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REPORT ON PUBLIC LAW 480 TITLE I AND TITLE II PROGRAMS IN
THE PEOPLE'S REVOLUTIONARY REPUBLIC OF GUINEA

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REPORT ON PUBLIC LAW 480 TITLE I AND TITLE II PROGRAMS IN
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INTRODUCTION

The Agricultural Trade Development and Assistance Act of 1954, as amended, known as Public Law 480, is the statutory basis for the United States Food for Peace Program. Title I of the Act provides for sales of U.S. Government agricultural commodities on credit terms that are soft and repayment is made in U.S. dollars or foreign currencies. All these Title I programs are government-to-government agreements principally negotiated overseas by the U.S. Embassy officials.

Section 201 of Title II of the Act authorizes the use of commodities to meet famine or other urgent or extraordinary relief requirements. Commodities may be transferred through cooperating sponsors, voluntary agencies, or direct to friendly nations. In Guinea, the cooperating sponsor for drought relief activities is the Government of the People's Revolutionary Republic of Guinea (PRRG) acting through the State Committee for Cooperation with the American and International Organizations.

The purpose of the examination was to determine the effectiveness of the Government of Guinea's management controls over PL 480 programs and identify and report on problem areas affecting program management.

We held an exit conference on March 15, 1979 with U.S. representatives in Guinea and their comments were considered in the preparation of this report. In general, they agreed with the facts in the findings. For the purpose of this report, we are referring to the AID operation in Guinea as either USAID/Guinea or the Mission. At the time of our audit, the U.S. food and development assistance programs in Guinea were being managed by the AID section of the U.S. Embassy. The AID employee was the project manager and he reported to the U.S. Ambassador in Guinea.

SUMMARY

AIDTO Circular A-333 of June 1976 provided for an assessment of the policy to be adopted by each Mission relative to the degree of involvement with the host country in the programming of local currency generated from Title I sales. The requirement of the Circular that a copy of this Mission policy be sent to the appropriate Regional Bureau by September 1, 1976 was not met by the Mission nor did AID/W request it. We recommended that the Mission establish a policy and forward it to the Regional Bureau as required.

Other matters that required management attention are summarized below and detailed in the following sections of this report:

Sales proceeds generated from the Title I program and uses of the funds in self-help activities had not been reported to the U.S. officials. We recommended that the Mission take action to ensure that this requirement is met (page 4).

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Although the Government of Guinea was required to submit a certified report of receipts and expenditures of funds generated from Title I sales, this was not done. We recommended that the Mission request the host government to meet this requirement (page 4).

The Mission needed to establish follow-up procedures to ensure that Title I sales proceeds were used for the self-help projects designated by the Government of Guinea. Our discussion of this is on page 4.

In summary, vastly improved cooperation from the host country will be needed for Mission officials to effectively discharge their oversight and management responsibilities. In this regard, the sensitive political situation in Guinea has prevented the Mission from getting host country reports on the status, progress and problems of the PL 480 Title I program. See page 4.

STATEMENT OF FINDINGS AND RECOMMENDATIONS

Implementation of Revised AID Policy—Public Law 480 Title I

The Guinea Mission had not established or followed any defined Mission policy, nor had it taken any action relative to participating with the host government on programming local currencies generated from the sale of PL 480 Title I commodities even though this action was required by AIDTO Circular A-333. This circular also required Missions to send a copy of this policy to the appropriate AID/W Regional Bureau; this was not done.

Sales of PL 480 Title I commodities by participating governments are one way that these governments generate local currency. These funds are known as country-owned local currency proceeds.

No clear-cut AID definition existed as to how Missions could influence the use of local currency in furthering development assistance activities. As a result, AID's Senior Operations Group made a review in 1972 to determine whether AID policy went far enough in encouraging AID participation in the programming of local currency. The Group concluded that, in some situations, more AID participation could improve the quality and quantity of the recipient's development effort.

Subsequently, a Bureau for Program and Policy Coordination (PPC) issues paper contained in AIDTO Circular A-333 of 1976 was a pro and con discussion of the ways that Missions might influence local currency use. The paper asked each Mission having a PL 480 Title I program to assess the local situation and determine the degree of Mission participation in programming the use of local currency that would be possible in order to establish a Mission policy on this subject and to send a copy of this policy to the appropriate Regional Bureau by September 1, 1976.

The Mission did not prepare or forward the requested policy pursuant to Circular A-333, nor had the Africa Bureau asked the Mission to comply. The AIDTO Circular stipulated that the Regional Bureau would issue a revision to Development Assistance Planning guidelines and establish a Regional Bureau policy on programming PL 480 Title I local currency proceeds. Mission personnel stated that they had not received the AIDTO Circular A-333 and therefore had not responded.

Recommendation Number 1

We recommend that the AID section of the U.S. Embassy establish a policy regarding Mission participation in the programming of country-owned local currency receipts and send a copy to the African Bureau of AID.

