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INSUFFICIENT STAFFING HAS LIMITED THE PROGRESS AND INSTITUTION BUILDING OF RWANDA'S FOOD STORAGE AND MARKETING AND LOCAL CROP STORAGE PROJECTS

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EXECUTIVE SUMMARY

Introduction

This report addresses the progress and problems encountered by the Office of the AID Representative/Rwanda (OAR/Rwanda) to build an efficient food storage and marketing system at the national and local level in Rwanda. The Food Storage and Marketing Projects (FSM Phase I and Phase II) were directed at storage and marketing activities at the national and regional level. Local level activities were addressed by the pilot Cooperative Grain Storage Project (CGS). The Local Crop Storage Project (LCS) had been implemented as the follow-on undertaking.

Under FSM Phase I a network of eight warehouses were constructed. To manage this nationwide network, a Government of Rwanda (GOR) parastatal Grenier National du Rwanda (GRENARWA), was established. FSM Phase II was subsequently implemented and was basically to be concerned with the management and operational capabilities of the organization created under Phase I. The major purpose of the FSM II project was to: (a) strengthen and expand GRENARWA's management so it could act as a catalyst in stimulating and assisting the marketplace and (b) respond to regional and seasonal imbalances in beans and sorghum.

The CGS Project and the follow-on LCS Project were to construct numerous storage silos at the local level to benefit the small farmers. Technical assistance and training was provided to upgrade the capabilities of managers/accountants at the national, prefectural and local level. The purpose of the on-going LCS project was to (a) establish a food storage and marketing system at the local level (b) reduce seasonal and regional price fluctuations and (c) reduce storage losses.

Purpose and Scope of Audit

The purpose of our audit was to (a) assess the projects progress toward meeting established goals and objectives (b) ensure that implement- ing agencies of the GOR were effectively utilizing AID provided resources and (c) determine if applicable laws and regulations were followed. Audit work encompassed the review of project files and financial records. We held discussions with selected project officials. Our field work included visits to various warehouses and silos.

Findings, Conclusions and Recommendations

Generally, implementation of the FSM and LCS projects had not proceeded within planned time frames. The central reason for slow implementation was insufficient GOR staffing for both projects. It

will be a difficult task to achieve all project objectives and attain the degree of institution building required for long term project success unless the staffing is addressed.

The effects of insufficient staff on two of the major components of the FSM II project are:

-- Component to Build an Effective Marketing Information System and Expand Marketing Activities -- Progress was limited because no staff was assigned to the marketing department. Further institution building in this department suffered because people were unavailable to attend required long term training.

-- Component to Build an Effective Functioning Accounting Department -- This department was staffed with one individual when three people were required. Two individuals who had received some training were reassigned to another part of the GOR. The reassignment set back this component. Training cannot proceed if the sole person on board departs.

Progress on the LCS project was similarly affected by insufficient staffing. To illustrate:

-- Construction Component -- The construction of silos was suspended because the staff had neither the oversight nor training to support further expansion of the network.

-- Training Component -- The success of the project was very dependent on accomplishing a considerable amount of in-country and third country training. Training, thus far, had been limited either because of the lack of trainers or an insufficient number of people to be trained.

In our opinion the projects were well designed and could be successfully implemented if the staffing levels were increased. To accomplish this end, we recommended that the OAR/Rwanda determine the staffing required to successfully implement the projects and ensure that the positions are filled (pages 9-12).

The LCS implementation plan and the training schedules outlined in the FSM II and LCS project papers were outdated because the projects were behind schedule. Also the time phasing of project events was out of sequence and certain components were altered or will require further alterations. Thus, without realistic goals, or benchmarks to assess progress, the various phases of project activity could flounder. We therefore recommended that both projects be given better direction by revising the LCS implementation schedule, establishing benchmarks and developing new training plans (pages 12-16).

Both the FSM II and LCS projects contain research components aimed at improving the storage and marketability of crops. The research effort was behind schedule and at the time of our audit had not begun. Considerable delays were experienced in contracting with a U.S. based university to implement these components. The research components for both projects had been combined into a single package to be undertaken in other agricultural projects. OAR/Rwanda believed that the contract would be finalized shortly and the contract team would be in place by the end of 1983.

The FSM II and LCS projects could have better chances of meeting their objectives if the buying and selling of produce between GRENARWA and LCS cooperatives occurred. However, at the time of our audit little had been done to develop this complementary relationship between the two projects. We recommended that the OAR/Rwanda take the initiative to bring all parties together to increase interaction between the projects (pages 16-17).

The report discusses additional problem areas which required management attention. We made recommendations to advise that:

GRENARWA increase its sales to the general public (pages 17-19).

Required financial audits are made (pages 22-23).

AID financed equipment is either utilized, redistributed to other AID Missions where there was a need or disposed of in accordance with regulations (pages 23-24).

