

PD-AAA-536-A1

Proj. 62/0118  
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AUDIT REPORT ON TANZANIA TSETSE ERADICATION LOAN

Loan 621-H-016

UNITED STATES GOVERNMENT

# Memorandum

TO : AFR/DR, Mr. Steve Klein

DATE: August 23, 1976

FROM : AFR/ESA, Owen Cylke

SUBJECT: Request for ECPR, Audit Report on Tanzania Tsetse Eradication Loan

In connection with two audits of the Tanzanian Tsetse Fly Eradication Loan which surfaced substantial implementation problems and recommended that the Assistant Administrator for Africa consider calling the loan, USAID/Tanzania was instructed to prepare an action program to correct implementation deficiencies. The Action Plan would be the basis of an ECPR review of the loan. This plan has been submitted, and an ECPR now possible. It is requested that the necessary actions be initiated to schedule the ECPR. Perhaps a Project Committee meeting should proceed the ECPR. The below listed documents, attached, provide the information base for the ECPR. The issue is whether AID/W considers USAID/Tanzania's Action Plan satisfactory to proceed with project, are modifications required to the Plan, or might the very extreme action of calling the loan be necessary.

#### Attachments:

1. A Revised Plan for Tsetse Fly Eradication, USAID/Tanzania, August 4, 1976
2. Report on Examination of the Tanzania Tsetse Fly Eradication Loan, Jan. 27, 1976
3. Follow-up Review of the Tanzania Tsetse Fly Eradication Loan, June 11, 1976, AAG/Africa
4. Ltr. Vernon Johnson to H. North, June 23, 1976
5. Ltr. S. Scott to V. Johnson, July 15, 1976
6. Memo Scott to J. Murphy, July 15, 1976



A REVISED PLAN FOR TSETSE FLY ERADICATION  
(Bush Clearing in West Lake Region, Tanzania)  
Loan No. 621-H-016 - \$800,000

I. Description and Background of the Project

Tsetse flies which cause sleeping sickness in humans and animals exist throughout much of tropical Africa and are one of the greatest deterrents to economic development. For this insect to exist two essentials -- shade and water -- are necessary. To eradicate tsetse flies the surest way to-date is to establish vegetation free barriers in bands at least one mile wide then spray the isolated area by plane and periodic hand spraying.<sup>1/</sup>

Background of this loan project is covered in detailed reports viz., a technical feasibility study performed by a three-man USDA team in 1969; by the capital assistance paper (AID/DLC/P-939) issued January 22, 1971 and by the loan agreement (AID 621-H-016) dated May 25, 1971. In brief, subject loan was designed to provide equipment (heavy and light tractors, graders, tools and camp equipment and a Cessna spray plane) for clearing the barrier around a prescribed development area in West Lake Region. As revised, the plan now is to prepare 400,000 acres for ranching. Adjacent to this land which shall be separated by tsetse fly free barriers, there is a high plateau which is also tsetse free and on the other side is a natural barrier bordered by settlements which are being further developed. As originally designed the project was to require six years from the date of the loan agreement and was designed to clear vegetation from approximately 134,000 acres of barriers.

II. Expectations and Subsequent Realities re Original Plan

A. Expected: It was expected that all loan equipment and supplies from the U.S. would have arrived in Tanzania by 1972, providing roughly five years to complete the project.

Actual: While some of the lesser pieces of loan equipment did begin arriving in 1973 time lag for Caterpillar and other heavy equipment was unduly excessive. The equipment arrived in Tanzania in piecemeal making it difficult to organize and coordinate full work crews of combined hand and machine efforts. Last remnants of the equipment did not arrive until mid-1975.

B. Expected: In the original planning it was expected that fuel and other supplies including spare parts would be available or could be obtained without undue effort.

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<sup>1/</sup> Experiments show that a barrier one mile wide which is devoid of shade will deter tsetse flies from crossing it and thereby infesting isolated areas within the barrier.

Actual: Lake barges belonging to Kenya which were depended upon to carry fuel were recalled requiring truck transport. This proved to be inadequate. Moreover oil prices since 1973 became a major constraint as supplies in Tanzania began to decrease. Fuel priority was placed on essentials (public safety, institutions) before development projects such as this one. In addition during the rainy season transport by road became impossible making for long delays in clearing operations.

C. Expected: By means of a source waiver it was expected that three British nationals who were familiar with tsetse fly clearance in Tanzania would join the project and their salaries would be topped off from the loan.

Actual: This critical requirement never materialized.

D. Expected: In the absence of expatriate personnel the Tanzania Government (TanGov) expected to use their own local mechanics to cope with the complicated U.S. equipment and keep it going.

Actual: This proved to be impossible.

E. Expected: As shown under Item B Section 702 of the Loan Agreement AID made it an obligation that the project was to be carried out with "diligence and efficiency".

Actual: This item a priori is impossible to fulfill in LDCs like Tanzania especially where Western manufactured equipment is involved and this requirement should be deleted from such loan agreements in the future.

Finally, the audit under discussion ignored the reality of the situation.

### III. The Audit

The AAG office in Nairobi performed an audit on this project January 27, 1976 and a follow-up audit on June 11, 1976. For purposes of this report Recommendations No. 1 in both audit reports are applicable.

#### January 27, 1976 Audit Recommendation No. 1

USAID/Tanzania and REDSO/EA, in collaboration with the TanGov should determine if objectives of the Tsetse Fly Eradication Loan can still be met within a reasonable time frame. If so, a written agreement with the TanGov and a detailed plan of action (including intensive USAID monitoring) should be developed. If it is determined that loan objectives cannot be reached, consideration should be given to accelerating loan repayment as provided in the loan agreement.

June 11, 1976 Audit Recommendation No. 1

The Assistant Administrator, Africa Bureau should require that REDSO/EA and USAID/Tanzania officials implement Recommendations No. 1 and No. 2 of AAG/Africa Audit Report No. 3-621-76-25 within sixty days. Further, we recommend that any agreements reached with TanGov officials be elevated to the Minister of Agriculture level, and, if adequate assurances and agreement cannot be reached, the Assistant Administrator, Africa Bureau should take immediate action to accelerate loan repayment as provided for in the loan agreement.

Subsequent to the second audit the AAG and his deputy visited USAID. The Mission again pointed up some of the difficulties posed by the audit. In any case, it was agreed that if the original operational plan as indicated in the loan could not be complied with USAID would contact the Minister of Agriculture and solicit support at this high level for a revised plan which would be more realistic under conditions in Tanzania and would provide a new baseline for future audits. On June 27 the USAID Director and staff met with the Minister of Agriculture and his staff. Both audits were reviewed and agreement was reached to produce a revised operational plan. The first "revision" meeting occurred on July 13, 1976 at USAID and subsequent meetings were held in the Ministry of Agriculture (MOA). Through these meetings a revised time phased operations plan was worked out and agreed to.

IV. The Revised Plan

Participants in the meetings to revise the plan were:

Dr. Maeda, Director of Livestock Development, MOA

M. K. Gao, Director of Tsetse Fly Control, MOA

O. Kalindimya, On-Site Project Coordinator, MOA

L. E. Swanson, REDSO/EA Agriculture Engineer

Vernon C. Johnson, Director, USAID/T

Jack H. Francis, Acting Assistant Director, USAID/T

Larry Abel, USAID/T

E. W. Williams, Acting F&A Officer and Project Manager, USAID/T

The content of both audits were again reviewed and the purpose of the meeting was briefly stated. The USAID Director asked those present to carefully consider all project requirements, a reasonable time frame and to note constraints to project objectives so that the new operational plan would be realistic. In addition the new plan should identify any new resources considered essential to the timely completion of the work. By mutual agreement the critical constraints to the project were listed as follows:

A. Fuel Deliveries: The number one problem was identified as lack of or uncertain fuel supplies. At present fuel is delivered by tank truck from Mwanza to Bukoba (60 miles) for distribution throughout West Lake Region. Shell/BP is the sole distributor and at present the project has only one tank truck (9,000 liter capacity) for delivery of fuel from Bukoba to Kyaka (20 miles) where there are several storage tanks and fuel is in turn transferred in drums by trailers hitched to farm tractors and hauled to the project site (additional 20 miles). All fuel reaching Bukoba is allocated by the Regional Development Director (RDD) and priorities such as police vehicles, public conveyances and institutional use claim priority over projects such as the tsetse fly eradication work.

Solution to Fuel Problem

1. The MOA has been allocated one of the tanks at Kyaka by Shell/BP. It is now being removed from Kyaka for reinstallation at the project site with the view of one haul of fuel direct from Bukoba to the project (38 miles). However, in order to assure a full week's supply of fuel two smaller tanks also at Kyaka are now available for sale by an ex-fuel dealer at the price of 21,000 Tanzania Shillings. It was agreed that these two tanks also should be transferred to the project site and would also receive fuel from Bukoba.
2. One 9,000 liter tank is to be in place at the project and functioning by August 30, 1976. By October 31, 1976 all three tanks are to be at the project site and functioning.
3. MOA contacted Shell/BP and received assurances that this project would have priority in the delivery of fuel from Mwanza to Bukoba. The RRD is to be made aware of this and the Minister of Agriculture will instruct him to allocate sufficient fuel.
4. MOA officials are in the middle of budget reviews and are making sure that budget requests are adequate for the procurement of necessary project fuel.

B. Spare Parts and Equipment: One of the critical problems in Tanzania is of course the procurement of spare parts which depend upon foreign exchange (FX) availabilities.<sup>2/</sup> Moreover companies which list themselves as being representatives of certain American firms such as International Harvester and American Motors carry few if any spare parts. The spare parts situation at the project is as follows:

Caterpillar Equipment: Some needed spare parts ordered are already at the project site. In addition the Caterpillar dealer in Dar es Salaam seems more reliable than other dealers. Problems have arisen however in delivery of parts from Dar to Bukoba and in one instance spare parts went to Bukoba, back to Dar and back to Bukoba again requiring approximately eight months before final delivery. Shipment by flat car of large pieces of equipment such as a D-8 tractor is slow and may require several months to reach the project site.

International Harvester (IH) Equipment: Two wheel tractors are still operating on spare parts that were delivered with the machines. Although there is a representative in Dar he does not stock spare parts and when a special spare part is required it may have to be flown in from the U.S.

One IH truck has been deadlined for the past six months and requires spare parts valued at 34,000 Tanzania Shillings. It is reported by MOA that these spares will be purchased this month (August).

C. Miscellaneous: Workshops have been built and adequate camp facilities constructed. An excellent spare parts and equipment store is on hand and MOA including the Minister has promised to allocate funds for operating these facilities. This represents a higher priority placed on this project by the TanGov.

D. Communications and Transport of Spare Parts and Other Equipment: Dr. Maeda, the Director of Livestock Development of MOA, after having a high level meeting with Shell/BP regarding fuel is traveling to Bukoba and the project site with instructions to the Regional Livestock Development Officer and the Officer in Charge of Regional Stores so as to improve delivery of both small and large pieces of project equipment which heretofore have failed to reach the project site expeditiously. He will give specific instructions to these officers and will initiate a plan whereby officers at the project site as well as regional officers in

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<sup>2/</sup> It is reported that as of mid-July Tanzania FX liquid assets approximated a mere \$7 million.

in Bukoba will be aware of any and all shipments of equipment to the project.

