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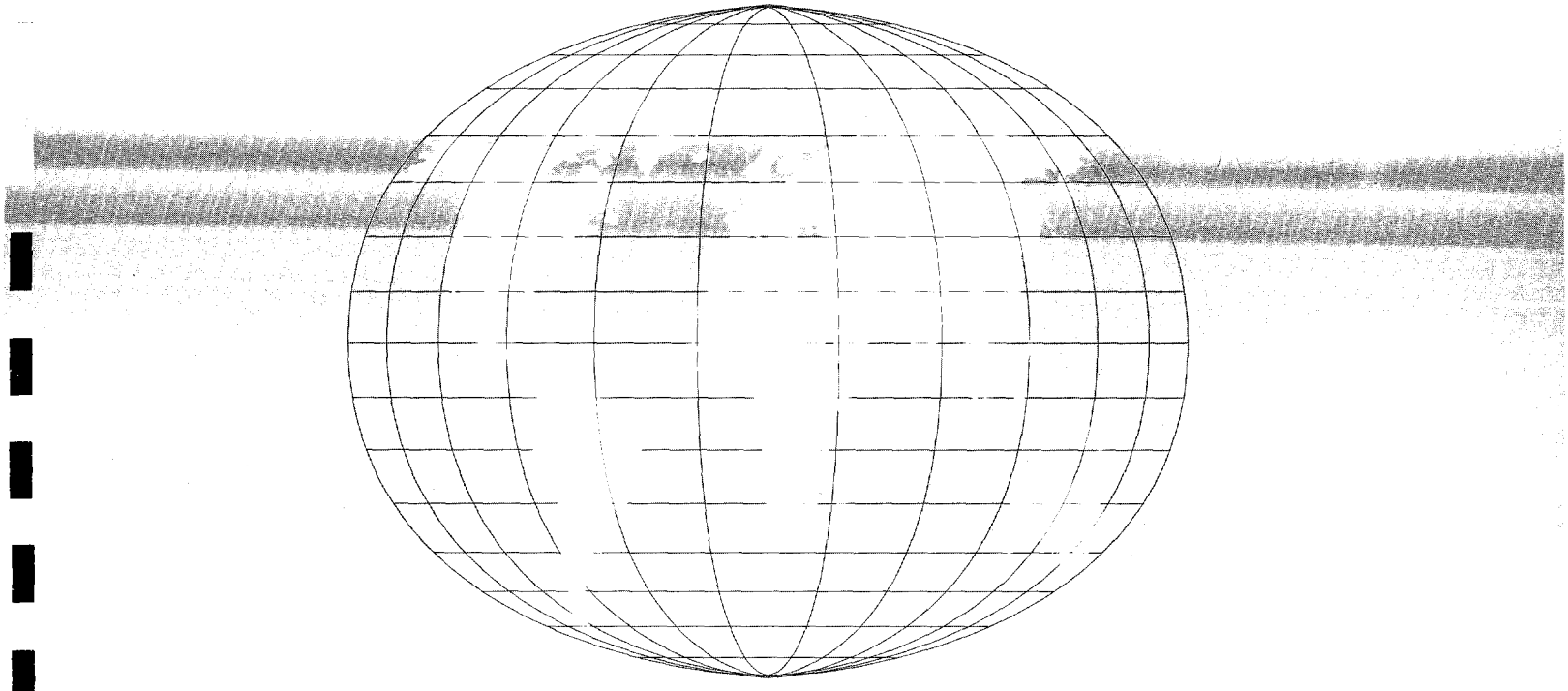
Report of Audit

Audit of USAID/Ghana Non-Emergency Title II Food Aid Programs Implemented through PVOs/CDOs

Report No. 7-641-97-002-P
November 29, 1996



Regional Inspector General
Dakar

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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Audit of USAID/Ghana Non-Emergency Title II Food Aid Programs Implemented through PVOs/CDOs

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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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November 29, 1996

MEMORANDUM

TO: Myron Golden, Director, USAID/Ghana

FROM: Thomas B. Anklewich, RIG/Dakar

SUBJECT: Audit of USAID/Ghana's Non-Emergency Title II Food Aid Programs Implemented Through PVOs/CDOs (Audit Report No. 7-641-97-002-P)

This is our report on the "Audit of USAID/Ghana's Non-Emergency Title II Food Aid Programs Implemented Through PVOs/CDOs" (Audit Report No. 7-641-97-002-P). We considered your comments to the draft report and have included them as an appendix (see Appendix II).

