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# Auditor General

## Bahamas Agriculture, Research, Training and Development Project

Audit Report Number 77-82

Issue Date February 23, 1977

Area Auditor General, Washington  
Agency for International Development  
Washington, DC. 20523

BAHAMAS AGRICULTURE, RESEARCH, TRAINING  
AND DEVELOPMENT PROJECT

Project No. 931-11-130-989-73

PERIOD COVERED : January 1, 1975 through  
June 30, 1976

AUDIT REPORT NO: 77-82

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BAHAMAS AGRICULTURE, RESEARCH, TRAINING  
AND DEVELOPMENT PROJECT

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# BAHAMAS AGRICULTURE, RESEARCH, TRAINING AND DEVELOPMENT PROJECT

## INTRODUCTION

In January 1973, AID and the Government of the Commonwealth of the Bahamas (GCOB) agreed to collaborate in the establishment of a five-year pilot project in livestock development on Andros Island. The overall objective of the project is to gain useful knowledge relating to the development of agricultural programs based upon livestock production in non-traditional cultures and environments. This objective necessitates making in-depth socioeconomic studies relating to the production and marketing of livestock and includes cost of production studies, input-output analysis, marketing demand and marketing cost studies, and recommendations on alternative marketing procedures.

The project agreement lists two types of activities, physical development and research. On the physical development side, the Western Institute for Science and Technology (WIST) through AID contract AID/CM/ta-C-73-27 is responsible for logistical support, vocational training, development of satellite farms, construction of facilities, and day-to-day operations. Under AID contract AID/CM/ta-C-73-28, Pennsylvania State University (PSU) is responsible for the research aspects of the project which include establishing an agricultural research and development and training center primarily devoted to the production of livestock. Penn State is also required to set up a simple cost accounting system that can be taught to and utilized by satellite farmers.

The project is managed jointly by AID and GCOB representatives. This joint management controls project policy matters and monitors contractor work performance.

Our audit purpose was to determine the effectiveness of project implementation and financial management. In addition, we determined compliance with AID regulations and procedures.

## SUMMARY

The most significant of the findings disclosed during the audit, and presented in detail in the next section, are summarized below.

The first major goal is to establish a center on Andros Island that will provide research information, train people, and demonstrate the feasibility of livestock development. This goal has been reached for all practical purposes, however, there may be difficulties in incorporating research information obtained into a final, comprehensive report. We recommended that the Bureau for Technical Assistance (AA/TA) ensure that the contractor is recording the results of its scientific research activities in such a way as to enable preparation of a complete and final report. (See page 4 ).

The second major objective is to determine by testing 15 to 20 satellite farms if it is feasible to establish an agricultural system based upon family-sized farms of 50 to 80 acres each. Results so far have been mixed. Although the land has been obtained and most of it cleared, full settlement has been delayed. Land tenure problems which are affecting the selection of qualified farmers is the principal reason for delay. The American Ambassador and AID are actively following up on this problem to ensure a satisfactory resolution. (See page 5 ).

The results of audit were discussed with the Ministry of Agriculture and Fisheries personnel, AID project management, and Contractor personnel whose comments were considered in finalizing this report.

#### FINDINGS AND RECOMMENDATIONS

##### A. Project Funding

AID made available \$10 million to finance the project activities over a five-year period. We examined AID/W and project financial records and found the status of funds at September 30, 1976 to be:

Total Funds Obligated		\$10,000,000	
Funds Utilized:			
Accrued Expenditures from Inception to June 30, 1976	\$4,690,000		
Accrued Expenditures from July 1, 1976 to Sept. 30, 1976	<u>1,709,000</u>	<u>6,399,000</u>	a/
Total Funds Remaining		<u><u>\$ 3,601,000</u></u>	a/

a/ Excludes GCOB contributions to local imprest fund.

Financially, the internal controls are adequate, especially with the local imprest fund expenditures where both the Bahamian Co-Manager and the AID Project Manager must approve each expenditure.

In accordance with the terms of a supplemental agreement, both the GCOB and the U.S. Government are contributing to the local imprest fund. In the first and second years of the project, the U.S. Government contributed 100 percent of the local expenditures. The GCOB contributed 10 percent of the local costs in the third year of the program and is currently contributing 16 percent during the fourth year.

## B. Project Implementation

The project's principal goals are to establish a research center and test 15 to 20 satellite farms. The research center is established. The second goal, namely testing 15 to 20 satellite farms, is in difficulty because of land tenure problems and selection of potential farmers.

