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19845

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

AUDIT REPORT

USAID - GUYANA

FEASIBILITY AND PRE-FEASIBILITY STUDIES

LOAN NOS. 504-L-003 AND 504-L-009

(PROJECT NOS. 504-22-995-042 AND 504-22-995-054)

PERIOD COVERED: NOV. 3, 1966 THRU APRIL 30, 1975

REPORT : NO. 1-504-75-XXX

DATE:

PART I

INTRODUCTION

To assist the Government of Guyana (GOG) to identify potential development projects and to establish priorities conforming with the GOG development goals, A.I.D. agreed to finance selected feasibility and pre-feasibility studies. Two loans were signed, one in 1966 and one in 1969, providing a combined total of \$4.1 million, ~~and~~ Our review focused on the overall management of these loans to determine if effective and efficient use is being made of US provided resources. The GOG's utilization of these resources is in pursuit of established objectives and is being implemented with AID approval. The GOG's management of projects is, in some cases, slow but can be considered satisfactory, and USAID/Guyana monitorship is adequate.

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PART II

SUMMARY

In our review of the feasibility study loans we found:

- an uncommitted balance of \$34,753
and recommended that USAID/Guyana
deobligate the balance.

- also, USAID/Guyana when justifying Loan 009,
referred to Other Donor's Contributions as
being of significant value to warrant input
additional to Loan 003, however, USAID/Guyana
had not independently verified these contri-
butions and we recommended that this be done.

- and, because three of the five loan financed
contracts are completed we ~~recommended~~ ^{suggested} that
AG/AUD ~~make a~~ ^{decide if} final audit ^{dollar} of disbursements at
the contractors' home offices in the U.S. ~~are~~ ^{are}
required at this time.

PART III

STATEMENT OF FINDINGS AND RECOMMENDATIONSLOAN NO. 504-L-003

A.I.D. Loan No. 504-L-003 in the amount of \$600,000 was signed on November 3, 1966. An amended agreement increasing the amount by \$1.0 million to a new total of \$1.6 million was signed on August 29, 1967. The purpose of the loan was to provide funds for feasibility and pre-feasibility investigations and final engineering plans and specifications for selected economic projects in Guyana. The combined feasibility studies consisted of coastal roads, agricultural research, rice storage and marketing, and a survey of the insurance industry.

Of the \$1.6 million available from Loan 003, \$1,151,288 had been committed as of June 30, 1968: \$510,015 disbursed for completed work, and \$641,273 obligated for work in progress.

The balance of the loan, \$448,712 was to be applied to cover the costs of contracts being negotiated. However, the total estimated costs of the contracts being negotiated was \$933,546 or \$484,843, in excess of the \$1.6 million fund level of the loan. (See Exhibit A).

The GOG then requested that A.I.D. supply the additional financing by amending Loan 003 and increase it \$0.6 million to a new total of \$2.2 million. Rather than increase the existing loan, A.I.D. and USAID/Guyana opted for a new loan and on August 16, 1969, Loan No. 504-L-009 in the amount of \$2.5 million was signed. The purpose of the new loan was to provide the needed funds to meet the commitments being negotiated under Loan 003 but in excess of Loan 003 funds, and to continue feasibility and pre-feasibility studies which by August, 1969, were expanded to include additional agricultural research, transportation, and such other areas as A.I.D. and the Borrower might mutually agree on.

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The two A.I.D. Loans, Nos. 003 and 009, extended to Guyana level of funding totaling \$4.1 million.

LOAN JUSTIFICATION

The Intensive Review Request (IRR) and the Capital Assistance Paper (CAP) while justifying both loans on the basis of high priority and necessity to help the GOG to attain economic and social development goals, also caution the GOG against accepting the belief that A.I.D. financing of the feasibility studies automatically committed A.I.D. to provide financing for projects resulting from the studies.

Also, documents in USAID/Guyana files show that the GOG was urged to obtain financial assistance from other donors. A memorandum prepared by USAID/Guyana for the Capital Assistance Executive Committee on March 22, 1973, shows as alternate sources of financing the UN, the UK, and the Canadian Government.

