

ET PDAAA-593-A1
636.2089692
17265

Proj: 6980617
MAY 1 1973 PN- (19)

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

OFFICE OF THE AUDITOR GENERAL
AREA AUDITOR GENERAL - AFRICA (EAST)

REPORT ON AUDIT
OF THE
REGIONAL CAMPAIGN AGAINST RINDERPEST IN ETHIOPIA
PROJECT NO. 698-11-130-617

A.I.D.
Reference Center
Rm 300, IS

Period: January 1, 1971 through
December 31, 1972
Audit Report No. 3-663-73-30
Date Report Issued: April 19, 1973.

April 19, 1973.

To : Mr. Roger Ernst, Director, USAID/Ethiopia.

From : *Ray D. Cramer*
Ray D. Cramer, Acting Area Auditor General, Africa (East)

Subject: Report on Audit of the Regional Campaign Against Rinderpest
in Ethiopia for the Period from January 1, 1971 through
December 31, 1972.
Audit Report No. 3-663-73-30, dated April 19, 1973.

The subject report is attached for your information and action. Our more significant findings are summarized on pages 3 and 4, and additional findings are presented in the body of the report.

The report contains two recommendations, both addressed jointly to USAID/Ethiopia and the Regional Livestock Advisor of REDSO/EA. Within thirty days after receipt of this report, please provide this office with a statement of the action taken on the recommendations.

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| SCOPE OF AUDIT | 1 |
| BACKGROUND INFORMATION | 1 |
| FOLLOW-UP ON PRIOR AUDITS | 3 |
| SUMMARY OF AUDIT FINDINGS | 3 |
| FINDINGS AND RECOMMENDATIONS | |
| Project Progress | 4 |
| AID Supported Activities | |
| Commodities | 5 |
| Other Costs | 6 |
| Grant to International Coordinator Unit | 8 |
| Grant to Interafrican Bureau of Animal Resources | 8 |
| IEG Contribution | 9 |
| Project Management | 11 |
| | |
| EXHIBIT A - Other Costs -- Conversion of U.S. to Ethiopian dollars as of January 29, 1973. | |
| | |
| EXHIBIT B - Distribution of Report | |

Report on Audit
of the
Regional Campaign Against Rinderpest in Ethiopia
Project No. 698-11-130-617
For the Period January 1, 1971 through December 31, 1972

SCOPE OF AUDIT

We have made an audit of the Regional Campaign against Rinderpest project in Ethiopia (phase V-A) and a follow-up review of project activities in East Africa (phase IV) for the period January 1, 1971 through December 31, 1972.

This interim audit was made to (a) verify compliance with agreements, implementing orders, applicable laws and Agency regulations, and (b) identify any problems which may adversely affect the achievement of the purpose of the assistance.

During our audit, we (a) reviewed official files and progress reports made by cooperating country officials and the AID Project Officer, (b) visited project activity sites, (c) tested the control and utilization of AID provided commodities, (d) tested the host country's and International Coordinator's accounting records, and (e) held discussions with personnel of AID, the Ethiopian Government, the Organization of African Unity, and other donors.

Expenditures during the period audited totaled \$1,182,000.

BACKGROUND INFORMATION

Rinderpest is an acute, highly contagious virus disease of cattle, other ruminants, and wild pigs. It is characterized by high fever and erosion of the digestive tract, which frequently results in death. The disease has been a major deterrent to the development of a profitable cattle industry in Sub-Sahara Africa.

A vaccine has been developed which is, according to campaign veterinarians, "one of the safest and most effective immunizing agents developed by man". A joint campaign was started in 1962 to use this vaccine to control and eventually eradicate rinderpest from the African continent. Activities since inception of the campaign were carried out in 22 African countries and involved nine donors. The campaign, operating under the aegis of the Scientific, Technical and Research Commission

(STRC) of the Organization of African Unity (OAU), was conducted in three phases in West and Central Africa during the period 1962-1969. Over 81 million vaccinations were carried out, and it was estimated that 83 percent of the estimated 32.8 million cattle in the countries covered were vaccinated at least once. (To assure that at least 80 percent of the cattle in an area were covered, the program included three annual vaccination rounds to immunize cattle missed during any individual round and calves born during the three year cycle). AID financing of phases I, II, and III, approximated \$2.3 million of the total cost of \$20.4 million. The balance of \$18.1 million was financed by other donors (\$6.5 million) and the countries involved (\$11.6 million).

