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ISA 68270

**AUDIT OF  
USAID/ZAIRE'S AGRICULTURAL MARKETING  
DEVELOPMENT PROJECT III**

**PROJECT No. 660-0098**

**Audit Report No. 7-660-90-16**

**August 31, 1990**

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

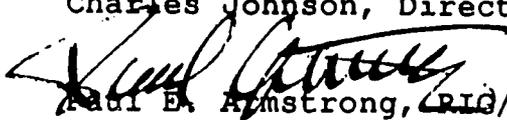
UNITED STATES ADDRESS  
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WASHINGTON, D.C. 20523

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WEST AFRICA

August 31, 1990

**MEMORANDUM**

**TO:** Charles Johnson, Director, USAID/Zaire

**FROM:**  Paul E. Armstrong, RIG/A/Dakar

**SUBJECT:** Audit of USAID/Zaire's Agricultural Marketing  
Development Project III, Project No. 660-0098,  
Audit Report No. 7-660-90-16

Enclosed are five copies of the subject report. In preparing this report, we reviewed your comments on the draft report and have included them in Appendix I. Based on your comments, all report recommendations are resolved as of the date of this report. They will be closed upon the provision of evidence that they have been implemented. We appreciate your prompt response to the report recommendations and the cooperation and courtesies extended to our staff during the audit.

**AUDIT OF  
USAID/ZAIRE'S AGRICULTURAL MARKETING  
DEVELOPMENT III PROJECT**

**EXECUTIVE SUMMARY**

The Agricultural Marketing Development Project No. 660-0098 was authorized on July 30, 1984 with a current completion date of June 30, 1993. AID grant funding amounted to \$13 million of which only \$1.7 million remained to be obligated. The Office of the Regional Inspector General for Audit/Dakar conducted a performance audit to determine whether USAID/Z and the Government of Zaire (GOZ) were, (1) complying with AID requirements and sound business practices in protecting, using and maintaining project property resources and, (2) complying with the terms of the regulations and agreements.

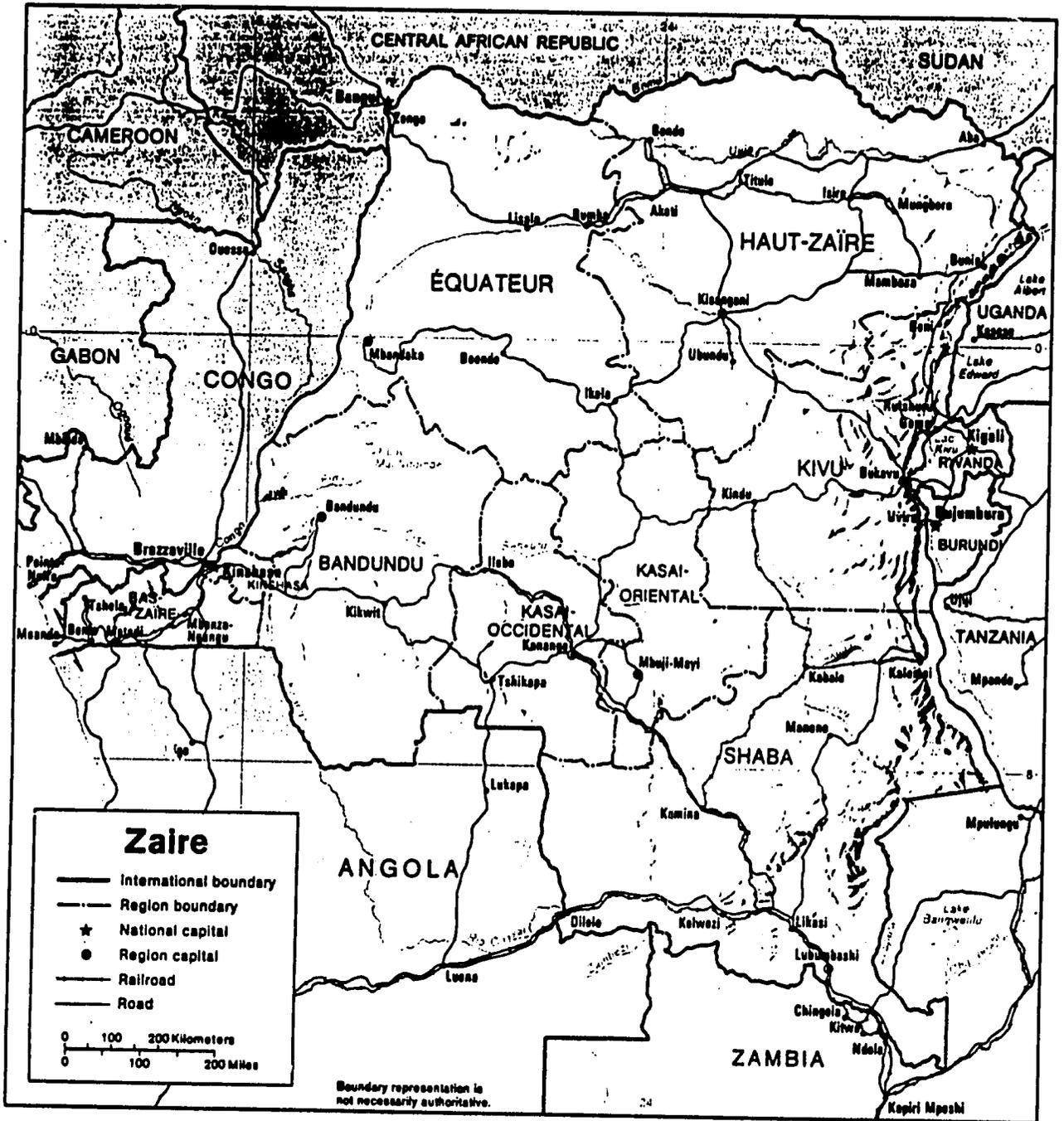
Generally, the Mission and the GOZ were in compliance with respect to the above objectives. However, the audit disclosed some problems for which recommendations are being made to correct the deficiencies. First, improvements were needed in the safeguard and use of project machinery and spare parts at one of the GOZ parastatals. Secondly, rehabilitation of boatyard machinery had not been completed. Thirdly, the management of non-expendable property needed improvement. Furthermore, a non-compliance issue was reported whereby the Mission did not perform a mid-term evaluation in 1990 as required by the Project Agreement. This issue is explained in the compliance section of this report. No recommendation was made because the Mission's non-compliance was based on the necessity to prioritize the Mission's evaluations over a large project portfolio, and some of the evaluations could not be performed as originally planned. Therefore, the midterm evaluation was rescheduled for June 1991.

Based on USAID/Zaire's responses to the draft report, they had initiated satisfactory actions on the recommendations and accordingly, they are all considered as resolved. USAID/Zaire and the Office of Inspector General comments on the report recommendations are summarized after each finding. The full text of the Mission's response is included as Appendix I.

*Office of the Inspector General*

Office of the Inspector General  
August 31, 1990

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**AUDIT OF  
USAID/ZAIRE'S AGRICULTURAL MARKETING  
DEVELOPMENT III PROJECT**

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**AUDIT OF  
USAID/ZAIRE'S AGRICULTURAL MARKETING  
DEVELOPMENT III PROJECT**

**PART I - INTRODUCTION**

**A. Background**

The Agricultural Marketing Development III (AMD) Project No. 660-0098 is the third in a series of projects in Zaire. The projects were all individually conceived and the current project is not considered as a follow-on activity. It was designed to improve and expand access of central Bandundu Region farmers to commercial markets, especially urban markets of Kinshasa, the two Kasai Regions, and the Shaba Region of Zaire. (Refer to map of Zaire following the executive summary). The first project (No. 690-0026) was a loan agreement signed in September 1979 for \$5 million to improve about 340 kilometers (kms.) of primary dirt roads, improve two ports, and rehabilitate deadlined barges. The second project (660-0028) AMD II, signed in September 1981, consisted of a loan agreement for \$4.4 million and a \$300,000 grant. It was designed to improve approximately 150 kms. of arterial roads and establish and operate a regional training center for the Office des Routes in Lubumbashi.

In 1985, an audit of AMD I and II was conducted by the Nairobi Regional Inspector General's Office. The report concluded that after about six years very little progress had been made towards the accomplishment of project objectives.

Funding for the current AMD III project was authorized on July 30, 1984. This project originally had a ten-year duration, however, it was amended to last nine years with a completion date of June 30, 1993. Funding for the current AMD Project was to be provided thru a \$13 million life-of-project grant from A.I.D. and \$8.4 million in local currency from the Government of Zaire. Project objectives were similar to those under AMD I and II; specifically, to (1) select, rehabilitate and maintain key secondary and farm-to-market roads, (2) improve river navigation by installing navigational aids, (3) develop new sizes of river boats and (4) carry out limited port improvements. After having little success in carrying out major portions of the

current project, (road maintenance, construction of economical boats and port construction) the Mission refocused the project, emphasizing technical assistance rather than construction. While AMD I and II emphasized construction activities, AMD III will finance some construction. (Exhibit I demonstrates some photographs of project activities).