At the conclusion of the fieldwork our audit findings were discussed with OAR/Rwanda. A draft audit report was also provided for their written comments. Based upon actions the OAR/Rwanda reported as taken we were able to delete four of the recommendations which appeared in our draft report. Other OAR/Rwanda inputs were included in this report as considered necessary.

BACKGROUND

Introduction

Rwanda, with a population of 5.2 million, has the highest population density in Africa. Little arable land remains to expand food production to help meet the demands of its rapidly growing population. Although Rwanda has traditionally been able to feed itself, frequent food deficits occur in specific regions of the country and this condition will be exacerbated as the population increases. To alleviate this problem, the primary objective of the Government of Rwanda's (GOR) development strategy is to satisfy the needs of the population for food.

The agricultural component of the OAR/Rwanda's strategy is in consonance with the GOR development plan in attempting to increase food production for a rapidly expanding population. Since 1975, OAR/Rwanda had implemented, or plans to implement, seven agricultural related projects. These projects have complementary relationships and tie-in to achieve the overall AID agricultural strategy.

Our audit addressed four of the projects involved with grain storage and marketing. They are the Cooperative Grain Storage, Local Crop Storage, Food Storage and Marketing Phase I (FSM I), and Food Storage and Marketing Phase II (FSM II) Projects. Since The Cooperative Grain Storage and FSM I projects had ended, our primary audit emphasis focused on the on-going activities of the Local Crop Storage and the FSM II projects.

Under the FSM I project, a food storage and marketing system was established at the national level. This entailed the construction of eight warehouses strategically located throughout the country. A GOR parastatal, Grenier National du Rwanda (GRENARWA) was created to manage the nationwide system and initiate the process to stabilize seasonal and regional prices of beans and sorghum.

The FSM II project is basically concerned with refining the management and operational capabilities of the organizations created under FSM I. Its dual purposes are to (a) strengthen and expand GRENARWA's management to enable it to act as a catalyst in stimulating and assisting the market place to respond to regional and seasonal imbalances in supplies and prices of beans and sorghum, and (b) assist the GOR to determine the feasibility of long-term bean storage in Rwanda, which will in turn strengthen GRENARWA's capability to maintain a food security stock.

Whereas the FSM I & II projects were concerned with crop storage at the national level. The Cooperative Grain Storage (CGS) and Local Crop Storage (LCS) projects were concerned with storage and marketing activities at the local level. The pilot CGS project constructed seven storage silos at various locations where cooperatives were located. Technical assistance was provided by the

Cooperative League of the USA (CLUSA) to train the cooperatives' managers and accountants.

The follow-on LCS project is basically a more long-term and expanded effort. The purposes of the LCS project are to (a) establish a food storage and marketing system at the local level, (b) reduce seasonal and regional price fluctuations and ensure that farmers receive fair weights on transactions, (c) reduce storage losses, and (d) perform research on the effect of long-term storage on beans.

The FSM II project agreement was signed in June 1982 and the expected completion date is May 30, 1986. GRENARWA has implementation responsibility which has been integrated into the Office Nationale pour le Development et la Commercialisation des Products Vivriers et des Productions Animales (OPROVIA). Technical assistance is provided through personal services contracts.

The LCS project was authorized in March, 1979 and the completion date has been extended to June 1987. The project is being implemented through the Directorate of Cooperative Action in the GOR Ministry of Social Affairs and Community Development. Technical assistance is provided through a host country contract with CLUSA.

Purpose and Scope of Audit

The purpose of our audit was to (a) evaluate how well the projects were progressing toward meeting established goals and objectives, (b) ensure that the implementing agencies of the GOR were effectively and efficiently utilizing AID provided resources, and (c) determine if applicable laws and regulations were complied with.

Audit work was performed at the OAR/Rwanda in Kigali, GRENARWA Headquarters, the GOR's Directorate of Cooperative Action, and at selected warehouses and silos located throughout Rwanda. Audit work encompassed (a) reviewing project files and financial records, (b) discussing project progress, accomplishments and problems with technical assistance personnel, cognizant officials of OAR/Rwanda, and the GOR and (c) performing various tests and analyses as considered necessary.

Our review covered the period from March 1979 through July 1983. Obligations and expenditures for the projects as of July 20, 1983 were:

Project Title	Obligations	Expenditures
FSM - Phase I	$2,910,000	$2,906,758
FSM - Phase II	2,100,000	152,000
Cooperative Grain Storage	327,000	319,292
Local Crop Storage	2,573,000	852,579

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Insufficient Staffing of FSM II and LCS Projects Had Limited Project Progress and Hindered Institution Building

Insufficient GOR staffing for both projects has had an adverse impact on project progress for both FSM II and LCS. Thus implementation of the FSM and LCS projects had not proceeded within planned timeframes. Institution building also suffered.

