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BY THE COMPTROLLER GENERAL

# Report To The Congress

## OF THE UNITED STATES

### AID Slow In Dealing With Project Planning And Implementation Problems

During the past, GAO and internal AID officials have made a number of recommendations to improve management of the Agency for International Development-administered programs that are aimed at improving the way of life in developing countries. This report shows that past problems continue.

AID needs to improve its planning and monitoring of project procurement and implementation and to take a more aggressive role in managing project commodity acquisition.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

In past reports, we have identified weaknesses in the Agency for International Development project management process. This report shows that problems in implementing projects in developing countries continue. AID needs to improve the planning of project implementation at the design stage, the monitoring of projects as they are being carried out, and to take a more aggressive role in managing project commodity acquisition.

Copies of this report are being sent to the Director, Office of Management and Budget; the Director, International Development Cooperation Agency; and to the Administrator, Agency for International Development.

A handwritten signature in cursive script, reading "Milton J. Eisenhower".

Acting Comptroller General  
of the United States



D I G E S T

The Agency for International Development (AID) finances hundreds of millions of dollars annually in project commodities for developing countries. Past problems in planning procurements and monitoring project implementation still exist.

Despite repeated recommendations by GAO and others, including AID management teams, to improve project monitoring effectiveness, (1) project milestones are still not being met effectively and (2) identified management problems are not being attended to promptly. (See ch. 2.)

Delays in ordering and receiving project commodities occur because AID management has not adequately planned procurements, project officers are not adequately trained in procurement and supply management matters, and AID has not issued clear instructions on project implementation. (See ch. 3.)

Unnecessary procurement costs are incurred because AID does not have information on the total amount and the types of commodities purchased for financed projects. As a result AID is not able to obtain the benefits associated with the standardization of items used on projects and the consolidation and advance purchase of selected common-use commodities.

For some types of commodities, GAO identified uneconomical expenditures in excess of \$600,000 that could have been avoided through closer management of commodity procurement. (See ch. 4.)

AID officials recognize the problems. However, action to improve planning and project

monitoring has been slow. GAO, therefore, recommends that the Administrator of AID

- assure that the geographic bureaus increase efforts for finding solutions to problems that continue to inhibit the process of delivering economic assistance to developing countries, and assure that studies undertaken for that purpose produce usable products;
- direct those responsible for agencywide coordination to follow up on such efforts, including speedy issuance of adequate monitoring guidance; (see p. 18.)
- reemphasize the need for adequate project planning, including development of time-phased procurement plans and schedules, at the earliest possible stage in the project design process in clear and explicit guidance to AID personnel responsible for project design and approval; (see p. 38.)
- establish a procedure to assure that AID project officers going overseas receive mandatory training in procurement, contracting, and supply-management matters;
- require full use, during the project design stage, of AID personnel already trained in procurement, contracting, and supply-management matters; (see p. 39.)
- establish an accounting and reporting system that includes systematic collection and analysis of information on project commodities for commodity-management purposes;
- authorize pilot experiments for seeking more prudent and economical procurements of AID-financed commodities through wider application of recognized procurement principles; and
- enforce appropriate price checks of project commodity purchases. (See p. 54.)

## AGENCY COMMENTS

The AID Administrator agreed with GAO recommendations for improved monitoring of projects and for better planning of project implementation at the project design stage. Some action is underway to issue clear and definitive guidance to AID project managers, but target dates have not been established for all actions promised.

AID officials did not concur with GAO recommendations for improvements in managing procurement of selected project commodities. (See app. I.) GAO believes that economies in project commodity procurements are possible through closer management of certain items.

AID provided detailed comments on specific issues discussed in the report. GAO considered these comments and revised the report as appropriate.





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#### ABBREVIATIONS

AG	Auditor General
AID	Agency for International Development
GSA	General Services Administration
OAS	AID Operations Appraisal Staff

## CHAPTER 1

### INTRODUCTION

In the past few years, we issued several reports which noted slow delivery of assistance to developing countries and costly procurement practices attributable to weaknesses in the Agency for International Development (AID) management of development assistance projects. Similar problems have been repeatedly identified by the AID Auditor General (AG) and reported to AID management.

A principal means by which AID helps developing countries in their economic-social development is the financing of equipment, materials, furniture, supplies, vehicles, and other goods, generally referred to as commodities. Commodity expenditures represent a significant part of AID-financed projects--estimated at hundreds of millions of dollars annually. Most development assistance projects involve procurement of commodities.

### THE PROCESS OF ECONOMIC ASSISTANCE ACTIVITIES AND AID RESPONSIBILITIES

U.S. bilateral economic assistance is divided into two major categories--development assistance and security supporting assistance. AID's process for planning and carrying out economic assistance activities generally begins with the identification of a development problem to be addressed. Alternatives are considered and a preferred alternative is selected. A Project Identification Document is prepared to present project ideas and issues to AID/Washington. If approved, project feasibility is further explored and a project paper is prepared. The project paper is to provide a detailed description of the project, a clear definition of the responsibility of AID and other participants, and a plan for implementation.

The project paper is prepared in close formal cooperation with host-country counterpart staff. Particularly, the implementation planning portion of the project paper should reflect considerable preplanning by AID and the recipient in developing a detailed plan for implementation.

The project paper undergoes a critical review by the responsible geographic bureau before approval. If it is approved, it signifies that the project is ready to be implemented.

After the project paper is approved and AID funds are made available, a Project Agreement with the host country is signed. The agreement establishes the framework of rules for implementation--the carrying out of the project to completion; terms and conditions under which assistance will be provided; and covenants made by the host country. The signing of the project agreement signals the formal start of the project implementation. Periodically during the implementation process, projects are evaluated against objectives.

AID is responsible, in collaboration with the host country, for project design which includes implementation planning. It is AID policy that the countries it assists should undertake the implementation of their development assistance programs. AID policy is, therefore, one of preference that the procurement of AID-financed project goods and services (required to implement bilateral project agreements) be undertaken by the host country, rather than by AID, to the extent AID has determined that it has the capacity to do so. AID retains the responsibility, however, for monitoring the implementation process, and considers implementation and monitoring as separate responsibilities.

This report describes the activities that pertain to the preparation of the project implementation plans under the project design stage, procurement of commodities during the project implementation stage, and monitoring of project implementation.

#### SCOPE AND METHODOLOGY OF REVIEW

We reviewed legislation and congressional committee reports pertinent to AID responsibilities in implementing U.S. foreign assistance programs. We reviewed policies and procedures applicable to procurement of project-related commodities, AG reports describing problems in implementing projects, and held discussions with AID officials in Washington.

From May through September 1979, we visited AID missions in Bolivia, the Dominican Republic, Panama, Kenya and the Philippines. At these locations, we reviewed selected project files and talked with appropriate U.S. and host-country officials. We did not visit Tanzania but requested that the AG office in Kenya expand its ongoing review of selected AID projects in Tanzania to examine specific management areas of mutual interest and usefulness in our review.

Our work was directed primarily toward (1) identifying problems and constraints facing the success of implementing AID-financed economic assistance projects and (2) examining

AID implementation of selected recommendations for improving project management contained in prior audit reports.

The methodology used in analyzing AID's performance in project implementation and monitoring was as follows:

- Examination of AID policy and procedures for implementing economic assistance projects.
- Examination of selected projects in Africa, Asia, and Latin America which were in the implementation stage.
- Determination of problems that had occurred and the causes.
- Determination of what AID could have done but did not do, to expedite implementation.
- Examination of AID procedures and practices for procurement of AID-financed commodities.
- Assessment of corrective action that should be taken to help avoid the problems found.

## CHAPTER 2

### AID EFFORTS TO OVERCOME IMPLEMENTATION PROBLEMS

#### HAVE BEEN INEFFECTIVE

Despite our recommendations to improve the management of project implementation, AID field personnel are not doing enough to assure that project milestones are met and that identified implementation problems are corrected promptly. AID management has been aware of these problems. However, AID efforts to find solutions to the problems that hinder effective delivery of economic assistance have not been successful. To speed up the development pace and to avoid wasteful expenditures for unneeded and unsuitable equipment, AID management needs to devote more attention to project implementation and to issue adequate guidance to personnel involved in project oversight.

#### OUR PRIOR RECOMMENDATIONS FOR IMPROVING PROJECT MANAGEMENT

In our report to the Congress,<sup>1/</sup> we identified problems AID was having when delivering its assistance in accordance with the timetables set forth in project plans, and cited examples where the assistance provided was not effectively used. We stated that

- the slow arrival of U.S.-financed equipment, supplies and experts had a negative impact on development progress;
- inadequate management attention to implementation planning, contracting for supplies and equipment, recruiting technical specialists, and monitoring and evaluating projects has contributed to the slow development pace;
- in one country AID financed a \$1-million engineering study which the country did not want.

In that report, we recommended that the Administrator, AID require that its African Bureau and the U.S. Missions in the Sahel place increased emphasis on the implementation phase of the project assistance cycle. Significant management improvements can be achieved by insuring that more management attention is given to implementation planning, contracting for

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<sup>1/</sup>"U.S. Development Assistance to the Sahel--Progress and Problems," ID-79-9, March 29, 1979.

supplies and equipment, recruiting technical specialists, and placing increased emphasis on monitoring and evaluating projects.

In a report to the AID Administrator,<sup>1/</sup> we stated that AID has taken some positive actions on recommendations we made in the previous report.<sup>2/</sup>

In our 1978 report, we had recommended that the AID Administrator

--closely monitor the implementation of his October 1977 directive to insure corrective action; and

--take actions to eliminate the weaknesses discussed in our report, particularly those relating to AID contract and grant monitoring.

As a result of a 1977 AID review of contracts and grants, the Administrator issued instructions to Assistant Administrators and heads of offices entitled "Actions to Improve Contracting and Grant Processes Directly Executed by AID." These instructions specified actions needed in several contract management areas to insure

--compliance with project management guidelines requiring well thought out procurement plans and schedules as part of the project design and approval process; and

--availability of qualified contracting specialists to give advice about procurement planning and to carry out the procurement process and execute contracts and grants.

In our 1979 report, we noted improvements in the management of contracts and grants AID awarded. For example, we observed that AID is attempting to follow established guidelines for procurement planning, scheduling, monitoring, and evaluating contractor performance. However, orientation and training in contract and grant procedures for mission

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<sup>1/</sup>"Efforts to Improve Management of U.S. Foreign Aid--Changes Made and Changes Needed", ID-79-14, March 29, 1979.

<sup>2/</sup>"Need to Improve AID's Project Management and Contracting Practices and Procedures", ID-78-22, March 14, 1978.

project officers was not reaching nonprocurement personnel at all overseas missions. As a result of these continuing weaknesses, we recommended that the AID Administrator intensify training for project officers in the overseas missions to assure that contract and grant procedures can be properly applied.

In another report to the Chairman, Senate Appropriations Subcommittee on Foreign Operations,<sup>1/</sup> we reported instances of inadequate contract monitoring which led to unnecessary expenditures and products that could not be used. We concluded that AID needed to exercise a greater degree of surveillance over contractors performing studies to assure that the information purchased could be used in the form provided. We recommended that the AID Administrator take action to assure appropriate surveillance over contractor activities.

#### INADEQUATE MONITORING OF PROJECT IMPLEMENTATION CONTINUES

AID has a responsibility to monitor the implementation of AID-funded projects. This responsibility requires that AID personnel both in the field and in Washington, devote most of their time in assisting the host government solve implementation problems. Greater reliance on host-government implementation of AID-financed projects does not reduce the agency's responsibility to assure efficient utilization of AID resources. Missions and bureaus must, therefore, exercise adequate oversight over AID-financed activities.

Although corrective action to our prior recommendations for improving project surveillance had been promised, our fieldwork showed that inadequate monitoring of project implementation continued to be a problem. The following examples illustrate this point.

#### Bolivia

In 1976, the Government of Bolivia, the borrower of an AID agricultural sector loan, ordered 35 vehicles for delivery in July 1977. Bids from prospective suppliers were opened in August 1976, offering a 90-day price validity period for the

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<sup>1/</sup>"Agency for International Development Needs to Strengthen Its Management of Study, Research, and Evaluation Activities," (ID-79-13, Feb. 12, 1979).



1977 model vehicles. The award for \$301,116 was made to a U.S. supplier on December 20, 1976--nearly a month after the price validity had expired.

A letter of commitment for this purchase was opened with a bank on January 6, 1977. In May 1977, the host country and the AID mission learned that the supplier, not having been notified of the letter of commitment until April 7, 1977, was not honoring the contract because the price validity period had expired and prices of the 35 vehicles had increased by \$40,000. In December 1977--7 months later--the letter of commitment was amended to cover the price increase, effective through March 31, 1978.