US INPUT RESULTING FROM STUDIES

Notwithstanding these conditions, the US through A.I.D. over a period of four years and as a direct result of projects developed from the feasibility studies financed under Loan 003, did indeed extend to Guyana \$37.4 million through the following loans:

<u>Loan No.</u>	<u>Loan Purpose</u>	(000) <u>Amount of Loan</u>
504-L-004	Road Construction	\$7.5
504-L-007	Water Supply Improvement	2.6
504-L-008	Rice Modernization	12.9
504-L-009	Feasibility Studies	2.5
504-L-010	Improvement Georgetown Streets and Approaches	8.9
504-L-011	Improvement New Amsterdam Streets and Approaches	3.0
		<u>34.9</u>
		<u><u>\$37.4</u></u>

Loan 003 was almost fully disbursed by June, 1973, and was officially closed out by June 1974. An unliquidated balance of \$118,144 was transferred to Loan 009 on July 6, 1973, to apply to the ongoing Harza contract which became effective during implementation

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~~of Loan 003: (See Exhibit B).~~

As shown at Exhibit B, 13 studies were financed under Loan 003; 12 of the studies were used by the GOG to make economic improvements in areas compatible with Guyana development goals. One study, the feasibility of dredging the Berbice River Bar and establish a deep-water, inland channel, was determined to be uneconomic. In so far as the concomitant other donor contributions are concerned USAID/Guyana files do not contain independently verified evidence that these contributions materialized.

USAID/Guyana in June, 1969, used the following information to support compliance with Other Donor Contribution requirements i.e.

- (a) that the UN had a special fund to finance large-scale studies in the fields of electric power, a geological survey, and forest industries.
- (b) the U.K. had agreed to undertake three studies in the fields of livestock, and agricultural research; and.
- (c) the Canadian Government will probably finance a study relating to the development of air transport, inasmuch as that government is providing Guyana with two twin Otter aircraft under its grant program.

USAID/Guyana should independently verify and document the results of the Other Donor Contributions as these relate to overall development goals.

RECOMMENDATION NO. 1

USAID/Guyana independently verify and document the results, if any, of the Other Donor Contributions as specified.

LOAN NO. 504-L-009Disbursements

Loan 009 was signed on August 16, 1969, and initial disbursements committed on July 27, 1971, almost two years later.

Disbursements for dollar costs are made through US banks which are authorized to disburse against Letters of Commitment issued by USAID/Guyana upon request of the GOG.

The original Loan provided that disbursements are to be used to finance procurement of services and commodities having their source and origin in the U.S. The Loan was amended on February 12, 1971, to permit procurement of goods and services from any eligible source countries included in AID Geographic Code 941.

The books and records for dollar expenditures are kept, without exception, at the contractors' home office in the U.S. and any verification of these expenditures will have to be made in the U.S.

As of April 30, 1975, disbursements amounted to \$1.1 million out of \$2.4 million committed. Also as of April 30, 1975, there was an uncommitted balance of \$34,753. Inasmuch as the contract costs are firm USAID/Guyana should deobligate this unliquidated balance.

RECOMMENDATION NO. 2

USAID/Guyana should carefully review loan needs under current requirements and if the unliquidated balance is not needed for legitimate contract obligations, the balance of \$34,500 should be deobligated.

IMPLEMENTATION

Inasmuch as the studies to be carried out under Loan 009 were a continuation of interests stimulated under Loan 003, the implementation of Loan 009 was transitional and, with the exception of the E.G.&G. contract, there were no other major delays inhibiting timely achievement of established goals. However, as shown Exhibit D, Loan disbursements were slow. Loan 009 was signed

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on August 16, 1969, and full compliance with the Conditions Precedent had been obtained by October 15, 1969, but initial commitments were not finalized until July 27, 1971, and the first disbursement of \$21,016 made on September 30, 1971, almost two years later.

According to USAID/Guyana records the delayed disbursements were caused by the GOG review of contract proposals and A.I.D. contract approval procedures. Once these requirements were satisfied project implementation proceeded at a normal pace.

