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MEMORANDUM REPORT ON  
AGRICULTURAL RESEARCH AND  
TECHNICAL ASSISTANCE  
URUGUAY  
AUDIT REPORT NO. 1-528-82-12  
JULY 6, 1982

AID provided \$4.85 million in loan funds to assist the Government of Uruguay in expanding and improving its agricultural research and extension activities. About \$2.1 million of these funds were used to purchase equipment and vehicles during the phase-out of the AID Mission in Uruguay.

Although the equipment and vehicles had been in Uruguay for 7 months or more at the time of our review, over \$915,000 of the items had not been used. Decisions needed to be made on where to locate some of the equipment as well as the structure of the organization to use the equipment. AID needs to take action to ensure that the items are properly used.

DATE : July 6, 1982  
FROM : R. Dean Hinderliter  
RIG/A/LA  
SUBJECT: Memorandum Audit Report No. 1-528-82-12  
Agricultural Research and Technical Assistance  
Loan No. 528-T-024, Uruguay  
TO : Mr. Otto J. Reich  
Assistant Administrator  
Bureau for Latin America and the Caribbean

Utilization of about \$915,000 of equipment purchased with funds provided under Loan No. 528-T-024 was not satisfactory. Although the equipment had been in Uruguay for 7 months or more at the time of our visit, decisions had not been made on where to locate much of the equipment and on the structure of the organization to use some of the equipment. Thus, many of the items (44 percent based on value) purchased during the phase-out of the AID Mission to Uruguay had not been utilized.

### Introduction

In December 1975, AID agreed to loan the Government of Uruguay about \$4.85 million to expand and improve its agricultural research and extension activities. The AID loan funds were to finance advisors, training and equipment. Advisors were provided and training was initiated. However, little was accomplished by 1979 because the Government did not support the project as agreed. For example, only 26 percent of the agreed upon number of new employees for the research staff were hired; only one of 78 in-service training courses had been given; and less than 30 percent of the agreed upon number of college-trained agronomists were on board at the research units.

The consequences of the Government's failure to properly support the project were: (a) the advisors did not have adequate numbers of qualified technicians with whom to work; (b) there were insufficient numbers of Uruguayan technicians to staff the five research centers, demonstration farms, and headquarters; and (c) very little progress was made in generating new technology, and in developing a system needed to transfer results to the farmer.

The Regional Inspector General for Audit for Latin America (RIG/A/LA), formerly Area Auditor General, reviewed the activities financed under AID loan 528-T-024 in September and October 1979. At that time there was a hold in effect on the procurement of \$2 million worth of equipment. The status of the project, the need to delay procurement of the equipment until the project was redesigned and the need to obtain AID/Washington's approval of the redesign were extensively discussed with the AID Affairs Officer early in October 1979 by RIG/A/LA auditors.

Despite these discussions and the fact that the project had not been redesigned, the AID Affairs Officer released solicitations for bids for the

procurement of agricultural machinery, vehicles, experimental equipment, information equipment, seed processing equipment, and office equipment on November 20, 1979. RIG/A/LA issued its final report on loan 528-T-024 and other activities in Uruguay on January 30, 1980 (Audit Report No. 1-528-80-3).

AID/Washington continued the prohibition on approving equipment contracts under loan 528-T-024 until May 5, 1980. At that time, AID/Washington advised the Mission that it had reviewed the situation and concluded that because the equipment procurement was already underway when RIG/A/LA issued its final audit report and because the AID Affairs Officer had already approved the solicitations for bids, the prohibition on approval of equipment contracts was removed on all contracts that had delivery dates before November 15, 1980. Funds for contracts which could not meet the November 15, 1980 date were to be deobligated.

The Mission in Uruguay notified AID/Washington on June 17, 1980 that "contracts covering 69 line items worth \$971,374.37 have been approved by AID with the condition that all deliveries (shipping date) will take place by November 15." The Mission then provided its reasons for not deobligating the remaining funds. Primarily the Mission considered the procurement essential to the achievement of the project purpose. The Mission proposed opening a new letter of commitment in order to commit \$150,063 of uncommitted loan funds for the procurement of vehicles. The procurement of these vehicles was justified on the basis that the Technical Assistance Department needed "up to 18 waggons (station and vans) for its extension work throughout the country." The Mission acknowledged that if its recommendation were accepted deliveries would run into mid 1981, but "We think this is a significant amount of export sales for U.S.." The Mission also commented:

"6.\*\*\* "To cut this process (procurement) short \*\*\* would be very difficult to explain to the Minister of Agriculture after his recent personal visit to AID/Washington, after which he understood that given certain undertaking with which he has complied, AID would finance this entire procurement."

