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Auditor General

REVIEW OF THE AID PROGRAM
IN ZAIRE

The Government of Zaire (GOZ) is using Funds generated from U.S. Government general budget support and foreign exchange support activities to provid its contributions to AID development projects. This is perhaps the only way to obtain GOZ financial support of development projects. Also, as noted in the Country Development Strategy Statement, the GOZ must undertake a series of governmental reforms if any real gains are to be made in the next five years.

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REVIEW OF THE AID PROGRAM IN ZAIRE

TABLE OF CONTENTS

	Page
INTRODUCTION	
Background	1
Summary of Significant Findings	2
STATEMENT OF FINDINGS AND RECOMMENDATIONS	
Program Overview	4
Agricultural Economic Development Project	8
North Shaba Integrated Rural Development Project	10
Commodity Import Program	15
USAID/Zaire Health Project Management	15
Nutrition Planning Project	16
Health Systems Development Project	18
Endemic and Communicable Disease Control Project	22
Follow-up on Prior Recommendations	25
SCOPE	27
EXHIBIT A - List of Recommendations	28
List of Report Recipients	30

REVIEW OF THE AID PROGRAM IN ZAIRE

INTRODUCTION

Background

Bordered by nine other countries, Zaire is Africa's third largest country occupying a total area of 905,063 square miles. It has a culturally and linguistically diverse population of 26.3 million people. Located in the west-central portion of the continent, this former Belgian colony (Congo) achieved independence in 1960.

Since independence, Zaire has not been able to successfully exploit its latent resource base of vast timber reserves, mineral deposits, and hydro-electric potential. A net food exporter in colonial times, some portions of Zaire now face severe food shortages. The economy was left virtually in ruins after the Government of Zaire (GOZ) expelled the expatriate managers in this decade, and rebels made two incursions into Shaba province.

In the 3 year period 1975-1977, the Zairian economy experienced negative growth with an even sharper fall expected as a result of the second Shaba invasion in May 1978. In 1977, Zaire's debt service obligations equaled over 43% of export earnings and almost one-half of government revenues. The state of the economy, the prevalence of corruption, and the widespread siphoning off of foreign exchange earnings have recently led to the posting of expatriate advisors within the Bank of Zaire to better control foreign exchange transactions. Other actions taken by the International Monetary Fund, in concert with Zaire's principal creditors, have led to successive devaluations of the country's unit of currency, the zaire, whose exchange rate vis-a-vis the U.S. dollar dropped from Z1.00 = $2.05 in 1971 to Z1.00 = $.65 in June 1979.

The economic problems which have beset Zaire in varying degrees since independence have affected no one more than the average Zairian worker. Wages in terms of real income have shrunk to 25% of what they were at the time of independence.

In the rural areas, agricultural production has fallen to below pre-independence levels. The contribution of the agricultural sector to Zaire's gross domestic product, 33% before 1960, has fallen to about half that now. The principal cause of this decline has been the government's price fixing policies and diminishing support for the agricultural sector. In the decade and a half since independence, the real value of farmgate prices paid for Zaire's principal staple crops (corn, manioc, and rice) fell 40% (combined average). Food imports, negligible in colonial days, cost $300 million in 1977.

The U.S. AID program in Zaire is as much the result of strategic interests as it is economic/humanitarian considerations. This program focuses primarily on agriculture with secondary emphasis on health, transportation and budget support.

The implementation of a development program in Zaire is extremely difficult. AID has difficulty in attracting direct hire and other types of technicians to work in Zaire because of undesirable living conditions. However, the biggest problems are created by the inability of the GOZ to adequately support activities with either qualified staff or sufficient organizational coordination.

Summary of Significant Findings

Considering the lack of self-help efforts by the GOZ, and that the GOZ does not, by and large, support USAID projects with self-generated resources (but rather relies upon USG generated resources), we believe there is a question as to whether Development Assistance, as contrasted with Economic Support Fund Assistance, is the appropriate mechanism for assisting Zaire. Also, USAID/Zaire's Country Development Strategy Statement notes that the GOZ must undertake a series of reforms before real development can take place; however, AID's project agreements did not require specific reforms.

Our findings on the other activities selected for review were:

- The opportunity for returning participants under the Agricultural Economic Development project to carry out needed research in Zaire may not come to fruition due to the possible absence of technicians to be provided by the U.S. Department of Agriculture. Also, the GOZ Department of Agriculture's ability to retain these participants upon their return appears questionable in view of poor working conditions and diminishing wages and benefits (pages 8 to 10).

- The North Shaba project is a large, complex area development scheme which appears to be well implemented to date. There are, however, certain components that have experienced some difficulty. Most serious among the factors which have delayed project implementation to date are: delayed arrival of commodities, transport and communications difficulties, shortage of qualified Zairian staff, and delayed financial support for the project by the Government of Zaire. Most of these are being addressed reasonably well given the realities of project implementation in this remote region (pages 10 to 14).

- Commodity arrivals and handling under two commodity import loans appeared to be adequate (page 15).

- USAID/Zaire's Public Health Office did not have procedures requiring (a) a USAID representative's countersignature on releases of GOZ owned counterpart funds to projects, (b) receiving and inspection reports, or (c) monitoring of project inventory controls (pages 15 to 16).

- The Nutrition Planning project appeared to be on schedule and accomplishing its goals. One potential problem noted was an attempt by the GOZ to change the Nutrition Planning Center's method of operation to generate revenues, but USAID/Zaire subsequently advised us this idea had been dropped (pages 16 to 18).

- The Health Systems Development project was substantially behind its original schedule and continues to be hampered by differences between USAID/Zaire and the Contractor, minimal GOZ support, and the logistic problems of supporting a site 1300 kilometers from Kinshasa. Project methodology was still being negotiated with no firm plans established (pages 19 to 22).

- Completion of the Endemic and Communicable Disease Control project was scheduled for FY 1980; however, the technicians for both components (malaria and measles) arrived about one year later than anticipated. Thus, project outputs will not be accomplished within the original life of the project, and may be unrealistic (pages 22 to 25).