The report contains six recommendations. The status of the recommendations upon report issuance is as follows: the Mission has taken Final Action on Recommendation Nos. 1 and 5; and has reached a Management Decision on Recommendation Nos. 2, 3, 4, and 6. In accordance with the Automated Directives System (ADS) guidance on performance audits, M/MPI/MIC will be responsible for determining when Final Action has occurred on these recommendations.

I appreciate the cooperation and courtesies extended to my staff during the audit.

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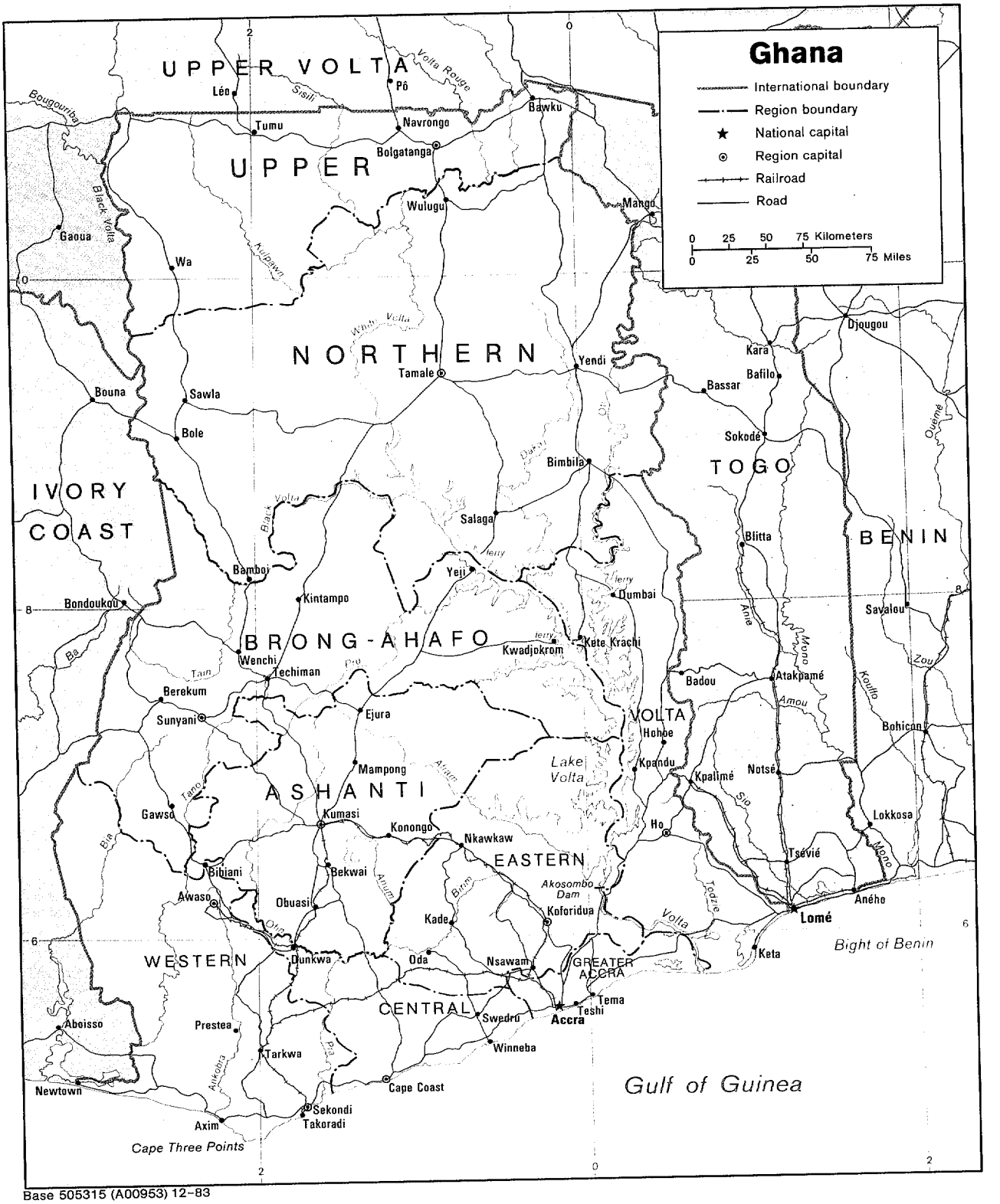