The FSM II project paper lacked specificity regarding the size and composition of the GRENARWA staff required to accomplish project objectives. In the absence of specificity, we requested the Director of GRENARWA to outline the staffing which he felt was required to implement the FSM II project. A comparison of his stated requirements with actual on board strength at the time of our audit follows:

Department	Personnel Required	Personnel On-Board
Directorate	1	1 (Part time)
Marketing	3-4	-0-
Stock Control	3-4	-0-
Buying and Selling	3-4	-0-
Accounting	3	1

The required institution building cannot occur with the above staffing levels. Major project components, such as building effective marketing and accounting departments, can progress very little until they are adequately staffed. The project had some very good technical assistance personnel who should have been training Rwandans. But personnel must first be made available for training.

The Cooperative Grain Storage Project (pilot phase of the LCS Project) had adequate staff (fourteen people) during the initial years of implementation. However, this staff was gradually reduced through attrition, promotion and transfers. By 1981 the staff was reduced to seven and has remained at this level. The expanded LCS follow-on project inherited this reduced staff which was insufficient for all planned project activities.

Inadequate staff has had a retardant effect on most areas of LCS project activity. The project paper lacked specificity as to the number of people required for implementation. Also the project agreement was void of any covenant which stipulated what the GOR should supply in terms of the number of people necessary for successful project implementation. A recent evaluation disclosed numerous shortcomings in all project components. The majority of these shortcoming were attributed to a lack of staff.

The evaluation recommended that the LCS staff be increased by four technical and four support personnel. Project personnel told us

that if these people were added to the staff then implementation could proceed as planned. The OAR/Rwanda agreed with the need for 4 additional technical people but felt the support people could be obtained from existing sources.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

Both the FSM II and LCS projects have insufficient staff for successful implementation. Institution building will not occur unless this situation is rectified.

In response to our draft report concerning FSM II staffing, OAR/Rwanda stated:

> "OAR has reviewed the FSM II project staffing requirements with GRENARWA. The functions of OPROVIA and GRENARWA were stated in a presidential decree dated May 1, 1982. The organization for GRENARWA, drawn up pursuant to the functional statement, and the positions filled, are as follows:
>
> | Position | No. | Encumbered |
> |---|---|---|
> | Directorate | 1 | 1 (w/advisor) |
> | Marketing | 1 | 1 (Director of GRENARWA is Chief of Marketing) |
> | Stock Control & Storage | 3 | 1 |
> | Promotion | 1 | 0 |
> | Accounting & Auditing | 3 | 3 (w/advisor) |
> | Secretariat | 1 | 1 |
>
> The day-to-day marketing, stock control and storage effort is largely the responsibility of the regional warehouses, all of which are staffed. In the opinion of the GRENARWA Director and his AID-financed advisors the staff on board was adequate for the level of storage and marketing activity at GRENARWA. As activity increases over the next several years, and as the training program for GRENARWA staff is implemented, more staff will be required.
>
> OAR has determined that the size and composition of staff required to successfully implement the FSM II project is as established in the GRENARWA organigram and we will insure that the positions are filled as required."

RIG/A/Nairobi Response

We are satisfied that OAR/Rwanda has determined the size and composition of staff required for the FSM II project. However, we remain concerned whether these positions are filled and the manner in which they are deemed to be filled.

The foregoing portrays the Director of GRENARWA as also being the Chief of Marketing. We are uncertain whether there will be another person assigned to the Marketing Department. During our audit we learned that the Director of GRENARWA also held another position in OPROVIA. Does this mean a part time person will be considered adequate to fill two critical positions (Director and Chief of Marketing)? We also learned that the person recently assigned to stock control and storage was in place on an interim basis. At the time of our audit only one person was in the accounting department. Were two more people recently brought on board or is it anticipated that they will join the staff in the near future? Until we receive further clarification as to whether these positions are actually filled and how they are considered to be filled we are making the following recommendation:

Recommendation No. 1

OAR/Rwanda work with the GOR to ensure that the positions required for successful project implementation are filled.

In response to the recommendation pertaining to LCS staffing OAR/Rwanda stated:

"The recent evaluation report recommended that the LCS project staff be increased from its present level of 6 to a total of 14. The new positions would include one trainer, one management/audit specialist, one bookkeeper, one assistant construction supervisor, two secretaries and two drivers.

Immediately after discussing the proposed recommendations of the evaluation team, OAR informed the Ministry for Social Affairs and Community Development that, until the project is adequately staffed, new silo construction starts would not be approved by AID. OAR considers three professional positions to be essential - trainer, management/audit specialist and bookkeeper. OAR has agreed that, when construction is resumed, the project can fund an assistant construction supervisor and that the secretarial and driver support can continue to come from the Ministry pool as it now does. Of the three positions which OAR deems essential, one (management/audit specialist) has been staffed by a Rwandan recently returned from a nine-month AID-financed training program at PAID in Douala. The Ministry is actively recruiting to staff the remaining two positions in the near future.