### 1. Research Center

The first major goal is to establish a center on Andros Island that will provide research information, train people, and demonstrate the feasibility of livestock development. This goal has been reached for all practical purposes. However, there may be difficulties in incorporating research information obtained into a final, comprehensive, useful report.

The GCOB made available 2,000 acres of "crown" land for project use. Five hundred acres were reserved for a research center, the other 1,500 for test farms.

Project officials began land clearing for the research center upon project initiation. While doing this land clearing, they undertook soil testing and other related activities. Research activities accelerated as necessary land was cleared and infrastructure completed.

The 500 acres reserved for the research center were cleared during the first year of the project life. Since that time the following buildings have been constructed and are in use:

- 1 Administrative Office
- 1 Maintenance Shop
- 2 Warehouses
- 8 Staff Houses for Bahamian Professional Staff

A training building is currently under construction and is expected to be completed by the summer of 1977. There are plans to build a dormitory to house single staff members and students. Initiation of construction will depend upon responses to Request for Bids sent out in January 1977.

The research center includes about 450 acres used for experimental and grazing purposes. The experiments include soil testing and suitability for various crops and farm animals. As of January 15, 1977 there were 538 farm animals at the research center.

Current staffing at the research center includes 10 American contract personnel plus 52 Bahamians (12 professionals, 40 labors).

Two training sessions have been held and another is scheduled to start in April 1977. Training sessions last about 3 months with an average attendance of 16 students.

We did not attempt to evaluate the actual research activities because of their technical nature. However, the AID official concerned with the project expressed satisfaction with results to date.

While discussing research activities we noted that the American contractor, Penn State University (PSU) was not recording scientific research results in a centralized manner. This lack of consolidation led us to question PSU's ability to prepare a useful final report for AID and GCOB use as required by the contract. The AID official in charge of the project agreed with our conclusion. The contract expires January 1978. Consolidation should commence immediately in order to ensure a complete final report which is to serve as a useful term of reference by AID and other international organizations.

#### Recommendation No. 1

The Bureau for Technical Assistance satisfy itself that Penn State University is recording the results of its scientific research activities in such a way as to enable preparation of a complete and useful final report.

#### 2. Satellite Farms

The second major objective is to determine, by testing 15 to 20 satellite farms, if it is feasible to establish an agricultural system based upon family-sized farms of 50 to 80 acres each. These satellite farms are to be tested to see if such farms can support beef cattle, dairy cattle, sheep, swine, and possible poultry, as well as vegetable and fruit production. Results so far have been mixed. Although the land has been obtained and most of it cleared, full settlement has been delayed.

In 1973 GCOB made available 1500 acres for use in developing the satellite farms. As of December 31, 1976, 1250 acres had been cleared. The remaining acreage is scheduled to be cleared by May 1977.

Current plans are to have 16 satellite farms. Original farm acreage of 80 acres per farm has been reduced to 40 acres.

Four of the 16 satellite farms have been established. These were settled in 1975. Settlement of the remaining twelve is being adversely affected by the following problems:

- Construction of farmhouses is delayed. The remote location of San Andros Island makes it difficult to obtain skilled construction labor and to readily obtain necessary building materials. Local farm families cannot be settled on the test farms until adequate housing is available. Now that the research center is generally completed, this situation should improve. Houses on seven additional farms are currently under construction. Project personnel have plans to have the other five built by January 1978.
- Title to the land placed into production by the satellite test farmers remain with the Government; however, in accordance with the Project Agreement, GCOB is supposed to implement a leasehold land tenure policy. Progress towards attaining a leasehold land tenure policy for the Bahamas has been delayed because the Bahamas Cabinet needed further clarification of the use of "crown" lands and on the terms of the leasehold arrangements. Therefore, the contractual relationship between the pilot test farmers and the government has yet to be finalized. The delay in resolving this situation is causing some concern in the selection and placement of pilot test farmers on the family-sized farms. The farmers who are now settled on the farms are not able to obtain agricultural credit from banks and have to be subsidized by the project. Additionally, if this is not resolved promptly, there is a danger that the farmers may lose interest in farming and abandon the project. The American Ambassador and AID are actively following up on this problem to ensure a satisfactory resolution. Therefore, we see no need for a recommendation.
- In order to achieve an economy geared to agriculture, a viable agricultural credit program is a necessary ingredient. To assist the GCOB in reaching this objective, AID agreed to release to the host government \$800,000 from project funds to guarantee any losses to the Bahamas banks which may result from agricultural credits to the farmers. The program was to start in CY 1975. Due to various administrative delays by the two governments, the funds were released and were deposited to the Bahamas Central Bank only recently. The farmers have yet to receive agricultural credits, and it is questionable that an entire credit cycle will be achieved prior to the completion of the project.