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Executive Summary

Background

The Agricultural Trade Development and Assistance Act of 1954 (more commonly referred to as Public Law 480), as amended, is the statutory authority for the Title II Food for Peace Program. The intent of the legislation is to promote food security in the developing world through humanitarian and developmental uses of food assistance. Food security, as defined by this legislation, is satisfied when a nation's people have sufficient food to meet their dietary needs for a productive and healthy life. USAID is responsible for implementing food aid programs under Title II of the Act.

USAID/Ghana's Country Strategy was approved in April 1996. The Strategy's three main objectives are to (1) increase the marketed value of selected agricultural products, (2) increase the literacy and mathematical skills of students in beneficiary primary schools, and (3) reduce the fertility rate of Ghana.

USAID/Ghana's P.L. 480 Title II program is part of the Mission's Strategic Objective One which aims to increase the marketed value of selected agricultural products. The P.L. 480 program is intended to make a strong contribution to this objective by funding activities to improve food security. USAID/Ghana's Title II activities for fiscal year 1996 were programmed to monetize 29,300 metric tons of wheat, valued at approximately $5 million to support the country programs of three non-governmental organizations (NGOs). In addition, the USAID Country Strategy for fiscal years 1997-2001 projected the monetization of another $7 million annually in Title II funds. Those funds will finance a number of activities to enhance food utilization and to provide support for communities in various rural enterprises. The Mission's Office of Trade Agriculture and Private Sector (TAPS) manages the P.L. 480 Title II program.

The three NGOs implementing P.L. 480 activities are the: Adventist Development and Relief Agency (ADRA), Catholic Relief Services (CRS), and TechnoServe (TS). Activities undertaken by these NGOs are in the areas of agro-forestry, food for work, school lunch programs, and rural enterprise development operations. Most of the wheat, the principal commodity

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received by the NGOs, is monetized. Two of these NGOs are also receiving additional commodities for their food-for-work activities.

Audit Objectives

The Office of the Regional Inspector General/Dakar reviewed USAID/Ghana's P.L. 480 Title II Program to determine 1) if the Mission and cooperating sponsors have an adequate management structure to ensure that food aid is targeted to the most needy, 2) if the management structure is adequate to ensure that food aid reaches the intended beneficiaries, and 3) whether the Mission has progressed towards achieving the results intended in planning documents.

Summary of Audit Findings and Recommendations

The audit found that USAID/Ghana and its cooperating sponsors had adequate management structures to ensure that food aid was targeted to the most needy people. It must be noted that direct-feeding programs which are often associated with the most needy were not the focus of the P.L. 480 Title II-funded activities in Ghana. Instead, the majority of food aid activities were aimed to increase the agricultural productivity and incomes of the rural poor in Ghana.

In general, USAID/Ghana and its cooperating sponsors did ensure that the food aid reached the intended recipients. However, we found that for 1996, CRS's food deliveries were made late. This occurred because the processing of distribution lists at CRS's Tamale office for beneficiaries receiving food were not being made early enough to allow for the processing of waybills and delivery schedules at its Accra office. Accordingly, we recommended that the Mission ensure that CRS better coordinate the actions of its various offices to provide for the timely delivery of food assistance.

Finally, USAID/Ghana and its cooperating sponsors were making progress towards achieving the intended results of the program activities. However, certain practices taking place in the program needed to be corrected. In particular, one cooperating sponsor had a policy for the personal usage of project vehicles which exceeded that allowed by USAID guidance. As such, we recommended that the Mission establish a policy on the personal usage of project vehicles. We also noted that management actions must be taken to ensure the sustainability of activities related to farmers cooperatives, small scale palm oil processing mills, and nurseries. Accordingly, we recommended that a mechanism for the continuation of the Inventory Credit Program to farmer's cooperatives be determined, an assessment of the future viability of small palm oil processing mills be made, and an

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analysis to find a means to make nurseries self-sustaining and self-sufficient be conducted.