- Review of 12 recommendations made since August 1975 disclosed that the conditions noted still persisted--at least in part--in six cases. Two of these six cases involved counterpart fund activities and are discussed in report No. 3-660-79-16, September 24, 1979 (pages 25 to 26).

At the completion of our audit, our findings were discussed with applicable USAID/Zaire officials. A draft report was also submitted to USAID/Zaire. The comments expressed by these officials in response to our discussions and our draft report have been taken into consideration in the preparation of this report. Based on actions reported by USAID/Zaire as being taken subsequent to our audit, ten recommendations contained in the draft report were deleted.

STATEMENT OF FINDINGS AND RECOMMENDATIONS

Program Overview

Capsule Finding - Considering the lack of self-help efforts by the GOZ, and that the GOZ does not, by and large, support USAID projects with self-generated resources (but rather relies upon USG generated resources), we believe there is a question as to whether Development Assistance, as contrasted with Economic Support Fund Assistance, is the appropriate mechanism for assisting Zaire. Also, USAID/Zaire's Country Development Strategy Statement notes that the GOZ must undertake a series of reforms before real development can take place; however, AID's project agreements did not require specific reforms.

On the surface, GOZ financial support of projects is good. This is the result of using counterpart funds generated from PL 480 Title I sales and the sale of commodities financed under Commodity Import Programs (CIP) as GOZ project contributions. These funds are GOZ owned but are generated from U.S. assistance activities. In effect, the GOZ is using the funds generated from U.S. Government general budget support and foreign exchange support activities to provide its contributions to AID development projects. This is perhaps the only way to obtain GOZ financial support of development projects.

While using U.S. programs to finance the GOZ project contributions does not appear to violate law or regulation, it does raise a serious question as to compliance with AID policy. Handbook 3, Appendix 3.B. Paragraph 3.a. states in part, "One of the primary concerns of any project is to leave in place a functioning capacity to manage, fund, maintain, and operate the institution and facilities developed, improved or established through assistance projects." In the absence of a plan for the GOZ to assume project financing, we do not believe there is any reasonable expectation that the GOZ will assume the financing of AID projects once U.S. assistance--both direct, and indirect through counterpart funds--terminates.

Handbook 3 also states that in considering projects certain questions regarding the recipient's absorptive capacity and ability to sustain the project financially must be examined. In view of the fact that very little GOZ source/origin financing goes into AID sponsored projects, we find it difficult to arrive at affirmative answers to these questions.

We further believe that Section 110(a) of the Foreign Assistance Act (FAA), which requires a 25 percent host country contribution to AID projects, has some bearing on this matter. While technically the PL 480 Title I and CIP generated counterpart funds are host country owned, we believe that the

purpose of this provision of the act was to assure host country interest in, and support for, AID activities. Using counterpart funds to finance a GOZ project contribution may meet the letter of the law, but we do not believe such financing meets its spirit.

We also have doubts if the AID program in Zaire has fully taken into account Section 208 of the FAA. This provision states:

> "Self-Help Criteria. - In determining whether and to what extent the United States should furnish development assistance to a country under this chapter the President shall take into account -
>
> (a) the extent to which the country is taking such measures as may be appropriate to its needs and capabilities to increase food production and improve the means for storage and distribution of food;
>
> (b) the extent to which the country is creating a favorable climate for private enterprise and investment, both domestic and foreign;
>
> (c) the extent to which the government of the country is increasing the role of the people in the developmental process;
>
> (d) the extent to which the country's developmental expenditures are allocated to key developmental areas, including agriculture, health, and education, and not diverted for unnecessary military purposes or to intervention in the affairs of other free and independent nations;
>
> (e) the extent to which the country is willing to make contributions of its own to the projects and programs for which the assistance is provided;
>
> (f) the extent to which the country is making economic, social, and political reforms, such as tax collection improvements and changes in land tenure arrangements, that will enable it to achieve developmental objectives more efficiently and justly; and
>
> (g) the extent to which the country is otherwise showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures."

USAID/Zaire's Country Development Strategy Statement (CDSS) states that GOZ agricultural price policies act as a disincentive to production. This is not surprising as the CDSS also notes that all developmental (government) decisions flow down from Kinshasa and that the people have no voice in them. Section 208(c) of the FAA indicates that just the opposite should be true.

The CDSS further states that for any real gains to be made in the next five years, the GOZ must undertake a series of governmental reforms. Therefore, the climate for development does not now seem to exist.

Until 1970 AID activities in Zaire were largely financed through the Security Supporting Assistance (SSA) mechanism. This type of assistance is authorized to promote economic and political stability in a friendly country without many of the restrictions associated with Development Assistance. From 1970 through 1975 AID activities were financed from Development Assistance. From 1976 through 1978--with the exception of the transitional quarter (7/1/76 - 9/30/76)-- assistance was basically switched back to SSA. In 1979 and the program proposed for 1980, a switch was made once again to Development Assistance.

There may be good and sufficient political/strategic reasons for the U.S. to continue assistance to Zaire. It is our opinion, however, that using Development Assistance may be inappropriate because GOZ policy, actions, and support do not appear to measure up to that anticipated by law, regulation and policy. In our view, the rationale underlying the Zaire program is more suited to Security Supporting Assistance (currently called Economic Support Fund) financing.

Recommendation No. 1

AA/AFR, in conjunction with GC, reassess the AID program in Zaire to determine (a) if the assistance being provided is in consensus with the provisions of the Foreign Assistance Act and AID policies, and (b) whether it would be more appropriate to utilize Economic Support Fund financing for AID activities in Zaire.

For the benefit of the Africa Bureau and AID's General Counsel when acting on this recommendation, following is USAID/Zaire's response to our draft report:

> "We have no objection to such a reassessment of the AID program in Zaire. However, we continue to believe that program is "in consensus with" the provisions of the Foreign Assistance Act and AID policies.

AID development assistance-funded activities in Zaire are directed at meeting the needs of the poor and are concentrated in the fields of agriculture, public health, nutrition, rural development, and human resources development. These fall within the so-called congressional mandate for development assistance. Maintaining our AID to Zaire under the Development Assistance Rubric serves to emphasize to the GOZ that we expect a mutual development effort on their part and that the success of our programs will be measured by development criteria and using tangible indicators."

