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Audit of the
North Cameroon Seed
Multiplication Project

Project No. 631-0023

Audit Report No. 7-631-86-4

November 8, 1985

memorandum

DATE: November 8, 1985

REPLY TO
ATTN OF: John P. Competello, Regional Inspector General for Audit/West Africa

SUBJECT: Audit of the North Cameroon Seed Multiplication Project - Audit Report No. 7-631-86-4 dated November 8, 1985

TO: Jay Johnson
Director, USAID/Cameroon

This report presents the results of our program results audit of the North Cameroon Seed Multiplication Project. The objectives were to (1) determine the project's progress in meeting its objectives, (2) assess project management and contractor performance, and (3) evaluate compliance with AID regulations and project agreements.

The report concludes that limited progress was made in meeting project objectives due to a very slow start in most activities. The project was designed to do too much in too short a time. Although USAID management has improved, better project monitoring and management controls are still needed. Project progress was further limited by poor contractor performance and host government management weaknesses, including coordination problems among government agencies and poor management systems. In addition, long-term project success faces major constraints because of over-optimistic design assumptions. These include questions of farm selection, research, marketing, and private sector capability.

The report contains five recommendations for more effective use of the remaining \$11 million in AID project funds. The recommendations are directed to determining what can realistically be done within the project timeframe, reassessing project design assumptions, and improving USAID project monitoring and host government management. Your comments were considered in finalizing this report and are attached as Appendix 1. On the basis of your comments to the draft report, we are closing part of one recommendation upon issue of this report. Other recommendations will be tracked under the IG's recommendation follow-up system.

Please advise us within 30 days of any actions taken or planned to close the remaining recommendations. We appreciate the cooperation and courtesy extended to our staff during the audit.

EXECUTIVE SUMMARY

The North Cameroon Seed Multiplication project was designed to assist the Government of the Republic of Cameroon develop an institution to produce improved varieties of seed for distribution to farmers. The project's goal was to increase income and productivity of farmers in the northern province. AID helped build the physical plant, provided seed production equipment, and trained staff. The project budget amounted to \$18.7 million with AID financing \$13.6 million (\$8 million grant, \$5.6 million loan), and the government providing the remaining \$5.1 million. Included in AID financing was a \$3.2 million technical assistance contract with Development Assistance Corporation. About \$2.3 million of AID funds were spent through June 1985.

The Office of the Regional Inspector General for Audit/West Africa made a program results audit to (1) determine project progress in meeting its objectives, (2) assess project management and contractor performance, and (3) evaluate compliance with AID regulations and project agreements. The audit was made in Yaounde, and at the project site in Garoua, Cameroon and included Phase II project activities from July 1982 through February 1985.

The audit found that limited progress was made in meeting project objectives due to a very slow start of most activities. Project management and contractor performance were poor; USAID management showed some improvement. The project's long-term progress was also constrained due to questions of project viability and economic feasibility. Coordination among government agencies participating in the project was poor, and critical analyses had not been made of seed production costs and selling prices. Also, several instances of non-compliance with project agreements and internal control weaknesses were found. Other than the reported deficiencies, the audit disclosed no other instances of material non-compliance.

The project was designed to do too much in too short a time. Major project activities--technical assistance, training, and construction--were delayed. Project progress was also limited by poor contractor performance and project management. For example, several members of the technical assistance team did not effectively perform assigned duties thus limiting transfer of technology to government project officials. Also, USAID and project management did not have an effective system to measure progress, and project activities were not sufficiently prioritized. The audit recommends the project be reassessed to determine what can realistically be done within the project timeframe, assure effective use of technical assistance and assign priorities to project work activities. USAID/Cameroon agreed that the project needed more realistic goals, but disagreed that the project work plan was inadequate.

The project design included several optimistic assumptions and did not properly consider constraints to the project's long-term objectives of increasing farmer productivity and income. The audit identified questions of farm selection, research, marketing, quality control, and private sector capability which needed to be resolved. Also, USAID did not establish an evaluation program, thus limiting management information on project progress, impact, and validity of project design assumptions. The audit recommends that project design assumptions be reassessed and an evaluation program implemented. USAID/Cameroon agreed.

Agreements had not been reached among the government agencies participating in the project. The audit found problems in coordination and cooperation among major agencies which limited development of improved seed varieties. Also, USAID/Cameroon was not sufficiently aware of a World Bank - assisted project which directly related to the AID-assisted effort. The audit recommends agreements among participating agencies be signed, coordination improved and USAID monitoring increased to include the related project. USAID/Cameroon agreed.

Seed production costs were not analyzed and selling prices based on cost were not established. This was critical if private sector interest and participation were to be encouraged. The absence of a good cost accounting system and lack of production data caused this problem to occur. The audit recommends development of a project cost accounting system, and analyses of seed costs and selling prices. USAID/Cameroon agreed.

The audit findings also included non-compliance with the project agreement and technical assistance contract, and several internal control weaknesses. For example, the contractor did not submit progress reports as required and government internal controls over project equipment needed improvement. USAID/Cameroon agreed.

Implementation of the five audit recommendations should result in better use of the \$11 million of AID funds remaining on this project. USAID/Cameroon's response to the draft report resulted in the closure of part of one recommendation. The IG follow-up system will track further corrective action. USAID/Cameroon's comments are attached as Appendix 1.

Office of the Inspector General

Audit of the
North Cameroon Seed
Multiplication Project

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AUDIT OF THE
NORTH CAMEROON SEED MULTIPLICATION PROJECT

PART 1 - INTRODUCTION

A. Background

The North Cameroon Seed Multiplication Project, Phase II, is a \$13.6 million AID-assisted effort comprised of an \$8 million grant (631-0023) and \$5.6 million loan (No. 631-T-008). Including the Government of the Republic of Cameroon's (GRC) \$5.1 million contribution, the project budget totaled about \$18.7 million. This followed a Phase I AID grant of \$1.5 million.

The project is in Northern Cameroon, one of the poorest areas of the country where conditions are similar to the semi-arid Sahel region of West Africa. About 85 percent of the more than 900,000 people within this area derive their living from agriculture.

Phase I was authorized in November 1975 to establish a system to produce, distribute, and use improved seeds in Northern Cameroon. According to AID, this was not achieved because the GRC and USAID/Cameroon tried to do too many activities at the same time with limited resources.

Phase II was authorized in February 1982 to help the GRC develop an institution to produce improved peanut, corn, sorghum, and millet seed to distribute to farmers. The project's goal was to increase the productivity and income of the 163,000 farmer families in the region. AID assistance was provided for research, institutional development, technology transfer, and farmer extension. AID's assistance also focused on building the physical plant and providing the equipment to grow, process, and multiply improved seeds, and on training personnel to staff the facilities.

The Food Development Authority (commonly referred to as MIDEVIV under its French acronym), an organization within the GRC Ministry of Agriculture, and the Institute for Agriculture Research (known as IRA) were the GRC agencies responsible for project implementation. The Director of IRA-North was assigned project research responsibilities to select and introduce new seed varieties. The Director of MIDEVIV delegated management of seed multiplication to a project manager. Breeder seed (improved seed which can be reproduced) was released by IRA to MIDEVIV which multiplied it at seed farms. The Cotton Development Authority (SODECOTON), the primary GRC extension institution, was to distribute and demonstrate the use of improved seed to the farmers.

Development Assistance Corporation, a U.S. contractor, signed a \$3.2 million direct AID contract in May 1983 to provide training and technical assistance to develop the institutional capability of the GRC.

AID expenditures under the Phase II grant and loan totaled \$2.3 million through June 1985. The Phase II project assistance completion date of December 31, 1987 was extended to March 31, 1988.