Management Comments and Our Evaluation

USAID/Ghana provided written comments to the draft report which are included in their entirety as Appendix II. The Mission agreed with the report's six recommendations.

In its comments, the Mission stated that Catholic Relief Services has implemented a new distribution list for its beneficiaries which will ensure timely deliveries. TechnoServe was stated to have organized the Farmers Service Cooperatives into an association that will eventually carry on the inventory credit program after the end of TechnoServe direct assistance. Also, the Mission stated that it plans to conduct an independent assessment of TechnoServe's program for developing small palm oil processing plants to determine the program's future viability. In addition, USAID/Ghana stated that feasibility/profitability studies of ADRA nurseries are being conducted to determine ways to make these nurseries self-sufficient in the future. Further, the Mission stated that it has implemented a new plan for conducting site visits to P.L. 480 Title II activity sites which will increase the quantity and quality of Mission monitoring. In closing, the Mission stated that it planned to develop a Mission policy on the personal use of vehicles by private voluntary organizations (PVO) which will ensure that the personal use of PVO vehicles is not funded by USAID.

Based upon the Mission's comments, Final Action has occurred on Recommendation Nos. 1 and 5. In addition, a Management Decision has been reached on Recommendation Nos. 2, 3, 4, and 6. In accordance with the Automated Directives System (ADS) guidance on performance audits, M/MPI/MIC will be responsible for determining when Final Action has taken place on these recommendations.

Office of the Inspector General
November 29, 1996

Introduction

Background

The Agricultural Trade Development and Assistance Act of 1954 (more commonly referred to as Public Law 480), as amended, is the statutory authority for the Title II Food for Peace Program. The intent of the legislation is to promote food security in the developing world through humanitarian and developmental uses of food assistance. Food security, as defined by this legislation, is satisfied when a nation's people have sufficient food to meet their dietary needs for a productive and healthy life. USAID is responsible for implementing food aid programs under Title II of the Act.

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The three NGOs implementing P.L. 480 activities are the: Adventist Development and Relief Agency (ADRA), Catholic Relief Services (CRS), and TechnoServe (TS). Activities undertaken by these NGOs are in the areas of agro-forestry, food-for-work, school lunch programs, and rural enterprise development operations. Most of the wheat, the principal commodity received by the NGOs, is monetized. Two of these NGOs are also receiving additional commodities for their food-for-work activities.

The individual programs of these NGOs span all geographic regions of Ghana and programmatically address increasing agricultural productivity in distinct ways as follows.

The **Adventist Development Relief Agency (ADRA)** has its program of activities spread throughout the Northern, Coastal and Eastern regions of Ghana. ADRA's program of development focuses on agro-forestry projects in each of these regions. ADRA also has a program component that introduces the farming of alternative crops. These activities are intended to increase the food security and incomes of small farmers.

Catholic Relief Services' (CRS) program of school-feeding and maternal child health is conducted in the Northern, Upper Eastern and Upper Western geo-political regions of Ghana. The aim of the school-feeding program is to increase school attendance among rural children in general by providing school lunches. A separate component of the program aims to increase the attendance of girls to rates exceeding 85 percent by providing them with take-home rations. Finally, the Maternal Child Health program aims to rehabilitate malnourished children by providing food to their families.

TechnoServe's operations are located mainly in the Brong Ahafo region, in the center of Ghana. TechnoServe's program is multi-faceted, with activities in non-traditional exports, inventory credit, and small-scale palm oil production. These activities aim to increase the incomes of rural farmers, which should increase their food security through increased disposable income.

Audit Objectives

We performed this audit as part of the Inspector General's worldwide audit of USAID's P.L. 480 Title II Non-Emergency Food Aid Programs. The audit was designed to answer the following audit objectives:

- Did USAID/Ghana, together with its cooperating sponsors, have an adequate management structure to ensure that food aid is targeted to the most needy people?