RESULTS OF LOAN INPUT

As of April 30, 1975, three out of five loan financed contracts had been completed: the Harza contract one of the feasibility studies with a massive scope of work costing \$927,644, had been completed in so far as the field work is concerned. The contractor had returned to the U.S. and submitted the final report in March, 1974, but, the GOG delayed almost a year reviewing and approving the report and final acceptance is dated March 25, 1975. The study involved a survey of one of the most agriculturally productive areas (approximately 600,000 acres) on the Atlantic coast of Guyana to determine supplemental ^{requirements} water, flood, and drainage characteristics, ~~requirements~~, and additional economic water sources.

The other two completed ^{are} contracts, Experience Inc., \$35,000, for a study of the Dairy Industry, and Gilbert & Associates, \$151,000, for a study of potable water revenue producing delivery system. The contractor had also completed field work, departed Guyana, and ^{are} preparing the final reports.

RECOMMENDATION NO. 3

AG/AUD should make a final audit of the US dollar reimbursements under these three contracts financed under Loan 009.

Work on the Tippetts-Abbott-McCarthy (TAMS) contract was initiated in March, 1975. This contract (\$647,000) is for an agricultural infrastructure study.

The E.G.&G. contract, also of massive technical scope (\$772,000) for a hydrographic, oceanographic, and seismic study of the Essequibo River, was begun in April, 1974. Approximately 38% of the work has been done on this contract; the work is approximately seven weeks behind schedule, but about 80% of the contract amount, \$308,211 has been billed and an overrun of approximately \$33,000, is expected. According to USAID/Guyana there is no hope that the work program detailed in the scope will be completed by July, 1975, the terminal date of the contract.

USAID/Guyana has been approached by the GOG to furnish the funds needed for the over-run. However, USAID/Guyana is aware of the following factors:

1. The delay in work schedule was caused by
 - (a) the GOG's inability to furnish on schedule the fluvial mobility required by the contract.
 - (b) an absence of adequate maintenance and repair facilities during break down of the fluvial equipment; and
 - (c) insufficient and incomplete provisioning for the crews.
2. The over-run is due to the contractor's
 - (a) poor management of project finances; and
 - (b) not providing, as scheduled, the GOG with contract required information.

These problems deserved and received some attention from USAID/Guyana in its role as project monitor. But, essentially, the problems are between the GOG and the contractor, and there is very little concrete assistance USAID/Guyana can offer.

Regarding the contract over-run, ^{new claims} it is possible that an unliquidated balance of ~~about \$33,000~~ ^{amount} will result from the Harza ^{uncommitted} contract. This ~~money~~ together with the unliquidated balance of the

loan(\$34,500,) should be sufficient to meet the needs of the E.G.&G. contract. However, ~~should funds additional to the loan provided \$2.5 million be required, we feel the GOG should be willing to contribute something besides requests for funds.~~

PART IV

BACKGROUND AND SCOPE

AID Loan No. 504-L-003 and 504-L-009 for a combined total of \$4.1 million were made to the Cooperative Republic of Guyana (the GOG) for the purpose of making feasibility studies and pre-feasibility investigations of selected economic projects in Guyana. We reviewed the overall project status as of April 30, 1975, to determine if the project was being carried out in a manner permitting efficient and economic achievement of objectives, if disbursements and expenditures were in accordance with the governing agreements and covering contracts, and if USAID/Guyana project monitoring was adequate.

We made the audit in accordance with generally accepted auditing standards giving due regard to A.I.D. regulations. The review was made at the Georgetown offices of USAID/Guyana where we examined files and discussed the project with USAID/Guyana officials. We also reviewed files and held conversations with one of the contract representatives.

This is the initial review of Loan 009. However, Loan 003 was reviewed in December 1970, and the audit report contained three recommendations which had been closed by November, 1971. Also, a final audit of ^{two contracts under} Loan 003 was made by OA/EAD/AID/W and the report was issued November, 1972. This report ~~also~~ contained one recommendation which was closed in 1972.

Our review covered the period from Loan 009 signature date August 16, 1969, through April 30, 1975, and field work included a discussion of the report with USAID/Guyana during which time we obtained written comments relating to the report.