



# Auditor General

AUDIT REPORT  
NATIONAL NUTRITION PLANNING  
PROJECT No. 522-0124  
USAID/HONDURAS

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National Nutrition Planning  
Project No. 522-0124  
USAID/HONDURAS

EXECUTIVE SUMMARY

Introduction

In 1976, AID loaned \$3.5 million to the Government of Honduras (GOH) to finance a National Nutrition Program. The loan was supplemented with project agreements and a subsequent grant agreement which added \$1.0 million to the project for a total U.S. contribution of \$4.5 million; the GOH contribution was estimated at about \$3.1 million.

The project was to contribute to the improvement of the food and nutritional status of the Honduran population by: (1) increasing the GOH capability to carry out the analysis, planning, execution, and evaluation of food and nutrition programs; and (2) assisting in the development of rural infrastructure necessary for improvement of the nutritional status of rural and urban marginal residents. The loan agreement was signed on November 2, 1976, and the first project agreement was signed on September 30, 1976.

Scope

The purpose of our review was to assess the project results to date; to determine if management of the project has been effective and if AID funds have been used according to Agency policies and procedures; and to identify problem areas requiring management attention.

Audit Conclusions

Project implementation has not been good. Funds may not be fully disbursed by the extended termination dates: May 2, 1981 (Loan), and November 2, 1981 (Grant). Goals will be achieved on a limited basis.

Constraints to implementation have been:

-- Coordination - SAPIAN, the GOH agency created to manage the project, was never able to take full control of project implementation. Other GOH agencies looked on SAPIAN as a bottleneck to the project and did not cooperate with it. The result was a breakdown in inter-institutional coordination which caused disillusionment on the part of several participating communities with the executing agencies. (Page 4).

-- Project Design - Project design contributed to implementation difficulties because of the numerous governmental agencies, project sites, and project activities involved; and because project management responsibility was given to an agency (SAPIAN) that had no experience in project management or implementation. (Page 7).

-- Monitoring - Overall project monitorship was not satisfactory. USAID/Honduras' efforts were incomplete because of understaffing. Late in calendar year 1979 the Mission Nutritionist was reassigned to Nicaragua and, in his absence, project responsibilities were assigned to the existing staff. This action caused an improper balance of workload and staff which led to a breakdown of the monitoring function at a time when it was vital for project success. Thus, the Mission's involvement in monitoring began to decline. USAID/Honduras' staff made no field trips from October 1979 until December 1980 to visit project sites. As a result, the Mission had to depend on SAPLAN for the monitorship function. SAPLAN's inability to adequately coordinate project activities exacerbated implementation problems. Several alternatives were considered and efforts were made to expedite implementation, but USAID/Honduras was not able to achieve much success in overcoming most of the problems. (Page 11).

-- Procurement - From the onset of the project, procurement-related problems had been one of the most significant constraints affecting project implementation. There were several reasons affecting the procurement process:

-- Planning: Insufficient consideration was given to the practicalities of procurement and unrealistic time frames were established. For example, according to plan, all equipment was to have been ordered 3 months after the agreement had been signed. This, of course, was not accomplished. (Page 12).

-- Administration: GOH agencies experienced considerable difficulties in preparing satisfactory materials and equipment lists. Materials and supplies were procured without proper consideration of time and use needs. (Page 12).

-- Coordination: Delays were intensified by the GOH's Procurement Office and SAPLAN. Implementing agencies encountered a series of different rules and procedures at the two agencies which further delayed the process. The reviewing process by the GOH Procurement Office and USAID/Honduras took considerable time with little or no communication with the requesting agencies. This resulted in a project record of hastily and poorly planned procurement usually costing more and producing less. (Page 13).

-- Materials and Inputs Management - Administration of inputs and materials were erratic and at times chaotic. Materials were delivered without regard to time and utilization needs. For example, 18 months after initiation some of the pilot projects had not received all the materials needed.

-- Controls over materials were very lax. In most instances AID-financed materials were commingled with those financed by other donors and the GOH. Controls and procedures at the GOH offices and warehouses were inadequate. (Page 13).

-- Equipment Utilization - Equipment utilization was less than satisfactory. One of the reasons may be attributed to insufficient supervision by SAPLAN and USAID/Honduras. Some equipment was put to use for activities unrelated to the project. In some instances, some equipment had

not been used at all. There were also problems in the distribution and allocation of the equipment, whereby equipment assigned to one agency was sent to a different agency; the result, under-utilization of the equipment for project-related activities.

-- Unauthorized diversion of funds for purchase of spare parts may result in loss of approximately \$11,000 worth of film and photo supplies. Due to a lack of records and planning, we were unable to determine whether \$197,000 worth of rolling stock acquired for use by the Ministry of Health was being used on the project. (Page 15).

-- Construction - The Carao station, a fisheries research development facility, as built as part of the project. After various delays and a \$300,000 increase in funding, construction was resumed and in April 1980 the contractor reported the job as completed. The firm supervising the construction, objected to the conditions of the facility and recommended to the GOH that the job not be accepted. The contractor made minor adjustments without correcting the major problems. In its present condition, the Ministry of National Resources unit will not be able to properly carry out the project functions because of the poor conditions of the facility. We could not determine whether or not the facility had been accepted by the GOH. (Page 15).

