Auditor General

PROBLEMS IN IMPLEMENTING
THE INTEGRATED RURAL DEVELOPMENT PROJECT
IN LIBERIA

USAID/Liberia-Lofa County
Agricultural Development Project
AID-Loan 669-T-022

Few results have been achieved after four years of AID support under the Integrated Rural Development Project in Liberia. There is little evidence that the project will have any sustaining viability because:

-- no substantive progress has been made in developing the institutional capability of the cooperatives in the project area, and

-- farmers have been reluctant to join the program because they feel the cooperatives do not work in their best interest.

Also, AID's efforts to develop a viable Revolving Credit Fund responsive to small farmers' needs have met with little success.

Audit Report Number 80-82

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Area Auditor General, Washington
Agency for International Development
Washington, D.C. 20523

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Liberia

502724 9-77 (542160)
Lambert Conformal Projection
Standard parallels 8° and 32°
Scale 1:2,550,000

Railroad
Road
Airport

PROBLEMS IN IMPLEMENTING THE INTEGRATED RURAL DEVELOPMENT PROJECT IN LIBERIA

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EXECUTIVE SUMMARY

Introduction

The Integrated Rural Development Project in Liberia was designed to assist 9,000 small farmers in Upper Lofa County boost production of upland and swamp rice, coffee and cocoa. Through this increased production, the per capita income of participating farmers was to be raised from $43 to $163 per year.

This objective was to be achieved in part by providing such inputs as seeds and seedlings, fertilizers, agricultural chemicals, tools and sprayers. A Revolving Credit Fund was to be established to assist the farmer finance these inputs. Another key element was to foster the development of four cooperatives in the project area. These cooperatives were to be responsible for the recruitment of farmers into the program, distribution of farm inputs, storage and delivery of commodities to market, maintenance of the Revolving Credit Fund and village planning. To undertake this role, the four existing cooperatives in Upper Lofa County were to receive technical and financial assistance enabling them to expand staff and functions. This assistance was to be provided by a Project Management Unit created under the project.

The total cost of the five-year project was estimated at $18 million. The World Bank provided a loan of $6 million, while AID provided a loan of $5 million. The remaining $7 million was to be provided by the Government of Liberia and farmer contributions.

Purpose and Scope of Review

The purposes of this review were: (1) to assess the results of the project, (2) to determine whether the project was effectively and efficiently managed, and (3) to ascertain whether AID funds were expended properly and in compliance with AID's policies and procedures. The review included an examination of project records, on-site visits to project activities in Upper Lofa County and discussions with responsible AID and Government of Liberia officials in both Monrovia and Upper Lofa County.

The Potential For Establishing A Viable Rural Development Project Is Questionable

After four years of AID support, including the expenditure of $1.9 million, no substantive progress was made in developing the institutional capability of the cooperatives in the project area. One reason for this lack of progress is that the cooperatives do not have adequate operating funds to assume and carry out the assigned functions. Another reason is that the cooperatives are distrustful of having the Project Management Unit too involved in their affairs. They fear the Management Unit is attempting to usurp their powers. Finally, though the Project Management Unit has successfully developed a body of technical expertise, there is some question how effectively it has tried to transfer this knowledge to the cooperatives. It is our view that the Management Unit focused too much on developing its own capabilities (pages 3 - 5).

The Project Will Not Achieve Its Production Targets

The project has not achieved the goal of recruiting 9,000 farmers into the four cooperatives. As of March 1980, almost four years after the project commenced, only 3,065 farmers had been recruited into the program. Failure to reach the 9,000 goal was due to considerable suspicion among the farmers that the cooperatives do not serve their interests. Production targets were not reached as a result of this shortfall in farmer recruitment. Moreover, because of the failure to recruit the planned number of farmers, farm inputs, such as fertilizers, seeds, etc., have not reached planned levels. Therefore, of the $2.1 million AID had planned to spend on such inputs, only $754,000 had been disbursed. It is unlikely, according to Project Management Unit officials, that the undisbursed balance of approximately $1.4 million for farm inputs will be needed (pages 6 - 8).