B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit/West Africa made a program results audit of the project at its headquarters in Garoua and in Yaounde, Cameroon. The audit covered Phase II project activities from July 1982 through February 1985. This was the first IG audit of this project.

Specific audit objectives were to:

- determine the project's progress in meeting its objectives;
- assess project management and contractor performance; and
- evaluate compliance with AID regulations and the project agreements.

To achieve these objectives, we reviewed files and interviewed USAID/Cameroon, GRC, and contractor officials. The accuracy of USAID accounting records and financial reports was tested, and project farm equipment, tools, and spare parts were inspected. Since construction plans were not completed at the time of audit, work was limited to discussions with the architect and engineering firm's representative and the USAID engineer.

We did not review the implementing agencies' financial records and only selectively reviewed internal controls because a public accounting firm had completed a review and made recommendations in July 1984. After the completion of our audit, USAID contracted with an accounting firm to assist the GRC in implementing the recommendations. Other reviews and tests were made as considered necessary. The audit was made in accordance with generally accepted government audit standards for program results audits.

A draft of this report was provided USAID/Cameroon in July 1985. Mission comments were not received until mid October, thus delaying report issuance. Mission comments have been included in the respective report sections. Appendix 1 contains the entire text of comments.

AUDIT OF THE
NORTH CAMEROON SEED MULTIPLICATION PROJECT

PART 11 - RESULTS OF AUDIT

A. Findings and Recommendations

1. Need for More Realistic Project Goals and Objectives

Very little progress was made in almost three years because of slow implementation in most project activities. Technical assistance problems included delays in fielding the team, and substandard performance. Lengthy procedures delayed construction of seed facilities, and training fell significantly behind schedule. An unrealistic project design contributed to these problems in planning too much in too short a time. Although some progress was being made to solve these problems, more realistic goals, objectives and a better planning and reporting system, were needed.

Recommendation No. 1

We recommend that USAID/Cameroon:

- (a) determine what can realistically be accomplished within the project timeframe and available resources;
- (b) determine how project technical assistance can be effectively used in view of limited infrastructure and support;
- (c) require the contractor and the Government of the Republic of Cameroon to submit joint quarterly progress reports, and
- (d) in conjunction with the Government of the Republic of Cameroon and the contractor (1) identify and prioritize the work activities necessary to meet the project goal, purpose, and end-of-project objectives, (2) specify the parties responsible for these activities, and (3) establish activity completion dates. These items should be made part of the project work plan.

Discussion

Technical Assistance Problems - It took over a year to fully staff the technical assistance team on site because two of the original three key personnel did not accept the positions offered. Replacement staff were later found, but some did not perform as expected. For example, in August 1984, USAID removed the administrative/ financial analyst because he was not effective in helping the GRC develop the project accounting system.

Both USAID and GRC officials stated that some members of the technical assistance team showed little interest in working with their host country counterparts. This was partly caused by personality conflicts between the technical assistance team and GRC officials. This limited the transfer of technical knowledge to GRC project officials. In addition, poor communication between the technical assistance chief of party and other project personnel, both GRC and U.S., resulted in implementation plans and progress reports not being prepared and submitted. The chief of party did not obtain GRC input into the reports as required under the contract and USAID did not accept the reports. He was replaced in July 1984 due to poor performance. The machinery advisor assumed his duties until the new chief of party arrived in March 1985.

Construction Delays - Facility construction was critical to the processing, storage, and testing of improved seed. However, contract negotiations with an architect and engineering firm to design seed multiplication facilities and oversee construction did not start until mid-1983. The contract was not signed until March 1984 because of the lengthy GRC approval process. The first design was considered unacceptable, and final construction designs were not approved until July 1985. Therefore, project construction will not be completed until late 1986 or early 1987-- approximately 4 1/2 years after the signing of the project agreement.

As a result of the long time required for construction, the completed seed farm will be fully operable only slightly more than one year before the current project completion date. Technical assistance will be impaired because the infrastructure will not be available. Specifically, starting in September 1985, a seed laboratory technician was to establish the regional testing laboratory and train personnel in seed testing and equipment maintenance. However, the laboratory will not be available until the final year of the project.

Training Delays - Training proposed in design documents could not be done. It was unrealistic to assume that 9 long-term trainees could leave participating organizations at the same time and still expect those organizations to continue normal operations. Thus, trainee departures have been staggered to meet manpower needs.

In addition, practical long-term training at private U.S. seed companies was planned for 5 participants. It was later determined this was not feasible because U.S. seed farms would not provide practical training due to trade practices. All long-term training was then scheduled for U.S. universities with only short visits to seed companies. The first of these

participants left for training in May 1984 and was not expected to return until early 1987.

Unrealistic Project Design - Contributing to some of these problems was an unrealistic project design. The design called for a 5 year effort to institutionalize a system for improved seed to farmers. This was overly optimistic. USAID and GRC officials told us that it would take at least 10 years to achieve the project purpose.

Seed multiplication was the primary focus of AID's assistance. However, as previously demonstrated, very little had been accomplished. In our view, the project was designed to do too much in too little time. The project design was further flawed in that it sequenced the project implementation activities but did not prioritize nor establish milestones for completion. In addition, the project designers did not adequately consider the technical feasibility for one of the two farm sites and failed to budget adequate funds for its construction.

Since the project was scheduled to end in early 1988, it was unlikely that adequate quantities of improved seed would be available to increase the income and productivity of farm families. USAID needs to reassess the project purpose and goal to determine what can realistically be done within the project timeframe.

Need to Improve Project Monitoring - Progress in achieving the project's goal and purpose was not adequately monitored because acceptable work plans and progress reports were not prepared by the contractor. In addition, the project had not established the specific activities and related timeframes needed to achieve end-of-project objectives.

Contract provisions required the development of annual work plans to include a Program Evaluation and Review Technique (PERT) against which quarterly progress reports were to be analyzed. The PERT was planned as a tool to monitor the progress of major project activities. However, the system was not developed due to (1) limited technical assistance support, (2) inadequate scheduling of project events, and (3) difficulties in applying PERT concepts.

Without PERT, project progress could be compared only to the annual work plan. The first annual work plan, submitted in December 1983, was not accepted by USAID because it lacked a training program, description of technical assistance team duties, and GRC input. The USAID project officer told us that in lieu of the above documents he used the project paper and grant agreement to monitor the project. These documents only sequenced events without delineating specific timeframes for

project activities. Delays could not be readily identified and acted upon.

USAID officials considered a January 1985 workplan developed by USAID, the GRC, and the contractor as the first useful plan for the project. The project officer advised us he would use this document to track project activities and update and revise the plan semiannually. The workplan established work activities and timeframes to complete various functional areas such as procurement and construction.

The audit found that the revised plan still did not translate the project's goal, purpose and end-of project objectives, as enumerated in the project design documents, into specific work activities during the year. As a result, some project activities, such as the development of a project cost accounting system and training to be done by technical advisors, did not receive adequate attention. The project implementing parties--USAID, GRC, and the technical assistance contractor--still had not prioritized these activities.

In addition to annual work plans, quarterly progress reports were required. The technical assistance contract stated that all reports were to be prepared jointly by the technical assistance team and the GRC project staff. The February 1984 report was not accepted by the USAID project officer because it lacked GRC input. The technical assistance chief of party disagreed with USAID and refused to prepare future reports. With the changes in the technical assistance team, the project officer believed more meaningful progress reports would be submitted.

Improved USAID Management - The audit found USAID management had improved since January 1984 when the current project officer arrived. He visited the project monthly to review activities and progress, and discussed progress and problems with contractor and GRC project staff. Also, an internal USAID review system involving bi-weekly meetings was established for problem projects. During the six month period ending February 1985, the project was reviewed twice per month, and USAID had acted to resolve several project problems.