USAID/Zaire is responsible for the overall implementation of the project activities through Louis Berger International (LBI), the primary designated A.I.D. contractor. LBI has been awarded two contracts in the amounts of \$3.1 million and \$4.4 million. Project implementation activities were to be carried out by several GOZ agencies including: the Ministry of Plan, Office des Routes, and Regie des Voies Fluviales, with the latter two being responsible for road and riverway maintenance respectively. As of March 1990, A.I.D. had obligated \$11.3 million and spent about \$5.5 million on the project.

### **B. Audit Objectives and Scope**

The Office of the Regional Inspector General for Audit/Dakar performed an audit of the Zaire Agricultural Marketing Development III Project to answer the following two audit objectives.

1. Did USAID/Zaire comply with A.I.D. requirements and sound business practices in protecting, using and maintaining its project property resources?
2. Did USAID/Zaire and the GOZ comply with provisions of laws, regulations, the grant, and contracts?

The audit was conducted at USAID/Zaire in Kinshasa. The audit team reviewed and analyzed project documentation, judgementally sampled and tested transactions, held discussions with A.I.D. officials, technical contractors, and officials representing the GOZ.

Site visits were made to the Regie des Voies Fluviales boatyard in Kinshasa, and also to Kikwit and Idiofa in the Bandundu Region to observe project activities. The review of internal control was limited to the weaknesses reported. Audit field work was completed in March 1990. The audit was made in accordance with generally accepted government auditing standards.

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**AUDIT OF  
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**PART II - RESULTS OF AUDIT**

Problems were encountered and recognized by the Mission after attempting to implement the components of the original project design. These problems resulted in the Mission modifying some of the components and dropping others. Specifically, the road stabilization component was modified placing primary emphasis on bridges and culverts rather than on the roadbeds. The shipbuilding component was modified by dropping the metal boat construction portion and at the same time increasing the emphasis on the construction and sale of wooden boats. In general, the Mission has deemphasized the construction components of the project and is now placing more emphasis on technical assistance.

In reference to the two audit objectives, several problem areas were identified. Work on the first objective showed that project commodities were not adequately protected. Work on the second audit objective showed that the contractor had not complied with provisions in the contract, A.I.D. Regulations, and the project agreement such as, (a) completing the rehabilitation of the boatyard machinery and, (b) preparing the required 1989 annual inventory report, and (c) a formal outside evaluation had not been performed, causing the auditors concern that the project may not have been implemented in the most economical and efficient manner. Appropriate recommendations were made in the report to resolve these problems.

## A. Findings and Recommendations

### 1. Improvements Are Needed In The Safeguard And Use Of Project Machinery And Spare Parts At Regie Des Voies Fluviales

To ensure that project commodities were properly safeguarded and used when needed at the Regie des Voies Fluviales (RVF), the contractor was required (1) to establish a system to properly receive, store and account for all equipment and spare parts and (2) to advise, assist and supervise personnel responsible for the system. While a general system was in place, the auditors found that storage facilities were not adequate and the contractor had little success in getting the RVF personnel to follow the system. According to the contractor, RVF did not have the necessary funds to provide an adequate storage facility. Relative to the contractor's effort in getting RVF personnel to follow the system, we noted that for an extended period of time the contractor did not have a specialist available to advise, assist and supervise RVF personnel. As a result, A.I.D.-financed commodities valued at about \$300,000 may not be adequately protected and subject to damage and pilferage.

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#### Recommendation No. 1

We recommend that the Director, USAID/Zaire:

- a. make arrangements with the Regional Economic Development Services Office, West and Central Africa, to evaluate the inventory system of the Regie des Voies Fluviales, and make appropriate recommendations for improvement; and
  - b. require the project to finance the construction or improvement of existing government facilities to house the sensitive hydrographical equipment.
- 

#### Discussion

A.I.D. regulations require that host countries and/or their designees maintain adequate inventory systems that account for all commodities at all times. The contractor on this project (Louis Berger International) provided a technician

to improve the shops and parts warehouses at Regie des Voies Fluviales (RVF). Specifically, the technician was to: (1) inspect shop equipment and return it as near as possible to original condition, (2) prepare lists of items needed and ensure orders were prepared and sent to the United States, (3) advise, assist and supervise personnel at the shops to establish a system to properly receive, store and account for all equipment and spare parts, and (4) assist in and supervise the repair and testing of equipment.

The contractor had put in place an inventory system, but he was having very little success in getting RVF employees to follow the system. For example, the RVF was supposed to provide appropriate facilities for about \$100,000 of sensitive hydrographic equipment. This charting and mapping equipment was to be used to help train RVF technicians to undertake surveys in the Bandundu Region. RVF never provided the facilities and the equipment was stored at the contractor's facility in Kinshasa.

In another case, the contractor installed a stock card system (Kardex) to control the storage and usage of equipment and machinery spare parts. In some cases spare parts received by the warehouse were not entered on the cards until much later and in other cases the items had never been entered. An example of this situation was a machinery spare parts shipment delivered in January 1990. It had not been entered on the cards at the time of the audit--three months later--in March 1990. Other items, such as fire extinguishers and pumps, were found in the warehouses by the auditors and according to RVF personnel were purchased by the A.I.D. project. A review of the records showed that none of the items had been entered on the cards since they belonged to another donor. This uncertainty of ownership on the part of RVF personnel further demonstrated the need for the improvement of internal control over project commodities.

An even worse situation was found at the RVF machine shops. Machines were idle awaiting the arrival of spare parts. Many of the spare parts had already been bought earlier and could have been installed if the shop supervisors had known that they were available. The shop supervisors would have known that the spare parts were in the warehouse if the spare parts had been entered on the cards. In reference to the stock card system, even though the technician had substantially improved the shops and parts warehouses, he was not available to assist in the receipt, recording and

storage of the last major spare-parts order. The technician left the project on April 1, 1989. This was about 10 months prior to the arrival in January 1990 of the second order of spare parts costing \$43,000.

In response to the auditors' questions about an adequate facility for the sensitive hydrographical equipment, we were informed by the contractor that RVF did not have sufficient funds to provide the necessary facilities. The contractor added that RVF is an organization that tends to let the donor take care of all project needs. Mission officials commented that the project could set aside counterpart funds (CPF) to improve some facilities at RVF to house the sensitive equipment. As for the RVF inventory system in general, they said that one appropriate way to address the issue is to request assistance from the Regional Economic Development Services Office, West and Central Africa to evaluate the system and make appropriate recommendations to correct the problems. Unless these problems are corrected, the \$300,000 in A.I.D.-financed commodities may be subject to damage and pilferage.

#### Management Comments

USAID/Zaire agreed with the finding and recommendations. They stated the Mission plans to provide inventory management assistance to the RVF either through REDSO/WCA or the project contractor. The Mission also received written confirmation from the RVF that an appropriate facility to house the hydrographic equipment would be rehabilitated and made available before the end of this calendar year. (See Appendix II for the full text of the actual Mission comments to the draft report).

#### Office of Inspector General Comments

The recommendation is considered as resolved and will be closed upon the receipt of evidence by RIG/A/D that it has been implemented.

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## **2. Rehabilitation Of Boatyard Machinery Was Not Completed**

The contractor (Louis Berger International) working closely with the Regie des Voies Fluviales (RVF) was to order spare parts and rehabilitate boatyard machinery. All the spare parts had been ordered, but at least four major machines had not been rehabilitated. This occurred because the shop foreman working for the contractor departed prior to the arrival of the spare parts and no one was qualified at the RVF to perform the rehabilitation. Unless the repairs are undertaken, the money (about \$25,000) spent on spare parts for the \$150,000 of machinery will be wasted. In addition, the RVF will not be able to make the boat repairs that are normally made with such machinery.

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### **Recommendation No. 2**

We recommend that the Director, USAID/Zaire require project personnel to determine the cost of repairing the four boatyard machines and immediately make the necessary repairs.

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### **Discussion**

According to the Project Agreement, the contractor working with the Regie des Voies Fluviales (RVF) was to order parts for and rehabilitate American-made boatyard machines that had been bought under an earlier A.I.D. project sometime in 1974-75. To oversee the work, a technical assistant was assigned to RVF in May 1987 for a 24 month period of time. At least 30 pieces of equipment, ranging from a Wysong metal press (costing about \$50,000-refer to Exhibit I) to a radial wood saw were to be repaired during the time when the technician was working at the RVF.

The necessary spare parts had been delivered to the RVF, but at least four machines still needed to be repaired. The initial cost of the four machines was estimated at about \$150,000 and the spare parts ordered to rehabilitate the machines were valued at about \$25,000.

According to the contractor, spare parts should have been ordered early so that they were available to be used by the technical assistant to rehabilitate the boatyard machinery. Some delays resulted because the machines were old (no longer manufactured) and catalogues had to be ordered before

the required spare parts could be identified. Consequently, when the spare parts arrived in January 1990, the technical assistant had already departed and there was no one qualified at the RVF to oversee the work.

In discussions with the Mission, the auditors determined that no provisions had been made by the Mission to undertake the necessary repairs even though the Mission had known that the work could not be undertaken by the RVF. The project officer and the contractor indicated that the work could be performed by local contractors if sufficient funds were available. He proposed using counterpart funds to pay for the rehabilitation, because the project was a joint effort between the Mission and the government.

In conclusion, the auditors find the project officer's proposal acceptable. Further delays in repairing the machines will deny RVF use of the machines and over a period of time increase the risk of the spare parts being lost, stolen or damaged. The RVF boatyard machinery is used for repairing and maintaining river vessels. Therefore, the remaining four unrepaired machines, particularly the large metal press (Exhibit 1), are important to the success of the river component of this project.