The Revolving Credit Fund Has Not Developed As Planned

The Revolving Credit Fund has not been capitalized as planned because of the inability of the project to recruit farmers into the program. A compounding problem is that the Fund is not managed properly. The cooperatives' bookkeeping procedures for repayment of loans is not adequate, e.g. the cooperatives do not keep up-to-date loan records and are not always aware that a given farmer has an outstanding loan. Moreover, because the cooperatives are hard-pressed for operating funds, they are not depositing all loan repayment proceeds to the Revolving Credit Fund. These problems of limited capitalization and administrative inadequacies place the viability of the Fund in doubt (pages 9-10).

Project Management Needs Improvement

The USAID/Liberia's management of the project has been inadequate. Not once, in the four years that elapsed, has AID evaluated the project. Moreover, site visits to the project area have been infrequent, undocumented and not geared to measure project progress or identify problem areas. The USAID does not have, therefore, a clear and full conception of the project and its problems (page 11).

Summary of Management Comments

USAID/Liberia expressed the view that the draft report was thorough and objective. The USAID suggested, however, that "the report take note of the fact that this project has progressed far enough to completely Liberianize management more than a year before schedule... Mission feels assumption of project management is an important point because it is the first in Liberia development history that it has happened. Further, it may be a first for West Africa."

Conclusions and Recommendations

The results of the project have been less than planned. No substantive progress has been made in developing the institutional capability of the cooperatives in the project area. Unless the cooperatives' institutional capability is improved, there is some question whether AID's objective for rural development in Upper Lofa County can be achieved. The project, moreover, has not recruited the planned number of farmers nor have the planned amount of agricultural inputs been distributed. There is thus little possibility of utilizing AID's unexpended loan funds of $3 million prior to project termination.

Accordingly, we recommend that the USAID/Liberia:

-- reassess its strategy for assisting the rural farmer through cooperatives to determine whether it merits continued AID funding.

-- develop a revised budget showing anticipated needs through the remainder of the project; and deobligate any unneeded funds.

-- instruct the Project Management Unit to take appropriate steps to ensure that all loan repayments are recorded promptly to the farmers' accounts and the cash proceeds deposited to the Revolving Fund.

-- take steps to improve its project management over the Integrated Rural Development Project in Upper Lofa County.

-- immediately offset the $32,867 overpayment of project costs from the next voucher submitted by the Project Management Unit to AID.

BACKGROUND

Liberia is located on the southwestern extremity of Africa's western bulge within the continent's tropical rainfall belt. Five percent of its population of 1.7 million (1978) are descendants of American slaves resettled in the area during the 19th century. The other 95 percent are largely members of six indigenous tribes. Over 50 percent of the Liberians are subsistence farmers. The average per capita income of these farmers is less than $150 annually.

In May 1973 the Liberian Government requested the World Bank and AID to provide joint assistance for an agricultural development project in Upper Lofa County (see map). This request led to a World Bank team, including a member from AID, being sent to Liberia in 1975. The efforts of this team resulted in the detailed design of the Integrated Rural Development Project in Upper Lofa County.

The Integrated Rural Development Project was designed to assist 8,000 [1/] small farmers in Upper Lofa County by boosting the production of upland and swamp rice, coffee and cocoa. Through this increased production, the per capita income of participating farmers was to be raised from $43 to $163 per year. This objective was to be achieved in part by providing such necessary inputs as seeds and seedlings, fertilizers, agricultural chemicals, tools and sprayers. A Revolving Credit Fund was to be established to assist the farmers finance these inputs.

Cooperatives were to play a key role in project implementation. The cooperatives were to be responsible for the recruitment of farmers into the program, distribution of farm inputs, storage and delivery of commodities to market, maintenance of the Revolving Credit Fund and village planning. To undertake this role, the four existing cooperatives in Upper Lofa County were to receive technical and financial assistance enabling them to expand their staff and functions. This assistance was to be provided by a Project Management Unit created under the project.

The total cost of the project over its five-year life was estimated at $18 million. The World Bank provided a loan in the amount of $6 million, while AID provided a $5 million loan. The remaining $7 million was to be provided by the Liberian Government and farmer contributions.

