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AGENCY FOR INTERNATIONAL DEVELOPMENT
AREA AUDITOR GENERAL - AFRICA (WEST)
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Prog 625-11-150-161

INTERIM AUDIT REPORT

FY 1971 PL 480 TITLE II
EMERGENCY RELIEF - GRAIN STABILIZATION PROGRAMS
- MALI, UPPER VOLTA, SENEGAL AND NIGER

Period: December 1, 1970 through June 15, 1971

report No. 4-625-71-74

June 21, 1971

Copy No. 3

I. PURPOSE AND SCOPE

We have examined selected aspects of the Fiscal Year (FY) 1971 A.I.D. combined PL 480, Title II emergency relief-grain stabilization program in Mali, Upper Volta, Senegal and Niger.

The principal objectives of our examination were to determine, on a selective basis, the effectiveness of program implementation and the degree of compliance with the laws, policy determination and administrative regulations and procedures governing the PL 480, Title II operations of A.I.D. Our review was primarily concerned with the physical transfer of the PL 480, Title II commodities to final recipients and did not include an examination of the sales proceeds from the commodities. A review of sales proceeds from these programs is planned for January 1972.

We made field visits to Mali, Upper Volta, Senegal, Niger and the Ivory Coast (the latter being the transfer point for ocean shipments to Upper Volta) during the period May 24, 1971 through June 11, 1971.

II. BACKGROUND INFORMATION

The U.S. Government has consistently provided food assistance to needy populations in West Africa when drought conditions have curtailed food production. The most recent emergency drought relief programs for the countries involved in the FY 1971 programs were as follows:

<u>1969</u>	<u>Metric Tons</u>	<u>Program Costs (000 omitted)</u>
	<u>1969</u>	<u>1969</u>
Senegal	31	3,100
Mali	15	2,000
Upper Volta	2	450
Niger	<u>5</u>	<u>800</u>
Total	<u>53</u>	<u>\$6,350</u>

<u>1967</u>	<u>Metric Tons</u>	<u>Program Costs (000 omitted)</u>
Senegal	35	\$ 3,500
Mali	20	2,600
Upper Volta	15	2,200
Niger	<u>6</u>	<u>1,000</u>
	<u>76</u>	<u>\$ 9,300</u>

While prior food assistance has satisfied immediate needs, it did not contribute toward solving the problem which made food donations essential.

The FY 1971 emergency drought relief programs in Senegal, Mali, Upper Volta and Niger mark the initiation of the integration of disaster relief as part of the West Africa grain stabilization program. The purpose of the West Africa grain stabilization program is to combat chronic food shortages by improving the ability and capacity of the region to produce, store, transport and market food crops. It is planned that the West Africa grain stabilization program will involve A.I.D. inputs of Title II foods, technical assistance and capital assistance over a multi-year period.

Pertinent background data on the programs is contained in the Program Approval Request of December 1970 prepared by AFR/CWR and approved by AA/AFR. This document indicated a major food grain deficit in four countries which required shipments from donors including US to supplement internal supplies. It was requested that sale of the emergency drought assistance commodities be allowed in order to help finance the grain stabilization programs of the countries involved. Program Approval conforming to the Request was issued on February 12, 1971 and AID publicity release made on March 19, 1971

The resulting transfer agreements for the FY 1971 PL 480, Title II programs in Senegal, Mali, Upper Volta and Niger specify that up to 25 percent of the grain provided can be distributed free and that no less than 75 percent of the grain would be sold. The sales proceeds in each country in excess of necessary costs of administering, handling, transporting, storing and selling are to be deposited in a special bank account for eventual use in support of the grain stabilization project (625-11-150-161). For that portion of the grain distributed free to needy drought victims, all costs of handling, transporting, storing and administering are to be borne by the respective governments. In the event that the countries do not agree to a grain stabilization program by December 31, 1971, the balances in the special accounts will revert to the U.S. Government.

The authorized programs are shown in Exhibit A to this report.

The unit of currency in Senegal, Upper Volta and Niger is the Communauté Financière Africaine (CFA) which was valued at 275 CFA to the dollar. The Malian Franc (MF) was valued at 550 MF to the dollar. These rates have been used for conversion in this report unless otherwise specified.

III. SUMMARY OF FINDINGS

An examination of the FY 1971, PL 480, Title II. emergency relief-grain stabilization programs in Mali, Upper Volta, Senegal and Niger was performed based on available records in the field, site inspections, commodity inspections and interviews with AID, Embassy, host country and recipient personnel. Our review indicated that there was general compliance with the laws, policy determinations and administrative regulations and procedures governing the PL 480, Title II operations of A.I.D. The major problems and potential problems we noted were as follows:

- Final shipment dates had not been specified in the transfer authorization for these programs which could result, as it often has in West Africa, in emergency drought food shipment being received in the recipient countries after the emergency has ended with inimical program results (Section V.A and Recommendation No. 1)
- We noted the absence of A.I.D. policy regarding acceptable points of entry for landlocked countries which, in our opinion, resulted in arbitrary and inequitable country determinations and additional U.S. dollar cost (Section V.B and V.H.5; Recommendation Nos. 2 and 10)
- There had been virtually no U.S. Government technician monitorship of in-country distributions. While this had apparently resulted in no problems up to the time of our visit, we believed that U.S. monitorship of in-country distributions would be essential during the rainy season to assure that there was not a large scale build-up of undistributed foods (Section V.C and Recommendation No. 3)
- There was significant variation between planned proceeds and those now estimated to be available to finance the grain stabilization programs (Section V.D)
- Slow receipts of commodities in Mali and Upper Volta during the initial period of program operations raised serious question concerning their ability to utilize their full authorized programs prior to the next harvest (Sections V.E.2 and V.F.2, Recommendation Nos. 4 and 5)
- Authorized inland transportation costs for the Upper Volta program appeared inadequate (Section V.F.3 and Recommendation No. 6)
- We noted numerous discrepancies between the planned program and the actual program as regards timing of deliveries, amounts to be sold, and sales proceeds (Sections V.D, V.E.2, V.F.2, V.G.2 and V.H.1 and 3)
- There were significant problems inherent in the Niger program including doubtful need for emergency relief, furnishing of red sorghum in lieu of requested white sorghum and failure to explore alternative courses of action (Section V.H.1 thru 4, Recommendation Nos. 7, 8 and 9).