#### **Management Comments**

USAID/Zaire essentially agreed with the finding and recommendation with the exception that they indicated there were four machines to be repaired as opposed to the five stated in our draft report. The final report was changed to take the Mission's position into consideration. They stated that repairs to the remaining four machines would be completed during the second phase of the project.

#### **Office of Inspector General Comments**

The recommendation is considered resolved and will be closed upon the receipt of evidence by RIG/A/D that it has been implemented.

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### **3. Management Of Non-Expendable Property Needed Improvement**

A.I.D. Handbook 15, Chapter 10 requires that non-expendable property, be properly managed at all times. Management practices for non-expendable property on this project needed to be improved. For example, adequate property records were not maintained, project property was mixed with Embassy property on several occasions prior to the arrival of the contractor in 1986, property was issued to ineligible personnel and the 1989 annual inventory was not conducted. Many of the problems identified started to develop before 1986 when the contractor took over the responsibility from the Joint Administrative Office (JAO). Other reasons for the problems will be addressed in another audit being conducted at this time on non-expendable property in Zaire. We identified at least \$70,000 in non-expendable property funded by this project that was used by personnel not working on the project. Other property could be abused if the controls are not improved.

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#### **Recommendation No. 3**

**We recommend that the Director, USAID/Zaire:**

- a. require the \$70,000 in non-expendable property given to the personnel working on another activity to be returned to this project or the project be paid for the items; and**
  - b. require the contractor to perform the annual project inventory and submit the final report to USAID/Zaire within 30 days.**
- 

#### **Discussion**

A.I.D. managers are required to account for all property at all times, to know where the items are located and whether the items are being used by the designated parties for their intended purposes. This is accomplished by, among other things, maintaining accurate records of the purchase, receipt and arrival of the property; ensuring adequate warehouse storage and control; and conducting annual inventories.

The auditors found that non-expendable property management on this project had been inadequate for some period of time. In the Mission's favor, the problems had been recognized and some corrective action had been taken, but still more improvements need to be made. Following are some examples where the Mission had already taken corrective action as well as other examples where further corrective action is needed.

- Adequate property records had not been maintained - Up until 1986 the Joint Administrative Office (JAO) at the Embassy managed the projects' non-expendable property. At that time, the management responsibility was turned over to the contractor without such supporting documentation as purchase orders, receipts and stock control cards for the project property. Without the supporting documentation it was not possible to determine what property had been purchased and what was still available. Consequently, the contractor submitted the inventory report to A.I.D. with the condition it was "subject to the reservation that no accountable records are available from A.I.D. nor the Embassy property officer (JAO), neither of which has a record of property issued to this contractor or this project." By the time of our audit, conditions had improved: the contractor had identified and established a list of project inventory in their possession.
- Project non-expendable property was indiscriminately mixed with Embassy property - Previously, there was no separate storage area for items purchased for this project. Further, there was no listing of items issued to the project or in the name of the project at the A.I.D. Management Office nor the Embassy Property Office. These conditions made it impossible to follow or track the items. At the time of the audit, conditions had changed; storage control records were maintained by the contractor and all property had been removed from the Embassy warehouse to an area reserved for non-expendable property purchased by this project.
- Property was issued to ineligible personnel - A.I.D. regulations require that project purchased property is used by personnel working on the project. The Mission approved the use of two sets of

project-funded household furniture, costing about \$70,000, for two personal services contractors working on other A.I.D. activities. At the time of the audit, the household furniture was being used by such personnel and the project had not been reimbursed for the \$70,000.

- An annual inventory was not conducted - A.I.D. Handbook No. 19, Sec. 15 requires contractors to conduct an annual inventory and submit an annual report showing the disposition and status of all project-funded property under their custody. The contractor had not conducted an annual inventory for 1989. He intended to combine the annual inventory with the final closeout inventory at the contract expiration in June 1990. Since controls over non-expendable property have been weak--at least one case was found where four computers were neither included on the USAID/Zaire inventory records nor the contractors inventory records--we believe that an annual inventory should not be further delayed.

In reference to the problems identified on this project, we believe some of them grew out of the poor controls exercised by the JAO before the non-expendable property was turned over to the contractor. At least two of these problems were corrected before we arrived. The auditors could not fully determine, in the limited time available, why other problems existed at the Mission. Management of non-expendable property in Zaire, including the Embassy's involvement, will be the subject of a follow-up audit requested by the Mission in February 1990. Recovery of the \$70,000 spent on the furniture or a return of the furniture to the project will correct one of the remaining problems. The other problem can be corrected by conducting a regular physical inventory. This should enhance the accountability of the more than \$300,000 in non-expendable property.

#### Management Comments

USAID/Zaire stated that the contractor performed its annual project inventory in December 1989, prior to the departure of the Chief-of-Party under the previous contract and that the final inventory report for 1989 was issued in February 1990. As a result of the annual project inventory in December 1989, the Mission indicated they would recover and arrange for replacement of the \$70,000 in non-expendable property discussed in the above finding.

**Office of Inspector General Comments**

Recommendation 3a is considered resolved based on action taken by the Mission. At the time of our audit field work, we did not find that an annual inventory had been performed by the contractor for 1989. However, recommendation 3b is considered as resolved since the Mission stated that both the annual project inventory and the final contract closeout inventory were performed. These recommendations will be closed upon the receipt of evidence by RIG/A/D.

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## **B. Compliance and Internal Control**

### **Compliance**

Amendment No. 3 to the Project Agreement on Monitoring and Evaluation stated, "A mid-term evaluation of the project is planned for July 1990..." The Mission stated in their response to the draft report that the mid-term evaluation is now scheduled for June 1991. Consequently, the Mission did not comply with the terms of the Project Agreement. The Mission indicated that they had a large project portfolio and it was necessary to prioritize the project evaluations and some of them could not be performed as originally planned.

As discussed in Finding 3, at the time of the audit field work, Louis Berger International, the contractor, had not submitted an annual inventory report for 1989 on the status of non-expendable property in accordance with A.I.D. regulations. The review of compliance was limited to the issues reported.

### **Internal Control**

The Mission needed to ensure that internal control was strengthened over A.I.D.-funded commodities managed by Regie des Voies Fluviales, the GOZ parastatal, as discussed in Finding 1. The review of internal control was limited to the weaknesses reported.

### **C. Other Pertinent Matters**

#### **Government of Zaire Was Not Contributing The Agreed-Upon Funds**

According to the project paper supplement, the Government of Zaire (GOZ) was to contribute local currency equivalent to \$8.4 million, including any in-kind support from Regie des Voies Fluviales and Office des Routes. With only three years remaining in the nine-year project actual local currency contributions have amounted to only \$3.4 million. After discussing the short-fall with the Mission, they indicated that the GOZ money was supposed to come from local currency generated from other A.I.D. activities. However, since less local currency had been generated for Mission-wide use than anticipated, all projects were effected by reductions. While the problem is understandable, reduced contributions may, if not already, adversely effect the project as was noted in the case of insufficient GOZ funding for storage facilities to house the hydrographic equipment. Consequently, the Mission should closely monitor the situation and find other means to gather the necessary funding if local currency from A.I.D. activities can not be made available.

#### **Executive Officer Does Not Have Authority To Sign Counterpart Fund Checks**

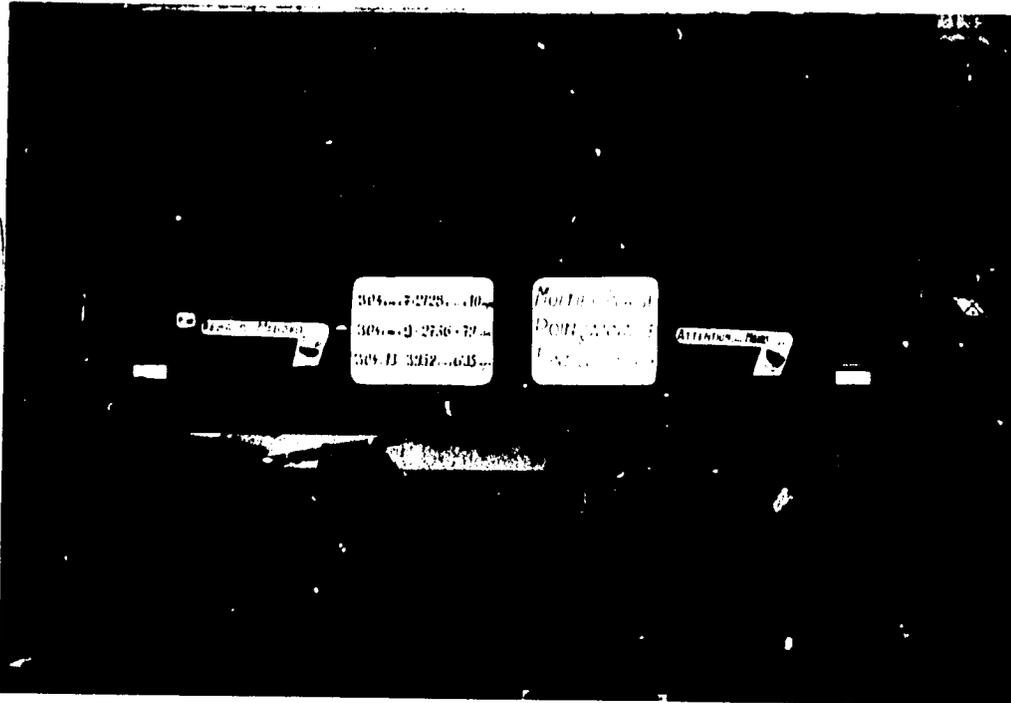
Only formally designated Mission personnel should be allowed to sign checks. The Executive Officer (EXO) was signing checks for funds withdrawn from the GOZ's counterpart fund (\$300,000 annual equivalent) even though he had never been formally designated as a signatory. The checks covered expenses incurred by the Bandundu Support Unit (BSU) which provides support services to the project field activities. This condition had existed for more than two years during which time individual checks as high as \$8,000 were signed for gasoline, supplies and other items. Consequently, we suggested that, in the future, only designated Mission personnel be allowed to sign checks. The Mission reported in their response to the draft report that the EXO is no longer signing checks. This responsibility was fully designated to the Mission personal service contractor in charge of the BSU.