OAR will continue to monitor the project to assure that it is adequately staffed."

RIG/A Nairobi Response

We are retaining our recommendation until the remaining two technical positions are filled.

Recommendation No. 2

OAR/Rwanda work with the GOR to ensure that the two technical positions recommended by the recent evaluation are brought on-board.

Realistic Implementation Plans for FSM II and LCS Needed To Be Developed

The implementation plans outlined in the FSM II and LCS project paper were outdated and in some instances irrelevant. Accordingly revised plans needed to be developed. Revised implementation plans were necessary because (a) the projects were behind schedule, (b) the time phasing of certain events did not occur in the sequence planned, (c) some components had been substantially altered, and (d) certain components had not yet begun.

Some illustrations where implementation plans were outdated and needed revision:

-- Construction of forty hangers and six satellite units was planned to be completed by August 1982. Currently, it is hoped that twenty one hangers will be completed by the end of 1983. No satellite units were built. Construction of additional hangers was suspended at the time of our audit.

-- Six research studies planned for the LCS Project were to be completed by November 1982. Research had not started because of delays in signing a technical assistance contract. Additionally, LCS research was to be combined with the research to be undertaken in the FSM project.

-- The project completion date for LCS was extended for three years. The new date is June 1987. The current implementation plan plots project activity only through June 1984. Thus a revised plan for activities through June 1987 was needed.

-- Training for the chief accountant and a participant was planned to begin eight months after the project paper was authorized. This training can't start until personnel are assigned to these departments.

Without realistic goals, deadlines, and benchmarks for assessing progress, the various phases of project activity could flounder. We believe that future activities/events for both projects could be better managed if realistic implementation schedules were developed. This would also give management a reference point to

gauge project progress and quickly detect areas where progress begins to slip.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

The implementation plans for both the FSM II and the LCS projects are no longer relevant. Activities for the remaining life of the projects can be better managed if revised implementation plans are developed.

In response to our draft report, OAR/Rwanda stated:

> "OAR has requested the LCS project managers to prepare a revised project implementation plan to be presented to AID by October 30, 1983.
>
> It is the opinion of the OAR that the implementation plan for FSM II remains relevant. There has been some delay in the purchase of laboratory equipment for the research phase of the project, pending conclusion of a contract with a U.S. university for the TA research team, but the delays are not serious and the purchases will be concluded over the next several months. The training program is behind the schedule set forth in the Project Paper but a new training schedule has been proposed and approved by OAR, contained in the GRENARWA Project Action Plan. The principal operation of GRENARWA, marketing of beans and sorghum, has continued according to its seasonally based schedule. OAR can provide RIG a copy of the GRENARWA Action Plan. It has not been translated into English from the French."

RIG/A/Nairobi Response

Based upon OAR/Rwanda's comments we are deleting the portion of our recommendation pertaining to developing an implementation plan for the FSM II project. But we are retaining that portion of the recommendation pertaining to the LCS project until we receive the revised implementation plan.

Recommendation No. 3

OAR/Rwanda develop a revised implementation plan for the LCS project.

Training Plans for FSM II and LCS Needed To Be Revised

Updated training plans for the FSM II and LCS Projects were needed. The FSM II and LCS project papers called for a significant amount of in-country and third country training as necessary first steps toward accomplishing project objectives.

Most of the planned training had not occurred because if those few people who were available had been sent for training, project activity would have come to a halt. This break in project activity was due to the fact that no one would be in place to cover in their absence. Consequently, training had not progressed as planned. Further, the training targets as outlined in the project papers were unrealistic.

Some examples of the shortfalls in planned training were:

-- The FSM II Project planned to strengthen GRENARWA's marketing department through one year of formal training for the marketing chief and six months training for each of his assistants. Since the department had no staff, this training did not occur. Likewise, the accounting department was to be upgraded through two months of short term training for the department chief and the sending of one long term participant to the U.S. to study business administration. Since the accounting department had only one person assigned, any attempt at training would bring the department's activities to a halt.

-- The LCS Project anticipated sending ten people from the Ministry of Social Affairs and Community Development to a three months course in cooperative management. Only one participant was sent. The project also planned to send 10 people to a six month course in cooperative management at the Pan African Training Center in Benin. This plan was frustrated when the training center closed due to a lack of funds.

The LCS project paper stated the following regarding the importance of training to accomplish objectives:

> "An essential element of this project is training, without which there would be no assurances that the grain storage warehouses constructed under the project would be operated and managed properly. Training will be conducted at several levels (national, prefectural, commune, cooperative) under the overall direction of the GOR project manager and AID-financed project advisor."

The training plans for both projects needed to be revised to reflect present day circumstances. When staffing levels are known, realistic training plans can be developed to reflect what is obtainable by the project completion date.