"7 Ambassador urges AID/Washington to reconsider \*(its decision and)\* allow for the orderly completion of this Project by authorizing an extension of the TDD to June 30, 1981. This extension would not entail additional personnel or other AID resources or otherwise affect the overall phase out of the bilateral assistance programs\*\*\*."

On July 1, 1980, AID/Washington approved an extension of the TDD on loan 528-T-024 to June 30, 1981. The TDD was subsequently extended to August 31, 1981.

#### Status of Activities March 31, 1982

RIG/A/LA auditors visited Uruguay in March and April 1982 to verify the utilization of the equipment purchased under loan 528-T-024. While most of the funds allotted for equipment purchases had been expended, we found that

significant quantities of equipment requested had not been purchased and much of the equipment purchased and delivered had not been used.

Effect of Equipment Not Purchased There were six solicitations for bids (SFBs) released on November 20, 1979. One each for agricultural machinery, vehicles, experimental equipment, information equipment, seed processing equipment and office equipment. These SFBs contained hundreds of items. Many of the items included in the SFBs were not bid by a supplier and therefore were not purchased. For example, the SFB for agricultural machinery included 198 items of which 46 or 23 percent were not purchased. The SFB for experimental equipment included 196 items of which 109 or 56 percent were not purchased. The SFB for seed processing equipment included 138 items of which 40 or 29 percent were not purchased.

We asked a Uruguyan Ministry of Agricultural official what effect the failure to purchase a significantly large quantity of items had on the utilization of the items that were purchased. He advised us that it had very little effect because many of the items purchased were replacement or upgrading items which did not significantly increase the research and extension capabilities.

Utilization of Equipment We were advised that the equipment purchased started arriving in November 1980 and that most of it had arrived in Uruguay by September 1981. Most of the items purchased had been cleared through customs by mid-January 1982. We visited the Technical Assistance Division and one experimental station to view the utilization of the items purchased.

We found that most of the items purchased for the Technical Assistance Division, although it had arrived 7 months prior to our visit, were not in use. A total of \$458,000 worth of equipment and vehicles were purchased for this Division. Most of the information and office equipment had not been used because a decision had not been made as to where to locate the equipment and what personnel to employ. We were advised that a decision would be made soon, but we were given the impression that it might be many months before the issue is settled.

A special plea had been made by the Mission in June 1980 that the Technical Assistance Division needed 18 vehicles to conduct its work. Eleven vehicles were purchased. The vehicles arrived 7 months prior to our visit, but most were not being used. Why? We were advised that the Director General of the Ministry of Agriculture had decided to distribute two vehicles for research work, one for aerial service, four for agronomic service, one for the Ministry's administration and only three for the Technical Assistance Division. Since most of the vehicles were scheduled for use in areas other than the area originally planned, the Technical Assistance Division had delayed obtaining licenses for the vehicles.

Based on our visit to the research station and discussions with Ministry of Agriculture officials:

- We identified 24 items of agriculture and experimental equipment that had not been used. These items had not been assigned to a

research station or demonstration center and their value was over \$110,000. In addition, we noted mowers, plows, a peanut harvester, and several other items which had been assigned to other stations or centers but had not been delivered. We also noted a few items of equipment assigned to the research station we visited that had not been installed and used. The total cost of the items not put to use at the time of our visit was about \$170,000.

- We asked an official at the research station why the equipment had not been distributed and used. We were advised that the unit to which the equipment was scheduled to be distributed had similar equipment in satisfactory working condition and did not need the new equipment on an urgent basis. He also said that if the new equipment were distributed the existing working equipment already on hand would not be used. (An AID/Washington official visiting Uruguay in October 1980 reported that "The equipment being purchased under the loan appears truly necessary and, at least for 2 sites, will not duplicate existing equipment." The new equipment may not have duplicated existing equipment but it certainly replaced several items of existing equipment, such as, plows, mowers, and combines.)
- At the time of our visit, five of the seven vehicles purchased for research activities had not been put into service. Three buses were at the local dealers being prepared for delivery and two trucks had not been distributed because they had not been licensed. No firm date was given when these vehicles would be put to use. These vehicles cost about \$190,450.
- Ninety-eight items of seed processing equipment were purchased at a cost of more than \$96,000. Only three items that cost less than \$2,500 had been used at the time of our visit. The main reason for the non-utilization of this equipment was the lack of decisions on the structure of the organization to use the equipment and where to locate the equipment. At the time activities were being implemented under loan 528-T-024, the Seed Service was part of the Research Division within the Ministry of Agriculture. In January 1980, the Government of Uruguay decided to transfer the Seed Service to the Grain Division of the Ministry of Agriculture. While the transfer was made in January 1980, a by-law to regulate the implementing unit with regard to all aspects of seed activities, that is, import, process, export and sale, had not been finalized at the time of our visit in April 1982. Until this by-law (which will establish the organizational structure of the unit) is finalized, a decision on where the equipment will be installed is not expected. In the meantime, the equipment which cost more than \$93,500 remains stored and unutilized. Although more than 2 years have passed, no date was given for the completion of the by-law.