The CDSS notes that the GOZ must undertake a series of reforms before real development can take place. We did not find that the various activity agreements with the GOZ required specific GOZ reforms. The CDSS reasons that it is better to let the IMF obtain these reforms. We believe that USAID could at least chip away at constraints by getting some reforms in specific agreements.

Recommendation No. 2

AA/AFR advise USAID/Zaire to ensure that future agreements with the Government of Zaire include such reforms or measures which are necessary to enable achievements of the objectives of the activity.

In response to our draft report, USAID/Zaire stated:

"With respect to calling for policy reforms in specific program documents, most of the U.S. programs are of a specific project nature and do not provide suitable leverage for effecting unilaterally imposed macro-level policy changes. Moreover, the U.S. programs are not by any means the largest donor programs in Zaire, nor is there any intention that the U.S. assume the key donor role. Accordingly, for the U.S. to attempt to condition its AID program directly on any unilaterally stated reforms would not be supportive of our general posture in Zaire. On the other hand, we have used the AID program to support reform efforts sponsored by the donors as a group. Those approved at the Brussels conference of June, 1978, were incorporated as conditions precedent in the Agriculture Development Loan 025."

As evidenced by the last two sentences of USAID/Zaire's response, they have already done in at least one project what we recommended. Thus, we think their actions support our conclusion, and have retained the recommendation for action in other subsequent project agreements.

Agricultural Economic Development Project

Capsule Finding - The opportunity for returning participants to carry out needed research in Zaire may not come to fruition due to the possible absence of USDA/PASA technicians. Also, the GOZ Department of Agriculture's ability to retain these participants upon their return appears questionable in view of poor working conditions and diminishing wages and benefits.

This complex activity seeks to (a) develop the planning and analytical capabilities of the Government of Zaire Department of Agriculture (GOZ/DOA) through technical assistance and a comprehensive training program for Zairian personnel in the form of a six-person team supplied by the U.S. Department of Agriculture under a Participating Agency Services Agreement (PASA); and (b) provide economic policy advice to the Department of Agriculture. As a corollary to these activities, the project seeks to improve and streamline USDA's operations and administration, and to devise incentives through which professional employees from the Statistics and Program and Studies Divisions, trained with AID assistance, can be retrained in Department of Agriculture service.

Technical Advisory Services

The PASA team operated at half strength for more than one year because the USDA has been unable to nominate sufficient acceptable candidates to replace the three members of the original PASA team who left after their first tour. A full complement of technicians was not in view.

The participant trainees were to have completed academic training in the U.S. and return to Zaire to perform their research theses. The research to be performed was not merely to meet degree requirements, but was also to have provided valuable agricultural data on Zaire. The research was to have been performed under the supervision of the PASA team.

Both the GOZ and USAID agreed that if at all possible the thesis research should be done in Zaire. However, if the PASA team of technicians is not available at the time the participants are scheduled to return, the thesis research will have to be performed in the U.S. This situation will eliminate an important element of the project; i.e., the development of important agricultural information on Zaire.

While we are not making a formal recommendation, USAID/Zaire should make every effort to ensure technicians are on board to permit the thesis research to be carried out in Zaire.

In response to our draft report, USAID/Zaire advised us they have adopted a new strategy to resolve this problem. They developed a request for proposals for initiating technical assistance to conduct marketing and pricing studies under another AID assisted project in the agriculture sector, linking this closely with the Agricultural Economic Development project and the need for personnel to supervise in-country thesis research work.

Participant Salaries

According to a PASA technician report of January 1979, a GOZ Executive Council decree abolishing salary supplements as well as wage payments to employees whose names do not appear on the civil service schedule was placed into effect within the Department of Agriculture. This could seriously affect the GOZ/DOA ability to retain AID trained participants.

Most Zairian public sector employees reportedly work two to three years before their names reach the civil service schedule. Thus, the ramifications of this decree, ostensibly designed to eliminate the widespread practice of inserting fictitious names on agency payrolls, could constitute a serious disincentive to AID participants who have not worked long enough to have their names on the civil service schedule. We were advised that orders to stop supplementary payments in Department of Agriculture units being assisted under this project have been issued and complied with.

A recently returned participant trained under the project advised us that (a) his salary had been stopped while in the U.S. on his training assignment, (b) his present salary level had not been raised despite his training experience and he had consequently been forced to sell personal property to make ends meet, (c) he had not been assigned any specific duties in the Statistics Division, and (d) he was very unhappy with his present situation and was seeking other employment.

We believe a strong possibility exists that many returning participants with graduate degrees earned in the U.S. will not be retained by the GOZ/DOA, but will seek better employment opportunities elsewhere.

In response to our draft report, USAID/Zaire stated.

> "Discussions already have been held on this subject with the GOZ Secretary of State for the Department of Agriculture. He is aware of the inequities of relatively low salaries of some DOA employees. This awareness was demonstrated by his signing of ProAg 77-2 which states that the DOA agrees to seek improved salaries in line with new work responsibilities of returning participants. The audit report seems to imply that salaries of certain employees should be raised to equitable levels. However,

the GOZ is constrained by the IMF to hold salary levels fixed as part of the stand-by agreement. This catch-22 situation cannot be resolved immediately. However, certain adjustments can be expected in time as policy, management, administrative, fiscal and monetary reforms are achieved."

AAG/EAFR appreciates the difficulties encountered by USAID/Zaire in this situation; however, we believe it is necessary to retain the services of returned participants (who are the core of GOZ management potential) by whatever legal means available. We have therefore retained, but modified, the recommendation which appeared in our draft report.

Recommendation No. 3

USAID/Zaire negotiate with appropriate GOZ authorities to (a) ensure that AID participants receive timely payment for their work, and (b) consider adjusting the salary level of returned participants by providing a research stipend from counterpart funds to ensure their continuation with the project.

Increased Training Costs

There were indications that the participant training component may cost much more than planned because of inflation, longer training periods, and a sharp rise in the cost of U.S. training. There was no current estimate of the cost of training for this project. In our draft report, we expressed doubts of whether sufficient funding was available to complete this aspect of the project.

