

UPDATE

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INSPECTOR GENERAL VERDICT: POOR PLANNING ON AID PROJECTS

(Updating *Backgrounder Update* No. 93, "Results of the Inspector General's Audit of AID," February 15, 1989; *Backgrounder Update* No. 90, "New Audits Find More Foreign Aid Waste," December 13, 1988; *Backgrounder Update* No. 78, "More Audits Uncover Aid Failures," June 8, 1988; *Backgrounder* No. 618, "Inspector General Audits Reveal Foreign Aid Failures and Boondoggles," November 23, 1987.)

In the recent report "Development and the National Interest," Alan Woods, the Administrator of the Agency for International Development (AID), finds that United States foreign aid has done little to promote economic growth in the developing world. Rightly dissatisfied with America's development programs, Congress is attempting to rewrite the 1961 Foreign Assistance Act, which governs AID. As these reforms move forward, policy makers should examine past program failures to ensure future program success. Recent audits by AID's Inspector General (IG) reveal that poor design and planning by U.S. development officials have resulted in wasteful or even useless projects in less developed countries. Examples:

Pakistan. AID attempted to assist the Pakistani agricultural sector in increasing productivity by funding rehabilitation of its irrigation system. AID spent \$31 million to purchase equipment, spare parts, and work shop machinery. After an inspection of the program, AID's Inspector General reports in a July 11, 1988, audit that, "a substantial amount of AID funded equipment was not being effectively utilized, primarily because it was not needed for the project." Even so, additional requests were being made for more equipment.

Egypt. Between 1975 and 1986, AID allocated \$1.5 billion for machinery and equipment for a number of development projects in Egypt. Of the eight projects examined in an IG audit, only one was using equipment in the way anticipated by the project's planners. In two sub-projects, \$15 million in machinery and equipment remained in crates and stood idle for up to two years. Packing and bottling equipment valued at \$400,000, for a salt production plant completed three years behind schedule, could not be used because of serious mechanical defects. Equipment slated for other projects throughout Egypt in many cases was found to be not needed, not used, or unusable.

Bangladesh. A project in Bangladesh called for establishment of thirteen rural electrification societies to organize and manage the distribution of electricity, at a total cost to AID of \$179.3 million. AID and the government of Bangladesh agreed that upon completion, the plants would be financially self sufficient. The IG reports that only two of the thirteen rural electrification facilities have been self sufficient; the others operate at a loss.

Mali. When a new dam in Mali threatened to flood 26 villages containing 5,000 inhabitants during the rainy season, AID gave the government of Mali \$18.3 million in grants to build new villages on higher ground. An IG audit of September 23, 1986, finds a series of mistakes by AID

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planners undermined the project. For example, \$1 million was allocated for construction of permanent office facilities for engineers, technicians, and assistants. The AID IG finds that both time and money could have been saved if existing temporary shelter had been used.

Project planners also determined that paved two-lane highways were necessary to move equipment to construction sites. Yet dirt access routes already existed that could have been modernized for \$500,000. To build new paved highways would cost \$2.5 million plus much wasted time. An early IG opinion found that building the paved highways would be an unnecessary expense. Says a later IG audit, "Yet despite this decision, and for unidentified reasons, in February 1986, USAID/Mali and the host country approved the contract for road construction at \$2.5 million." The audit questioned the need for these roads since it was discovered that the area is visited by "less than 15 vehicles a year."

The IG auditor found, moreover, that project planners allocated funds to rent a guest house in the city of Bamako for engineers even though adequate local hotel facilities were available. A teletype system between the cities of Manantali and Bamako was established even though radio communication already existed. As a result of project delays and wasted time, the rainy season arrived before many of the villagers were moved.



Under-utilization of U.S.-provided equipment and poor project design wastes AID resources and dooms projects at a time when new spending constraints are being proposed for the AID budget. As Congress and the Bush Administration consider a new Foreign Assistance Act, they must demand better controls over how AID funds are spent.

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For further information:

AID Inspector General, "Semiannual Report to the Congress," April 1, 1988 to September 30, 1988.

AID Inspector General, "Audit of the Manantali Resettlement Project in Mali," IG audit No. 7-688-86-10, September 23, 1986.