Conclusion

After almost three years, only limited progress had been made in achieving the project's goal, purpose and end-of-project objectives because of slow implementation in most project activities. Lengthy GRC procedures delayed construction of seed facilities, and training fell significantly behind schedule. In addition, ineffective technical assistance further impaired progress. The project was designed to do too much in too short a time. At the conclusion of the audit, it

was doubtful the project would achieve its objectives within the established timeframe.

Management Comments

USAID/Cameroon concurred with two of the four parts of recommendation number 1. They intended to realign the project through a mid-term project evaluation which would develop more realistic project goals and redefine project objectives. Also, the technical assistance contractor and the GKC were submitting joint quarterly progress reports as the audit recommended.

The Mission did not believe that project activities were curtailed because they were not prioritized in the order of importance. Instead, they believed other problems such as those dealing with technical assistance, management information systems, and production at the seed farm were the major causes. They stated that these problems were being resolved.

They stated that the project work plan identified and prioritized work activities, assigned responsibility for the work activities, and established timeframes for completion. They acknowledged that USAID, GKC, and the technical assistance contractor must continue to prioritize work activities needed to achieve project objectives. The work plan would be evaluated for further refinement during the proposed project evaluation.

The Mission further stated that the lack of proposed facilities was critical to seed processing, testing, and storage, but not to production. As a result the only technical assistance position affected by the lack of infrastructure was the proposed seed technologist.

Office of Inspector General Comments

Part (c) of the recommendation is considered closed upon issuance of this report based on Mission assurance that joint progress reports have been submitted. The proposed project evaluation is responsive to part (a) which is considered resolved pending completion of the evaluation.

Parts (b) and (d) are considered open as there has been no agreement on corrective action. For part (b) the Mission did not state the action being taken to assure effective use of technical assistance in view of the limited infrastructure and support. We continue to believe that 2 of the technical assistance positions--the seed technologist and seed laboratory technician--are affected. The Mission should develop a plan to minimize the impact of inadequate support for these technicians.

Regarding part (d) we believe the Mission should do more to establish priorities. The January 1985 workplan established work activities and timeframes for functional activities such as procurement and construction. However, the workplan should also translate the project's goal, purpose, and end-of project objectives into prioritized work activities, assign parties responsible for meeting these activities, and delineate the timeframe for completing the activities.

2. Need to Reevaluate Project Assumptions

Long-term project success faced major constraints which included (a) poor farm site selection, (b) lack of research results, (c) inadequate marketing system, (d) lack of quality control, and (e) uncertainty over private sector capability. These constraints were due to over-optimistic design assumptions and inadequate attention during project design. In addition, the lack of an evaluation program limited management action in addressing these constraints. These issues must be resolved if the project is to meet its long-term goal and objectives.

Recommendation No. 2

We recommend that USAID/Cameroon reassess the validity of the project design assumptions regarding farm site selection, research results, marketing, quality control, and privatization.

Recommendation No. 3

We recommend that USAID/Cameroon in conjunction with the Government of the Republic of Cameroon develop a joint evaluation plan that includes (a) annual interim evaluations, (b) mid-term and final evaluations using external consultants, and (c) coordinated evaluations with the Center North Project on agricultural production.

Discussion

Poor Farm Site Selection - The project design called for the construction of facilities at two seed multiplication farms comprising about 400 hectares each at Sanguere and Guetali. GRC officials told us that the selection of the two farms in Northern Cameroon was for political reasons. Factors such as land quality and rainfall patterns were not adequately addressed.

Based on a recommendation by the technical assistance team, the Guetali farm was eliminated because of poor soil, insufficient rainfall and water supply, poor access roads, and difficult logistic conditions. The GRC wanted to develop an alternative site. However, because of poor cost estimates in the design, funds were only available to construct one farm at Sanguere.

At Sanguere, only about two-thirds of the land was farmed in 1984 because of significant erosion problems. With these soil erosion problems and USAID's decision to limit project activities to one farm, our draft report questioned whether the available acreage at the Sanguere farm would be sufficient

to generate the quantities of improved seed required by the project. USAID responded that subsequent to the audit a soils conservation consultant implemented measures to correct a majority of the soil erosion problems. In addition, the consultant developed a soil conservation plan which is being implemented.

USAID recognized that although one of the two farm sites had been eliminated the projected need for seed in the project zone had not changed. However, USAID further commented that they believed by controlling erosion and implementing conservation practices, cultivated land at the Sanguere farm could be expanded to meet the required seed production. They were also studying other alternatives to meet the need through the location of a site for a new second farm, and the use of contract seed farmers.

Limited Research Results - Agronomic research was critical to project effectiveness. It was the starting point in developing improved varieties of breeder seeds and the basis for successful seed production. However, USAID and contractor officials told us that research was a long-term process which required a minimum of 6 years to develop one new variety. Project design assumptions were unrealistic in expecting the development, multiplication and extension of improved seeds covering four crops, i.e., peanut, sorghum, maize and millet, within 5 years.

USAID and GRC officials interviewed said the Institute for Agriculture Research (IRA) had not yet developed new varieties of seeds for seed multiplication. IRA had improved the local seed varieties which, when combined with good management practices, would produce higher yields. USAID believed IRA would release new varieties of sorghum and peanut seed for multiplication in 1986. They also believed that progress was being made in developing new maize and millet seed varieties through USAID's National Cereals Research and Extension Project. We believe the status of research activities should be evaluated to determine if other project activities are necessary to accelerate development of new varieties of high yielding seeds.

Inadequate Market for Peanuts - In Cameroon, food crop prices have traditionally been determined by the open market because government controlled prices have not been enforced. This provided the farmers with two options for marketing their produce--the GRC at the official prices, and the open or free market.

A market for peanuts, one of the project's major crops, had not been fully developed. Marketing was limited to local consumption because prices were too high for oil refineries

and export. For example, while the open market in Cameroon offered CFAF 150 (\$.38) per kilogram (controlled price CFAF 80), prices in Senegal had been increased from CFAF 60 (\$.15) to CFAF 70 (\$.18). This made export from Cameroon very difficult. A government agency in charge of exporting basic commodities had not bought peanuts for a long period of time.

In addition, oil refineries had not been in the market for peanuts because (1) all refineries were managed by a parastatal company which was also responsible for cotton production, (2) peanut oil would compete with the company's cotton seed produced oil, and (3) the company's refining capacity was unlikely to meet the processing needs of both cotton seeds and peanut oil.

GRC officials recognized the need to develop a peanut marketing scheme. They believed the government should convince the cotton company to process peanuts in its refineries. This may require adjusting oil prices annually based on the market value of peanuts. In our view, the government may have to encourage the gradual establishment of new oil refineries by the private sector as production increases and prices stabilize. Without new markets, farmers would not have the means to sell the increased production resulting from the multiplication of improved peanut seed varieties. An AID-financed agricultural economist was assisting the project's implementing agency in resolving the peanut marketing problem.

Quality Control Not Assured - The project was providing the technology and equipment required to produce the needed quantity and quality of improved seeds. It also emphasized the establishment of a quality control system to ensure maximum purity and germination of the produced seeds.

In discussing this component with project officials, we found that a quality control system had not been established. The GRC had not formulated appropriate legislation and quality standards. In addition, a quality release board required under the project had not been formally nominated. As a result, the project had no basis to certify the quality and effectiveness of project-produced seeds.