-- Warehouse - Construction of twelve warehouses for use by the MOH was authorized. One of the contractors filed for bankruptcy and construction of three of the units was halted. In the meantime, a proposal to finish the units within the original budget was received and accepted; however, construction had not been resumed because the new contractor was unable to get an advance to start the work. (Page 17).

-- Recycling of Funds - Loan funds were made available for financing a series of small community-level projects. The purpose of these projects was to increase the availability of funds and foodstuffs for the families involved. A loan agreement was to be signed between the implementing agency and the recipient. Proceeds from repayments on these loans were to go to a revolving fund for the financing of new similar projects.

There were no signed loan agreements for the projects approved. Repayments had been made on some of the loans but these funds were not being made available for the financing of new projects; instead, repayments were being used at the implementing agencies' discretion. (Page 17).

### Recommendations

Implementation Letter No. 68 was issued on March 5, 1981, as a result of this audit. The letter implemented nine recommendations which were proposed at the exit conference. In addition, comments on a draft of this report implemented two more proposed recommendations. We have made 5 recommendations in this final report directed towards improving project implementation and resource utilization.

## BACKGROUND

### AID's Objectives

According to AID's fiscal year 1976 Congressional Presentation, AID's programs in Latin America were redirected in response to Congressional directions to concentrate on the problems of the poor. New approaches in the FY 1976 project proposals in the AID program for food and nutrition included:

- more emphasis on food crop production for domestic markets;
- greater concern about food distribution patterns and their effects on nutrition, particularly for the mental and physical development of the young;
- growing efforts to change patterns of land ownership and to encourage cooperative activity among small farm operators.

### Honduras' Objectives

The overall Government of Honduras (GOH) strategy for nutrition is summarized as follows:

- Analysis, planning, and evaluation of nutrition programs will be carried out by the National Planning Council (CONSUPLANE), through its Sistema de Analisis y Planificación de Alimentación y Nutrición División (SAPLAN);
- Implementation of nutrition and nutrition-related programs will be the responsibility of the agencies represented on SAPLAN;
- The initial GOH focus will emphasize programs designed to:
  1. Increase the incomes of the poor;
  2. Make better use of national resources to produce more food for internal consumption;
  3. Improve marketing and distribution of foodstuffs with the objective of improving food quality, and lowering the cost of food to the consumer through reduced marketing costs;
  4. Make improvements in the presently inadequate institutional base with respect to analysis, planning, management, and evaluation of nutrition and nutrition-related programs;
  5. Improve the information base necessary for adequate planning, management, and evaluation of programs;
  6. Increase the coverage of health services, both preventive and curative, and of potable water and sanitation systems, with the

target groups being the rural and urban poor, and reduce infectious disease to improve biological utilization of food consumed by those groups.

### Project Description

On September 30, 1976, a \$250,000 Project Agreement (No. 522-9-TQ) was signed between AID and the GOH to finance a National Nutrition Program. The Agreement was supplemented with additional Project Agreements and \$500,000 was added to the project, making a total of \$750,000. On November 2, 1976, a \$3.5 million Loan Agreement (No. 522-T-029) was signed for the same purpose. On May 10, 1979, all the Project Agreements were superceded by a Grant Agreement with the same total amount. On August 7, 1980, Amendment No. 1 to the Grant Agreement added \$250,000, bringing the grant total to \$1 million.

The AID loan and grant contributions to the project totaled \$4.5 million; the GOH contribution was estimated at about \$3.1 million. The loan portion of the project was scheduled to terminate on May 2, 1981, and the grant portion was scheduled to terminate on November 2, 1981.

The project was to contribute to the improvement of the food and nutritional status of the Honduran population by: (1) increasing the GOH capability to carryout the analysis, planning, execution, and evaluation of food and nutrition programs; and (2) assisting in the development of rural infrastructure necessary for improvement of the nutritional status of rural and urban marginal residents.

The project has four components which support Honduran national efforts to improve the food and nutritional status.

1. Analysis, Planning and Evaluation -- This component will finance a series of studies to determine the causes of malnutrition in Honduras, develop a pilot system for monitoring changes in food and nutritional status, and design systems and procedures for evaluating the impact of program intervention.

2. Nutrition Education -- This component will provide funds for long-term and short-term training in nutrition for SAPLAN professional staff and technicians and field personnel in the ministries and agencies participating in the projects; the design of textual materials on nutrition for introduction into the primary schools in Honduras; the development and broadcast of radio commercials to orient consumers concerning specific food and nutrition problems; and the purchase and installation of equipment for improvement of the audio-visual facilities within the Ministry of Public Health for producing promotional and educational materials related to food nutrition and health.

3. Water Supply and Environmental Sanitation -- This component will continue the effort to construct low-cost water wells and latrines and expand it to include nutrition education at the community level at the time the wells and latrines are built.

4. Pilot Projects -- This component will explore new avenues to improve the food and nutrition levels for rural families.