In response to our draft report, USAID/Zaire executed an amendment to the 1979 Project Agreement -- increasing the line item allocation for training expenditures substantially. Thus, we have deleted our recommendation on this subject.

North Shaba Integrated Rural Development Project

Capsule Findings - The North Shaba project is a large, complex area development scheme which appears to be well implemented to date. There are, however, certain components that have experienced some difficulty. Most serious among the factors which have delayed project implementation to date are: delayed arrival of commodities, transport and communications difficulties,

shortage of qualified Zairian staff, and delayed financial support for the project by the Government of Zaire. Most of these are being addressed reasonably well given the realities of project implementation in this remote region.

The North Shaba project is intended to identify major factors of environmental constraints and traditional crop production techniques (including transportation and marketing methods in the project area) which adversely affect Zaire's ability to achieve self-sufficiency in maize production. It is to also attempt to develop new techniques, or modify existing production techniques, to substantially increase maize yields. Project financing includes contributions of AID loan and grant funds ($10 million), and Government of Zaire budgetary support and counterpart funding (Z 10 million).1/

The project consists of six integrated components as follows:

- Research and extension to reexamine agronomic matters and disseminate innovations to farmers.

- Development of farmer groups through which improved practices, intermediate technology, and marketing can be demonstrated.

- Development of appropriate technology and farm tools.

- Establishment of marketing and credit facilities.

- Infrastructure development (secondary and farm roads).

- Project monitoring and evaluation through continuous data collection and other means.

Project North Shaba comprises some 15,000 square kilometers of savannah and low hills on which over 130,000 Zairians engage in largely subsistence agriculture. Kongolo, where project headquarters are located, lies about 1300 kilometers east of Kinshasa and about 250 kilometers west of Lake Tanganyika. The project is staffed by over 500 permanent and occasional Zairian employees assisted by a team of 10 American technical advisors under contract with Development Alternatives, Inc.

Project Management

Mission monitorship of this project has been very good. The project manager travels to the project site frequently, and maintains close contact with the contractor's support staff and cognizant Department of Agriculture (DOA) officials in Kinshasa.

1/ US$1 equaled 1.54 Zaires at the time of our review.

Development Alternatives, Inc. has fielded 10 technicians to date with low attrition. We were able to observe the high degree of interaction and cooperation these persons and their families enjoy with their Zairian counterparts and the local population in general. Their language skills in French and Swahili, and long experience in similar situations in Zaire and other developing countries, attest to their adaptability and effectiveness. Several contract technicians including the chief of party have indicated their desire to extend their stay in Zaire. Their presence, in our opinion, is a credit to the American image in Zaire and greatly enhances the project's chances for success.

Project Financing

We reviewed the contractor's financial and accounting records maintained at project headquarters, as well as inventory records and controls at the warehouse. Both were deemed adequate. The USAID project manager advised us he is pleased with the contractor's performance thus far.

The GOZ/DOA funding for Project North Shaba has not been supplied in a timely manner. Until very recently, the GOZ had not made any budgetary contributions to the project since September 1977, while the only release of counterpart funds took place in August 1978. With the change in officials at the GOZ Department of Planning in March 1979, GOZ budgetary support to the project from both sources resumed, and project finances were reported to be in good condition. Our review of Controller records disclosed that, in the aggregate, GOZ financial support to the project is reasonably up to date. In fact, the GOZ Counterpart Fund Secretariat recently made available local currency from its own operating budget until normal funding channels could be reopened.

Problem Areas

The project is comprised of six different subsystems or development activity fields. Progress in implementing each component has been relatively good with the following exceptions:

- Road and bridge building had barely gotten underway because heavy equipment and vehicles only recently arrived in Kongolo, and not all were operational. This delay caused technical advisory inefficiencies. For example, an American contract heavy equipment maintenance expert was at the project site for about two years, but had only recently been able to begin training two Zairian counterparts on the use of heavy machines.

- Dissemination of test results on improved corn seeds and distribution of improved seeds seen to be harvested were made difficult as (a) only one pick-up truck had arrived for the station, (b) grain sacks were generally not available, and (c) bags in which to store and transport seeds were in short supply.

- Progress on the marketing of grains began late due to the unavailability of experienced Zairians in this field, and because of a lack of sacks and trucks with which to transport commodities. The disruption caused by the abolition in 1973 of the Government of Zaire grain marketing agency, and its replacement by another organization, contributed to a slowdown in this component. Also, the cancelation of a proposed AID national grain marketing project contributed to the delay. Progress here will continue to be slow because of the GOZ institutional void; and also because marketing support, in the form of trucks to be financed under a proposed CIP loan, was tied to the completion of a GOZ-IMF standby agreement which was not expected to be concluded until late in 1979.

- As originally conceived, contract technical assistance in grain marketing was to have taken the form of intermittent visits by marketing advisors. Given the slow progress in this area, however, it is our opinion that a resident technician should be recruited to assist with marketing activities in North Shaba. In reviewing this situation, Mission officials and the contractor reached a similar conclusion and are actively engaged in recruiting a resident marketing advisor.

- Progress in data collection and communication was slow because of a lack of experienced Zairian staff. The Mission and the contractor were aware of this and took steps to strengthen this component through periodic consultancies by U.S. based experts.

- A number of items arrived which do not match the equipment ordered. For example, very costly auxiliary power units for project financed radios were equipped to function on 110-volt current, and not the 220-volt specified in the equipment order. The radio equipment delivered to project sites is so powerful (100 watt amplifiers) that transmissions have been picked up as far away as Europe, but transmissions from nearby project sites are difficult to receive. Stencils delivered to Kongolo do not fit the hand-operated mimeograph equipment, but rather an electric model which the project does not possess. Savings to the project may be available from the resale, trade and/or return of such items.

Recommendation No. 4

USAID/Zaire coordinate with the GOZ/DOA and Development Alternatives, Inc., to develop a list of unusable commodities delivered to Project North Shaba which can be sold, traded or otherwise disposed of to diminish project costs and improve efficiency.

In response to our draft report, USAID/Zaire stated:

> "The project management unit is preparing a list of equipment and materials that cannot be used by the project. When the list is completed and sent to USAID/Kinshasa, queries will be made of other projects and offices within the mission concerning their equipment needs. Subsequently, queries will be made of other missions. We will keep AAG/Nairobi advised of our progress."