E. Spraying Operations: MOA officials reported that the wing of the plane had been repaired and the damaged spray tank is in Nairobi for repairs. According to their projection repairs to the tank should be completed by August 30.

As will be noted from the attached Work Schedule, Barrier I is to be completed by September 1 and spraying in Area I is planned to start in early September. According to the on-site project coordinator the airstrip at the project site is in order. Nine days are required to spray each barrier one time and each area must be sprayed at least three times allowing 21 days to complete the sprayings. As prescribed the aircraft will fly two hours in morning and two hours in afternoon (four hours per day) making for 36 hours of flying time for spraying each area (nine days times four hours) whereupon the aircraft will be serviced before further work.

F. Assumptions Regarding Working Schedule:

1. D-8 tractors will work eight hours per day five days per week.
2. Tractors will not be able to work in rainy periods.
3. Tractors will be able to clear eight acres per hour in Barriers Nos. II and III and ten acres per hour in Barrier No. IV.
4. Tractors will be able to clear 60% of the several barriers and hand labor will be necessary for the balance.
5. Hand clearing will require five men for one day to clear one acre in Barriers Nos. II and III and four men per acre per day in Barrier No. IV.
6. Hand clearing can continue through rainy periods.
7. One hundred laborers will be employed but calculations are based on 80% actually on the job.
8. Hand laborers will work six days per week.

9. During a year the following working days per month should be assumed:

	<u>TRACTORS</u>	<u>HAND LABOR</u>
January	20	25
February	20	25
March	10	27
April	0	25
May	0	26
June	22	27
July	21	26
August	23	27
September	22	26
October	16	26
November	0	26
December	8	19

The above does not exclude actual holidays but reduces the working days in December to take this into account.

Plan: Utilizing the above, the attached phased projection of work was prepared (see chart). Tractors will work five days a week which will allow one day a week for servicing and maintenance. In addition "cushion" time has been included in the projection to allow for normal down time. The projection indicates that the project will be completed by the end of CY 1980, however, experience and proficiency gained by operations and crew could accelerate the work and make it possible for the project to be completed prior to the projected date.

NOTE: As of this writing MOA has reported again to USAID that Shell/BP will be able to ship fuel by barge from Kisumu, Kenya across Lake Victoria to Bukoba, Tanzania. The Shell zonal manager in Bukoba has also agreed to move the large fuel storage tank from Kyaka to the project site at the Company's expense and has indicated a time period not to exceed two weeks for this operation.

As seen from Attachment I 400,000 acres of grazing land will be included in the new ranches and hopefully will be tsetse fly free once the barriers are established.

Attachment II, "Suggested Work Schedule to Complete the Project", is self explanatory. It shows that the first barrier will be completed before September 1, 1976 and before beginning the second barrier fuel tanks will be moved and installed. Clearances of the second barrier using both anchor chain and hand tools will begin in September 1976 and will be completed as of September 1977. The mover then will be made to Barrier III and finally to Barrier IV, The latter is a longer barrier and involves more complicated clearance due to difficult terrain. One should also note that heavy and light rains affect work operations and particularly that of machine operations. Experience has proved however that in Tanzania the mixture of machine (anchor chain) with hand labor is the most practical way to eradicate tsetse flies through bush clearing.

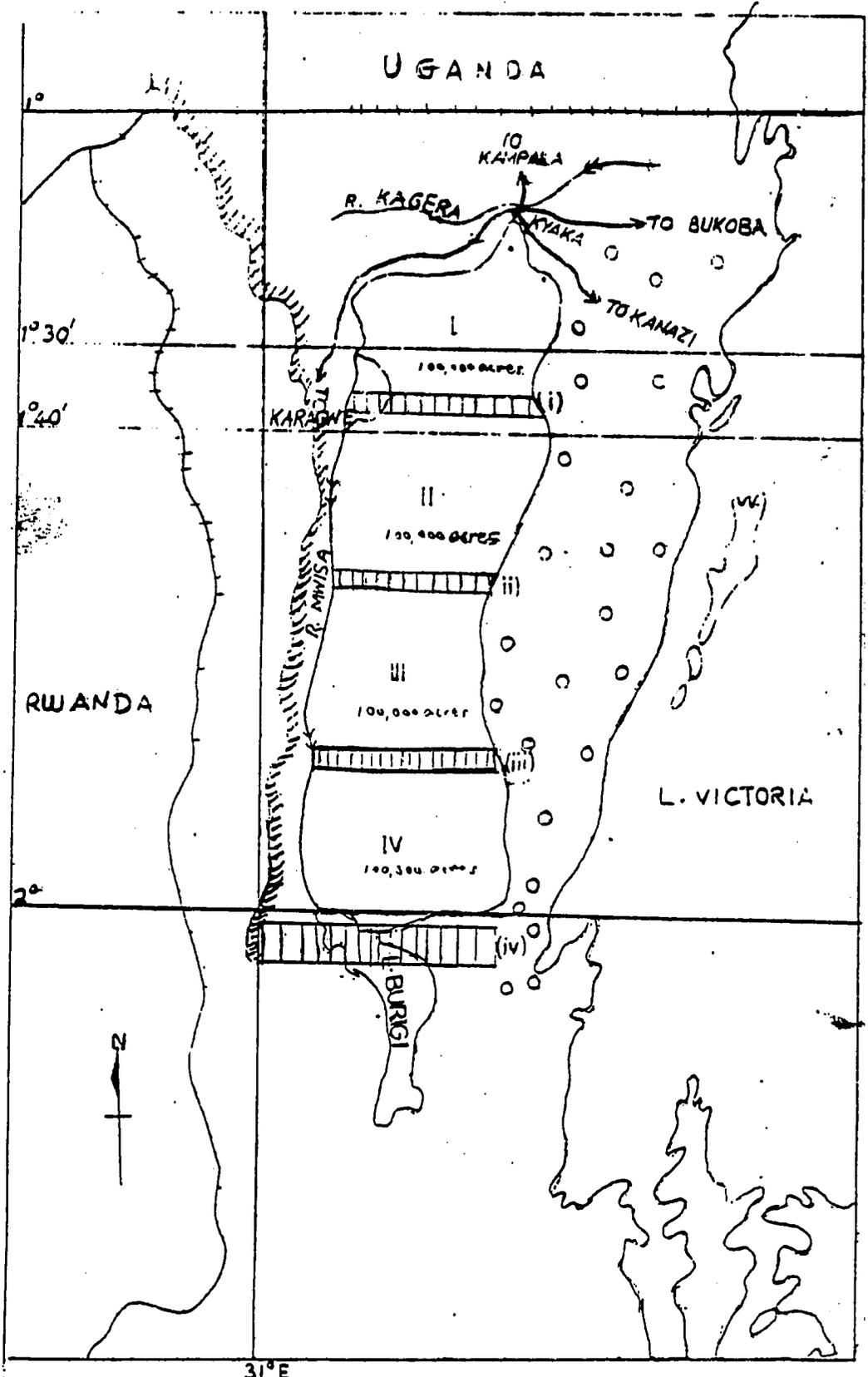
We have allowed adequate time for contingencies which are normally expected in these kinds of operations. Our considered judgment is that the project will be fully completed in 1980 rather than at the end of 1977 as previously planned and that all future audits should be prepared with this deadline in view. As a final footnote, we have reported in past correspondence that under its own austerity program and IMF and IBRD restrictions Tanzania is decidedly short of FX as well as recurrent expenditures. The budget of MOA does not at this time carry provision for the purchase of the two additional fuel tanks that are available and could be transferred to the project site nor does TanGov have FX for two fuel trucks and contingency spare parts that are required for expeditious action under this project.

It is requested therefore that USAID be permitted to make a contribution of approximately 21,000 Tanzania Shillings to assist with the purchase of fuel tanks and provide two fuel trucks (with mounted tank and spare parts) and approximately \$20,000 as a spare parts contingency. In the absence of technical assistance from any other source and notwithstanding ideas to the contrary it will become necessary at the USAID Director's direction to use Project Managers from on-going TA projects and upon occasion technicians from other projects if the degree of monitoring and observations that the auditors require are to be maintained.

Prepared by USAID/Tanzania  
August 4, 1976

# MWISA RANCHING SCHEME

APPROX. 400,000 ACRES - AREAS I-IV

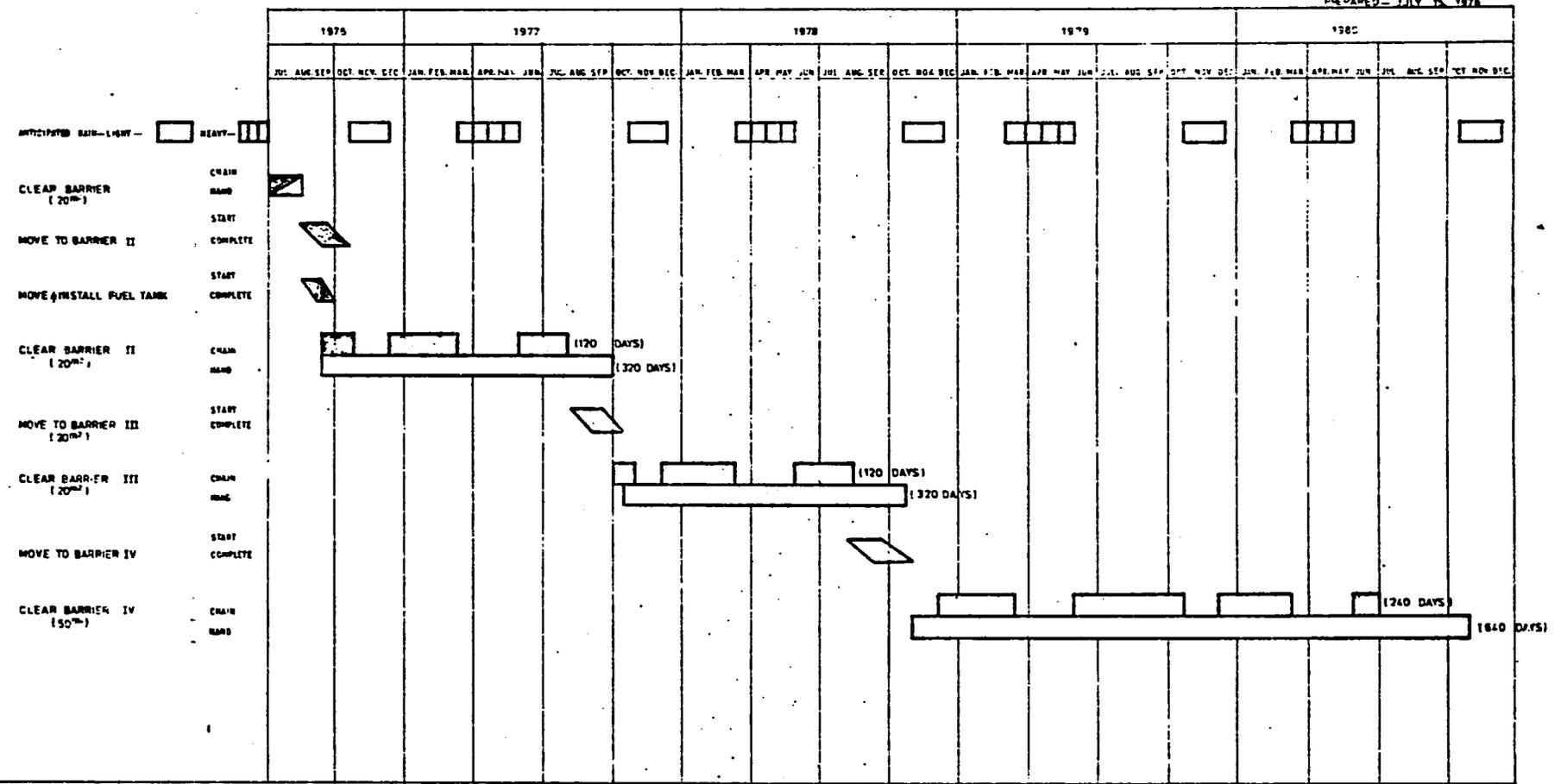


= Karagwe escarpment 5-6,000'  
 = Tsetse-barrier clearings (i-iv)  
 = Settlements

= International boundary  
 = Rivers

SUGGESTED WORK SCHEDULE TO COMPLETE TSETSE FLY BARRIERS IN WEST LAKE REGION LOAN No. 521 H. 016.