Privatization was Uncertain - Plans to eventually privatize the seed multiplication farms had not been made. The project design did not provide for private sector involvement in the project. However, based on AID's special interest in privatization, the project agreement included a covenant stipulating that the GRC consider the potential for private sector companies to invest in the seed multiplication farms.

The technical assistance contractor had not developed a privatization plan as required in their contract. GRC and USAID officials visited private seed multiplication centers in Kenya and Zimbabwe in early 1985. Although GRC officials recognized that Cameroon was still years away from the development achieved in those two countries, they believed privatization was the key to long-term development of seed multiplication.

GRC officials acknowledged the potential for private investment depended on the economic viability of seed production and distribution in Cameroon. As discussed in finding number 4 of this report (see pages 17-19) a system to account for and control costs is important. In addition, a formula should be developed for the investing company to compensate the government for its equity in the farms.

The GRC's 5-year development plan encouraged private capital investment by agro-industrial enterprises. With this overall government interest and specific interest of GRC project officials, we believe USAID should give priority to developing a project privatization plan.

Limited Project Evaluations - Phase II of the project had not been evaluated since it began in July 1982, and an adequate evaluation program had not been established. As a result, project management had limited information on (1) the extent to which the project goal and purpose had been met, (2) the project's developmental impact, and (3) the continuing validity and relevance of project assumptions.

AID policy required evaluation plans be incorporated into project design. The project agreement and project paper specified the implementing parties establish an evaluation program to (1) determine project progress, (2) identify and assess problem areas, (3) evaluate development impact, and (4) assess the training provided. The project agreement specified the program include annual interim joint USAID/GRC evaluations starting in the project's second year (July 1983-June 1984), joint mid-term and final evaluations, and short term external consultancies. The project paper also noted the need for coordinated evaluations on agriculture production with the World Bank's Center North project.

USAID officials agreed that evaluations were necessary. However, because of the many day-to-day problems in implementing the project, the USAID project officer was too busy to develop and implement an evaluation plan. They intended to perform a mid-term evaluation after the development of a project accounting system by an independent accounting firm.

Conclusion

The project design included over-optimistic assumptions and gave inadequate attention to major constraints to the project's long-term success. These constraints included questions of farm selection, research, marketing, quality control, and private sector capability. USAID's failure to establish an evaluation program limited management action in addressing these constraints. Unless these issues are resolved, the project purpose of increasing improved seed production to ultimately increase crop production and farmer income is unlikely to be achieved. We believe USAID should reassess the project's design assumptions and establish an evaluation system to periodically assess these assumptions.

Management Comments

The Mission concurred with recommendations 2 and 3. The Mission and the GKC agreed to perform a joint mid-term evaluation. A formal evaluation plan for the project will be developed during the mid-term evaluation.

The Mission, the technical assistance contractor, and the GKC are studying the project design assumptions and any conclusions will be included as part of the upcoming project evaluation. The Mission will fund a consultant (1) to examine the GKC's structure for quality control standards and (2) to identify the technical assistance required to assist in the development of adequate standards and the legislation and regulations required to implement them.

Office of Inspector General Comments

The above actions are responsive to our recommendations which are considered as resolved. We will close them upon completion of the corrective action.

3. Need for Improved Coordination and Cooperation Among Implementing Agencies

The North Cameroon Seed Multiplication project is a complex undertaking requiring good coordination and cooperation among the various participating GRC agencies. Formal and informal agreements on coordination and interaction had not been developed as required by the project agreement. In addition, USAID/Cameroon needed more involvement in coordinating activities and increased awareness of a related World Bank development project.

Recommendation No. 4

We recommend that USAID/Cameroon (a) ensure the Government of the Republic of Cameroon complies with the project covenant establishing linkages among participating Government of the Republic of Cameroon agencies, and (b) establish procedures for periodic USAID site visits to a related World Bank development project, including discussions with World Bank and Government of the Republic of Cameroon officials.

Discussion

Under a project covenant, the GRC agreed to establish by July 15, 1983, agreements between IRA and MIDEVIV and between SODECOTON and MIDEVIV. These agreements should establish the institutional linkages and the procedures for project implementation.

The agreement between SODECOTON and MIDEVIV was established April 30, 1984, almost one year late; the agreement between MIDEVIV and IRA had not yet been established. USAID needed these agreements to adequately monitor project activities and to take timely action when the GRC agencies were not following implementation procedures.

Agreement among these organizations was important because they were all involved in the seed flow system. For example, (1) breeder seed was produced by IRA and released to MIDEVIV for multiplication by the seed farm, (2) the seed farm multiplied the breeder seed using specific planting instructions provided by IRA and transferred the seed to SODECOTON, and (3) the seed was sold and distributed to farmers in the World Bank's Center North Project zone by SODECOTON. The beneficiaries of the project and the Center North project were the same. Coordination among all parties was an important factor for project success.

Relations between IRA researchers and MIDEVIV seed multiplication farm personnel had been strained due to questions of seed quality. SODECOTON officials believed the

seed produced at the multiplication farm was of inferior quality. They told us they purchased the seed from the farm only because of GKC requirements. MIDEVIV officials blamed IKA for not providing the quality of breeder seed promised, and IKA officials responded that the farm was not following recommended planting procedures. As a result, good communication and cooperation were lacking between two of the major participant agencies.

Coordination between MIDEVIV and IKA will become even more important as the seed flow system develops, and farmers increasingly rely on the seed multiplication farm for seeds. A case in point is the use of synthetic, as opposed to hybrid seed. At the time of our review, IKA produced synthetic seed which had been made disease-free and better germinating. These seeds produced slightly higher yields than seed normally retained by the farmer after harvest.

Hybrid seeds were different. Yields were substantially larger, but the seeds harvested in one season could not be used for planting the following season. Therefore, farmers were dependent upon the seed multiplication farm for these seeds. Hybrids cost more, but the increase in yield more than offsets the price difference. The audit found agreement had not been reached between IKA and MIDEVIV as to whether hybrid seeds should be given priority in research and production. Although the GKC recognized the importance of reaching an agreement, it had not yet worked out the implementation arrangements.

Realizing the implications of poor communication between IKA and MIDEVIV, USAID officials told us they intended to work out a formal agreement between MIDEVIV and IKA. This agreement would include an arrangement whereby IKA researchers would periodically oversee the planting at the seed farm, and seed farm personnel would be given the opportunity to visit researcher fields.

SODECOTON was responsible for implementing the World Bank's Center North project as well as providing extension services to the farmers on the sale and distribution of improved seeds from the AID-assisted project. USAID, however, did not have information on SODECOTON and World Bank activities. The USAID project officer told us that solving AID-assisted project problems precluded him from time needed to make contact with either the World Bank or SODECOTON. SODECOTON and the Center North project were integral entities of the AID-funded project. Since USAID had limited available information on both these entities, they should establish a system for site visits and discussions among the respective staffs.

Management Comments

The Mission agreed with the recommendation. The GRC agencies held their first coordinating meeting in May 1985. Other meetings will be facilitated by USAID providing consultants in technical areas such as seed legislation and seed variety release procedures. Through these meetings the Mission expects the GRC agencies to develop the agreements required by the project.

The Mission stated that they and GRC project personnel have improved their contact with the World Bank's Center North project. This contact included the completion of an agriculture extension survey to determine constraints to introducing new seed technology to farmers in the World Bank project zone.

Office of Inspector General Comments

The above actions are responsive to the recommendation which is considered as resolved. We will close it upon development of (1) agreements among GRC implementing agencies and (2) procedures requiring USAID site visits to the World Bank Center North project.