Mission project files contained no evidence showing that AID made any attempt to monitor the procurement between December 1977 and March 1978. The host country expressed its intention to cancel the letter of commitment, and the mission requested AID/Washington on March 30, 1978--one day before the letter of commitment expired--to ascertain the status of the vehicles. The supplier notified AID in April 1978 that the \$40,000 increase applied to 1977 models, which were no longer available when the letter of commitment was amended. In May 1978, the host country advised AID that it had decided to cancel the contract with the supplier. In January 1979--8 months later--a contract with a new supplier was awarded for 35 model year 1979 vehicles at a cost of \$352,940.

AID's failure to closely monitor this transaction contributed to the delay of about 2 years in receiving the vehicles and increased the cost of the project by about \$52,000.

### Tanzania

In 1979, the AID AG reviewed, at our request, the implementation of several projects in Tanzania. It was found that project officer oversight has been inadequate and the mission failed to document and perform important monitoring activities.

The auditors found that few field trips to project sites were made by project officers in 1978 and 1979 due to a lack of usable vehicles and time. Such trips can help assure that key commodities have been delivered and are operational, and the projects are implemented in accordance with established schedules. In our opinion, a better knowledge of field activities and conditions may have prevented or alleviated problems such as allowing farm machinery to remain inoperable for extended periods. For example, a disc harrow delivered in 1976 without its parts, was still inoperable in 1979, and

no record of followup for the missing parts could be found. A tractor delivered without the wheels in the summer of 1978 was still without them in the summer of 1979.

Another monitoring problem was that project files did not contain important documentation such as purchase orders, inspection and receiving reports, and insurance claims. This had made it difficult for project managers to verify whether various project requirements have been completed. In one case, lack of procurement and receiving records prevented the mission from determining the amount of barbed wire stolen from a project site. In another case, mission personnel could not locate insurance claims for lost or damaged commodities.

Also it was found that few meetings were being held between Tanzania Government officials and AID mission middle management officials. Meetings with host-government officials were usually left up to the contractors. Most project officers agreed that they did not have sufficient contact with Tanzania Government project personnel. More frequent contact with the host government might have prevented such problems as neglecting to plan warehouse facilities for over \$1.6 million worth of commodities for the Arusha planning and village-development project.

The AG auditors concluded that project monitoring should improve with a recently approved mission staff increase and new mission guidelines on project management responsibilities. The mission officials stated that more up-to-date guidance on project monitoring from AID/Washington would also help.

#### Barbados and Jamaica

Poor monitoring of project implementation was also reported by the AID AG in September 1979. The contractor for an integrated regional development project in Barbados imported approximately \$35,000 worth of project commodities that were not eligible for loan financing because they did not meet the source and origin requirements of the loan agreement. Neither the contractor nor the project consultant had an explanation for why this happened.

The AG found that this situation could also occur in the same project in Jamaica where the contractor had requested price quotations for certain project commodities from an ineligible source. A list of all goods to be imported for the project showing their source and origin was requested from the implementing agency's project manager but was never provided.

The project consultant had primary responsibility for assuring that goods and services procured for the project meet source and origin requirements. However, prior to placing orders for commodities, the consultant had not established such procedures. No commodities had been imported at the time of the audit because the contractor was having problems obtaining import licenses and foreign exchange authorizations. The consultant told the auditors that he would require the contractor to provide a source and origin certificate before the final order for commodities is placed.

The auditors found that AID staff had continuously advised the host country on AID procurement policies and procedures. Despite this, the contractor has been procuring ineligible commodities and the consultant has not been checking on the contractor to assure that source and origin requirements are met. No evidence was provided regarding AID actions to assure that its personnel have exercised their monitoring responsibilities.

According to the AG, the loan agreement and construction and consultant contracts do not require the host country, contractor, or consultant to certify or report back to AID that the procurement provisions are being followed. AID advised the AG that it is requesting the implementing agency to certify in quarterly reports that source and origin requirements of the loan have been met.

#### Panama

The Government of Panama (borrower of an AID education sector loan) issued an invitation for bid in 1977 for equipment and materials valued at approximately \$626,000. The bid was reissued, with AID approval, for international procurements through agents or business representatives in Panama.

The AID AG's sample test of manufacturers' labels showed that \$82,698 worth of commodities procured were obtained from ineligible sources. No waivers had been requested or obtained from AID to purchase these commodities. The mission had reimbursed the Panamanian Government on the basis of certification that the commodities were procured from eligible sources.

In December 1979, mission personnel verified the items received and found that about \$63,000 were obtained from ineligible sources. We were advised that funding has been withdrawn for the ineligible amount. AID pointed out that it does not have sufficient personnel to monitor all planned commodity procurements prior to actual purchase, but has an

extensive system of auditing which in this case, as well as in the case of Barbados and Jamaica, described on pages 8 and 9, identified the problem.

We recognize that AID may have personnel shortages. However, in our view, auditing is not a substitute for adequate monitoring of project implementation. AID procedures were specifically established to prevent authorization and purchase of ineligible commodities so as to avoid improper expenditures by the United States and the host country.

Another example of inadequate AID monitoring of projects in Panama involves a rural health delivery systems project. The project paper called for the construction of 225 health posts, 14 health subcenters, and 4 health centers, beginning in July 1977. According to the implementation plan, 10 percent of these facilities were to be constructed, staffed, equipped, and functioning by the end of 1977; 40 percent by the end of 1978; 70 percent by the end of 1979; and 100 percent by the end of 1980.

AID's monitoring of this project was inadequate. There was little evidence that AID took aggressive actions to assist the host government in getting the project started. Other actions were taken late. Construction did not begin until February 1978--7 months late. The delay was caused by difficulties experienced by the implementing agency in preparing a construction plan.

According to the project manager, progress of the construction has been slow because the agency did not have the capacity or resources to undertake such a massive project. Yet, AID did not take action until 1978 when it suggested that the agency hire an engineering consultant which was done in November 1978. The project manager said that positive results of the consultant's work were felt by early 1979. Nevertheless, as of September 1979, only 20 percent of the buildings were at or near completion, far short of the 70-percent goal to be reached by the end of 1979. We believe that closer AID monitoring and more timely assistance would have resulted in better construction progress.

#### Inadequate monitoring of host-country and contractor procurements

Another area where inadequate project oversight occurs is the procurement of goods and services performed by host countries and contractors. Most large AID-financed projects are implemented by the host countries under arrangements with a prime contractor which may be a commercial firm, a university, or a foundation. Some of these contractors subcontract the

procurement function to other firms. AID does not maintain complete and readily available information on these procurements. One AID official estimated that about 90 percent of all project procurement is done by contractors and host countries.

We found during fieldwork that mission personnel have difficulty monitoring host-country and contractor procurement. Project officers often did not have purchase orders and pertinent status reports in project files. We were told that missions try to monitor procurement transactions but so many contractors are involved that it is difficult to track the procurement.

In 1976, the AID AG raised questions about the performance of such contractors and subcontractors and indicated its intention to examine the entire field of nonagency procurement as part of a separate study to include many universities AID has funded. Others in AID have also questioned whether or not these contractors are handling the project procurement in conformity with AID regulations.

The AG informed us in December 1979 that a comprehensive audit of contractor procurements had not been undertaken but some procurement transactions by contractors and host countries are reviewed during AG audits of individual projects.

Adequate monitoring of host-country and contractor procurement is also important from the standpoint of AID mission review accompanying the administrative approval of vouchers submitted for payment. AID directives define the approval of vouchers to indicate AID project officer's satisfaction that the services and commodities have, in fact, been performed and delivered in accordance with the contract.

In 1979, the AG raised serious questions regarding adequacy of internal controls over host-country contracting to prevent fraud and erroneous payment. For example, it noted that:

- Host countries generally fail to audit cost reimbursable contracts.
- AID's post audit of commodity transactions is not done adequately.
- AID project officers are not required to review vouchers covering payments of commodities financed under the bank letter of commitment which is one method used by AID for making payments to

contractors. It is estimated that AID spends \$1.4 million annually on bank letters of commitment.

--Contractors' progress reports are incomplete and untimely.

AID EFFORTS TO OVERCOME  
IMPLEMENTATION PROBLEMS NOT SUCCESSFUL

AID management has, from time to time, devoted attention to improving project management because of repeated AID internal reports and because our reports stated that difficulties occur during the project implementation phase of delivering development assistance. Several recent AID studies and surveys, both in-house and by contractors, dealing with project implementation problems and their solutions are described below.

Constraints on project  
implementation (Wing Study)

In October 1978, the Administrator of AID directed personnel in the Office of the Executive Secretary to study agency-wide the project implementation phase of the resource-transfer process in an effort to identify and remove the constraints inhibiting project implementation.

AID's Bureaus, Offices, and Missions were asked to identify the five most severe constraints on project implementation. Our review of responses disclosed that concerns expressed most frequently were

- the absence of project implementation guidance;
- the lack of and/or inadequate procurement planning;
- the lack of timely procurement actions and consequent delay in the arrival of commodities;
- overemphasis on project design, obligating funds, and authorizing new projects with insufficient emphasis on project implementation; and
- inadequate project management and backstopping.

AID officials informed us that this study was never formally completed due to lack of followup. No systematic or comprehensive action recommendations were produced by this

management review. Some of the suggestions by geographic bureaus and overseas missions are being considered by AID in revising some project management procedures to achieve reduced workloads for mission personnel so they could devote more time to project implementation and monitoring. The decision to change portions of guidelines has delayed issuance of completely revised guidelines on project implementation responsibilities and actions, particularly those related to procurement planning, contracting, and monitoring.

Review of the application of the  
host-country contracting mode

In 1978, the AID AG conducted an audit in 10 countries to assess the effectiveness of AID's policy that contracting for the procurement of AID-financed project goods and services be undertaken by the host country rather than AID. The AG report dated May 18, 1979, showed that application of this policy has had an adverse effect on project implementation and control in nine of the ten countries reviewed.

The AG made 13 recommendations to various AID management officials, including one to the AID Administrator that a review of the policy be undertaken with a view to possible revisions clarifying field mission responsibility. The AG found that the policy, as now worded, often has had the effect of forcing AID missions into use of the host-country contracting method when the appropriate conditions did not exist.

The AID Administrator determined that AID should maintain its existing policy. A revised policy statement was issued on August 27, 1979, moderating the language in the policy to avoid the inference that missions must use the host-country contracting method in most cases. The revision (1) emphasizes the preference that procurement of project goods and services be done by the host country and (2) deletes the requirement that exceptions to the preferred policy be made sparingly.

Another finding was that the missions were not making adequate assessments of the host-country's ability to select, award, and administer contracts with local and foreign firms. The AG recommended that oversight controls be established to ensure that assessments are made and included in the project papers.

Also, it was noted that AID missions failed to assure receipt of contractor progress reports that would serve as an effective tool for monitoring project activities. Moreover, borrowers did not document actions taken to correct

problems identified. The AG recommended that the geographic bureaus take action to assure that missions receive timely, detailed progress reports from host countries and contractors.

In February 1980, the AG was reviewing the responses from AID bureaus and offices on these recommendations and assessing the adequacy of action proposed.

#### Operations Appraisal Staff (OAS) studies

Over the years, numerous reports by OAS have described project implementation problems. Among the recurring themes and conclusions that were summarized in a paper dated March 29, 1979, several dealt with project design and implementation. OAS observed that because of the relative importance assigned to obtaining and obligating funds, project implementation and evaluation tended to suffer. Delays in recruiting contractors, inadequate preparation and backstopping of contract teams, and AID's failure to effectively evaluate contractor performance have all contributed to implementation problems, as AID has continued to rely increasingly on contractors.

An example of specific implementation problems identified by OAS in African countries is its draft report, "Appraisal of Africa Programs and Operations," dated July 5, 1977. OAS observed that project delays can be traced to inadequate planning for procurement, that precise specifications and clear instructions to suppliers are essential, and new methods should be sought to minimize delays in shipping commodities, such as prepositioning and advance procurement of standard, common-use items.

Because the OAS function was abolished during our review, we were unable to obtain data that would identify actions taken on OAS recommendations.

#### Other studies of project problems in Africa

Several studies have dealt with logistical support problems that often affect implementation of projects in Africa. In June 1978, AID awarded a \$138,000 contract to WIST International Development Corporation for a comprehensive survey of logistical support capabilities and facilities in 16 African countries. The contractor was to submit recommendations for meeting logistical support needs of AID-financed activities.