PREPARED - JULY 15, 1978



**LEGEND**  
 RAIN - LIGHT - LIGHT BLUE  
 HEAVY - DARK BLUE  
 MOVE TO BARRIERS - ORANGE  
 MOVE & INSTALL FUEL TANKS - YELLOW  
 CLEARING BARRIERS CHAIN - GREEN  
 ROAD - RED

INFORMATION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU : ES

FROM : AA/AFR, Stanley S. Scott

SUBJECT: Audit Reports on the Tanzania Tsetse Fly Eradication Loan  
(621-11-016)

On July 13, after reading the subject audit reports, you requested information as to the Africa Bureau's plans to straighten out the situation or call the loan.

Since the January 27, 1976, Audit Report, USAID/Tanzania and REDSO/EA had exerted a substantial effort to correct the serious implementation failures which resulted from three principal factors: withdrawal of vital British technical assistance staff before project commodities arrived, extraordinary supplier delays in delivery of equipment which did not arrive until July 1975 - over four years after execution of the Loan Agreement, and the geographically remote location of the project sight which has become increasingly difficult to reach. Nevertheless, the follow-on Audit Report of June 11, 1976 indicated that USAID, REDSO and Tanzania attention to project implementation difficulties still seemed insufficient and the Audit Report recommended that I personally undertake a review of the Loan. On June 24, 1976, I cabled Director Johnson and REDSO/East Africa my concern about the project and scheduled a full Africa Bureau Executive Project Committee Review of the loan for August 9. Also, I instructed USAID and REDSO to provide adequate expository material for that review as well as the field response to the audits. Simultaneously with my cabled instructions, Dr. Johnson reported to the Bureau by letter on progress through June 24 on the loan. His letters are attached for your information, as well as my response to them.

Concerning the possibility of calling the loan, I presently believe that the circumstances surrounding the project probably would not warrant this action. Of particular importance are events which occurred subsequent to the 1971 negotiation of the loan which contributed to project delay, but were beyond the control of the Tanzanian Government. Especially significant were the withdrawal of British expatriates necessary for smooth project implementation, lengthy equipment delivery delays, and Kenya's decision to recall its fuel barges from Tanzanian waters of Lake Victoria which appear necessary to provide adequate fuel to the project site. As an alternative to calling the loan if it is ultimately determined that project objectives can no longer be achieved, or if to achieve them substantial additional A.I.D. financing would be necessary, I have suggested USAID/Tanzania to also consider the possibility of utilizing the equipment elsewhere within the scope of our on-going or already programmed assistance effort in Tanzania.

I will report to you the result of the Bureau's August 9 review and the course of action the Bureau would propose regarding this loan.

AFR/ESA:TO' Keefe:pet:7/22/76

Clearance: AFR/ESA:OCylke (draft)

AFR/ESA:LDurso \_\_\_\_\_

AA/AFR:INorth \_\_\_\_\_

cc: AFR/DP, CWard  
AFR/DR, PLyman  
AFR/DR, SCole  
GC/AFR, EDragon  
GC/AFR, TBork  
PPC/DPRE, Alandy  
USAID/Tanzania, VJohnson  
REDSO/EA, Elogan

JUN 29 1976

AG, Mr. Harry Cromer

AA/AFR/<sup>Stanley S. Scott</sup> Stanley S. Scott

Tanzania Tsetse Fly Eradication Loan - 621-H-016

Ref

Cromer to Scott Memo, 6/17/76

Your memo of June 17 on lack of progress toward resolution of the rather substantial implementation problems under the Tanzania Tsetse loan is appreciated. These problems now seem to be receiving sufficient field attention as evidenced by the attached cable from Dar es Salaam (Dar 2213, June 15, 1976) which indicates the outstanding issues as suggested in the June 11, 1976 audit of the loan shall be dealt with at the Ministerial level. However, I have decided in connection with recommendation one of the January 27, 1976 audit which proposed a field determination if the objectives of the loan can still be met within a reasonable period of time, to call an Africa Bureau Executive Project Committee Review of the loan on August 9, 1976. This review will center on the report I requested from USAID/Tanzania and REDSO/EA on the recommendations of the two audits on this loan. My cabled instruction on this matter, State 156361, is attached.

Attachment: a/s

Clearance: AFR/ESA:OCylke \_\_\_\_\_  
AA/AFR:HNorth \_\_\_\_\_

- cc: AAG/W, RDeschambault
- AFR/DP, RHuesmann
- AFR/DR, PLYman
- AAG/Nairobi, JGriffith
- AFR/EMS, FSpears
- GC/AFR:TBork
- REDSO/EA, EHogan
- USAID/Tanzania, VJohnson

AFR/ESA:TO'Keefe:pet:6/25/76



Department of State

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ORIGIN AID-25

INFO OCT-01 AF-08 EB-07 2041

DRAFTING OFFICE COPY

DRAFTED BY AFR/ESA:OCYLKE:PET

APPROVED BY AA/AFR:SSCOTT

AFR/DP:RHUESMANN (INFO)

AA/AFR:HNORTH (INFO)

AFR/DR:PLYMAN (INFO)

AG:HCROMER (INFO)

AA/AFR:TBROWN (DRAFT)

PPC/DPRE:AHANDLY (INFO)

AFR/EMSLFSPEARS (DRAFT)

AFR/ESA:TO'KEEFE (DRAFT)

DESIRED DISTRIBUTION

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FM SECSTATE WASHDC  
TO AMEMBASSY DAR ES SALAAM  
AMEMBASSY NAIROBI

UNCLAS STATE 156361

AIDAC, FROM SCOTT TO JOHNSON

R.O. 11652: N/A

TAGS:

SUBJECT:TSETSE LOAN 621-K-015

REF: DAR 2213

ACTION NAIROBI FOR REDSO, INFO NAIROBI FOR AAG

I AM VERY CONCERNED BY SUBJECT PROJECT AND THE JANUARY/  
JUNE 1976 AUDIT REPORTS. ON THE BASIS OF THOSE REPORTS,  
I HAVE SCHEDULED A PROJECT REVIEW BY THE ECPR AUGUST 9,  
1976. I WOULD EXPECT YOU TO PROVIDE ADEQUATE EXPOSITORY

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*Department of State*

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MATERIAL FOR THAT REVIEW IN ADDITION TO YOUR RESPONSE  
TO THE RECOMMENDATIONS CONTAINED IN THE AUDIT REPORT.

ROBINSON

UNCLASSIFIED

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Dr. Vernon C. Johnson  
Director/USAID  
American Embassy  
Dar es Salaam

Dear Vern:

This is in reply to your letter to me of June 25, 1976, and to Haven North of June 23, 1976, on the two audits of the Tsetse Fly Eradication Loan. As I cabled you on June 24, 1976 (State 156361), I plan to address the following audit recommendation of the June 11 audit in the context of an ECPR meeting scheduled for August 9.

"The Assistant Administrator, Africa Bureau should require that REDSO/EA and USAID/Tanzania officials implement Recommendations No. 1 and 2 of AAG/Africa Audit Report No. 3-621-76-25 within sixty days. Further, we recommend that any agreements reached with TanGov officials be elevated to the Minister of Agriculture level, and, if adequate assurances and agreement cannot be reached the Assistant Administrator, Africa Bureau should take immediate action to accelerate loan repayment as provided for in the loan agreement."

Prior to that review, I would hope to have received from you, with REDSO/EA assistance, the detailed plan of action recommended by AAG/Nairobi that might lead to attainment of the original objectives of the loan. A frank indication of the TanGov's continued interest and capacity to carry out this project is also requested, although I believe it premature to obtain written TanGov agreement until after the Bureau review.

Although it would be preferable to continue to pursue the purposes of the loan, I am entirely appreciative of the extraordinary physical and managerial constraints resulting from the location of the project site and which greatly complicate this particular project. For this reason, and in view of the lack of progress to date under the loan and the indication in your June 23 letter to Haven North of the possible need for substantial additional AID inputs to move forward, I would not reject consideration of the possibility that it may be advisable to

terminate the project and seek a more practical utilization of some or all of this equipment within the scope of the ongoing TA program. Possibilities for alternative use of the equipment might be the Masai Livestock Development Project, the Arusha Drought Roads, Livestock Marketing, or perhaps the TAB financed Tsetse Fly Sterilization Program which might eventually move to TanGov auspices. The provisions of the original loan agreement should provide this flexibility, if an alternative use for the equipment is warranted and justified to A.I.D. and the TanGov.

Concerning the audit recommendation to seek an opinion from the A.I.D. General Counsel as to whether the circumstances surrounding the loan have deteriorated to a point where A.I.D. will be required to exercise the legal remedies provided under the loan, this aspect of the audit will be dealt with after the August 9 Review and is contingent on the outcome of that Review. As requested, however, I have passed the General Counsel a copy of your June 23 letter to Haven North.

Sincerely yours,

Stanley S. Scott  
Assistant Administrator  
for Africa

Drafted by: AFR/ESA:TO'Keefe:wdd 7/15/76

Clearances: AFR/ESA:OCylke (draft)  
AA/AFR:TBrown  
AA/AFR:WHNorth

cc: REDSO/EA  
AAG/Nairobi, JGriffith  
GC/AFR:TBork  
AFR/DR:PLYman  
AFR/DP:EDonoghue  
AFR/EMS:FSpears  
REDSO/EA:EHogan



UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT

P. O. Box 9130,  
Dar es Salaam, Tanzania

June 23, 1976

Mr. W. Haven North  
Deputy Assistant Administrator  
Bureau of Africa Affairs  
Room 6758 NS  
Washington, D.C. 20523

Dear Haven:

First, congratulations on your appointment. We are delighted to have a person like you in the DAA position. Sorry that my first letter refers to a problem but it seems to be the name of the game out here these days.