4. Need to Analyze Production Costs and Seed Selling Prices

The Government of the Republic of Cameroon (GRC) agreed to analyze seed production costs and establish selling prices based on these costs not later than 1983. This requirement had not been met because the project did not maintain adequate production data and basic cost accounting records. USAID employed a public accounting firm to establish a cost accounting system for the project. Once established, the GRC should determine selling prices based on cost to stimulate private sector interest in seed multiplication. In addition, the project should establish a system of internal controls over equipment.

Recommendation No. 5

We recommend USAID/Cameroon (a) periodically review the project cost accounting system to ensure it is operating effectively; (b) ensure Government of the Republic of Cameroon compliance with the project agreement on seed selling prices, (c) require the technical assistance contractor to report on the potential for reducing costs at the seed multiplication farm, and (d) ensure the Government of the Republic of Cameroon establishes adequate controls over project equipment.

Discussion

Production Costs and Seed Selling Prices - Under the 1982 project agreement, the GRC agreed to analyze seed production costs and establish selling prices within a year. These prices were to be established at a level to recover the cost of production, including the amortization of capital equipment and construction. The technical assistance contractor was required to assist the GRC in establishing a cost accounting system, and analyzing the costs of seed production.

Although GRC officials told us they placed a high priority on establishing a good cost accounting system, this was not done. The implementing parties (USAID, GRC, and technical assistance contractor) did not agree that this issue was a high priority and the technical assistance contractor did not provide qualified staff.

Based on USAID/Cameroon's initiative, a consultant to the technical assistance contractor and a public accounting firm determined that the project did not maintain adequate production data and basic cost accounting records. The production and selling functions were not segregated. Therefore, the costs of production were not known, and there was no assurance that all sales were recorded.

To correct the problem, USAID/Cameroon in July 1985 employed a public accounting firm to establish cost accounting records as part of an internal control system. Annual audits would be performed thereafter. It was necessary to introduce sound management standards to ensure the viability and profitability of the project. On a long term basis, this should also serve the project objective of stimulating private investors' interest in seed operations.

GRC officials recognized that the private sector would not be interested in seed multiplication unless the project was cost effective. Once the cost accounting system is established, USAID/Cameroon should encourage the GRC and technical assistance contractor to analyze the project's production costs and establish selling prices based on cost. In addition, USAID should impress upon the GRC to take more assertive measures to reduce the cost of project operations. For example, farming at the Sanguere farm was fully mechanized during the 1984 campaign. Nevertheless, the implementing agency did not act to reduce the number of personnel, thereby increasing rather than decreasing production costs. We believe the technical assistance contractor should look for other ways to reduce costs.

Equipment Controls - The project agreement budgeted \$1.4 million to purchase vehicles, seed processing and laboratory equipment, machine tools, and other farm implements. As of December 31, 1984, expenditures for these commodities amounted to \$482,000.

In June 1984, a public accounting firm reported that the project failed to establish and maintain a system of internal controls to document the procurement, arrival, and disposition of AID financed equipment and spare parts. In our visit to the project in February 1985, we found that some progress was made in accounting for spare parts. USAID hired an accounting firm to establish a commodity accounting system, including provisions for internal control.

Management Comments

USAID concurred in the recommendation. They stated that a public accounting firm had been at the project site since July 1985 realigning the administrative and accounting project components including the development of controls over project equipment. The firm was expected to make recommendations to reduce costs by suggesting a new organization chart and creating well defined job descriptions. The technical assistance contractor was assisting the firm in this work and was analyzing production costs to assist the seed farm establish seed selling prices based on costs. USAID believed the GRC would accept the recommendations resulting from this

work which in the long-term should interest the private sector in the seed farm.

USAID suggested that we reword part (a) of recommendation number 5 by requiring that USAID through the technical assistant contractor periodically review the project accounting system.

Office of the Inspector General Comments

Good progress is being made to implement the recommendation. We have retained part (a) of the recommendation as originally stated because we do not believe it is appropriate for the technical assistance contractor to periodically review a system which it helped develop.

The draft report included a finding and a four part recommendation on the use of project equipment. Based on additional information from the Mission we deleted three parts of the recommendation and the corresponding discussion. The fourth part of the draft recommendation is still applicable and is retained as part (d) of recommendation number 5.

B. Compliance and Internal Controls

1. Compliance

We noted 5 instances of non-compliance with the project agreement and technical assistance contract. These included the lack of (a) quarterly progress reports including GRC input (Finding 1), (b) a plan for private sector involvement in seed multiplication (Finding 2), (c) a joint USAID/GRC evaluation program (Finding 2), (d) formalized linkages between GRC participating agencies (Finding 3), and (e) GRC seed selling prices based on cost (Finding 4).

Other than the conditions cited above, which are addressed by the recommendations in this report, nothing came to our attention that would indicate that untested items were not in compliance with applicable laws and regulations.

2. Internal Control

USAID accounting internal controls were generally adequate, but some improvement in administrative controls were needed. This is noted in Finding 1 related to the prioritization of work activities, establishment of responsible parties, and the establishment of timeframes to complete the activities. In addition, as discussed in Finding 3, USAID needs to establish procedures for periodic site visits to a related World Bank project to improve coordination.

The GRC needs to improve its internal controls in several areas. As noted in Finding 4, USAID employed a public accounting firm to assist the GRC in establishing cost accounting records and a commodity accounting system as part of an overall internal control system.

AUDIT OF THE NORTH CAMEROON
SLED MULTIPLICATION PROJECT
USAID/CAMEROON PROJECT NO. 631-0023

PART III - Appendices

UNCLASSIFIED

ACTION: RIG-2 INFO: AMB DCM

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CHRG: AID
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E.O. 12356: N/A
TAGS: N/A
SUBJECT: DRAFT AUDIT REPORT ON THE NORTH CAMEROON
SEED MULTIPLICATION PROJECT, PHASE II, 631-0023.

REF: DAKAR 10237

THE FOLLOWING ARE USAID/CAMEROON'S COMMENTS
CONCERNING THE SUBJECT DRAFT AUDIT REPORT:

1. RECOMMENDATION 1.: MISSION CONCURS WITH AUDIT
RECOMMENDATION.

PARA A: THE MISSION IS IN THE PROCESS OF REALIGNING
THE PROJECT SUCH THAT IT WILL HAVE MORE REALISTIC
GOALS. THIS IS A COMPLICATED TASK GIVEN THE SEVERAL
MAJOR SHIFTS IN IMPLEMENTATION AND NEW INITIATIVES
ALREADY TAKEN IN THE PROJECT WHICH WERE NOT FORESEEN
IN THE PROJECT PAPER. THESE INCLUDE THE ELIMINATION
OF ONE OF THE TWO ORIGINALLY PROPOSED SEED FARMS, THE
CURRENT INVESTIGATION INTO THE USE OF CONTRACT SEED
FARMERS TO COMPENSATE FOR POSSIBLE PRODUCTION
DECREASES RESULTING FROM THE ELIMINATION OF ONE SEED
FARM, THE IDENTIFICATION BY THE TA TEAM OF SERIOUS
EROSION AND SOIL CONSERVATION PROBLEMS ON THE
REMAINING SEED FARM, AGRONOMIC AND SEED PROCESSING
PROBLEMS, THE SERIOUS PERSONNEL AND FINANCIAL
MANAGEMENT PROBLEMS WHICH THE FIRST PHASE PROJECT WAS
SUFFERING BUT WERE UNADDRESSED IN THE PHASE II
PROJECT PAPER, AMONG A VARIETY OF OTHERS.
INITIATIVES HAVE BEEN STARTED IN EACH PROBLEM AREA
AND THE MISSION INTENDS TO USE THE FORUM OF AN
INTENSIVE MIDTERM PROJECT EVALUATION, CALLING UPON
SEVERAL OUTSIDE SEED TECHNOLOGY AND ADMINISTRATION
EXPERTS, TO REALIGN THE PROJECT.