During the course of audit advance data on our major findings were cabled to AID/W and concerned field offices.

IV. FOLLOWUP ON PRIOR EXAMINATIONS

While this is the initial examination of the FY 1971 PL 480 Title II programs in Senegal, Mali, Upper Volta and Niger, numerous prior reviews of

West Africa PL 480 Title II emergency drought food programs have been performed, e.g., Audit Report Nos. 68-RUA-3; 70-228; 70-229; and 70-249. The findings and conclusions of these prior reviews were utilized as guidelines in the course of this examination.

V. FINDINGS AND RECOMMENDATIONS

A. Cut-Off Dates for Drought Assistance

Our prior reports have noted numerous instances in West Africa where PL 480 Title II emergency drought food assistance arrived after the emergency was over as a result of a subsequent good harvest. For example, Mali received 10,000 MT or two-thirds of its 1969 program after a good harvest had subsequently occurred (Audit Report No. 70-228); the Gambia 1969 program all arrived in country after a subsequent good harvest (Audit Report No. 70-249); and the Upper Volta 1969 program resulted in large quantities being received after a subsequent good harvest (Audit Report No. 70-229).

Emergency drought food assistance arriving after the emergency has ended by a subsequent good harvest results in spoilage, disturbance of the market and ineffective utilization.

We have referred above to good harvest following drought harvest because this has been the recent experience in West Africa. However, even should the harvest be a poor one, food would generally not be needed for several months after the harvest. For instance, should only 50 percent of grain requirement be harvested, grains would not be needed until six months after the harvest.

We believe that the waste caused by shipping food into a drought affected country after a subsequent harvest could be minimized by requiring all drought emergency food requests to specify final shipment dates giving consideration to the harvest dates. We further believe that these final shipment dates should be clearly reflected in the bilateral transfer authorization.

We noted no final shipment dates specified for the FY 1971 emergency relief-grain stabilization programs which gave consideration to the forthcoming harvest.

RECOMMENDATION NO. 1

FFP, AID/W should (a) require all emergency drought assistance food requests to specify final shipment dates prior to the next harvest, and (b) incorporate these final shipment dates in the bilateral transfer authorizations.

B. Point of Entry for Landlocked Countries

Under PL 480 Title II emergency relief programs, it has been the policy of A.I.D., as authorized under Section 211.1 of A.I.D. Regulation II, to pay from U.S. dollars for the transportation costs of donated foods to designated points of entry within recipient landlocked countries. However, there is no official policy defining "point of entry" In an internal memorandum dated November 8, 1968, WOH/FFF (Europe/Africa) stated that "The designated point of entry to a landlocked country should be the first customs point on the line of transport beyond the border." However, this rule of "the first customs point" has neither been revealed to the field nor enforced. In the FY 1971 Title II programs, one poor landlocked country, Mali, had the first customs points specified as the points of entry, while the other two poor landlocked countries, Upper Volta and Niger, specified points of entry /^{far} removed from the first customs point. For Upper Volta, and Niger, the points of entry were several hundred kilometers from the border. Had the "first customs point" rule been applied in Upper Volta and Niger, we estimate that over \$100,000 and \$20,000 respectively of AID funds would have been saved on the tonnages involved (See also Section V.G.5.)

In any event, the current practices of stipulating points of entry appear arbitrary and inequitable. We believe that a formal policy defining "point of entry" should be established and made clear to the field. In the case of sales of Title II foods, we believe that the point of entry should always be the first customs point on the line of transit beyond the border and that in country transportation costs should be paid from sales proceeds.

RECOMMENDATION NO. 2

FFP, AID/W should establish a formal policy defining "points of entry" for landlocked countries.

C. U.S. Supervision

In a memorandum to AFR/CWR dated April 2, 1971, AA/AFR stated that he had approved the grain stabilization PROP (Project No. 625-11-150-161) on the condition that all PL 480, Title II grain shipments under the program must be unloaded, bagged, transported and distributed under the direct supervision of U.S. Government technical personnel. This requirement was stipulated to prevent undue delays from occurring when timely delivery of emergency grain is of the utmost importance.

Our review in Senegal, Mali, Upper Volta and Niger indicated that unloading, bagging and rail transport operations were adequately supervised by U.S. Government technical personnel. However, in-country distribution operations from rail-head to consumers was generally not

being supervised by U.S. Government technical personnel. Our review of in-country distributions did not indicate that the absence of such U.S. supervision had, as yet, adversely affected the program. Nevertheless, it was believed that serious problems of undistributed food build-ups could occur in these countries during the rainy season (June-September) when road transport is often impossible. We accordingly believe that U.S. monitorship of in-country distribution operations in Senegal, Mali, and Upper Volta should be performed during the rainy season.

RECOMMENDATION NO. 3

CWR

AFR/CWR, AID/W should assure that U.S. Government monitorship of in-country food distribution operations in Senegal, Mali and Upper Volta is performed during July through September 1971.

D. Shortfall of Anticipated Proceeds for Grain Stabilization Programs

As indicated in Exhibit B, the Program Approval Request forecast proceeds equivalent to \$6,523 thousand (adjusted for the 15,000 MT increase for Senegal). However, on the basis of our review, we found that maximum proceeds will probably not exceed the total equivalent of \$2,258 thousand, or 34.6% of the original estimates based upon which the program was approved. Accordingly, we conclude that the program will significantly fall short of planned goals for financing grain stabilization programs in the area.