The Rinderpest campaign was extended to Kenya, Tanzania, Uganda, Sudan and part of Somalia in late 1967 (phase IV), and in June 1969, a pre-phase V pilot effort began in Ethiopia. Physical work on phase IV began in October 1968 and continued for three years, and is now physically and financially complete. AID, in phase IV, financed the entire cost of the STRC International Coordinator's Unit, provided commodity and budgetary support to Somalia and Tanzania, and a small amount of budgetary support to Ethiopia. Support for Uganda and Sudan was provided by other donors. Most of the support for Somalia was provided by West Germany. Kenya conducted the program within Kenya without foreign assistance. AID obligations and expenditures for phase IV were \$777,000. We concluded that the project in the AID supported areas was satisfactorily implemented.

A project agreement with OAU/STRC and a Memorandum of Understanding with the IEG were signed in June and October 1970 respectively, initiating phase V of the campaign covering the nine southern provinces of Ethiopia. AID agreed to provide up to \$1,067,000 for commodities (\$457,000) and other costs (\$610,000). The IEG subsequently agreed in the Memorandum of Understanding to provide, in cash or in kind, a total of Eth. \$2,842,500 (U.S. \$1,136,820 at the then existing rate of exchange) for the three year phase V campaign.

During the three year phase V campaign, vaccinations were to be completed in six of the nine provinces. Vaccinations in the remaining three provinces to be covered by phase V were to be completed during the period July 1973 to December 1975 under phase VI, which would also initiate and complete the campaign in three provinces in Northern Ethiopia. Phases V and VI complete the campaign in Ethiopia. At the time of our review, campaign nomenclature had been changed to delineate the geographic areas involved. The FY 1971 to 1973 program encompassing portions of nine Southern and Central provinces was designated phase V-A,

the wrap-up program during the period July 1973 to December 1975 in portions of three of these provinces was designated phase V-B, and the FY 1974 to 1976 program in the three Northern provinces was designated phase VI. The overall timetable and estimated total funding for combined phases V and VI had not changed as a result of the addition of phase V-B.

Phase V-A, like the previous phases, was administered by an International Coordinator and his staff, who were under contract to STRC/OAU. AID, in addition to the phase V financing provided in the above mentioned project agreement, signed a grant agreement with STRC in December 1971, to provide \$75,000 over a two year period commencing on January 1, 1972, to finance the contract of the Deputy International Coordinator and operating expenses of the office. A \$25,000 grant was also made to the OAU/Interafrican Bureau of Animal Resources (IBAR) in FY 1971 to finance surveillance of follow-up activities in African countries where the campaign had been completed.

It was expected that AID financing for the remainder of the campaign would be for commodities for phase VI, and possible additional budgetary support to Ethiopia to complete phase V, with a total estimated additional input of about \$416,000.

FOLLOW-UP ON PRIOR AUDITS

There have been no prior audits of phase V of the Regional Campaign against Rinderpest. An audit report on phase IV of the campaign was issued in January 1971, and contained six recommendations. During our current review, we concluded that adequate action on these six recommendations had been taken.

SUMMARY OF AUDIT FINDINGS

Although the campaign against Rinderpest has been primarily identified as a long term regional activity commencing in West Africa in 1962 and encompassing 21 countries before moving to Ethiopia, we believe that the project complements and supports AID's assistance program to Ethiopia which has increasingly been concentrated in the rural development sector. Ethiopia, with an estimated cattle population of 25 million, has the largest cattle population in Africa; and about 90 percent of the country's population live in rural areas depending directly on agriculture for a livelihood. We believe that the project's disease control activities

play a significant role in raising the living standards of a broad sector of this rural population. Also, the project is administered by an International Coordinator directly responsible to the Organization of African Unity and receives most of its support from other donors including UNDP, United Kingdom, and France. The project therefore conforms to AID policies of supporting multilateral assistance and income distribution.