The $5 million AID loan, signed in November 1975, represents approximately 27 percent of total project costs. Of this amount, $2.1 million was earmarked for purchase of agricultural inputs such as fertilizer, pesticides, tools, seeds and seedlings. Most of the remaining AID funds were targeted for personnel, equipment and support costs of the Project Management Unit. The World Bank contribution of $6 million was to be programed for the Project Management Unit's salaries and wages, the construction of buildings, and the procurement of vehicles and equipment. The project is scheduled to terminate in June 1981.

1/ The number of target farmers was raised to 9,000 under a project expansion approved in January 1979.

During our review in April 1980, political unrest in Liberia resulted in a change in that country's government. We do not yet know to what extent this change may affect project implementation or host government support.

Purpose and Scope

The purposes of this review were: (1) to assess the results of the project, (2) to determine whether the project was effectively and efficiently managed, and (3) to ascertain whether AID funds were expended properly and in compliance with AID's policies and procedures. The review included an examination of project records, on-site visits to project activities in Upper Lofa County and such discussions as necessary with responsible AID and Government of Liberia officials in both Monrovia and Upper Lofa County.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

THE POTENTIAL FOR ESTABLISHING A VIABLE RURAL DEVELOPMENT PROJECT IS QUESTIONABLE

No substantive progress has been made in developing the institutional capability of the cooperatives in the project area. Therefore, unless the cooperatives' capability is improved, there is some question whether AID's objective for rural development in Upper Lofa County, Liberia, will be achieved.

The Ministry of Agriculture is responsible for agricultural research, extension and administration of technical assistance in Liberia. Yet the Project Paper, AID's basic design and strategy document on the project, indicated the Ministry had little capability to perform these responsibilities. The paper stated that the Ministry "suffered from poor planning and management, limited funding and low caliber personnel, many of whom were appointed for non-professional reasons and lacked interest in agriculture."

The World Bank and AID recognized that the Ministry was institutionally too weak to plan and implement the project. Therefore, in designing the project, a Project Management Unit was created and located in Upper Lofa County. This Management Unit was to be responsible, through a steering group to the Ministry of Agriculture, for all necessary planning and implementation. It was to comprise six divisions responsible for administration and personnel, finance, training, cooperatives and credit, land development, and research and extension services. The intent was that the Management Unit would be phased out at the end of five years (June 1981), and that the cooperatives would continue to provide services to the farmer.

The need for a planning and implementation mechanism dictated that the initial thrust of the project focus on developing the Project Management Unit. This entailed recruiting capable local staff. In addition, expatriate advisors were recruited under personal services contracts to serve in such key positions as Project Manager, Training Officer, Commerical Managers (Cooperatives), and Crop Specialists. Through these expatriate advisors, the local staff was then trained in their respective fields of expertise. An achievement of some significance is that the local staff, presently consisting of 376 personnel, have achieved sufficient expertise to replace the expatriate advisors in all key positions.

The Unit, in coordination with the Ministry of Public Works, has financed the improvement of 412 miles of feeder roads. Wells have been constructed under a self-help program, and buildings to house the Management Unit, a schistosomiasis laboratory and a workshop have been constructed as well as nine staff houses. But little has been done to develop the cooperatives, a fundamental aspect of the project financed by AID.

The Project Management Unit was to assist the cooperatives improve and expand their activities and resources. It was to provide training, guidance, supervision and such other assistance as necessary. Yet, contrary to this intent, the Management Unit has assumed the responsibilities envisioned for the cooperatives. The Unit recruits farmers into the project, supervises distribution of farm inputs, and often brings the farmer and his produce to the cooperative after the harvest. It maintains the only up-to-date records of farmer loans and loan repayments. At the present time the Management Unit is organizing participating farmers into small village groups known as Town Cooperative Units. These Town Cooperative Units, consisting of ten farmers, are designed to activate social pressure among the inhabitants in smaller communities as a means of encouraging members' compliance with project responsibilities, especially in the repayment of credit. Moreover, by working through the Town Cooperative Units, the Project Management Unit is better able to provide agricultural extension and marketing services and process farmer loans.

