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UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
DAKAR

AUDIT OF
USAID/TUNISIA'S RURAL POTABLE WATER
INSTITUTIONS PROJECT

Project No. 664-0337

Audit Report No. 7-664-90-10

July 11, 1990

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

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WEST AFRICA

July 11, 1990

MEMORANDUM FOR: USAID/Tunisia Director, George Carner

FROM: Acting RIG/A/Dakar, *Larry L. Hoover* L. Hoover

SUBJECT: Audit of USAID/Tunisia's Rural Potable
Water Institutions Project (Audit Report
No. 7-664-90-10)

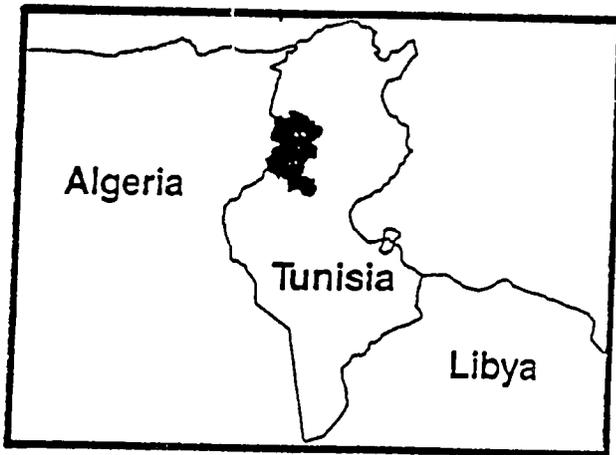
Enclosed are five copies of the subject report. In preparing this report, we reviewed your comments on the draft report and included them as an appendix to this report. Based on your comments, we believe Recommendation No. 1 is resolved and we will close it when appropriate actions are completed. Recommendation No. 2 is resolved and closed. Please respond to this report within 30 days, indicating any actions planned or already taken to implement Recommendation No. 1. We appreciate the cooperation and courtesies extended to our staff during the audit.

Background

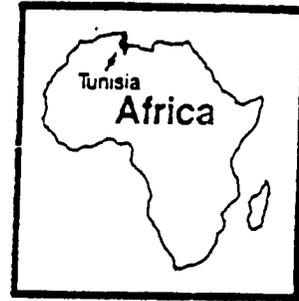
To make more potable water available and accessible to the rural population in Central Tunisia, A.I.D. undertook the Rural Potable Water Institutions Project in April 1986. The Government of Tunisia's (GOT) Central Tunisia Rural Development Authority was responsible for administering the project. The project outputs were: 1) to establish and develop Water User Associations (WUAs) in the Kasserine area; 2) to improve well site selection procedures by developing a systematic site-selection process; and 3) to drill and construct up to 30 new water site installations.

About mid-way through the project the Mission realized that the project could not meet its construction goals with available funding. Taking this into account, the Mission

TUNISIA
 RURAL POTABLE WATER INSTITUTIONS
 PROJECT NO. 664-0337



Region Map



Location Map

Legend

-  Project Area
-  Governorate Boundary
-  Delegation Boundary
-  Capital of Governorate
-  Capital of Delegation



Project Area Map

changed its focus. A planned reduction in the number of wells left about \$1 million available for other purposes. With this \$1 million the Mission decided to emphasize the development of the WUA concept, considered by the GOT to be very successful, including producing a program for implementing the WUA concept nationally. The WUA concept in Kasserine was particularly appealing because the associations are supposed to be 100 percent self-supporting by the members without any outside assistance from the government--this was not the case with WUAs in other parts of the country.

The \$10 million project included an A.I.D. grant of \$6.5 million and a GOT contribution of \$3.4 million, of which \$2.9 million would be generated by revenues from WUAs. As of December 31, 1989, A.I.D. had committed \$3.6 million and had expended \$2.6 million of the \$6.5 million grant. As of April 4, 1990, the GOT had expended about \$1.8 million of the \$3.4 million of the agreed GOT contributions. The Project Assistance Completion Date was March 31, 1991. However, on May 10, 1990 the project officer requested the USAID Director to approve a six-month extension to implement the "Action Plan for the Development of the National Strategy for Water Users Associations". This was approved on May 23, 1990 and will have no change to current project funding.

Audit Objectives and Scope

The Office of the Regional Inspector General for Audit/Dakar conducted a performance audit of the Tunisia Rural Potable Water Institutions Project. Specific audit objectives were to:

- determine if the project was achieving its stated outputs;
- determine the effectiveness of Mission oversight of project activities;
- verify the existence and present condition of USAID funded well sites; and
- determine current status and future prospects of Water User Associations (WUAs).

The audit was conducted at USAID/Tunisia and at the Tunisian government's regional office of the Central Tunisia Rural Development Authority (CTDA) in the Kasserine between February 2 and April 6, 1990. Water points were visited,

representatives at the WUAs were interviewed and financial records were reviewed. The audit was conducted in accordance with generally accepted government auditing standards.

To determine progress toward achieving the project's stated outputs and the effectiveness of Mission oversight of project activities, we reviewed project records at the Mission and conducted interviews with project personnel in Tunis and the Kasserine. Additionally, discussions were held with regional government employees and the new site-selection methodology was reviewed.

To evaluate the condition of project-funded well construction and the current status of the WUAs, the auditors reviewed records at the regional offices of the CTDA, interviewed WUA representatives and inspected civil works at 9 of the 21 project water sites (see Exhibit).