<u>Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation</u>

Training has not progressed as planned because of inadequate staffing. Realistic training plans need to be developed for the duration of project activity.

In response to our draft report OAR/Rwanda stated:

"The FSM Action Plan, mentioned above, contains a training plan. GRENARWA has been requested to provide the information necessary for OAR to complete the PIO/Ps.

The recent evaluation of the LCS project has made several recommendations with regard to training needs and the training programs and the project managers have been requested to present a plan for implementing the recommendations with CLUSA assistance.

With regard to LCS training program, the PP foresaw that ten members of the Ministry's Cooperative Development Staff would be trained in Benin at the Cooperative Pan African Training Center. Six persons were trained under AMDP's CGS financing. The PP recommended that ten persons be trained at PAID. One has been trained. Since this out-of-country program was largely directed at personnel other than those staffing the project, and since, as the evaluation has pointed out, the staff has benefitted from substantial on-the-job training from the project technical assistance, the reduction in training for ministry personnel has not had a serious effect on the ability of the project to be implemented.

While the ten regional cooperative supervisors have not yet received formal training under the LCS project, they did receive training under the CGS project, just prior to the termination of that project. They will receive retraining at a special program to be undertaken in 1984 specifically for them.

The reduction in central office staff has not affected the out-of-country training program since none of the persons now in place, or planned for the central office, were to receive the training. The out-of-country training was for other persons in the Ministry who would be called upon from time to time to serve as trainers. It is not anticipated that there will be a lack of trainers since the Cooperative Training Center, also financed by AID and to which AID has assigned a Cooperative Training Expert, can be called upon to supplement the LCS staff in this regard.

In fact, however, the in-country training program has gone according to a revised schedule consonant with the reduction in construction activity. Cooperative training is geared to silo operations and, to date, all of the silo and coop managers at sites of silos have been trained.

The training activity will pick up as the phase-in of cooperative silos proceeds and increases.

The PP recommended training for 60 cooperative managers. To date, 90 persons have been trained under the project (30 more than recommended) though for shorter periods than recommended in the PP. Additional training, and retraining, will be given over the life of the project and the project goals should be met without difficulty.

While there is obviously room for improvement, the on-the-job training effort by the Ministry and CLUSA teams has been good."

RIG/A/Nairobi Response

We appreciate the additional information which the OAR/Rwanda has supplied concerning training accomplished under the LCS project. But pending definitive action we are retaining the recommendation which appeared in our draft report.

Recommendation No. 4

OAR/Rwanda prepare revised training plans for the FSM II and LCS projects.

Complementary Relationship Between FSM II and LCS Needed To Be Maximized

Closer collaboration between the two projects to discuss matters of mutual concern was needed at all levels of management. The FSM II and LCS projects could have a better chance of meeting their objectives if the buying and selling of beans and sorghum between GRENARWA and LCS cooperatives occurred.

Interaction between GRENARWA and LCS cooperatives could, for example, facilitate the interregional transfer of food from surplus to deficit areas. It would also give cooperatives access to GRENARWA stocks when supplies were low and cooperatives could act as sales outlets for GRENARWA. To date there had been little interaction between GRENARWA and LCS cooperatives.

The FSM project paper contained the following objectively verifiable indicator to help gauge whether the project purpose was being achieved.

"GRENARWA has established formalized linkages with local crop storage units as buying and selling agents."

This indicator was premised on the assumption that local crop storage units increase in number and capacity to store and market and are willing to continue working with GRENARWA. We learned that increases in storage units and storage capacity are occurring through the LCS project.

GRENARWA officials told us that the LCS cooperatives did not seem very interested in dealing with them. A LCS official stated GRENARWA didn't seem to be able to come up with reasonable prices. At the time of our audit only one or two cooperatives had sold any beans or sorghum to GRENARWA.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

The natural buying/selling relationship between FSM II and LCS has not developed. Both projects can benefit if a framework is established to develop the complementary role of both projects.

In response to our draft report, OAR/Rwanda stated:

> "OAR has held a number of discussions over the past year with both GRENARWA and LCS on ways to stimulate closer collaboration between the two projects. A letter dated May 10, 1983 from OAR to the Director of OPROVIA suggested that more formal consultations be scheduled. OPROVIA has indicated their intention to convene a meeting in the near future and the Ministry for Social Affairs and Community Development is eager to participate on the part of the LCS project. OAR will follow up to assure that consultations take place."

RIG/A/Nairobi Response

We are pleased to hear that officials from both projects intend to convene a meeting to discuss closer collaboration. We are retaining our recommendation until this meeting has taken place and a plan of action to increase interactions is developed.

Recommendation No. 5

OAR/Rwanda take the initiative and bring GRENARWA and LCS managers together to develop a plan of action to increase interactions between the two projects.