E. Mali

1. Program Status

As of May 25, 1971, a total of 15,000 MT of grain sorghum destined for Mali had been received in Dakar, Senegal, of which 8,200 MT were in Dakar and 6,800 MT had been forwarded to Kayes, Mali, the specified point of entry. Records in Bamako, Mali indicated that 5,100 MT had been received in Mali through May 29, 1971. The balance of 1,700 MT was apparently in transit. A railroad car holds 30-35 MT of sorghum. This transit total of 1,700 MT appeared realistic inasmuch as cars were unloading in Bamako, Mali, at the time of our visit, which had been loaded in Dakar up to two weeks before. Our review of storage facilities in Bamako, Mali, indicated generally satisfactory conditions and a visit to a consumer sales center indicated that the grain was selling quickly. It was planned that all the AID sorghum would be sold.

2. Program Limitations

Receipts in Mali had averaged 100 MT per day through May 29, 1971 according to the Government of Mali, Office of Agricultural Production. Available information indicated that receipts from May 29, 1971

through June 15, 1971 would not exceed 120 MT per day. It appeared that railroad limitations would preclude the receipt of the entire 25,000 MT program in Mali prior to the next harvest.

The Central and West Africa Regional Food for Peace Office has stated that, generally, no emergency shipments should be made to this area of West Africa which cannot be in the recipient country by September 1. This policy was arrived at to prevent shipments arriving in-country immediately after a harvest. Harvests, we were informed, generally start in late September or early October.

At current rates of arrival of AID sorghum in Mali, the grain on hand in Dakar and in transit to Mali will be adequate to supply all that can be received in Mali before September 1, 1971. Accordingly, we believe that additional shipments for the Mali program should not be made unless factual data demonstrates that the rate of receipts in Mali has increased substantially. While we do not question the need in Mali for 25,000 MT of sorghum to be consumed before the next harvest, experience to date indicate that 25,000 MT will not be received in a timely manner. It should be noted that this 25,000 MT program was predicated on receipts in Mali averaging at least 300 MT per day as assured A.I.D. by the Government of Mali. Our observation indicate that unloadings in Mali are the critical factor and not car loadings in Dakar, Senegal.

RECOMMENDATION NO. 4

FFP, AID/W should not provide further grain sorghum shipments for Mali in the absence of factual evidence that it can be distributed prior to the 1971 harvest.

F. Upper Volta

1. Program Status

As of May 25, 1971, AID sorghum receipts in Ouagadougou, Upper Volta, the authorized point of entry, were 6,382 MT which, considering sorghum in transit, closely approximated the 6,500 MT shipped from Abidjan, Ivory Coast, the off-loading point for shipments to Upper Volta. Of the 6,382 MT received, all but 271 MT had been forwarded from Ouagadougou to interior distribution centers. We were informed that 95 percent of the sorghum was intended for sale and that 5% would be distributed free to indigents. The AID sorghum was selling at 600 CFA per 100 lb. bag or 13.2 CFA per Kg (equivalent to US \$.048 per kilogram). We visited three sales locations and found that sales were good. One of the principal reasons the sorghum was selling briskly was the fact that it was selling at 13.2 CFA/Kg while the market price for local white sorghum was more than 50% higher.

2. Slowdown in Deliveries

The average rate of shipments from Abidjan, Ivory Coast to Ouagadougou were 125 MT per day for the first 52 days of shipments ending May 25, 1971. This rate declined precipitously thereafter and averaged less than 35 MT per day from May 26, 1971 through June 4, 1971, although large stocks were on hand in Abidjan. The principal reason cited for this delay was bagging problems in Abidjan. Inasmuch as shipments scheduled (received and to be received) total 15,200 MT, we believe that shipments in excess of 15,200 MT should not be booked until positive confirmation is received that shipments to Ouagadougou are being maintained at an average rate of at least 200 MT per day. Otherwise, additional stocks probably could not be distributed in Upper Volta before the next harvest.

RECOMMENDATION NO. 5

FFP, AID/W should not book additional shipments of FY 1971 grain sorghum for Upper Volta unless there is positive evidence that the rate of transfers from Abidjan, Ivory Coast to Upper Volta has significantly increased.

3. Inadequate Funding of Inland Transportation

Procurement Authorization and Requisition (PA/PR) No. 686-98-000-1702 states that up to \$500,000 is provided for the inland transportation of the authorized 25,000 MT of grain sorghum from Abidjan, Ivory Coast to Ouagadougou, Upper Volta. However, invoices from the freight forwarder indicate that these costs are approximately \$35/MT and, accordingly, the PA/PR provides only enough funds to ship approximately 14,200 MT from Abidjan to Ouagadougou. Inasmuch as shipments scheduled to reach Abidjan for Ouagadougou should aggregate approximately 15,200 MT through July 1, 1971, additional PA/PR funding is required.

RECOMMENDATION NO. 6

FFP, AID/W should initiate action to amend PA/PR No. 686-98-000-1702 to provide adequate funds for inland transportation costs of the planned FY 71 grain sorghum program in Upper Volta.

4. Other Donor Programs

At the time of our review in Upper Volta, we were informed that the European Economic Community (EEC) had pledged 9,500 MT of corn for free distribution. Although the arrival dates for the EEC corn were not yet known, they were expected in late July or early August. These arrivals could seriously affect the magnitude of the A.I.D. program. However, in view of the vagueness of available information concerning

timing, quantities, transportation availabilities, etc., for the EEC program, we could make no conclusion regarding its potential effect on the A.I.D. program.

