

**UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT**

**THE
INSPECTOR
GENERAL**



Regional Inspector General for Audit

TEGUCIGALPA

PD-ABC-168

ISN 69396

**AUDIT OF USAID/DOMINICAN REPUBLIC'S
RURAL ROADS MAINTENANCE AND
REHABILITATION II
PROJECT NO. 517-0177**

**Audit Report No. 1-517-91-01
November 9, 1990**

The Project's long-term sustainability and socioeconomic impact were uncertain given the lack of host government commitment to rural roads maintenance.

AGENCY FOR INTERNATIONAL DEVELOPMENT

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November 9, 1990

MEMORANDUM

TO: USAID/Dominican Republic Director, Raymond Rifenburg
FROM: 
RIG/A/T, Reginald Howard
SUBJECT: Audit of USAID/Dominican Republic's Rural Roads Maintenance and Rehabilitation II Project No. 517-0177

This memorandum presents the results of the subject audit. In preparing this report, we have considered your comments on the draft report and included them as Appendix 1. Please respond within 30 days indicating further actions planned or taken to implement the recommendations. I appreciate the cooperation and courtesies extended to the auditors during this assignment.

Background

The development of the agricultural potential of the Dominican Republic has been hampered by an inadequate network of roads. To help overcome this constraint, USAID/Dominican Republic has provided funding for numerous years to upgrade and maintain rural roads. The Rural Roads Maintenance and Rehabilitation II Project complemented and continued previous work in this area. Its purpose was to strengthen and expand the institutional capability of the Government of the Dominican Republic (GODR) to primarily maintain and rehabilitate the national network of rural roads and thus contribute to making the country self-sufficient in food production.

The Project Agreement was signed on June 30, 1983 and the twice-extended Project assistance completion date was June 30, 1990. The GODR agency responsible for implementing the Project was the Directorate General of Rural Roads (Directorate), a division of the Secretariat for Public Works and Communications (Secretariat). USAID/Dominican Republic's Office of Program Development and Support had primary responsibility for monitoring Project implementation and progress.

Roads rehabilitation work was performed under host country contracts between the GODR and private sector construction firms. Thus the host government had primary responsibility for administering and monitoring the performance of these firms.

Total Project funding was \$33 million, of which \$15 million was an A.I.D. loan and \$18 million was GODR counterpart contribution. As of March 31, 1990 the entire \$15 million loan had been obligated, but only \$10 million had been expended. The host government had contributed the equivalent of \$12.1 million.

Audit Objectives, Scope, and Methodology

We performed the audit in accordance with generally accepted government auditing standards and conducted fieldwork from April 3 to June 6, 1990. The audit covered Project activities from June 1983 until June 1990. Our specific audit objectives were to:

- compare planned Project outputs against actual achievements,
- assess the sustainability of A.I.D.'s investment in the Project, and
- determine whether the Project was implemented in compliance with applicable laws and regulations.

To answer these objectives we interviewed officials from and reviewed pertinent records at USAID/Dominican Republic, the Government of the Dominican Republic, and an engineering firm supervising rural road rehabilitation activities. Also, we made field trips to four of the Directorate's eight regional road maintenance centers and inspected 54 of the 88 rural roads rehabilitated or under rehabilitation nationwide as of March 1990.

We limited our examination of internal controls to tests that were sufficient to provide reasonable, but not absolute, assurance of detecting abuse or illegal acts that could have significantly affected our audit objectives. Also, due to the immediacy of the Project completion date, we focused our attention on problem areas which we believed threatened the Project's long-term sustainability.

Report of Audit Findings

1. Planned Project Outputs Had Not Been Achieved

To fully achieve planned Project outputs, 12 components would have to be successfully completed. Seven of these components progressed satisfactorily and

were likely to meet expected targets by the Project completion date. For example, \$5.2 million in road equipment, spare parts, and tools were procured and distributed, a report on soil stabilization and the use of local materials for rural roads surfacing was issued, and 119 kilometers of pack animal trails were constructed. On the other hand, the five remaining components, some of which we regard as the most important ones, were significantly less successful and, given their status as of March 31, 1990, would likely fall far short of expectations. To illustrate:

- of 1,000 kilometers of rural roads to be rehabilitated, only 417 (42 percent) had been completed,
- of 85 national road maps and other photogrammetric material to be developed, only 14 maps (16 percent) had been produced and they had not been distributed,
- of 8 regional training programs to be developed, only 1 centrally-developed program had materialized and it had not been implemented,
- of 3,700 kilometers of rural roads to be incorporated into the regular maintenance program, only 2,194 (59 percent) had been incorporated and they were inadequately maintained, and
- of 20 market shelters to be constructed, only 11 (55 percent) had been finished.

