

memorandum

PD-AAF-563

DATE: January 28, 1980

REPLY TO  
ATTN OF:

AAG/W, George L. DeMarco

11p.

SUBJECT: Audit Report No. 80-24, Problems Arising from Implementing AID's Economic Assistance in Benin

TO: Mr. John A. Lundgren  
Office of AID Representative  
American Embassy, Lome, Togo

PURPOSE

We have completed an examination of AID's economic assistance program in Benin. The purposes of our examination were to assess the results of the program, to determine whether the program was implemented efficiently and effectively and to verify whether the program was carried out in compliance with applicable AID policies, procedures and regulations. In performing this examination we reviewed records in Cotonou, Benin and at AID's Regional Economic Development Services Offices/West Africa in Abidjan, Ivory Coast. Discussions were held with selected contractor personnel, officials of the Government of the Peoples Republic of Benin, the Director of Catholic Relief Services (CRS) and AID officials. The Parakou-Malanville Road, the Cotonou Bridge and Dam and the CRS warehouse and distribution sites in Cotonou were inspected by us. The examination was conducted in accordance with generally accepted auditing standards and procedures.

SUMMARY OF FINDINGS

Our examination indicated the construction of the Parakou-Malanville Road had been satisfactorily completed. The Cotonou Bridge and Dam project was nearing completion. Construction of that project, except for the crane designed to lift the sluice gates, was satisfactory. Though AID did not finance this portion of the project, we nonetheless believe action should be taken to assure that the crane for the dam functions as planned. Most of our findings relating to these two projects concern monitoring; that is, AID had not insisted the Government of the Peoples Republic of Benin submit such required reports as evaluation summaries and maintenance plans. A number of deficiencies were found in the small PL 480, Title II, program. These deficiencies included infestation of commodities, inadequate storage, lack of AID monitoring and insufficient internal reviews by the cooperating sponsor.



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

### BACKGROUND

Benin is located on the West Coast of Africa. It is one of the 25 least developed countries in the world with a per capita annual income of only \$130. Since 1972, AID has provided about \$25 million to Benin in economic assistance. This assistance has consisted of two infrastructure projects—the Cotonou Bridge and Dam and the Parakou-Malanville Road. These projects were justified on a regional basis as developing communication links between Benin's northern neighbors and the sea.

Humanitarian assistance is provided by AID through the Agricultural Trade Development Assistance Act of 1954, commonly known as Public Law 480. Section 201 of Title II of the Act authorizes the use of commodities to meet famine or other extraordinary relief requirements. In Benin, the cooperating sponsor for relief activities is Catholic Relief Services whose programs operate under an agreement with the Government of the Peoples Republic of Benin dated December 12, 1958. Salient details on these activities are discussed below.

### FINDINGS AND RECOMMENDATIONS

#### A. Cotonou Bridge/Dam Project

The Government of Benin had regarded construction of a new highway bridge over the Cotonou lagoon and the building of a dam at the entrance of the lagoon as a priority project. The existing bridges, which handled international highway, railroad and intra-urban traffic, had become completely inadequate for current requirements. The opening of the new port in 1965, moreover, had resulted in severe ecological changes in the lagoon. Therefore, in response to the Government's request, AID, in conjunction with the African Development Fund and the European Development Fund, agreed to finance the construction of the bridge and dam at an estimated cost of \$15.5 million.

On September 12, 1974, AID provided a \$10.9 million loan to the Government of the Peoples Republic of Benin. The AID loan was to finance the construction of the new bridge and the supervisory services for the project. The African Development Fund provided \$2.8 million to finance the dam and the reconstruction of the existing bridge; and the European Development Fund provided \$800,000 to finance the construction of a five kilometer two-lane roadway linking the new bridge at Boulevard Saint Michael with International Route No. 11. The balance of \$1 million was provided by the Government of Benin.

All aspects of the project are scheduled to be completed in early 1980. We found that, except for the sluice gates on the dam, construction has been satisfactory. Our comments concerning the sluice gates and some minor administrative deficiencies are discussed below.

#### Cotonou Dam Sluice Gates Inoperative

The crane used to lift the sluice gates on the Cotonou Dam is inoperative.