G. Senegal

1. Program Status

As of May 26, 1971, the Transfer Authorization (TA) for Senegal provided for 10,000 MT of grain sorghum. An amendment to the TA was being processed to provide an additional 15,000 MT making a total FY 1971 program of 25,000 MT. By May 26, 1971, all shipments under the 10,000 MT authorization had been received in Dakar, Senegal, a total of 8,000 MT had been bagged and forwarded for distribution, 500 MT had been loaned to Mauritania, and approximately 1,500 MT was at the port in the process of being readied for forwarding. Our limited review of distribution operations disclosed no significant irregularities.

2. Deviation of Program from that Authorized

The program being conducted in Senegal bore little resemblance to the program specified in the TA. While the TA specified that at least 75 percent of the commodities must be sold, we were informed by officials of A.I.D. and the Government of Senegal (GOS) that the GOS was, in fact, distributing all the grain free. Accordingly, the TA requirements relative to the deposit and use of the GOS sales proceeds were meaningless inasmuch as the GOS received no sales proceeds.

The program envisioned by the A.I.D. Area Development Office (ADO), the Embassy and the GOS at the time of our review consisted of the free distribution of 25,000 MT of grain sorghum, and the deposit by the GOS from budgetary resources of a flat 150 million CFA. The deposit of the 150 million CFA was to be used exclusively for the grain stabilization program. We make no recommendation herein for revising the TA because, prior to our departure, the ADO and AID/W initiated action to revise the TA to conform with the actual program.

H. Niger

1. Program Status

The No. 2 Yellow Grain Sorghum (2,004.5 MT in 100# bags) was shipped from Corpus Christi, Texas aboard the S/S El Gavilan/Liberian on March 2, 1971 with a cost to deliver FAS Vessel of \$133,709, and consigned to the GON Ministry of Economic Affairs; the indicated \$133,708 commodity cost exceeded the TA-1612 limitation of \$112,000.

RECOMMENDATION NO. 7

FFP, AID/W should either process an upward amendment of the TA or take other appropriate corrective action.

The shipment, consigned to SOAEM as the Agent for the GON, was received in Cotonou, Dahomey on March 31, 1971 and rail shipments to Parahou, Dahomey at the rate of 100 MT per day were commenced promptly. From Parahou shipments were forwarded by truck to entry points in Niger. By May 8, 1971 practically the entire 2,000 MT had been received in Niger at the several distribution points. As of May 23, 1971, we were informed by OPVN that approximately 750 MT had been sold and that they were planning to sell the balance of 1250 MT (largely in Konni and Maradi) by the end of July. We were advised that none of the sorghum was intended for free distribution. We were unable within the time limitation to check physically the storage, distribution or quality of the sorghum.

2. Nature of the Niger Food Grain Deficit

Niger currently produces more than 1 million MT of millet and 350 thousand MT of sorghum annually with no need for food imports to meet consumption requirements. According to discussion with an OPVN official on June 1, the problem is an internal one of distribution, storage, transport and roads from the lesser populated eastern food sufficiency/surplus areas to the heavier populated food deficit areas, the latter restricted this year to small pockets in the south-central part of Niger around Dosso, Doutchi, Konni, Madaoua and Maradi. Millet was, and is, plentiful in the east of Niger and OPVN purchased 4,500 MT at 10 CFA/kg in January 1971 for sale during the current "soudure" in approximately the same above-mentioned affected areas at a fixed sales price of 25 CFA/kg. OPVN has expressed fear that if the U.S. sorghum at a lower (10 CFA/kg) price is not sold quickly, it may adversely affect sales of OPVN locally purchased millet stocks.

We conclude the Program Approval was predicated upon erroneous assumptions as to the nature of the Niger emergency requirements. We suggest closer scrutiny by concerned authorizing officials prior to approving future programs of this nature.

3. Acceptability of U.S. Yellow Sorghum (called "Red" in Africa)

In his formal letter request to the ADO/Niamey on December 17, 1970, in response to AID/W's requirement for such document, the President of Niger specified that he desired white sorghum for delivery by March 1971 the latest, and that he had established an Office des Produits Vivriers du Niger (OPVN) to handle grain stabilization problems. The request for white sorghum was repeated by the newly created OPVN in January 13, 1971 based upon their sampling of this commodity which had been forwarded by USDA through the ADO/Niamey in the States. However, at the time of

sample shipment, as had been the case in prior year Title II shipments, ADO/Niamey was advised that only red sorghum is available under PL-480 Title II. As indicated in II.C below this has an important bearing on the failure to meet the program objective of generating local currency sale proceeds equal to 74.4 million CFA (see para I.A above) to finance the grain stabilization program. The President of Niger, in his letter to the Ambassador on March 17, 1971 indicated that the consumers in the drought region were accustomed to free distribution of red sorghum and that it would be very difficult to sell red sorghum and if sold the proceeds would hardly defray expenses of distribution and storage (in the same letter the President requested 2,000 MT of white sorghum for 1972 and ADO/Niamey endorsed the request on April 9, 1971 to AID/W, despite repeated advice that white sorghum is not available under PL-480 Title II.)

Correspondence in the files indicates that both AID/W and ADO/Niamey were cognizant prior to the arrival of the sorghum that sales proceeds would hardly cover expense of distribution and transport within Niger. In order to develop some sales proceeds, the Niger point of entry was changed so that the burden of overland Niger transportation cost was shifted to U.S. dollar financing under PA/PR 1709 instead of being derived from proceeds.

To preclude further embarrassment to both governments and pending resolution of a number of related problems discussed elsewhere in this report, we advance the following recommendation:

RECOMMENDATION NO. 8

FFP, AID/W should notify the GON through our Ambassador in Niamey of our inability to furnish white sorghum under our PL-480 Title II programs.

4. Excessive U.S. Cost

The cost of this program to AID was \$318,708 or 44.1 CFA/kg as follows:

Commodity Cost	\$133,708
Ocean Transportation	75,000
Port to Niger Point of Entry	<u>110,000</u>
Total	\$318,708

$\$318,708 \times 277 = 88.3$ million CFA
 88.3 million CFA + 2 million kgs = 44.1 CFA/kg

The foregoing excludes additional inland Niger transportation cost approximating 2 million CFA (according to OPVN officials) based on change of Niger point of entry.