PARA B: A RECENT AMENDMENT TO THE DAC TECHNICAL
ASSISTANCE CONTRACT ADDED A FOURTH LONG TERM TA
POSITION FOR AN ACCOUNTANT AND REVISED THE JOB
DESCRIPTIONS FOR OTHER TEAM MEMBERS. THIS HAS
ALREADY IMPROVED THE EFFECTIVENESS OF THE TEAM. THE
COMPLETION OF THE EVALUATION, AS DISCUSSED IN PARA A
ABOVE, WILL LEAD TO REDEFINED PROJECT OBJECTIVES AND
RESULT IN A FURTHER REFINEMENT OF THE ROLES OF TA

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TEAM MEMBERS.

PARA C: THE CONTRACTOR AND GRC ARE NOW SUBMITTING JOINT QUARTERLY REPORTS, HOWEVER, THERE REMAINS DIFFICULTY WITH TIMELY SUBMISSION OF THE REPORTS.

PARA D: THE WORK ACTIVITIES HAVE BEEN IDENTIFIED AND PRIORITIZED, PARTIES HAVE BEEN ASSIGNED RESPONSIBILITY, AND TIMEFRAMES HAVE BEEN ESTABLISHED TO ENSURE THE COMPLETION OF THE ACTIVITY. THE NEW PROJECT WORK PLAN ADDRESSES THESE AREAS FOR THE DURATION OF THE PROJECT AND WILL BE EVALUATED FOR FURTHER REFINEMENT DURING THE UPCOMING PROJECT EVALUATION.

COMMENTS ON THE DISCUSSION SECTION OF RECOMMENDATION ONE

PAGE EIGHT: THE NEW CHIEF OF PARTY ARRIVED MARCH 1985. THE LACK OF THE PROPOSED FACILITIES IS CRITICAL TO SEED PROCESSING, TESTING AND STORAGE, NOT REPEAT NOT TO PRODUCTION, AND MULTIPLICATION. THE FINAL CONSTRUCTION DESIGNS WERE APPROVED JULY 1985. TECHNICAL ASSISTANCE WILL NOT BE IMPAIRED DUE TO THE LACK OF INFRASTRUCTURE. THE CURRENT FOUR TECHNICAL ASSISTANCE POSITIONS ARE STAFFED AND TRAINING GRC PERSONNEL: THE ONLY TECHNICAL ASSISTANCE POSITION AFFECTED BY THE LACK OF INFRASTRUCTURE IS THE PROPOSED SEED TECHNOLOGIST.

PAGE NINE: PRACTICAL LONG-TERM TRAINING AT PRIVATE U. S. SEED COMPANIES IS NOT FEASIBLE BECAUSE U. S. SEED FIRMS WILL NOT PROVIDE PRACTICAL TRAINING IN ORDER TO SAFEGUARD TRADE OPERATIONS.

PAGE ELEVEN: MISSION DOES NOT CONCUR WITH AUDIT TEAM THAT DELAYS COULD NOT BE READILY IDENTIFIED AND ACTED UPON. DELAYS THAT SURFACED DURING IMPLEMENTATION WERE IMMEDIATELY IDENTIFIED AND ACTED UPON. THIS WAS ACCOMPLISHED BY MEETINGS BETWEEN ALL IMPLEMENTING PARTIES, VISITS TO THE PROJECT SITE BY THE PROJECT OFFICER, AND MEETINGS WITH MISSION MANAGEMENT.

PAGE TWELVE: USAID DOES NOT CONCUR THAT PROJECT ACTIVITIES WERE NOT COMPLETED BECAUSE THEY WERE NOT PRIORITIZED IN ORDER OF IMPORTANCE. ITEMS WERE

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PRIORITIZED BETWEEN ALL THE PARTIES AND APPEAR IN WORK PLANS. THE PROJECT WAS IN SUCH A STATE OF FLUX THAT MAJOR ACTIVITIES NEEDED TO BE RESOLVED BEFORE THE MISSION COULD DEVELOP A DETAILED PLAN THAT PRIORITIZES ALL ACTIVITIES. THESE ACTIVITIES WERE TECHNICAL ASSISTANCE PROBLEMS, THE LACK OF A COMPLETE MANAGEMENT INFORMATION SYSTEM TO ADDRESS ALL THE COMPONENTS OF THE PROJECT, AND PRODUCTION PROBLEMS AT THE SANGUERE FARM. THE TECHNICAL ASSISTANCE PROBLEMS HAVE BEEN RESOLVED, THE CPA FIRM IS CURRENTLY AT THE PROJECT SITE ESTABLISHING THE MANAGEMENT INFORMATION SYSTEM, AND THE PRODUCTION PROBLEMS SUCH AS EROSION HAVE BEEN MITIGATED. OTHER ACTIVITIES SUCH AS SEED QUALITY CONTROL, TIMELY PROCUREMENT OF EQUIPMENT, AND EXTENSION PLANS WERE NOT COMPLETED DUE TO DEADLINES NOT BEING MET BY THE TECHNICAL ASSISTANCE TEAM, ADMINISTRATIVE BOTTLENECKS IN THE GRC, AND PROJECT PERSONNEL NOT TAKING PROMPT ACTION. ALL PARTIES ARE CURRENTLY WORKING ON THE UNCOMPLETED ACTIVITIES AND THE NEW WORK PLAN PRIORITIZES IN DETAIL ALL THE ACTIVITIES AND ASSIGNS DEADLINES TO ENSURE COMPLETION.

PAGE 14: USAID, GRC, AND THE TECHNICAL ASSISTANCE CONTRACTOR MUST CONTINUE TO PRIORITIZE THE WORK ACTIVITIES NEEDED TO ACHIEVE PROJECT OBJECTIVES. END COMMENTS.

2: RECOMMENDATION 2: MISSION CONCURS WITH AUDIT RECOMMENDATION: ALL AREAS ARE UNDER REVIEW BY THE GRC, TECHNICAL ASSISTANCE CONTRACTOR, AND USAID AND CONCLUSIONS DRAWN WILL BE MADE A PART OF THE UPCOMING PROJECT EVALUATION.

3. RECOMMENDATION 3: MISSION CONCURS WITH AUDIT RECOMMENDATION. A FORMAL JOINT EVALUATION PLAN, PER SE, HAS NOT BEEN DEVELOPED BETWEEN USAID AND THE GRC, BUT THERE HAS BEEN AGREEMENT TO CONDUCT A MID-TERM EVALUATION AS OUTLINED IN THE PP. ANNUAL PROGRESS EVALUATIONS HAVE NOT BEEN HELD BUT HAVE BEEN REPLACED BY A SERIES OF UNFORSEEN EVENTS INCLUDING A REVIEW OF THE CAPABILITY OF THE TA CONTRACTOR TO FULFILL ITS CONTRACTUAL OBLIGATIONS, A MAJOR ADMINISTRATIVE AND FINANCIAL MANAGEMENT REVIEW OF THE PROJECT AND SYSTEMS DESIGN BY A CPA FIRM, AND THE USAID PROJECT AUDIT. A FORMAL EVALUATION PLAN FOR THE REMAINDER OF THE PROJECT WILL BE DEVELOPED DURING THE UPCOMING MID-TERM EVALUATION.