- Did USAID/Ghana, together with its cooperating sponsors, have an adequate management structure to ensure that food aid reaches the intended beneficiaries?

- Has USAID/Ghana progressed toward achieving the results of food aid activities as intended in Mission and cooperating sponsor planning documents?

Appendix I discusses the scope and methodology of this audit. USAID/Ghana's comments on the draft report are included in their entirety as Appendix II.

Report of Audit Findings

Did USAID/Ghana, together with its cooperating sponsors, have an adequate management structure to ensure that food aid is targeted to the most needy people?

USAID/Ghana, together with its cooperating sponsors, did have adequate management structures to ensure that food aid is targeted to the most needy people.

The audit found that USAID/Ghana and each of its three cooperating sponsors--Adventist Development and Relief Agency (ADRA), Catholic Relief Services (CRS), and TechnoServe--had sufficient personnel resources to carry out the planned activities under the Mission's P.L. 480 Title II program. We believe that personnel resources are a critical element of a management structure. In addition, each of the cooperating sponsors had determined the most needy areas of the population in Ghana and targeted their program resources to address the needs of these populations.

It must be noted that direct-feeding programs which are often associated with the most needy were not the focus of the P.L. 480 Title II-funded activities in Ghana. Instead, the majority of food aid activities in Ghana were aimed at using the proceeds from P.L. 480 Title II commodity sales (monetization) to increase the agricultural productivity and incomes of the rural poor.

USAID/Ghana's management structure consists of the assignment of responsibility for its P.L. 480 Title II program to its Trade and Private Sector (TAPS) Office. Within the TAPS office, the Foreign Service National Food for Peace Officer is assigned day-to-day responsibility for ensuring that the three cooperating sponsors under the P.L. 480 Title II properly carry out their individual programs of activity. The USDH personnel of the TAPS office provide necessary management oversight. In our opinion, USAID/Ghana had an adequate management structure to manage the P.L. 480 Title II program in Ghana. However, as stated under Audit Objective Three, we feel that the number of Mission site visits to P.L. 480 Title II activities could be increased using USAID/Ghana's existing personnel resources.

In order to efficiently target food aid, the management structure of each cooperating sponsor was to consider nationwide statistics on poverty and (or) malnutrition and implement programs to address these problems. In our view, each of the three cooperating sponsors had adequate management structures to perform these functions.

For example, ADRA conducted a survey that revealed the existence of problems and needs related to food insecurity in Ghana. In reviewing this survey, we found the following problems that ADRA intended to ameliorate: 1) environmental degradation which was brought on by overgrazing, heavy fuel wood demand and unsustainable land practices; 2) a plethora of water born diseases brought on by unsafe drinking water; and 3) natural and man-made disasters from bush fires, floods, droughts, and ethnic conflicts. ADRA's P.L. 480 Title II funded program focused on addressing these problems.

CRS and the Ghana Ministry of Health cooperated to conduct a district-level survey in the Northern, Upper Eastern, and Upper Western regions of Ghana to identify priorities for healthcare interventions. As a result of this survey, CRS focused its activities in the Northern, Upper Eastern, and Upper Western regions of Ghana to address child survival health problems.

TechnoServe used studies by a USAID contractor and the World Bank on (1) the nutritional status of infants and young children, and (2) poverty in Ghana, respectively, as a targeting tool in its program. Both reports show the relationship between poverty, as measured by total household expenditures, and the caloric intake of children. TechnoServe operates its activities, which aim to increase household disposable income, in the rural forest and rural savannah regions where 60 percent of Ghanians living in poverty are found.

In summary, the P.L. 480 Title II Program in Ghana is targeted to alleviate problems related to food insecurity and lack of income for small farmers, improving the diets and school attendance rates of children and in rehabilitating the health of malnourished children located in project locations.

Did USAID/Ghana, together with its cooperating sponsors, have an adequate management structure to ensure that food aid reaches the intended beneficiaries?

We determined that for the activities and programs tested, USAID/Ghana, together with its cooperating sponsors, did have an adequate management structure to ensure that food aid reaches the intended beneficiaries. However, one cooperating sponsor was late in making deliveries of food during fiscal year 1996.