Government of Zaire Road Repair Work

Road construction was to have been accomplished concurrently in two parts: secondary and farm access roads by the Project North Shaba funded "special brigade", and a main road in the project area by the Government of Zaire Office des Routes' (highway department) Brigade 19. Little has been done on the main road because the Government of Zaire had not supplied Brigade 19 with the equipment, fuel and spare parts needed to carry out the roadwork. Project North Shaba continues to provide Brigade 19 with spare parts to keep its equipment operational. Now that heavy equipment and vehicles for the "special brigade" have begun to arrive, attention should be focused on the capability and intent of the Government of Zaire to carry out its concurrent commitments to repair the principal road in the project area.

In response to our draft findings, USAID/Zaire advised us they had consulted with the appropriate GOZ officials, and spare parts and fuel had begun to arrive in the project area. Consequently, we deleted our recommendation on this subject.

Conclusions

Although the North Shaba Integrated Rural Development Project Agreement was signed more than three years ago, it is still too early to foresee what its results will be. On the one hand, an excellent advisory team was fielded, and commodities have begun to arrive. USAID/Zaire support for, and management of, this project was also quite good. On the other hand, the lack of public and private sector infrastructure and human resources, together with the difficulties of transportation and supply in the region, continue to obscure the project's outcome. How these countervailing elements will be resolved must be left to the results of a future review.

Commodity Import Program

Capsule Finding - Commodity arrivals and handling under two commodity import loans appeared to be adequate.

In FY 1976 and FY 1977 AID signed two commodity import loans totaling $26.6 million. Commodities financed with these loans were still arriving during FY 1979.

Accompanied by USAID/Zaire personnel, we visited the port of Matadi and made an inspection of the entire receiving and customs areas. All AID commodities seen in the port area had been there less than 90 days, and appeared to have arrived in generally good condition. Items which required inside storage were all warehoused. Storage conditions were adequate--both inside warehouses and outside in open areas.

USAID personnel had been inspecting the port at three to four-month intervals. Our review of port inspection reports and our own inspection visit demonstrated that AID commodities, both project and CIP, usually cleared the port within a reasonable time. Losses and damage were light, as evidenced by the low number and amount of claims. Under the circumstances described, USAID/Zaire's port inspections are considered sufficient, but should be continued in similar fashion as long as heavy imports of commodities continue.

USAID/Zaire Health Project Management

Capsule Finding - USAID/Zaire's Public Health Office did not have procedures requiring (a) USAID representative's countersignature on releases of GOZ owned counterpart funds to projects, (b) receiving and inspection reports, or (c) monitoring of project inventory controls.

Health projects were generally financed with a combination of AID and GOZ funds. Most of the GOZ funds came from counterpart funds generated by other U.S. assistance activities. While the counterpart funds are GOZ owned, their use requires USAID/Zaire concurrence.

We noted that counterpart fund releases to health projects did not require the countersignature of a USAID/Zaire representative (either direct hire or contract). The other principal USAID/Zaire division (Agriculture) does require countersignatures for counterpart fund releases. During our review of one health project, the AID contractor informed us he had discovered that the equivalent of about $10,000 had been released to the project. We noted this coincided with procurement of gasoline in the same amount. The gasoline could not be located and is worth several times its $10,000 (Z15,000) cost on the local black market. While counterpart funds are owned by the GOZ, their diversion diminishes GOZ support for the project and violates the terms of the US/GOZ counterpart agreement.

In response to our draft report, USAID/Zaire advised us that Z15,000 had been returned to the counterpart fund.

We also noted that commodity management practices in health projects (unlike others in the USAID) did not require receiving and inspection reports. Neither did they include a review of project inventory control procedures.

Management of USAID/Zaire health projects can be improved.

Recommendation No. 5

USAID/Zaire issue a Mission Order requiring all project agreements include procedures to provide for (a) countersignature by a USAID representative for counterpart fund releases, (b) preparation of inspection and receiving reports for project commodities, and (c) periodic monitoring of project inventory control procedures.

In response to our draft report, USAID/Zaire advised us that a Staff Notice was issued late in October addressing this recommendation. As we have not yet received nor been able to study this document, we are retaining the recommendation until such time as we have been able to do so.

Nutrition Planning Project

Capsule Finding - The Nutrition Planning project appeared to be on schedule and accomplishing its goals. One potential problem noted was an attempt by the GOZ to change the Nutrition Planning Center's method of operation to generate revenues, but USAID/Zaire subsequently advised us this idea had been dropped.

Over the life of this project, USAID and GOZ agreed to provide over $3 million as follows:

	($000 omitted)	
	USAID	GOZ
Contract services & personnel	$ 813	$ 505
Commodities, equipment, supplies	567	470
Participant training	42	-
Other Costs	200	525
TOTAL	$1,622	$1,500

Current project goals are to:

- Establish and organize the Zaire Nutrition Planning Center as a working body within the GOZ.

- Provide staff members with appropriate training.

- Carry out baseline studies concerning the extent, severity and causes of malnutrition in two areas of Zaire.

- Design, implement and begin evaluation of practical measures to combat malnutrition in those two areas.

- Evaluate the nutritional consequences of the reported drought of 1978 in Bas Zaire, and perform a follow-up evaluation one year later.

The project is being implemented by Tulane University under an AID contract. The GOZ implementing agency is the Nutrition Planning Center -- a semi-autonomous agency under the Ministry of Health. The Center's Director reports directly to the GOZ's Health Commissioner.

The Nutrition Planning project was on schedule and accomplishing its goals. The Zaire Nutrition Planning Center was established as a working body within the GOZ. GOZ support in calendar year 1979 took the form of a line item allocation in the Ministry of Health budget. The Center's staff were being trained in accordance with project goals. Both the Center Director and his assistant were scheduled for long-term training at Tulane University. The Center's baseline studies were being accomplished in a timely manner, with the exception of one report delayed because of computer time shortage. Design of practical measures was underway for both of the project's target zones. Furthermore, the Center accomplished its assigned tasks in Bas Zaire province, and recommended appropriate measures.