Exhibit 1 compares in detail planned Project outputs against actual achievements for all 12 components.

As denoted above, substantial work was required to complete major Project components by the Project completion date. Project officials attributed these underachievements to such causes as scarcity of road equipment, excessive manpower turnover, slow A.I.D. disbursements, inflation, unseasonably-heavy rainfalls, and at times poor performance of parties to the Project. However, since the Project ended June 30, 1990 and the Mission plans no further work in the roads sector, we are not making a formal recommendation to pursue the completion of these components. Instead, we focused on the Project's long-term sustainability.

2. The Project's Long-Term Sustainability and Socioeconomic Impact Were Uncertain

In order to upgrade the Dominican Republic's rural roads infrastructure that would assist in making the country self-sufficient in food production, A.I.D. and the host government were to finance the rehabilitation and consistent maintenance of 1,000 kilometers of rural roads. Project officials estimated that

by the Project completion date 626 kilometers would be completed--only 63 percent of the target. Of even more concern, however, was that the GODR was not committed to maintaining rural roads as reflected by its lack of (1) road maintenance programs, (2) controls and records on use and maintenance of road equipment, (3) interest in ensuring that road maps were timely completed and distributed, and (4) support to road maintenance-related training activities. As the GODR's efforts were directed toward paving roads, rural roads maintenance was neglected. Also, USAID/Dominican Republic overlooked the adverse effect this government policy would have on the Project. As a result, roads rehabilitated with A.I.D. financing were already deteriorating, some to the point where they required further rehabilitation. This situation was leading to the loss of a sizeable investment and the uncertainty of the Project's long-term sustainability and socioeconomic impact.

Recommendation No. 1

We recommend that USAID/Dominican Republic:

- a. pursue and implement options to ensure that the Government of the Dominican Republic, through the Secretariat for Public Works and Communications, adequately maintains rural roads rehabilitated under the Project including i) policy dialogue with the host government and international-donor organizations and ii) use of A.I.D. programs-generated local currency, if available,
- b. follow up on Project Implementation Letter No. 29 to ensure that the Directorate General of Rural Roads' regional road maintenance centers establish records adequate to show the utilization and maintenance of Project-funded equipment,
- c. issue a project implementation letter requiring the Secretariat for Public Works and Communications to immediately distribute the Project-funded road maps in storage and develop a schedule for the delivery and distribution of road maps not yet completed, and
- d. request the Secretariat for Public Works and Communications to comply with its training-related commitments under the Project Agreement to ensure continued support of road maintenance activities.

Discussion

The Project focused on establishing a stable rural transport access system to assist in making the country self-sufficient in food production. A.I.D. and the host government authorized \$33 million to primarily rehabilitate 1,000 kilometers

of rural roads and consistently maintain them, in addition to other roads from different projects, purchase road maintenance equipment, develop maps of the rural roads system, and develop training programs for equipment mechanics and operators and road maintenance workers. However, Project officials estimated that by the Project completion date only 626 kilometers of rural roads would be completed. Also, as shown in the four sections below, the GODR's neglect of rural roads maintenance and lack of support for other key Project activities seriously threatened fulfilling the Project's purpose and the long-term viability of a substantial investment.

Rural Road Maintenance Programs Were Neglected

To sustain rural roads rehabilitated under the Project, the host government agreed to provide funding for their maintenance and to extend the maintenance system to eventually cover all rural roads. Immediately following rehabilitation, a rural road was to pass to the Secretariat's maintenance program, whose broad base rested on local community organizations and hand laborers responsible for daily routine maintenance on their assigned section of road (regular maintenance). In addition, semiannually the Secretariat was to dispatch heavy equipment for scarification of the wearing surface, grading, compacting, repair of culverts, structures, headwalls, and the delivery of new surfacing materials (periodic maintenance).