We found that, overall, satisfactory progress had been made toward achieving project purpose; actual vaccinations have exceeded the targets set out in the project workplan. We noted, however, a need for a project evaluation (page 11) and improvement in the record keeping and reporting of vehicle operations and maintenance (page 6); and a potentially serious shortage of local currency necessary to complete phase V-B of the project during the period commencing July 1, 1973 (page 7).

FINDINGS AND RECOMMENDATIONS

Project Progress

Based on past experience in phases I to IV and on the expected availability of veterinarians, commodities, and local funding, a Project Implementation Plan was developed in April 1971 which set targets for the number of cattle to be vaccinated. At the time of our review, reported actual vaccinations exceeded the targets:

| | <u>Targets</u> | <u>Actual to 12-31-72</u> |
|-------------------------------|-------------------|-------------------------------|
| Pre-phase V | 2,743,000 | 3,063,659 |
| FY 1971 | 4,450,000 | 4,781,891 |
| FY 1972 | 8,200,000 | 8,087,505 |
| FY 1973 ($\frac{1}{2}$ year) | 4,313,000 * | 4,964,486 |
| | <u>19,706,000</u> | <u>20,897,541</u> |

*FY 1973 target 8,626,000

According to project veterinary officers, 80 percent immunity will effectively control epidemics when outbreaks occur. In the one province where the three year cycle had been completed, 5.9 million vaccinations were given; and it was estimated that 90 percent of the estimated 2.2 million cattle population had been vaccinated at least once and were

therefore immune. Limited immunity tests conducted in CY 1972 showed immunities ranging from 89 to 100 percent. Project officers pointed out, however, that immunity testing was a difficult process and to date only 326 tests had been conducted.

Follow-up vaccinations were continuing in the areas where the three year cycle had been completed. As of March 1973 (latest information available), 450,000 cattle had been vaccinated under the follow-up program; and project officials believed that they were achieving over 80 percent coverage in the follow-up areas.

We concluded that interim output targets were being achieved and progress toward achievement of project purpose was satisfactory.

AID Supported Activities

AID provided support to this project in three ways -- through (a) a project agreement with the OAU/STRC to finance commodities and other costs, (b) a grant to finance the salary and expenses of the Deputy International Coordinator and operating costs of his office, and (c) a grant to the OAU/IBAR to finance follow-up activities in African countries where the campaign was completed. In addition AID also provided a direct-hire regional livestock advisor, who served in Eastern Africa from 1968 through February 1973.

Commodities

During the period of this audit AID had expended \$505,000 for project commodities under phase V -- including 62 Jeep vehicles, camping and field equipment, radios, and veterinary supplies. There were lengthy delays in utilizing the vehicles because (a) motor mounts failed immediately under rough service, and (b) the wrong spare parts were shipped. At the time of our review, modified motor mounts and most of the correct spare parts had been provided by the supplier at no additional cost. All vehicles were in service, except for three that had been wrecked and were being cannibalized, and four others which were in the central shop for major repair. Although project personnel stated that the tents provided by AID were satisfactory, they complained that other camping equipment provided, primarily cots and plastic water cans, was not designed for continual use in rough country and did not stand up under project conditions. The Regional Veterinarian had ordered camping equipment using U.S. military specifications, but was informed by the Afro-American Purchasing Center that equipment was not available with those specifications.

A vehicle record system including trip reports, repair orders, and spare parts requisitions had been devised for project vehicles. We found, however, that trip reports were in many cases incomplete or not submitted; and that meaningful periodic operations reports for project management of vehicles were not produced. The project dispatcher, who previously worked in the U.S. Embassy motor pool, was aware of the record and reporting deficiencies, but believed that any attempt to produce individual vehicle expense and/or summary reports to management would be a meaningless exercise unless periodic trip reports were completed and systematically submitted from the field. He stated that he had mentioned the lack of trip reports to the Ethiopian Government's National Organizer a number of times, but he believed that no serious effort had been made to assure timely reporting from the field crews working in various locations in Ethiopia. We concluded that, to provide adequate control over gasoline consumption and vehicle usage, and to produce minimum information for the management of a fleet of this size, the record system should be strengthened. AID's Regional Livestock advisor commented that there was reasonably good day-to-day control and supervision of vehicles provided by the veterinarians in the field, and that there was little chance of misuse of gasoline. However, he agreed that the record system should be strengthened.