#### Financial Status

As of December 31, 1980, \$3.05 million (68 percent) of AID's portion of the budget had been spent. SAPLAN records were not adequate to determine the amount GOH contributed to the project because financial data had not been compiled. Our efforts to obtain such data from the individual implementing agencies were unsuccessful.

It appears that the project may either extend beyond the projected completion dates or be deobligated. About 93 percent of the loan project time and 82 percent of the grant project time had elapsed but only 68 percent of AID's funds had been spent.

#### Purpose and Scope

This audit covered activities from inception of the loan and project agreement in 1976 to December 31, 1980. The audit field work was done between December 1980 and February 1981.

The purpose of our review was to assess the project results to date; to determine if management of the project has been effective and if AID funds have been used according to Agency policies and procedures; and to identify problem areas requiring management attention.

Our review included an examination of records and correspondence maintained by USAID/Honduras and GOH implementing agencies. Discussions to determine the adequacy of project monitoring and reporting were held with GOH and USAID/Honduras officials. We also visited several project sites to review activities in the field.

This report, in draft, was provided to USAID/Honduras for review and comment. Its comments were considered and incorporated in this report, as appropriate.

## AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### Project Coordination

SAPLAN's performance in managing and implementing the project has been poor. From the onset, the project was hampered by serious coordination and implementation problems. Field visits were sporadic and undocumented. Inadequate records were kept; the financial status of the loan was not known.

An April 1976 review of the project paper by AID pointed out that SAPLAN would have "quite a job to do" if the project were to be successfully implemented. SAPLAN was responsible for the overall management of the project and, additionally, had the tasks of: (1) implementing the media program; (2) developing the monitoring and information system; (3) reviewing and analyzing proposed projects; (4) developing and implementing evaluations; and (5) carrying out or managing several demonstration projects.

The AID/Washington Development Assistance Executive Committee's review of USAID/Honduras' Nutrition Assessment and Interim Report expressed a concern as to whether SAPLAN was institutionally capable of implementing the program. The review further stated that the project paper should discuss how intersectoral coordination for nutrition policy-making and program implementation would occur. SAPLAN was a creation of this project as a part of the National Planning Agency of Honduras and, as such, had no project implementation experience.

The Department of Fisheries of the Ministry of Natural Resources (MNR) was to carry out all activities under the aquaculture subproject; the soya production subproject was the responsibility of the MNR, with the National Agrarian Institute (INA) and the MNR being responsible for the introduction of soya into the diet; the sorghum subproject was to be carried out by the MNR through its research and extension programs; and the National Social Welfare Board (JNBS) was responsible for the promotion and development of community food production subprojects. This structure made it clear from the beginning that the project would require excellent coordination and cooperation among the participating agencies if it were to be successfully implemented.

A January 1977 consultant's report entitled Nutrition Planning in Honduras pointed out that:

... "Impressive progress in multi-sectoral cooperation and coordination has already occurred, but there is still a long way to go. Project planning has been handicapped by coordination difficulties and implementation is likely to be even more troublesome."...

The report went on to list some major problems to be resolved so effective coordination could occur:

-- The Ministry of Health was not participating sufficient in the multi-sectoral effort. Other Ministries were not likely to collaborate for long, when Health, the presumed leader in nutrition, lagged far behind.

-- SAPLAN's lack of knowledge and field experience gave its project documents a very academic quality. It does not yet know most of the pitfalls that typically affect attempts to do what overambitious unrealistic plans say will be done.

-- SAPLAN was not yet clear about the full implications of multi-sectoral nutrition planning.

At the time of the consultant's report, SAPLAN acknowledged that there was not an effective way to assure cooperation among agencies working in Honduran rural communities.

The consultant's report concluded:

..."No matter how expert SAPLAN staff become, their effectiveness still depends on other sectors". ... (SAPLAN) "needs help in disseminating what it can offer and in the political problems of getting a fair hearing among disinterested and competing agencies."

Unfortunately, an adequate coordination effort was not achieved among the agencies participating in this project. A June 1979 trip report stated:

..."the current situation of the groups, instead of showing signs of improvement in all respects, is in fact showing signs of stagnation and regression, due to a lack of technical assistance and lack of sound and effective promotional campaigns from both the executing and coordinating agencies of the community development projects."

"JNBS/SAPLAN must emphasize a well coordinated and efficient promotional campaign and to seek the technical assistance required in order to improve the situation of all the subprojects carried out under the community development projects."...

SAPLAN, the unit of the GOH created to coordinate the implementation of the project, encountered resistance from the other GOH agencies which it was never able to overcome. Consequently, its role as a coordinating unit has been largely confined to limited advisory functions.

We learned that the GOH executing agencies looked on SAPLAN as a bottleneck to the project and did not cooperate with it. The other agencies often went directly to USAID/Honduras with documents which only delayed action because the Mission had to return the document with instructions to coordinate with SAPLAN. As a result, actions were often not timely.

In 1978, less than one-half of the annual objective of the Community Food Production Pilot Project was met. In part, this was due to: (1) a breakdown in inter-institutional coordination; and (2) disillusionment with the executing agency on the part of several participating communities.