We believe the purpose of this program (proceeds for grain stabilization) could have been achieved at a saving of \$246,508 computed as follows:

Actual U.S. cost (as above)	\$318,708	
Cost to purchase 2,000 MT millet locally at 10 CFA/kg or 20 million CFA		72,200 equivalent
Excess Cost	<u>\$246,508</u>	

*Depicted
Analysis of
costs in the
surrounding
areas*

We were unable to find any evidence in the record that either AID/W or ADO/Niamey had attempted to weigh alternate courses of action or consider relative cost/benefits.

RECOMMENDATION NO. 9

AFR/CWR, AID/W consider discontinuance of PL-480 Title II emergency shipments for sale in Niger and possibly other countries, and, in lieu thereof, give consideration within the commodity element of the Grain Stabilization Project 161 of any required grain for the program and/or other cost element for other required local costs.

In connection with the above recommendation, it should be noted that anticipated proceeds from current sales in Niger of 18 million CFA will purchase approximately 1,800 to 2,000 MT of millet or sorghum in Niger after the harvest in September.

5. Point of Entry

All of the Niger authorizations specify Niamey as the point of entry in Niger, based upon which the U.S. pays inland transportation cost from the port (Cotonou) from a U.S. dollar appropriation. In the previous audit report (68-RUA-3) recommendation was made and we understand accepted by FFP/W that all future authorizations would designate the closest point to the border of the landlocked country as the entry point. This should have been Gaya for Niger. Use of Niamey resulted in additional U.S. cost approximating 5.5 million CFA, equivalent \$20 thousand for the 2,000 MT computed as follows:

Cotonou-Niamey at 15,240 CFA/MT	= 30.5 million CFA
deduct: Gaya-Niamey at 2,980 CFA/MT	= 5.8 million CFA
Indicated limitation	<u>24.7 million CFA</u>
	(equivalent \$90 thousand)

This situation is further complicated in that authorization was given by ADO/Niamey to the transporter (SOAEM) on March 30, 1971 to designate three points of entry in Niger (Dosso (200 MT), Konni (1,200 MT) and Maradi (600 MT)). However, based upon the rates furnished by SOAEM we computed that this change in entry points did not increase cost which would have been incurred for delivery exclusively to Niamey. On June 1, we were informed that actually delivery was made to five entry points in Niger. We could find no record of approval for this further change nor did we have sufficient information to calculate the monetary effect of the change. The record does not indicate that AID/W approved the change of entry point which remains Niamey in the authorizations.

Correspondence in the files indicates the reason for the changes in points of entry was to shift the cost to the PA/PR 1708 (U.S. dollar funded) in lieu of deduction from sales proceeds, otherwise there would have been practically no sales proceeds for the grain stabilization program.

RECOMMENDATION NO. 10

FFP, AID/W should amend the Niger PA/PR to limit overland transportation cost from port to Niger point of entry to that Cotonou/Gaya, that such cost be computed and the difference between such computed cost and actual cost for delivery from Gaya to Niger distribution points be deducted from sales proceed: .

EXHIBIT A

FY 1971 EMERGENCY RELIEF-GRAIN STABILIZATION PROGRAMS
IN MALI, UPPER VOLTA, SENEGAL AND NIGER

Authorized Program
(all units in thousands)

	<u>Mali</u>	<u>Upper Volta</u>	<u>Senegal</u>	<u>Niger</u>
Metric Tons of grain sorghum	<u>1/</u> 25	25	10	<u>6/</u> 2
Commodity cost	<u>2/</u> \$1,400	\$1,400	\$560	\$112
Ocean Transportation cost	<u>3/</u> 1,010	1,010	380	75
Inland freight	<u>4/</u> 500	500	-0-	110
Total authorized cost	<u>\$2,910</u>	<u>\$2,910</u>	<u>\$940</u>	<u>\$297</u>
Equivalent local currency amounts	<u>5/</u> 1,600,500MF	800,250CFA	258,500CFA	81,675CFA

- 1/ All authorizations specify grain sorghum of Grade No. 2 or better, bagged 100 pounds, net, and/or bulk with bags accompanying, and specify full deliveries by May 1971.
- 2/ Transfer Authorization Nos. 688-045-9015-000-1606 for Mali; 686-045-9015-000-1602 for Upper Volta; 685-045-9015-000-1602 for Senegal; and 683-045-9015-000-1612 for Niger.
- 3/ Transfer Authorization Nos. 688-9500-000-1806 for Mali; 686-9500-000-1802 for Upper Volta; 685-9500-000-1802 for Senegal; and 683-9500-000-1812 for Niger.
- 4/ Procurement Authorization and Purchase Requisitions Nos. 688-98-000-1706 for Mali; 686-98-000-1702 for Upper Volta; and 683-98-000-1708 for Niger.
- 5/ Malian Francs (550 MF = US \$1); Communauté Financière Africaine (275CFA = US \$1)
- 6/ An amendment to the Senegal Transfer Authorization was being processed to provide an additional 15,000 metric tons making a total FY 1971 program for Senegal of 25,000 metric tons.