We found, however, that the GODR did not have specific plans for the maintenance of rural roads. In April and May 1990, we inspected 54 rural roads under the Project totaling an estimated 375 kilometers. As of March 31, 1990, 33 of these roads (179 kilometers) had already been rehabilitated at a cost of \$2.3 million. Our assessment of regular and periodic maintenance performed on these 33 roads was:

- 32 roads or 97 percent (175.3 kilometers) had not been regularly maintained,
- of the 20 roads completed more than six months prior to our inspections (thus eligible for periodic maintenance) 17 roads or 85 percent (95.4 kilometers) had not been periodically maintained, and
- of the 13 roads completed less than six months prior to our inspections (thus not yet scheduled for periodic maintenance) 6 roads or 46 percent (31.5 kilometers) already needed immediate attention.

Our assessment of the overall physical condition of the 33 roads is summarized as follows:

	<u>Number of Roads</u>	<u>Percent of the 33 Roads</u>	<u>Combined Length (Kms)</u>	<u>Overall Physical Condition</u>
	8	24	48.2	Good
	8	24	37.3	Fair
	11	34	55.2	Poor
	6	18	38.3	Deteriorated
Totals	<u>33</u>	<u>100</u>	<u>179.0</u>	

Six of the 16 roads categorized as good or fair above had been rehabilitated as recently as March 1990. Also, we believe that further costly rehabilitation was necessary for the six roads classified as deteriorated. The picture below illustrates this point:



Road No. 36 Los Jovillos - Las Veredas

As a result of lack of regular and periodic maintenance, the rural road shown above, completed in March 1987 at a cost of \$69,010, was already in urgent need of further costly rehabilitation.

Exhibit 2 summarizes in detail the results of our inspection trips and the photographs in Exhibit 3 further illustrate the effects of inadequate maintenance on various roads rehabilitated under the Project.

In 1986, a change in government administrations in the Dominican Republic precipitated a shift in priorities away from rehabilitating or maintaining rural roads toward paving roads. Rural roads maintenance was further de-emphasized in 1987 when the Secretariat consolidated the Directorate General of Roads Maintenance into the Directorate General of Rural Roads. USAID/Dominican Republic, in turn, overlooked these shifting government priorities and the adverse effects they would have on the Project's long-term sustainability.

As a result of the GODR's lack of commitment to rural roads maintenance, the roads rehabilitated under the Project were already deteriorating, some to the point where they required further rehabilitation.

Controls and Records on Use and Maintenance of Road Equipment Were Inadequate

The Secretariat agreed to control the use of loan-financed equipment (worth \$5.2 million), which was to be operated exclusively for rural road maintenance work, and to maintain and repair such equipment as required.

We found, however, that the Secretariat's headquarters and the four Directorate regional maintenance centers we visited lacked records adequate to account for the use of heavy equipment and vehicles. These entities also lacked records showing what preventive and periodic maintenance had been performed on the equipment.

The Mission did not issue guidelines in the timely manner necessary to enforce pertinent standard provisions in the Project Agreement. These guidelines were finally established in Project Implementation Letter No. 29, dated April 4, 1989--nearly six years after the Project started and a little over a year before the Project completion date. Of further concern was that our follow-up on the Implementation Letter disclosed that the Secretariat had taken no action to implement its provisions.

While no instances of equipment misuse came to our attention during our field inspections, the lack of controls and records prevented the Mission and the Secretariat from detecting whether equipment was being improperly utilized or maintained. For example, we learned that on one occasion a private contractor had used A.I.D.-financed equipment for road rehabilitation activities--a use which violated Project Agreement provisions. Also, lack of maintenance may have been responsible for excessive downtime of equipment and vehicles. We identified some equipment and vehicles which were idle or had been under repair for several months, which resulted in their eventual cannibalization.

Rural Road Maps Needed To Be Completed and Distributed

As the predecessor project was hampered by a lack of accurate maps, Project planners envisioned that the country's rural roads inventory would be updated by producing 124 national maps and 8 sets of regional maps (one set for each regional maintenance center). However, the Project Agreement did not contain these specific targets and thus the Secretariat, with Mission approval, contracted for the production of only 85 maps and 2,578 aerial photographs. The contract, worth \$153,094, called for all material to be delivered by June 30, 1988.