The WIST survey report in November 1978 pointed out that:

- Countries surveyed consistently lacked capability and/or professional competence to provide logistical services to AID's programs.
- Host countries generally lacked implementation management, technical resources, and plans for support of projects.
- There was a general lack of standardization of common-use equipment, supplies, and vehicles used by contractors.

The survey report recommended that AID contract for logistical services in Africa on a regional, national, or possibly Africa-wide basis. AID review of the survey report concluded that the report was too vague, and lacked analysis on which to make basic decisions. AID did not accept the report's recommendation primarily because (1) the cost was considered prohibitive, (2) problems of operating from regional support centers were well known to AID, and (3) it lacked direct hire personnel to oversee such operation.

Having received no acceptable recommendations from the WIST study, AID sent a representative in 1979 to 11 African countries to discuss logistical support problems and to identify solutions for obtaining the most efficient logistical support possible for AID missions in Africa. The problems for each country were analyzed to specifically identify what logistical support capability exists and what was required for improved project implementation. In February 1980, AID advised us that discussions were still underway to find effective ways for solving the problems that have been identified.

#### LACK OF MANAGEMENT EMPHASIS ON PROJECT IMPLEMENTATION

Among the factors that have contributed to the inadequate monitoring of project implementation and lack of corrective action in this area are AID's

- ineffective followup and coordination of the activities dealing with implementation problems and
- delay in issuing adequate guidance on project oversight.

Discussions with various AID officials in the field and Washington as well as review of documents showed that AID management places too much emphasis on project development, design, and authorization without an appropriate emphasis on project implementation. Numerous AID reports and AID missions have expressed the belief that overemphasis on designing and authorizing new projects is a severe constraint inhibiting project implementation. This has been borne out by our review. In chapter 3, we describe instances where poor procurement planning led to delays in achieving project objectives.

AID's inability to overcome implementation problems is also attributable to its decentralized operation and responsibility. Project design and implementation monitoring is the responsibility of the geographic bureaus. Much of these activities are carried out at the mission level. When problems are surfaced, the bureaus and their missions are to solve them.

Although delays in ordering and receiving project commodities occur in projects carried out by all geographic bureaus, we found that there is no concentrated, agencywide effort to resolve problems of similar nature. Agency officials told us that no AID office has specifically followed up on agencywide implementation problems. Even when studies are undertaken at the Agency Administrator's level, the results are not always productive.

The Bureau for Program and Policy Coordination is responsible for identifying and analyzing problems requiring management attention. However, this bureau has not aggressively exercised this responsibility and has not effectively followed up on agencywide problems identified in various studies, such as the Wing and OAS studies.

The lack of emphasis on project implementation is further illustrated by the inordinate delays in issuing guidance to project officers responsible for monitoring project implementation. Although monitoring guidelines have been under consideration by the Bureau for Program and Policy Coordination since 1975, the procedures have not been issued. A revision of AID Handbook 3 containing guidance on project implementation was drafted in mid-1979 but it had not been issued as of May 1980. AID officials told us that the revision will, for the first time, provide guidance on monitoring the process of project implementation.

In August 1979, AID announced it had selected EMAY Corporation (formerly Mariscal and Company) to produce a comprehensive guidebook entitled "Project Manager and Project

Support Officer Guidebook for Management of Direct AID Contracts, Grants and Cooperative Agreements." This guidebook includes guidance on project monitoring but it does not address project officer responsibilities on host-country implemented projects. It had not been issued as of May 1980.

Lack of adequate guidance to project officers responsible for monitoring the process of project implementation has been acknowledged to contribute to the various problems disclosed by our review. In Tanzania, lack of adequate guidance on project oversight had become such a problem that the mission issued guidelines in August 1979 to assist project officers in carrying out their management responsibilities.

The Tanzania mission's guidelines outline responsibilities for oversight of major implementation actions and monitoring the project's efficiency and effectiveness in a manner that would satisfy AID auditors, evaluators, and managers. These guidelines could have potential application in other missions.

#### CONCLUSIONS AND RECOMMENDATIONS

AID management has been fully aware that a variety of problems during the project implementation stage continue to delay the effective delivery of development assistance to developing countries. Despite this knowledge, AID's efforts to follow up on reported problems in project planning and implementation have not produced measurable improvements and have not resulted in a comprehensive approach for finding solutions. Moreover, AID has not established an effective framework for corrective action and has not assured itself that followup efforts result in usable products.

Also, progress in establishing adequate guidance to AID personnel responsible for monitoring project implementation has been slow despite the fact that over the years missions have continually brought the lack of such guidance to the attention of AID management. Adequate knowledge of the progress of project implementation is essential for meeting project milestones, identifying problems hampering delivery of economic assistance, and taking action to correct such problems. It is particularly important to adequately monitor the activities of host countries and contractors because AID internal controls and oversight in this area have been found to be weak. The procedural and management weaknesses--lack of adequate audit of contracts and procurement transactions by AID and host countries, lack of adequate contractor

progress reporting, and inadequate monitoring of project implementation--lessen the prospect of detecting waste, fraud, and improper payments.

We believe that AID has not given proper attention to project implementation and has not adequately acted on recommendations for corrective action. We also believe that under AID's decentralized operations and responsibility, there is a need to exercise more aggressively the management responsibility for coordinating agencywide efforts to solve the numerous and repetitious problems in project implementation.

Accordingly, we recommend that the Administrator, AID

- assure that the geographic bureaus increase efforts for finding solutions to problems that continue to inhibit the process of delivering economic assistance to developing countries and assure that studies undertaken for that purpose produce usable products; and
- direct those responsible for agencywide coordination to follow up on such efforts, including speedy issuance of adequate monitoring guidance.

#### AGENCY COMMENTS AND OUR EVALUATION

AID agreed that there is a need for improved monitoring of projects as they are being carried out. The AID Administrator stated that improved monitoring of project implementation could not be achieved without clear and definitive guidance to AID staff and that the following actions are underway.

- An entirely new guidance document, a handbook for project officers, prepared specifically for staff who monitor direct AID contracts and grants is undergoing final revision to incorporate worldwide comments and should be published early in summer 1980.
- AID intends next to prepare a companion handbook for project officers dealing with host-country contracts.

For many years, AID staff has been without guidance on how to carry out their assigned responsibilities in monitoring the process of project implementation. It has taken AID a long time to act on preparing guidance for the direct AID contracts and grants. Host-country contracting is an even

more significant project activity because AID, in recent years, has relied increasingly on host-country implementation of AID-financed projects. AID retains the responsibility for monitoring the implementation process but has never issued procedures for this important area of responsibility.

Inadequate project oversight of host-country and contractor procurement has been noted and reported to AID management over the last few years. As described on pages 10 through 12 of this report, mission personnel have had difficulties monitoring such procurements, and serious questions have been raised regarding adequacy of internal controls in this area.

The action underway and promised in issuing monitoring guidance to AID staff are steps in the right direction to close a serious gap in AID operating procedures. When implemented and if consistently applied, these actions should improve AID's ability to more effectively use its limited resources in monitoring project implementation. We note, however, that the Administrator did not indicate when action will be initiated in the critical area of host-country contracting. In our view, AID should place priority attention to issuing monitoring guidance for host-country procurements. We intend to follow up on AID actions in this area and monitor closely the actions promised.

### CHAPTER 3

#### PROJECT IMPLEMENTATION PLANNING

##### NEEDS TO BE IMPROVED

AID's policies and procedures recognize the importance of adequately planning the implementation of delivering development assistance to developing countries. Compliance with the stated policy has been inadequate. Overseas missions, functional bureaus, and even AID top management have continually identified lack of adequate project implementation planning as a serious constraint impeding delivery of assistance. However, the geographic bureaus have not focused attention on increased compliance with the established requirements, particularly in projects implemented by the host countries. As a result, AID-funded projects suffer delays in ordering and receiving project commodities caused by inadequate and untimely implementation planning. AID needs to require stricter application of the stated policies for adequate project implementation planning, and issue more explicit guidance and improve the training of project officers involved in project design and implementation planning.

##### AID POLICIES AND PROCEDURES RECOGNIZE THE IMPORTANCE OF PROJECT IMPLEMENTATION PLANNING

It is a basic management tenet that effective achievement of program objectives cannot be done without adequate planning. AID recognizes the importance of adequate planning for U.S.-funded economic assistance projects. AID is responsible for project design, which includes implementation planning. The implementation plan which is to be submitted with the project paper, should include a project schedule showing concurrent and sequential procurement actions. AID considers procurement planning to be an essential part of the overall project implementation planning process. The purpose is to develop a detailed plan of action for coordinating the delivery of project inputs. The procurement plan is intended to serve as a major management tool in crystallizing the planning for project implementation.

The AID Handbook 3 states that AID needs to take pre-implementation actions prior to the obligation of funds if it is to reduce the time required for completing project implementation. Despite the recognized uncertainties, these actions are to be employed wherever feasible and as early in the project approval process as is practical. Every effort should be made to accomplish the following pre-implementation steps as part of the preparation of the project paper:

1. Determination of requirements in relatively broad terms.
2. Development of detailed specifications.
3. Determination of when the requirements are needed and, where appropriate, duration of need.
4. Identification of potential sources of supply.
5. Selection of implementing agent(s).
6. Identification of anticipated waivers, delegations of authority, approvals, and special provisions or clauses which will be required or desired.

AID procedures require that project papers for projects involving anticipated procurement of commodities be sent to AID's Bureau for Program and Management Services for comment on the adequacy of procurement planning. These comments are to be provided to the responsible geographic bureau for use in the project paper review.

AID overseas mission directors are responsible for determining the additional procurement processes to be undertaken. Whenever practical, missions are encouraged to develop, as early in the project paper stage as possible, a preliminary procurement plan when the proposed project contains a significant procurement element.

In February 1978, AID issued specific guidance to overseas missions for planning procurement of goods and services. This directive states that procurement planning is an essential part of the project implementation process to serve as a major management tool for enhancing project implementation and monitoring the project implementation process.

Among the major factors to be considered in preparation of procurement plans are the determination of

- the number, type, and cost of commodities proposed for procurement;
- source and origin of the commodities;
- the lead time required and the date commodities are actually required for use in the project; and
- anticipated waivers.

In recognition of the uncertainties involved in developing AID-financed projects, the differences among different countries, and complexities of the projects, AID policy contains a number of qualifiers that imply that a universal set of standards is not prescribed.

Despite AID recognition that planning is important for effective implementation of projects, problems caused by inadequate and untimely implementation planning continue.

#### EXAMPLES OF PROBLEMS CAUSED BY POOR IMPLEMENTATION PLANNING

During our fieldwork, we found numerous problems that had affected the delivery of assistance to developing countries. This section describes examples of problems that can be attributed to poor procurement planning during the project design phase. In our opinion, these cases illustrate the need to adequately plan procurements to

- minimize delays in ordering and receiving commodities and services;
- allow sufficient time for preparing procurement documentation and obtaining required approvals;
- identify waivers that may be needed in the process of obtaining the commodities; and
- enhance monitoring of project implementation.

#### The Dominican Republic

In October 1974, a project agreement for an agricultural sector loan was signed. A component of this project required about \$350,000 worth of commodities for the professional education sub-project. The project paper did not have a procurement schedule for these commodities. An October 10, 1975, project implementation letter stipulated that the host-country implementing agency is to develop a time-phased procurement plan no later than January 1976 for these commodities. In June 1976 the implementing agency submitted a list of equipment needed. In August 1976, AID contracted with a procurement specialist to review the list, make appropriate revisions, and to assist the host country in preparation of procurement specifications. The consultant proposed, and AID mission concurred with, the following procurement schedule:



September 30, 1976	Invitation for bids advertised.
December 1, 1976	Host country opens bids.
December 31, 1976	Awards made.
April 15, 1977	Start of receiving equipment, clearing customs, and sending to users.
May 15, 1977	Users arrange for installation of equipment and training of personnel in operating and maintaining the equipment.
July 1, 1977	Complete disbursement of funds for commodities.

AID approved the consultant's schedule but did not adequately evaluate its reasonableness. We were told that often it takes 6 to 8 weeks for AID to process a procurement waiver if not included in the project paper. Also, it is not unusual that shipments remain in customs for 5 months or more awaiting clearances. The schedule makes no allowance for a waiver and delays in customs, indicating that the sources of the required procurements and other factors were not adequately considered.