Results of Audit

The audit found that the project had changed focus in order to better utilize available resources. The objective of improving site selection procedures had been fully achieved and all of the constructed wells visited were operating and in good condition, whereas the objectives of supplying rural residents with potable water and establishing WUAs had been modified. The Mission chose to place additional emphasis on the WUA concept by developing a plan for a national WUA program.

We found the nationalization plan to be well conceived although we identified certain weaknesses that should be addressed by the project before its implementation. Specifically, the Mission was not receiving sufficient information on WUA activities and the regional government was neither adequately monitoring the WUAs nor collecting sufficient cost and income data on their operation. The project could not realistically determine the true cost of a WUA operated water site nor could it demonstrate the viability of the WUA concept developed in the project. Additionally, the auditors found that the Mission had not formally incorporated planned changes into the project agreement nor had it notified the Asia and Near East Bureau of its intentions.

1. The Economic Viability Of The WUA Concept Has Not Been Demonstrated - In order for the Mission to advocate the benefits of the Kasserine WUA concept in other parts of Tunisia, the Mission should first know if such associations generate sufficient funds to pay for their operating costs. The audit disclosed that the Mission was planning on proposing this concept without knowing if WUAs in Kasserine were, in fact, economically viable. The Mission did not know if they were economically viable because, contrary to the project agreement, adequate records were not maintained by the responsible government organization nor were the WUAs routinely reporting on their activities. Furthermore, there are other factors that indicate that the WUAs are not viable, such as the government continuing to pay pumpists salaries and certain repair costs. The auditors are concerned that implementing the Kasserine concept without knowing if it is viable, could result in a significant waste of funds at some time in the future.

Discussion - Establishment of viable WUAs in the Kasserine area was a primary objective of the project. According to the project agreement, WUAs were to be legally recognized and self-supporting. The project paper envisioned that the fees from the sale of water would be sufficient to cover operating expenses of the water site, such as fuel, equipment maintenance and the salary of the pump operator.

Another requirement was that associations would designate a president, treasurer and a guardian-pumpist, as needed. Treasurers, in general, control the association's funds, including recording of expenditures and revenues. Guardian-pumpists operate and maintain the facilities, including the distribution of water. Another party in the agreement was the Central Tunisia Rural Development Authority's (CTDA) WUA support unit (Unite). It helps organize the associations, train the officers and the guardian-pumpist and collects cost and consumption data on operations.

The auditors found that due to a general lack of information, it was not possible to determine if the WUAs were economically viable. At the two key levels of the project (project management at the Mission and the Unite management in the Kasserine) sufficient information was not being gathered or maintained to evaluate project activities.

At the Mission in Tunis, we found that although they were routinely receiving reports on certain segments of CTDA

activities (e.g. well construction and maintenance of facilities), they were not receiving written progress reports on WUA operations. Information on the number of WUAs collecting fees, their revenues and costs, status of bank accounts and other pertinent information should have been reviewed at the Mission to monitor the progress on the WUA segment of the project and to identify areas needing attention.

At the Unite, the office that should have been even more closely monitoring WUA activity for the CTDA, we found they also did not have complete and accurate data on the operations of WUAs. Some data collection was taking place but the information was not systematically and routinely collected and was therefore not usable for making conclusions on overall WUA operations. A representative of the Unite stated that since the entire concept was still in development and the organization and capabilities of the WUAs varied considerably, it was difficult to collect complete data. He also stated that only about 60 percent of the WUAs were currently reporting on their activities. They were, however, aware of the problem and were working to improve the reporting process. When we asked to review some of the reports we were told that they were not organized and it would be difficult to arrange. Again, the necessary information to effectively monitor and guide the project was not available.

Would accurate financial information show that WUAs are economically viable or the best water management concept?

The auditors could not answer this question, but found certain factors that raise serious doubts as to whether the Kasserine concept should be promoted as a national model. For example, all pumpists salaries--one of the major costs of the WUAs--continue to be paid by the government. Further, the government was still covering a good deal of repair costs that appeared to be the responsibility of WUAs. While the project envisioned that all repair costs would be paid by the WUAs, the GOT needs to make a firm decision at this time on which repair and maintenance costs will be paid by the WUAs and which will be paid by the government.

The project had not sufficiently emphasized the need for good documentation and analysis of the WUA segment of the project. Since it is critical to the project to gather supporting evidence on the viability of the WUA concept, the auditors believe that future project efforts should focus on

improving both the information the Mission receives and the United data collection process. This is particularly important since the new direction of the project intends to assist in developing a nationalization program of the WUA concept. The project must be able to show how the WUA can become self-supporting, who will bear what costs, and what the Government of Tunisia can expect to pay for implementing the nationalization plan. Without this information the government may at a later time be burdened with operating costs that they cannot or are not willing to pay.

The Mission stated that it has already taken action to address the auditors' concerns. For example, the United has been requested to provide an update on WUA financial information. Technical assistance will be provided to the GOT for developing a management information system, and to assist the GOT in deciding what costs will be paid by the government, a study will be conducted on water system maintenance policy and procedures.

Recommendation No. 1

We recommend that the Director, USAID/Tunisia require the project to:

- a. develop a systematic data collection and reporting process for effective project management;
- b. establish, with GOT approval, clear guidelines for costs to be paid by the Water User Associations and costs to be paid by the Government of Tunisia; and
- c. prior to committing funds to develop a national strategy, determine the average cost of operating a Water User Association so that reliable cost information is available when making the decision whether or not to extend the Kasserine concept throughout the country.