Our discussions with the contractor developing the maps and a cognizant Secretariat official disclosed that of the 85 maps only 21 had been completed as of May 31, 1990. None of these maps had been distributed, rather they were stored in a Secretariat warehouse--14 of them since September 1989. Of the remaining 64 maps contracted for, 17 were expected to be completed by September 1990; as for the rest of maps, no date had been set for their completion. Work on the 2,578 aerial photographs had not started.

Both the contractor and Secretariat official attributed the slow completion of maps to such drawbacks as insufficient funding, inflation, unskilled labor and frequent power failures. In our opinion, the GODR and the Mission did not enforce the agreed-to delivery schedule for map completion nor did they ensure that those maps completed were distributed. This delay also resulted in increased costs to produce the maps as the contractor estimated that, due to inflation, the overall cost of the contract would be \$302,677, an increase of 98 percent over the original price.

Unless remedial actions are taken, the lack of accurate, up-to-date maps will continue to hamper field engineers in their road maintenance and rehabilitation efforts.

Road Maintenance-Related Training Activities Were Inadequately Supported

One of the planned Project outputs was the creation of continual training programs at each of the Directorate's eight regional road maintenance centers. The GODR agreed to provide qualified and experienced management, and train such staff as may be appropriate, for the maintenance and operation of the Project as to assure its successful completion.

While early in the Project training was given to Project support staff, this training began to seriously falter in 1986 and was subsequently discontinued. Our visits to four regional maintenance centers disclosed that the planned Project output of establishing a continual training capability at each center had not materialized. Any training of regional center equipment mechanics and operators or road maintenance workers had to be done through the Directorate's central training unit in Santo Domingo.

Although this unit had developed specific training programs to support the Project, the programs for 1988 and 1989 were not implemented and the one for 1990 had not yet been developed. Additionally, the unit's inadequate files prevented us from determining exactly what training had been performed.

The chief of the central training unit advised us that the Directorate did not adequately fund or provide any other meaningful support to the unit's training plans. Furthermore, a Secretariat official stated that the Secretariat was not committed to training because employees tended to leave for work in the private sector soon after they were trained. Additionally, this official said that the dispersal of equipment and workers throughout the country made training difficult.

We believe the training component was unsuccessful because the Mission did not quickly identify and work out a solution to training-related problems. Project files, reports of site visits, and Project implementation status reports prepared from 1985 through March 1990 made no mention of problems with the training component. Consequently, the problems remained unaddressed.

Not developing a cadre of trained personnel capable of maintaining equipment and rural roads will adversely affect sustaining Project achievements. Additionally, institution-building accomplishments of the Project will be considerably less than would have been possible.

In conclusion, the four areas previously discussed reveal the lack of host government commitment to rural roads maintenance as well as USAID/Dominican Republic's inadequate monitoring system to surface and correct Project implementation deficiencies in a timely manner. We believe such factors as inadequate Project management or insufficient staff caused these weaknesses in the Mission's Project monitoring system. This is further evidenced by management not reviewing external financial audits made of the Project or initiating Project evaluations as called for in the Project Agreement. Consequently, the Project's long-term sustainability and the intended socioeconomic impact were uncertain. We feel the Mission should aggressively pursue all options at its disposal to ensure that the Project goal of improving the standard of living for the rural poor is achieved and thus prevent a sizeable investment from being wasted.

On the issue of Project monitoring, we are not making a formal recommendation since the Project has ended. However, we believe the Mission should assess its monitoring system to determine whether a systemic weakness exists which permitted these problems to go undetected and if other projects in its portfolio are experiencing similar problems due to monitoring deficiencies.

3. Funds Advanced for Rehabilitation of Rural Roads Remained Outstanding

A.I.D directives advise on the handling and monitoring of advances as to ensure their proper use. As of May 31, 1990, USAID/Dominican Republic had \$589,082 in long-outstanding advances to the Secretariat for rehabilitation of various rural roads. The advances remained outstanding because the Mission 1) decided to liquidate them only upon completion of each road, 2) did not properly monitor its cash advance ledgers, and 3) did not ensure that the Secretariat periodically submit invoices for liquidation of completed roads. As a result, the Mission had less than adequate assurance that the advanced funds were used as intended.