EXHIBIT B

SIS OF PROGRAMMED vs. ESTIMATED
PROCEEDS FOR GRAIN STABILIZATION

(all amounts in 000)

<u>Net</u> <u>Grains</u> <u>\$ Equiv.</u>	<u>Per Audit</u>				<u>Estimated</u> <u>Shortfall</u>
	<u>Contemplated</u> <u>sales (MT)</u>	<u>Estimated Proceeds</u>		<u>US \$ Equiv</u> <u>4/</u>	
		<u>Est. Sales Tr. MT 1/</u>	<u>Est. Proceed</u>		
\$ 891	25	MF 22	MF 550,000	\$1,000	\$+ 109
270	2	CFA 9	CFA 18,000 <u>2/</u>	65	205
)) 1,980		-))	CFA 150,000 <u>3/</u>	545	1,435
3,382	24	CFA 7.5	CFA 178,125 <u>2/</u>	648	2,734
<u>\$6,523</u>	<u>51 MT</u>			<u>\$2,258</u>	<u>\$4,265</u>

and 28 MF average approx. 34 MF. Distribution Cost approx. 12 MF
time of audit, final agreement not yet reached on allowable distribution

Officials in Niger and Upper Volta (Program Approval indicated that Niger
be too high).

provided by GOS (applies to contemplated 25,000 MT see footnote 5/ below

determination. Anticipated amount increased by 327 million CFA
to be supplied

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AUDIT REPORT NO. 4-625-71-74
FY 1971 PL 480 Title II
EMERGENCY RELIEF - GRAIN STABILIZATION PROGRAMS
MALI, UPPER VOLTA, SENEGAL AND NIGER

LIST OF RECOMMENDATIONS

	<u>Page</u>
<u>RECOMMENDATION NO. 1</u>	4
FFP, AID/W should (a) require all emergency drought assistance food requests to specify final shipment dates prior to the next harvest, and (b) incorporate these final shipment dates in the bilateral transfer authorizations.	
<u>RECOMMENDATION NO. 2</u>	5
FFP, AID/W should establish a formal policy defining "points of entry" for landlocked countries.	
<u>RECOMMENDATION NO. 3</u>	6
AFR/CWR, AID/W should assure that U.S. Government monitorship of in-country food distribution operations in Senegal, Mali and Upper Volta is performed during July through September 1971.	
<u>RECOMMENDATION NO. 4</u>	7
FFP, AID/W should not provide further grain sorghum shipments for Mali in the absence of factual evidence that it can be distributed prior to the 1971 harvest.	
<u>RECOMMENDATION NO. 5</u>	8
FFP, AID/W should not book additional shipments of FY 1971 grain sorghum for Upper Volta unless there is positive evidence that the rate of transfers from Abidjan, Ivory Coast to Upper Volta has significantly increased.	
<u>RECOMMENDATION NO. 6</u>	8
FFP, AID/W should initiate action to amend PA/PR No. 686-98-000-1702 to provide adequate funds for inland transportation costs, of the planned FY 71 grain sorghum program in Upper Volta.	

RECOMMENDATION NO. 7 10

FFP, AID/W should either process an upward amendment of the TA or take other appropriate corrective action.

RECOMMENDATION NO. 8 11

FFP, AID/W should notify the GON through our Ambassador in Niamey of our inability to furnish white sorghum under our PL-480 Title II programs.

RECOMMENDATION NO. 9 12

AFR/CWR, AID/W consider discontinuance of PL-480 Title II emergency shipments for sale in Niger and possibly other countries, and, in lieu thereof, give consideration within the commodity element of the Grain Stabilization Project 161 of any required grain for the program and/or other cost element for other required local costs.

RECOMMENDATION NO. 10 13

FFP, AID/W should amend the Niger PA/PR to limit overland transportation cost from port to Niger point of entry to that Cotonou/Gaya, that such cost be computed and the difference between such computed cost and actual cost for delivery from Gaya to Niger distribution points be deducted from sales proceeds.

EXHIBIT D

AUDIT REPORT NO. 4-625-71-74
FY 1971 PL 480 Title II
EMERGENCY RELIEF - GRAIN STABILIZATION PROGRAMS
MALI, UPPER VOLTA, SENEGAL AND NIGER

REPORT DISTRIBUTION

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TO - AID/W TOAID A-22 X

Ambassy Niamey	USAID A03	X
" Abidjan	USAID A01	X
" Bamako	USAID A01	X
" Ouagadougou	USAID A01	X
" Dakar	COMM BR USAID A03	X

FROM -

SUBJECT - Audit Report No. 4-625-71-74
FY 1971 PL 480 Title II

REFERENCE - Emergency Relief - Grain Stabilization Programs
Mali, Upper Volta, Senegal and Niger

DATE SENT
6/25/71

AID/W Action for Spencer AFR/CWR and Ellis FFP
 Info Acker AG/AUD
 Adams AA/AFR
 Wilamey for Ambassador and ADO
 Abidjan for Hauser AID Coord.
 Bamako for Ambassador
 Dakar for Ambassador, ADO and Pearson FFP

Attached for consideration and appropriate action are copies of the subject Audit Report containing ten recommendations; of which nos. 3 and 9 are addressed for implementation to AFR/CWR and the other eight are addressed to FFP/W.

It would be appreciated if implementing action were commenced on these recommendations as soon as possible and that our office be kept advised monthly as to status.

JONES *[Signature]*

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G 11

STATE - A.I.D. - USIA ROUTING SLIP				DATE		
				Nov. 8, 1971		
TO:	Name or Title	Organ. Symbol	Room No.	Bldg.	Initials	Date
1.	Fermino J. Spencer	AFR/CWR	3325	NS		
2.						
3.						
4.						
5.						
Approval		For Your Information		Note and Return		
As Requested		Initial for Clearance		Per Conversation		
Comment		Investigate		Prepare Reply		
File		Justify		See Me		
For Correction		Necessary Action		Signature		
REMARKS OR ADDITIONAL ROUTING						
<p>GRAIN STABILIZATION PROGRAM--Audit Report 4-625-71-74 Mali, Upper Volta, Senegal, Niger</p> <p>Suggested response to Audit Report No. 71-74 is attached. Would appreciate your review and comments submitted to</p> <p style="text-align: right;">Ernest J. Roderick FFP 75857 308C RPE</p>						
FROM: (Name and Org. Symbol)			ROOM NO. & BLDG.		PHONE NO.	
C. Caloeris PDD/FFP			410 RPE		75040	