Recommendation No. 1.

USAID/Ethiopia and the Regional Livestock Advisor (REDSO/EA) should take action to assure that (a) vehicle trip reports are completed and submitted monthly in accordance with existing procedures, (b) monthly activity reports are submitted to project management, and (c) operating, repair and maintenance records are recorded in the individual vehicle folders.

Other Costs

The project agreement for phase V (as amended), included U.S. \$558,000 for other costs to finance local currency expenditures for salaries, per diem, gasoline, the operation and maintenance of equipment, and miscellaneous expenses. At the time of our review, the Ethiopia dollar equivalent of the U.S. \$558,000 was Eth. \$1,275,000 (Exhibit A). Procedures provided for periodic conversion of U.S. dollars with the proceeds deposited into a special bank account, and for disbursement upon submission of vouchers certified by the project's National

Organizer (Ethiopian director of the project) and the AID Regional Livestock Advisor. Disbursement checks were co-signed by the USAID/Ethiopia Controller and the National Organizer. Vouchers submitted to AID were supported by original documentation, which remained on file in the USAID/Ethiopia Controller's office. At December 31, 1972, Eth. \$886,000 had been disbursed to the project and disbursement vouchers amounting to Eth. \$794,000 had been submitted. The balance of Eth. \$92,000 represented advances to the project.

At the time of our review, it appeared that there would be a shortage of about Eth. \$21,000 in other cost funds to complete the FY 1973 phase V program -- primarily due to Project Agreement amendments transferring \$52,000 from other costs to commodities to cover increased cost of vehicles and related transportation costs. On March 5, 1973 (the latest data available), Eth. \$1,074,000 of the Eth. \$1,275,000 available had been disbursed, leaving a balance of Eth. \$201,000 available for other costs. Project officials estimate that for the three months period April - June 1973, requirements will average Eth. \$70,000 per month, plus an additional Eth. \$12,000 for March. This would result in an Eth. \$21,000 shortage by June 30, 1973. Officials stated, however, that their projected requirement assumes favorable weather. Early rains could curtail operations in early June, thereby reducing expenditures for per diem and vehicle operations.

Project planning documents estimate that, in addition to salaries of permanent staff and vaccine, about Eth. \$1,657,000 will be required for per diem, gasoline and salaries to complete phase V-B during the period commencing July 1, 1973. Of this amount, the plan called for an AID contribution of Eth. \$615,000 (U.S. \$300,000) and an IEG contribution of Eth. \$436,000. The balance of Eth. \$606,000 will be required of other donors or the IEG to meet the other cost requirements of phase V-B. As of March 8, 1973, the AID funds had not been committed and USAID/Ethiopia had informed AID/Washington that should at least a portion of these funds not be available by July 1, 1973, the campaign would probably suffer a serious setback and not meet planned objectives.

With respect to other donor contributions for local costs, the Regional Livestock Advisor noted in his March 1972 progress report to AID/Washington that, while other donors had made significant contributions of personnel and vehicles, they had not provided local cost financing. He concluded that other donors' supplying of personnel and equipment without concurrent provision for local costs was unrealistic in a technical assistance program of this nature. He, therefore, requested AID/Washington

support in encouraging other donors to provide funds for local operating costs. During our review, USAID/Ethiopia officials stated that other donors now plan to provide some local cost support during the phase V-B period by transfer of funds from other line-items in their budgets.

Grant to International Coordinator Unit

On December 27, 1971, AID made a U.S. \$75,000 grant to the OAU/STRC to provide funds for the support of the Deputy International Coordinator, staff salaries, certain commodities, and office expenses for the period January 1, 1972 to December 31, 1973. The grant provided for an advance of U.S. \$37,500 on January 1, 1972 and, contingent upon a satisfactory accounting, the release of the balance on January 1, 1973. In addition to accounting for grant funds, the International Coordinator was to submit semi-annual progress reports on the phase V campaign.