Host Country Reporting of Local Currency Generation

The Government of Guinea had not officially reported the amounts of local currency generated from the sale of Title I commodities or the uses made of these currencies in accordance with the sales agreement. Therefore, the Mission was not informed as to whether local currencies were being used for development activities specified in the sales agreement.

Between June 1976 and May 1978 PL 480 Title I food commodities valued at \$13 million were imported into Guinea. Food items involved in this amount included 17,500 metric tons of wheat, 27,000 metric tons of rice and 5000 metric tons of soya oil. Upon arrival, PRRG channeled the commodities to a state-controlled distribution center and it was there that we considered the local currency generated.

The annual reports required to be submitted by the host country on the proceeds generated and the uses made of them had not been forwarded to the U.S. officials in Guinea. The sales agreement and part III of the Memorandum of Understanding to the PL 480 Title I sales agreement required that the annual report include an accounting of the proceeds accruing and expended under the agreement, the projects where the funds were used, the sites of the projects, and the total amount of currency used. The report on the receipt and expenditure of proceeds was required to be certified by the appropriate audit authority of the government of the supporting country. Paragraph F, Article II to AIDTO Circular A-487 was designed to provide U.S. officials with information on the progress made by the host country to implement self-help measures that contribute to the rural poor. Specifically, the types of self-help activities intended to be engaged in and reported by the host country included development of food distribution, storage and cropping systems and the extension of better farm methods and market opportunities to small farmers. The major thrust was intended to increase agricultural production through small farm agriculture.

The lack of the preceding host country information precluded the U.S. officials from following progress and problems of the host country self-help activities.

In an effort to overcome this void, the U.S. officials in Guinea had corresponded with Guinea officials and had obtained spotty but not full insights of the fund generation and uses. A major obstacle was the inability of the U.S. officials to obtain the cooperation, openness and candor of Guinea officials needed to stay informed. We saw ample correspondence generated by U.S. officials to the Guinea government wherein efforts had been made to open the communication channels. These endeavors were not successful. The efforts of the AG auditors to discuss these reporting requirements with host country officials were to no avail because the responsible official was reported to be ill.

Recommendation Number 2

We recommend that the AID section of the U.S. Embassy in Guinea continue to press the Government of Guinea for a complete accounting and reporting of local currency proceeds generated and the uses made of them.

Recommendation Number 3

We recommend that the AID section of the U.S. Embassy in Guinea request the Government of Guinea to provide an annual report certified by the appropriate audit authority of the Government on the receipt and expenditure of the PL 480 Title I sales proceeds.

Monitoring Host Country Self-Help Projects

As an offsetting measure to the lack of reported data on funds and projects reported above, site visits that could have been used by U.S. officials in Guinea to learn of progress and problems on host country self-help projects were not initiated.

Paragraph C of Part II of the Memorandum of Understanding to the PL 480 Title I sales agreement between the U.S. Government and the Government of Guinea stipulates that on-site visits by the Ambassador and/or his designee and discussion with responsible host country officials can be made.

Although the Guinea officials had periodically provided U.S. officials in Guinea with lists of self-help projects on which it intended to expend funds, efforts made by U.S. officials were unsuccessful in their attempts to use site visits and accompanying discussion as a means of reviewing the progress of the host government in implementing the self-help projects that Guinea officials had scheduled. When Guinea officials declined visitation requests made by U.S. officials, Guinea letter responses usually cited

- a) their sovereignty in letter responses to U.S. visitation requests and
- b) the need for mutual trust. Site visits are perhaps the most effective method of assessing host country intent and resolve in the self-help area.

Our efforts to discuss self-help projects with PRRG officials were unsuccessful because the key official involved was reported to us as being ill and not available for consultation.

Recommendation Number 4

We recommend that the AID section of the U.S. Embassy in Guinea continue efforts to establish an on-site verification program of the host country self-help projects and perform these visits on a continuing and timely basis.

Diversion or Transshipment of Commodities--PL 480 Title I

The AID section of the U.S. Embassy in Guinea had not required the host country to submit reports, nor had the AID section visited the port to determine that PL 480 Title I commodities were not diverted or transshipped to other countries.

AID's Circular 487 and the PL 480 Title I sales agreement explicitly prohibit the Government of Guinea to resell, divert in transit, or transship to other countries the PL 480 Title I commodities supplied by the United States.

The intent of this restriction was to assure that the U.S. food commodities would be used to meet the food requirement of the Republic of Guinea and not for the purpose of permitting an increase in Guinea exports. The AID regulatory and agreement remedies for violation of the requirement can be stringent including withholding issuance of purchase authorizations.

The AID measures normally used for ascertaining compliance as set forth in AID regulations and the sales agreement include host country reports on shipping and arrivals and/or review of records at the port, although U.S. officials had not received these reports or visited the ports. The commercial attache of the U.S. Embassy in Guinea stated that based on his frequent contact with counterpart Guinea officials, he was reasonably certain that no diversions of PL 480 Title I food commodities had taken place. Our efforts to confirm the commercial attache's views or visit the port were frustrated by our inability to talk to the knowledgeable Guinea official. We were told that he was ill.