Our review showed that the following took place. The implementing agency issued bids for only two pieces of equipment in February 1977 but experienced problems in handling receipt of the equipment. AID decided in May 1977 to hire a procurement agent to review the equipment lists and recommend appropriate procurement action. In July 1977 a contract was signed with the same agent to carry out the procurement. In August and October 1977 AID approved the equipment lists. Invitations for bids for all remaining equipment were issued in August and September 1977. In October 1977 the agent advised the implementing agency that cost estimates prepared by the consultant were obsolete because old pricing information had been used.

The following chronology involving two transactions for equipment needed for the completion of the project illustrates the difficulties in project procurement when adequate planning is not done.

The procurement agent issued a purchase order in December 1977 for a milking machine costing \$8,576. The order stipulated delivery in 90 days. The machine was shipped in July 1978--90 days late--but remained in the host country's customs

until January 1979. In May 1979, when we visited the project site, this milking system was not operational because a minor part had not been shipped.

In January 1978, the purchasing agent advised the implementing agency that a source waiver will be needed to purchase three spectrophotometers manufactured outside the United States. AID approved such a waiver in July 1978. The purchase order in the amount of \$50,000 for this equipment was issued in September 1978 and the items were shipped in November and December 1978. In May 1979, these items had arrived and were awaiting installation.

As a result of these delays in ordering and receiving commodities and in completing construction of project components, the project disbursement date has been extended for 2 years.

### Philippines

The implementation plan of a local water development project paper allowed only 9 months for the construction of the first waterworks system providing reliable and safe water supply under the interim demonstration program. The planning did not adequately reflect the following time factors,

- the number of months required by the local water utilities administration to form a water district, and the time to perform feasibility studies, develop improvement plans, and award a construction contract;
- past experience in obtaining offshore commodities needed during the construction--sometimes up to 11 months from the issuance of the letter of credit to arrival of commodities; and
- the experience of having project commodities delayed from 2 to 4 months awaiting customs clearance.

The project agreement for the 5-year project was signed in August 1976. The implementation plan included in the project paper anticipated the issuance of letter of commitment for the first local water subproject on March 1, 1977, and for its completion by November 30, 1977. Local construction contractors were responsible for procurement of certain U.S.-made commodities necessary for construction.

In July 1979, at the time of our fieldwork, none of the first four local water subprojects had been completed. Construction work on three of these subprojects had been delayed pending the delivery of commodities such as couplings, service saddles, and valves. These items had been ordered in August and September 1978 but had not been shipped from the suppliers. Other items had arrived incountry but were awaiting customs release.

In July 1979, the AID mission informed AID/Washington that because of over-optimistic implementation schedules and delays encountered, the project completion dates will have to be extended up to 2 years.

Another example of unrealistic implementation schedule involves the Bicol secondary and feeder roads project. The implementation schedule prepared by the host country provided for the following activities to be performed during a 2-month period,

- review and acceptance by the host country and AID of detailed engineering designs, specifications, and cost estimates;
- prequalification of contractors;
- advertising and receipt of bids;
- evaluation of bids; and
- award and approval of contracts.

In our opinion, such a schedule is unrealistic and serves no useful purpose.

### Tanzania

In August 1979, AID AG, at our request, reviewed implementation of several projects in Tanzania and found that lack of adequate implementation and procurement planning led to purchase of inappropriate, incompatible and inoperable equipment. For example, a seed multiplication project, approved in 1969, required various farm equipment. The implementing contractor's representative told us that no one in the AID mission or host government was designated responsible for developing a master procurement plan. As a result, farm machinery was purchased that could not be used.

Two corn pickers that have been incountry since 1975, cannot be efficiently used because they required too much fuel so farm managers used manual labor for harvesting. Four plows purchased in 1976 were inoperable within days after delivery. According to the contractor's agricultural mechanics, the plows' specifications were not suitable for the terrain.

In 1976, three 50-horsepower tractors were purchased to tow disc harrows needing nearly twice as much horsepower. To make the tractors suitable, particularly in the higher altitude farms, turbochargers were purchased to compensate for loss of power. After AID's funding is stopped, it is unlikely the equipment can be kept operable without access to spare parts.

The grain storage and drying facilities built on two farms in 1975 and 1978 were improperly designed and need adjustment before being operationally safe. At one farm some doors were blown off their hinges when the grain dryer was first used because they were installed backwards. At both farms retrieval doors open by hinge rather than by pulley, which would control the flow of grain.

The seed testing and certification laboratory at Morogoro, under construction since 1975, was not operational as of August 1979. Uninstalled laboratory equipment is being stored on the laboratory grounds and temporary lab at the Regional Agricultural Development Offices. Much of the equipment has never been uncrated or tested. Since some of the equipment was received as early as 1975, it is unlikely shippers or suppliers would assume responsibility for damaged or otherwise nonoperable equipment.

Other examples of inadequate procurement planning involve the Arusha planning and village development project, approved in 1978. The implementing contractor's technicians are expected to arrive incountry in September 1979. The plan did not specify when orders for household appliances would have to be placed to assure the equipment would be available prior to arrival of these technicians. The AG found that the request for ordering the appliances was given to the AID mission's general services officer in August 1979. The officer said there was not sufficient lead time to order and receive the appliances by the time the technicians arrive.

On the same project, the AG found in September 1979, that there was no warehousing facilities to store and safeguard over \$1.6 million in commodities that have either been received or are on order. According to AID, warehousing needs were not considered during the project design phase and no plans for

constructing adequate facilities had been prepared. He estimated that it may take as long as 6 or more months to prepare plans and build such a facility. In September 1979, the project commodities already received were stored at various locations including the office of the Regional Development Director and technicians' residence.

In the same region, losses of project commodities have occurred due to inadequate storage facilities. Fencing equipment and barbed wire valued at \$45,000 was delivered and stored at a contractor's home. Shortly afterwards more than half of it had been stolen. In our opinion, this could happen with commodities procured for the Arusha planning and village development project.

### Kenya

Our team, while reviewing the Maternal Child Health/Family Planning project in Kenya, found in July 1979 that inadequate procurement planning had resulted in project delays. For this project, approved in 1974, the purchase of equipment for a new health education unit valued at \$386,000 was delayed for 3 years.

The project paper proposed that the equipment be ordered in September 1974. An equipment list was prepared and in February 1976, the implementing agency requested AID to purchase this equipment. AID responded that it would be unable to order the equipment in fiscal year 1976 because the original equipment list was outdated; the AID advisor working at the agency would be transferred and new arrangements for equipment installation would be needed; and the technical staff needed training in the use of the more complicated equipment. AID mission proposed to help the agency to prepare a detailed implementation plan for technical assistance and equipment.

AID evaluated the project in January 1976, acknowledged that lack of an implementation plan was one of the problems with the project, and proposed to carry out a special study for developing a detailed plan of action. Despite this knowledge, it took more than a year before a specialist for developing the detailed procurement plan was hired.

The implementing agency informed the mission in September 1976 that construction of the new health education building had begun and the arrival of equipment should coincide with building completion. The mission restated its position that the procurement of commodities would be contingent upon receiving a detailed implementation plan. It agreed, however, in February 1977 to purchase some commodities that could be immediately used.

By March 1, 1977, AID had prepared a list of initial commodities and issued an implementing order for the equipment in June 1977. The requisition for all remaining equipment was issued in September 1977 for delivery in December 1978. This last step was taken only after the host government completed an implementation plan and AID advisor prepared a detailed equipment list. The equipment began arriving in spring 1979.

The new health education building was completed in June 1977. We were informed that the health education unit would have moved to the new facility in late 1978 had the equipment been available. We found that the implementing agency was using the new building as a depot for project commodities ordered for another project. The agency planned to store the health education unit equipment in the new building uninstalled until the agency constructs an alternate warehouse for the other project commodities.

LACK OF ADEQUATE PROCUREMENT  
PLANNING ACKNOWLEDGED BY AID

During our review we found numerous instances where AID bureau and mission officials had recognized lack of adequate procurement planning as a severe constraint on the project implementation. For example, during the Wing study in late 1978, the Bureau for Program and Management Services stated that the most severe problem was the absence of project implementation guidance which resulted in lack of adequate procurement planning and lack of timely procurement actions. The Bureaus for Africa and Near East also felt that implementation plans contained in project papers are generally inadequate and suffer from inadequate emphasis during project design stage.

In June 1978, the Administrator was advised that although some improvement has been noted with respect to including well thought out procurement plans and schedules in project papers, more needs to be done. One of the significant actions that had to be taken, was incorporation of procurement and planning guidelines issued in February 1978 in appropriate handbooks to insure that procurement planning is done as part of the overall project implementation planning process. As of February 1980, this has not been done.

Various AID officials knowledgeable in procurement and supply management told us during our review that they felt compliance with procurement planning guidelines had noticeably improved but was still inadequate. One official stated that

procurement plans are not included in all project papers making it difficult to order the required commodities. Others said that procurement plans often are not useful because they lack specific information, are incomplete and unrealistic, and are prepared after the project agreement is signed rather than during the project design and approval phase.

An AID official with considerable experience in project procurement area told us that the absence of or incomplete procurement plans has led to poor procurement practices seriously affecting project implementation. According to an AID internal report, inadequate planning for required equipment has delayed start of project implementation ranging from 6 months to 3 years.

#### RECENTLY APPROVED PROJECT PAPERS LACK EVIDENCE OF ADEQUATE PROCUREMENT PLANNING

As stated on page 5, in our 1978 review of AID management of foreign aid activities, we found that AID was attempting to follow established guidelines for procurement planning. During our current review we tested the extent of such compliance with policies and procedures for planning project commodity procurements. We examined 23 randomly selected project papers approved by AID subsequent to July 1978.

We concentrated our efforts primarily to evaluating that portion of implementation planning pertaining to acquisition of project commodities. We looked for specific evidence showing that considerable planning has taken place to assure that the number, types, and cost of the commodities are identified and described, that they will be timely ordered, and that adequate lead times are allowed for preparation of specifications and competitive procurement documents, approval by AID and host-country authorities, and receipt of the commodities for effective use on the project.

We found that in some cases procurement planning as stated in the project papers was not of such adequacy and detail that it would be likely to minimize the kind of procurement delays and problems during the implementation phase that have occurred in the past, as described in the preceding section of this chapter. We discussed our observations on several of the project papers with officials of the AID's Office of Commodity Management having responsibility for reviewing project papers and commenting on the adequacy of procurement planning. Their responses have been incorporated in the examples that follow. Other AID officials' views on procurement planning are described on pages 32 through 34.

## Sri Lanka

A water management project involving a \$9.8 million loan and grant was approved in July 1979. About \$4 million was planned for the procurement of commodities and equipment scheduled for delivery beginning in August 1980. The implementation schedule provided that invitations for bids for these items will be issued in November 1979, with bids closing in January 1980, and contracts awarded in February 1980.

The project paper contained a listing of equipment and commodities but did not include description as to specific types needed and model numbers that would be useful in expediting procurement. For example, items were listed as follows:

15	pickups/jeeps	\$125,000
1	loader and trailer	59,000
1	dozer	42,000
1	road grader	69,000
1	shop utility truck (4-wheel drive)	30,000
1	backhoe	134,000

The project paper stated that an equipment specialist is expected to arrive after the agreement is signed to assist in the final selection of initial equipment and to draft the specification for bids. Commodity management officials told us they assisted in the preparation of the procurement plan and considered it to be adequate.

In our opinion, the above descriptions of items to be procured may have been adequate for project approval purposes but more detail for project implementation purposes would be needed to assure that adequate procurement planning has been done to enhance ordering and timely receipt of the equipment.

Such detail has been provided in other project papers which appeared to follow AID policy guidance closely. For example, the procurement plans for a water resources project in Cameroon and an integrated rural development project in Mali contained detailed specifications for some commodities including trucks and construction equipment, listing the performance requirements and options desired.

## Paraguay

The project paper for the small farm crop intensification project in Paraguay was approved in August 1979. It had a very detailed project implementation plan and schedule for commodities including one refrigerated truck (\$100,000) and three



cold storage units (\$195,000). The project paper contained no details or specifications on these commodities.

The procurement schedule provided that in January 1980--6 months after the project paper was to be signed--the implementing agency and AID would

- develop specifications for the equipment and receive clearance from AID/Washington;
- solicit and receive bids;
- make the award for the truck and cold storage units;
- receive the cold storage units; and
- have the supplier ship the truck.

In our opinion, the lead times for the commodities needed are unrealistic and do not reflect adequate procurement planning. Commodity management officials stated they had reviewed the project paper and had questioned the purchase of some commodities from non-U.S. sources. AID officials agreed with our observation that the lead time for the arrival of commodities was unrealistic.