GRENARWA Needed To Increase Its Sales to the General Public

The vast majority of GRENARWA's sales were made to national and international institutions. GRENARWA needed to rectify this imbalance by increasing its sales to the general public.

One of the purposes of the FSM II project was for GRENARWA to act as a catalyst in stimulating and assisting the marketplace to respond to regional and seasonal fluctuations in supplies and prices of beans and sorghum. In this regard, GRENARWA should purchase beans and sorghum when supplies are plentiful and prices are low and later

sell these products in deficit areas where prices are rising. Thus, GRENARWA could affect the market prices by increasing competition through the increased supply of beans and sorghum.

The following excerpt from the project paper had this to say regarding GRENARWA's price stabilization efforts:

> "To attempt to stabilize prices in its work of upholding minimum prices, GRENARWA deals with private traders, cooperatives and farmers, purchases beans and sorghum during the harvest period, stores them under modern, controlled conditions and then transports and sells them as the demand increases into the hungry season in those deficit areas which have the greatest need, as evidenced by rising prices. GRENARWA affects prices in the market by increasing competition through changing the available supplies of beans and sorghum."

In the past two years a substantial portion of GRENARWA's sales were made to the United Nations (UN), the World Food Program (WFP), and various GOR institutions. Statistics showing who GRENARWA sells to are:

	UN/WFP		GOR Institutions		General Public		Total	
	Tons	Percent	Tons	Percent	Tons	Percent	Tons	Percent
1982	3,882	55%	1,707	24%	1,541	21%	7,130	100%
1983 (7 Mos.)	1,808	56%	1,309	40%	140	4%	3,257	100%

As shown, the majority of GRENARWA sales were made to the UN/WFP and to GOR institutions. In our view, a more positive impact on stabilizing/lowering prices could be achieved if this food were sold in food deficit areas where prices were rising. The 1982 sales to the UN/WFP were distributed to refugees in Zaire and Uganda which could lead to higher prices in Rwanda by reducing available supplies.

In addition to limiting the market where GRENARWA sells its food, these sales affect the quantity mix of beans and sorghum which can be purchased. GRENARWA's purchases should be predicated on what surpluses exist in the marketplace. However, GRENARWA had to purchase the quantities required to fill their contracts with UN/WFP and GOR institutions. Thus GRENARWA may not be able to respond to surpluses as effectively as possible.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

The vast majority of GRENARWA's sales are made to the UN/WFP and GOR institutions. We feel that GRENARWA can have a more positive impact on stabilizing/lowering prices if a larger portion of their food is sold to the general public in deficit areas where prices are rising.

In response to our draft report, OAR/Rwanda stated:

"GRENARWA recognizes that they have to increase their percentage of sales to the general public. Their objective for 1983/84 is to have 30% of total sales being to the general public, either directly to consumers at the GRENARWA outlets, through sales to private traders, or through cooperative silos. (The 1983 figures provided in the audit report do not cover the period of soudure, when the major sales to the general public occur.) The percentage for 1983 will probably reach 25%.

GRENARWA plans to increase its sales to the general public in two ways:

a. Increased interaction with the cooperative silos. The Mission response to recommendation No. 5, discusses the steps being taken to more formally tie the two programs together.

b. GRENARWA plans to build, with their own resources, a number of small marketing facilities which will give them direct access, purchasing and selling, to the general public. The existing GRENARWA warehouses will be more effectively utilized, as centers for storage and provision for the smaller units.

GRENARWA sales to WFP and GOR institutions are not likely to increase over the short-term. The institutions require fixed amounts and WFP purchases for refugees will decrease, barring an increase in hostilities in neighboring countries. Thus, the increased marketing activity which GRENARWA plans over the coming years will be virtually in its entirety in sales to the general public."

RIG/A/Nairobi Response

These planned steps should lead to an increase in sales to the general public. But we are retaining our recommendation until we receive evidence showing that these plans are implemented and that sales to the general public have increased.

Recommendation No. 6

OAR/Rwanda work with the GOR to increase the volume of GRENARWA sales to the general public in food deficit areas of the country.

Avenues Needed To Be Explored to Help Reduce GRENARWA Operating Losses

GRENARWA had sustained heavy fiscal losses from its operations in almost every year since its inception. Unless this trend is reversed the goal of financial self-sufficiency will not be reached.

It was doubtful if the GOR could continue to support GRENARWA for any appreciable length of time unless it became financially viable and self sufficient. The GOR presently has little or no funds to expend on development projects and even has trouble meeting its payroll. A parastatal organization which loses money and requires substantial financial assistance places a heavy burden on a government with extremely limited resources. The GOR is a case in point.

To date, GRENARWA's financial performance has been disappointing. Losses have occurred in nearly every year and have accumulated to a total of 85 million RWF (U.S. $923,900). GRENARWA's buying fund was reduced by 25% as a result of these losses. The small profit in 1982 (US$14,000) was misleading because it was the result of several large contract sales to the UN/WFP.