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**PART III - EXHIBIT AND APPENDICES**

Exhibit 1

This large metal press purchased under a former A.I.D. project during the mid-seventies cost about \$50,000 and had never been used. Necessary spare parts were ordered under the current Agricultural Marketing Development Project. As discussed in Finding No. 2, the parts had not yet been replaced.



Project boat building activity at the Regies de Voie Fluviale boatyard in Kinshasa.

ACTION: RIG INFO: AMB DCM

Appendix I

VZCZDK0137  
 OO RUEHDK  
 DE RUEHDK #1786/01 2251529  
 ZNR UUUUU ZZH  
 O 131506Z AUG 90  
 FM AMEMBASSY KINSHASA  
 TO AMEMBASSY DAKAR IMMEDIATE 3406  
 BT  
 UNCLAS SECTION 01 OF 09 KINSHASA 11786

LOC: 145  
 13 AUG 90  
 CN: 43236  
 CHRG: RIG  
 DIST: RIG

377  
 1524

AIDAC

FOR RIG/A

E.O. 12356: N/A

SUBJECT: AUDIT OF USAID/ZAIRE'S AGRICULTURAL MARKETING  
 DEVELOPMENT III PROJECT NUMBER 660-0098  
 DRAFT AUDIT REPORT 7-660-90-XX

THIS CABLE WAS MISSENT TO SECSTATE WASHDC ON JULY 31  
 AND THE FOLLOWING IS A REPEAT OF THE CABLE.

## I. SUMMARY:

DURING THE CONDUCT OF THE AUDIT, THE AUDITORS RAISED  
 NUMEROUS QUESTIONS AND PROVIDED INSIGHT THAT THE  
 MISSION FOUND HELPFUL IN FINE-TUNING WORK PLANS FOR THE  
 COMING YEAR. HOWEVER, THE MISSION FEELS THAT THE DRAFT  
 AUDIT ITSELF PLACES TOO LARGE AN EMPHASIS ON MINOR  
 ISSUES AND IN SECOND GUESSING THE NORMAL MISSION  
 OVERSIGHT AND MANAGEMENT PROCESS. AS A RESULT, OUR  
 RESPONSE, AND PARTICULARLY SECTION III BELOW,  
 REPRESENTS AN EFFORT TO SET THE RECORD STRAIGHT.  
 SECTION II REPRESENTS THE MISSION'S RESPONSES TO THE  
 PROPOSED RECOMMENDATIONS.

## II. DRAFT RECOMMENDATIONS:

## RECOMMENDATION NO. 1

A. PERFORM A FORMAL EVALUATION PRIOR TO OBLIGATING THE  
 REMAINING DOLS US 1.7 MILLION.

RESPONSE: THE MISSION DOES NOT BELIEVE THAT ANOTHER  
 EVALUATION NEEDS TO BE PERFORMED PRIOR TO OBLIGATING  
 THE REMAINING FUNDS. A MAJOR INTERNAL MISSION REVIEW  
 OF THE PROJECT WAS CONDUCTED DURING 1988, WHICH

CULMINATED IN A PROJECT PAPER REVISION. ADDITIONALLY,  
 AN INTERNAL MID-TERM EVALUATION HAS BEEN SCHEDULED FOR  
 JUNE 1991. THIS WILL BE THE THIRD PROJECT EVALUATION  
 SINCE THE PROJECT WAS AUTHORIZED IN 1984. IN JULY 1990,  
 THE MISSION OBLIGATED AN ADDITIONAL DOLS 500,000 TO THIS  
 PROJECT; THE REMAINING DOLS 1.2 MILLION WILL BE  
 OBLIGATED IN FY 1991.

B. INCLUDE IN THE EVALUATION AN ASSESSMENT AS TO WHETHER THE DOLS 1.7 MILLION IS NEEDED AND, IF SO, HOW THE FUNDS WILL BE USED.

Appendix 1

RESPONSE: AS PART OF THE 1988 REVIEW, THE MISSION DETERMINED THAT THE FUNDS WERE REQUIRED. THE SCHEDULED 1991 EVALUATION WILL INCLUDE, AMONG OTHER ISSUES, FURTHER ASSESSMENT OF THE PROJECT'S FINANCIAL REQUIREMENTS.

C. FILL THE MISSION EVALUATION OFFICER POSITION.

RESPONSE: THE MISSION TAKES ITS EVALUATIONS VERY SERIOUSLY AND HAS THE BEST EVALUATION TRACK RECORD IN AFRICA. A TOP QUALITY EVALUATION OFFICER IS CRITICAL. THE POSITION HAS BEEN TEMPORARILY FILLED WITH A SHORT-TERM CONTRACTOR. THE MISSION IS IN THE PROCESS OF RECRUITING A LONG-TERM REPLACEMENT. THE COMMERCE BUSINESS DAILY PUBLISHED THE ANNOUNCEMENT FOR THE POSITION IN THE 5 JULY 1990 ISSUE. IT IS ANTICIPATED THAT THE NEW EVALUATION OFFICER WILL BE SELECTED AND START WORK IN THE FIRST QUARTER OF FY 1991.

RECOMMENDATION NO. 2

A. MAKE ARRANGEMENTS WITH THE REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE, WEST AND CENTRAL AFRICA (REDSO/WCA), TO EVALUATE THE INVENTORY SYSTEM OF THE REGIE DES VOIES FLUVIALES (RVF), AND MAKE APPROPRIATE RECOMMENDATIONS FOR IMPROVEMENT.

RESPONSE: MISSION PLANS TO PROVIDE STOCK CONTROL AND INVENTORY MANAGEMENT ASSISTANCE TO ASSIST THE RVF. THE ASSISTANCE WILL BE PROVIDED BY EITHER REDSO/WCA OR THE PROJECT CONTRACTOR. ASSISTANCE WILL BE REQUESTED IN THE FIRST QUARTER OF FY 1991.

B. REQUIRE THE PROJECT TO FINANCE THE CONSTRUCTION OF OR IMPROVEMENT OF EXISTING GOVERNMENT FACILITIES TO HOUSE THE SENSITIVE HYDROGRAPHICAL EQUIPMENT.

RESPONSE: DISCUSSIONS WITH THE RVF ARE UNDER WAY. MISSION HAS RECEIVED WRITTEN CONFIRMATION FROM THE RVF

DEVELOPMENT III PROJECT NUMBER 660-0098

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THAT AN APPROPRIATE FACILITY TO HOUSE THE HYDROGRAPHIC EQUIPMENT WOULD BE REHABILITATED AND MADE AVAILABLE BEFORE THE END OF THIS CALENDAR YEAR. PLANS FOR THE REHABILITATION WORK ARE BEING DEVELOPED BY A LOCAL CONSTRUCTION FIRM. THESE PLANS WILL BE REVIEWED JOINTLY BY THE RVF AND THE PROJECT CONTRACTOR. MISSION ENGINEERS WILL REVIEW PROPOSED PLANS IN AUGUST 1990.

RECOMMENDATION NO. 3

REQUIRE PROJECT PERSONNEL TO DETERMINE THE COST OF REPAIRING THE FIVE BOATYARD MACHINES AND IMMEDIATELY MAKE THE NECESSARY REPAIRS.

RESPONSE: PRIOR TO THE END OF THIS CALENDAR YEAR, PROJECT CONTRACTOR WILL SEEK COST ESTIMATES AND, WHERE ECONOMICALLY AND TECHNICALLY FEASIBLE, ENSURE THAT REPAIRS TO THE REMAINING PIECES OF RVF SHOP EQUIPMENT BE MADE.

RECOMMENDATION NO. 4

A. REQUIRE THE DOLS 70,000 IN NON-EXPENDABLE PROPERTY GIVEN TO THE PERSONNEL WORKING ON ANOTHER ACTIVITY TO BE RETURNED TO THIS PROJECT OR THE PROJECT BE PAID FOR THE ITEMS.

RESPONSE: BASED UPON THE CONTRACTOR'S DECEMBER 1989 INVENTORY OF ALL PROJECT-FINANCED NXP, THE MISSION WILL, BY THE END OF THIS CALENDAR YEAR, RECOVER, ARRANGE FOR REPLACEMENT OR DISPOSE OF THE PROPERTY IN QUESTION.