In 1980, SAPIAN was still experiencing difficulties in managing the project. As of May 1980, SAPIAN had not developed its evaluation and revised budgets for 1980 which retarded procurement and endangered the accomplishments of certain 1980 program objectives. Also, in September 1980, because of changes in GOH personnel, neither SAPIAN nor the CONSUPLANE had a legally designated representative of the GOH for purposes related to execution of the loan. This detracted from implementation because without delegations of authority all formal requests for action had to be signed by the Minister of Finance. This was a delaying factor and required more coordination and cooperation.

A USAID/Honduras staff member told us that the Mission worked diligently with the GOH on these and other problems, but solutions were just not found. Another staff member believed that the coordination/cooperation problems were simply the result of GOH office politics; i.e., some people refused to work with other people and things either did not get done or suffered significant delay.

As an example, a new General Coordinator of SAPIAN was appointed early in calendar year 1980. This appointment was a constraint to daily activities because the General Coordinator did not receive much cooperation from the rest of the SAPIAN staff.

Because of the difficulties encountered by SAPIAN in managing this project, the Mission decided not to use SAPIAN in a project management role in the future. The Mission staff believed that it would be more beneficial to the GOH for SAPIAN to concentrate on its planning function.

Our review of SAPIAN's activities showed that the agency was not able to keep abreast of the activities of the other GOH agencies, nor were they current on the status of the project as a whole. For example, although the Mission had requested in Implementation Letter No. 30, and again in a letter dated December 16, 1980, that SAPIAN submit a detailed financial and progress status report. SAPIAN's officials were unable to provide us with a statement of financial condition for the loan. They attributed this failure to the lack of information received from other GOH agencies. The same situation was found when we requested progress status reports for the various loan components.

Our review of SAPIAN's files and records corroborated the difficulties encountered by the implementing unit in coordinating the project. None of the participating agencies had submitted financial and progress status reports on a regular basis. It was necessary for us to visit each of the GOH units involved in order to obtain the data necessary for our review.

Implementation Letter No. 68, dated March 5, 1981, requests that SAPIAN submit as soon as possible its semi-annual report including a detailed

financial status report for each component of the Loan and Grant; therefore, we are not making a recommendation concerning SAPLAN's difficulties in managing the project.

Beyond what we have reported, we did not attempt to determine the cause of SAPLAN's failure to secure coordination and cooperation among the GOH agencies involved in the project. In light of the Mission's decision, we did not think it productive to do so. With hindsight, it was obviously a mistake to assign project responsibility to a group that was not administratively or technically prepared for the program and which had no experience in project management.

We doubt, however, that the reason for non-cooperation lies solely with SAPLAN. The cause could be as simple as not giving SAPLAN sufficient authority or, as one project person suggested, the cause could be a complex mix of personnel problems. Regardless, we suggest that this problem be openly discussed among GOH and USAID staff during the end-of-project evaluation. The problem's solution is required before another multi-sectoral project requiring coordination and cooperation among GOH Ministries is initiated.

#### Project Design

Project design contributed to implementation difficulties because of the numerous GOH agencies, project sites, and project activities involved. Perhaps the most significant deficiency in the project design was that it gave project management responsibility to an agency (SAPLAN) that had no experience in project management or implementation.

This multi-sectoral, multi-disciplinary, multi-agency nutrition loan/grant project was essentially an experimental, pilot project. SAPLAN, the GOH agency responsible for implementation, was a creation of the project. One of the project components was entitled "Pilot Projects". Mission staff knew from the beginning that the project would have significant implementation problems because of the numerous GOH agencies, project sites, and project activities involved.

The USAID/Honduras Mission Director expressed concern about the project in a November 29, 1979, note to the project team in which he stated, in part:

..."Again I am struck with the apparent lack of overall meaning of this project. There seem to be all these activities going on, but I have no sense that they in fact mean anything to each other or that the whole is more than the sum of the parts. Do we need to rethink the structure of this project? Would it be better to recognize that we do not have an integrated structure and break up responsibility for the parts?"

The project team, however, apparently did not view the nonintegrated structure with particular concern. They responded to the Mission Director's note on December 3, 1979, and said, in part:

..."The project design did not intend to integrate the various project components or even the pilot projects."...

Our opinion is that the most significant deficiency in the project design was that it gave project management responsibility to an agency that had no experience in project management or implementation.

Implementation Letter No. 1, Section 3.01(d) stated that SAPLAN would be responsible for the overall management of the project. As stated earlier, SAPLAN was a creation of the project. It was a division of the National Planning Council with responsibilities that included the formulation of national policy regarding food and nutrition; review of GOH programs to determine their relationship to, and impact upon, the nutritional status of the population; and analysis, planning, and evaluation of nutrition programs.

SAPLAN's inexperience in project management was a reason for the procurement and coordination problems that accounted for the majority of the difficulties in implementing the project, discussed elsewhere in this report.

#### Project Accomplishments

Actual project accomplishments fell significantly short of outputs planned for each component of the project. A comparison of the planned and actual outputs is shown below.

##### A. Analysis, Planning and Evaluation

###### Planned Output

1. Finance a series of studies to determine causes of malnutrition in Honduras
2. Develop a pilot system for monitoring changes in food and nutritional status.
3. Design systems and procedures for evaluating the impact of program intervention.