As of April 30, 1979, all $1.622 million of AID's contribution had been obligated, with $1.570 million reserved for subobligations. GOZ project support had been substantial. In addition to the $1.5 million in counterpart funds and in-kind contributions, the Ministry of Health gave the Center Z127,000 for Bas Zaire emergency work, and about Z300,000 for calendar year 1979 operating expenses. However, in connection with the operating expenses, the GOZ advised the Center it should consider developing means of self-financing for future years. One method being explored was to use AID provided laboratory equipment for fee-generating lab tests. While this is a good idea for financing activities after AID support ends, at the present it could interfere with project activities.

We pointed out to USAID/Zaire that the use of AID provided commodities for other than project purposes violated the terms of the Standard Provisions Annex which was incorporated into the Project Agreement. In response to our draft report, we were advised that such use of AID-financed commodities was no longer being considered.

Health Systems Development Project

Capsule Findings - The Health Systems Development project was substantially behind its original schedule and continues to be hampered by differences between USAID/Zaire and the Contractor, minimal GOZ support, and the logistic problems of supporting a site 1300 kilometers from Kinshasa. Project methodology was still being negotiated with no firm plans established.

The primary purpose of this two-year project was to help the GOZ strengthen its institutional capacity to deliver health services. The project was designed to give training and technical assistance to the National Council of Health and Welfare in the following areas:

- Health care planning and economics.
- Health care administration.
- Public health and integrated health delivery systems.
- Health data.
- Health education and communications.
- Logistics, supply, and maintenance.
- Health facilities' design and construction.
- Pharmaceutical production and supply management.
- Manpower development.

Project objectives were to be accomplished by providing one long-term project manager under contract with Planning and Human Systems, Inc., 41 person-months of short-term technical advisory services, and 63 person-months of long and short-term participant training. It was anticipated that end of project status would include the establishment of a functioning National Council of Health capable of developing and delivering improved services, and an integrated family health care program manned by trained Zairian staff. The plan was to have model systems established in two locations, one urban (Kinshasa) and one rural (Mongalo - 1300 kilometers east of Kinshasa).

Implementation

The Health Systems Development project was originally scheduled to begin in May 1976, but due to delayed contract negotiations in Washington, the contractor's technician did not arrive until October 1978. GOZ furnished office space and counterpart funds were not provided until March 1979. Consequently, USAID did not contract for a pharmaceutical assistant until March 1979, or a field nutritionist until April 1979.

In February 1979, USAID/Zaire and the Contractor were still negotiating project methodology. The Contractor had agreed to provide a schedule of short-term consultants' visits for high-level management/planning workshops. As of June 1979, this had not been done. The workshops nevertheless began in May 1979, without the Contractor's schedule. The Contractor proposed that instead of long-term training for four participants, a three-week observation workshop tour in the U.S. for high level Department of Health officials, including the Commissioner of Health, be substituted. In our view, this training proposal is highly questionable, particularly as regards the Commissioner. (There have been four Health Commissioners in the past three years.) Under the Contractor's new implementation proposal, training in the selected rural site, Kongolo, was eliminated.

In response to our draft report, USAID/Zaire stated:

> "Delays and disagreements reported to the audit team were at their peak just at the time the team was in Kinshasa. The first consultant arrived almost immediately after the departure of the team and additional competent consultants have been provided in a timely manner. Agreement has been reached on the question of participant training, and the contract has been amended accordingly. There are valid reasons outside the objectives of this project for maintaining the Kongolo site, 1500 KM from Kinshasa, for a part of the project activities. The chief of party and other project personnel are competent, conscientious individuals and are cooperating in the field to achieve project objectives in spite of logistic and communications difficulties. The Mission is in accord with contractor field personnel relative to methodology. The contractor chief of party is currently (October 1979) discussing the agreed-upon methodology with his home office in Washington. Mission will inform AAG/Nairobi of the results of these discussions."

Considering the long delay in implementing this project, and the most recent report that methodology has not yet been finalized, we are retaining part of the recommendation from our draft report.

Recommendation No. 6

USAID/Zaire take steps to terminate the Health Systems Development project unless a firm agreement on methodology can be reached in the very near future --- say December 31, 1979.

In response to our comments regarding "tour type training", USAID/Zaire stated:

> "USAID/Zaire has reviewed the matter. USAID believes that the observation study tour now being implemented is an integral part of the workshop - type training program being conducted in Zaire. The workshops themselves are being continued in the U.S. as they apply to the subjects studied and discussed in Zaire. Some of the same consultants who were in Zaire are participating in the U.S. sites have been carefully selected to emphasize certain management and administrative principles and methods, even though the actual institutional setting and operational arrangements may not be applicable to the Zairian situation. The tour itself is also important in that each individual is being exposed to the problems other divisions of the ministry face. The exposure to gross-hierarchical needs and problems should improve the support activities planned and supervised by these men.'

Although USAID/Zaire has reached agreement on participant training, amended the contract accordingly, and believes that the observation tour type training is appropriate, we remain skeptical of its ultimate value to the project.

Rural Demonstration Sites

A rural demonstration site was selected 1300 kilometers east of Kinshasa to provide a health component to the North Shaba rural development project; however, the remoteness of the location makes logistic support difficult. The purpose of establishing a rural demonstration site was to provide field training and a testing ground for plans developed by the National Health Council and the Contractor's technician. Due to its remoteness and the logistic problems of transporting the department heads to the site, an additional location -- Maluku (100 kilometers from Kinshasa) -- was selected. The additional site will incur additional project costs because:

- Commodities will be needed in Maluku as well as Kongolo.

- The GOZ does not have a vehicle capable of carrying the Directors to Maluku; thus, a vehicle must either be purchased or leased.

Neither the project agreements nor the project implementation order had been revised to reflect these changes.