COMMENTS ON THE DISCUSSION SECTION OF RECOMMENDATIONS TWO AND THREE

PAGES SIXTEEN AND SEVENTEEN: SUBSEQUENT TO THE AUDIT TEAM VISIT, THE MAJORITY OF THE SOIL EROSION PROBLEMS AT SANGUERE HAVE RECENTLY BEEN CORRECTED BY A SHORT-TERM SOILS CONSERVATION CONSULTANT. THIS INDIVIDUAL VISITED THE PROJECT SITE FROM MAY TO AUGUST 1985, AND IMPLEMENTED THE CORRECTIVE MEASURES

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AND DEVELOPED THE CURRENT SOILS CONSERVATION PLAN THAT IS BEING IMPLEMENTED AT THE SEED FARM. RESULTS INDICATE THAT EROSION AT SANGUERE CAN BE CONTROLLED AND WITH IMPROVED CONSERVATION MEASURES, CULTIVATED LAND AT THE SANGUERE FARM CAN BE EXPANDED TO MEET REQUIRED PRODUCTION OF SEEDS.

PAGES SEVENTEEN AND EIGHTEEN: ALTHOUGH NO NEW VARIETIES OF SEEDS HAVE BEEN INTRODUCED INTO THE SEED MULTIPLICATION SCHEME, IRA HAS IMPROVED THE LOCAL VARIETIES THAT WHEN COMBINED WITH GOOD MANAGEMENT PRACTICES PRODUCE HIGHER YIELDS. NEW SORGHUM AND PEANUT VARIETIES WILL BE RELEASED FOR MULTIPLICATION IN 1996. THIS YEAR IRA HAS PROVIDED THE SEED FARM A SMALL AMOUNT OF THESE NEW VARIETIES SO THEIR PERFORMANCE CAN BE OBSERVED ON A HIGHLY MECHANIZED PRODUCTION OPERATION. USAID NOTES THAT THE AUDIT TEAM OBSERVED THAT RESEARCH RESULTS ON MILLET, MAIZE, AND SORGHUM WERE NOT CONCLUSIVE AND THAT IRA HAS NOT HIRED A MAIZE EXPERT. BOTH OF THESE STATEMENTS ARE INCORRECT AND SHOULD BE ELIMINATED FROM THE REPORT. RESEARCH ACTIVITIES WERE EVALUATED IN 1993 UNDER THE USAID FUNDED NATIONAL CEREALS RESEARCH AND EXTENSION PROJECT AND THE CONCLUSIONS STATE THAT RESEARCH ON MILLET, MAIZE, AND SORGHUM WAS GEARED TOWARDS FARMER PROBLEMS AND ON SCHEDULE FOR DEVELOPMENT OF THE NEW VARIETIES. USAID THROUGH THE NATIONAL CEREALS

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RESEARCH AND EXTENSION PROJECT IMPLEMENTED BY THE INTERNATIONAL INSTITUTE FOR TROPICAL AGRICULTURE IN COOPERATION WITH IFA HAS PROVIDED TWO MAIZE BREEDERS TO CAMEROON SINCE 1982. THESE POSITIONS HAVE ASSISTED CAMEROON IN THE DEVELOPMENT OF THE NATIONAL MAIZE IMPROVEMENT PROGRAM WHICH HAS HAD FAVORABLE IMPACT ON THE MAIZE PRODUCING FARMERS. IRA ALSO HAS A MAIZE BREEDER WHO IS INTERNATIONALLY RECOGNIZED FOR THE WORK HE HAS BEEN UNDERTAKING ON MAIZE BREEDING THROUGHOUT CAMEROON SINCE 1979. THIS YEAR HYBRID MAIZE TRIALS ARE BEING CULTIVATED BY THE MAIZE BREEDERS AT THE SANGUERE FARM.

PAGE 20: USAID IDENTIFIED THE LACK OF A FORMAL STRUCTURE CONCERNING QUALITY CONTROL STANDARDS AND HAS HELD SEVERAL DISCUSSIONS WITH GRC OFFICIALS ON THE IMPORTANCE OF ESTABLISHING LEGISLATION AND REGULATIONS. THE GRC HAS REQUESTED USAID TO UTILIZE PROJECT FUNDS TO FIELD A CONSULTANT TO ASSIST THEM ON THIS SUBJECT. USAID HAS AGREED TO FUND A CONSULTANT TO EXAMINE THE CURRENT STRUCTURE AND TO IDENTIFY THE TECHNICAL ASSISTANCE REQUIRED TO ASSIST IN THE DEVELOPMENT OF ADEQUATE QUALITY CONTROL STANDARDS AND THE LEGISLATION AND REGULATIONS REQUIRED TO IMPLEMENT THEM. THE CONSULTANCY IS SCHEDULED TO COMMENCE IN DECEMBER 1985.

PAGE TWENTY-TWO: ALTHOUGH PHASE II OF THE PROJECT HAS NOT BEEN FORMALLY EVALUATED, USAID, GRC, AND THE TECHNICAL ASSISTANCE CONTRACTOR HAVE EXAMINED CLOSELY ALL PROJECT ACTIVITIES: ALL PROBLEM AREAS HAVE BEEN IDENTIFIED AND PRIORITIZED IN ORDER OF IMPORTANCE. ACTION PLANS HAVE BEEN DEVELOPED FOR CORRECTIVE MEASURES. IT IS USAID'S OPINION THAT THE PROJECT HAS BEEN UNDERGOING A CONSTANT EVALUATION PROCESS SINCE AUGUST 1982, WHICH ALLOWED MISSION MANAGEMENT TO BECOME AWARE OF THE PROJECT'S PROGRESS IN ORDER TO TAKE THE APPROPRIATE ACTION. USAID WOULD LIKE TO EMPHASIZE THAT THIS CLOSE MONITORING WAS EFFECTIVE BECAUSE THE AUDIT TEAM DID NOT IDENTIFY ANY PROBLEM AREAS THAT USAID HAD NOT PREVIOUSLY IDENTIFIED AND TAKING ACTION. END COMMENTS.

4. RECOMMENDATION 4: MISSION CONCURS WITH AUDIT RECOMMENDATION. THE FIRST COORDINATING MEETING AMONG GRC AGENCIES WAS HELD IN MAY 1985, AND USAID INTENDS TO FACILITATE OTHERS BY PROVIDING CONSULTANTS IN TECHNICAL AREAS SUCH AS SEED LEGISLATION AND VARIETY RELEASE PROCEDURES. USAID AND PROJECT PERSONNEL HAVE IMPROVED THEIR CONTACT WITH THE RELATED WORLD BANK PROJECT INCLUDING THE RECENT COMPLETION OF AN AGRICULTURAL EXTENSION SURVEY TO DETERMINE CONSTRAINTS TO INTRODUCING NEW SEED TECHNOLOGY TO FARMERS IN THE WORLD BANK PROJECT ZONE.

COMMENTS ON THE DISCUSSION SECTION OF RECOMMENDATION FOUR

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PAGE TWENTYSEVEN: USAID DOES NOT AGREE THAT THE PROJECT OFFICER WAS NOT AWARE OF THE ESTABLISHED LINES OF COMMUNICATIONS BETWEEN MIDEVIV AND SODECOTON. USAID INFORMED THE AUDIT TEAM THAT THE AGREEMENTS BETWEEN IRA, MIDEVIV, AND SODECOTON ARE LARGELY SUPERFICIAL AND HAD LITTLE IMPACT ON COORDINATING THE ACTIVITIES REQUIRED FOR AN EFFICIENT SEED MULTIPLICATION SCHEME. ALTHOUGH AT THE TIME OF THE AUDIT VISIT, USAID HAD COPIES OF THESE DOCUMENTS, THE MISSION DID NOT OFFICIALLY RECOGNIZE THE CURRENT AGREEMENTS AS FULFILLING THE CONVENANTS AS OUTLINED IN THE PROJECT PAPER. USAID HAS BEEN TRYING TO BRING TOGETHER ALL THE PARTIES TO DEVELOP WELL THOUGHT-OUT AGREEMENTS THAT WOULD HAVE THE DESIRED IMPACT. THE MISSION DOES NOT EXPERIENCE DIFFICULTY IN OBTAINING DOCUMENTS FROM MIDEVIV.