A key objective of the AID-financed portion of the project is to develop and up-grade four existing district cooperatives in Upper Lofa County. The four cooperatives were to be developed to assume such responsibilities as:

(1) mobilizing the interest and participation of farmers and organizing them into small village groups;

(2) organizing an effective system for delivery of inputs to participating farmers and credit distribution and recovery;

(3) providing assembly, storage, transportation, handling and other marketing functions.

The intent of the project is to make the cooperatives a more vital part of the agricultural development process by assuming expanded responsibilities. But none have progressed much beyond the traditional role of buying agents for the Liberian Produce Marketing Corporation. 2/

One reason for the lack of progress, according to cooperative officials, is that funds generated from operations are insufficient to cover expenses. The officials indicated the cooperatives do not have sufficient funds to carry out day-to-day credit operations, procurement and delivery of farm inputs, and marketing of farmers' produce. The result is that the farmer is sometimes forced to take his produce to market directly or sell to middle-buyers. Middle-buyers thus continue to operate in the project area even though cooperatives are designated the official government buying agents for farmer produce. Middle-buyers give the farmers a low price for produce, but sells to the Liberian Produce Marketing Corporation at the higher government established rates. As a result, middle-buyers receive the benefits rather than cooperatives and the participating farmers.

Another reason for the lack of progress in cooperative development can be traced in part to the cooperatives' refusal to accept project assistance. The cooperatives are distrustful of having the Management Unit too involved

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2/ The Liberian Produce Marketing Corporation is a quasi-governmental corporation established in 1972 to process and market export crops.

in its affairs. We were told by Project Management Unit officials that the cooperatives fear the project is attempting to usurp their powers.

We believe that the lack of cooperative development is also due to the Management Unit's focus on developing its own capabilities. From the inception of the project, the Unit concentrated its efforts upon developing its own ability to provide services to farmers rather than strengthening the cooperatives. Though it has successfully developed a body of technical expertise, we question how effectively it tried to transfer this knowledge and functions to the cooperatives.

Conclusions and Recommendation

The project has approximately one year remaining until its termination in June 1981. It is highly unlikely that the situation will substantively change in that period. Should the Management Unit be phased out, as originally planned, the project will have little, if any, lasting impact on the cooperative structure of the agricultural sector in Upper Lofa County. Thus, in our view, AID needs to take a critical look at its strategy for assisting the rural farmer through the development of the cooperative movement. Plans need to be made to overcome the problems at hand before additional funds are expended.

Recommendation No. 1

We recommend that USAID reassess its strategy for assisting the rural farmer through cooperatives to determine whether it merits continued AID funding.

In responding to a draft of this report, USAID/Liberia stated:

> "Mission recommends the audit report take note of the fact that this project has progressed far enough to completely Liberianize management more than a year before schedule. All indications are that the Liberian team that has been running the project for eleven months will continue to do an excellent job and the goals and objectives of the project will be met. Mission feels assumption of project management is an important point because it is the first in Liberia development history that it has happened. Further, it may be a first for West Africa."

THE PROJECT WILL NOT ACHIEVE ITS PRODUCTION TARGETS

The project has not recruited the planned number of farmers nor have the planned amount of agricultural inputs been distributed. Therefore, the objective to increase agricultural production and productivity will not be achieved as planned. Moreover, there is little possibility that the unexpended loan funds of $3 million can be utilized prior to project termination.

The goal of recruiting 9,000 farmers into the four district cooperatives presently serving the project area in Upper Lofa County will not be reached. As of March 1980, almost four years after the project commenced, only 3,065 farmers had been recruited into the program. Our review indicated that the failure to reach this objective was due to considerable suspicion among the farmers that the cooperatives do not work in their best interest. According to the Project Manager, many farmers believe that the cooperative officials run their organizations for their personal profit. In addition, cooperatives sometime do not have sufficient cash to pay farmers immediately for their crops. This practice causes farmers to wait for their money or sell their crops at prices below government mandated levels to independent middlemen operating in the area. Middlemen then sell to the Government Marketing Corporation at the official price. This practice benefits the middlemen rather than the farmer. All of these factors have contributed to farmer suspicions and their reluctance to join cooperatives.