2. USAID/Tunisia Has Not Formally Modified The Project Agreement To Reflect Changes In Project Direction - A.I.D. guidance requires that changes to project agreements be made in a timely manner and be formally agreed to by both A.I.D. and the host government. Missions should also notify the responsible bureau of any substantive changes to a project. Although informal agreement had been reached on changes, at the conclusion of the audit field work in April of 1990, the project agreement had not been formally modified to reflect

anticipated reductions in well construction and increased emphasis on the WUA concept. Further, the Asia and Near East Bureau had not been advised of impending changes. This was not done because the Mission wished to spend more time evaluating alternative approaches to continuing the project. The auditors noted that the Mission has already spent about a year assessing alternative approaches. We are concerned that without input from the responsible offices funds may be wasted on unproductive project activities--if this hasn't already happened.

Discussion - Chapter 13 of Handbook 3 states that project management should pursue timely recognition and definition of required changes in order to catch problems while they are still solvable by simpler means. Additionally, the Handbook states that the Mission should consult with its Regional Bureau as to the extent of the proposed change and its implications early in the modification process. The need for changes in the project had been recognized by the Mission as early as May of 1989 when an agreement was reached with the Government to use P.L. 480 funds for the continuation of well drilling and construction in Central Tunisia. The agreement included a Memorandum of Understanding to use \$2.15 million of P.L. 480 funds to develop an estimated 20 new sites and/or extensions or house hookups. Since the project was experiencing cost overruns in the construction of wells, the P.L. 480 agreement allowed for a reduction in the total number of wells to be constructed with the project funds. This in turn freed up dollars within the project to expand the Kasserine Model to other regions of Tunisia.

Following this agreement the project started action to identify potential uses of the available \$1 million in surplus construction funds. These efforts and the related costs for studies and consultancies, were never formally incorporated into the project agreement, although the Mission Director was fully aware of these actions. As a result, the project has effectively been operating without formal criteria since May of 1989 and may be facing problems with the government. For example, the Memorandum of Understanding in the P.L. 480 agreement states with regard to the 20 new sites that, "This is in addition to those underway and planned with the bilateral project resources". Since the project agreement refers to 30 sites and subsequent revisions did not specify a reduction to that number--the GOT may be expecting the project to develop all 30 sites or some number greater than can be achieved.

The auditors believe that a formal amendment should have been made to the Project Agreement in order to, at a minimum, highlight the intent to reduce the planned construction output of the project. Since there are significant changes in the components of the project and there may be some confusion about what the project will now accomplish, the Mission should take prompt action to clarify both countries' responsibilities and to formally incorporate any changes into the Project Agreement.

However, we believe that even before any changes are incorporated into the Project Agreement the Asia and Near East Bureau should be advised and consulted. Since the intended changes in the project have a substantial impact on outputs of the project and, in effect, change its initial focus, the Mission needs to know if these changes fit logically into the Bureau's overall plans for both the country and the region. The Bureau may also be of assistance in developing or redirecting the project goals, from past experience with similar projects.

In response to the auditors' concerns the Mission took action to inform the Asia and Near East Bureau of their intended actions. A Project Implementation Letter (No. 31) was issued and countersigned by the GOT to clarify the current status and future direction of the project.

Recommendation No. 2

We recommend that the Director USAID/Tunisia advise the Asia and Near East Bureau of intended project changes and formally incorporate agreed upon changes into the Project Agreement based on approved procedures.

Other Pertinent Matters - Of the nine water sites visited, seven had completed civil works. The auditors noted that three of the seven functioning water sites inspected during the audit did not have the required A.I.D. Handclasp displayed, as required by Handbook No. 1 Supplement B, page 22-1. We also noted that few of the rural population could read or speak either English or French, but used Arabic as the common language. The Mission should take steps to assure that the donations of the people of the United States are properly recognized and understood by placing appropriate placards in Arabic.

Mission Comments and Our Evaluation

USAID/Tunis generally agreed with the findings and recommendations and has already initiated actions to implement Recommendation No. 1. The action taken by the Mission on Recommendation No. 2 satisfies the intent of the recommendation and the recommendation is closed at issuance of the report. Where the Mission took exception to the wording or content of the report we attempted to modify the report for clarity and accuracy. The complete text of the Mission comments is in Appendix I.

AUDIT OF
USAID/TUNISIA'S RURAL POTABLE WATER
INSTITUTIONS PROJECT

EXHIBIT AND APPENDICES

**AUDIT OF
USAID/TUNISIA'S RURAL POTABLE WATER
INSTITUTIONS PROJECT**

A.I.D. WATER SITES*
(as of April 5, 1990)