--- In order to assist the local farmers in procuring supplies and equipment at the most economical price, \$400,000 from project funds were budgeted for developing a farm cooperative. As a result of various administrative delays in reaching an implementation agreement, the cooperative development program is just beginning operations. It is anticipated by project officials that the cooperative program will be fully operational before January 18, 1978, the termination date of the project. At the present time, a site for construction of a warehouse/office complex has been selected, machinery/equipment and inventories have been identified and are ready to be procured, and a Bahamian Cooperative Officer, as counterpart, has been appointed by the Government of Bahamas. The U.S. Government has contracted the services of a Pennsylvania State University consultant to assist in the implementation of this phase of the project.

#### C. Property Accountability

AID titled property valued between \$50 and \$300 is being treated as expendable property. AID regulations require all property over \$50 be considered as non-expendable property and to be treated as such. The cutoff point used for project procured property is \$300. We understand this figure was an arbitrary decision and that officials concerned were not aware of applicable AID regulations. We estimate the value of the property in question to range from between \$100,000 to \$300,000. All totaled, this will be almost \$2.5 million of commodities, expendable and non-expendable, procured during project life.

Project records are excellent for commodities valued at over \$300. Existing records and satisfactory inventory controls over commodities less than \$300 should permit reconstruction of proper accountability records.

#### Recommendation No. 2

The Bureau for Technical Assistance ensure that an inventory is taken of all commodities valued at over \$50, and accountability procedures established in accordance with AID Handbook No. 23.

#### D. Project Future Needs

The project will reach its peak level about September 1977. By then most participant trainees will have completed their training and returned to the project. Prior to project completion, AID should start thinking of project future needs, especially in the areas of operations and management. To date no plans have been made to inform the GCOB of project future needs.

Since most of the Bahamian counterpart officials have been undertaking training away from the Bahamas, AID and contractor technicians have assumed a larger role in the management of the project. Their advisory role has been rather limited.

During the remaining period of the project the role of the technicians should be reversed to that of advisors. As the participant trainees return to their positions on the project, they should be permitted to assume their rightful role as operational managers of the project. The financial management of the project should be continued on a cooperative basis until the end of the project.

#### Recommendation No. 3

The Bureau for Technical Assistance advise the GCOB of what is needed to ensure successful continuation of the project.

#### Recommendation No. 4

The Bureau for Technical Assistance formulate a plan to transfer operational responsibilities of the project to the Bahamian counterpart personnel.

### BACKGROUND AND SCOPE

#### Background

During June 1972, in response to a request from the Government of the Bahamas, AID performed a study on the development and implementation of a livestock industry on Andros Island. On January 19, 1973 a Project Agreement was entered into between the Ministry of Agriculture and Fisheries (MIAG) and AID to initiate the project. The Project Agreement was subsequently amended to include agriculture development as well as livestock development.

A contract for project implementation and logistical support was signed with the Western Institute for Science and Technology (WIST), Waco, Texas, on April 1, 1973 (Contract No. AID/CM/ta-C-73-27). A second contract with Pennsylvania State University (PSU) for the research phase of the project was signed July 1, 1973 (Contract No. AID/CM/ta-c-73-28). In addition, Texas State Technical Institute is to provide vocational training for the development of skilled technicians.

### Scope

The Area Auditor General/Washington has performed an interim review of the BARTAD project to determine the effectiveness of program planning, implementation, and financial management, as well as the degree of compliance with regulations and procedures governing AID operations.

Our examination covers the period January 1, 1975 through June 30, 1976 and included a review of records at the project site on Andros Island, Ministry of Agriculture and Fisheries, AID's offices of Financial Management, Contract Management and Bureau for Technical Assistance.

Our previous examination of the project was Audit Report No. 74-023 dated July 9, 1974. The report dealt mainly with planning deficiencies. Applicable recommendations have since been resolved.

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LIST OF RECOMMENDATIONS

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LIST OF REPORT RECIPIENTS

Assistant Administrator, Bureau for Technical Assistance	1
Associate Assistant Administrator, TA	5
Support Division, CM/SD/SUP	3
Office of Financial Management, SER/FM/CSD	2
BARTAD Project Manager, U.S. Embassy, Nassau	10
Inspector General of Foreign Assistance, State	1
AG/IIS	1
AG/OAS	1
AG/OC/PP	1
AG/OC/PE	1
AAG/Washington	10