The African Development Bank funded the actual construction of the dam and AID funded the engineering services for constructing the dam. The dam, which was completed in early 1978, was designed to prevent salt water intrusion. The sluice gates were to allow control of fresh water leaving the lagoon thereby permitting the Government's Department of Fisheries to exercise more direct control of the water flows between the ocean and lagoon. The sluice gates, however, have not operated properly since the fall of 1978, because the crane designed for lifting them has failed to function properly. This situation has allowed a sand bar to build up.

AID's loan agreement with the Government of Benin requires that the Government furnish AID with a detailed maintenance plan in report form. The purpose of this report is to provide AID with current information about the progress of the project. Though required, this report has never been prepared. In our view, had the report been prepared, the sluice gate problem would have surfaced and perhaps been corrected by now.

On a visit to Benin in September 1979, we learned that the sluice gates had been raised by use of a mobile crane. The crane, designed for and organic to the dam, remained inoperative. We recognize that the gates are to be only opened and closed once annually. Nonetheless, we believe the dam equipment should function as was designed.

A draft of this report had recommended that AID take steps to resolve the sluice gate problem. In its response to that draft, AID provided us with information showing resolution of the problem is being given attention by the Government of Benin. As a result, the recommendation has been deleted.

#### Project Evaluation Summary Needs to be Completed

AID has not prepared a periodic project evaluation summary of the bridge and dam. Without this evaluation, AID managers do not have the needed information on project implementation to evaluate project objectives in terms of efficiency, effectiveness and significance.

Chapter 5 of AID Handbook 3 prescribes the requirements for preparation of annual project evaluation summaries. The Handbook stipulates that these reports are intended to provide managers with an overall view of the effectiveness of the project to meet stated objectives. The Handbook prescribes the report format and addresses the inputs, outputs, external factors and lessons learned.

Without the benefit of evaluations of project progress against plans, and an analysis of the problems, AID officials lack the data which would be useful to stay abreast of the project, and to provide management advice and input where needed. Senior AID officials cited a lack of staff as the reason for not preparing the evaluation.

AID officials informed us that an evaluation of the bridge/dam (and Malanville Road) project(s) will be performed. Terms of reference for an evaluation contract are currently being prepared. Due to the uncertainty of the availability of funds and time necessary to contract with a firm to perform the evaluation, AID does not expect it to be undertaken prior to the second quarter of fiscal year 1980.

#### B. The Parakou-Malanville Road

The Parakou-Malanville Road follows the same line as a French road built in the mid-fifties. It roughly corresponds to a track that has existed for centuries. The logic of the route is inescapable. A straight line drawn on the map from Niamey, Niger to the closest point on the Atlantic Ocean comes out very close to Cotonou.

The Parakou-Malanville Road extends 200 miles from Parakou in the south to the Benin/Niger border at Malanville. AID financed the work on the northern half (101.7 miles) of the road. The World Bank financed the work on the southern half and also the supervisory engineering services for the whole project.

Financing of the AID portion of the road was provided under two loans (680-H-003 and 680-W-004) totaling \$12 million. The first loan of \$8 million was authorized in May 1972 and the second for \$4 million was authorized in March 1974. The second loan was necessary to assure adequate financing to complete the work on AID's 102 mile portion of the road. The loan agreements were signed in September 1972, and March 1974, respectively. Total disbursements amounted to about \$11.3 million. The balances of the loans--\$68,000 and \$614,000, respectively--were deobligated in February 1979.

The construction of the AID portion of the road began in July 1974 and was completed in February 1977. The maintenance and warranty period ran from February 1977 to April 1978. Final acceptance was effected at the close of this period.

We inspected the entire length of the road and noted no exceptions in its construction. We did take exception to the lack of certain management practices which are discussed in detail below.

Malanville Road Truck Scale Is Not Used Consistently

The Government of Benin had not established controls to assure that the truck scales at Malanville were used consistently by trucks traversing the road. We observed trucks travelling south that by-passed the scale and were not weighed. Additionally, the Government did not accumulate information on any violations of established vehicle weight limits that may have occurred.