<u>Water Point</u>	<u>Date Completed</u>	<u>Population Served</u>	<u>Final Cost</u>
1. CHABIBA <u>1/</u>	12/1987	900	\$81,746
2. BOUIBET	10/1988	1090	75,698
3. DHOUAOU DA	12/1988	1752	166,842
4. BOULAABA <u>1/</u>	09/1988	834	74,530
5. ZANNOUCHE <u>1/</u>	10/1988	2700	315,141
6. JADIDA	10/1988	1050	208,730
7. BOUALLEGUE <u>1/</u>	08/1988	990	126,782
8. O. ZID <u>1/</u>	10/1988	1158	230,739
9. O. AHMED <u>1/</u>	10/1988	1020	143,485
10. KARACHON	07/1989	960	124,778
11. NADHOUR	07/1989	1320	134,878
12. SERG LAH. <u>1/</u>	07/1989	1218	142,482
13. KMOUDA <u>1/</u>	1987	1092	148,176
14. ALLEG RASSOU	1989	936	113,317
15. MAJEL AKROUT	1990	840	115,248
16. MANZEL GAM.	1990	1500	146,000 <u>3/</u>
17. BENAANA <u>1/</u>	1990	1800	146,000 <u>3/</u>
18. HAZZA	1990	3500	146,000 <u>3/</u>
19. MAGSAN	1990	1500	146,000 <u>3/</u>
20. BIADHA <u>2/</u>	1988		198,358
21. KODIAT <u>2/</u>	1988		91,693
	TOTAL	<u>26,160</u>	<u>\$3,076,623</u>

- 1/ Sites included in audit sample and visited
2/ Dry wells, no population will be served
3/ Drilling is in process, final costs were estimated

* Source: Central Tunisia Rural Development Authority

UNCLASSIFIED
AID 06/27/90
DIR:GCARNER
PM:DPUTMAN
1.PM:NMTUMAVICK, 2.PROG:JSPERLING, 3.CONT:MSMITH
AID

AMEMBASSY TUNIS
AMEMBASSY DAKAR, IMMEDIATE

AIDAC FOR RIG/A, PAUL E. ARMSTRONG

E.O. 12356: N/A
SUBJECT: AUDIT REPORT - RURAL POTABLE WATER
INSTITUTIONS PROJECT - USAID/TUNIS COMMENTS

REF: RIG/A/DAKAR MEMO DATED MAY 21, 1990

INTRODUCTION

THE TUNISIA MISSION APPRECIATES THE THOROUGH AUDIT UNDERTAKEN OF THE RURAL POTABLE WATER INSTITUTIONS PROJECT (664-0337). THE AUDIT CORRECTLY IDENTIFIED CERTAIN AREAS OF IMPLEMENTATION WHERE IMPROVEMENTS CAN BE MADE. DURING THEIR EXIT INTERVIEW THE AUDITORS MENTIONED SPECIFIC ITEMS WHICH REQUIRED ATTENTION. THE MISSION HAS ALREADY BEGUN TO ADDRESS THESE ITEMS AND ANTICIPATES BEING ABLE TO RESOLVE ANY REMAINING MATTERS IN A TIMELY FASHION. OUR RESPONSE WILL ADDRESS EACH RECOMMENDATION INDIVIDUALLY BY PROVIDING INFORMATION ON ACTIONS ALREADY TAKEN OR PROPOSED TO RESOLVE IT, WITH ADDITIONAL CLARIFICATIONS GIVEN ONLY AS NEEDED. A FEW EDITS ARE SUGGESTED FOR CLARIFICATION OR GREATER ACCURACY OF INDIVIDUAL STATEMENTS AT THE END OF OUR RESPONSE. (NOTE: ATTACHMENTS CITEL IN CABLE WILL BE FORWARDED BY POSTE RAPIDE.)

RECOMMENDATION NO. 1A

QUOTE DEVELOP A SYSTEMATIC DATA COLLECTION AND REPORTING PROCESS FOR ALL LEVELS OF MANAGEMENT UNQUOTE. BASED ON THE AUDIT REPORT'S DISCUSSION, THE CURRENT REPORTING PROCEDURES FOR ALL SEGMENTS OF THE PROJECT ARE SATISFACTORY EXCEPT FOR THE WUA OPERATIONS COMPONENT.

THE MISSION ACKNOWLEDGES THAT, ALTHOUGH A CONSIDERABLE AMOUNT OF DATA HAS BEEN COLLECTED ON WUA OPERATIONS, IT HAS NOT ALWAYS BEEN PRESENTED REGULARLY TO ENSURE CLOSE ON-GOING MONITORING OF THIS ACTIVITY. TO RECTIFY THIS SITUATION AND RESPOND TO THE AUDIT RECOMMENDATION THE FOLLOWING ACTIONS ARE BEING UNDERTAKEN.

