-0-	33,118	
#13	9/12/74			86,457	-0-	-0-	86,457	
#14	9/23/74			26,748	1,280	-0-	28,028	
#15	11/7/74			49,090	-0-	-0-	49,090	
#16	11/27/74			64,920	-0-	-0-	64,920	
		<u>\$3,800,000</u>	<u>\$370,000</u>	<u>\$585,719</u>	<u>\$34,683</u>	<u>\$88,456</u>	<u>\$708,858</u>	<u>\$2,721,142</u>

LIST OF RECOMMENDATIONS

Recommendation No. 1

USAID/Panama should request the MOH to submit, periodic comprehensive project progress reports.

Recommendation No. 2

USAID/Panama, and the MOH, should develop a training program appropriate for the project, or deobligate the funds.

Recommendation No. 3

USAID/Panama, in conjunction with the MOH, should develop a technical assistance plan, time-phase the introduction of the plan to the implementation schedule, or deobligate these funds.

EXHIBIT C

DISTRIBUTION OF AUDIT REPORT

	<u>Copies</u>
Assistant Administrator, Bureau for Latin America, AID/W	1
Mission Director, USAID/Panama	5
Director, Program Operations Staff, LA/OPNS, AID/W	1
Director, ARA-LA/PAN, AID/W	1
Bureau for Technical Assistance, Office of Health (TA/H), AID/W	1
Director, Office of Audit, AG/AUD, AID/W	13
Director, AG/IIS, AID/W	1
Director, Operations Appraisal Staff, AG/OAS, AID/W	1
Director, Office of Public Affairs, AID/W	1
Inspector General of Foreign Assistance, IGA, Washington, D.C.	1
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