### Egypt

The project paper for the major cereals improvement project in Egypt was approved in 1979. The paper stated that implementation will be in accordance with AID procedures. AID proposed to finance \$10.8 million worth of commodities during the life of the project. The financial schedule showed that \$8.6 million was to be expended during the fiscal year 1980, including vehicles (\$3.9 million), office equipment and supplies (\$0.8 million), and laboratory equipment (\$1.5 million).

The implementation plan did not specify when the equipment and vehicles were to be ordered nor when they were required for project use. The plan showed that project technicians would be arriving during the period October 1979-October 1980. In the case that project vehicles would be required for the technicians' use, as is customary for nearly all projects, considerable procurement planning should have been done to assure timely ordering of the vehicles. The project paper states that commodity and equipment contracts shall be let competitively under host-country contracting procedures and that the project technical services contractor will

be responsible for developing specifications, evaluating bids, and recommending contract awards. According to the implementation plan, the technical services contract would be signed in September 1979 with the team leader arriving in October 1979.

In our opinion, the project paper did not contain sufficient evidence to assure AID officials approving the project that considerable procurement planning has taken place to indicate that significant amounts of commodities required for project implementation will arrive timely. AID officials have repeatedly stated that in procurement planning, one of the major considerations is the arrival of contractor personnel and commodities. Too often the contractor is ready to start project implementation but must wait for the arrival of commodities. This has resulted in AID having to pay for contractor's services during this time.

AID commodity management officials agreed that the procurement plan did not reflect when commodities were to be ordered and required. They said there was no requirement for project paper approval purposes to show the dates of ordering and arrival of commodities.

#### AID MANAGEMENT VIEWS ON PROCUREMENT PLANNING

We discussed application of AID regulations on procurement planning with appropriate AID officials and obtained varied responses. The officials primarily responsible for reviewing and approving project papers generally disagreed with our interpretation that procurement planning is AID's responsibility as part of project design and is required on all projects that include an identifiable commodity element. Other officials believed procurement planning is required but cannot be applied in the same detail on certain types of projects.

AID officials responsible for policy advised us that "it is useful" to initiate detailed procurement plans early in the project development cycle in those types of assistance where specific proposed AID contributions are known and negotiated in advance. However, they stressed it is recognized this was not always practicable and

" \* \* \*it is therefore not mandatory that procurement plans be included in the PP [project paper] except in those cases when a decision has been made during project design that AID will be doing project procurement for and on behalf of the Borrower/Grantee."

Also, these officials stated that the host country is responsible for the implementation planning of AID-financed projects that are implemented by host country.

The geographic bureau officials stated their belief that for project approval and programing decisions, procurement planning need not be as detailed as AID regulations suggest. They pointed out that AID guidelines permit exceptions to suggested procurement planning considerations and allow considerable discretion and judgment concerning which specific requirements must be met in preparing project papers. For example, one bureau stated that " \* \* \* the implementation planning section in the PP [project paper] does not, cannot and should not include detailed specifications or other procurement data."

AID officials having advisory responsibility for planning procurement of commodities and services, stated that in the area of technical assistance projects more could be done to improve the extent of early procurement planning. They believed that AID technicians designing projects often do not understand the time it takes to place orders for commodities and the logistical problems in having goods shipped to developing countries. For this reason, these officials have stressed the need for adequate procurement planning guidelines and more training of project officers in matters of procurement and contracting.

Commenting on our review of project papers, described on pages 29 through 32, the geographic bureau officials stated they believed that adequate procurement plans and supporting data were routinely included in those project papers which required such specificity. They said that the advice of AID contracting and commodity management personnel has been sought and steps taken to insure that adequate procurement planning and training of project officers have been done.

An AID AG report in 1979 disclosed that AID commodity management personnel were not involved in a significant portion of project commodity planning activities. For example, they were not involved in the planning, negotiation and implementation of procurements for two thirds of all projects having a significant commodity element that were funded in fiscal year 1978. Furthermore, commodity management officials said that not all geographic bureaus request assistance in reviewing project papers. AID procedures require such review.

We agree with the need to provide flexibility in deciding how much procurement planning is practicable for different types of economic assistance projects. We do not concur in AID's view that procurement planning for those projects having a significant commodity element has been done adequately.

The scheduling of lead time and arrival of the commodities needed for projects not only assists in assessing the time required to complete the project implementation but also conforms with AID's general guidelines and interest in achieving timely and effective procurement and delivery of project resources. Commodities such as vehicles are often the first and more critical items needed for project implementation. We believe it is appropriate to provide during the pre-implementation planning stage, some specifics on such critical project commodities.

Moreover, as shown on pages 22 through 28 of this report, the lack of planning for the scheduled arrival of commodities has a severe impact on project implementation. Determination that such planning has been done should be a part of the project review and approval process to assure that the planning has been satisfactorily completed and the project is ready to be implemented.

AID's PROJECT PERSONNEL LACK  
TRAINING IN PROCUREMENT PLANNING

Project design is an AID responsibility. The design process involves many technicians and specialists--not only AID but also implementing agency and contractor personnel. The success of preparing a project paper that conforms with sound planning principles and AID procedures depends on the degree of expertise the design personnel have in all aspects of the design phase. One reason why project papers do not have adequate procurement plans is that the personnel involved in the design process have not been adequately trained in project implementation matters.

We were told that implementation problems occur because the mission personnel lack expertise to properly estimate the time required for obtaining required commodities and services, to establish reasonable cost estimates, and to determine the feasibility of the types of commodities needed. The lack of adequate training in contracting and commodity procurement matters has been reported in several of our reports and in AG reports.

For example, the AG review on project implementation in Tanzania noted that many new project officers lack basic knowledge in procurement and supply matters. Procurement specialists stated that most project officers received no training in project implementation and monitoring prior to departure for Tanzania.

AID officials told us that training courses in contracting and procurement are given on a voluntary basis to field and Washington personnel. Efforts are made to assign field personnel to training classes when they are on home leave. Training is also given at selected missions from time to time. In the past, a course in commodity management for project support had been offered. However, this course has not been held for about 2 years and has not been reinstated.

AID officials acknowledge that implementation is the heart of AID project management cycle and are taking steps to improve AID's performance in this area. For example, AID plans to reinstate a course in project management that had been developed and offered to many AID employees in the past. This course is being revised for greater emphasis on contracting and procurement procedures.

AID geographic bureau officials told us they believe that the personnel going overseas as project officers are either already trained, or preferably, will receive on-the-job-training.

Some expertise in procurement and supply management matters is available at the AID Regional Economic Development Services Offices located in several countries. When needed, missions can obtain from them advice on specifications, waivers, procurement planning and preparation of procurement documents. We found, however, that this expertise was not always used.

For example, the AID mission in Tanzania, despite its lack of adequately trained project officers, had rarely asked the regional office to assist in procurement planning and actual procurements. Also, we were told that the AID mission in Kenya had seldom requested the assistance of the regional procurement specialists located in the same building. As stated on pages 27 and 28, procurement planning for a project in Kenya was inadequate which led to project delays.

## LACK OF GUIDANCE FOR PROJECT OFFICERS

We examined the extent that AID's lack of guidance on procurement planning constrained the process of project implementation. We found that AID management had not given serious attention to issuing definitive policy and guidelines for the procurement planning that should be part of the overall project implementation planning process although some efforts by individual bureaus and missions have been made.

For example, even though the AID Administrator was advised in June 1978 that improved procurement and planning guidelines issued in February 1978, need to be incorporated in appropriate handbooks, this had not been accomplished. After we brought this to the attention of AID management in October 1979, we were advised in December 1979 that revised guidelines for procurement planning, to be issued in the early part of 1980, will include the specific provisions of the February 1978 airgram.

The contractor that produced the project manager guidebook for direct AID contracts and grants, discussed on pages 16 and 17 of this report, observed during the course of research and interviews that the absence of detailed guidelines on project implementation is a serious deficiency and a major gap in the AID handbook system. Moreover, the contractor noted that the fact that much of the external criticism of AID focuses on implementation problems adds additional emphasis to the desirability of completing the handbook as soon as possible.

On page 16 we stated agency officials' views that AID places too much emphasis on project development and program funding and too little emphasis on project implementation. The AID AG was told by mission officials in Tanzania that AID/Washington guidance on project oversight had become outdated and that new project officers must resort to trial and error experiences. In Tanzania, the lack of adequate guidance was acknowledged to be such a problem that the mission, in collaboration with the AID Regional Economic Development Services office in Kenya, issued a comprehensive project officer handbook in September 1979 on procurement planning that outlines pre-procurement sequences, the major considerations in procurement planning and the ordering of commodities.

The Bureau for Africa has issued a series of papers dealing with recurring issues and problems encountered in the implementation of its projects. The Bureau hopes that these papers will be used as guidance or points of reference in addressing problems that confront project officers.

## CONCLUSIONS

It is AID's policy that the procurement of goods and services required to implement bilateral project agreements be undertaken by the host country so that AID could conserve its staff resources for its primary functions of planning, financing, and monitoring. The principle of host-country responsibility and initiative is reflected in AID's methodology of delivering economic assistance which provides procedural mechanisms and alternatives, as described in chapter 4, prior to AID's direct implementation of the project.

We are in general agreement with this concept and the underlying principles of the host country implementation policy as long as AID insures that the host countries are capable of and, in fact, are effectively implementing projects, and AID adequately monitors the process of project implementation. We believe AID has not adequately met these objectives.

We believe that AID needs to direct its staff resources derived from the application of the host-country concept toward a more critical review of how the project is to be implemented. This would include a more detailed description during the implementation planning process of what, when, and how things are to be done. AID applies the host-country policy as the rule rather than an exception. It is, therefore, important that AID insures, before turning the project over to the host country, that the fullest possible implementation and procurement planning has been done to enhance the likelihood that the project will be successfully implemented.

AID regulations recognize the need to prepare adequate procurement plans, to the extent practicable, as a prerequisite to successful project implementation and reduction of project completion time. We believe that compliance with the stated guidance has been inadequate. Problems caused by lack of adequate project implementation planning continue to plague AID-financed development assistance projects. Although AID management has made some efforts to strengthen the implementation planning phase, we believe AID has not fully faced the responsibility of insuring that adequate planning has taken place at the time projects are approved for funding.

AID management has been continuously made aware that lack of adequate planning seriously constrains the delivery of project assistance to developing countries. We believe that AID has not taken adequate steps to eliminate the causes of poorly designed and planned projects. These causes deal with

- lack of AID emphasis on project implementation planning;
- failure to systematically train project officers in contracting, procurement, and supply management matters;
- failure to issue clear instructions on project implementation planning; and
- failure to use available AID procurement expertise-- in the field and in Washington--in project implementation planning activities.

We recognize that additional guidance and more training of project officers is no guarantee that problems would be avoided during the project implementation process. We believe, however, that without adequate guidance and appropriate training of personnel involved in the project implementation planning process, the chance of success will be limited.

This is particularly true in those cases where, under AID stated policy, the host countries themselves implement the projects. It is widely recognized that many host countries possess limited capability to select, award, and administer contracts for goods and services. Moreover, AID has been criticized for not making adequate assessments of the host-country capability to implement AID-financed assistance projects. Recognizing these shortcomings, we believe that lack of adequate project implementation planning will only multiply the problems the host countries will face during the project implementation phase and perpetuate problems similar to those discussed in this report.

#### RECOMMENDATIONS

To provide a greater chance for delivering economic assistance to developing countries more timely and effectively, we recommend that the Administrator, AID

- reemphasize the need for adequate project implementation planning, (including development of time-phased procurement plans and schedules, at the earliest possible stage in project design process) in clear and explicit guidance to AID personnel responsible for project design and approval;



- establish a procedure to assure that AID project officers going overseas receive mandatory training in procurement, contracting, and supply management matters; and
- require full utilization, during the project design stage, of AID personnel already trained in procurement, contracting, and supply management matters.

#### AGENCY COMMENTS AND OUR EVALUATION

AID agreed that there is a need for better planning of project implementation at the project design stage. The AID Administrator said that the following actions are underway:

- A major revision of AID's central guidance on project design and implementation has been circulated throughout the headquarters and will next be sent to field missions for review and comment.
- A plan for an integrated training program for project management personnel has been drafted and is under review. This 2-week course will replace past ad hoc courses and will include instruction in project implementation principles, implementation planning, monitoring, and procurement of contract services and commodities. It will provide project officers with the much-needed background in procurement and encourage their use of the technical assistance of procurement specialists in project design.