1. THE UNITE HAS BEEN REQUESTED TO PROVIDE TO THE MISSION AN UPDATE OF ALL FINANCIAL INFORMATION AVAILABLE ON THE WUAS IN THE PROJECT AREA. THIS REPORT WILL INCLUDE INFORMATION ON COSTS FOR OPERATING EACH SYSTEM, THE PROPOSED GOT CONTRIBUTION FOR O&M FOR 1990 AND THE EXPECTED WUA CONTRIBUTION. THIS INFORMATION WILL PROVIDE THE MISSION WITH A BASELINE OF CURRENT WUA CONTRIBUTIONS AGAINST WHICH TO MEASURE INCREASES OVER TIME. (NOTE THAT UNDER GOT LAW, NO WUA CAN LEGALLY COLLECT FEES UNTIL IT HAS BEEN LEGALIZED AND THE FIRST WUA IN THE PROJECT AREA WAS NOT LEGALIZED UNTIL APRIL 1989. THEREFORE, THERE WILL BE VARIABILITY ON WHAT EACH INDIVIDUAL ASSOCIATION CAN COLLECT AND WHEN IT CAN BEGIN COLLECTING FEES.) THIS REPORT WILL BE SUBMITTED TO RIG ONCE RECEIVED IN USAID/TUNISIA.
2. BI-MONTHLY MEETINGS ARE HELD BY GOT AND USAID PROJECT MANAGERS TO REVIEW IMPLEMENTATION PROGRESS. ALTHOUGH THE STATUS OF WUA OPERATIONS IS REVIEWED REGULARLY, WE PROPOSE TO FOCUS MORE SPECIFICALLY ON THE TYPES OF ISSUES RAISED IN THE AUDIT.
3. SINCE AID'S INVOLVEMENT IN THIS SECTOR SOON WILL BE PHASED OUT, IT IS IMPORTANT THAT THE GOT DEVELOP A SYSTEMATIC DATA COLLECTION AND MONITORING SYSTEM THAT WILL BE USEFUL FOR THEM OVER THE LONGER TERM AND WHICH CAN BE INSTITUTIONALIZED WITHIN THEIR OWN SYSTEM. THIS PROCESS IS BEGINNING AT THE LOCAL LEVEL WHERE THE MINISTRY OF AGRICULTURE IS WORKING WITH THE WUA'S TO PREPARE ANNUAL BUDGETS AND TO DEVELOP A SYSTEM TO TRACK THE WUA CONTRIBUTIONS TOWARDS OPERATIONS AND MAINTENANCE COSTS. FURTHERMORE, ONE ACTIVITY IN THE ACTION PLAN IS TO MONITOR SYSTEMATICALLY A LIMITED NUMBER OF SITES IN SIX OTHER GOUVERNORATES WHICH WILL PROVIDE INFORMATION FOR THE GOT ON WUA OPERATIONS (ATTACHMENT 1). THE GOT WILL BE ABLE TO TAKE THIS DIFFERENT INFORMATION AND DEVELOP A LONG TERM MONITORING AND TRACKING SYSTEM. IN FACT AS PART OF THE ACTION PLAN USAID AND KFW HAVE

AGREED ON THE NEED TO PROVIDE TECHNICAL ASSISTANCE TO THE GOT TO DEVELOP A MANAGEMENT INFORMATION SYSTEM (MIS) AND HAVE DEVELOPED A SCOPE OF WORK (ATTACHMENT 2) WHICH WILL BE REFINED PRIOR TO MIS CONSULTANT ARRIVAL.

THE MISSION WOULD LIKE TO REQUEST THE AUDITORS TO CONSIDER THIS RECOMMENDATION RESOLVED BUT STILL OPEN.

RECOMMENDATION NO. 1.B

QUOTE ESTABLISH CLEAR GUIDELINES FOR COSTS TO BE PAID BY THE WATER USER ASSOCIATIONS AND COSTS TO BE PAID BY THE GOVERNMENT OF TUNISIA UNQUOTE. THE PROJECT GRANT AGREEMENT STATED THAT ONE OF THE PRINCIPAL TASKS OF THE ASSOCIATIONS WILL BE: QUOTE 1) TO RAISE MONEY TO COVER OPERATIONS AND MAINTENANCE COSTS, INCLUDING FUEL, SALARY FOR THE PUMP OPERATOR, BASIC MAINTENANCE, AND SITE SANITATION AND IMPROVEMENTS UNQUOTE. TO DATE, THE MISSION AND THE GOT IN KASSERINE HAVE BEEN WORKING ON A VERBAL AGREEMENT THAT THE WUA'S ARE TO PAY FOR FUEL AND OIL, SALARY FOR THE PUMP OPERATOR AND WHAT THE GOT DEFINES AS FIRST LEVEL MAINTENANCE OR UP TO TD 100 OF OTHER MAINTENANCE AND REPAIR COSTS EACH YEAR. THIS WAS IN ACCORDANCE WITH THE PROJECT PAPER WHICH HAD CALLED FOR THIS FIRST LEVEL OF MAINTENANCE TO BE SPECIFIED WITHIN THE FIRST TWO YEARS OF THE PROJECT.

TECHNICAL ASSISTANCE IS BEING PROVIDED TO THE PROJECT BY BOTH LOCAL AND EXPATRIATE MAINTENANCE SPECIALISTS WHO ARE PRESENTLY CHARGED WITH UNDERTAKING AN INVENTORY OF EQUIPMENT BEING USED UNDER THE PROJECT. THE NEXT STEP WILL BE TO CLARIFY IN MORE DETAIL SPECIFICALLY WHAT OPERATIONS AND MAINTENANCE TASKS ARE TO BE UNDERTAKEN BY THE WUA AND WHICH WILL REMAIN WITH THE GOT IN THE PROJECT AREAS OVER THE LONGER TERM. A DECISION WILL BE MADE EITHER ON A COST BASIS OR BY TYPE OF REPAIR. ALTHOUGH THE GOT HAS A STATED POLICY TO EVENTUALLY PHASE OUT OF THE MAINTENANCE BUSINESS AT THE NATIONAL LEVEL, AT THE PRESENT TIME, DESPITE CONTINUED PRESSURE FROM AID AND OTHER DONORS, THEY ARE UNWILLING TO PROVIDE A DEFINITE TIMETABLE FOR THIS PHASE-OUT SINCE IT IS CONSIDERED A SENSITIVE INTERNAL POLITICAL, SECURITY AND EQUITY ISSUE. TO FACILITATE THEIR DECISION-MAKING, ONE ACTION PLAN ACTIVITY HAS BEEN DESIGNED ON WATER SYSTEM MAINTENANCE POLICY AND PROCEDURES (ATTACHMENT 3) WHICH

WILL HELP THE GOT REVIEW OPTIONS AT BOTH THE REGIONAL AND NATIONAL LEVELS.