## Actions by AID Management Officials

When taken together about \$915,000 (44 percent) of the \$2.1 million of equipment purchased had not been used at the time of our review. In our opinion, this situation resulted in large part from AID's unrealistic assessment of the project.

AID documents showed a determination to conclude the project, but action was not taken to actually terminate the project or to deobligate funds. For example, in August 1979, in a document to extend the terminal disbursement date (TDD) for certain activities, it was stated "Any loan funds not disbursed by the TDD (then December 5, 1980,) will be deobligated.". In May 1980, the Acting Assistant Administrator for Latin America and the Caribbean (AA/LAC), advised the Inspector General of AID that "a further extension of the terminal disbursement date (then December 5, 1980) for the equipment component of the loan" was not anticipated because only contracts with delivery dates before the TDD would be approved. Yet, less than 12 weeks later (July 24, 1980), the AA/LAC extended the TDD for equipment purchases to June 30, 1981. The only new information that we found in AID files for this extension was the fact that the funds allotted for equipment purchases could not be spent by the cut-off date of November 15, 1980. In July 1980, when the extension to June 30, 1981 was approved, none of the contracts for the purchase of equipment had been officially approved by implementation letter. The first approval came in October 1980.

Even the June 30, 1981 TDD for the equipment component under the loan proved to be unworkable. As June 30, 1981 approached, it was determined that \$153,151 of the equipment could not be shipped by that date. Therefore, officials in Uruguay submitted a request for another extension of the TDD. This request stated, in part,:

"The MOA (Ministry of Agriculture) considers these orders important to the achievement of the project's objective to strengthen the research and extension system in Uruguay. \*\*\*Recent discussions with the new Minister of Agriculture, however, disclosed the Minister's negative position regarding the use of additional counterpart funds to finance equipment which will not be shipped by June 30th. The MOA is reluctant to increase its budget to cover equipment costs totaling \$153,000 from other funds this calendar year. A payment delay running into next year obviously would not be acceptable to the U.S. suppliers. We, therefore, recommend an extension of the TDD to August 31, 1981, \*\*\*"

The proposed extension to August 31, 1981 was to cover only about \$102,000 of the items, on the basis that the other "approximately \$50,000 of commodities \*\*\* are not truly essential to achievement of the project purpose." The TDD was extended to August 31, 1981.

## Conclusions

The purpose for the purchase of the additional equipment and vehicles was to significantly increase the research and extension capabilities of the Uruguayan Ministry of Agriculture. Based on the usage of only 56 percent of

the equipment and vehicles purchased and comments by Uruguayan officials, this did not occur. We believe that this situation resulted in large part from AID's decision to proceed with the equipment and vehicle procurement without first assuring that a new design for the project had been approved and that some significant and positive evidence of support had been obtained from the Government of Uruguay. (The letter obtained from the Uruguayan Minister of Agriculture did not mention support of project activities.)

AID knew or should have known that the elements of its project had been or would be split into three separate units which would detract from effective use of the equipment; and that the expenditure of \$2 million would not change the policies of the Uruguayan Government as demonstrated over the first 4-1/2 years of this project's life. We believe that had AID realistically reviewed the case, it would have decided to deobligate the funds rather than continue with the procurement of equipment in June 1980.

Since the equipment has been purchased and is now in Uruguay, we believe AID must ensure that it is appropriately used.

Recommendation No. 1

AA/LAC should obtain from the Uruguayan Ministry of Agriculture an updated plan which provides for the utilization of all equipment financed under Loan No. 528-T-024 within a reasonable time period.

Recommendation No. 2

AA/LAC should establish a plan for end-use checks of the equipment purchased under loan 528-T-024 to ensure that the items are properly used.

Recommendation No. 3

AA/LAC should accelerate loan repayments for any item of equipment that is not used as planned or as is now appropriate within 6 months of the date of this report.

APPENDIX A

LIST OF RECIPIENTS

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