The agricultural production target of the project was to have 4,930 hectares of rice, coffee and cocoa under cultivation by 1979. As coffee and cocoa harvests have not begun, the best indicator to measure project progress at this time is hectares under cultivation. Because of the shortfall in the number of participating farmers, only 3,432 hectares for all crops were cultivated. The figures below show the percent of production targets achieved.

Hectares Planted Through 1979

Crop	Targeted	Achieved	% of Target Achieved
1. Upland Rice	2,000	1,363	68
2. Swamp Rice	800	968	121
3. Coffee	1,230	641	52
4. Cocoa	900	460	51
Total	4,930	3,432	70

Among project crops, only swamp rice production exceeded targeted levels. This production target was met for several reasons. First, unlike upland rice, coffee and cocoa, swamp rice can yield two harvests each year. Second, farmers have experienced earlier successful government programs to increase swamp rice production. Finally, swamp rice, with its 3-month growing period, offers immediate visible results. Farmers are far more reluctant to invest four to six years of effort and input into coffee and cocoa production.

Because of the failure to recruit the anticipated number of farmers, targeted farm inputs have not been reached. Program planners anticipated that the project would distribute 1,089 metric tons of fertilizer to participating farmers through 1979. Yet, through 1979 the project distributed only 364 metric tons, representing 33 percent of target. Figures for other farm inputs such as pesticides and tools were similarly depressed.

Even farmers participating in the project refused to follow project guidelines in the use of fertilizer inputs. This is most obvious in their failure to apply recommended fertilizer dosages to their fields. Another reason for the limited use of fertilizer is that farmers claim it is too expensive to use. With fertilizer prices rising yearly, project managers are now trying to develop a plan to allow the project to subsidize future fertilizer credit to the farmers in order to encourage greater use of fertilizer.

The failure to reach project targets has resulted in a large part of the AID loan fund not being disbursed. The tabulation below shows the use of AID loan funds through March 31, 1980, as compared to the original budget.

Use of Loan Funds at March 31, 1980
($000)

Description	Original Budget	Disbursed 3/31/80	Undisbursed Balance
Building & Construction Materials	$ 95.0	$ 84.8	$ 10.2
Vehicles	130.1	178.2	(48.1)
Equipment	55.0	103.6	(48.6)
Salary & Wages	1,135.6	758.3	377.3
Development Operational Costs	42.0	37.7	4.3
Farm Inputs	2,076.8	754.5	1,322.3
Consultants	40.0	-0-	40.0
Contingencies	1,425.5	-0-	1,425.5
Total	$5,000.0	$1,917.1	$3,082.9

Conclusions and Recommendation

AID's assistance to a small portion of Liberia's rural poor is not achieving the results planned, though four years have already elapsed under the project. The terminal date for disbursement of loan funds is June 16, 1981. According to the Management Unit, it is unlikely that all AID funds will be expended prior to that termination date. Consequently, in view of the limited distribution of inputs, we believe that USAID/Liberia should develop a revised budget, deobligating any unneeded funds.

<u>Recommendation No. 2</u>

We recommend that USAID/Liberia: (1) develop a revised budget showing anticipated needs through the remainder of the project; and (2) deobligate any unneeded funds.

THE REVOLVING CREDIT FUND HAS NOT DEVELOPED AS PLANNED

The Revolving Credit Fund has not been capitalized as planned because of the inability of the project to recruit farmers into the program. A further problem is that the cooperatives are not depositing all repayments to the Fund. The viability of the Revolving Credit Fund as a self-sustaining mechanism for providing continued financing is therefore in doubt.

A Revolving Credit Fund was created under the project to be administered by the Agricultural Cooperative Development Bank. The value of farm inputs purchased with AID-supplied funds is initially credited to the Fund. The inputs are then distributed to the farmers in the form of loans. Repayment of the loan principal and interest (10 percent annually) is made to the cooperatives in the form of crops. These crops in turn are sold by the cooperatives to the Liberian Produce Marketing Corporation. The cash proceeds realized from these sales are then deposited by the cooperatives to the Revolving Fund account maintained at the Agricultural Cooperative Development Bank.