DRAFT:
11/5/71:HALLpress:drl

ERKS
D. H. S. H.
20 NOV 1971

RECOMMENDATION NO. 1

Action Taken:

This office concurs with the comments in reference to the timely arrival of emergency food shipments. However, it is not practical to specify certain dates after which shipments will be withheld when such dates are dependent to a significant degree on local weather conditions. A preferable method, and that followed under this emergency-stabilization program, is to coordinate such shipments with timely information-recommendations direct from the various countries concerned. With this form of administrative monitoring of the program while it is still ongoing, it is believed that field recommendations can be made during the life of program to cancel or otherwise divert any shipments which would be scheduled to arrive after the local harvest. For example, the field recommended that the final shipment of 5,000 MT scheduled for Upper Volta under this program not be shipped. This recommendation was made early in August when it became clear after continued monitoring of the program that the final 5,000 MT would not reasonably be expected to arrive in Upper Volta and be distributed before the harvest. It would, however, have been much more arbitrary to fix a cut-off date for the final shipment at the time of program approval when in fact local conditions leading to a determination as to whether or not the shipment could be received and distributed were as yet unknown.

While the nature of the shipments under this program this year were largely aimed at overcoming serious food shortage and drought conditions across the West African savannah, these emergency shipments marked the initiation of the

integration of disaster relief as part of the West African grain stabilization program. Under the stabilization program, Title II foodgrains will be used in combination with technical and capital assistance to help improve the ability of the recipient countries to produce, store, transport and market local food crops. Under this program therefore, there may be occasions when Title II shipments to be used by the local cereals office or stabilization authority will be scheduled to arrive after the local harvest. However, concerning specific emergency programs, this office believes that it would be impractical to specify final shipment dates in bilateral transfer authorizations.

RECOMMENDATION NO. 2

ACTION TAKEN:

Under PL 480 legislation, as well as under Section 211.1 of AID Regulation 11, the U.S. Government is authorized to pay the transportation costs of donated food commodities destined to land locked countries from United States ports to designated points of entry abroad.

Under most PL 480 programs carried out in land locked countries, the designated point of entry for the program is the first customs point on the line of transport beyond the border. There are however, occasional program circumstances which lead to other points being designated as the point of entry. Particularly in the case of emergency relief programs which are being carried out, it may be beneficial to the program to designate a point of entry beyond the first customs point.

In the case of Upper Volta, a severe drought had hit most of the country with the seriously affected areas located in the northeast, north and eastern parts of the country. The line of transport over which the commodities had to move into the country ran from the ocean port of Abidjan north into Upper Volta entering Upper Volta at the extreme southwestern part of the country. This meant that before the relief commodities could reach the food shortage areas and intended recipients, the food would have to be transported diagonally across almost the entire length of the country. It, therefore, made sense to designate Ouagadougou as the point of entry for this program; Ouagadougou being located in the center of the country from which point transportation could most effectively be mobilized within the country to carry out the intended goals and purposes of the program.

In the case of Niger, the drought affected areas extended east from Niamey along the southern border of the country. Niamey has traditionally been designated as the point of entry for programs in Niger since it is located in the southwestern corner of the country and is the transportation center as well as the administrative capital of the country. In an effort to reduce the transport costs to the USG, the ADO/Niamey was able to negotiate a lower price for transport to three different points of entry in Niger. This was made possible by negotiating the use of transportation facilities which normally return empty to Niger after transporting commodities from the interior to coast-linked railheads. This negotiation on the part of the Niamey/ADO office resulted in the timely delivery of the PL 480 commodities directly to the food shortage area bypassing the need for transshipment arrangements within Niger.

In the case of Mali, it was appropriate to designate Kayes as the designated point of entry since it is the first customs point in Mali on the transport line and since Kayes is the regional capital of the most severely affected food shortage region of Mali.

Therefore, A.I.D./OFP agrees that as a general rule the first customs point on the line of transport will be designated as the point of entry for land locked countries except that under special programs or extenuating circumstances, other points of entry may be designated in order to more fully carry out the intended program goals or objectives.

RECOMMENDATION NO. 3

ACTION TAKEN:

This office believes that necessary and sufficient steps were undertaken to satisfy the requirements for supervision and monitoring of the emergency/ grain stabilization program by U.S. personnel as outlined in the AA/AFR memorandum dated April 2, 1971.

The Regional FFPO permanently assigned to Dakar continuously monitored the planning and coordination of the overall program. Particular attention was given to the scheduling of arrivals, port handling and bagging arrangements, transit arrangements for movement to the interior land-locked countries and regular contact with host government distribution agencies. The multi-country nature of the program as well as its size meant that numerous U.S. personnel in the field were directly and indirectly involved with different aspects of program supervision. A.I.D./W detailed a Food for Peace Officer for a six week TDY assignment to assist in program supervision. He largely concentrated on overseeing activities in Upper Volta and Niger and at the Port of Abidjan while the Resident FFPO performed similarly in Senegal, Mali and at the Port of Dakar.

The Regional Agricultural Officers assigned to the ADO offices in Dakar and Niamey also assisted in program supervision and controls as did the regional Economic Officer in Abidjan who provided excellent coordination in assisting with food receptions and transshipment arrangements through the Port of Abidjan. Furthermore, Embassy officers and staff in Dakar, Bamako, Ouagadougou, Niamey, Abidjan and Cotonou played an important role in program supervision with Embassy personnel often devoting full-time to this program.

Important program assistance was also provided by the two-week TDY assignment of the Chief of the Bulk Cargo branch of A.I.D.'s transportation division accompanied by a USDA transportation advisor. They provided important assistance in arranging for receipt, discharge, handling, bagging and transshipment of the grain.