The purpose of this letter is to bring you up-to-date on the status of an audit (two audits in fact) of the \$800,000 Tsetse Fly Eradication Loan. For background -- this small loan was negotiated in 1972 and signed in early 1973. We have had nothing but trouble with it since. You may have, or undoubtedly will see, recommendations in two recent audit reports (January 27 and June 11, 1976) on the project since recommendations in both reports involve action by the AA's office. Recommendation No. 1 is that we review the time frame and draw up a joint detailed plan of action with TanGov, the alternative being to impose acceleration of loan repayment.

This morning I paid a call on the Minister of Agriculture and carried a copy of the audit report. We covered the major problems under the Tsetse eradication project. I asked the Minister to instruct his staff to work with USAID/REDSO in addressing audit recommendations and other problems relating to the project. Specifically, I recommended that the Tsetse Control Officer for the Ministry of Agriculture together with the TanGov personnel at the project site and the regional livestock officer in West Lake region meet with us ASAP to further redefine project implementation problems, decide on a realistic time frame for solutions and design a plan of action that will lead to completion of the project. (See copy of Cobb memorandum to the files, enclosed.) I also am asking REDSO engineers and USAID personnel who have visited the project to prepare a draft plan for discussion purposes and possibly adoption. I will further propose that the adopted plan be reviewed annually and revised as necessary. A workable joint plan should be completed at least by the end of August since we anticipate our first meeting on July 13. Before completing the plan however I want REDSO

and one of our people to visit the project site again and make sure that what is said makes sense. Although we are extremely short of people this summer because of the home leave cycle, I have instructed my people here to give this project priority attention so that we can confirm for ourselves and hopefully convince the auditors that a solution to their recommendations is in process. Whereas this equipment loan was planned and signed before my arrival here we believe that tsetse eradication is a necessary activity to open up the vast West Lake area to ranching and other economic activities.

As the auditors have pointed out, the horrendous access difficulties from Bukoba (the nearest town to the project site) and attendant transport problems were grossly underestimated when the loan agreement was signed. For example, Ministry of Agriculture estimates now that two weeks are required to relay a telegram to their men at the project site and have them arrive in Dar es Salaam in response. In another instance the original plans were to have fuel for the tractors transported by lake barge from Mwanza to Bukoba. The barge normally took from 8 - 12 hours and the barges had almost unlimited capacity to transport fuel. However, after the loan was signed and before implementation could begin the Kenyan Government (part of the East African Community) which owned the barges withdrew them from the lake and we were left with the formidable problem of transporting fuel by the world's worst road. In an extremely tight economy like this one fuel sometimes runs out before it ever reaches Bukoba and the project site since it is first consigned to high priority uses, such as, police, ambulance and public transport. When fuel is available it takes a lorry 16 hours in good weather to make the trip from Mwanza to the project site and can only transport a maximum of 2000 gallons (about a 4 day supply).

In addition to these unforeseen problems the difficult topography of the tsetse fly barrier site was not given due consideration. In total mileage (up hill and down) a good deal more hand clearing is necessary than would be true on level land and much of it must be done by hand. This handicap was not envisaged in original planning. In the sparsely settled West Lake region TanGov has had difficulty finding and maintaining the hand labor that complements the drag lines. Some 200 workers are needed but the daily supply averages about 80. Lastly when the loan agreement was signed TanGov had money including FX reserves. It now has none.

The auditors are aware, of course, that no TA from the U.S. was ever planned for this project. This was a mistake but an understandable one. We had assumed that British tsetse fly officers on TanGov payroll who had been hand clearing in the West Lake area would be assigned to this project as expatriate officers. In fact a salary was agreed upon but

Mr. W. Haven North

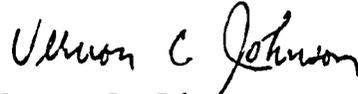
- 3 -

June 23, 1976

a new Tanzanian income tax increase wiped out most of their salary gain. These three officers left Tanzania and never worked on the project. Nowhere in Africa, I am now convinced, will a pure commodity loan using complicated U.S. equipment work unless there is a TA component provided under the loan or Africans who have had special training in the mechanics and functions of the U.S. equipment. When, after the January audit report and with no TA funds under this project, we scampered about to get special training for one heavy equipment Tanzanian mechanic under the Masai project (also livestock and tsetse fly oriented), we got shot down for this effort in the June 11 audit report.

Aside from all of these problems and the list could be expanded I sincerely believe that the TanGov is interested in the project and is attempting under unbelievable conditions and with limited capacity to resolve the difficulty. In this respect the audit reports are decidedly biased to the contrary. Although USAID will have to drop other work we will nonetheless focus on this project during the coming months, will offer a revised plan of action and shall take account of recommendations that the auditors have made. I suggest that your office may want to contact the General Counsel -- note recommendation in January audit report -- and advise that USAID Tanzania is putting priority effort towards reaching a solution to the auditors and the TanGov is cooperating fully in this regard. We do not believe that the stage has yet been reached where the legal remedies which the auditors propose should or profitably can be taken by AID.

Sincerely yours,



Vernon C. Johnson  
 Director

Enclosure

AGENCY FOR INTERNATIONAL DEVELOPMENT



Deputy Administrator

*Floyd*

July 13, 1976

NOTE FOR AA/AFR - Mr. Stanley Scott

SUBJECT: AG Report - Tanzania Tsetse Fly  
Eradication - Loan No. 621-H-016

Stan:

I have read, and been dismayed by, the subject audit report. I would like information as to AFR's plans to straighten out this situation or call the loan.

A handwritten signature in black ink, appearing to be "John E. Murphy", enclosed within a circular scribble.

John E. Murphy

*file*

*TO/C*  
*JH*  
*016*



**Auditor General**

**REPORT ON EXAMINATION OF  
TANZANIA TSETSE FLY ERADICATION  
LOAN NO. 621-H-016**

Audit Report Number 3-621-76-25  
Issue Date January 27, 1976

Area Auditor General Africa  
Agency for International Development

TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016

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Distribution of Report

TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016

I. INTRODUCTION

AID Loan Agreement No. 621-H-016 between the Government of Tanzania (TanGov) and the United States of America was signed May 25, 1971. The loan provided, on concessional terms, up to \$800,000 to finance the foreign exchange costs of goods and services required to support a tsetse fly eradication program in the West Lake Region of Tanzania.

The primary loan objective was to provide heavy equipment, a spray equipped airplane, and the necessary chemicals to enable the TanGov to clear vegetation from wide (2 to 4 miles) barrier zones and thereafter spray the zone interiors to eradicate the tsetse fly population. During the first three years of the project it was expected that approximately 1,434,000 acres would be cleared of tsetse fly infestation.

The purposes of our review were to (a) determine adherence to loan agreement provisions, (b) measure to extent feasible achievement of loan objectives, and (c) identify any problem areas requiring management attention.

II. SUMMARY

The most significant of the findings developed during the audit and presented in detail in the next section of this report are summarized below:

- Extraordinary delays have occurred in construction of barriers under the Tanzania Tsetse Fly Eradication Loan. Four and one-half years after signing the loan agreement less than five percent of the planned barriers have been completed and none of the spray eradication work has started.

AID-financed equipment has not been properly maintained and has not been used for the main project purposes. At the time of our audit most equipment was either inoperable, diverted to other purposes, or not at the project site.

The TanGov has unilaterally changed the project direction by revising priorities. Several loan agreement covenants and warranties have not been satisfied and host country inputs, in terms of personnel and financial support, have not been sufficient.

Overall, we have concluded that loan objectives have not been achieved, terms of the loan agreement have not been complied with, and there is serious question of the TanGov's will and technical ability to effectively implement the loan. We recommended determining whether objectives of the loan could be met within a reasonable time frame or considering acceleration of loan repayment as provided for in the loan agreement. (See pages 2 - 6)

- A significant number of conditions, covenants and warranties provided for in the loan agreement have not been met. We recommended an opinion be obtained from the General Counsel as to whether AID should exercise legal remedies provided under the loan. (See pages 7 - 8)

- The serious loan implementation and legal problems discussed in this report have not been brought to the Administrator's attention in the reporting system required by Policy Determination 57. The question now arises as to the effectiveness of AID's semiannual loan status reporting system. We recommended that reporting requirements be clarified. (See pages 8 - 10)

This report was reviewed in draft with the Directors of USAID/ Tanzania and The Regional Economic Development Services Office, East Africa (REDSO/EA) and their comments were fully included in this final report. In view of the serious problems discussed, we have deviated from normal practice and attached USAID/Tanzania's comments in total as Exhibit A. Their comments were also paraphrased in the report and cross referenced to the applicable text of Exhibit A.

### III. STATEMENT OF FINDINGS AND RECOMMENDATIONS

#### Project Implementation

As of November 1975 there has been virtually no progress toward reaching the primary objective of the Tsetse Fly Eradication Loan. Initially it was planned to clear four barrier zones comprising about 134,400 acres of land. An additional 1,300,000 acres were to be sprayed with insecticide. Our visit to the barrier sites in late October 1975 showed that only about five miles of barrier, one mile wide, had been cleared. Spraying has not been started due to the lack of barriers and the fact that the AID-financed plane crashed and has been inoperable since shortly after its arrival in country.

Implementation has been slow for a variety of reasons. Most notable are:

(a) There is little evidence to indicate the TanGov is either willing or able to effectively implement the loan. For example:

- In a March 1974 letter, the head of the TanGov Tsetse Control Division notified the project site director that priorities for use of the tsetse equipment were for building roads and dams; barrier construction was reduced to third priority. USALI/Tanzania was not consulted nor did they approve of this unilateral change in priorities. At our exit conference USAID officials told us that a subsequent letter had been written, again reordering project priorities and making barrier construction No. 1. However, physical progress of the barrier construction does not indicate that the reordering of priorities has been effective.

- Maintenance capability is limited. During site visits we found major equipment to be inoperable. For instance, a motor grader needed a clutch adjustment but available mechanics were not able to perform the operation. Major repairs to a Caterpillar bulldozer were not thorough because mechanics lacked experience with heavy earthmoving equipment and also needed training and closer supervision. Availability of spare parts has also been a major maintenance impediment. As a result, another bulldozer has been down since April 1975 with a cracked cylinder head and after that arrived, the unit was still inoperable because it needed a fan belt which was not available.

- Host country support has not been adequate. For example, two loan conditions requiring adequate local financial support of the project and employment of a heavy equipment maintenance expert have not been satisfied. Operable bulldozers were found to be idle because fuel was not available. Further investigations showed that suppliers had cut off fuel deliveries because they had not been paid. In answer to our draft report (see Exhibit A, page 3) the USAID pointed out that local support funds were budgeted for this project and in particular that 1,720,000 shillings (about U.S. \$215,000) were budgeted for FY 76. We do not take exception to these figures, however, it must be remembered that project operations prior to FY 76 were nil and required little financial support. At the same time, during our audit we found that major equipment was idle because sufficient funds were not available to pay petroleum suppliers who refused to extend further credit or deliver the needed diesel fuels until the account was paid in full. Thus, even though funds were budgeted they were not made available.