THE MISSION WOULD LIKE TO REQUEST THE AUDITORS TO CONSIDER CLOSING THIS RECOMMENDATION BASED ON THESE ACTIONS.

RECOMMENDATION NO. 1.C

QUOTE PRIOR TO COMMITTING FUNDS TO DEVELOP A NATIONAL STRATEGY, DETERMINE THE ACTUAL COST OF OPERATING THE WATER USER ASSOCIATIONS SO THAT RELIABLE COST INFORMATION IS AVAILABLE WHEN MAKING THE DECISION WHETHER OR NOT TO EXTEND THE KASSERINE CONCEPT THROUGHOUT THE COUNTRY UNQUOTE. THE MISSION IS NOT COMMITTING FUNDS TO DEVELOP THE NATIONAL STRATEGY PER SE, BUT INVESTING IN STUDIES TO PROVIDE THE NEEDED INFORMATION FOR THE GOT TO ARTICULATE THE STRATEGY ITSELF.

IN 1989, INDEPENDENT OF THE PROJECT, THE GOT DECIDED THAT IT WANTED TO INVOLVE BENEFICIARIES IN POTABLE WATER SITE MANAGEMENT BASED ON SUCCESSFUL EXPERIENCE WITH COMMUNITY PARTICIPATION IN PLACES LIKE KASSERINE. THIS DECISION WAS COMMUNICATED TO REGIONAL MINISTRY OF AGRICULTURE OFFICIALS WHO HAVE BEGUN TO CREATE WATER USER ASSOCIATIONS THROUGHOUT THE COUNTRY. THE GOT DID NOT HAVE A COHERENT PLAN TO MANAGE THIS PROCESS AND IT HAD NOT DECIDED WHETHER A QUOTE TOP-DOWN UNQUOTE OR QUOTE BOTTOM-UP APPROACH UNQUOTE WOULD BE USED. USAID WAS REQUESTED TO ASSIST THE GOT BY PROVIDING ANALYSES, INFORMATION AND TRAINING SO THAT THE GOT CAN MAKE A FINAL DECISION ON WHETHER OR NOT TO EXTEND THE KASSERINE CONCEPT (QUOTE BOTTOM-UP MODEL UNQUOTE) THROUGHOUT THE COUNTRY.

THE ACTION PLAN WORK WHICH THE MISSION IS UNDERTAKING THIS SUMMER IS DESIGNED TO RESPOND SPECIFICALLY TO THE AUDITORS' CONCERNS. THE FOLLOWING FOUR STUDIES ARE OF DIRECT RELEVANCE: COMPARATIVE STUDIES TO WUA FORMATION, COST-BENEFIT ANALYSIS OF WUA CREATION AND OPERATION, INSTITUTIONAL ANALYSIS AND ASSESSMENT OF WUA CAPACITY FOR COMMUNITY DEVELOPMENT (SOWS APPEAR AS ATTACHMENT 4). THE STUDIES WILL PROVIDE COMPARATIVE COST AND INSTITUTIONAL DATA ON DIFFERENT MANAGEMENT SYSTEMS,

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INCLUDING THE KASSERINE APPROACH, SO THAT THE GOT WILL HAVE SUFFICIENT INFORMATION ON WHICH TO MAKE A DECISION. THE PROJECT ITSELF WILL NOT DEVELOP A NATIONAL STRATEGY. THE GOT, THROUGH THE MINISTRY OF AGRICULTURE, WILL DRAFT THIS STRATEGY BASED ON ADDITIONAL EVIDENCE DERIVED FROM SOME OF THE ACTION PLAN WORK. IT IS CLEARLY UNDERSTOOD THAT BEFORE ANY INVESTMENT DECISION IS MADE, THE GOT WILL HAVE DETERMINED THE FINANCIAL IMPLICATIONS OF THAT DECISION.

THE MISSION WOULD LIKE TO REQUEST THAT BASED ON THE INFORMATION PROVIDED ABOVE THE AUDITORS CONSIDER CLOSING THIS RECOMMENDATION.

RECOMMENDATION NO. 2

QUOTE WE RECOMMEND THAT THE DIRECTOR USAID/TUNISIA OBTAIN CONCURRENCE FROM THE ASIA AND NEAR EAST BUREAU OF INTENDED PROJECT CHANGES AND INCORPORATE AGREED UPON CHANGES FORMALLY INTO THE PROJECT AGREEMENT BASED ON APPROVED PROCEDURES UNQUOTE. THE MISSION INFORMED THE ASIA AND NEAR EAST (ANE) BUREAU PRIOR TO RECEIPT OF WRITTEN AUDIT REPORT, BUT DID NOT REQUEST SPECIFIC CONCURRENCE IN KEEPING WITH MISSION DIRECTOR'S DELEGATED AUTHORITIES FOR PROJECT IMPLEMENTATION. PIL 31 (ATTACHMENT 5) FORMALLY NOTIFIED THE GOT OF PROJECT CHANGES AND WAS COUNTERSIGNED IN AGREEMENT.