Recommendation No. 2

We recommend that USAID/Dominican Republic:

- a. reconcile with the Secretariat for Public Works and Communications the advances made for rehabilitation of rural roads and liquidate them by the June 30, 1990 Project assistance completion date, and
- b. recover the advances made for rural roads that show no work accomplished as of June 30, 1990.

Discussion

Rehabilitation of rural roads under the Project was to be accomplished through host country contracts between the Secretariat and private sector construction firms. Contract costs were equally split between A.I.D. and the GODR. At the signing of each rehabilitation contract, the Mission and the Secretariat advanced 20 percent of their share to enable contractors to cover their initial mobilization costs.

The A.I.D. Controller's Guidebook, Chapter 16.D states that USAID controllers, project officers, and others should exercise prudent judgment in determining the amount, frequency, and duration of advances to host governments. Government financial guidelines also require that recipients periodically prepare "no-pay" vouchers indicating how the advances were used. However, as of May 31, 1990 the Mission had \$589,082 in outstanding advances to the Secretariat for the rehabilitation of various rural roads. Analysis of these advances showed that some had been outstanding for nearly two years. Moreover, at least 20 contractors accomplished little or no rehabilitation work on roads for which initial advances were made.

Advances were not cleared mainly because of the Mission's decision, as stated in Project Implementation Letter Nos. 2 and 8, that they would be liquidated upon the completion of each road. The Mission recorded advances to the Secretariat

in the aggregate and not by individual roads and then did not properly monitor its cash advance ledgers and promptly liquidate the advances. As of March 31, 1990, 45 roads were reported as completed but the Mission had only liquidated the advances for six of them. In addition, the Mission did not require the Secretariat to periodically submit invoices for liquidation of completed roads.

By not properly monitoring its cash advances, the Mission had less than adequate assurance that the advances were used properly or as intended. In our opinion, the 20 contractors who performed little or no work could have used the advances for non-Project purposes or earned unwarranted interest on them.

While our audit was in progress, the Mission was actively pursuing the settlement of all outstanding advances. The Mission had liquidated \$284,646 of advances, including \$88,156 of advances recovered from those rural roads that would not be completed by the Project completion date. On June 27, 1990, USAID/Dominican Republic informed our office that all the advances had been collected.

Management Comments

USAID/Dominican Republic agreed with the findings and recommendations and stated that they both accurately reflected the somewhat disappointing results of the Project and were consistent with the Mission's decision, given the dwindling resources A.I.D. was allocating for the Dominican Republic, not to pursue follow-on activities.

The Mission stated that if rural road construction or maintenance is part of an effective policy dialogue, or is part of the local currency program, it will be because an ongoing analysis of their expected utility to the nation continues to exceed the opportunity costs of their alternatives. Accordingly, the Mission stated it could not guarantee any specific level of future commitment on behalf of the host government to rural roads maintenance. The Mission also stated that an international-donor organization had recently communicated its intention to remain involved in rural road projects.

The Mission further expressed that as the Project completion date had expired, it could not devote any additional resources to Project activities. The Mission, however, proposed to draft a letter to the Secretariat for Public Works and Communications which would address the auditors' concerns on the adequate utilization and maintenance of equipment, the timely completion and distribution of road maps, and the performance of training activities for rural road maintenance.

USAID/Dominican Republic also stated that it had liquidated all outstanding advances prior to the Project completion date and furnished related documentation.

Office of Inspector General Comments

Since post-project monitoring should be limited to those projects in which A.I.D. has a specific longer-term interest, we are not recommending that USAID/Dominican Republic further monitor the Project. However, we believe that the substantial investment of capital resources made in the Project warrants extended efforts by the Mission, mainly through policy dialogue, to ensure the Project's long-term sustainability and success. In this regard, we defer to the Mission's judgment as to what its level of effort should be. Also, we concur with the Mission's proposal to draft a letter to the Secretariat that will address our concerns on the issues previously discussed. In addition, we concur in the Mission's actions as regards its final liquidation of outstanding advances.

Therefore, upon issuance of this report, Recommendations 1a., 2a., and 2b. are considered closed, and 1b., 1c., and 1d. resolved, and can be closed upon receipt of the Mission letter to the Secretariat referred to above.