We concluded that the grantee's accounting system and supporting documentation provided adequate support for grant funds expended, and that the grantee had adequately accounted for expenditures from the first advance of U.S. \$37,500. However, salary payments from grant funds to the Deputy International Coordinator exceeded by \$1,465 the amount stipulated in his contract for CY 1972. Also, the semi-annual progress reports for CY 1972 had not been submitted. The International Coordinator stated that the salary payments to the Deputy were increased to offset the effects of U.S. dollar devaluations; and that the semi-annual reports had been prepared on time but were being held up in STRC's review process.

On February 1, 1973, the AID project officer notified the International Coordinator that salary payments made in excess of the amounts provided in the Deputy International Coordinator's contract would have to either be financed from other sources or deducted from his CY 1973 salary. The AID project officer also requested that the semi-annual reports be submitted in a timely manner.

Grant to Interafrican Bureau of Animal Resources (IBAR)

In June 1971, AID made a grant of \$25,000 to the Interafrican Bureau of Animal Resources (IBAR), an integral division of STRC of the OAU, for the funding of the supervision, coordination, and encouragement of conservancy measures by IBAR in the individual African nations in the post-Joint Campaign against Rinderpest period.

The funds were to be used only for per diem, air travel, internal country travel, short term consultants, or other items directly related to the conservancy program. In our review of the IBAR records we found that \$4,202 had been expended or approved for expenditures from the initial \$10,000 advanced in August 1971. The disbursements were all for travel, per diem, and bank charges. The expenditures appeared reasonable and in line with the terms of the grant.

IEG Contribution

In a Memorandum of Understanding between AID and the IEG dated October 7, 1970, the IEG agreed to provide the equivalent of U.S. \$1,136,820 to the project as follows:

| | <u>U.S.</u> | <u>U.S.</u> |
|---|----------------|----------------------|
| Production of Rinderpest Vaccine | | \$ 270,000 <u>1/</u> |
| Vehicles | | 100,300 |
| Recurring costs during the 3 year campaign: | | |
| First year | \$129,940 | |
| Second year | 255,480 | |
| Third year | <u>381,100</u> | <u>766,520</u> |
| | | <u>\$1,136,820</u> |

1/ The IEG was allowed this amount for producing vaccine, regardless of the amount actually spent to produce the vaccine.

The U.S. \$766,520 for recurring costs would amount to about Eth. \$1,748,000 (various rates of exchange were in effect during the life of the project, the average being about Eth. \$2.28 to U.S. \$1.00). The Memorandum of Understanding further specified that the expenses included in the IEG's contribution for recurring costs for the three year campaign would include salaries for veterinarians, animal health assistance, vaccinators, and other local personnel assigned to the campaign, and to the extent possible, per diem allowances for these personnel. Other expenses, within the limitation of funds available were to include the operation and maintenance of vehicles.

As of December 31, 1972, the IEG's reported contribution for recurring costs amounted to Eth. \$865,000. Since at December 31, 1972, the project had been in operation for 2½ years of the three year life, the IEG contribution should have been about Eth. \$1,313,000. The resultant shortfall would be Eth. \$448,000. AID officials believed that the IEG had met their obligations under the Memorandum of Understanding because of additional payments for gasoline tax, the operation of the vaccine producing laboratories, immunity testing, and for field equipment purchases.

The Ministry of Agriculture had deposited Eth. \$168,000 into the special bank account as of December 31, 1972, to pay IEG taxes on gasoline purchased with AID funds. Gasoline vouchers submitted to AID for reimbursement were allocated to "cost", paid from AID funds; and "tax", paid from IEG funds. This procedure precluded the use of AID funds to pay host country taxes. USAID/Ethiopia and IEG project officials considered the deposits as IEG contributions for purposes of meeting the requirements of the Memorandum of Understanding. Ministry officials commented that, while tax payments eventually were returned to the IEG treasury, the deposits come out of their budget and were not available for Ministry use on other programs. It is our interpretation that since gasoline tax payments were returned to the IEG treasury, they could not be considered as a host country contribution to the project.

During our discussions with Ministry of Agriculture officials, they pointed out that the IEG had made substantial expenditures for project activities in addition to the amounts reported to USAID/Ethiopia. They subsequently provided proof that additional expenditures totaling Eth. \$2.7 million had been provided for operating the laboratory where vaccine was produced and immunity testing carried out (Eth. \$1.9 million), and for field equipment (Eth. \$799,000).