AID did not indicate what specific changes will be made in the revised guidance and gave no target dates for its issuance or for the approval of the improved training program. AID acknowledged that clear and definitive procedures were necessary for improving the planning of project implementation and that it has taken too long to revise this guidance.

The actions taken by AID are steps in the right direction. When implemented and if consistently applied, they should help AID to more effectively use its limited resources on project implementation planning. We suggest that AID take aggressive action in issuing revised guidance and establishing an improved training program for its project officers. We intend to follow up on AID actions in this area and evaluate their adequacy.

## CHAPTER 4

### AID NEEDS INFORMATION ON PROJECT COMMODITIES FOR MORE EFFECTIVE USE OF ASSISTANCE FUNDS

AID, as a financier of project commodities, has a responsibility for assuring that economic assistance funds are spent soundly and utilized effectively. Despite the fact that a significant amount of AID funding finances procurement of project commodities, AID management does not have information on what is being purchased from what sources and at what prices.

We question whether AID can effectively and efficiently carry out its mission of delivering assistance to developing countries without information regarding the nature, quality, quantity and prices of commodities financed for projects. For some types of commodities, uneconomical purchases needlessly reduce the amount of economic assistance that can be bought with U.S. taxpayers' dollars. Based on a limited sample, we identified avoidable expenditures for project commodities in excess of \$600,000.

We believe that under AID's policy that the host countries are to implement economic assistance projects, AID has not devoted adequate attention to seeking new ways for achieving a more effective use of assistance funds. AID efforts to improve the system of project commodity procurement have not produced conclusive evidence that AID has exhausted the possibilities of achieving a more effective use of funds appropriated for economic assistance.

AID needs to improve its project financial reporting system to assist AID management in seeking more prudent and economical procurements, through the application of recognized purchasing principles such as consolidation of requirements, standardization of items needed, and consolidation and advance purchasing of key, common-use project commodities.

#### AID RESPONSIBILITIES FOR PROJECT PROCUREMENT

Annually, funds appropriated to AID for development assistance projects finance significant amounts of commodities. The overall objective of procurement is to obtain at fair and reasonable prices the proper and needed quantity of materials that are of satisfactory quality.

It is AID's policy that the procurement of commodities is the primary responsibility of the host countries. Nevertheless, as a financier of commodities, AID recognizes its responsibility to properly administer the resources provided by the Congress. AID procedures require effective utilization of AID funds consistent with good management and fiscal practices and prescribe controls and methods for assuring the best procurement options.

#### DIFFERENT OPTIONS FOR ACQUIRING PROJECT COMMODITIES

For many projects, AID expects the procurement of commodities to be an integral part of project planning and implementation. Under AID's procedures, many different options are available for selecting a purchase agent and procurement source for project commodities. AID attempts to the maximum practical extent to place the responsibility for arranging commodity procurement with the host country. When this is not possible, AID-financed commodity purchases are transacted through a qualified purchasing activity of the host country, a contractor or subcontractor, an appropriate U.S. Government organization, and as the last resort, directly through AID.

AID exercises a more centralized control over certain kinds of eligible commodities. Examples are agricultural commodities, pesticides, pharmaceuticals, and excess property. For the most part, however, commodity procurements occur without AID central control through host-country and contractor arrangements.

#### THE PROCESS OF PROJECT PROCUREMENTS

Project commodity requirements generally are determined by the host-country and contractor project staff. AID project personnel at overseas missions approve such requirements and monitor the project implementation process. They also assist host-country personnel in preparing requisitions, evaluating bids and awarding contracts, and trouble-shooting problems as they occur.

Worldwide, hundreds of projects in the AID-assisted countries are active at any one time. Almost all of them involve procurement of commodities. The process of determining requirements, preparing suitable specifications, obtaining bids,

selecting suppliers and getting the commodities to their destinations is executed by many people--not only AID personnel in the field or Washington, but also host-country, contractor, and purchasing agent personnel.

AID, as the agent for U.S. Government that is financing these purchases, has various degrees of involvement in procurement process. It ranges from AID personnel directly purchasing certain commodities to very little involvement when host-country contractors and procurement agents execute purchasing transactions.

#### AID MANAGEMENT OF PROJECT COMMODITY PROCUREMENTS

We reviewed the extent AID management has exercised its responsibility to effectively administer economic assistance funds and to finance project commodities. We concentrated our efforts on determining

- the adequacy of information on AID-financed commodities for purposes of applying good procurement principles;
- AID actions to assure that prices paid for project commodities are reasonable; and
- AID actions toward seeking new ways for reducing the time it takes to procure and receive project commodities and for more effective utilization of economic assistance funds.

We found that AID did not

- collect information on purchases for procurement management purposes;
- compare prices paid for project vehicles to assure most economical procurement options; and
- explore actively the application of procurement techniques, such as consolidation and advance purchases, standardization, and volume buys to promote economy and efficiency in project commodity procurements.

A discussion of these matters follow.

AID'S REPORTING SYSTEM DOES  
NOT IDENTIFY PROJECT COMMODITIES

A widely recognized management control principle is a systematic determination of the nature, quality, and quantity of property resources necessary to effectively and efficiently carry out assigned programs. Information regarding what is being financed with funds provided and what prices are paid for commodities is needed to determine whether economies may be possible through standardization of requirements, consolidation of purchases, volume purchases, and direct purchasing of certain items.

Because AID questions the need for and the cost effectiveness of ascertaining what is being procured, it has not established a requirement that information be collected on what is being procured from whom and at what prices. As a result, AID does not know how much is spent for project commodities in any one year. Complete records that show what commodities have been purchased are not kept. There is no single source within AID that could produce a listing of all project procurements.

AID has been aware of the absence of accurate and complete data on commodity expenditures. AID's official commodity statistics produced by its financial reporting system indicate that for fiscal year 1978 AID financed \$1.1 billion in commodities of which about \$118 million represented project commodities. A 1979 study of purchasing for AID projects in developing countries, done by AID's Office of Commodity Management, acknowledged that these statistics were inaccurate because significant amounts of AID-financed commodities are not reported. For example, excluded are commodities purchased if paid for by AID overseas missions and commodities purchased in local markets. According to this study, the statistical gap was several hundred million dollars in fiscal year 1978.

The AG reported in 1979 that AID has no management information system providing the commodity costs of all AID-financed projects. These costs account for a significant portion of AID's annual appropriations. The AG estimated the project commodities were about \$565 million in fiscal year 1978 on life-of-project basis.

AID officials believe that AID does not need information on what is being purchased for AID-financed projects because it manages these activities on a project basis rather than on a commodity basis. One AID official stated that when AID

finances projects under fixed amount reimbursement method, it is not interested in what commodities are purchased. Others pointed out that the commodities AID finances are so diverse that it is not cost effective to acquire historical information that has no bearing on what is done in the future.

AID officials advised us that over recent years, AID has explored the possibility of obtaining more complete reporting on project commodities. They said these studies concluded it would not be worth the cost to close the statistical gap. The most recent study was that of AID's disbursement information system in 1977.

We reviewed the contractor's report dated December 1977 and found it did not conclude that it was not cost effective to close the AID statistical gap. In fact, the report concluded that AID needs to close this gap and improve its disbursement information system not only to provide complete and accurate information to AID managers but also to satisfy requests for information from outside sources such as international banks, Members of Congress and other Government agencies. The report included specific recommendations for improving the reliability, credibility, and usefulness of the existing system. The recommendations were not implemented but were turned over to another contractor for consideration and potential implementation during a different study of AID's reporting and accounting system. As of January 1980, this study was still in progress.

#### AID DOES NOT COMPARE PRICES OF COMMODITIES

AID procedures state that an important consideration for all commodity procurement is commodity costs and suggest cost comparison as a useful method for determining the best procurement option. To test the extent of price comparisons, we selected a major commodity category--vehicles--which are purchased for many AID projects from many different sources including the General Services Administration (GSA) and AAPC, Inc., a purchasing agent used by developing countries for obtaining project commodities.

We were told that AID does not (1) periodically compare prices of vehicles purchased through GSA and AAPC, Inc., or (2) determine whether the method of procurement is the most advantageous to the Government. Furthermore, AID does not have complete information on the total number of vehicles purchased and the source of their procurement. Records of purchases are available, however, through the GSA and AAPC, Inc.

AID officials had diverse views on whether GSA or AAPC, Inc., should be used for vehicle procurements. Generally, they do not question the AID overseas mission and host-country selection of procurement agent. Some officials told us that they favor AAPC, Inc., over GSA because they feel GSA's inspection, warranty, and shipping requirements tend to delay vehicle deliveries. Others believed GSA prices were lower because manufacturers offer it a special government rate.

AID procedures acknowledge that use of procurement agents involves an added cost to the project--the fee for service provided. Since 1976 GSA no longer charges a fee when purchasing vehicles for AID projects. Thus, the fee paid to procurement agents may be an important item of cost when considering the best procurement options for purchasing project vehicles.

We compared prices of similar vehicles purchased in 1979 and found that in all cases AAPC, Inc., paid more than GSA. For example, AAPC, Inc., purchased nine 4-wheel drive, 6-cylinder Chevrolet Blazers in January 1979 for an AID-financed project in Ghana at a unit cost of \$7,463. In April 1979, GSA purchased five such vehicles for an AID-financed project in Zaire at a unit cost of \$7,300--\$163 less for each vehicle. If AAPC's service fee of 6 percent is added to the purchase price, the difference increases by \$448 to \$611. For this purchase, the project cost was increased by \$5,500.

The differences in prices paid for identical vehicles by GSA and AAPC, Inc., can be substantial. For example, in June 1979 AAPC, Inc., purchased four Scout Travelers for an AID-financed project in Mali. The unit price for these diesel engine, 4-wheel drive vehicles was \$13,459 without air-conditioning and \$14,061 with air-conditioning. GSA officials told us that for an identical vehicle, if purchased from the manufacturer in May 1979, GSA's unit price would be only \$10,388 without air-conditioning and \$10,844 with air-conditioning. Thus, by choosing AAPC, Inc., as the purchasing agent for these vehicles instead of GSA, about \$4,000 more was paid for each vehicle, as shown below:

Scout Traveler

	<u>With air-conditioning</u>	<u>Without air-conditioning</u>
AAPC, Inc., purchase price	\$14,061	\$13,459
GSA estimated purchase price	<u>10,844</u>	<u>10,388</u>
difference	3,217	3,071
AAPC, Inc., fee 7 percent	<u>984</u>	<u>942</u>
Total difference	\$ <u>4,201</u>	\$ <u>4,013</u>

AAPC, Inc., prices were higher than GSA's also for component parts of these vehicles. For example, the price paid by AAPC, Inc., for the air-conditioning unit was \$602--\$146 more than quoted by GSA. The purchase of four Scout vehicles--one with and three without air-conditioning--for the project in Mali through AAPC, Inc., increased the project cost by \$16,240.

Based on our comparisons, we found that in the 3 cases tested, AID and host-country decisions to procure vehicles through AAPC, Inc., instead of GSA, resulted in paying \$14,747 more for the 14 vehicles and \$8,110 in fees to the agent for the service provided. This practice reduces the amount available for buying other commodities and technical services needed for the developing countries.

In the period July 1, 1978-June 30, 1979, \$5.65 million worth of vehicles, trucks and construction equipment was purchased for AID projects through AAPC, Inc. A large variety of different vehicles and equipment options were involved, making cost comparisons difficult. Thus, we were unable to project the amount of potentially avoidable costs. However, the significance of such avoidable costs is illustrated by the following examples involving procurement agents' fees.

The fees payable to AAPC, Inc., for purchasing the \$5.65 million in project vehicles amounted to about \$300,000. Another \$300,000 in fees were incurred in 1979 when about \$5 million worth of fertilizer was purchased through AAPC, Inc., instead of using normal procedures whereby AID/Washington controls the procurement process working with the host-country embassy. The Office of Commodity Management questioned



the transaction on the basis of past experience that it would be more feasible and economical to purchase fertilizer without the assistance of AAPC, Inc., or other procurement agent. Nevertheless, the use of AAPC, Inc., for this procurement was agreed to by the AID mission.

Project costs also increase in some cases when project commodities are purchased through services contractors that implement AID-financed projects. This occurs because contractors under cost reimbursement type contracts, add a fixed percentage for profit to such purchases.

To illustrate, we found that a construction contractor purchased various commodities, including four vehicles for an AID-financed project in the Philippines. The project officer questioned this practice and pointed out that it would be more cost effective to purchase this equipment under an engineering contract where such items would fall in the category of "reimbursable at cost." He noted that inclusion of these items in the construction contract would increase the construction cost to the project because the contractor would add a 15-percent fixed fee for profit.