Report on Compliance and Internal Controls

Compliance

Our audit included reviews of pertinent Agency guidelines, the Project Agreement, correspondence, progress reports, and financial records in order to perform tests to determine whether the Project was implemented in compliance with applicable laws and regulations. We found that USAID/Dominican Republic had complied with applicable laws and regulations in those areas tested. Nothing came to our attention that would indicate that untested items were not in compliance.

Internal Controls

We limited our examination of internal controls to a review of the adequacy of (1) controls and records on use and maintenance of equipment, (2) controls over the issuance and liquidation of advances, (3) procedures for ensuring the propriety of payments made to construction contractors, and (4) overall Mission directives to ensure adequate Project monitoring. The audit disclosed two internal control weaknesses:

- USAID/Dominican Republic's monitoring system was inadequate causing Project implementation deficiencies (Findings 2 and 3), and
- USAID/Dominican Republic failed to properly monitor its cash advance ledgers (Finding 3).

Except as noted above, the Mission appeared to have adequate internal controls.

**STATUS OF PROJECT COMPONENTS
AS OF MARCH 31, 1990**

PROJECT COMPONENTS <u>1/</u>	PLANNED OUTPUTS <u>1/</u>	ACTUAL ACHIEVEMENTS <u>2/</u>
1. Rehabilitation of rural roads and generation of short-term employment	1,000 kms rehabilitated, 10,000 limited-resource farmers employed	417 kms rehabilitated, x farmers employed <u>3/</u>
2. Expansion of three units within the Directorate	Supervision, Sociology, and Cost units	Three units expanded and staffed
3. A new Regional Center for rural roads maintenance constructed, staffed, and equipped	One center, 53 staff members trained and equipment maintained	Center was 95 percent constructed, but not yet in use, and fully staffed. Controls on equipment were inadequate
4. Additional heavy equipment purchased for the regional centers	Tractors, graders, loaders, water tanks	\$5.2 million worth of equipment, spare parts, and tools procured and assigned
5. System of telecommunications installed in the regional centers and mobile units	10 transreceivers and towers, 60 mobile units	\$195,000 worth of equipment procured. All equipment but one tower installed
6. Maps developed for the rural roads system of the country	124 national maps, 8 regional map sets <u>4/</u> , 2,578 aerial photographs	14 national maps completed <u>5/</u> but not distributed, no photographs produced
7. Technical assistance to study the use of local materials for rural roads surfacing	Soil stabilization report	Louis Berger soil stabilization report issued
8. On-going training programs for mechanics, equipment operators, and road maintenance laborers	8 training programs, one per center	One program centrally developed but not implemented
9. Rural roads incorporated into the regular maintenance program	3,700 kms	2,194 kms incorporated but inadequately maintained
10. Establishment of a pack animal trails office	One office	One office created and staffed
11. Construction of pack animal trails	300 kms <u>6/</u>	119 kms constructed
12. Construction of shelters	20 shelters	11 shelters constructed

1/ Per Project Paper and Project Agreement.

2/ As determined by auditors' inspections and through discussions with Mission, Secretariat, and Directorate officials and Project consulting engineers.

3/ Data on number of farmers employed over the life of the Project not available.

4/ Revised to 85 maps.

5/ Seven more maps were completed in May 1990.

6/ Revised to 150 kms.