As shown above, it was also found that expert maintenance capability was not available. This condition was known as far back as September 1973 when AID approved a loan amendment to provide funding for topping off salaries of expatriate personnel whose services were considered essential to meeting the objectives of the loan. The TanGov subsequently refused to use loan funds for this purpose but did not take other corrective action in spite of extensive USAID efforts to assist them. (See Exhibit A, Section 2)

(b) Utilization of AID-financed equipment and insecticide for primary project purposes has been extremely limited. Most equipment has been used for other purposes, misused or damaged as previously shown, or, in one case, diverted for use without required AID approvals.

The following table summarizes the utilization of major purchases under the loan:

<u>Item</u>	<u>Value</u>	<u>Utilization</u>
Cessna Airplane	\$ 48,619	Arrived in-country April 1974; crashed August 1974. Still under repair. Not used for project purposes.
4 D-8 Caterpillar Bulldozers	349,942	Arrived in-country June 1973. One unit diverted to unauthorized project without AID approval and in violation of USAID instructions. Three units arrived at site June 1975. USAID authorized use on another AID project during 2-year interim period. Use at project primarily for dam construction. One unit currently undergoing major repairs and the other two idle due to lack of fuel.
D-4 Caterpillar Bulldozer	27,876	Used for road building and dam construction until breakdown in April 1975. Idle since then.

<u>Item</u>	<u>Value</u>	<u>Utilization</u>
Insecticide	\$123,000	Procured in East Africa late 1974. None used. Stored in unprotected area. Eight barrels (valued at \$3280) were found empty and apparently leaked their toxic content in that area.
Clearing Chain (300 feet)	3,400	Only 90 feet at project site. Planned barriers cannot be cleared without chain. Auditors were unable to locate balance.
Spare Parts	5,768	Most at site, but not cataloged and no inventory records available.
Spare Parts	66,782	On order. Had not arrived in country at time of audit.
<b>Total</b>	<u><u>\$625,387</u></u>	

(c) Progress monitoring by USAID, REDSO/EA and the TanGov has also been limited. Our review showed that USAID personnel had not visited the project site until September 28, 1975. REDSO has made no monitoring trips. Required quarterly progress reports and annual operations reports from the TanGov were not available. USAID agreed these reports were never prepared by the TanGov nor was there any USAID effort made to obtain them. Rather, USAID felt that monthly and annual program reviews done by the Mission were acceptable substitutes for the required reports.

In summary, implementation of the Tsetse Fly Eradication Loan has experienced long delays in construction of the barriers and spraying of the infested areas. The TanGov has not provided adequately trained personnel to supervise the project, operate the AID-financed equipment, or properly maintain the equipment. Further, they have not met reporting or monitoring requirements, have unilaterally changed project priorities as well as reduced planned barriers to one mile widths instead of the planned two to four-mile widths. Finally, they have not even provided the necessary funding to procure fuel to operate the AID-financed equipment.

In essence, there is little indication that the TanGov intends to fully implement this project. In view of this, and the fact that the project is now over three years delayed, we believe the project feasibility must be re-examined. USAID has not agreed with this conclusion. They express belief, based on their conversations, that the TanGov gives the project high priority (See Exhibit A, Section 3). They also rationalize that the project could not have begun until July 1975 because sufficient equipment was not available (see Exhibit A, Section 3 and 4). We believe the facts, as expressed previously in this report, speak for themselves and we have found no evidence that would support the TanGov's claim of high priority for this project.

Similarly, we do not concur that equipment arrivals forced delay in starting the project until July 1975. For example, the truck tractor and water trailers which USAID stated did not arrive "until early to late 1975" (Exhibit A, page 3) were actually in country prior to December 20, 1974 according to USAID reports. In fact, the Mission later advised that the truck tractor was cleared from the Dar es Salaam port on November 13, 1974 with an electric cable and connector, tools and instruction manuals missing. It was not until mid-April 1975 that the missing materials were received. The majority of other equipment had arrived by January 1974. If this project enjoyed the high priority claimed, we maintain that the TanGov could reasonably be expected to work around the missing, but minor, support equipment by either purchasing necessary materials in the local East African market or by air freighting in any urgently needed parts. Had such procedures been followed, we estimate that most, if not all, of the barrier construction could have been completed prior to the start of our audit. In fact, even after July 1975 a substantial portion of the barrier construction could have been completed, but it was not until late September that work actually began. We do not accept this further three-month delay is indicative of a high priority status for the project.

#### Recommendation No. 1

USAID/Tanzania and REDSO/EA, in collaboration with the TanGov, should determine if objectives of the Tsetse Fly Eradication Loan can still be met within a reasonable time frame. If so, a written agreement with the TanGov and a detailed plan of action (including intensive USAID monitoring) should be developed. If it is determined that loan objectives cannot be reached, consideration should be given to accelerating loan repayment as provided in the loan agreement.

### Compliance with Loan Agreement Provisions

Our review showed that the TanGov has not met a significant number of the conditions, covenants, and warranties provided for in the loan agreement. Consequently, events of default have occurred which could, at AID's option, subject them to acceleration of loan repayment, suspension of disbursements, or a claim for refund.

Section 3.01 of the loan agreement requires the TanGov to provide:

"(c) A written assurance from an appropriate official of borrower that sufficient funds will be budgeted to support the recurrent costs of the Tsetse Fly Eradication program in the West Lake Region for at least three years;

"(d) Evidence that a heavy equipment maintenance expert will be engaged for the project;"

Initially, the TanGov complied with these conditions precedent, but they have not followed through to provide the required funding or maintenance expertise. Section 7.02 of the loan agreement provides that an event of default has occurred if "(c) The Borrower shall have failed to comply with any provision of the Project Agreement between it and A.I.D. required pursuant to Section 3.01 of this agreement."

Section 7.02 also provides that an event of default has occurred if the borrower has failed to carry out the project with due diligence and efficiency. As indicated in the preceding section on project implementation, a clear condition of default has occurred.

Section 7.03 of the loan agreement provides for suspension of disbursements if, at any time:

"(a) An Event of Default has occurred;

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the loan will be attained or that the Borrower will be able to perform its obligation under this Agreement".

As shown in this report, we believe that such an extraordinary situation has occurred and that there is reasonable doubt that the TanGov intends to carry out the project.

Finally, Section 7.06 makes provision for AID to seek a refund if any disbursement is not made or used in accordance with the terms of the agreement. Again, we believe this situation, overall, has been shown in this report. In addition, in one specific instance, we found that one bulldozer (valued at about \$80,000) was diverted to non-project use and the TanGov has consistently failed to recognize USAID requests that it be transferred to appropriate project uses.

Thus, in a legal sense, the TanGov has violated the terms of the loan agreement. This, coupled with the lack of project implementation and an evident lack of TanGov interest in the primary AID purpose for the loan, leads us to believe that a review of AID's legal position should be undertaken concurrently with the determination specified in Recommendation No. 1.

#### Recommendation No. 2

USAID/Tanzania and REDSO/EA should, concurrently with their re-examination of project feasibility, seek an opinion from the Office of the General Counsel as to whether:

(a) current circumstances surrounding the Tsetse Fly Eradication Loan have deteriorated to a point where AID will be required to exercise the legal remedies provided under the loan, or (b) if sufficient basis still remains to allow further attempts to effectively implement the project supported by the loan.

#### Reporting

Neither the June 30, 1975 Loan Status Report, W-1050/1 prepared by the Africa Bureau or the October 1975 report of the Loan Pipeline Review Team discussed the physical implementation problems encountered under Loan 621-H-016.

Policy Determination 57, "Administration of AID's Development Loan Portfolio" which was recently incorporated into AID Handbook No. 3, requires Assistant Administrators to submit a semiannual report to the Administrator for loans under their jurisdiction. This report contains various data including comments on "any loan which in the opinion of the Assistant Administrator has special problems or issues which should be brought to the attention of the Administrator". The Assistant Administrators are required also to "conduct semiannual status reviews of the loan portfolios in their region so that problems can be promptly identified and solutions developed".

To assist the Africa Bureau in complying with Policy Determination 57, field offices are required to submit semiannual internal loan status reports to the Bureau and periodically update them on a bimonthly basis.

We examined the June 30, 1975 internal report (see Exhibit B) submitted by REDSO/EA on Loan 621-H-016. The report cited no implementation problems. We discussed this report with REDSO/EA management. They stated that for this and similar procurement loans, their status reports cover only financial and procurement implementation but not physical implementation. According to REDSO/EA, the distinction is between projects where the nature of financing shows AID has a clearly defined physical implementation responsibility such as in road construction, crop production, or credit projects and those projects where AID financing is limited to funding the procurement and delivery of commodities. Consequently, since most of Loan 016 has been disbursed, the status report cited no implementation problems. The officials added that physical implementation problems are reported upon separately, but only if the USAID concerned brought such problems to the attention of REDSO/EA. In these instances, REDSO/EA sends a technician to assist the USAID in resolving the problems. For Loan 016, REDSO/EA advised they were not made aware of the current physical implementation problems.

A review of USAID/Tanzania files made available to us showed that the USAID had not formally brought the current physical implementation problems discussed in this audit report to the attention of AID/W. However, the USAID subsequently advised us this obligation had been met because information exchanges between USAID, REDSO and AID/W clearly established that delivery of equipment was delayed. Thus, all concerned knew the project was behind schedule. USAID also advised us there was no formal agency reporting system for measuring progress against plan during the period in question and that a scheduled evaluation of the project during December 1974 was postponed until AID/W furnished instructions on a planned system for evaluating capital projects. (See Exhibit A, Section I)

The question now arises as to the effectiveness of the loan reporting system required under Policy Determination 57. Loan 016 is a good example. There are serious physical implementation problems which were not formally brought to the attention of the Africa Bureau or other senior AID/W management. According to REDSO/EA, semiannual and bimonthly reports on Loan 016 and similar procurement loans cover only financial and commodity procurement implementation. This being the case, we believe there is a clear need to clarify AID's reporting requirements to ensure that future reports submitted by the field adequately cover all phases of physical implementation as well as financial.

### Recommendation No. 3

The Bureau for Program and Policy Coordination, Office of Development Program Review and Evaluation (PPC/DPRE) should clarify AID's reporting requirements under Policy Determination 57 to ensure that future reports submitted by field offices adequately cover the status of financial and physical implementation of loan-financed projects.

## IV. BACKGROUND AND SCOPE

### Background

The \$800,000 Tsetse Barrier Loan, signed May 25, 1971, was written to provide the TanGov's Ministry of Agriculture with necessary equipment and supplies to support a tsetse eradication program in the West Lake Region of Tanzania. It is hoped that successful implementation of this project will eradicate the tsetse fly from this area, thus permitting its development into useful range lands that would support livestock development.

There are a number of accepted methods used to eradicate tsetse flies. The one chosen for this project has proved successful in other parts of Africa. The object is to create barriers across which the tsetse fly cannot spread. Because the tsetse cannot fly long distances in direct sunlight, a barrier is created by removing all trees and bushes in an area at least one mile wide around a tsetse infested area. Then the enclosed area is sprayed with insecticide. The most economical method of removing trees is to have two large earth-moving tractors work side by side connected by 300 feet of heavy anchor chain. Moving at a speed of 3 miles per hour at a distance of 150 feet apart, more than 50 acres can be cleared in an hour.