The scales were intended to detect trucks carrying loads in excess of established weight limits in order to minimize premature deterioration of the road. By not enforcing use of the scale, AID had no assurance that restrictions on truck weight allowances are being met.

The loan agreement required that the Government of Benin provide AID with an annual report on project operations. This report is not being submitted and therefore there is no data available on the number of trucks using the highway, or the number being weighed. As a result, our judgment on highway usage was based upon observations made while traversing the entire roadway. We saw enough trucks with large loads on the road to conclude that the road is being used. We also concluded, however, that trucks which might be in excess of maximum weight limitations are not weighed.

Unless truck weight limits are enforced, the road could crack, buckle, acquire a wash-board appearance and otherwise deteriorate. Therefore, to protect the U.S. interest in the project, AID should impress upon the Government the need to institute controls to ensure that only those trucks within the established load limits are permitted to use the road.

In responding to the draft report, AID officials stated they agreed with us completely and that they have requested the Government to establish procedures and controls to weigh all southbound trucks at the Malanville scales. They will check to see this is done within a reasonable time.

A Road Maintenance Plan Has Not Been Prepared

The Government of Benin has not met the requirement of the loan agreements which stipulates that AID is to be provided with a detailed plan for maintenance of the road project and information showing the resources allocated to implement those plans. Lack of information about the maintenance plans preclude AID officials from knowing whether the sufficient resources are available to maintain the road in accordance with the project objectives.

The loan agreements between AID and the Government stipulate in Article V that the Government will provide to AID, within 12 months of the date the agreement was signed, a detailed plan for maintenance of the project and a commitment of resources to support the maintenance plan. Yet, as of our review, no maintenance plan had been prepared for the project nor were we able to find any evidence that AID had requested the Government to furnish such a plan. AID officials could not explain why it had not requested the Government to submit a detailed plan.

Recommendation No. 1

We recommend the Office of AID Representative/Benin in conjunction with the Regional Economic Development Services Office/West Africa take necessary action to obtain the maintenance plans for the road project.

Annual Road Operations Report Had Not Been Prepared

The host government has not complied with that portion of the loan agreements which required it to provide AID with an annual report detailing the results of project operations. As a result, AID does not have the means to measure the effectiveness of road utilization and maintenance.

Implementation Letter Number 1 of the loan agreements required the borrower to provide AID with an annual operations report for five successive years following completion of the project. The purpose of this report is to provide AID management with information on the physical status of the road, its usage, road maintenance, and the actions taken to overcome any problems.

Since the project was completed in February 1977, two annual operations reports should have been provided. We found no evidence to show the reports had been requested from the Government, nor were AID officials able to explain why the reports were not obtained.

Recommendation No. 2

We recommend that the Office of AID Representative/Benin in conjunction with the Regional Economic Development Services Office/West Africa obtain the Government of the Peoples Republic of Benin's assurances that it will provide the annual operations report as required.

C. PL 480, Title II Assistance

Our review focused on the Catholic Relief Service's management of approximately 1,724 metric tons of PL 480 Title II commodities having been provided in support of CRS's regular and emergency programs from 1977 through 1979. The commodities have a value of about \$397,000. See Exhibit A for commodity details.

As the PL 480, Title II, cooperating sponsor, CRS maintains supervisory and administrative control over the food distribution program. The Government's counterpart agency, the Department of Social Affairs, maintains operational responsibilities. These operational responsibilities include receipt, warehousing and inland transportation.

When 1,000 metric tons of Title II bulgur and sorghum arrived in April 1978 for the emergency program, the Government refused to allow the food to be distributed. It was unwilling to acknowledge that an emergency existed. The Director of CRS made countless efforts to change the Government's position. These efforts proved fruitless until February 1979 when the Government released the commodities for distribution under the CRS regular program. The Government's unyielding position had two adverse effects: (1) commodities in storage became infested; and (2) CRS was unable to accomplish its program objectives.

Infestation of Commodities

About 1,000 metric tons of Title II food had been stored in warehouses for over 11 months and had become infested with weevils and rodents.

At one warehouse we observed extensive infestation from rodents. The CRS Director had not requested that a qualified health official determine if the commodities were fit for human consumption. He did tell us, however, that arrangements had been made to have the warehouses fumigated and traps set for rodents.