B. REQUIRE THE CONTRACTOR TO PERFORM THE ANNUAL PROJECT INVENTORY AND SUBMIT THE FINAL REPORT TO USAID/ZAIRE WITHIN 30 DAYS.

RESPONSE: THE CONTRACTOR PERFORMED ITS ANNUAL PROJECT INVENTORY IN DECEMBER 1989, PRIOR TO THE DEPARTURE OF THE CHIEF OF PARTY UNDER THE PREVIOUS CONTRACT. IN JULY 1990, THE CURRENT CONTRACTOR COMPLETED 1990 INVENTORY. THE CONTRACTOR WILL SUBMIT REPORT TO USAID PRIOR TO THE END OF JULY, 1990.

III. SPECIFIC COMMENTS ON POINTS RAISED IN THE DRAFT AUDIT REPORT:

THE MISSION OFFERS THE FOLLOWING COMMENTS FOR CONSIDERATION IN PREPARING THE FINAL REPORT. EXTRACTS FROM THE TEXT ARE IDENTIFIED BY PAGE NUMBER, PARAGRAPH, AND SENTENCE. THE MISSION'S RESPONSES FOLLOW.

PAGE 1

FIRST PARAGRAPH, FIRST SENTENCE: THE AGRICULTURAL MARKETING DEVELOPMENT III (AMD) PROJECT NO. 660-0098 IS

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DESIGNED TO IMPROVE SMALL CULTIVATORS ACCESS TO  
AGRICULTURAL MARKETS IN THE BANDUNDU REGION OF ZAIRE.

Appendix I

COMMENTS: AGRICULTURAL MARKETING DEVELOPMENT III WAS  
DESIGNED TO IMPROVE AND EXPAND ACCESS OF CENTRAL  
BANDUNDU FARMERS TO COMMERCIAL MARKETS, I.E., ESPECIALLY  
URBAN MARKETS IN KINSHASA, THE TWO KASAIS, AND SHABA,  
BUT WAS NOT TO BE RESTRICTED TO MARKETS IN THE BANDUNDU  
REGION. (SEE PROJECT DATA SHEETS; PROJECT PAPER, PAGES  
1, 2, 3, 9, 45-52, 66-68, 71, 72; PROJECT PAPER  
SUPPLEMENT, PAGES 5, 6, 8, 31, 34, 39-42)

SAME PARAGRAPH, SECOND AND THIRD SENTENCES: THE FIRST  
PROJECT (NO. 660-0026) WAS A LOAN AGREEMENT SIGNED IN  
SEPTEMBER 1979 FOR DOLS 5 MILLION TO IMPROVE ABOUT 340  
KILOMETERS (KMS.) OF PRIMARY DIRT ROADS, IMPROVE TWO  
PORTS, AND REHABILITATE DEADLINED BARGES. THE SECOND  
PROJECT (660-0028), AMD II, WAS ALSO A LOAN AGREEMENT,  
WAS SIGNED IN SEPTEMBER 1981 FOR DOLS 4 MILLION TO  
IMPROVE APPROXIMATELY 150 KMS. OF ARTERIAL ROADS AND  
ESTABLISH A REGIONAL TRAINING CENTER FOR THE OFFICE DES  
ROUTES IN LUBUMBASHI.

COMMENTS: AS THIS IS AN AUDIT OF THE AGRICULTURAL  
MARKETING DEVELOPMENT III PROJECT, MISSION DOES NOT  
BELIEVE THAT DISCUSSION OF OTHER PROJECTS IS RELEVANT.  
DESPITE THE NUMBERING SEQUENCE, WHICH COULD MISLEAD THE  
READER, AGRICULTURAL MARKETING DEVELOPMENT PROJECTS I,

II, AND III WERE NOT FOLLOW-ON ACTIVITIES, BUT INDEPENDENTLY CONCEIVED PROJECTS.

ALSO, PLEASE NOTE THAT THE LIFE OF PROJECT FUNDING FOR AGRICULTURAL MARKETING DEVELOPMENT II WAS DOLS 4.705 MILLION (DOLS 4.405 MILLION IN LOAN AND DOLS 0.3 MILLION IN GRANT). NOT DOLS 4 MILLION.

SECOND PARAGRAPH: IN 1985, AN AUDIT OF AMD I AND II WAS CONDUCTED BY THE NAIROBI REGIONAL INSPECTOR GENERAL'S OFFICE. THE REPORT CONCLUDED THAT AFTER ABOUT SIX YEARS VERY LITTLE PROGRESS HAD BEEN MADE TOWARDS THE ACCOMPLISHMENT OF PROJECT OBJECTIVES.

COMMENTS: THESE ROAD CONSTRUCTION PROJECTS, AGRICULTURAL MARKETING DEVELOPMENT I AND II, WERE NOT INCLUDED IN THIS AUDIT, AND THE MISSION FEELS THAT REFERENCE TO AUDITS OF THESE OR OTHER PROJECTS IS INAPPROPRIATE IN THE CONTEXT OF THIS AUDIT.

PAGE 2

SAME PARAGRAPH, FOURTH SENTENCE: PROJECT OBJECTIVES WERE SIMILAR TO THOSE UNDER AMD I AND II; SPECIFICALLY, TO (1) SELECT, REHABILITATE, AND MAINTAIN KEY SECONDARY AND FARM-TO-MARKET ROADS, (2) IMPROVE RIVER NAVIGATION BY INSTALLING NAVIGATIONAL AIDS, (3) DEVELOP NEW SIZES OF RIVER BOATS AND (4) CARRY OUT LIMITED PORT IMPROVEMENTS.

COMMENTS: THE PEOPLE-LEVEL OBJECTIVES OF AGRICULTURAL MARKETING DEVELOPMENT I, II, AND III ARE SIMILAR. HOWEVER, AGRICULTURAL MARKETING DEVELOPMENT I AND II WERE DESIGNED PRIMARILY AS CONSTRUCTION PROJECTS; THIS PROJECT WAS NOT. AGRICULTURAL MARKETING DEVELOPMENT III WAS DESIGNED TO 1) IMPROVE RIVER TRANSPORTATION THROUGH THE INSTALLATION OF NAVIGATIONAL AIDS, THE DEVELOPMENT AND PROMOTION OF NEW CLASSES OF BOATS, AND THE CONSTRUCTION OF SELECTED PORT AND DOCKING FACILITIES, 2) IMPROVE KEY RURAL ROAD NETWORKS THROUGH THE CONSTRUCTION OF BRIDGES, CULVERTS, DIKES, AND CONDUCT SELECTIVE REHABILITATION AND MAINTENANCE, AND 3) CARRY OUT STUDIES, ANALYSES, AND MONITORING ACTIVITIES IN SUPPORT OF PROJECT OBJECTIVES. THERE IS, IN FACT, VERY LITTLE SIMILARITY BETWEEN THE FIRST TWO AND THE CURRENT AGRICULTURAL MARKETING DEVELOPMENT III WITH RESPECT TO INTERVENTIONS AND OPERATING MODALITIES.

SAME PARAGRAPH, LAST SENTENCE: AFTER HAVING LITTLE SUCCESS IN CARRYING OUT MAJOR PORTIONS OF THE CURRENT PROJECT, (ROAD MAINTENANCE, CONSTRUCTION OF ECONOMICAL BOATS AND PORT CONSTRUCTION) THE MISSION REFOCUSED THE PROJECT, EMPHASIZING TECHNICAL ASSISTANCE RATHER THAN CONSTRUCTION.

COMMENTS: MISSION DOES NOT BELIEVE THAT THIS PROJECT

HAS HAD "LITTLE SUCCESS" IN IMPLEMENTING ITS MANDATE. TO DATE, THE PROJECT HAS BUILT MORE THAN 30 BRIDGES, INSTALLED MORE THAN 50 CULVERTS, DESIGNED AND CONSTRUCTED PROTOTYPE BOATS, CONSTRUCTED OR PROVIDED ASSISTANCE IN THE CONSTRUCTION OF MORE THAN 20 IMPROVED WOODEN BOATS WITH A CAPACITY RANGING FROM 10 TO 60 TONS, ASSISTED IN THE ESTABLISHMENT OF TWO PRIVATE BOAT YARDS TO PRODUCE AND SELL PROJECT-DESIGNED WOODEN BOATS, TRAINED BOAT BUILDERS IN IMPROVED METAL AND WOODEN BOAT CONSTRUCTION TECHNIQUES, SENT SEVERAL SENIOR RVF PERSONNEL ON A STUDY TOUR OF THE UNITED STATES, REHABILITATED AND RETURNED TO USE 20 RVF MACHINE TOOLS, RESEARCHED AND TESTED SEVERAL SLOPE STABILIZATION AND ROAD SURFACING MATERIALS FOR USE IN BANDUNDU, CONDUCTED INITIAL HYDROGRAPHIC SURVEYS OF LEDIBA PASS AND OTHER AREAS ALONG THE KASAI RIVER, AND CONDUCTED RIVER AND ROAD MARKETING BASELINE STUDIES, VEHICLE OPERATING COST STUDIES, AND APPLIED RIVER MARKETING STUDIES.