The loan funded the equipment needed to construct tsetse control barriers and one aircraft equipped for aerial spraying for tsetse eradication.

### Scope

We have performed an interim audit of Tanzania Tsetse Fly Eradication Loan No. 621-H-016 as of September 30, 1975. The purpose of our review was (a) to determine if terms and conditions of the loan agreement were satisfied and if loan purposes and objectives were achieved, and (b) to identify any problem areas requiring management attention.

We reviewed official records of USAID/Tanzania, and those at REDSO/EA. In addition, we visited project barrier site and repair facilities in the West Lake Region of Tanzania. We discussed loan activities with U.S. and host government officials. Our review covered a period from February 8, 1971 to October 31, 1975. Loan expenditures during the period under review amounted to \$750,609.72.

USAID/TANZANIA COMMENTS RECEIVED 1/16/76

Tsetse Fly Eradication Loan No. 621-H-016

Draft Audit Report

Comments:

The audit report raises three issues. They are discussed below:

1. Reporting Responsibility for Project Implementation Status

The Mission accepts responsibility for keeping both REDSO and AID/Washington informed as to difficulties in loan implementation. We believe we have done so. To put this in better perspective, it was not until July 1975 that sufficient equipment was at site to begin clearing work. The long delay was due mainly to the inability of the U.S. suppliers to deliver fully on their contracts. Information between USAID and REDSO, REDSO and AID/Washington, USAID and AID/Washington, has urged all possible action to get the equipment on board. Thus, all concerned knew the project was behind schedule and that the United States suppliers were to blame. This was in 1974 when some U.S. suppliers had a back-log of orders 18-24 months. This partly explains the delay.

There was no formal Agency reporting system for measuring progress against plan for capital projects during the period of the equipment delay and no capital assistance "PAR." In fact, we scheduled a PAR-type review of the project for December 1974 as we wanted to summarize project problems. However, during FY 1975 AID/Washington informed the field that it was developing a "PAR" for evaluating capital projects, so we postponed our review awaiting the AID/Washington standard review system. However, we believe the audit report is an adequate substitute for the PAR as for triggering action. In effect, then, we agreed with the auditors that the lack of an Agency capital project evaluation procedure similar to the PAR is a reporting weakness.

2. TanGov Capability to Implement

Another major issue that has plagued us the past two years and is pointed out in the audit report is the Tanzanian Government's inability to implement the project without expatriate assistance. The loan agreement was amended in 1973 to provide for loan funding of three expatriates for this reason. However, keep in mind that this was only an option available to the Tanzanian Government, not mandatory to receiving the loan equipment. Thus we could not force the Tanzanian Government to hire

EXHIBIT A

expatriates; however the Mission made every possible effort to encourage them to do so (almost to the point of coercion). When this loan was approved in 1971, there was expatriate assistance available for the project in the Tsetse division and it was always assumed they would be assigned to implement this clearing project in West Lake Region. These persons were George Clauson, Tsetse Officer (Supervisor), John Howard, Pilot, and J. Kavanaugh, Heavy Equipment Mechanic, all British citizens.

At that time the Ministry of Agriculture agreed on the need for expatriate T/A and requested USAID to provide funds from the loan to "top off" the basic Tanzanian Government salaries of these technicians. This request was in the form of a letter to the Mission Director dated June 6, 1973. It was discussed with REDSO who requested that AID/Washington approve the use of funds for this purpose and to issue a waiver because all three were English. AID/Washington was sympathetic to this request, however they requested more information and further justification which we furnished based on our discussions with Tanzanian Government officials. Soon after AID/Washington's approval of the use of funds for this purpose, the Tanzanian Government routinely issued a directive setting a ceiling on salaries paid from Tanzanian Government funds (loan funds are considered Tanzanian Government funds) and at the same time established a new income tax schedule which would have substantially reduced the "take home" pay of expatriates. For months the technicians negotiated for a higher salary but the Ministry of Agriculture stood firm on the first offer and in early 1974 salary discussions were terminated.

The Mission raised serious doubts about the capacity of the Tanzanian Government to assume the responsibility of implementing this project without assistance. The Ministry insisted just as strongly that Tanzanian spray Pilots were being trained in Ethiopia and Tsetse officials and mechanics were to be made available to the project. In a letter from the Principal Secretary to the Mission Director, dated January 10, 1974, the Mission was assured in writing that there was no real need for concern and what appeared to be a plausible schedule of work and organization was outlined. There was still one gap that was of concern to Mission personnel and that was the pilot with enough training and experience to perform the difficult job of spraying at very low and dangerous levels. Based on information that the pilot who was to be assigned to the project was being trained in Addis Ababa, we cabled that Mission to check with the flying instructor on his capabilities (DAR 1805), but never received any official reply other than to contact his training organization directly which proved futile.

Although a majority of the heavy equipment had arrived in Tanzania by January 1974, the International Harvester truck tractor which was needed for pulling the low loader and transporting the major equipment

EXHIBIT A

Page 3 of 6

to the project site; and practically all of the support equipment such as tools, repair equipment, welders, water trailers, spare parts, etc., did not arrive until early to late 1975.

One may ask whether some interim arrangement could have been made to move the equipment to the site. We can only say it did not seem so at the time. We had just consumed two months trying to move a caterpillar tractor to another project site by rail. We ran into such problems as the rail cars were too small, the rail bridges were too low and certain passages too narrow. However, after special permission from the East Africa Railway headquarters in Nairobi we were able to move it. Now, there is no rail service to Bukoba, the site of the Tsetse project and there was no other truck tractor available. So it was impossible to move this equipment until the arrival of the project truck tractor.

Although the series of delivery delays from the U.S. manufacturer was responsible for a majority of the implementation delays the Tanzanian Government did appropriate in each year's operating budget for the Tsetse West Lake Clearing project the following sums in anticipation enough of the equipment would arrive that the project could begin:

FY 72/73	Internal	850,000/
	External	3,500,000/
FY 73/74	Internal	1,816,000/
	External	10,330,000/
FY 74/75	Internal	1,400,000/
	External	1,100,000/
FY 75/76	Internal	1,720,000/
	External	200,000/

In each of the years through FY 74/75, a portion of the internal contribution was transferred to other projects, such as NARCO, other Tsetse projects, etc., when it became apparent the funds would not be used as originally intended. It should be noted that there is 1,720,000/ for recurrent operating expenses this FY.

On September 28, 1975 the Mission loan coordinator and the heavy equipment advisor for the Masai project traveled to the West Lake Project area to observe implementation progress and assess the technical capabilities of the Tanzanian project technicians. This was the first trip

EXHIBIT A

Page 4 of 6

to monitor the project at the site as it was only in July 1975 that enough equipment had arrived to begin project implementation. Both these technicians made recommendations for project improvement. They reported that the mechanics on the project seemed basically capable, but that they needed specialized training with heavy earth moving equipment. In sum, Tanzanian capacity to implement this project is untested. However, they do not have the organizational and technical competence to meet U.S. standards. At best implementation will be slower than with expert help.

### 3. Tanzanian Government Priority and Attitude Toward Project

During the Agriculture Development Officer's many conversations with Ministry officials, it has always been his impression that the Tanzanian Government was indeed actively interested in implementing this project. Generally conversations have centered around equipment arrival dates, which the TanGov has always contended is the cause for delay of the project (see P.S. letter dated January 10, 1974 and Ministry letter dated March 12, 1974). Also, the Ministry of Agriculture has written numerous letters to AAPC urging action on purchase orders.

In our more recent discussions with the Director of the Livestock Division, he again pointed out that the high priority of the project is based on the urgent need to clear the tsetse barriers before further implementation of livestock projects under World Bank support in the West Lake area can take place.

The Mission acknowledges the audit's mention of one D-8 tractor being used in Tanga without USAID approval. This has been brought to the attention of the Tanzanian Government and they have promised to move this tractor to the project site. They have also assured the Mission the barrier clearing is the first priority in the project, although dam construction and water development was not contrary to the loan agreement. \*Two documents attached as a part of these comments substantiate this. They are dated March 29, 1975 and September 16, 1975 respectively. In general the Government's attitude seems to be that they too are unhappy it is taking so long to begin the project, but now that almost all of the equipment has arrived, the project can move forward.

\*Not attached.

4. USAID Plan of Action

The Mission has discussed this audit with the Director, Live-stock Division, who is presently acting Principal Secretary of the Ministry of Agriculture. The Director reiterates his confidence that the Tanzanian Government has the capacity to implement this project.

He has agreed that the one D-8 tractor being used at Mzeri Hill Ranch (Tanga to clear tsetse barriers) should and will be moved to the West Lake project site and has requested training for one of the Tanzanian project mechanics in specialized heavy equipment courses in the U.S. We plan to take action as soon as the mechanic is selected.

During the period when the mechanic is in U.S. training we will make available, on an as needed basis, one of the three American heavy equipment mechanics we have on U.S.-supported T/A projects already in country. They will be able to monitor repair procedures and proceed to help in difficult repair jobs where the Tanzanian mechanics might need guidance. Also Tanzanian mechanics can be further trained on the job in the Masai project and Arusha Drought Relief project if they can be spared from the West Lake project on a one or two week basis.

In the absence of an assigned U.S. technician, the Agriculture Development Officer will assume responsibility for seeing that the project is monitored and USAID reporting responsibilities are carried out.

In summary:

1. The project could not begin until July 1975 as only then sufficient equipment was available (note the last U.S. shipments are just now arriving).
2. We still have doubts about TanGov technical capabilities.
3. We are convinced the TanGov has placed a high priority on this project and will implement it to the best of their ability.

EXHIBIT A

While we are concerned with technical capability (point 2), we must respect the current TanGov position. Given their policy of self-reliance and our policy that promotes self-reliance, we must stand back and allow them to proceed in this case. In other words help them as we can - as they want it - but essentially give them the chance to prove they can run the project. This has some risk but it makes development easier to let them try when they say they can handle it. In other words we can't force the TanGov to accept our technical assistance offer and with the equipment on site we have little choice but to monitor and recommend, but let them do the job.

Note: With expatriate assistance the project would move faster than without. Expatriate pressure can "get things done" in a way civil servants cannot.

1. Report 6/30/75	Semi-Annual Report No. 2	3. Financial Data AID Loan: \$ 800,000 DA: \$ 800,000 Disb: \$ 711,653	4. Dates Auth: 2/15/71 Signed: 5/21/71 TDCR: Satisfied TDDA: 12/3/74 TDD: 12/31/75
2. Title and No. Tanzania Capital Assistance Tsetse Fly Eradication Loan 621-H-016			

5. Description

The loan finances one aircraft, heavy equipment, supplies and topping-off funding of technicians' salaries for the Tsetse Fly Eradication Program in the West Lake Region of Tanzania. Eradication of the tsetse fly could convert brushland into useful ranges for livestock development purposes.

6. Physical Status

Procurement is virtually complete. Final spare part orders being shipped by AAPC suppliers.

7. Financial Status

Approximately \$4,700 is still due a U.S. aircraft manufacturer. To facilitate this payment the unliquidated funds (\$2,589) in Mission DRA 004 and funds in L/Comm 003 will be used.