"Deleted - Relates to Matter Not
Included in Final Report"

5. RECOMMENDATION 5: MISSION CONCURS WITH AUDIT RECOMMENDATION AND WOULD LIKE TO CLARIFY ITEM (A) THAT USAID THRU THE TECHNICAL ASSISTANCE ACCOUNTANT REVIEW THE PROJECT COST ACCOUNTING SYSTEM AND WILL ENSURE THAT FINANCIAL STATEMENTS ARE SUBMITTED TO USAID AND THE GRC.

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COMMENTS ON THE DISCUSSION SECTION OF RECOMMENDATION FIVE

THE CPA FIRM HAS BEEN AT THE PROJECT SITE SINCE JULY 1985, AND REALIGNING THE ADMINISTRATIVE AND ACCOUNTING COMPONENTS OF THE PROJECT. ADDITIONALLY, THEY ARE MAKING RECOMMENDATIONS ON HOW TO REDUCE COSTS BY SUGGESTING A NEW ORGANIZATION CHART AND CREATING WELL DEFINED JOB DESCRIPTIONS. THE TECHNICAL ASSISTANCE CONTRACTOR HAS PROVIDED AN ACCOUNTANT TO ASSIST THE CPA FIRM. THE AGRICULTURAL ECONOMIST IS ANALYZING PRODUCTION COSTS TO ASSIST THE SEED FARM ON ESTABLISHING SELLING PRICES BASED ON COSTS. USAID BELIEVES THAT THE SRC WILL ACCEPT THE CPA RECOMMENDATIONS THAT WILL ASSIST THE PROJECT TO MAKE SOUND MANAGEMENT DECISIONS AND IN THE LONG TERM ALLOW THE SEED FARM TO BE ATTRACTIVE TO THE PRIVATE SECTOR. END COMMENTS.

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in Final Report"

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Included in Final Report"

PARA D: PROPER CONTROL OVER PROJECT EQUIPMENT IS
BEING ADDRESSED IN THE MANAGEMENT SYSTEM CURRENTLY
BEING CREATED FOR THE PROJECT.

7: COMMENTS ON THE EXECUTIVE SUMMARY

PAGE 11: USAID AND THE GRC DID NOT ADEQUATELY

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IDENTIFY PROBLEM AREAS IN CONSTRUCTION, LONG-TERM TRAINING AND TECHNICAL ASSISTANCE DURING THE DESIGN OF THE PROJECT. DELAYS FIELDING THE TECHNICAL ASSISTANCE TEAM WERE DUE TO THE CONTRACTOR'S HOME OFFICE. TRAINING FELL SIGNIFICANTLY BEHIND SCHEDULE BECAUSE THE GRC DID NOT NOMINATE THE PARTICIPANTS ON A TIMELY BASIS AND THE TECHNICAL ASSISTANCE CONTRACTOR EXPERIENCED DIFFICULTY IN PLACING THE PARTICIPANTS AT U. S. INSTITUTIONS. AS OF OCTOBER 1985, ALL THE PARTICIPANTS HAVE BEEN IDENTIFIED FOR LONG-TERM TRAINING AND HAVE BEEN PLACED IN U. S. INSTITUTIONS. THEY ARE SCHEDULED TO DEPART DECEMBER 1985: THE LACK OF COMPLETED FACILITIES WILL NOT RESTRICT THE EFFECTIVENESS OF THE TECHNICAL ASSISTANCE TO THE GRC BECAUSE THE CURRENT TECHNICAL ASSISTANCE POSITIONS ASSIST THE ADMINISTRATIVE, MARKETING, PRODUCTION, AND AGRICULTURAL MACHINERY MAINTENANCE OPERATIONS OF THE PROJECT. THE MAJORITY OF THE CONSTRUCTION CONCERNS SEED PROCESSING FACILITIES AND THE PROJECT PAPER DID NOT IDENTIFY TECHNICAL ASSISTANCE POSITIONS TO ASSIST THIS COMPONENT. SUBSEQUENTLY, USAID HAS IDENTIFIED THE NEED FOR A PLANT PRODUCTION MANAGER TO IMPLEMENT THE SEED PROCESSING OPERATIONS. USAID HAS BEEN REVISING THE PROJECT PURPOSE AND GOAL TO DETERMINE WHAT CAN REALISTICALLY BE ACCOMPLISHED WITHIN THE PROJECT TIMEFRAME AND HAS WORKED CLOSELY WITH THE TECHNICAL ASSISTANCE CONTRACTOR TO IMPROVE THEIR EFFECTIVENESS.

PAGE III: ALTHOUGH USAID HAS NOT ESTABLISHED A FORMAL EVALUATION PLAN, THE GRC, USAID, AND THE TECHNICAL ASSISTANCE CONTRACTOR HAVE EXAMINED CLOSELY THE CONSTRAINTS THAT ARE AFFECTING THE PROJECT AND HAVE DEVELOPED AN ACTION PLAN TO ADDRESS THESE AREAS. LINKAGES BETWEEN THE GRC PARTICIPATING AGENCIES NEED TO BE STRENGTHENED SO THAT THE ADMINISTRATIVE BOTTLENECKS BETWEEN RESEARCH AND THE SEED MULTIPLICATION FARM CAN BE PRECLUDED AND RESOLVED.

PAGE IV: THE GRC SHOULD IMPROVE THE CURRENT COST ACCOUNTING SYSTEM IN ORDER TO ACCUMULATE PRECISE COST DATA ON SEED PRODUCTION.

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Included in Final Report"

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List of Report Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	3
We recommend that USAID/Cameroon:	
(a) determine what can realistically be accomplished within the project timeframe and available resources;	
(b) determine how project technical assistance can be effectively used in view of limited infrastructure and support;	
(c) require the contractor and the Government of the Republic of Cameroon to submit joint quarterly progress reports, and	
(d) in conjunction with the Government of the Republic of Cameroon and the contractor (1) identify and prioritize the work activities necessary to meet the project goal, purpose, and end-of-project objectives, (2) specify the parties responsible for these activities, and (3) establish activity completion dates. These items should be made part of the project work plan.	
<u>Recommendation No. 2</u>	9
We recommend that USAID/Cameroon reassess the validity of the project design assumptions regarding farm site selection, research results, marketing, quality control, and privatization.	
<u>Recommendation No. 3</u>	9
We recommend that USAID/Cameroon in conjunction with the Government of the Republic of Cameroon develop a joint evaluation plan that includes (a) annual interim evaluations, (b) mid-term and final evaluations using external consultants, and (c) coordinated evaluations with the Center North Project on agricultural production.	
<u>Recommendation No. 4</u>	14
We recommend that USAID/Cameroon (a) ensure the Government of the Republic of Cameroon complies with the project covenant establishing linkages among participating Government of the Republic of Cameroon agencies, and (b) establish procedures for periodic USAID site visits to a related World Bank development project, including discussions with World Bank and Government of the Republic of Cameroon officials.	

Recommendation No. 5

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We recommend USAID/Cameroon (a) periodically review the project cost accounting system to ensure it is operating effectively; (b) ensure Government of the Republic of Cameroon compliance with the project agreement on seed selling prices, (c) require the technical assistance contractor to report on the potential for reducing costs at the seed multiplication farm, and (d) ensure the Government of the Republic of Cameroon establishes adequate controls over project equipment.

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