A draft of this report had recommended the commodities be inspected prior to distribution for human consumption. In response to the draft

report, AID officials informed us that CRS had the food in question inspected by public health authorities and that a quantity was declared unfit for human consumption and disposed of. Thus, in view of this action, the recommendation was deleted from this report.

#### AID Monitoring Needs to be Improved

We found that AID's monitoring of the CRS program needs improvement.

The Office of AID Representative is staffed by only one AID officer, who devotes most of his time to other duties and activities. The Regional Food for Peace Officer, organizationally located in the Regional Economic Development Services Office/West Africa in Abidjan, Ivory Coast, is responsible for providing technical assistance to the Office of AID Representative. He informed us that the last program evaluation was made in 1972.

The only monitoring done by the AID Representative was to ensure that CRS prepared its Annual Estimate of Requirements for submission to AID/W. He did not attempt to verify the accuracy of the figures. On the other hand, monitoring is supposed to include a number of responsibilities as described in AID Handbook 9, Chapter 7.D.b.(1):

"This function covers a multitude of activities which are not limited to the determination of commodity requirements and their actual distribution. This effort is one of project management which includes identifying and reporting anticipated and actual problems and undertaking or catalyzing required actions. It should emphasize such activities as reviewing and evaluating the cooperating sponsor's performance capabilities, the planning process, and the implementation systems employed."

A draft of this report recommended that AID improve its monitoring of the CRS program. In responding to the draft, AID officials informed us that the Regional Food for Peace Officer is now visiting the program at least once every two months and making other visits as necessary in response to specific needs. In view of this increased AID oversight, the recommendation was deleted.

#### CRS Internal Reviews Schedule Needed to be Established

AID and CRS have not prepared an agreement on the extent and frequency of internal reviews.

Section 211.5(c) of Regulation 11 states that "at intervals mutually agreed upon in writing by USAIDs or the Diplomatic Posts and the voluntary agency, as appropriate for good management, the voluntary agency shall conduct or arrange to have conducted comprehensive internal reviews or a

series of examinations which, when combined, will represent a complete review of the Title II program under their jurisdiction. Copies of reports of these comprehensive examinations shall be submitted to the AID Office of Diplomatic Post in the country of operation."

Internal reviews are one method for AID to be kept apprised of problems the voluntary agency may be encountering in implementing the Title II program. Accordingly, AID and CRS/Benin should negotiate a schedule of internal reviews as soon as possible.

Recommendation No. 3

We recommend that the Office of AID Representative/Benin prepare a written agreement with the Catholic Relief Services/Benin on the extent and frequency of internal reviews.

EXHIBIT ASCHEDULE OF P.L. 480, TITLE II COMMODITIES RECEIVEDCRS/BeninFY 1977 and FY 1978

<u>Commodity</u>	<u>FY 1977</u> <u>(000) lbs</u>	<u>FY 1978</u> <u>(000) lbs</u>	<u>Total lbs</u>	<u>MT's</u>
	(A)	(B)		
Bulgur	451	1,318	1,769	802
S.F. Cornmeal	106	30	136	62
Sorghum	-	1,099	1,099	499
CSM	-	120	120	54
NFDM	148	19	167	76
WSB	<u>510</u>	<u>-</u>	<u>510</u>	<u>231</u>
Total Commodities	<u>1,215</u>	<u>2,586</u>	<u>3,801</u>	<u>1,724</u>
\$ Value	<u>\$ 213,000</u>	<u>\$ 184,000</u>		<u>\$ 397,000</u>

Note: No commodities were received in FY 1979.

(A) Source: Food for Peace 1977 Annual Report on Public Law 480

(B) Source: Food for Peace 1978 Annual Report on Public Law 480

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator/Africa	1
Office of AID/Representative/Togo	5
Regional Economic Development Support Office/West Africa	5
Office of Food for Peace	1
Office of Financial Management, Controller	1
Office of Legislative Affairs	1
Office of General Counsel	1
DS/SIU/DI	4
Auditor General	1
AAG/Egypt	1
AAG/EA	1
AAG/LA	1
AAG/EAFR	1
AG/ILS	1
AG/PPP	1