The management structure of USAID/Ghana's P.L. 480 Title II program was designed to increase the agricultural productivity and incomes of the rural populations of Ghana. The Mission's management structure was to accomplish this objective through the monetization of P.L. 480 Title II commodities to support the activities in the above areas sponsored by the three cooperating agencies. This approach differs from that found in other neighboring countries where P.L. 480 Title II commodities are mostly being used in direct feeding programs.

The Adventist Development and Relief Agency's (ADRA) program of agro-forestry is aimed at cooperative groups of small farmers whose members each have four acres or less of land. One of the objectives of the agro-forestry program is to encourage the planting of trees by these small farmers to reduce the soil depletion of their land. Related to this objective, ADRA's agro-forestry program intended to decrease the use of the "slash and burn" technique to clear and prepare farm land for use. In the past, farmers were forced to continually move their farming plots due to rapid soil depletion and decreasing yields. As a result, in order to clear their new land for farming, they would cut down (slash) and burn the existing vegetation on the new plot of land. ADRA's agro-forestry program is intended to decrease this practice.

TechnoServe's Inventory Credit program aimed to increase the incomes of small farmers who grow corn by allowing them to store their harvest until the best market price for corn or other crops was available. The market price for farm produce is typically lowest at harvest time, when supplies are most plentiful. Through this program, members of small farmer cooperatives lease storage space as a group in order to store their produce until well after harvest time when market prices generally increase due to the decreased supply of produce. In addition, this program is designed to satisfy the farmer's immediate need for cash at market time by providing the farmer with loans which are equal to 75 percent of the value of his crop at the low market price at harvest time. Although we have concerns about

the sustainability of this program without continued TechnoServe assistance, farmers groups that we interviewed agreed that the Inventory Credit Program has increased their incomes.

CRS is the only food aid cooperating sponsor in Ghana that has direct-feeding programs. CRS's Maternal Child Health Program directly addresses the health and nutrition of children by providing food rations. Although its school-feeding program also addresses nutrition, its major goal is to increase school attendance. However, as discussed below, CRS needs to ensure that food is delivered in a timely manner to participating schools.

Food Distribution Must be Adjusted to Assure Timely Deliveries of Food to Participating Schools

Catholic Relief Services aims to increase school attendance and promote the recovery of malnourished children through its school-feeding and Maternal Child Health programs (MCH) by providing school lunches and food to mothers and children. However, local officials at the ten facilities visited during the audit for the 1995/1996 school year, stated that CRS has regularly been late in delivering this food aid. These late deliveries were caused by a bad timing cycle in the processing of the distribution of food deliveries by CRS's Tamale office that did not adequately coincide with the school year. All ten locations visited during the audit either had no food or were running out of food. As a result, the achievement of the P.L. 480 Title II Program objectives to increase school attendance and promote maternal and child health will be hampered.

> **Recommendation No. 1: We recommend that the Director, USAID/Ghana ensure that Catholic Relief Services coordinate the actions of its Tamale and Accra offices to provide for the timely delivery of food to the schools and Maternal Child Health centers in its school-feeding and Maternal Child Health programs so that the food deliveries coincide with the school year.**

The Catholic Relief Services Ghana Program FY 1995 Multi-Year Operational Plan Update (FY 1994-1996) states that the objective of its school-feeding program is to increase the school attendance of rural children (particularly girls) by providing school lunches and take home rations as an incentive to school attendance. Likewise, the CRS Maternal Child Health Program is to promote the recovery of malnourished children and the well being of women by providing food to mothers and children.

Throughout the 1995/1996 school year, CRS food deliveries have been late, well after the beginning of the school terms and after the schools have run out of food. The audit showed that the late deliveries to the ten schools and MCH facilities we visited were caused by a bad timing cycle in processing the distribution of the food deliveries by CRS's Tamale office whose cycle did not properly coincide with the school year. CRS delivers food to the schools and MCH centers on a quarterly basis. The CRS Tamale office compiles the food requirements of the individual schools and MCH centers on a distribution list which it provides to CRS's office in Accra. CRS's office in Accra prepares waybills for the food to be delivered to each school and MCH center and designs the optimal routing for the trucks of the external contractor that delivers the food. However, CRS Tamale was not providing the distribution list of the food requirements of the schools and MCH centers to the CRS Accra office far enough in advance to allow adequate time for waybill processing, route planning and coordination with the shipping contractor.