ANE HAS BEEN INVOLVED IN THE DEVELOPMENT OF THE ACTION PLAN SINCE NOVEMBER/DECEMBER 1989 BY CABLE AND MEMO EXCHANGES - TUNIS 11121, STATE 388794, PIR TRANSMITTAL MEMO (ATTACHMENT 6) AS HAS THE SCIENCE AND TECHNOLOGY BUREAU. FOR INSTANCE, THE ANE BUREAU REGIONAL PROJECT ISPAN PROVIDED ONE OF THE TEAM MEMBERS DRAFTING THE ACTION PLAN. A DEBRIEFING WAS HELD AFTER THE TEAM'S RETURN TO AID/W EARLY MARCH 1990, WHICH WAS ATTENDED BY THE ANE/TR/ARD STAFF MEMBER RESPONSIBLE FOR WORK WITH WATER RESOURCES, IRRIGATION AND WATER USER ASSOCIATIONS. STATE 124965 (ATTACHMENT 7) CONFIRMS ISPAN'S INTEREST IN PARTICIPATING IN FUTURE WORK ON THE ACTION PLAN. PRIOR TO THE DIRECTOR'S DEPARTURE TO AID/W FOR PROGRAM WEEK, TUNIS 4934 (ATTACHMENT 8) WAS SENT PROVIDING AN UPDATE ON THE PROJECT AND HOW THE PROPOSED ACTION PLAN WORK WOULD ASSIST IN NATIONAL REPLICABILITY AND SUSTAINABILITY OF THE KASSERINE CONCEPT SHOULD IT BE

ADOPTED BY THE GOT. THE ANE BUREAU DID NOT RAISE ANY ISSUES CONCERNING THE PROJECT DURING PROGRAM WEEK WHICH WE READ TO MEAN DEFACTO CONCURRENCE. FURTHERMORE, THE PROJECT CHANGES ARE CONSISTENT WITH THE PROJECT PURPOSE AS OUTLINED IN THE LOGFRAME: QUOTE ESTABLISH AND REFINE A COORDINATED AND DECENTRALIZED INSTITUTIONAL APPROACH TO RURAL WATER OPERATIONS AND MAINTENANCE, WITH USER PARTICIPATION AND USER FEES, DEMONSTRATING A MODEL TO THE GOT WHICH MAY BE APPROPRIATE FOR ADOPTION AS A NATIONWIDE STRATEGY UNQUOTE.

WE HAVE OFFICIALLY ADVISED THE GOT BY PIL 31. SUBSTANCE OF THAT PIL WAS APPROVED IN DRAFT BY THE MINISTER OF AGRICULTURE AND COUNTERSIGNED BY THE DIRECTOR GENERAL OF INTERNATIONAL COOPERATION, MINISTRY OF FOREIGN AFFAIRS, THE MINISTRY'S DESIGNATED REPRESENTATIVE, ON JUNE 15, 1990. THIS IS IN KEEPING WITH THE PROJECT GRANT AGREEMENT WHICH STATES THAT QUOTE ELEMENTS OF THE AMPLIFIED DESCRIPTION STATED IN ANNEX I MAY BE CHANGED BY WRITTEN AGREEMENT OF THE AUTHORIZED REPRESENTATIVES OF THE PARTIES NAMED IN SECTION 8.2 REPRESENTATIVES, WITHOUT FORMAL AMENDMENT OF THIS AGREEMENT....FOR ALL PURPOSES RELEVANT TO THIS AGREEMENT, THE GRANTEE WILL BE REPRESENTED BY THE INDIVIDUAL HOLDING OR ACTING IN THE OFFICE OF SECRETARY OF STATE FOR INTERNATIONAL COOPERATION, MINISTRY OF FOREIGN AFFAIRS AND A.I.D. WILL BE REPRESENTED BY THE INDIVIDUAL HOLDING OR ACTING IN THE OFFICE OF DIRECTOR. UNQUOTE

THIS PIL 31 LAYS OUT THE BROAD OUTLINES OF THE ACTION PLAN AND MAKES THE NECESSARY BUDGET REVISIONS TO IMPLEMENT IT, USING THE DOLS 1 MILLION SAVINGS FROM CONSTRUCTION. IT CONFIRMS THAT GENIE RURAL OF THE MINISTRY OF AGRICULTURE WILL BE RESPONSIBLE FOR DRAFTING THE NATIONAL STRATEGY DOCUMENT.

THE MISSION BELIEVES THAT THE ACTIONS DESCRIBED ABOVE MEET THE SUBSTANTIVE REQUIREMENTS OF THE RECOMMENDATION AND SUGGEST THAT THE AUDITORS CONSIDER CLOSING THIS RECOMMENDATION.

OTHER PERTINENT MATTERS

THE MISSION HAS NOTED THE AUDITORS CONCERN ABOUT THE MISSING REQUIRED HANDCLASP EMBLEM AT 3 OF THE WATER

POINTS INSPECTED. WE HAVE ALREADY SPOKEN TO OUR COUNTERPARTS ABOUT THIS AND THE MISSION HAS PROVIDED EMBLEMS TO THE COUNTERPART AGENCY FOR DISPLAY. THE PROJECT OFFICER WILL VERIFY THIS DURING HER FIELD INSPECTION VISITS. THE GOT HAS ALSO AGREED TO HAVE ARABIC SIGNS PRODUCED LOCALLY AND AFFIXED TO ALL SITES.