Although the IEG had not provided all the funds for recurring costs as defined in the Memorandum of Understanding, the applicable AID officials (and we) concluded that the additional funds provided by the IEG for production of vaccine, immunity testing, and camping equipment had moved the project further ahead than it would have been had the IEG provided funds strictly in accordance with the Memorandum of Understanding. AID officials told us they accordingly planned to revise the Memorandum of Understanding.

Project Management

As noted in our prior audit, lines of responsibility for the management of phase IV were not clear. This was also initially true of phase V. USAID/Ethiopia officials stated that, as a regional project programmed in AID/Washington and with initial documentation prepared by AID/Washington and the East Africa Office of Regional Activities (EAORA), they felt they were unable to properly exercise control over the project. There was also some confusion during phase IV and the early stages of phase V as to the role and responsibilities of the Regional Livestock Advisor.

Although the Regional Livestock Advisor was transferred to Ethiopia in July 1970, he was still reporting on phase IV to EAORA and USAID/Kenya. As noted in our prior audit report it was not clear which group had responsibility for the project. He was attached to the USAID/Ethiopia Rural Development Group during this period for day-to-day work supervision of the project activities in Ethiopia, but program responsibilities were diffused between AID/Washington, EAORA, USAID/Kenya and USAID/Ethiopia.

In January 1971, the Director, USAID/Ethiopia, clarified the situation by designating the Regional Livestock Advisor as project officer, reporting to the USAID/Ethiopia Food and Agriculture Officer. USAID/Ethiopia officials believed that as a result of that action, management problems with respect to authority and responsibility were largely eliminated. The Regional Livestock Advisor departed post on March 9, 1973, and the REDSO/EA Regional Livestock Advisor, residing in Nairobi, was designated project officer. A USAID/Ethiopia Mission Directive issued March 9, 1973, spells out relations with REDSO/EA and should preclude a repetition of the management problems encountered during phase IV and the beginning of phase V.

Although the project began in FY 1971, an evaluation of phase V had not been made. It appeared that the project purpose was being achieved in a time-frame consistent with project workplans; however, we believe that an evaluation and the resultant Project Appraisal Report would be useful in connection with subsequent phases, particularly since the Regional Livestock Advisor departed post and the project manager responsibilities were recently transferred to the REDSO/EA Regional Livestock Advisor located in Nairobi, Kenya.

The evaluation should include an analysis of the IEG's capability to (a) continue an effective follow-up rinderpest vaccination and control program after the campaign ends and other donor support diminishes or ceases, and (b) identify and control the potential importation, through wild animals and/or increased international traffic, of animal diseases not currently endemic to Ethiopia.

Recommendation No. 2.

USAID/Ethiopia and the Regional Livestock Advisor (REDSO/EA) should arrange for an evaluation of phase V-A, and for annual evaluations of those subsequent phases of the campaign in which AID participates.

EXHIBIT A

Other Costs
Conversion of U.S. to Ethiopian Dollars 2/
As of January 29, 1973 1/

| <u>U.S. \$</u> | <u>Converted at a Rate of</u> | <u>Eth. \$</u> |
|----------------|---------------------------------------|----------------|
| \$ 97,455 | 2.48125 | \$ 241,810 |
| 32,485 | 2.4625 | 79,994 |
| 321,578 | 2.28275 | 734,082 |
| 106,482 3/ | 2.05447 4/ | 218,764 |
| <hr/> | | <hr/> |
| \$558,000 | | \$1,274,650 |
| <hr/> | | <hr/> |

- 1/ Latest available information.
- 2/ Conversions of U.S. to Ethiopian dollars were made at various rates, due to the devaluation of the U.S. dollar.
- 3/ U.S. Dollars not yet converted at January 29, 1973.
- 4/ Current exchange rate.

EXHIBIT B

Distribution of Audit Report

| | <u>Copies</u> |
|-------------------------------|---------------|
| Director, USAID/Ethiopia | 4 |
| Director, REDSO/EA | 2 |
| Ethiopia Desk | 1 |
| PMCA/AFR | 2 |
| IGA/W | 1 |
| AG/AUD | 4 |
| AG/IIS/Addis Ababa | 1 |
| Resident AAG Auditor/Ethiopia | 5 |