###### Actual Output

The above plan was revised in 1979 to design, test, execute and extend a nutrition surveillance system.

The system was operating in Danli and was scheduled for extension.

##### B. Nutrition Education

###### Planned Output

1. Long-term and short-term training in nutrition for SAPLAN professional staff and technicians and field personnel in the Ministries and agencies participating in the Project.

2. Design of textual materials on nutrition for introduction into the primary schools in Honduras.

3. Development and broadcast of radio commercials to orient consumers concerning specific food and nutrition problems.

4. Purchase and installation of equipment for improvement of the audiovisual facilities within the Ministry of Public Health.

Actual Output

1. This plan was revised in 1979 to train 300 promoters per year. Several seminars had been held. We were unable to determine the number of people trained.

2. Textual materials had not been introduced in primary schools. Some materials, posters and pamphlets were being reviewed by SAPLAN.

3. Several commercials were developed and broadcasted.

4. Audiovisual equipment had been purchased but had not been installed.

C. Water Supply and Environmental Sanitation

	<u>Planned Outputs</u>	<u>Revised Plan</u>	<u>Reported Outputs at 12/31/80</u>	<u>Percent of Completion</u>
1. Water wells	8,250	3,327	2,388 1/	72
2. Latrines and Aqueducts	21,000	15,800 12	21,174 1/ 5 1/	172 42

1/ We were unable to determine if these totals included units financed by other donors or, the period of time in which they were built.

Planned Output

3. Development and execution of an educational campaign to accompany the above two activities.

4. Execution of an evaluation to measure the impact of this element of the Project on the nutritional status of families covered.

Actual Output

3. Promotors have been trained and were in the field.

4. Not completed.

#### D. Pilot Projects

##### Planned Output

1. Finance a series of small community-level projects for increasing the availability of funds for the families involved.
2. Improvement of the facilities for and extension capabilities of the GOH to promote fish farming.
3. Research into methods for introducing soya into diets of rural families.
4. Applied research in the use of new varieties of sorghum.

##### Actual Output

1. The plan was revised in 1979 to have 145 participating communities. The JNBS reported that, as of 1980, projects have been implemented in 64 communities and are in progress in 107 communities. Accuracy of this data was questionable. For example, projects reported as in progress include several projects which, like the two discussed in this report, have in our opinion failed. Unless the JNBS's performance changes drastically, no significant progress was expected under this component.

2. Construction of a fish demonstration research center had been completed in Comayagua. The quality of construction was poor. Several deficiencies are described in this report. Reduced operating funding by the GOH was expected to adversely affect center's activities.

3. Accomplished.

4. Accomplished.

In summary, even though some of the activities of the project were successful or promising in the field of nutrition, project accomplishment had been less than satisfactory. On the positive side, soy production, which began under the project, was growing and a foundation had been laid for aquaculture expansion.

There were several reasons for the project's poor performance; procurement delays; SAPLAN and AID's performance, and project design are discussed in this report. An additional factor that hampered accomplishment of the planned outputs was that the objectives contained in the Loan Agreement did not coincide with the objectives contained in the Project Paper. In most instances outputs planned in the Agreement were significantly revised downward and accomplishments were often off-target or of questionable quality.

Control of materials and inputs were inadequate. Outputs were not sufficiently documented to identify the location, period of time in which they were built and, to differentiate outputs financed by the various donors working in Honduras. This situation was particularly significant because AID and the GOH signed a 3-1/2 year, \$10.5 million Loan Agreement on March 31, 1980, to accomplish several outputs, including the construction of 32,000 latrines. Other donors like the European Community, the Swiss Development Agency, and UNICEF, were considering the implementation of similar ambitious programs within the next 3 years covering, at least in part, the same areas. We believe that a country-wide water supply and environmental sanitation development plan, that monitors the activities and plans of all donors, should be developed for Honduras. We proposed such a recommendation in our draft audit report. USAID/Honduras has brought the matter to the attention of the GOH in an implementation letter on the National Nutrition Planning project. Therefore, we deleted the recommendation from our final report.

### Project Monitoring

USAID/Honduras project monitoring efforts were incomplete because of understaffing. During the first 2 years of the project, the Mission's staff made several field trips to project sites, identified implementation problems, and took action attempting to resolve those problems. However, in October 1979 at an important time in project implementation the Mission's monitoring performance began to decline. The project staff made no project field trips from October 1979 until December 1980; a 14-month period that represents 29 percent of the planned 4-year project during a crucial implementation and evaluation phase of the project.

Late in 1979 the Mission Nutritionist was reassigned to Nicaragua on a mid-tour transfer. A replacement was requested but AID/Washington denied the request because the project was ending and another nutrition project was not planned for FY 1982. In the absence of the Nutritionist, project responsibilities were assigned to the existing staff. This action caused an improper balance of workload and staff which led to a breakdown in the monitoring function on the part of the Mission at a time when it was vital for project success.