The Director of GRENARWA told us that it was essential for his organization to have large sales to the UN and GOR institutions. He felt that GRENARWA would be in deeper financial difficulties if attempts were made to sell more food on the competitive market. This, he said was because (a) their beans were too old (beans sold by private traders or those smuggled in from Uganda and Zaire are fresher and are preferred by customers), and (b) GRENARWA's required break even point was too high.

When an organization continues to lose money, immediate action is required to identify the reasons why and institute a remedial plan of action. A senior GRENARWA official told us that a large portion of GRENARWA's financial problems were attributed to inefficiency. Other reasons cited were that some warehouses were in poor locations and continuously lose money, transportation was too costly and often can't respond to move stocks to an area of potential sales and various overhead expenses were too high.

We feel that an analysis should be performed of GRENARWA's operations to determine what efficiencies/economies can be achieved in their operations. A thorough analysis of areas such as overhead, dropping warehouses which are not profitable and revamping the transportation system should be made. Corrective action in these areas could increase profits.

Conclusion, OAR/Rwanda Comments and RIG/A/Nairobi Response

GRENARWA's financial performance thus far has not been impressive. If this organization does not become totally self sufficient, it will become a financial burden to a Government which has limited resources. Our draft report contained a recommendation that an

examination of GRENARWA's operations should be made to identify areas where efficiencies/ economies could be achieved.

In response to our draft report, OAR/Rwanda stated:

> "Upon the departure of the expatriate accountant in May, OAR and GRENARWA determined that full time accounting assistance was no longer required at GRENARWA and opted to engage management expertise to examine GRENARWA's operations to determine where they can become more efficient and cost effective. A new technical assistance person has been working with the project since April, 1983, in this capacity. He has recommended and begun to initiate a number of measures to be taken to improve their financial position, including monthly budget reviews, vehicle utilization control, organization of daily/task workers, stock control, expendable and non-expendable property control, warehouse management, and financial management."

RIG/A/Nairobi Response

In view of the fact that a technical assistance person is now functioning in a management analysis capacity we feel a recommendation is no longer necessary.

Attempts Should Be Made To Retain People Who Received Project Training

Some of the individuals who received training were found to have (a) either been transferred to other assignments, (b) been relocated to other GOR offices or (c) resigned. This has had an adverse impact on the institution building goal of the FSM II and LCS projects.

Both the FSM II and LCS projects required a significant number of people to be trained if institution building objectives were to be achieved. If these objectives are to be realized then the people who had received training must remain with the project for a specified period of time. In certain instances project progress was hindered because trained people were transferred to new assignments outside of the project. Others resigned.

The FSM project devoted a considerable amount of effort to train an accountant and a cashier. These skills are critically needed in GRENARWA. After receiving the training, OPROVIA reassigned these people to work in their organization. These transfers were a major set back to GRENARWA in its attempt to build a viable accounting department.

We recognize that people should have the latitude to move between jobs. However, transfers such as this are detrimental to institution building projects. We feel that both projects will be in a better institution building position if OAR/Rwanda makes an

effort to persuade the GOR to keep people who had received training assigned to the projects.

Conclusion, OAR/Rwanda Comments and RIG/A/Nairobi Response

To some extent, institution building has already been curtailed because people who received training were reassigned. Attempts should be made in the future to minimize reassignments. Our draft report contained a recommendation for OAR/Rwanda to make efforts to (a) encourage the GOR to keep people receiving training assigned to the project and (b) whenever possible, build into training agreements a minimum time period the trainee should remain with the project.

In response to our draft report, OAR/Rwanda stated:

> "OAR has always insisted that persons trained under a project should work in the project upon their return from training. We will continue to so insist. OAR will also build into project training programs a minimum time period that the trainee should remain with the project.
>
> A minimum time period that the trainee should work with the project after returning from training is three times the period of training. To our knowledge, each of the persons trained under the FSM and LCS projects (and all other projects financed by AID in Rwanda) who were to return to the project, have returned and have worked for longer than the 3:1 period. They then opted to move on to other jobs which furthered their career. In several cases, particularly in GRENARWA, trainees were recalled to the original agency, OPROVIA."

RIG/A/Nairobi Response

Since OAR/Rwanda has assured us that a minimum time period that the trainee should remain with the project upon completion of the training will be built into training programs, a recommendation is not considered necessary.

Other Areas Which Required Management Attention

Our audit surfaced two additional areas where project operations could be improved. These areas address the need for the OAR/Rwanda to ensure that (a) audits of GRENARWA's records are performed and (b) AID financed equipment is adequately utilized. These subjects are detailed in the following sections of this report.

Required Audits of GRENARWA Financial Records Were Not Done

The project agreement contained a provision which required GRENARWA's financial records to be audited by a CPA firm or equivalent. We found that the audits were never done. In addition we also found that GRENARWA had not published their financial

statement for 1981 and 1982. GRENARWA officials were unable to provide us with a satisfactory explanation of why the audits were never made.