The project offers two types of loans, seasonal and development. Seasonal loans are short-term loans that must be repaid by the end of the crop season; i.e., within one year. Development loans are designed to provide long-term assistance for coffee and cocoa which have a lag time of several seasons before becoming fully productive, and for the initial costs of swamp rice paddies. The development loans consequently have a repayment period ranging from 8 to 12 years including grace periods of up to 4 years.

Through March 1980, agricultural inputs in the form of loans totaled $827,237. 3/ Of this amount, seasonal loans accounted for only $108,305 and development loans $718,932. This level of AID funding provided through the Revolving Fund for credit purposes was considerably less than planned. The tabulation below shows the shortfall in the capitalization of the Fund.

Anticipated Versus Actual Loans and Repayments
Through March 1980

Loan Type	Amount of Loans Target	Actual	Loan Repayments Target	Actual	Shortfall
Development	$ 726,900	$718,932	$ 27,720	$ -0-	$ 27,720
Seasonal	754,000	108,305	754,000	55,982	698,018
Total	$1,480,900	$827,237	$781,720	$55,982	$725,738

Initially, the primary source of fund capitalization was to be short-term seasonal loans. This aspect of the program is considerably off target, as

3/ At March 31, 1980, the project had requested $754,524 for reimbursement from the loan leaving $72,713 to be claimed.

only $108,305 of seasonal loans had been made. The prospects for increasing the Fund's capitalization through seasonal loans is not promising in view of the inability of the project to recruit farmers into the program and the farmers' reluctance to use the inputs recommended.

We found two administrative problems in the operation of the Revolving Fund that could adversely affect its viability. First, the cooperative's bookkeeping procedures for repayment of loans are not adequate. After the cooperative sells the crops to the Liberian Produce Marketing Corporation, it deducts its commission (three percent) and forwards the remaining funds to the Agricultural Bank for deposit to the Fund. However, as the cooperatives do not keep up-to-date loan records, they are not always aware that a given farmer has an outstanding loan. Thus, the cooperative could pay the farmer in cash instead of decreasing the loan balance. Cooperative officials admitted that this occurs but were not able to determine its extent.

The second problem is that the cooperatives are not forwarding all available loan proceeds to the Agricultural Bank for deposit to the Revolving Fund. Through December 1979, the Management Unit reported that cooperatives had collected $33,583 of seasonal loans due at that time. Of this amount the cooperatives forwarded $29,587 to the Bank for deposit to the Fund. In addition to their $2,375 commission, $2,058 was retained by the cooperatives. The Project Management Unit believes the cooperatives have used at least a portion of these funds to meet their own operating expenses.

Conclusions and Recommendation

Efforts to build a viable Revolving Credit Fund responsive to small farmers' needs have met with little success thus far. While the Fund's expansion will accelerate as development loans mature and are collected, this will not greatly affect the Fund's growth through 1981. Moreover, the continuation of administrative problems could undermine whatever viability the Revolving Fund has. Corrective action should therefore be taken.

Recommendation No. 3

We recommend that USAID/Liberia instruct the Project Management Unit to take appropriate steps to ensure that all loan repayments are recorded promptly to the farmers' accounts and the cash proceeds deposited to the Revolving Fund.

PROJECT MANAGEMENT NEEDS IMPROVEMENT

The USAID/Liberia's oversight of the AID-financed portion of the project needs to be improved. The USAID's project management officials need to strengthen their monitoring practices to assure more effective implementation of project activities.

Project management is the process whereby AID oversees and monitors all aspects of an AID-financed activity from its conceptualization through its design, approval, funding, implementation and evaluation. Varying with the scope and complexity of a project, effective project management relies upon a number of managerially accepted oversight methods and mechanisms. These include approval of prescribed activities of the assistance recipient, liaison with the intermediaries, progress reporting problem identification, site visits and approval of disbursements.

Our review of the project indicated that few of these responsibilities were performed effectively. Evaluation is a key element of the AID management process which enables management to appraise whether activities are meeting its goals and merit continuation. Yet not once, during the four years that have elapsed, has AID evaluated the project. Moreover, site visits made to the project area were infrequent, undocumented and not geared to measure project progress or identify problem areas.