**SUMMARY OF THE AUDITORS' INSPECTION
OF RURAL ROADS REHABILITATED
AS OF MARCH 31, 1990**

<u>Road No.</u>	<u>Name of Road</u>	<u>Length (kms)</u>	<u>Completion Date</u>	<u>Cost¹ (\$)</u>	<u>Evidence of Maintenance²</u> <u>Regular³ Periodic⁴</u>		<u>Overall Physical Condition⁵</u>	
<u>Phase I⁵</u>								
1.	7	Boca Canasta - Santana	3.2	9/87	56,702	No	No	Deteriorated
2.	8	Sabana Larga - Barra Parra	5.5	10/89	146,058	No	No	Fair
3.	9	Naranjal Arriba - Naranjal Abajo	4.2	10/87	66,793	No	No	Poor
4.	11	Najayo Arriba - Resoli	9.1	1/89	189,722	No	No	Deteriorated
5.	12	Niza - Sainagua	3.7	1/89	48,160	Yes	Yes	Fair
6.	13	El Guineo - Las Tres Veredas	3.8	1/87	53,364	No	Yes	Deteriorated
7.	19	Paralejos - Yunita	7.9	3/90	48,295	No	N/A	Fair
8.	3f	Los Jovillos - Las Veredas	9.0	3/87	69,010	No	No	Deteriorated
9.	37b	Galvan - El Millo	4.6	2/88	48,651	No	No	Deteriorated
10.	37c	Galvan - Las Tejas - El Rodeo	8.6	2/88	65,259	No	No	Deteriorated
11.	38	Habanero - Cruce Catral	2.8	9/87	36,042	No	No	Fair
12.	39b	Palo Alto - Penon - Cabral	8.6	2/88	167,804	No	Yes	Good
13.	40	Cr. Galvan - Neyba - Preparo	2.3	6/87	30,216	No	No	Poor
14.	41	Tamarindo - Preparo - Cerro al Medio	6.1	6/87	84,342	No	No	Poor
<u>Phase II⁵</u>								
15.	15	Juma - Bejucal - Los Quemados	8.4	3/89	80,383	No	No	Fair
16.	16	Cr. Duarte - Boca de Juma - Juma	2.1	3/89	25,819	No	No	Fair
17.	20	Villa Jaragua - Las Canitas	14.1	12/89	81,588	No	N/A	Poor
18.	21	Neyba - Plaza Cacique - El Manguito	4.0	9/89	49,374	No	No	Poor
19.	33	Cr. Monte Claro - Cr. De Vasquez	4.7	3/90	22,691	No	N/A	Fair
20.	34	La Cueva - Monte Claro - Saballo	6.6	3/90	185,879	No	N/A	Good
21.	38	La Ceniza - Romana	5.5	9/88	65,144	No	No	Good

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SUMMARY OF THE AUDITORS' INSPECTION
OF RURAL ROADS REHABILITATED
AS OF MARCH 31, 1990
(Continued)

Road No.	Name of Road	Length (kms)	Completion Date	Cost ¹ (\$)	Evidence of Maintenance ²		Overall Physical Condition ³	
					Regular ³	Periodic ⁴		
22.	39	Fantino - Comedero Abajo - Sierra Prieta	8.6	9/89	92,892	No	No	Good
23.	40	Cr. Sierra Prieta - Comedero	4.3	9/89	69,062	No	No	Good
24.	44	Ponton - Rancho Viejo	7.1	9/89	66,365	No	No	Poor
25.	45	El Baden - Juan Francisco Rodriguez - Los 27	3.0	1/90	52,249	No	N/A	Poor
26.	48	El Baden - La Privada	3.6	1/90	41,501	No	N/A	Poor
27.	49	Quiroz - La Privada	5.3	1/90	81,345	No	N/A	Poor
28.	50	Los Amanes - La Rosa - El Ranchito	3.1	12/89	63,563	No	N/A	Poor
29.	57	Cruce de Magua - Los Lanos	2.4	12/89	23,857	No	N/A	Poor
30.	67	Los Puentes - Moquita	2.2	12/89	27,184	No	N/A	Fair
31.	85	Cruce Guatapanal - Cruce Potrero	4.3	3/90	49,554	No	N/A	Good
32.	87	Jaibon (Cr. Duarte) - La Caya	6.0	3/90	74,377	No	N/A	Good
33.	88	Taibon (Duarte) - Rio Yaque del Norte	4.3	3/90	65,613	No	N/A	Good
		Totals	<u>179.0</u>		<u>2,328,858</u>			

Dollar costs were estimated as follows:

For roads under Phase I - amount budgeted, as modified, divided by exchange rate effective at the time Project Implementation Letter No. 9, approving contracts for roads rehabilitation, was signed.
For roads under Phase II - amount contracted divided by exchange rate effective at the time contract was signed.

2. Assessments based on auditors' first-hand inspection of individual roads and discussions with Project consulting engineers during field trips in April and May, 1990.
3. Daily routine maintenance given by Directorate-recruited hand laborers.
4. Semiannual maintenance given by Directorate regional center crews using heavy equipment. Given this cycle, assessing evidence of periodic maintenance for roads rehabilitated within the preceding six months of our field trips did not apply.
5. For administrative purposes, rural roads rehabilitation work under the Project was divided in Phase I (300 kilometers) and Phase II (700 kilometers).