FOR CLARIFICATION, MISSION WOULD LIKE TO POINT OUT THAT THE ROAD REHABILITATION AND MAINTENANCE ACTIVITIES, AS DESCRIBED IN THE PROJECT PAPER SUPPLEMENT (MAY 1989), ARE TO BEGIN UNDER THE CURRENT TECHNICAL ASSISTANCE CONTRACT. PORT AND DOCKING FACILITY IMPROVEMENTS WERE NEVER A MAJOR COMPONENT, BUT WILL ALSO BE PURSUED DURING THE CURRENT PHASE OF THE PROJECT. THE MISSION HAS

REFOCUSED THE PROJECT TO EMPHASIZE SUSTAINABILITY AND IS THUS PROVIDING ADDITIONAL TECHNICAL ASSISTANCE. THE MISSION CONSIDERS THE AGRICULTURAL MARKETING DEVELOPMENT III PROJECT TO BE A MARKETING IMPROVEMENT PROJECT THAT INCLUDES, AMONG OTHER ELEMENTS, THE FINANCING OF CONSTRUCTION WORK.

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SAME PAGE, SECOND PARAGRAPH, FIRST SENTENCE: USAID/ZAIRE IS RESPONSIBLE FOR THE OVERALL IMPLEMENTATION OF THE PROJECT ACTIVITIES THROUGH LOUIS BERGER INTERNATIONAL (LBI), THE DESIGNATED A.I.D. CONTRACTOR.

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COMMENTS: LOUIS BERGER INTERNATIONAL, INC.. (LBI) WAS NOT THE ONLY CONTRACTOR THROUGH WHICH PROJECT IMPLEMENTATION WAS CARRIED OUT. THERE WERE A TOTAL OF TWO CONTRACTS (LBI AND THE AMERICAN ORT FEDERATION),

ONE SUBGRANT (DEVELOPPEMENT PROGRES POPULAIRE), AND TWO OPERATIONAL PROGRAM GRANTS (COMMUNAUTE BAPTISTE AU BANDUNDU AND COMPAGNIE DE JESUS) THROUGH WHICH A.I.D. IMPLEMENTED THE FIRST PHASE OF THIS PROJECT. THE CURRENT PHASE IS BEING IMPLEMENTED THROUGH A SECOND CONTRACT WITH LBI.

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SAME PARAGRAPH, THIRD SENTENCE: PROJECT ACTIVITIES WERE TO BE CARRIED OUT BY TWO GOZ AGENCIES: OFFICE DES ROUTES AND REGIE DES VOIES FLUVIALES, RESPONSIBLE FOR ROAD AND RIVERWAY MAINTENANCE RESPECTIVELY.

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COMMENTS: UNDER THE ORIGINAL PROJECT DESIGN, THERE WERE THREE AGENCIES OF THE GOZ INVOLVED WITH THE PROJECT: THE MINISTRY OF PLAN, OFFICE DES ROUTES, AND THE RVF. UNDER THE AMENDED PROJECT, THE SERVICE NATIONAL DES ROUTES DE DESSERTA AGRICOLE (RURAL AGRICULTURAL ROADS) HAS BEEN ADDED TO THE LIST TO MAKE FOUR.

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PAGE 5

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FIRST PARAGRAPH, FIRST SENTENCE: PROBLEMS WERE ENCOUNTERED AND RECOGNIZED BY THE MISSION AFTER ATTEMPTING TO IMPLEMENT THE COMPONENTS OF THE ORIGINAL PROJECT DESIGN.

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COMMENTS: AS WITH THE IMPLEMENTATION OF ANY PROJECT, PROBLEMS DO ARISE AND MUST BE ADDRESSED BY MISSION MANAGEMENT. THE MISSION DOES NOT BELIEVE THAT THE PROBLEMS ENCOUNTERED BY THIS PROJECT WERE EXTRAORDINARY.

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SAME PARAGRAPH, THIRD SENTENCE: SPECIFICALLY, THE ROAD STABILIZATION COMPONENT WAS MODIFIED PLACING PRIMARY EMPHASIS ON BRIDGES AND CULVERTS RATHER THAN ON THE ROADBEDS.

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COMMENTS: THE ROAD TRANSPORTATION COMPONENT INCLUDED (UNDER PHASE ONE) THREE SUBCOMPONENTS: 1) SLOPE STABILIZATION, 2) WATER CROSSING IMPROVEMENTS, AND 3) SURFACING MATERIALS RESEARCH. SLOPE STABILIZATION WAS

NOT MODIFIED, NOR WERE WATERCROSSING IMPROVEMENTS EXPANDED AT THE EXPENSE OF ANY OTHER SUBCOMPONENT. A VARIETY OF SLOPE STABILIZATION TECHNIQUES WERE DEVELOPED AND TESTED DURING THE COURSE OF THE PROJECT. THE MONITORING AND EVALUATION COMPONENT PROVIDED INFORMATION TO PROJECT MANAGERS DEMONSTRATING THAT MOST

OF THOSE IDENTIFIED WERE TECHNICALLY OR ECONOMICALLY INAPPROPRIATE. OTHER SLOPE STABILIZATION TECHNIQUES WILL BE DEVELOPED AND TESTED UNDER THE GUIDANCE OF THE NEW TECHNICAL ASSISTANCE CONTRACTOR.

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SAME PARAGRAPH, FOURTH SENTENCE: THE SHIPBUILDING COMPONENT WAS MODIFIED BY DROPPING THE METAL BOAT CONSTRUCTION PORTION AND AT THE SAME TIME INCREASING THE EMPHASIS ON THE CONSTRUCTION AND SALE OF WOODEN BOATS.

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COMMENTS: THE RIVER TRANSPORTATION COMPONENT INCLUDED (UNDER PHASE ONE) THREE SUBCOMPONENTS: 1) ASSISTANCE TO RVF, 2) DESIGN OF BOATS AND BARGES, 3) CONSTRUCTION AND TESTING OF WOODEN OR METAL BOATS AND BARGES. THE PROJECT WAS NEVER INTENDED TO CONSTRUCT AND SELL BOATS. THE PROJECT WAS TASKED WITH DESIGNING, BUILDING AND TESTING PROTOTYPES, AND PROMOTING THE TRANSFER OF IMPROVED CONSTRUCTION TECHNOLOGIES TO PRIVATE BOAT BUILDERS, FOR THEM TO BUILD AND SELL. THESE TASKS WERE

ACCOMPLISHED. THE PROJECT PAPER HIGHLIGHTS THE POTENTIAL ADVANTAGES OF WOODEN BOATS. PROJECT TESTING OF METAL BOATS CONFIRMED THAT UNDER PRESENT CONDITIONS WOODEN BOATS OFFER GREATER ADVANTAGES FOR HAULING AGRICUL URAL COMMCODITIES.

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SAME PARAGRAPH, FIFTH SENTENCE: IN GENERAL, THE MISSION HAS DEEMPHASIZED THE CONSTRUCTION COMPONENTS OF THE PROJECT AND IS NOW PLACING MORE EMPHASIS ON TECHNICAL ASSISTANCE.

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COMMENTS: THE MISSION HAD NEVER INTENDED AGRICULTURAL MARKETING DEVELOPMENT III TO BE A CONSTRUCTION PROJECT. TECHNICAL ASSISTANCE IS AN IMPORTANT ELEMENT, BUT HAS NOT BEEN INCREASED AT THE EXPENSE OF OTHER PROJECT COMPONENTS OR SUBCOMPONENTS.

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PAGE 7

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FIRST PARAGRAPH, SECOND SENTENCE: AFTER SIX YEARS OF OPERATION, A NUMBER OF MAJOR REVISIONS (INCLUDING A NUMBER OF BUDGET CHANGES) HAD BEEN MADE WITHOUT THE BENEFIT OF A FORMAL EVALUATION.

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COMMENTS: DURING THE FIRST SIX YEARS OF PROJECT IMPLEMENTATION, TWO EVALUATIONS WERE CONDUCTED, THE FIRST, AN EXTERNAL EVALUATION, IN 1986 AND THE SECOND,

A THOROUGH INTERNAL ASSESSMENT, IN 1988. THE PROJECT WAS FORMALLY AMENDED IN 1989. BUDGET REVISIONS WERE, AND WILL CONTINUE TO BE, MADE AS JUDGED APPROPRIATE BY MISSION MANAGEMENT.

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SAME PARAGRAPH, FOURTH SENTENCE: FIRST, SINCE AN ASSESSMENT OF THE PROJECT HAD BEEN MADE BY MISSION PERSON EL IN LATE 1988, THEY DID NOT THINK A FORMAL EVALUATION WAS NECESSARY.

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COMMENTS: THE MISSION IS OF THE OPINION THAT IT HAS ADEQUATELY AND APPROPRIATELY CARRIED OUT ITS OVERSIGHT RESPONSIBILITIES.

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PAGE 8

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FIRST PARAGRAPH, FIRST SENTENCE: SECTION 621A OF THE FOREIGN ASSISTANCE ACT PROVIDES THE STATUTORY BASIS FOR THE CONDUCT OF EVALUATIONS.