#### AID EFFORTS TO MANAGE PROCUREMENT OF PROJECT COMMODITIES

In the interest of securing procurement economy and effectiveness, management should assess purchasing programs and apply established purchasing principles. Among such principles are the centralization of purchasing authority and responsibility, standardization and consolidation of items needed, and consolidated and advance purchases.

We examined the extent AID has applied these purchasing principles in the acquisition of AID-financed project commodities. Although recognizing the economies and other advantages inherent in consolidation and standardization of certain items, AID was not actively seeking opportunities to extend their application to other types of project commodities.

For example, AID has established a policy for acquiring certain commodities such as contraceptives, fertilizer, pesticides, pharmaceuticals, under more controlled procedures. The centrally controlled, consolidated procurement concepts are being applied for these items to insure continuing supplies, uniform product quality, economical purchases, and prudent management of available supplies.

We discussed with AID the feasibility of consolidating, standardizing, and advance purchasing of other common-use commodities to economize and increase the effective use of development funds. AID officials told us that these principles could not be applied because project commodities are so diverse among the various projects that there is very little commonality among them. Furthermore, the diversity in the level of development, and the cultural and geographic differences preclude the development of a blueprint to fit all countries AID is assisting.

We concur that closer management of all commodities would not be practical. We disagree, however, with AID's prevailing thinking that a diversity in project commodities justifies the lack of a conscientious effort to identify those common types of commodities which may perhaps lend themselves to consolidation and standardization.

In the past few years, several AID officials and reports have suggested the use of closer management controls over certain commodities. Some examples follow.

- An AID study suggested in 1977 that an analysis of African procurement patterns might identify common-use items (vehicles, construction material) which could be procured in advance to meet project needs in several countries.
- Project equipment procurement leadtime for delivery can be as much as 18 months. Some method of shortening this leadtime, such as central purchase of equipment used year after year, was suggested with subsequent assignment to projects as they are approved. It was recognized that some streamlining would have to be done since missions are pressed to show results soon after funds are obligated.
- Since considerable delays are experienced in all phases of commodity procurements, in 1978 a mission director suggested that a pool of widely used items, e.g., vehicles, construction equipment, be established that could supply these items without the need for lengthy project-by-project contracting. In some cases, this could save up to one year in delivery of these items.
- An AID study suggested in 1978 that if a project vehicle procurement policy was established

AID-wide or by regions, all project vehicle requests should be reviewed comparing specifications and justifications for waivers with data submitted under other projects for the country involved. It was noted that sometimes a source waiver to buy non-U.S. vehicles was justified for one project while another project in the same country was requesting proprietary procurement for a particular U.S. brand vehicle. Also, some project managers were submitting specifications for specially equipped, sometimes custom-made vehicles, whereas specifications for vehicles to perform a similar function for a second project may be standard and austere by comparison.

We found no evidence that these suggestions had been followed up and explored to establish the feasibility of some of the options. Generally, AID officials voiced opposition to seeking closer management of selected commodities even though some officials conceded that certain commodities may lend themselves to tighter controls. No written evidence was presented to show that pilot experiments were undertaken to seek ways of handling commodity procurements that would reduce project cost and commodity delivery time.

AID officials feel that in the case of loans, which finance a substantial part of development assistance projects, AID should not dictate to the borrower on its procurement activities. AID policy acknowledges that AID's procedural regulations should not be overly restrictive and should consider acceptable temporary loss of efficiency in return for a gain in a host-country's managerial competence resulting from the implementation experience. AID policy is clear, however, that greater reliance on host-country implementation of loan-financed projects does not relieve AID of its responsibility to adequately administer the resources provided by the Congress. AID's directives on cooperating-country contracts state that " \* \* \* AID as financier has the right and the obligation to monitor the use of funds it has provided to assure they are spent soundly \* \* \*."

AID officials advised us that AID has, when practicable, utilized various techniques such as consolidated purchasing of contraceptives, to achieve project economies. Furthermore, over recent years, AID has almost continuously explored the possible standardization of project vehicles and found that many problems are involved stemming from the variety of vehicle types and options such as right-hand drive, heavy duty equipment and cargo space, needed in different countries.

For these reasons, some countries have standardized project vehicles based on available service facilities in country but an overall standardization of vehicles has not been possible.

AID officials told us that they believe only a few additional types of project commodities would lend themselves to consolidated purchasing and volume buys and that options already exist for purchasers to get best prices. Based on past experience, they were of an opinion that advance purchasing of commodities would be risky and costly.

#### COMMONALITY OF VEHICLES PURCHASED FOR PROJECTS

AID does not accumulate information on the total number of vehicles nor the makes and models that are being purchased for projects. According to available statistics, about \$118 million was spent on different types of vehicles and parts during fiscal year 1978. Information on project vehicles can be obtained from the overseas missions but even this involves considerable effort by project officers.

In an attempt to identify common-use vehicles, we reviewed available records on vehicles purchased through GSA and AAPC, Inc. Our analysis of purchase orders and listings of purchases showed that

- similar types and makes of vehicles had been purchased for the same project at different times,
- similar vehicles were purchased for different projects in the same country, and
- similar vehicles were purchased in different countries.

For example, for one AID-financed project in Bolivia a total of 25 vehicles were purchased through GSA in the 17-month period ending July 1979. The vehicles were purchased from 4 different manufacturers on 7 different dates. A number of vehicles were of the same type, such as 6 Jeep Cherokees, 10 pickup trucks, and 4 utility trucks. Information was not available on whether some of these were identical.

In another example, the AID mission in the Philippines informed us that a total of 164 vehicles will be needed for 6 AID-financed projects during the period January 1978 through July 1979. The mission did not provide data on the sources

and dates of purchase. Of the 164 vehicles, 69 had already been purchased, including 60 Jeep Renegades for one project. Other vehicles of the same type, such as 26 Jeeps and 21 pickup trucks, were needed for different projects.

We noted that for the Philippines, no vehicles were purchased through AAPC, Inc., and only 9 vehicles were reportedly purchased through GSA. AID advised us that many project vehicles were obtained through host-country or contractor procurements, and through excess property channels.

For the period that information was available, we found that similar vehicles for different countries were purchased both by GSA and AAPC, Inc. For example, GSA purchased 8 Scout Terra pickup trucks for Chad; AAPC, Inc., purchased 6 for Kenya, 3 for Mali, and 8 for Niger. We did not review specifications for the Scout Terra vehicles to determine what specific options and delivery requirements were requested by the ordering countries.

The examples point out that a systematic collection and review of information on vehicle purchases could disclose common-use items that might be susceptible to closer management controls and the resulting reduction of cost and delivery time to project sites.

AID personnel with experience in developing countries have noted that, generally, project costs are increased by requesting vehicles with options that exceed project needs. For example, one AID official observed that mission and host-country technicians have a tendency to overspecify requirements for 4-wheel drive vehicles. Many of these vehicles are reportedly used by project personnel for mostly city and highway driving and only occasionally for trips up-country, usually in good weather. Four-wheel drive vehicles cost about 15-percent more than 2-wheel drive ones, and increase fuel and maintenance costs.

According to AID officials, vehicles are generally purchased based on specifications and justifications submitted by the implementing agencies. Without adequate review of vehicle specifications and requirements, the cost of AID projects are increased.

WHY AID NEEDS INFORMATION  
ON PROJECT COMMODITIES

In our view, lack of information on a significant part of AID economic assistance funding--the purchase of project commodities--hampers fulfillment of several AID responsibilities, including:

- providing information to the Congress;
- application of good procurement management principles; and
- effective use of excess property.

These matters are discussed below.

The Congress is always interested in the ways U.S. funds are expended. Various congressional oversight committees have questioned AID on its ability to provide information on project expenditures and sought assurances that such expenditures are administered effectively and efficiently. Recent examples involve both House and Senate Committees on Appropriations.

For example, during the appropriation hearings for 1979, Congressman Long of the House Subcommittee on Foreign Operations and Related Agencies expressed interest in requiring more information on how the economic assistance money is being spent. Similar questions were raised by the Senate Subcommittee on Foreign Operations during fiscal year 1980 appropriations hearings.

Without adequate information on the nature, quantity, and prices of project commodities financed by AID funds, AID is not in a good position to determine whether economies may be possible through consolidation and advance purchases of key commodities. Coupled with the inadequate oversight and audit of contractor and host-country procurements, as described on pages 10 through 12, serious questions arise whether AID is effectively administering the economic assistance programs.

Furthermore, lack of information on commodity purchases also diminishes the effectiveness of considering excess property for host-country use in development assistance projects. Section 608 of the Foreign Assistance Act expresses the sense of the Congress that AID use excess property instead of buying new property in its grant and loan projects whenever practicable.

In the past, the Congress has requested AID to emphasize greater use of excess property to replace new purchases for AID-assisted projects. AID excess property officials are not receiving accurate information on project commodity needs and have been unable to estimate whether excess property has replaced new purchases and, therefore, saved project funds.

#### CONCLUSIONS AND RECOMMENDATIONS

As a financier of commodities, AID has a management responsibility for assuring that economic assistance funds are spent soundly and utilized effectively. We believe the stated AID policy that the host countries are to implement their projects, has caused AID to relax its efforts for adequately planning project procurements and seeking new ways for achieving a more effective and economical use of foreign assistance dollar.

Inadequate emphasis on project implementation activities has contributed to host countries receiving from AID poorly planned project proposals that during the implementation phase create various problems and involve uneconomical purchases. Such wasteful expenditures and problems ultimately diminish the effective use of U.S. taxpayers' money and delay the much needed delivery of economic assistance to developing countries.

AID policy of host-country implementation has been recently reexamined in light of the AG finding that application of this policy has had an adverse effect on project implementation in many countries. We recognize that AID policy is in agreement with legislative mandate. We believe, however, that continued application of the host-country policy does not relieve AID from its responsibility to administer funds effectively.

AID's view that it does not need information on what is being procured for AID-financed projects is contrary to the procurement principle that information on the types, quantities, quality, and prices of commodities assists management in making decisions on the best methods for obtaining the commodities needed. AID's position stems from its overreliance on the host-country contracting mode. In our view, AID cannot adequately respond to congressional requests for information on project activities, effectively administer the economic assistance funds, or use excess property on AID-assisted projects if it does not know what is being purchased.

We believe that AID management has not taken an active role in fulfilling its management responsibilities for assuring that economic assistance funds are spent soundly and

utilized effectively. Throughout this report, we discuss AID's lack of adequate action to improve its project planning and implementation system.

For example, wasteful expenditures have occurred because price comparisons have not been done; the significant area of project commodity procurement by host countries and contractors has been left without adequate audit and oversight; and AID has not aggressively pursued new ways for achieving more economical and efficient project procurements. Unsubstantiated statements that obtaining information on project commodities is not worth the cost, have been used as a basis for not seeking wider application of recognized procurement techniques on those commodities that lend themselves to standardization of requirements and consolidated and advance purchases, that have offered benefits for other agencies.

To obtain more economical and effective use of foreign assistance funds, we recommend that the Administrator, AID

- establish an accounting and reporting system that includes systematic collection and analysis of information on specific project commodities for commodity management purposes;
- authorize pilot experiments on selected AID-financed commodities with the purpose of seeking more prudent and economical procurements through wider application of recognized procurement techniques; and
- enforce appropriate price checks of project commodity purchases.

#### AGENCY COMMENTS AND OUR EVALUATION

The AID Administrator did not concur with our recommendations for improvements in managing procurement of selected project commodities. He said he had substantial reservations about these recommendations and believed they go too far because the analysis underlying them concentrated unduly on procurement of project commodities as a cause of implementation difficulties in AID projects.

He stated his belief that better planning and scheduling of project commodities and better monitoring of projects would help solve implementation problems. He does not believe AID should establish a system of consolidated procurement of selected commodities for all projects worldwide which would



entail a significantly larger measure of advance procurement and of stockpiling than AID presently employs. He believes our suggestions are based on a view that there is considerable commonality among the commodities required on most projects and that significant economies of scale could be realized if their procurement were centrally reviewed and more fully administered on a consolidated basis.

We concur that the steps taken or promised by AID to improve planning of project commodities and monitoring of projects would help remedy delays in project implementation. However, these actions are not sufficient to avoid the types of unnecessary expenditures for project commodities described in this chapter. We believe AID can achieve further economies by closer management of the procurement of selected types of common, recurring project commodities.