USAID/Liberia acknowledged that its project management has been limited. It stated that its oversight has been restricted to reviewing and approving disbursement vouchers and reviewing the quarterly and annual reports prepared by the Project Management Unit. The reason cited for this limited oversight was that the dominant oversight role was being exercised by the World Bank.

Our review of the World Bank's monitoring indicated that its evaluations deal almost exclusively with those portions of the project funded by the World Bank. Very little, if anything, is done in regard to the AID-financed portion of the project.

Conclusions and Recommendation

In our view, AID's project management has been inadequate. Therefore, USAID/Liberia does not have a clear and full conception of the project's status and its problems. The serious shortcomings of the project dictate that the USAID/Liberia take the necessary steps to improve its oversight, including an independent evaluation of the project.

Recommendation No. 4

We recommend that USAID/Liberia take steps to improve its project management over the Integrated Rural Development Project in Upper Lofa County.

DUPLICATE PAYMENT NEEDS TO BE RESOLVED

In September 1978, USAID/Liberia paid a voucher for reimbursement of claimed costs totaling $41,459. Another voucher, including the same costs, was submitted in December 1978. This latter voucher, paid in January 1979, included duplicate charges for farm tools and sprayers.

A year later, in September 1979, the Project Management Unit informed USAID/Liberia about the duplicate payment. It requested that the overpayment be offset against subsequent vouchers. Yet, at the end of our audit field work in March 1980, a balance of $32,867 still remained overpaid. This outstanding balance, in our view, should be resolved immediately.

Recommendation No. 5

We recommend that USAID/Liberia immediately offset the $32,867 overpayment of project costs from the next voucher submitted by the Project Management Unit to AID.

LIST OF REPORT RECOMMENDATIONS

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator/Africa	5
USAID/Liberia	5
REDSO/WA	1
Liberia Desk	1
AFR/EMS	1
AFR/SWA	1
Assistant Administrator/LEG	1
General Counsel	1
Controller, FM	1
IDCA's Legislative and Public Affairs Office	1
PPC/E	1
DS/DIU/DI	4
Auditor General	1
AAG/EA	1
AAG/EAFR	1
AAG/Egypt	1
AAG/LA	1
AAG/NESA	1
AG/PPP	1
AG/IIS	1
IIS/AFR	1

Draft 2

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~~ISN 414~~ ISN 790

PD-AAI-046

Evaluates project to assist 9,000 small farmers ~~to~~ in boosting production of upland and swamp rice, coffee, and cocoa in Lofa County, Liberia. Audit report covers the period 1976-1980 and is based on document review, site visits, and discussions with project officials.

Although $1.9 million of the $5 million A.I.D. loan has been expended, there has been no substantive progress toward developing the institutional capacity of four farmer cooperatives (co-ops) or in establishing a revolving credit fund. Lack of progress is due to inadequate funding of the cooperatives and farmers' distrust of the project management unit and lack of confidence in the utility of the co-ops. Moreover, the management unit has put too much emphasis on developing its own capabilities and too little on extending its technical expertise to farmers. The revolving credit fund has not been properly managed and is undercapitalized. Finally, USAID/L management of the project has been inadequate--no evaluations and infrequent, undocumented site visits. Because of these factors, the co-ops have recruited only 3,065 farmers, farm inputs have not reached planned levels ($754,000 expended out of $2.1 million), and, as a result, agricultural production targets have not been met.

Since the potential for establishing a viable rural development project is questionable and the project will not achieve its production targets, it is recommended that USAID/L: (1) reassess its strategy of assisting farmers through development of farmer co-ops; (2) develop a revised project budget and deobligate any unneeded funds; (3) instruct the project management unit to promptly record all loan payments from farmers and deposit the cash proceeds into the revolving fund; (4) improve project management and arrange for an independent evaluation of the project; and (5) immediately deduct $32,867 from the next voucher submitted by the project management unit in order to offset a duplicate payment. Nonetheless, USAID/L recommends that the project revert to Liberian management a year ahead of schedule since this would be a first in the development experience of Liberia and possibly all of West Africa.