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COMMENTS: SECTION 621A OF THE FOREIGN ASSISTANCE ACT DOES PROVIDE THE STATUTORY BASIS FOR THE CONDUCT OF EVALUATIONS. IT ALSO REQUIRES THAT A.I.D. HAVE MANAGEMENT SYSTEMS IN PLACE TO MONITOR AND REPORT ON PROGRESS TOWARDS ACHIEVEMENT OF PROJECT OBJECTIVES, AND THAT THESE SYSTEMS PROVIDE INFORMATION TO DECISION MAKERS. MISSION IS UNAWARE OF ANY STATUTORY RE UIREMENT TO CONDUCT FORMAL EXTERNAL EVALUATIONS. MISSION REVIEWED GUIDANCE PROVIDED IN A.I.D. HANDBOOK 3, CHAPTER 12, PROJECT EVALUATION, HANDBOOK 3 PROJECT ASSISTANCE

SUPPLEMENT A (PAGE 70), AND HANDBOOK 3, SUPPLEMENT TO CHAPTER 12, PROJECT ASSISTANCE (A.I.D. EVALUATION HANDBOOK) AND FOUND NO SPECIFIC REQUIREMENT TO CONDUCT FORMAL INTERNAL EVALUATIONS. PRIOR TO AMENDING THIS PROJECT, MISSION MANAGEMENT DECIDED THAT AN INTENSIVE INTERNAL EVALUATION WOULD PROVIDE THE INFORMATION REQUIRED TO MOVE ON TO THE SECOND PHASE.

Appendix I

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SECOND AND THIRD PARAGRAPHS: IN VIEW OF THE MANY PROBLEMS ENCOUNTERED ON THIS PROJECT AS WELL AS ON AMD I AND II, THIS SITUATION IS INTOLERABLE. IN THE AUDITORS OPINION, THE FOLLOWING EXAMPLES ILLUSTRATE SIGNALS TO THE MISSION THAT AN EVALUATION OF THE PROJECT WAS BADLY NEEDED:

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-- THE 1985 AUDIT OF THE PREDECESSOR PROJECTS BY RIG/A/NAIROBI SHOWED THAT (A) THE PROJECTS WERE ABOUT FIVE YEARS BEHIND SCHEDULE; (B) WORK HAD NOT YET BEGUN ON PORT IMPROVEMENTS AS PLANNED AND; (C) ONLY 13 PERCENT OF THE ROADS TO BE REHABILITATED HAD BEEN COMPLETED OVER THE LAST SIX YEARS OF THE PROJECT'S DURATION.

-  
COMMENTS: THE AGRICULTURAL MARKETING DEVELOPMENT III

PROJECT IS NOT A FOLLOW-ON ROAD CONSTRUCTION PROJECT. THE PREVIOUS PROJECTS HAVE REACHED PACD AND IN THE COURSE OF THEIR IMPLEMENTATION THE MISSION DEALT APPROPRIATELY WITH IMPLEMENTATION PROBLEMS. THE CURRENT PROJECT IS BEING IMPLEMENTED IN A PRUDENT MANNER AND IS BASICALLY ON SCHEDULE.

FOURTH PARAGRAPH, FIRST SENTENCE: FINAL EVALUATIONS ON THE TWO EARLIER PROJECTS AMD I AND II, WHICH ENDED IN SEPTEMBER 1985 AND 1988 HAD NEVER BEEN UNDERTAKEN.

COMMENTS: THE MISSION DECIDED TO PREPARE PROJECT CLOSE-OUT REPORTS RATHER THAN COMMISSION FINAL EVALUATIONS FOR THESE PROJECTS. A CLOSE-OUT REPORT HAS BEEN COMPLETED FOR AGRICULTURAL MARKETING DEVELOPMENT II AND ANOTHER IS BEING PREPARED FOR AGRICULTURAL MARKETING DEVELOPMENT I.

PLEASE NOTE THAT THE CORRECT PACDS FOR THESE PROJECTS ARE SEPTEMBER 1989 FOR AGRICULTURAL MARKETING DEVELOPMENT I AND SEPTEMBER 1988 FOR AGRICULTURAL MARKETING DEVELOPMENT II.

PAGE 10

FIRST PARAGRAPH, FIRST SENTENCE: EARLY IN THE PROJECT, ONE OF THE COMPONENTS OF AMD III (ROAD STABILIZATION) WAS FLOUNDERING BECAUSE IT WAS NOT FEASIBLE TO IMPLEMENT THE COMPONENT AS CONCEIVED IN THE PROJECT DESIGN.

COMMENTS: SLOPE STABILIZATION, NOT ROAD STABILIZATION, TECHNIQUES WERE TESTED AND STUDIED DURING PHASE ONE OF THIS PROJECT. THE MAIN QUESTION BEING TESTED WAS NOT THAT OF FEASIBILITY, BUT OF ECONOMIC JUSTIFICATION. ADDITIONAL TESTS WILL CONTINUE UNDER THE CURRENT PHASE. THOSE TECHNIQUES JUDGED TO BE ECONOMICALLY (BASED ON COST AND EXPECTED INCREASES IN TRAFFIC

VOLUMES) AND TECHNICALLY FEASIBLE WILL BE EXPLORED.

SAME PARAGRAPH, SECOND SENTENCE: SHORTLY THEREAFTER, ANOTHER MAJOR COMPONENT (METAL BOAT CONSTRUCTION) ENCOUNTERED DIFFICULTIES AND THE IDEA WAS ABANDONED.

COMMENTS: THE PROJECT PAPER PROVIDES CLEAR GUIDANCE THAT EITHER METAL OR WOODEN BOAT AND BARGE CONSTRUCTION WOULD BE PROMOTED BY THE PROJECT, BUT IN NO WAY RESTRICTED THE PROJECT TO METAL BOATS. SINCE THE BEGINNING, THE PROJECT HAS CONCERNED WITH FACILITATING THE EVACUATION OF AGRICULTURAL PRODUCE FROM CENTRAL BANDUNDU IN THE MOST ECONOMICAL FASHION. THE PROJECT'S DESIGN ALLOWED FOR THE DESIGN, CONSTRUCTION, AND TESTING OF THE VARIOUS ALTERNATIVES. (SEE PROJECT PAPER, PAGES 11, 17, 22-28, 47-50, AND THE LOGICAL FRAMEWORK MATRIX.)

SAME PARAGRAPH, THIRD SENTENCE: A LITTLE LATER, SOME WOODEN BOATS WERE CONSTRUCTED UNDER THE SAME COMPONENT, BUT THE MISSION FOUND THEM DIFFICULT TO SELL BECAUSE

THERE WAS NO CAPITAL AVAILABLE.

Appendix I

COMMENTS: THE MISSION WAS NEVER IN THE BUSINESS OF CONSTRUCTING AND SELLING BOATS, AS SUCH. THE PROJECT WAS TO DESIGN AN IMPROVED CLASS OF BOAT, DEVELOP SEVERAL PROTOTYPIS, AND PROMOTE THE CONSTRUCTION OF THESE BOATS BY PRIVATE BOAT BUILDERS.

SAME PARAGRAPH, FOURTH SENTENCE: PORT IMPROVEMENTS HAD STILL NOT BEEN STARTED AND THE FUTURE OF THIS COMPONENT WAS UNCERTAIN.

COMMENTS: LIMITED IMPROVEMENT OF DOCKING AND PORT FACILITIES HAVE NOT BEEN ABANDONED. STUDIES WERE CONDUCTED AND POTENTIAL SITES WERE EXAMINED. THE PROJECT WILL CONTINUE TO EXPLORE THESE ACTIVITIES IN COOPERATION WITH ITS COMPANION AREA FOOD AND MARKET DEVELOPMENT PROJECT (660-0102). IF MISSION MANAGEMENT DETERMINES PROPOSED ACTIVITIES TO BE ECONOMICALLY VIABLE IT WILL, AT THAT POINT, PURSUE PORT AND DOCKING INTERVENTIONS.

SECOND PARAGRAPH, FIRST SENTENCE: IN 1988, THE MISSION RECOGNIZED THAT THE ORIGINAL PROJECT DESIGN FOR THE PROJECT COULD NOT BE IMPLEMENTED AND MAJOR REVISIONS WERE NEEDED.

COMMENTS: THE MISSION HAS NEVER FELT THAT THE ORIGINAL DESIGN WAS IMPOSSIBLE TO IMPLEMENT. THE PROJECT PAPER SUPPLEMENT PROVIDED CLARIFICATION AND REFINEMENT OF SUBCOMPONENT ACTIVITIES, BUT HAS NOT ALTERED THE NATURE OF THE PROJECT.

SECOND PARAGRAPH, SECOND SENTENCE: DECISIONS HAD TO BE MADE ON PROJECT DIRECTION, INCLUDING LEVELS OF FUNDING FOR COMPONENTS ALREADY INCLUDED IN THE PROJECT, ADDING NEW COMPONENTS, AND THE EXTENSION OF THE LIFE OF THE PROJECT.

COMMENTS: PRUDENT MISSION MANAGEMENT DICTATES THAT ASSUMPTIONS BE REVIEWED AFTER SEVERAL YEARS OF IMPLEMENTATION AND THAT FUNDING LEVELS BE ADJUSTED TO REFLECT CURRENT REALITIES. SOME OF THE SUBCOMPONENT ELEMENTS WERE REFINED BUT NO NEW COMPONENTS WERE ADDED.

PLEASE NOTE THAT THE PROJECT ASSISTANCE COMPLETION DATE WAS BROUGHT FORWARD, NOT EXTENDED.