CLARIFICATIONS FOR MAKING EDITORIAL CHANGES FOR GREATER ACCURACY

PAGE 5: QUOTE THE REGIONAL GOVERNMENT WAS NEITHER ADEQUATELY MONITORING THE WUA'S NOR COLLECTING COST AND INCOME DATA ON THEIR OPERATION. UNQUOTE MIGHT BE MODIFIED TO SAY THAT QUOTE THE AUDITORS WERE UNABLE TO SEE EVIDENCE THAT.... UNQUOTE, BECAUSE THIS INFORMATION IS BEING COLLECTED BUT IS NOT BEING PRESENTED IN A SYSTEMATIC FASHION AND MUCH OF IT REMAINS IN ARABIC AND THEREFORE WAS UNACCESSIBLE.

- QUOTE THE PROJECT COULD NOT REALISTICALLY DETERMINE THE TRUE COST OF A WUA OPERATED WATER POINT... UNQUOTE IT SHOULD BE NOTED THAT THE COST OF OPERATING EVERY WATER POINT IS DIFFERENT AND MUCH OF THIS INFORMATION HAS BEEN GATHERED BY THE UNITE BUT IT HAS NOT BEEN PRESENTED SYSTEMATICALLY. THE UNITE HAS BEEN REQUESTED TO BEGIN PREPARING MORE SYSTEMATIC REPORTS ON WUA OPERATIONS.

- QUOTE IN ORDER FOR THE MISSION TO ADVOCATE...PAY FOR THEIR OPERATING COSTS. UNQUOTE THE MISSION DOES NOT PROPOSE UNILATERAL ADOPTION OF THE KASSERINE CONCEPT BUT BELIEVES ADDITIONAL DATA IS NEEDED FOR THE GOT TO DECIDE WHAT TYPE OF WUA MODEL TO ADOPT.

PAGE 7: QUOTE THEY WERE NOT RECEIVING PROGRESS REPORTS ON WUA OPERATIONS UNQUOTE COULD BE MODIFIED TO SAY QUOTE WRITTEN PROGRESS REPORTS UNQUOTE SINCE WUA OPERATIONS AND PROGRESS IS ALWAYS REVIEWED AT THE BI-WEEKLY PROJECT MANAGEMENT MEETINGS AS DOCUMENTED IN THE PROJECT OFFICER'S TRIP REPORTS. (EXAMPLE IS PROVIDED AS ATTACHMENT 9.

PAGE 10: QUOTE THIS WAS NOT DONE BECAUSE THE MISSION WISHED TO SPEND MORE TIME EVALUATING ALTERNATIVE APPROACHES TO CONTINUING THE PROJECT UNQUOTE. THE

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MISSION HAD BEEN ENGAGED IN A DIALOGUE WITH ANE/TR BEGINNING IN DECEMBER 1989 (TUNIS 1112) ON PROPOSED CHANGES IN THE PROJECT. ISPAN INVOLVEMENT IN THE DEVELOPMENT OF THE ACTION PLAN AND INTEREST IN PARTICIPATING IN ITS IMPLEMENTATION ATTEST TO THIS. THE PIL MODIFYING THE GRANT AGREEMENT HAD NOT YET BEEN WRITTEN WHEN THE AUDITORS WERE IN-COUNTRY BECAUSE A DISCUSSION WAS STILL GOING ON WITH THE GOT OVER THE DRAFT ACTION PLAN AND THE NECESSARY BUDGET REVISIONS. COUNTERSIGNED PIL 24 OF MAY 17, 1989 (ATTACHMENT 10) HAD ALREADY ALERTED THE GOT THAT DOLS 1 MILLION WERE TO BE USED FOR THE ACTION PLAN ONCE THE PL 480 TITLE I AGREEMENT HAD BEEN SIGNED, THUS THE GOT WAS AWARE OF AND AGREED TO THIS IDEA WELL IN ADVANCE.

PAGE 12: QUOTE AS A RESULT.... THE PROJECT TO DEVELOP ALL 30 SITES. UNQUOTE IT SHOULD BE NOTED THAT PIL 24 CLEARLY STATED THAT THE PL 480 FUNDS WERE TO BE USED INSTEAD OF PROJECT FUNDS TO COMPLETE THE ORIGINAL NUMBER OF WELLS PROPOSED. THE GOT COUNTERSIGNED PIL 24 WHICH DESCRIBES THE PLANNED REDUCTION BY DOL 1 MILLION OF CONSTRUCTION FUNDS, AFTER A MID-TERM EVALUATION INDICATED THAT THE PROJECT ALREADY DID NOT HAVE SUFFICIENT FUNDS FOR CONSTRUCTION, ESTABLISHES THAT THE PROJECT COULD NOT PAY FOR 30 SITES. SUBSEQUENT NEGOTIATIONS, CULMINATING IN PIL 31 WHICH INCLUDES REDUCED BUDGET FOR CONSTRUCTION CONFIRM MUTUAL UNDERSTANDINGS AND EXPECTATIONS ABOUT WELL CONSTRUCTION.

THE MISSION HOPES THAT WE HAVE BEEN ABLE TO PROVIDE SUFFICIENT CLARIFICATION ON SPECIFIC ASPECTS OF THE PROJECT DISCUSSED IN THE AUDITORS' REPORT AND THAT THE ACTIONS PROPOSED TO RESOLVE THE AUDIT ARE SATISFACTORY. PLEASE CONTACT US IF FURTHER INFORMATION IS NEEDED. ALL ATTACHMENTS CITED IN THIS CABLE ARE BEING FORWARDED BY RAPID POST.

DRAFT PM:DPUTMAN, APPROVAL DIR:GCARNER. PELLETREAU##

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