8. Implementation Problems	Yes	No
a. Delays in executing loan agreement _____		X
b. Delays in meeting CP's _____		X
c. Significant contract problems _____		X
d. Significant procurement problems _____		X
e. L/Com or other financial delays to disbursement _____		X
f. Delay in physical progress _____		X
g. Indication TDRDA extension required _____		X
h. Indication TDD extension required _____		X
i. Special problems or issues _____		X

9. Remarks

EXHIBIT C

TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016

List of Recommendations

Page No.

Recommendation No. 1

6

USAID/Tanzania and REDSO/EA, in collaboration with the TanGov, should determine if objectives of the Tsetse Fly Eradication Loan can still be met within a reasonable time frame. If so, a written agreement with the TanGov and a detailed plan of action (including intensive USAID monitoring) should be developed. If it is determined that loan objectives cannot be reached, consideration should be given to accelerating loan repayment as provided in the loan agreement.

Recommendation No. 2

8

USAID/Tanzania and REDSO/EA should, concurrently with their re-examination of project feasibility, seek an opinion from the Office of the General Counsel as to whether: (a) current circumstances surrounding the Tsetse Fly Eradication Loan have deteriorated to a point where AID will be required to exercise the legal remedies provided under the loan, or (b) if sufficient basis still remains to allow further attempts to effectively implement the project supported by the loan.

Recommendation No. 3

10

The Bureau for Program and Policy Coordination, Office of Development Program Review and Evaluation (PPC/DPRE) should clarify AID's reporting requirements under Policy Determination 57 to ensure that future reports submitted by field offices adequately cover the status of financial and physical implementation of loan-financed projects.

TSETSE FLY ERADICATION LOAN NO. 621-H-016Distribution of Report

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# Auditor General

REPORT ON FOLLOW-UP REVIEW OF THE  
TANZANIA TSETSE FLY ERADICATION

LOAN NO. 621-H-016

Audit Report Number 3-621-76-45

Issue Date June 11, 1976

Area Auditor General Africa  
Agency for International Development

**FOLLOW-UP REVIEW OF THE  
TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016**

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**Distribution of Report**

FOLLOW-UP REVIEW OF THE TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016

I. INTRODUCTION

AID Loan Agreement No. 621-H-016 between the Government of Tanzania (TanGov) and the United States of America was signed May 25, 1971. The loan provided, on concessional terms, up to \$800,000 to finance the foreign exchange costs of goods and services required to support a tsetse fly eradication program in the West Lake Region of Tanzania.

The primary loan objective was to provide heavy equipment, a spray-equipped airplane, and the necessary chemicals to enable the TanGov to clear vegetation from wide (2 to 4 mile) barrier zones and thereafter clear the zone interiors to eradicate the tsetse fly population. During the first 3 years of the project it was expected that approximately 134,400 acres of barrier would be cleared and a total of 1,434,000 acres would be sprayed to eliminate tsetse fly infestation.

This is our second examination of the Tsetse Fly Project. The field audit work related to our initial examination was conducted during the month of October 1975. During that review we found extraordinary delays had occurred in construction of barriers. Over 4 and 1/2 years after loan signing less than 5 percent of the planned barriers and none of the spray eradication work was completed. Equipment was poorly maintained, misused, or diverted to other use. The airplane had crashed shortly after arrival in-country and the TanGov unilaterally changed the project direction by revising priorities.

Overall, we concluded that loan objectives had not been achieved, terms of the loan agreement had not been complied with, and there was serious question of the TanGov's will and technical ability to effectively implement the loan. We recommended determining whether objectives of the loan could be met within a reasonable time frame or considering acceleration of loan repayment as provided for in the loan agreement.

Our initial review showed also that a significant number of conditions, covenants and warranties provided for in the loan agreement had not been met. We recommended an opinion be obtained from the General Counsel as to whether AID should exercise legal remedies provided under the loan.

The purposes of this review were to (a) evaluate the current status of project implementation and (b) determine action taken or planned to satisfy Recommendation Nos. 1 and 2 of our Report No. 3-621-76-25 on Examination of Tanzania Tsetse Fly Eradication Loan No. 621-H-016, dated January 27, 1976.

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## II. SUMMARY

The most significant of the findings developed during the audit and presented in detail in the next section of this report are summarized below:

- Barrier clearance remains far behind schedule. Five years after signing the loan agreement less than 8 percent of planned work is completed and, based on actual performance, it could take up to 11 years to complete the project. Most problems found in our previous audit still exist. For instance:

(a) Project equipment is underutilized; one bulldozer is still not at the project site; airspraying capability does not exist; equipment is still being abused; spare parts are either not available or not shipped to the project site; and inventory control over project chemicals is inadequate.

(b) Major problems still exist in assuring adequate fuel supplies to operate project equipment. The equipment has been idle almost 50 percent of the time due to lack of fuel and there is no solution in sight. Currently only a one or two day supply of fuel is available, and future supply is uncertain.

- There has been no effective action by REDSO/EA, USAID/Tanzania or the TanGov to implement the recommendations in our previous report. At this point in time, neither AID or TanGov officials know exactly what is to be carried out by the project. There are no firm plans, no agreements, and no apparent solution to many of the existing problems.

- We have again concluded that loan objectives have not been met, terms of the loan agreement have not been satisfied, and there is little chance of early implementation of the project unless high-level TanGov officials become deeply involved by requiring project performance. We recommended the Assistant Administrator, Africa Bureau require more intensive implementation action or that loan repayment be accelerated (pages 3-10).

- USAID/Tanzania officials approved U.S. funding to train a mechanic for the Tsetse Fly project. There have been no funds allotted for this purpose so the obligation was charged against funds for an unrelated project. We recommend that U.S. funding be immediately cancelled and alternate funding arranged or that the participant be recalled to Tanzania (page 10).

This report was reviewed in draft with the Directors of REDSO/EA and USAID/Tanzania. Their verbal comments are reflected herein but the report was not sent for written comments.

III. STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. Current Status of Project Implementation

Barrier Clearance

Since our last site visit (on October 29, 1975) about 9 miles of additional barrier have been cleared. Within this 9-mile stretch, many steep valleys and gorges exist which cannot be cleared by machine. In one location alone there are 500 to 600 acres of extremely heavy tree and underbrush growth that must be hand cleared. Project personnel at the site estimate it will take three to six months to clear the remaining areas by hand. In effect, over 5 and 1/2 years will have elapsed since loan signing before the first seventeen miles of barrier are totally cleared. This represents about 8 percent of the 134,400 acres of barrier clearance initially planned.

In January 1976, USAID/Tanzania's answer to our initial audit report explained the TanGov's poor performance by maintaining that barrier clearance could not start until July 1975 because of lack of equipment. Eleven months have elapsed since equipment became available and an average of about 1 and 1/2 miles per month of barrier (including about 8 miles of hand clearing) has been cleared. At this rate of clearance it will take over 11 years to complete the project as originally planned. However most clearing has been done using only 2 of the large D-8 bulldozers and it can be expected that this rate of progress will improve when all 4 of the AID financed bulldozers are available.

Many factors, including lack of fuel, weather, inadequate planning, unavailability of spare parts and limited technical ability have contributed to the poor performance. Most of these factors can be influenced by the TanGov but, as pointed out in our initial report, we found little evidence that the TanGov is willing to effectively implement the loan and there are distinct limitations in their technical ability.

In the overall scheme of TanGov activities, the project does not enjoy high priority. We found no indication high-level government officials are currently interested in or have actively participated in project implementation. Even fuel to run the project equipment has not been made available over several long periods of time and at present, there is no solution in sight.

USAID officials have made earnest efforts to get the project moving, but they have continued to deal with lower-level TanGov officials. As a result, little has been accomplished. In our view, there is no reason to expect this performance to improve unless TanGov officials, at a high level, decide to actively require the project to be implemented.

The Project Director and Project Coordinator located at the Bukoba Regional Livestock Office and the project site, respectively, have also experienced difficulty in getting the project moving. Based on our visit to the site, and numerous discussions with these persons, we believe they are talented, highly motivated, and interested in implementing this project. Unfortunately, they too are unable to get any effective action because they have no means to control the fuel situation, overall project planning, logistical support, or project finances. These are all functions of the TanGov central offices and, until key officials become involved, project implementation will not improve over what has been experienced to date.

#### Spraying of Barrier Interior

Aerial spraying capability for the project does not exist at the present time. In August, 1974 the loan-financed airplane costing \$48,619 crashed and was severely damaged. By January, 1976 the plane was repaired but the spray tank and pump have not been repaired as of late May 1976.

Our inspection of the plane showed that repair services were well done. Approximately 32 hours of flying time were recorded for the plane since our last inspection, but we were unable to determine what the plane was used for because the log book was not available. To date, the plane has not been used for project purposes since none of the barriers have been completed.

On May 25, 1976 we inspected the spray tank, pump and spraying equipment. The equipment is severely damaged and not repairable in Tanzania because of lack of repair parts and materials.

The TanGov's Chief Tsetse Control Officer and the plane mechanic told us this equipment was to be shipped to Nairobi, Kenya for repairs. Apparently, repairs can be made quickly if materials are available. However, due to the specialized nature of the repair materials and pump parts, there is a possibility these items may have to be ordered from the United States, thus prolonging the repair period.

Unfortunately, neither USAID/Tanzania nor TanGov officials have adequately monitored this phase of the project. As a result, there is a possibility that project implementation will be further delayed.

#### Utilization of Project Equipment and Chemicals

Utilization of project equipment and chemicals has been poor. As shown above, the \$48,619 plane has never been used for project purposes,

an \$80,000 bulldozer diverted by the TanGov has not been returned to the project\*, and none of the \$123,000 of chemicals have been used. Our site visit also showed that major equipment costing \$398,233 has only been used 18.3 percent of its available time since our October, 1975 visit. Since arrival in-country some of this equipment has been used only 6.1 percent of available time.

For example, the following table summarizes the available equipment hours from 7/1/75 to 5/31/76 as compared to actual usage as of June 3, 1976:

<u>Description</u>	<u>Cost</u>	<u>Available Hours Since</u>		<u>Percent Utilized Since</u>	
		<u>Arrival</u>	<u>10/29/75</u>	<u>Arrival</u>	<u>10/29/75</u>
2 - IH 966 Tractors	\$ 20,415	15,200	3,080	6.1%	20.1%
4 - D-8 Caterpillar Bulldozers	349,942	30,400	4,620	16.1	20.8
1 - D-4 Caterpillar Bulldozer	<u>27,876</u>	<u>7,600</u>	<u>1,540</u>	<u>11.0</u>	<u>7.1</u>
	<u>\$398,233</u>	<u>53,200</u>	<u>9,240</u>	<u>12.5%</u>	<u>18.3%</u>

As of June 3, 1976 we found most project equipment to be operable but in three cases major break downs had occurred. For example:

a) One D-8 valued at \$80,000 had two cracked cyclinder heads and will be inoperable for months because spare parts are not available. This damage is directly attributable to lack of operator training and knowledge.

b) The Caterpillar D-4 Bulldozer valued at \$27,876 was inoperable due to failure of the steering brakes. The machine was being repaired and parts were available but, here again, after only 835 hours of operation, we attributed failure to lack of operator training.