We do not agree with AID's view that our analysis concentrated unduly on the procurement of commodities as a cause of implementation difficulties. We found considerable evidence that significant problems in implementing AID projects are caused by inadequate procurement planning and monitoring of project implementation. Having established these causes and explored potential remedies, we further analyzed procurement of commodities to see if economies may be possible through closer management of selected items, and whether AID is exercising its responsibility of efficiently administering economic assistance funds.

Our tests showed that AID did not have information on purchases of commodities and felt it did not need such information; that AID did not assure most economical procurement options; and that AID did not actively explore application of procurement techniques that may promote economy and efficiency. Our tests identified considerable amounts of avoidable expenditures.

We did not suggest that AID establish a system of consolidated procurement of selected commodities for all projects worldwide. We suggested that the first step toward determining whether further economies may be possible would be the identification of certain project commodities--how many of what kind are being procured. Only then would it be possible to establish whether or not some commodities lend themselves to consolidation and advance purchasing. Our view is based on a well-established principle that savings are possible through bulk, consolidated purchases.

No evidence was presented to substantiate AID's view that its experience has been that "there is much less commonality than the report assumes." We did not assume commonality of all commodities but tested available information to identify commonality of vehicles. We believe the report presents examples which also support the information found in various AID reports and given by AID officials that there is some commonality in certain project commodities as well as possibilities for savings. AID does not have a system, however, that could readily identify essential data on project commodities, even at the mission level. In our view, such data is needed to make management decisions on which commodities may lend themselves to more economical and efficient procurements. We believe AID needs to devote attention to identifying the common items and experimenting with new, innovative approaches on the best methods for obtaining these items economically and when they are needed.

We agree that among the various countries, there is wide variety of requirements for vehicles. However, in any one country there could be substantial similarities. A review at mission level of identified requirements could establish whether one-time purchasing of vehicles is feasible for a project or several projects in a country. This could preclude repeated ordering of vehicles for the same project only months apart and reduce the likelihood of paying increased costs due to model changes or other price increases.

The Administrator did not agree that savings to the U.S. Government would result from purchasing vehicles from GSA when AID has an option to choose the method of procurement. We acknowledge that AID's policy puts preference on host-country procurement and, therefore, purchasing agent's fees may be incurred. Nevertheless, AID has the flexibility in deciding whether such an approach meets standards of prudent management of appropriated funds. In the case of sizable vehicle purchases, a price comparison would assist AID in deciding on the most appropriate method of obtaining these commodities. If GSA can obtain vehicles at lower unit prices than a purchasing agent, and other factors such as timely delivery being equal, it would be prudent to choose the most economical method and avoid the purchasing agent's fees rather than letting the host country pay for the commodities at higher prices.

Referring to the instance of avoidable expenditures for purchasing \$5 million of fertilizer, the Administrator stated that the additional cost of \$300,000 was charged to the loan account and would be repaid to the United States by the host country. Although recognizing advantages of purchasing the fertilizer under regular AID procedures, AID mission had

agreed to use AAPC, Inc., for this procurement because the host country had negotiated a reduced fee for AAPC's services from 7 percent to 6 percent on this \$10 million total project commodity purchase.

AID has a responsibility for assuring that economic assistance funds are spent soundly and utilized efficiently. We believe the decision to use a purchasing agent for the fertilizer transaction needlessly reduced the economic assistance that could be obtained for this project because the host country could have financed other project requirements for the \$300,000 which was charged to the project as procurement agent fees.

Furthermore, no economic advantage accrued to the host country by negotiating a 1-percent reduction in fee. AAPC's handling of the lucrative \$5 million fertilizer transaction resulted in about \$600,000 charged to the project as fees for the entire \$10 million purchase. Had AID handled this purchase under established procedures, the fee on the remaining \$5 million of project commodities, at the 7-percent rate, would have been \$350,000. Thus, AID's approval to deviate from normal procedures and to hire a procurement agent for the fertilizer transaction resulted in avoidable expenditures of \$250,000 to the host country.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

April 22, 1980

THE ADMINISTRATOR

Mr. J. K. Fasick  
Director  
International Division, Room 4804  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Fasick:

Thank you for your letter of March 18, 1980 enclosing copies of the draft report to Congress entitled: "The Agency for International Development Needs to Improve the Planning and Monitoring of Project Implementation." I have looked forward to receiving the results of this review. One of my first impressions upon assuming my position was that the Agency's performance in this area was especially important. At that time I scheduled a review of the Agency's implementation processes for the late spring of this year. Your final report and reports of our Auditor General which have dealt with implementation problems will be useful to me.

I am pleased that you have sought my comments on the draft as we do have suggestions I think important. For ease of reference, I am providing most of these in the Annex to this letter. They are keyed to the several examples of problems narrated throughout the report on which its specific recommendations are based. Time has not permitted an exhaustive examination of every case but I believe the additional information offered in the Annex will be useful as the final report is prepared. It provides a fuller and, thus, more understandable explanation of the circumstances in several of the cases, and corrects some factual errors.

In addition, I have comments and observations on the specific recommendations made in the draft. Before offering them I would like to put the problems identified in the review into a somewhat fuller perspective of the Agency's broad mission than the report affords. Our task is not merely one of designing engineeringly sound infrastructure projects to fulfill known physical needs in a single, stable environment -- projects such as the construction of irrigation canals or ditches; the building of a road or a bridge; or the procurement of mechanical equipment suited to the harvesting of a particular crop. Our task is to assist 60 some countries around the world

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find ways in this century to solve intractable problems of underdevelopment which have shackled them from the beginning of time -- poverty, hunger, disease and ill-health, and the implacable pressure of population growth on resources inadequate to support basic human needs. Removing these age-old, yet still largely universal conditions, requires far reaching institutional and structural changes in the economies and social systems of the countries striving to solve them. To use the irrigation example again, it is not enough just to design and build earthen conveyances to deliver water year round to farmers who know individually only how to use the rains that fall during a short monsoon season to grow one, traditional subsistence crop. Farmers must be helped to find which new crops can be grown where they live and to learn how to grow them; how to manage a variety of new agricultural and marketing practices; how to organize in some cooperative arrangement to share the waters of an irrigation system; how to develop credit institutions to finance their entry into cash-income agriculture.

These efforts take place under a host of obstacles and constraints in countries having few skilled technicians with whom AID's specialists work in designing and carrying out such exploratory projects. Yet success depends largely upon the participation of host country counterparts. Invariably the administrative structures of the governmental or private agencies with which our staffs overseas collaborate in preparing and carrying out pilot development projects are weak, their procedures often cumbersome, and delegations of authority to act unduly limited or unclear. Basic technical or census data, taken for granted in the United States, is frequently unreliable and sometimes not available. Yet lack of data may not be reason enough to put off seeking solutions to problems by undertaking a pilot project, and making course changes later as missing data is assembled. Many projects take place in remote rural areas where lack of acceptable transport and communications make timely project implementation uncertain. Yet these are the very areas in which the need for development is often the greatest.

All these constraints, which themselves are manifestations of underdevelopment, combine to limit the ability of host countries -- and sometimes of the Agency and its intermediary agents -- to deliver their contributions to jointly planned and administered projects on schedule. We must take these limitations into account and schedule accordingly in devising our projects, though it is not always possible to anticipate and provide for every contingency.

It is also important to reflect that in order to accomplish our mission, we draw on the expertise of a great many public and private, domestic and international organizations engaged in international development, as the Foreign Assistance Act wisely enjoins us to do. Among them are the several international agricultural research centers; the American university community; a multiplicity of private voluntary agencies; and other non-profit institutions and private firms, many having special, often critical contributions to make.

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It is necessary that we exploit to the fullest these diverse resources and that our limited staff resources be applied primarily to planning and monitoring projects we finance.

I have recounted the foregoing to suggest that any assessment of the Agency's performance in implementing its projects should be made within a setting which takes account of our broad objective, the environmental constraints to be overcome in meeting them, and the multiplicity and diversity of organizations engaged in the effort. The dimensions of this setting are graphically apparent in our multi-billion dollar portfolio of roughly 1325 essentially unique development projects often carried out in conjunction with one or more of 16 other contributing aid donors, in 60 some host countries, whose governments should and must play a central role in managing their development programs.

Turning to the 8 specific recommendations in the draft report, I note that they make three main points:

- there is need for better planning of project implementation at the project design stage,
- there is need for improved monitoring of projects as they are being carried out, and
- we should consider suggestions for making significant changes in procedures for the procurement of project commodities.

I believe the recommendations to accomplish the first two objectives are, by and large, right on the mark. Neither can be fully achieved without clear and definitive guidance to staff engaged in designing projects and monitoring their implementation. Several actions are well underway to provide clear guidance:

- a major revision of Handbook 3 on Project Assistance (the Agency's central guidance on project design and implementation, which has been too long in gestation) has been circulated throughout our headquarters and will next be sent to field missions for review and comment,
- an entirely new guidance document, a Handbook for Project Officers, prepared specifically for staff who monitor direct Agency contracts and grants is undergoing final revision to incorporate world-wide comments and should be published early this summer,
- we intend next to prepare a companion Handbook for Project Officers dealing with host country contracts, and

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- a plan for an integrated training program to replace ad hoc courses conducted for project management personnel has been drafted and is under review. Development of lesson materials will soon commence. This two-week course will include instruction in project implementation principles, implementation planning, monitoring, and procurement of contract services and commodities. It will provide project officers much needed background in procurement and encourage their use of the technical assistance of procurement specialists in project design.

These new guidance and training tools should bring much more uniform and systematic attention to project design and implementation throughout the Agency's headquarters and its Missions overseas.

The remaining recommendations of the report deal entirely with the procurement of project commodities. I have substantial reservations about them. I believe they go too far because the analysis underlying them concentrated unduly on this single project element as a cause of implementation difficulties in our projects. To the extent procurement is a contributing cause of delays in implementation -- for instance, off-schedule arrival of commodities at site -- the better remedy is better planning and scheduling of project commodity requirements at the project design phase and better monitoring of projects underway to see that needed equipment arrives on time. The steps I have described as underway will deal with these problems. I am satisfied that this aspect of project implementation does not require the establishment of a system of consolidated procurement of selected AID-financed commodities for all projects worldwide which entail a significantly larger measure of advance procurement and of stockpiling than the Agency presently employs. The suggestions made in the report along these lines appear to be based on a view that there is considerable commonality among the commodities required in most projects and that significant economies of scale could be realized if their procurement were centrally reviewed and more fully administered on a consolidated basis by the Agency. Our experience has been that there is much less commonality than the report assumes. The requirements of few projects are identical. Their specific objectives and equipment requirements vary widely by country and often by regions within countries. In recent years we have on a number of occasions explored the possibility of standardizing project vehicles. Even for these, requirements vary widely. To catalog just a few, they include right hand drive, left hand drive; heavy duty equipment; four-wheel drive; passenger versus cargo space; and the availability of service facilities and spare parts. Different ministries of the same government often quite sensibly standardize on different types of equipment to simplify maintenance, interchangeability, and stocking of spare parts. Contraceptive pills and devices used in family planning projects around the world are another example. Though these are procured largely on a consolidated basis, regional disparities in physical characteristics and cultural preferences preclude complete standardization. In addition, the shelf life of these commodities is short and stockpiling them not only costly, but risky.

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More important still are the dimensions of the administrative task which would be entailed in selectively extracting a portion -- but not all -- of the procurement being performed by some 60 host countries and their several ministries, and well over 1000 technical services contractors and grantees engaged in providing closely related services and goods. In our judgment, the incidence of off-schedule delivery of project commodities under a system entailing more consolidated procurement would be substantially higher than under the decentralized project-specific management system now employed. Moreover, the additional dollar and manpower costs of the suggested system and the two data systems associated with it would be high and their benefits questionable. We are persuaded that potential commodity cost savings of such systems would be small and far outweighed by their direct costs and the lost value of the managerial benefits of administering all elements of a project on an integrated basis. Finally, as I have already observed it is necessary that AID conserve its limited staff to plan its programs and to monitor their implementation by intermediaries to the maximum extent possible.

We are mindful of course of our responsibility to impose requirements governing the procurement activities of the many participating entities conducting Agency-financed procurement. We accomplish this by including suitable provisions in Agency-financed project agreements with host countries and in contracts and grants. There are also provisions for auditing compliance therewith and for refund of improper expenditures which are discussed in the Annex to this letter.

I hope these comments and those contained in the enclosed Annex will be helpful as you prepare the final report. I am grateful for the opportunity to have made them.

Sincerely,



Douglas J. Bennett, Jr.

(471700)





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