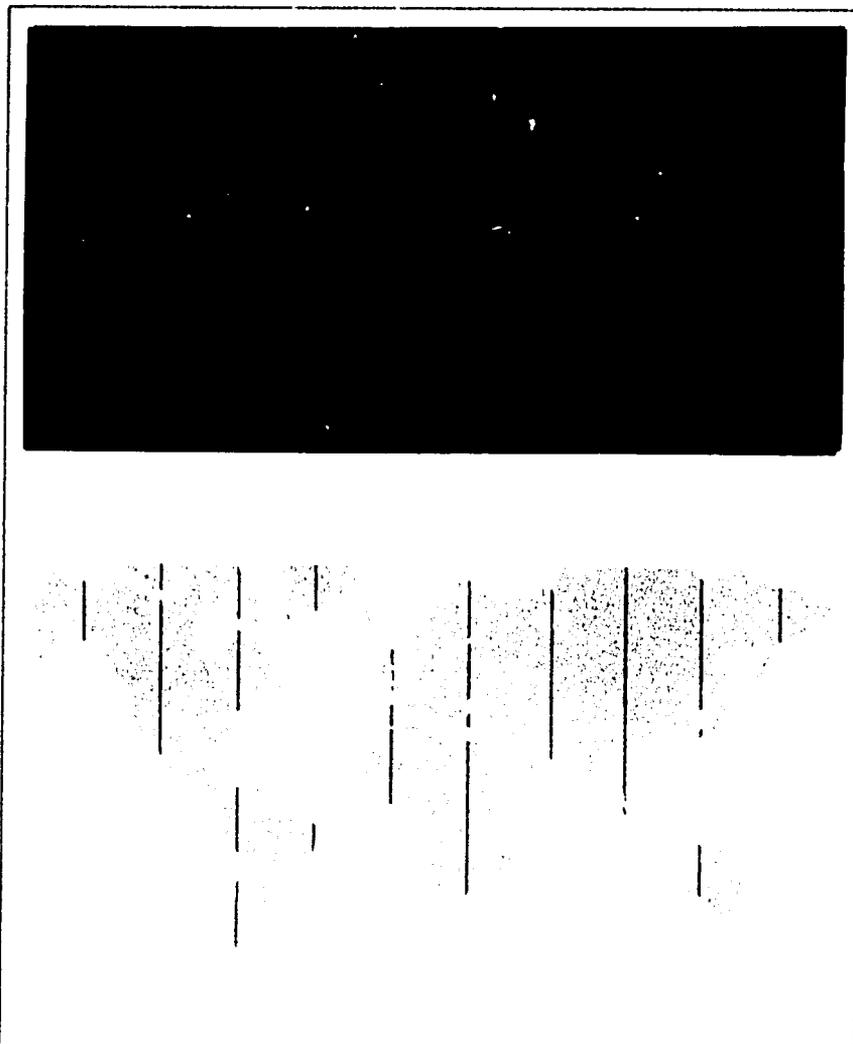


621-98...

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
NAIROBI

USAID/TANZANIA
PL 480 TITLE I PROGRAM

AUDIT REPORT NO. 3-621-81-15
SEPTEMBER 24, 1981

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Inspector General for Audit
Nairobi, Kenya

September 24, 1981

TO : Mr. Barry M. Riley, Director (Acting)
USAID/Tanzania

FROM : Ray D. Cramer *RDCramer*
Regional Inspector General for Audit/Nairobi

SUBJECT: Memorandum Report on a Limited Review of the
PL 480 Title I Program in Tanzania.
Audit Report No. 3-621-81-15.

We made a limited survey of the Public Law 480 Title I program in Tanzania. The primary purpose of this review was to assess the extent that the food-for-peace program was contributing to AID's overall development program in Tanzania. Other purposes were to review the program planning process, reporting and accountability, and the effectiveness and efficiency of program monitoring.

A similar review was made in Egypt and Bangladesh. AID's Regional Inspector General for Audit in Washington D.C. plans to issue a report which will encompass overall findings on the three countries once all the data from the field had been received and analyzed.

To afford USAID/Tanzania the opportunity to take early corrective measures in areas where we believed management attention was required, we submitted a draft report on our findings and proposed recommendations for corrective action. Our findings pertained to:

- The need for additional follow-up measures with the Tanzania Government (TanGov) regarding reporting.
- The need for improved project monitoring.
- The possibility that the PL 480 Title I program extends the already thin absorptive capacity of the TanGov.

In response to our draft report, USAID/Tanzania said that the TanGov has now established a PL 480 Proceeds Committee chaired by the Principal Secretary of the Ministry of Agriculture. Members of the committee are

from the Ministry of Finance, Ministry of Planning and Economic Affairs, and other concerned governmental agencies. USAID/Tanzania also has a representative on the committee. The purpose of the committee is to establish procedures for the effective management of PL 480 proceeds. USAID/Tanzania further commented that our report served as the culminating catalyst in getting the committee operational.