15'

ILLUSTRATIVE EXAMPLES OF
RURAL ROADS REHABILITATED UNDER THE PROJECT
BUT INADEQUATELY MAINTAINED



Road No. 13 El Guinco - Las Tres Veredas



Road No. 37b Galvan - El Millo

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UNITED STATES GOVERNMENT

memorandum

DATE: September 28, 1991
REPLY TO: *Raymond F. Rifenburg*
ATTN OF: Raymond F. Rifenburg, Mission Director, USAID/Dominican Republic
SUBJECT: Mission Response to the Draft Audit Report of Project No. 517-0177-Rural Roads
TO: RIG/A/E

The following represents the Missions's response to the two recommendations (in six parts) presented in the above draft audit.

Recommendation No. 1

" We recommend that USAID/Dominican Republic:

- a. pursue and implement available options to ensure that the Government of the Dominican Republic, through the Secretariat for Public Works and Communications, adequately maintains rural roads rehabilitated under the Project including i) policy dialogue with the host government and international-donor organizations and ii) use of A.I.D.-generated local currency, if available,
- b. follow up on Project Implementation Letter No. 29 to ensure that the Directorate General of Rural Roads' regional road maintenance centers establish records adequate to show the utilization and maintenance of project-funded equipment,
- c. issue a project implementation letter requiring the Secretariat for Public Works and Communications to immediately distribute the project-funded road maps in storage and develop a schedule for the delivery and distribution of road maps not yet completed, and
- d. request the Secretariat for Public Works and Communications to comply with its training-related commitments under the Project Agreement to ensure continued support of road maintenance activities."

Mission Response

a. The draft report and its recommendations accurately reflect the somewhat disappointing results of this project and are consistent with the Mission's decision not to pursue follow-on activities given the dwindling development assistance resources allocated by A.I.D. for the Dominican Republic. Since the Project Assistance Completion Date (PACD) of June 30, 1990 has passed, no additional funding of any of the activities funded under this project are presently being contemplated by the Mission. The International Bank for Reconstruction and Development (IBRD), however, has been involved in rural road projects and has recently communicated its intention to continue in such efforts. As page 12 of the draft report emphasizes, since the 1986 change in government administrations rural road construction and maintenance has not been a major priority of the Government of the Dominican Republic (GODR). Effective policy dialogue focuses on measures which would maximize the present and future impact of policies and reforms. If rural road construction or maintenance are a part of that dialogue, or are part of the local currency program, it will be because an ongoing analysis of their present and future utility to the nation continues to exceed the opportunity costs of their alternatives given limited projected resources. Accordingly, the Mission cannot guarantee any specific level of future commitment on behalf of the GODR to rural road maintenance.

b., c. As the PACD on this project has expired the Mission cannot devote any
& d. additional resources to project activities. The Mission, however, proposes to draft a letter to the Secretariat for Public Works and Communications which would recommend a number of actions and would address the concerns expressed in these three recommendation parts, i.e:

- the establishment of adequate equipment utilization and maintenance records,
- the completion and distribution of all maps in storage or in process, and
- the performance of training activities for rural road maintenance.

If RIG/A/T concurs with this approach the Mission will forward a copy of this letter as soon as it is drafted.

Conclusion

Based upon the above discussion and plans of action the Mission requests that part a. of the recommendation be closed and parts b., c. and d. be reclassified as resolved.

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Recommendation No. 2

" We recommend that USAID/Dominican Republic:

- a. reconcile with the Secretariat for Public Works and Communications the advances made for rehabilitation of rural roads and liquidate them by the June 30, 1990 project assistance completion date, and
- b. recover the advances made for rural roads that show no work accomplished as of June 30, 1990."

Mission Response

As is noted in the draft report the Mission liquidated all outstanding advances in a timely manner, prior to the PACD of June 30, 1990. The Project Outstanding Advance Report is presented as Exhibit I and shows that no advances are outstanding. The final voucher, No. 01148 (shown as Exhibit II), was processed and recorded on June 15, 1990. This voucher liquidated the final \$196,489.90 of advance monies, covering the remainder of nine separate advances. On the basis of these actions taken the Mission requests that both parts of this recommendation be closed.

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