By mid-1979, the Mission was cognizant of the serious difficulties affecting project implementation. They thought that a primary reason for the difficulties was the role that SAPLAN was playing in executing the project. Several alternatives were considered and efforts were made in an attempt to expedite project implementation. However, because of the sensitivity of some of the alternatives considered, restructuring SAPLAN's role for example, and the understaffing problem, USAID/Honduras has not been able to achieve much success in overcoming the problems which have hampered the implementation of the project.

### Signs and Markings

There were no signs at construction sites and there were no emblems on equipment to identify that U.S. Government financing was involved.

Section 5.12 of Implementation Letter No. 1 states, in part:

"All Project vehicles and other large equipment items should be marked with the Alliance for Progress and Hand-Clasp emblems. Additionally, signs should be placed at all construction sites where Loan funds are used,..."

During field visits to project sites, we determined that the GOH had not met the marking requirement.

Implementation Letter No. 68, dated March 5, 1981, requested that appropriate signs be placed at construction sites financed by the loan and that vehicles be marked with the hand-clasp emblems. The letter further stated that the Mission will supply metal plaques for the vehicles. Because of this action, we are making no recommendation concerning the failure to publicize the U.S. Government financed activities.

### Procurement

From the onset of the project, procurement related problems had been one of the major constraints affecting project implementation. There were several reasons for delays in procurement:

-- Planning - According to the Regional Supply Management Officer, it was apparent that in developing the project insufficient consideration was given to the practicalities of procurement and an unrealistic time frame was established. For example, according to plan, all equipment for the project was to have been ordered by February 1977, only 3 months after the agreement was signed. Furthermore, in at least one instance, it was planned that equipment would be in place 4 months after it was ordered. We agree that this plan represents an unrealistic time frame. Experience had shown that procurement is a cumbersome and slow process.

-- Administration - Implementing agencies experienced considerable difficulties in preparing satisfactory materials and equipment lists on a timely basis.

Materials and supplies were procured without adequate consideration of time and use needs. For example, film and photo supplies to be used by the Ministry of Education (MOE) were procured and received before the photographic equipment was ordered. Then when the equipment list was approved, in a last minute change, the order was rescinded and instead of photo equipment, spare parts for water pumps were ordered. The immediate result, about \$11,000 worth of film and photo supplies may be totally lost because of expired dates and unavailability of equipment.

Because of an inability to supply materials on a timely basis, the JNBS has had limited success with the community Food Production Projects. The time gap between deliveries of materials to project sites was such that in some cases by the time all materials were delivered some were not usable. For example, after all materials had been delivered to some projects further delays occurred because the cement, which had been stored at the site, had hardened to such an extent that it could not be used.

-- Coordination - Delays were intensified by the GOH's Procurement Office and SAPLAN's procedures. For example, when minor changes or revisions had to be made to a procurement list, the agency was required to start all over again and re-submit the revised list as if it were a new one, thus, delaying the approval process.

There were also instances in which the review process by the GOH and USAID/Honduras took considerable time with little or no communication with the requesting agencies. USAID/Honduras and SAPLAN attempted to improve the procurement process. The Mission provided one month of consultancy to the General Procurement Office on procurement and the preparation of project implementation orders for technical assistance. SAPLAN assigned one person to work full-time with the GOH Procurement Office in an effort to improve the material acquisition process. In September 1979, the Mission Director suggested the need for a short course or seminar on AID procurement for presentation to the GOH staff involved in AID procurement. Unfortunately, this suggestion was not implemented.

The Regional Supply Management Officer stated that from a management view, it appeared essential that specific lists of equipment and materials for the life of the project be included as part of the Project Paper or Loan Agreement. Every subproject activity was severely hampered by the failure of the involved Ministries and the GOH's Procurement Office to enumerate and procure the essential equipment and materials on a timely basis. The result of this situation led to a project record of hastily and poorly planned procurement usually costing more and producing less. For example, a significant number of procurements were made on an emergency basis in an effort to get some equipment and materials to the project sites.

The Mission is presently developing detailed semi-annual procurement plans where appropriate for its most recent projects; therefore, we are not making a recommendation concerning procurement planning.

#### Materials and Inputs Management

Administration of materials and inputs had been erratic and at times chaotic. Sometimes due to poor planning and sometimes because of procurement problems, the flow of inputs and materials to project sites was a major constraint to project implementation.

Eighteen months after initiation, some of the pilot projects being implemented by the JNBS had not received all the necessary materials and inputs. It was also noted that materials were delivered without regard to time and utilization needs. For example, the El Guacuco chicken-raising subproject in Vacoone began over 18 months ago and, at the time of our review, had not received any chickens, waterers, or feeders. Originally, the project had 20 farmers. At the time of our review, there were only 10 farmers; and they were no longer interested in the project because of the frustration caused by the non-receipt of inputs.

After 2 1/2 years the Maye Bee production project failed. It took over a year for all materials and inputs to be delivered to the site. After all deliveries were made, the project still could not be adequately implemented because neither the recipients nor the JNBS promoter knew anything about beekeeping. About 6 months later the training was finally provided; unfortunately by that time most of the bees had abandoned the hives and some of the materials had begun to deteriorate.