Reporting Requirements

Annual PL 480 Title I self-help reports are due in AID/Washington not later than close of business December 15. Receipt of the annual report not later than December 15 is essential to prepare and meet the deadline for the President's annual Food for Peace report to Congress in accordance with Section 403 of PL 480. The report should relate information on the achievement of specific self-help provisions contained in current year agreements. This information is also vital to the Mission in its evaluation of the host country's performance in carrying out self-help provisions of PL 480 agreements.

All Title I sales agreements contain the provision that the government of the importing country shall furnish in accordance with its fiscal year budget reporting procedures, at such times as may be requested by the United States but not less than annually, a report of receipt and expenditures of the proceeds, certified by the appropriate audit authority of the government of the importing country; and in the case of expenditures the budget sector in which they were used.

The TanGov has a record of not providing self-help reports to USAID/Tanzania in a timely manner. USAID/Tanzania personnel must, as a matter of course, follow-up personally and repeatedly with TanGov officials to obtain any response. USAID/Tanzania officials told us that it is not because the TanGov is unwilling to comply with the agreement, but rather because the TanGov lacks the personnel qualified to properly complete the reports.

After five years of a Title I program, the TanGov has yet to provide a certified financial report. USAID/Tanzania officials stated that the government's audit agency is about 2 years behind in its work.

At the time of our review, USAID/Tanzania was well aware of the problem and had been aggressively pursuing the TanGov for a satisfactory resolution. USAID/Tanzania's files were replete with letters to the TanGov requesting the reports. There was, however, no indication these problems would be resolved in the near term.

Strong consideration was being given to AID's providing a Title III program to Tanzania next year. A Title III program has even more stringent reporting requirements than a Title I program. Thus the importance of these reports will be intensified if a Title III program is implemented in Tanzania.

USAID/Tanzania responded to this finding by saying that they have instructed the TanGov of the necessity of meeting self-help report deadlines. Regarding the certified financial report, the newly organized Proceeds Committee has established procedures which will satisfy (probably strengthen) the requirement contained in the sales agreement. Because of the actions USAID/Tanzania has taken we have withdrawn the recommendation which appeared in our draft report.

Project Monitoring

In the area of improved project monitoring, we believe the USAID could take some additional steps. The USAID needs a systematic monitoring program to ensure that the TanGov is taking the self-help measures and other developmental activities by using local currency proceeds generated from Title I sales.

USAID/Tanzania did not entirely agree with our views on this subject. Senior USAID officials stated that when a self-help project is tied-in with one of the USAID's regular projects, it receives adequate overview. Too, project technicians as a matter of routine, inspect TanGov's implemented projects in their respective geographical areas. We believe that a more formal monitoring program should be initiated. There are many projects financed from local currency proceeds, and unless a procedure is established to record the progress made toward project goals, and uses made of the local currency, the requirements of Section 106 of Public Law 480 cannot be addressed.

Section 106 (b) (1) reads in part:

"Agreements hereunder for the sale of agricultural commodities for dollars on credit terms shall include provisions to assure that the proceeds from the sale of the commodities in the recipient country are used for such economic purpose as are agreed upon in the sales agreement..."

In our minds the best way to assure compliance would be systematic on-site inspections with an appropriate progress report placed in the Mission's official files.

In USAID/Tanzania's response to the draft report, they commented that the Proceeds Committee has established rigid on-site inspection requirements to be carried out by committee members. Too, USAID/Tanzania has assigned monitoring responsibilities to its staff members. Thus, the thrust of our recommendation contained in the draft report has been addressed, and we have withdrawn it.

Absorptive Capacity

Finally, we question whether the TanGov has (or will have in the near future) the required absorptive capacity to implement a Title I, Title III or any other type of food program that requires specific performance. There is little question that a Title I or Title III program increases the demands made on any recipient government. TanGov is no exception. One could argue whether the TanGov has the capacity to absorb the additional responsibilities similar to those which are standard in a Title I sales agreement.

Tanzania has all the characteristics of a country which has an overburdened absorptive capacity. These characteristics take the form of much slower than anticipated achievement of development projects, an inability to meet commitments, and insufficient budget.

Every Title I program carries with it certain self-help and other development requirements. It appears to us that the Title I program makes it more difficult for an already strained TanGov to meet the myriad requirements of donor assistance.

USAID/Tanzania agreed in principle, but maintained that part of their development strategy was to try to improve the TanGov's absorptive capacity.

We are of the opinion that as the requirements for a PL 480 Title I, or Title III, program become more stringent, the TanGov will be less able to manage. To increase their absorptive capacity is a long term proposition.

We are not making a recommendation, but we suggest that the USAID consider our comments when planning future food developmental programs.

cc: Deputy Administrator
AA/AFR (5)
AA/FVA
AA/LEG
IG
GC
FM/ASD
IDCA/LPA
AFR/EA
FVA/FFP/I (2)
PPC/E
DS/DIU (4)
REDSO/EA/RFFPO