GRENARWA's purchases and sales at warehouses located throughout the country were high. We estimated that during 1980-82 GRENARWA purchases were $3.3 million and sales were $3.6 million. Such a high dollar amount of transactions occurring at numerous locations make it imperative that an independent audit be performed to establish the integrity of purchases, sales, inventories and to determine whether the operation was making or losing money.

Fraudulent financial practices had already been detected in GRENARWA operations. In this case an accountant embezzled $55,000. Five of the seven cooperatives established under the Cooperative Grain Storage project also experienced cases of malfeasance. These types of occurrences make the need for an independent audit all the more important.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

Required financial audits of GRENARWA operations have not been performed. These audits are necessary to ensure the integrity of GRENARWA operations.

In response to our draft report, OAR/Rwanda stated:

> "An audit is scheduled for April, 1984, immediately following the major bean buying campaign."

RIG/A/Nairobi Response

We are retaining our recommendation until we receive firm evidence that this audit will take place as scheduled.

Recommendation No. 7

OAR/Rwanda work with the GOR to ensure that the provisions of the project agreement requiring a financial audit are complied with.

AID Financed Equipment Should Be Utilized, Redistributed, or Sold

We inspected AID-financed commodities at various GRENARWA locations to determine if the equipment was utilized and properly maintained. Our physical inspections disclosed that three grain cleaners had never been used. In addition, we found two large scales purchased with AID funds which had not been used for at least two years.

Project personnel told us that the cleaners were inappropriate to handle the many sizes of beans being grown and harvested in Rwanda.

A prior audit in Rwanda 1/ noted the same condition regarding the grain cleaners and recommended that the AAO/Rwanda explore with the appropriate GOR officials the possibility of disposing of unneeded equipment and using the proceeds in furtherance of project objectives.

Regarding the scales, project personnel told us that they had broken down shortly after arrival in Rwanda and had never been repaired. We believe that these scales could still be useful to the project if they were repaired.

Conclusion, OAR/Rwanda Comments, RIG/A/Nairobi Response and Recommendation

Our review surfaced instances where AID purchased equipment was not utilized. Measures need to be taken to utilize/redistribute and where necessary repair this equipment to avoid a total loss on AID's investment.

In response to our draft report, OAR/Rwanda stated:

> "GRENARWA proposes to retain one of the grain cleaners for use in cleaning sorghum prior to its being milled. The grain cleaner will be tested for a period of one year and, if found unsuitable, will be sold. The scales have been determined to be unrepairable at reasonable cost.
>
> The other two grain cleaners were offered to other AID missions in 1979 and no buyers were forthcoming. Another effort will be made to redistribute them to other AID missions/projects. If unsuccessful, they will be auctioned off, together with the broken scales, in Kigali."

RIG/A/Nairobi Response

We are retaining our recommendation until we receive evidence that the equipment has either been redistributed or sold at auction.

Recommendation No. 8

> OAR/Rwanda take steps to (a) either use the three grain cleaners, or redistribute them to other AID projects or dispose of them in accordance with AID regulations and (b) dispose of the two scales in accordance with AID regulations.

1/ A.R. No. 3-696-79-13, issued July 26, 1979

APPENDIX A

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 1

OAR/Rwanda work with the GOR to ensure that the positions required for successful project implementation are filled.

Recommendation No. 2

OAR/Rwanda work with the GOR to ensure that the two technical positions recommended by the recent evaluation are brought on-board.

Recommendation No. 3

OAR/Rwanda develop a revised implementation plan for the LCS project.

Recommendation No. 4

OAR/Rwanda prepare revised training plans for the FSM II and LCS projects.

Recommendation No. 5

OAR/Rwanda take the initiative and bring GRENARWA and LCS managers together to develop a plan of action to increase interactions between the two projects.

Recommendation No. 6

OAR/Rwanda work with the GOR to increase the volume of GRENARWA sales to the general public in food deficit areas of the country.

Recommendation No. 7

OAR/Rwanda work with the GOR to ensure that the provisions of the project agreement requiring a financial audit are complied with.

Recommendation No. 8

OAR/Rwanda take steps to (a) either use the three grain cleaners, or redistri- bute them to other AID projects or dispose of them in accordance with AID regulations and (b) dispose of the two scales in accordance with AID regulations.

APPENDIX B

LIST OF REPORT RECIPIENTS

	No. of copies
Field Office:	
OAR/Rwanda	5
REDSO/ESA	2
AID/Washington	
AA/M	1
AA/AFR	5
AA/PPC	1
LEG/OD	1
GC	1
IG	1
OPA	1
AFR/CA	2
M/FM/ASD	2
PPC/E	1
S&T/DIU	4