Controls over materials were very lax. In most instances, materials procured with AID funds were commingled with those of the GOH agency and other donors. This resulted in all materials being made available for use in any project, regardless of source. For example, cement and other materials procured for some pilot projects were used in non-AID-financed projects.

Water pumps furnished by other donors were used to equip water wells built with AID funds. The MOH was unable to give an exact number of pumps borrowed; their estimates ranged from 60 to 1,600.

We visited central and regional warehouses of the MOH and the JNBS and found their control and procedures less than satisfactory. We randomly selected several accounts and test checked the transactions. We were unable to reconcile any of these accounts with the inventory on hand.

Implementation Letter No. 68, dated March 5, 1981, requests that SAPLAN: (1) provide a detailed report covering the end-use of all materials purchased for the use of each implementing agency under the project; and (2) conduct a detailed review of the materials control procedures used by each implementing agency so that better use may be made of remaining inputs. Therefore, we are not making a recommendation concerning the problems in administering inputs and materials.

### Equipment Utilization

Utilization of equipment acquired under the Project was less than satisfactory. One of the reasons may be attributed to insufficient supervision by SAPLAN and USAID/Honduras.

We found that, in some instances, equipment was put to use for activities unrelated to the project. For example, some of the vehicles assigned to the Natural Resources Agency were being used by other divisions of the Agency.

We observed that some equipment had not been used at all. Over a year after delivery, the MOE has not been able to use the audio equipment because the supplier had delayed installation. Laboratory equipment worth about \$5,000, purchased for the El Carao station, had not been unpacked because of the building's faulty construction.

There were problems in the distribution and allocation of some of the equipment. Printing equipment acquired for use by the Ministry of Education was installed in the MOH printing unit. We were told that the MOE had difficulty in obtaining access to the equipment because it was being used by the MOH for printing material that was not related to project activities.

A total of \$25,000 allocated to the MOE for the purchase of photo equipment was arbitrarily diverted by GOH memorandum to purchase spare parts for water pumps. USAID/Honduras had not authorized this budget adjustment and project staff were not aware of this action by the GOH. The immediate consequence is that about \$11,000 worth of film and photo supplies may be totally lost because of expired dates and unavailability of equipment.

After the exit conference, the Mission reviewed its records and found that the \$25,000 remained earmarked for the original purpose. The Mission planned to extend the terminal commitment date so the necessary funds can be committed for the photographic equipment

We were not able to determine, because of a lack of records, whether or not \$197,000 worth of rolling stock (57 motorbikes, 6 pick-up trucks, and 5 trucks) acquired with loan funds for the MOH will be used in carrying out the project.

Implementation Letter No. 68, dated March 5, 1981, requested that SAPLAN review the distribution and use of equipment to assure that its lack or underutilization not impede implementation.

#### Recommendation No. 1

USAID/Honduras should review the diversion of the \$25,000 from the MOE to the Water Supply and Environmental Sanitation Component and, if the funds had been obligated or disbursed without proper authorization, reimbursement to the GOH should be withheld.

#### Recommendation No. 2

USAID/Honduras should ascertain that all motorbikes and vehicles acquired by the MOH are being used to carry out project activities and, if not, the GOH should be requested to reimburse these funds.

### Construction

#### El Carao Aquaculture Station

The El Carao Aquaculture Station, a fisheries research and development facility, was built as part of the project. Construction was delayed for several reasons and there had been considerable increases in the cost of materials.

The builder asked for a revision of the contract and \$300,000 were transferred from the Water Supply and Environmental Sanitation component to the Aquaculture project. Construction was resumed and in April 1980 the contractor (Sovipe, S.A.) reported the job completed. Gabinetes Técnicos, the firm supervising the construction, objected to the conditions of the facility

and recommended to the MNR that the job not be accepted. Negotiations developed and minor adjustments were made by the contractor but the major problems continued to linger on. We were unable to verify whether or not the project had been accepted. We were told that the GOH agency was going to accept the job as completed.

Among the major deficiencies found during our field visit were:

-- The size of four of the water tanks was reduced by the contractor. Two were reduced from 2,500 to 2,380 square meters each. The other two were reduced from a planned dimension of 2,000 to 1,800 square meters.

-- The filter used to purify the water coming from the reservoir tank was defective in that it allowed contaminated water and debris to leak through and affect ongoing research.

-- An unfinished drainage system permitted dirty water to pass into the research tanks.

-- Access roads surrounding the tanks were supposed to have at least a 10 percent gravel content, but no gravel was used. When it rains, access to the tanks was very difficult because of the soft condition of the soil.

-- Because of poor soil compacting, the concrete base for ten experimental tanks had buckled. The valves for these tanks had not been installed.

-- The floors in all buildings had buckled in varying degrees. Doors could not be easily opened or closed. In fact, the situation in building no. 4 was such that the auditor visiting the facility had difficulty gaining access to the building.

Other deficiencies found were:

-- The main water pump had a missing suction motor.

-- Water leaked through the roof in each building

-- An air extractor fan was never installed in the laboratory.

-- Cabinet doors could not be closed.