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TABLE: ORIGINAL VERSUS AMENDED FUNDING FOR TECHNICAL ASSISTANCE AND COMMODITIES. (TABLE SHOWS THAT THE AMOUNTS IN THE PP AND THE THIRD PROJECT AGREEMENT AMENDMENT FOR TA WERE DOLS 2.5 MILLION AND DOLS 6 MILLION AND THAT THE AMOUNTS FOR COMMODITIES WERE DOLS 4.1 MILLION AND DOLS 1 MILLION)

COMMENTS: THE AMOUNT ATTRIBUTED TO COMMODITIES IN THE ORIGINAL PROJECT PAPER WAS DOLS 1 MILLION, NOT DOLS 4.1 MILLION. IT MUST BE KEPT IN MIND THAT THE PROJECT PAPER ILLUSTRATIVE BUDGET REFLECTED PROJECTED AMOUNTS ONLY FOR THE FIRST FOUR YEARS OF PROJECT IMPLEMENTATION, AND THAT THE THIRD AMENDMENT TO PROJECT AGREEMENT 660-0098 REFLECTED THE LEVEL OF FUNDING AS OF THAT AMENDMENT, WHICH WAS AFTER THE INTERNAL EVALUATION AND AFTER THE PROJECT AMENDMENT WAS AUTHORIZED. WHILE THERE WAS AN INCREASE IN THE AMOUNT ATTRIBUTED TO TECHNICAL ASSISTANCE BUDGET LINE ITEM, WHICH INCLUDED PERSONAL SERVICES CONTRACTOR COSTS, THERE WAS NO DECREASE IN COMMODITIES.

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SECOND PARAGRAPH: WHILE THE MISSION MAY HAVE HAD VALID REASONS FOR NOT PERFORMING EVALUATIONS AT THE TIME, SUCH FACTORS AS PRIOR PROJECT PROBLEMS, MAGNITUDE, ENVIRONMENT, AND COMPLEXITY SHOULD HAVE BEEN TAKEN INTO ACCOUNT BEFORE DECIDING TO DELAY THE EVALUATION UNTIL A LATER DATE. KEEPING THESE FACTORS IN MIND, THE AUDITORS BELIEVE THE PROJECT IS STILL NOT TOO FAR ALONG TO BENEFIT FROM AN EVALUATION AND RECOMMEND THAT IT BE PERFORMED AS SOON AS POSSIBLE AND PRIOR TO OBLIGATING THE REMAINING FUNDS. IT SHOULD BE PERFORMED BY A TEAM

OF EXPERTS WHO CAN "STEP-BACK" AND INDEPENDENTLY ASSESS THE OVERALL PROJECT PRIOR TO DISPENSING FUNDS FOR ACTIVITIES THAT MAY NOT TURN OUT TO BE ECONOMIC AND EFFICIENT.

Appendix I

COMMENTS: AFTER CONSIDERATION OF ALL FACTORS, AN INTERNAL ASSESSMENT WAS PERFORMED IN 1988. THIS REVIEW WAS CONDUCTED BY EXPERTS WHO WERE IN A POSITION TO "STEP BACK" AND EXAMINE ALL ASPECTS OF THE PROJECT. BOTH OF THE PRINCIPAL EVALUATORS WERE MISSION STAFF MEMBERS WHO HAD RECENTLY ARRIVED IN ZAIRE, HAD A GOOD DEAL OF EXPERIENCE WITH TRANSPORT RELATED PROJECTS, AND WERE IN A POSITION TO ASSESS OBJECTIVELY THE STRENGTHS AND WEAKNESSES OF THE PROJECT. AN EXTERNAL MID-TERM EVALUATION IS SCHEDULED TO TAKE PLACE IN THE MIDDLE OF 1991.

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SECOND PARAGRAPH, FIFTH AND SIXTH SENTENCES: OTHER ITEMS, SUCH AS FIRE EXTINGUISHERS AND PUMPS, WERE FOUND IN THE WAREHOUSES BY THE AUDITORS AND ACCORDING TO RVF PERSONNEL WERE PURCHASED BY THE A.I.D. PROJECT. A REVIEW OF THE RECORDS SHOWED THAT NONE OF THE ITEMS HAD BEEN ENTERED ON THE CARDS SINCE THEY BELONGED TO ANOTHER

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WORKING CLOSELY WITH THE DES VOIES FLUVIALES (RVF) WAS TO ORDER SPARE PARTS AND REHABILITATE BOATYARD MACHINERY. ALL THE SPARE PARTS HAD BEEN ORDERED, BUT AT LEAST FIVE MAJOR MACHINES HAD

NOT BEEN REHABILITATED. THIS OCCURRED BECAUSE THE SHOP FOREMAN WORKING FOR THE CONTRACTOR DEPARTED PRIOR TO THE ARRIVAL OF THE SPARE PARTS AND NO ONE WAS QUALIFIED AT THE RVF TO PERFORM THE REHABILITATION. UNLESS THE REPAIRS ARE UNDERTAKEN, THE MONEY (ABOUT DOLS 25,000) SPENT ON SPARE PARTS FOR THE DOLS 150,000 OF MACHINERY WILL BE WASTED. IN ADDITION, THE RVF WILL NOT BE ABLE TO MAKE THE BOAT REPAIRS THAT ARE NORMALLY MADE WITH SUCH MACHINERY.

COMMENTS: THE PROJECT PAPER HAD IDENTIFIED 30 PIECES OF RVF MACHINERY AND SHOP EQUIPMENT TO BE REHABILITATED AND RETURNED TO USE. THE TECHNICAL ASSISTANCE CONTRACTOR DISCOVERED THAT ONLY 24 OF THESE MACHINES COULD BE SALVAGED WITHOUT PAYING A PRICE IN EXCESS OF THE VALUE OF THE MACHINERY. PARTS LISTS WERE MADE AND THE GOODS ORDERED. TWENTY OF THE MACHINES HAVE ALREADY BEEN REPAIRED AND RETURNED TO SERVICE. REPAIRS TO THE REMAINING FOUR WILL BE COMPLETED DURING THE SECOND PHASE OF THE PROJECT.

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FIRST PARAGRAPH, SECOND SENTENCE: MANAGEMENT PRACTICES FOR NON-EXPENCABLE PROPERTY ON THIS PROJECT WERE VERY POOR.

COMMENTS: THERE WERE THREE INSTANCES IN WHICH EMBASSY AND PROJECT PROPERTY WERE MIXED, PRIOR TO THE ARRIVAL OF THE CONTRACTOR IN 1986.

SAME PARAGRAPH, THIRD SENTENCE: FOR EXAMPLE, ADEQUATE PROPERTY RECORDS WERE NOT MAINTAINED, PROJECT PROPERTY WAS INDISCRIMINATELY MIXED WITH EMBASSY PROPERTY, PROPERTY WAS ISSUED TO INFLIGIBLY PERSONNEL AND THE 1989 ANNUAL INVENTORY WAS NOT CONDUCTED.

COMMENTS: THE CONTRACTOR HAS CARRIED OUT ANNUAL INVENTORIES, USING A COMPUTERIZED SYSTEM. IN DECEMBER 1989, THE CONTRACTOR COMPLETED THE ONE DUE FOR THAT YEAR. THE CONTRACTOR'S FINAL REPORT CONTAINS RELEVANT DETAILS OF THIS LATEST INVENTORY. THE PROBLEM CITED PREDATES THE ARRIVAL OF THE CONTRACTOR AND WAS THE RESULT OF POOR JAO CONTROL OF NXP.

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IRST PARAGRAPH: AS DISCUSSED IN FINDING 1 OF THIS REPORT, THE MISSION WAS NOT IN COMPLIANCE WITH THE TERMS OF THE PROJECT AGREEMENT WHICH REQUIRED THAT THE PROJECT BE EVALUATED AT ONE OR MORE POINTS DURING IMPLEMENTATION.

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COMMENTS: THE MISSION COMPLETED TWO EVALUATIONS, ONE EXTERNAL AND ONE INTERNAL, DURING THE FIRST FIVE YEARS OF THE PROJECT.

Appendix I

SECOND PARAGRAPH: AS DISCUSSED IN FINDING 4, LOUIS BERGER INTERNATIONAL (LBI), THE CONTRACTOR, HAD NOT SUBMITTED AN ANNUAL INVENTORY REPORT FOR 1989 ON THE STATUS OF NON-EXPENDABLE PROPERTY IN ACCORDANCE WITH A.I.D. REGULATIONS. THE REVIEW OF COMPLIANCE WAS LIMITED TO THE ISSUES REPORTED.

COMMENTS: THE ANNUAL INVENTORY OF NON-EXPENDABLE PROPERTY WAS MADE IN ACCORDANCE WITH A.I.D. REGULATIONS IN DECEMBER 1989. THE DRAFT REPORT WAS AVAILABLE IN JANUARY 1990 AND THE FINAL REPORT WAS ISSUED IN FEBRUARY 1990.

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FIRST PARAGRAPH: THE EXECUTIVE OFFICER WAS SIGNING  
CHECKS.

COMMENTS: THIS SITUATION HAS BEEN CORRECTED. THE  
EXECUTIVE OFFICER NO LONGER HAS SIGNATORY AUTHORITY.  
THIS RESPONSIBILITY HAS BEEN GIVEN TO THE KIKWIT-BASED  
DIRECTOR OF THE BANDUNDU SUPPORT UNIT, AN AMERICAN  
PERSONAL SERVICES CONTRACTOR. HARROP

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