Even though we have no evidence that diversion did occur, we believe that the confirming assurances required by AID regulations and the sales agreement are the only effective way of making certain that the host country is complying. In this respect, we make the following recommendation:

Recommendation Number 5

We recommend that the AID section of the U.S. Embassy in Guinea continue to make every effort to get the reports required from the host country and resort to reviews of port records, if permitted, when reports are not received.

OTHER COMMENTS

The following comments are made on activities that we believe have the potential of becoming problems. Although we have made no recommendations at this time, we believe the AID managers in Guinea may wish to keep a close watch on these activities.

Debt Servicing

The Government of Guinea's record on payment of principal and interest on U.S. loans has generally been tardy in making payments. For example, loans 675-G-001 and 675-G-014 were delinquent in September and October 1977. The payments for both loans were not received as of June 30, 1979. Cumulative principal and interest for three other loans due in July and September 1978 were paid on April 12, 1979. For another loan of 1969 (675-K-004), a compromise settlement had been reached, but the PRRG had not signed it as of March 31, 1979. Although follow-up cables were sent on the outstanding loans by the U.S. Embassy in Guinea, the action or reaction of the host government to the reminders was usually non-responsive. We were advised subsequent to the completion of our audit by the U.S. Embassy in Guinea, that the loan repayment schedule of the Guinea Government was current, no doubt due to the representation of the U.S. Ambassador. The history of delinquency, in our view, may require stronger U.S. action earlier in future delinquencies.

Program Management--PL 480 Title II

Although the PL 480 Title II humanitarian program for drought relief valued at \$10 million had been completed, the circumstances surrounding the reporting and inspection on distribution conditions stipulated in the Transfer Agreements (TA's) were not met by the PRRG. Specifically, the TA's Nos. 5606 and 8607 required the PRRG to inform or provide the American Embassy with a) status of commodity receipts, b) a certificate of distribution including the number of recipients, and c) the number of bags distributed. Additionally, the TA authorized the Embassy to audit and to have access to all records on the use of commodities. In spite of numerous written requests by U.S. officials, the PRRG did not permit inspection visits by the U.S. representatives, nor did the PRRG provide the U.S. officials in Guinea with the required aforementioned reports.

All commodities shipped under TA's Nos. 5606 and 8607 had been consumed before the start of our audit and no additional PL 480 Title II shipments are programmed for Guinea during fiscal years 1979 and 1980. For these reasons, the leverage normally available to the U.S. in an active program is lost. However, in the event additional PL 480 Title II shipments are programmed for the future, we believe that adequate assurances should be obtained from the host government on reports and inspections before any agreement is signed.

BACKGROUND AND SCOPE

Guinea is potentially one of the richest countries in Africa because of its bauxite deposits; however, it is one of the least developed. It suffers from chronic food shortages because agriculture production has stagnated. The Government of Guinea's Five Year Plan emphasizes food production and the host country specifically requested U.S. assistance in agriculture in the mid-1970's.

U.S. assistance to Guinea has not been a continuous program. During the early 1960's, the AID program reached a high of about \$58 million. In late 1966, the PRRG halted AID's development projects after a Guinea delegation, while traveling on a Pan American flight, was arrested in Ghana during an unscheduled stop. Since 1966, U.S.-Guinea relations have improved. In recent years, food assistance has been provided to Guinea through the Agricultural Trade Development and Assistance Act's regular programs. Concessional sales, under Title I of the Act, totaled about \$13 million over the past few years. In 1978, food provided under Title II of the Act was valued at about \$10 million.

Development assistance was resumed in fiscal year 1975 with a number of recovery and rehabilitation projects in the Sahelian drought areas of Guinea. In fiscal year 1976, a full-scale development project was started; it was entitled the Guinea Agricultural Production Capacity and Training Project.

Proposed AID planning development assistance for Guinea totaled about \$35 million for the fiscal years 1981 through 1985.

During the audit period January 1, 1975 through March 31, 1979, 17,500 metric tons of wheat, 27,000 metric tons of rice and 5,000 metric tons of soya oil having a value of about \$13 million arrived in the country in support of the Title I program. In addition, 26,000 metric tons of Title II commodities, having an approximate value of \$10 million, also arrived in the country to provide humanitarian relief.

We made an initial examination of the PL 480 Title I and Title II programs in Guinea. In this evaluation, we reviewed the official Mission files and held conferences with senior U.S. officials in Conakry, Guinea and Dakar, Senegal. In addition, we met with appropriate Food for Peace officers in Washington, D.C.

We examined the records that were available to verify the receipt, storage, and distribution of commodities, the local currency generations from Title I sales, the PRRG's reporting as provided for in the sales agreement and the transfer authorizations. Our attempts to contact and meet with the Government of Guinea official concerned with PL 480 programs were unsuccessful because he was ill.

List of Recommendations

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REPORT RECIPIENTS

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