USAID/Honduras was not aware of the construction deficiencies at the El Carao Aquaculture Station prior to our review. Subsequent to our review, USAID/Honduras and the GOH jointly inspected the Station to corroborate our findings and to define the responsibilities for making essential corrections. USAID/Honduras has advised the GOH that no further disbursements will be made for the construction of the Station until the deficiencies are corrected. Therefore, we are making no recommendation.

## Warehouses

Construction of twelve warehouses for the use of the Water Supply and Environmental Sanitation component was authorized. There were no major problems in the construction of nine of the warehouses. On the other three warehouses, a \$54,587 contract was signed with INESCO Co. for the construction at Danli, Talanga and Tegucigalpa. As of December 31, 1980, \$39,551 had been reimbursed, leaving an unliquidated balance of \$15,036.

After construction got underway at the three sites, the contractor encountered financial problems which forced the firm to file for bankruptcy. Construction was halted and the structures were left in various stages of completion. The MOH had initiated judicial proceedings but the case was still tied up in court.

In the meantime, a contract was tentatively agreed upon with another contractor to finish the units at a cost that was within the unliquidated balance. However, because of the MOH bureaucracy the contractor had not been able to get an advance to start work. Meanwhile, the unfinished structures were rapidly deteriorating. If no positive action is taken soon, the cost of finishing the units will continue to escalate.

As a result of our exit conference with Mission staff, USAID/Honduras requested the MOH to assure timely completion of the warehouses within the budget and suspended disbursements until the matter was resolved. Therefore, we are making no recommendation.

## Recycling of Funds

A revolving fund had not been established and the proceeds from repayments of loans were not being made available for the financing of new projects.

Loan funds were made available for financing a series of small community level projects (pilot projects) through the JNBS and soybean and sorghum growing projects implemented by the MNR. The purpose of these projects was to increase the availability of funds and foodstuffs for the families involved.

A loan agreement was to be signed between the recipient and the implementing agencies. Proceeds from repayments of these loans were to be deposited in a revolving fund for the financing of new similar projects. We found no signed loan agreements between the implementing agency and the recipients. The reason given was that since the implementing units were having great difficulties in delivering the necessary inputs, materials, and technical assistance in an orderly and timely manner, neither SAPLAN nor the agencies involved wanted to be held liable for a project's failure.

Some projects had been successful and loan repayments had been received by both the JNBS and the MNR. All repayments had been collected by the agencies' field personnel. Funds collected by MNR's representatives were deposited in the Ministry's revenue account and went to the National Treasury. Loan repayments made to the JNBS promoters were being kept by the respective district office and were earmarked for "emergency uses". Due to the lack of records we were unable to determine how much had been collected.

#### Recommendation No. 3

USAID/Honduras should require SAPLAN to review the current procedures and ascertain that a signed agreement is obtained for every project financed.

#### Recommendation No. 4

USAID/Honduras should ascertain that a revolving fund is established by SAPLAN and that all proceeds from repayment of loans be deposited to the revolving fund for use in financing new similar-type projects.

#### Disbursements

In all likelihood, the GOH will not make use of all the funds available to it under this loan/grant project by the Project Assistance Completion Date of November 2, 1981.

As of December 31, 1980, expenditures from AID-provided funds totaled \$3,045 million, or 68 percent, of the total loan/grant amount. Project disbursements for fiscal year 1980 averaged \$2.1 thousand per month for the grant and \$75.1 thousand per month for the loan. Using these averages, and allowing \$404.2 thousand for planned Aguan Valley and procurement activities, we estimate that by the PACD the project will have spent approximately \$3.8 million, leaving an unspent obligation of about \$700,000.

At the exit conference, the USAID Controller disagreed with our estimate. He had recently estimated that an additional \$1.5 million would be spent on the project during fiscal year 1981, and therefore that the loan/grant amount would have an unspent obligation of \$70,000 at the end of the project. We note, however, that AID's fiscal year 1982 Congressional Presentation estimates that a total of about \$3.7 million will be spent on the project, leaving an unspent obligation of \$800,000.

#### Recommendation No. 5

USAID/Honduras should make another estimate of the end of project disbursement status of the

loan/grant project, and begin action to deobligate a portion of the loan/grant, if appropriate.

### Overtime Payments

GOH control over overtime payments to MOH employees was inadequate.

Implementation Letter Nos. 14 and 41 budgeted \$18,360 for overtime payments. Approximately \$68,000 had been paid from loan funds for overtime to MOH employees from the project start through November 24, 1980.

Our review of MOH records to support the overtime payments showed certain control deficiencies.

- Employee time cards were not signed by the employees nor verified by supervisory signature;
- Certain classes of administrative employees were not required to clock in and out each work day even though they were eligible for payment of overtime.

These deficiencies provide an opportunity for employees to be paid for hours not worked. In fact, control was so lax that fraudulent payment could occur without collusion.

Subsequent to our review, USAID/Honduras notified the GOH to improve its procedures regarding overtime documentation and established a date of May 8, 1981 for a joint review of the procedures. USAID/Honduras also advised the GOH that no further reimbursements for overtime would be made until AID receives satisfactory evidence that improvements have been made. Therefore, we are making no recommendation.

LIST OF AUDIT RECOMMENDATIONS

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