\* We inspected this bulldozer on May 25, 1976 and found it loaded on a rail-road flatcar in Eastern Tanzania bound for the project site. It was in good condition but project personnel told us it would be at least six months before it would arrive at site and could be put into operation for project purposes. The bulldozer has never been used for project purposes nor has USAID ever approved of its diversion.

c) One International Harvester Cargo Truck valued at \$12,424 and operated only 13,152 miles showed extreme neglect and abuse. For instance, the radiator, brakes, starter and driveshaft bearing needed replacement. We found the vehicle stored outdoors. It was dirty, windows were open, electrical system fouled, seats broken and gas tank without a cap. Reportedly parts have been on order for over six months but there is no indication of when this truck will be placed back into normal operation.

In our previous audit we reported that 8 of 125 barrels of chemicals valued at \$3,280 were found empty due to poor storage practices. During this review we attempted to verify the condition of another 175 barrels of the 300 total procured for the project. Again, we found poor storage practices, a lack of inventory records and the barrels of chemicals were scattered in several locations. Due to time limitations, we were able to examine only 26 of the barrels located at the Bukoba warehouse of the Regional Livestock Office. We found 4 of these were leaking and another 3 were already empty.

B. Action Taken to Implement Open Recommendations

There has been no effective action by the Regional Economic Development Services Office/East Africa (REDSO/EA), USAID/Tanzania or the TanGov to implement Recommendation Nos. 1 and 2 of our Report No. 3-621-76-25 dated January 27, 1976. Consequently, project implementation is still moving slowly and may soon be shut down. Only about one or two days' fuel supply is available and there is no apparent solution to this problem. Again, no spraying has been done and necessary major repairs to spray equipment have not, as yet, been started.

Recommendation No. 1 of Report No. 76-25 states:

"USAID/Tanzania and REDSO/EA, in collaboration with the TanGov, should determine if objectives of the Tsetse Fly Eradication Loan can still be met within a reasonable time frame. If so, a written agreement with the TanGov and a detailed plan of action (including intensive USAID monitoring) should be developed. If it is determined that loan objectives cannot be reached, consideration should be given to accelerating loan repayment as provided in the loan agreement."

Neither REDSO nor the USAID have responded to the recommendation. In fact, we were unable to find where REDSO has taken any action whatsoever. According to REDSO officials, they are prepared to assist USAID when requested. The REDSO Director further advised us that, under the current Africa Bureau organization they are unable to initiate action unless

requested by the USAID. USAID/Tanzania has held frequent discussions with the TanGov and has visited the project site several times, but their actions have produced no significant results.

For example, we found no indication anywhere that an effort had been made to determine if loan objectives could be met within a reasonable time frame. In fact, in late May 1976, USAID personnel did not even know the extent or location of barriers that the TanGov is now planning to build.

Actually, our questioning of the TanGov Chief Tsetse Fly Control Officer showed that their plans had indeed changed again. Most barriers are now going to be constructed in different locations and all widths will probably be reduced by 50 percent. However, the government plan has not been reduced to writing, does not appear firm, and has neither been discussed with, nor approved by, either USAID or REDSO officials. Nevertheless, the Control Officer told us that he expects all the barriers to be completed by June 30, 1979. TanGov site personnel agreed this would be possible under favorable conditions if fuel and logistical support problems were resolved.

Recommendation No. 1 also calls for preparation of a written agreement with the TanGov and a detailed plan of action. As of June 1976, no agreement has been reached with the TanGov nor has a detailed plan of action been developed. The only USAID plan we found was a listing by days for the period March to October 1976 that indicated one fifth of a mile of barrier should be cleared each day. Due to a lack of fuel, the plan is already far out of date since project equipment has been inoperative for over 2 months since its preparation in early March, 1976. In any event, the plan can hardly be considered "a detailed plan of action."

To add to the confusion, there has been no agreement as to how much barrier clearance can be done during a normal day's work. The TanGov's normal workweek is six days, 10 hours per day. Initially, it was planned that 134,400 acres of barrier would be cleared. The varying groups involved in carrying out the project have vastly different expectations of how many acres can be cleared on a daily basis, as follows:

<u>Interest Group</u>	<u>Expected Barrier Clearance*</u>			<u>Years to Complete Project**</u>
	<u>Per Day</u>	<u>Per Week</u>	<u>Per Annum</u>	
Project Personnel	40 to 50	200 to 250	10,400 to 13,000	10 to 13 years
USAID	128	640	33,280	4
TanGov	200	1,000	52,000	2-1/2
Equipment Capability	500	2,500	130,000	1

Thus it can be seen that it will take from 2-1/2 to 13 years to complete the initially planned barriers as compared to the one year which Caterpillar Company indicates as a standard for their equipment. As previously pointed out, the reader should also remember that based on projecting actual performance, it will take over 11 years to complete the project, thus indicating that the estimates of the project personnel may prove to be most accurate.

Other factors will also have considerable impact in continuing delay of barrier construction. For instance:

a) Fuel - The availability of diesel fuel for equipment has been a continuing problem. Since August 1975, project equipment has been idle almost 50 percent of the time because fuel has not been available. Due to the project's low priority (i.e., city electricity, hospitals, military and other government functions), there is no solution in sight. It's obvious that fuel-related delays alone could double the time frame for the project completion unless a solution is found. AID officials have taken no action to assist in resolving this major issue. The problem is not a shortage of fuel in-country but rather a lack of transport capability to get fuel to the project site. Project personnel have made an effort to solve the problem but it is apparent that central government support will be necessary to resolve the issue. Thus far, we have found no evidence that the TanGov has been willing to get sufficiently involved to resolve the problem.

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\* Based on 6th day as time for equipment maintenance.

\*\* Clearing operations have already been underway for about one year. This one-year period should be deducted from the above years to arrive at estimated remaining years for project completion.

b) Maintenance - Obtaining spare parts remains a serious problem. Some parts for an International Harvester truck have been on order for six months, according to project technicians. Another factor is that parts take months to get from the Tanzania port to the project site. For example, parts which arrived in December, 1975 and January, 1976 were not shipped to the project site until mid-April, 1976. In one case, marker balloons were air freighted to Tanzania in January 1976 but as of June 3, 1976, their whereabouts were unknown. Project personnel told us there could be as much as \$50,000 of U.S.-financed parts in transit, but no one seems to know where they are.

Recommendation No. 2 of our initial Tsetse Fly Report specified that "USAID/Tanzania and REDSO/EA should, concurrently with their re-examination of project feasibility, seek an opinion from the Office of the General Counsel as to whether: (a) current circumstances surrounding the Tsetse Fly Eradication Loan have deteriorated to a point where AID will be required to exercise the legal remedies provided under the loan, or (b) if sufficient basis still remains to allow further attempts to effectively implement the project supported by the loan."

Neither USAID/Tanzania nor REDSO/EA has taken any action to implement Recommendation No. 2. No letters have been written nor has there been any inquiry from the Office of the General Counsel.

C. Project Prognosis

It is apparent that little progress has been made in implementing the Tsetse Fly Project since our last inspection in October 1975. At this point in time, neither AID or TanGov officials know exactly what is to be carried out by the project. There are no firm written plans, no agreements, and no apparent solutions to many of the existing problems.

In effect, there has been little or no action to implement Recommendations No. 1 and 2 of our previous report. We believe the preceding analysis continues to show insufficient interest by TanGov officials. As a result, we again conclude that loan objectives have not been met, terms of the loan agreement have not been satisfied, and there is little chance of early implementation of the project unless high-level TanGov officials become deeply involved by requiring project performance.

Recommendation No. 1

The Assistant Administrator, Africa Bureau should require that REDSO/EA and USAID/Tanzania officials implement Recommendations No. 1 and 2 of AAG/Africa Audit Report No. 3-621-76-25 within sixty days. Further, we recommend that

any agreements reached with TanGov officials be elevated to the Minister of Agriculture level, and, if adequate assurances and agreement cannot be reached, the Assistant Administrator, Africa Bureau should take immediate action to accelerate loan repayment as provided for in the loan agreement.

D. Participant Training

On March 8, 1976 USAID/Tanzania officials reached agreement with the TanGov Ministry of Agriculture to provide six months of heavy equipment mechanical training for a Tsetse Fly Project mechanic. On March 16, 1976 \$11,500 for this purpose was sub-obligated and charged against AID allotment accounts established for the Tanzanian Masai Livestock and Range Management Project. On April 22, 1976 the mechanic departed for the U.S. to start training. Upon his return, the mechanic is to be returned to the Tsetse Fly Project and have responsibility for repair of the D-8's and training of other mechanics.

To this date there has been no AID technical assistance authorized for the Tsetse Fly Project nor has there been any allotment of funds for this purpose or for related participant training. Hence, the sub-obligation of Masai Livestock Project funds for activities directly connected with an unrelated project (Tsetse Fly Eradication Project) constitutes a violation of AID directives.

Recommendation No. 2

USAID/Tanzania officials should immediately cancel U.S. funding for the above training and attempt to arrange alternate funding either through negotiating funding by the TanGov or obtaining an appropriate allotment of funds through AID/W. If alternate funding cannot be obtained, the participant should be recalled to Tanzania.

IV. BACKGROUND AND SCOPE

Background

The \$800,000 Tsetse Barrier Loan, signed May 25, 1971, was written to provide the TanGov's Ministry of Agriculture with necessary equipment and supplies to support a tsetse eradication program in the West Lake Region of Tanzania. It was hoped that successful implementation of this project

would eradicate the tsetse fly from this area, thus permitting its development into useful range lands that would support livestock development.

There are a number of accepted methods used to eradicate tsetse flies. The one chosen for this project has proved successful in other parts of Africa. The object is to create barriers across which the tsetse fly cannot spread. Because the tsetse cannot fly long distances in direct sunlight, a barrier is created by removing all trees and bushes in an area at least one mile wide around a tsetse-infested area. Then the enclosed area is sprayed with insecticide. The most economical method of removing trees is to have two large earth-moving tractors work side by side connected by 300 feet of heavy anchor chain. Moving at a speed of 3 miles per hour at a distance of 150 feet apart, more than 50 acres can be cleared in an hour.

The loan funded the equipment needed to construct tsetse control barriers, one aircraft equipped for aerial spraying for tsetse eradication and chemicals for spraying barrier interiors.

Scope

We have performed an interim audit of Tanzania Tsetse Fly Eradication Loan No. 621-H-016 as of May 31, 1976. The purposes of our review were to (a) evaluate the current status of project implementation, and (b) determine action taken or planned to satisfy recommendations No. 1 and 2 of our report No. 3-621-76-25 dated January 29, 1976.

We reviewed official records of USAID/Tanzania, and those at REDSO/EA. In addition, we visited the project barrier site and repair facilities in the West Lake Region of Tanzania. We discussed loan activities with U.S. and host government officials. Our review covered a period from October 31, 1975 to May 31, 1976. Loan expenditures during the period under review amounted to \$24,883.

FOLLOW-UP REVIEW OF THE  
TANZANIA TSETSE FLY ERADICATION LOAN NO. 621-H-016

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