In response to our draft report, USAID/Zaire stated:

> "A training component for the Kongolo Health Ministry Personnel has been established. Peace Corps Volunteers have been assigned to Kongolo zone to work with the training aspects of this project. A USAID PSC Zairian pharmacist makes periodic visits from Kinshasa relative to logistics and inventory training. Locally, the training program is coordinated by a USAID PSC based in Kongolo. The training program, including the two PSCS, is under the overall supervision of the chief of party for planning and human systems contract."
>
> "Changes in project design and methodology as well as in the project financial plan will be documented in a project paper revision to be prepared in connection with the addition of FY 80 funds. The ProAg, PIO/T and contract with Planning and Human Systems Inc. have already been amended to incorporate the implementation of participant training under the workshop-study tour concept. A copy of the project paper revision will be sent to AAG/Nairobi when completed."

We have accordingly deleted one of our original recommendations, but are retaining the other recommendation until project documentation is complete.

Recommendation No. 7

USAID/Zaire revise project documentation to reflect changes in project operations on the Health Systems Development project.

Financial Status

The Health Systems Development project agreement required the following contributions:

	($000 omitted)	
	USAID	GOZ
Contract Services, salaries & personnel	$370	$420
Commodities	235	-
Participant Training	70	-
Operating Costs	-	20
TOTAL	$675	$440

As of April 30, 1979, $667,000 had been obligated by USAID/Zaire with $493,000 reserved for sub-obligations. GOZ project support, however, has been less than planned.

As USAID/Zaire advised us that changes in project design and methodology to be reflected in a future project paper revision will include a revised financial plan, we are not making a recommendation.

Endemic and Communicable Disease Control Project

Capsule Finding - Project completion was scheduled for FY 1980; however, the technicians for both components (malaria and measles) arrived about one year later than anticipated. Thus, project outputs will not be accomplished within the original life of the project, and may be unrealistic.

This project was designed to meet the needs addressed in the 'Manifesto of the Health and Welfare of the People of Zaire' which gave priority to reducing serious endemic diseases among infants and preschool children. After preliminary analysis revealed malaria and measles as the most prevalent controlable infectious diseases, the project was designed specifically to combat those two diseases. Another major objective was to build the GOZ's institutional capability to control other endemic diseases.

The original project agreement lists the following as project purposes:

- Strengthen the capability of the GOZ to monitor and control infectious diseases.

- Reduce the morbidity and mortality caused by panendemic diseases with focus on selected diseases which cause many deaths in young children.

- Provide an experience base and develop operational cadres, organizational infrastructure, and methodologies for the prevention and control of selected communicable diseases.

Life of project funding was $2.3 million by USAID/Zaire and $2.2 million by the GOZ. Although this is one project, the two components (malaria and measles) have separate budgets, technicians, counterparts, agencies, and implementation periods.

Malaria

This component had a five year life at a projected cost to AID of approximately $1.4 million. Anticipated outputs from the malaria component were:

- Establishment of operational programs in the Kinshasa region and one rural area (combined population coverage of 2.5 million).

- Extension and integration of the malaria program into five health delivery system developmental zones (combined population coverage of one million).

- Development of an epidemiological capability within the GOZ.

For almost a year after the malaria advisor arrived (September 1977), the GOZ was reluctant to implement the "systems approach" to malaria control set forth in the project agreement. Instead, efforts were made to clear debris from drainage ditches and other stop-gap measures to eliminate mosquito breeding grounds. According to the malaria advisor the impact of these activities on the number of malaria-carrying mosquitoes was not measurable. Further, these efforts had little observable impact. Much of the debris previously cleared has since reaccumulated in the drainage ditches.

There had not been an active malaria program in Zaire for nearly a decade, consequently there was little, if any, malaria control expertise in the country. What little activity took place was in the form of the environmental approach described above. Consequently, project implementation was delayed until the new project approach was accepted by the GOZ. The situation was further complicated by a lack of French language training materials. The malaria office subsequently hired a translator to begin translating into French a Malaria Spraying Manual developed in Ethiopia.

Other donor organizations, such as WHO, did not provide timely assistance. It was originally anticipated that WHO would perform a malaria base-line survey for Kinshasa, and that UNDP would help purchase project commodities. Neither commitment had been fulfilled by June 1979. In fact, the WHO technician did not arrive until June 1979, and the UNDP was not involved in the project at all.

It was not possible to clearly distinguish obligations for the various components of this project. However, as of June 15, 1979, about $260,000 had been obligated to support the malaria component. As of May 31, 1979, the GOZ contribution to this component was about Z560,000 or about $364,000.

Because of the relatively small amount obligated under this component and the three years remaining to accomplish project goals, we have no recommendation.

Measles

This component had a three year project life at a projected cost to AID of approximately $915,000. The goals of this component were:

- Establishment and operation of a permanent measles control program in Kinshasa and 15 other major urban areas.

- Immunization of at least 80 percent of all children nine months to three years old in certain designated cities.

- Extension and integration of the measles control program into five health delivery system developmental zones (combined population coverage of one million).

- Development of an epidemiological capability within the GOZ to assess, monitor, and evaluate endemic disease problems and programs.

Just as it is impossible to clearly distinguish total malaria obligations, the same holds true for the measles component. However, as of June 15, 1979 about $680,000 of AID funds had been specifically obligated to support the measles component. As of May 31, 1979, the GOZ contribution to this activity was over Z800,000 or about $520,000.

A measles technician arrived in-country August 1977 under a PASA agreement with the Center for Disease Control, U.S. Public Health Service (CDC). This technician's counterpart is the Director of P.E.V. (Programme Elargi des Vaccinations), an organization established in conjunction with WHO's Zairian smallpox eradication program. Currently, measles is only one of many endemic disease control activities administered by P.E.V.

After two years of operation, it is highly unlikely the measles component will meet its Project Paper goals within the three-year implementation period. According to the project agreement, the vaccination program should already have been established in 15 cities and Kinshasa. Currently the project has implemented programs in only four cities, and has plans to begin in a fifth if proper storage facilities and sufficient fuel can be found. USAID/Zaire officials told us the component's project life is being extended to four years instead of three. Given the current economic and related transportation problems in Zaire, extending the measles control program to 15 major urban areas beyond Kinshasa may not be a realistic goal.

In response to our draft report, USAID/Zaire told us they have developed plans to extend the project life of the measles component two additional years. We believe this represents a more realistic implemantation time frame and have consequently deleted our recommendation on this subject.