While all of these U.S. personnel were continually involved in administratively overseeing the emergency/stabilization program, the actual distribution of grain to the recipients was the responsibility of the host government in each country. In-country movement of the food was regularly reported to the Missions while the program was underway. Various spot checks and visits were also made by U.S. personnel to distribution centers. Field reports on distribution were also unofficially received from persons located in rural areas such as Peace Corps volunteers and Missionaries.

This office believes that the totality of these efforts has been sufficient to meet the conditions specified in the AA/AFR memorandum of April 2, 1971 concerning the monitoring of the distribution program by U.S. personnel.

RECOMMENDATION NO. 4

ACTION TAKEN:

According to a report received from the Mission, as of October 6, 1971, 23,000 MT of the total approved amount of 25,000 MT for Mali had been received in country and entirely distributed. The remaining 2,000 MT was scheduled to arrive in Dakar October 5, 1971 for immediate transit to Mali where it was still urgently required to help alleviate the food shortage situation.

Although it appeared that during the early months of the program the Senegal-Mali railroad would not be able to perform at the rate of 390 MT transit per day and that consequently some of the sorghum would not arrive in Mali until after the harvest, continued monitoring of the program by the Regional FFPO and the Embassy in Bamako resulted in the necessary transportation services being performed.

It should be further noted that in the case of Mali, special food need requirements will have to be met under the grain stabilization program. The sixth region of Mali, located northeast of Bamako and extending into and just south of the Sahara desert, produces virtually no food grains. Therefore, all food grain requirements for the region must be supplied from other parts of the country after the annual harvest during a several month period when it can be transported by river barges. Because the farmers devote their first attention to getting the cash crops of cotton and peanuts to the market after harvest, relatively little sorghum is available for purchase by the Malian national cereals office until several months after the harvest has taken place.

Therefore, it is anticipated that future shipments under the grain stabilization program will be used to help supply the sixth region which is only accessible to river barge traffic in the months following the annual rainy season when the river has risen to a high enough level to permit barge traffic. This period corresponds with the months immediately following the annual harvest.

The emergency program was closely monitored to assure that emergency relief food would not arrive in Mali after the harvest. However, under the grain stabilization program food could arrive in Mali to be transported to the sixth region without contravening the intended purposes or goals of the grain stabilization program.

RECOMMENDATION NO. 5

ACTION TAKEN:

On July 26, 1971 a telegram from the field recommended that the final 5,000 metric tons of cereal scheduled for delivery to Upper Volta under this program be cancelled. This recommendation by the regional Food for Peace Officer was concurred in by the ADO/Wiamey, the Regional Economic Officer and the Embassy/Ouagadougou. Furthermore, the national cereals office of Upper Volta agreed with the decision to cancel the final shipments when it became clear that rail shipments to Upper Volta from Abidjan were being delayed and that it appeared likely that the final 5,000 metric tons would not arrive in a timely fashion before the harvest.

RECOMMENDATION NO. 6

ACTION TAKEN:

Action has been undertaken to amend PA/ER No. 686-98-000-1702 from \$500,000 to \$1,000,000 to provide adequate funds for inland transportation costs.

RECOMMENDATION NO. 7

ACTION TAKEN:

Such action as required will be taken to cover the commodity costs of PL 400 Title II shipments including TA 683-045.9015-000-1612.

RECOMMENDATION NO. 3

ACTION TAKEN:

As is pointed out in the Audit Report, U.S. yellow sorghum (called "red" in Africa) is not as acceptable to the local population as is the local white sorghum. Historically, U.S. white sorghum has not been available under PL 480 Title II programs since only a very limited amount of white sorghum is grown in the United States. With the assistance of the U.S. Department of Agriculture, efforts were made to investigate the possibility of supplying white sorghum for shipment under this program and small samples of white sorghum were provided for field testing. However, it was pointed out that the provision of small samples of white sorghum for taste testing did not imply that white sorghum would become available under PL 480, Title II. White sorghum continues to remain unavailable under PL 480 and this office agrees that the GOM should be so notified.

ADDITIONAL:

It is apparent that this recommendation proposes that, because of the relative high cost of supplying PL 480 Title II cereals, consideration should be given to using U.S. dollars to purchase cereal grains within Niger and possibly other countries.

The PL 480 Title II commodities supplied to Niger and other land-locked countries were intended to accomplish several purposes. First, a very real food shortage existed, not only in Niger but across the West African savannah. Marketing and distribution channels for local cereal crops throughout this area are, as a practical matter, nonexistent. Relief, under such circumstances, must come from outside sources. The provision of PL 480 Title II food for this emergency situation accomplished one major goal of the program. The other major purpose of the providing of food was to provide support for the GON grain stabilization program. Particularly during periods of food shortage, speculators gain control of the limited local production, thus driving prices higher. The supply of Title II cereals and their availability in the local market assist in stabilizing the market, thus forcing speculators to sell at lower prices. The use of U.S. dollars to purchase cereals locally would not alleviate the short supply situation and would tend to drive prices higher, thus intensifying the activities of the local speculators.

This office believes that the use of PL 480 Title II food for this emergency-grain stabilization program was proper in supplying an urgently needed commodity thus eliminating the requirement for expenditure of U.S. dollars abroad.

REGISTRATION NO. 10

AGINCOR TABLE:

As is pointed out in the Audit, all of the Niger authorizations specify Niamey as the port of entry in Niger. Niamey is also authorized as the port of entry for voluntary relief supplies.

In an effort to reduce the transport costs to the UEG and to increase the proceeds available to the GOM cereals office, ADO/Niamey negotiated a lower price for ~~the~~ different points of entry. This change was approved by cable dated April 2, 1971 and included in Amendment No. 1 to EA 683-93-000-1703 dated April 20, 1971.

As a result, the cost of inland transport was reduced from the authorized amount of \$210,000 to \$103,243.