As of June 15, 1979, no candidates for long term training have been identified who are qualified and suitable to the GOZ. Rather than the proposed long-term training, five participants attended short training sessions developed by WHO and CDC. The anticipated middle-level managers' course being developed by WHO and CDC was more than a year behind schedule, and was not expected to be ready until sometime in 1980. USAID/Zaire's recent action in extending the project's implementation period may allow time for this training activity to be completed.

The project funding did not provide cold storage facilities, and the GOZ does not have cold rooms capable of reaching proper temperatures to store vaccine. Since 1977, vaccine has been stored by informal agreement in commercial cold rooms. Neither the project nor the GOZ were billed for the use of these storage facilities. Presumably, the storage facility is not accountable for the drugs stored there. We found that no goods, other than various vaccines were kept in the facility. USAID/Zaire project management told us they were planning to apply for Regional Accelerated Impact Program Funds to build a cold storage facility. Since the USAID was working to solve this problem we have not made a recommendation.

Follow-up on Prior Recommendations

Capsule Finding - Review of 12 recommendations made since August 1975 disclosed that the conditions noted still persisted--at least in part--in six cases. Two of these six cases involved counterpart fund activities and are discussed in report No. 3-660-79-16, September 24, 1979. Comments on the other four follow.

Report No. 3-660-77-03, November 30, 1979

Recommendation No. 4 of this report stated that loan completion reviews should be made on three loans--Nos. 660-K-010 (CIP), 660-K-012 (Transport Sector) and 660-K-013 (Civil Aviation). We were advised by the USAID that they would do this and expected to complete the reviews by October 1977. Follow-up disclosed that none of the loan completion reviews were done. Considering the length of time since these projects were physically completed, we do not think preparation of completion reports now would serve any useful purpose.

The condition resulting in Recommendation No. 5 of the report was that a number of pieces of shop equipment were stored unprotected in the open, due to the fact that construction of a workshop in Boma was delayed. The recommendation was closed based upon a March 29, 1977 memo that stated all equipment except one piece was installed or at least in the shop, and work was going forward to install the remaining piece. Follow-up disclosed a major part of one piece of equipment was still stored in the open.

In response to our draft report, USAID/Zaire advised us that this matter has been formally brought to the attention of the GOZ and corrective action had been taken. Therefore, we do not intend to reinstate our previous recommendation.

Report No. 3-660-76-13, August 29, 1975

Recommendation No. 4 of this report stated that (a) the Mission should obtain receiving and inspection reports for all AID-financed commodities, (b) assure that the GOZ submit excess property utilization reports, and (c) assure compliance with or delete the requirement for progress reports in specific loans. The problem of receiving and inspection reports was still present in health sector projects and is discussed on page 15 of this report. The GOZ still had not submitted utilization reports for U.S. excess property although the USAID had requested them to do so. Because of the elapsed time (1975) since the original report was issued, and because of a recent Handbook change requiring reporting for only one year, we are not reinstating these parts of the recommendation. Regarding part (c) of the recommendation, the GOZ did not provide the progress reports although the USAID requested them. Because the loan is now completed, the recommendation is no longer applicable.

Recommendation No. 5 of the report stated that the USAID should make visits to project sites to verify the status and utilization of AID financed commodities. In replying to this report, USAID/Zaire stated that they had not made such site visits in the past because of a manpower shortage but this was being improved and they could make them. Follow-up disclosed that with the exception of the Commodity Import Program, site visits were still not being made. USAID officials stated that they do not have the manpower to routinely and thoroughly do this. Consequently, we are reinstating this recommendation.

Recommendation No. 3

USAID/Zaire establish a procedure requiring periodic visits to project sites to verify the status and utilization of AID-financed commodities.

USAID/Zaire advised us that it issued a Staff Notice in September addressing this issue. As we have not received or been able to study this document, we are retaining this recommendation until we have been able to do so.

SCOPE

The purpose of our audit was to review USAID/Zaire's activities in terms of the economy, efficiency and effectiveness with which programs are managed, progress being made toward established program objectives, and the degree of compliance with relevant U.S. Government laws and Agency policies and regulations. The period covered was from June 30, 1976 (the cut-off date of our prior review) to June 15, 1979. We reviewed Mission files and records and made such tests and site visits as we deemed necessary in the circumstances. We also examined the Mission's actions in response to prior audit recommendations to determine if actions taken had been effective to eliminate the reported deficiency.

EXHIBIT A

LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 1 — 5

AA/AFR, in conjunction with GC, reassess the AID program in Zaire to determine (a) if the assistance being provided is in consensus with the provisions of the Foreign Assistance Act and AID policies, and (b) whether it would be more appropriate to utilize Economic Support Fund financing for AID activities in Zaire.

Recommendation No. 2 — 7

AA/AFR advise USAID/Zaire to ensure that future agreements with the Government of Zaire include such reforms or measures which are necessary to enable achievements of the objectives of the activity.

Recommendation No. 3 — 10

USAID/Zaire negotiate with appropriate GOZ authorities to (a) ensure that AID participants receive timely payment for their work, and (b) consider adjusting the salary level of returned participants by providing a research stipend from counterpart funds to ensure their continuation with the project.

Recommendation No. 4 — 14

USAID/Zaire coordinate with the GOZ/DGA and Development Alternatives, Inc., to develop a list of unusable commodities delivered to Project North Shaba which can be sold, traded or otherwise disposed of to diminish project costs and improve efficiency.

	Page No.
Recommendation No. 5	16
USAID/Zaire issue a Mission Order requiring all project agreements include procedures to provide for (a) countersignature by a USAID representative for counterpart fund releases, (b) preparation of inspection and receiving reports for project commodities, and (c) periodic monitoring of project inventory control procedures.	
Recommendation No. 6	20
USAID/Zaire take steps to terminate the Health Systems Development project unless a firm agreement on methodology can be reached in the very near future -- say December 31, 1979.	
Recommendation No. 7	21
USAID/Zaire revise project documentation to reflect changes in project operations on the Health Systems Development project.	
Recommendation No. 8	26
USAID/Zaire establish a procedure requiring periodic visits to project sites to verify the status and utilization of AID-financed commodities.	

REVIEW OF THE AID PROGRAM IN ZAIRE

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