CRS program sponsor officials stated that its office move from Accra to Tamale, staff realignment and the initial division of duties and inadequate coordination between the Tamale and Accra offices have been contributing factors in its delivery delays in the current year.

The untimely arrival of food aid in schools and centers directly decreases the aims of the programs which are to increase the well-being of women and children and to increase school attendance among rural children, especially girls, through its school feeding program for all students and take-home ration for girls. The lack of food in these centers will prevent the objectives of these programs from being carried out. For example, during our site visits to schools, officials stated that this is the "lean season" (before crops are harvested when food becomes more plentiful) in Northern Ghana and that students have very little to eat at home. They explained if the students do not receive a meal at school, they may choose not to attend school and also may go hungry at home. Excluding the School for the Deaf, officials at the schools we visited said that they were unable to provide meals through other means. These school officials indicated that similar conditions would be found throughout Northern Ghana.

Has USAID/Ghana progressed toward achieving the results of food aid activities as intended in Mission and cooperating sponsor planning documents?

We determined that for the activities and programs tested, USAID/Ghana progressed toward achieving the results of food aid activities as intended in Mission and cooperating sponsor planning documents, but some practices in the implementation of these activities needed to be corrected.

The P.L. 480 Title II-funded activities in Ghana are progressing towards their intended objectives. CRS, in keeping with its approved program proposals, is providing assistance to Ghanaians at 554 sites in Northern Ghana. The main focus of CRS's activities are in its school-feeding program at pre-school and primary schools in Ghana and its Maternal Child Health Program. When these programs are working optimally, they are designed to provide necessary meals to over 67,000 school children in Ghana. In addition, the CRS Maternal Child Health program is attending to the needs of over 26,000 mothers and children in its program to alleviate malnutrition.

ADRA has decreased the incidence of guinea worm and other water-borne illnesses in Ghana, through its assistance in the construction of hand-dug wells under its P.L 480 Title II-funded activities. Most rural communities in Ghana do not have access to safe drinking water. Streams and dams are usually contaminated with guinea worms. However, the wells provide a safe alternative to these contaminated water sources. Langa, a village of 1,459 people, provides an example of the effectiveness of hand-dug wells in fighting guinea worms. There were 123 cases of guinea worms in Langa from 1989-1992. After the construction of the hand dug well, no case of guinea worm has been reported. Over 94 wells have been constructed with ADRA assistance and this continuing effort will hopefully provide results such as those in Langa to other villages in Ghana.

TechnoServe, through its P.L 480 Title II-funded assistance to farmers' service cooperatives, has decreased after-harvest-crop-losses to these cooperatives by training the farmers in better storage techniques. An example is the Nsutu cooperative, where members stated that prior to TechnoServe assistance in 1994, they lost about 40 percent of their crop to spoilage. Previously, they stored corn "on the cob", but now they break the corn kernels from the cob and store the corn kernels in sacks. As a result of this change in storage technique, cooperative members stated that their losses to spoilage have greatly decreased. Reduced spoilage losses directly

enhance food security by both increasing the amount of food available to eat and food available to sell and generate income.

Although the programs have achieved some success in meeting their goals, as indicated above, the audit found problem areas that need to be corrected in the programs of each of the three cooperating sponsors. These problem areas are addressed in the sections discussed below.

The Technical Assistance Relationship with Small Farmer Cooperatives Needs to be Maintained

With the technical assistance of TechnoServe, the cooperating sponsor, the P.L. 480 Inventory Credit Program was designed to increase the incomes of small farmers of corn by satisfying their immediate cash needs through commercial loans using their farm produce as collateral. USAID's Food Aid and Food Security Policy Paper states that USAID is committed to the effective and efficient use of food aid as a resource for sustainable development. In addition, Technoserve intended that the program would continue after its technical assistance ended, with the farmer cooperatives taking over management of all aspects of this loan program. However, the farmer cooperatives visited during the audit did not understand the procedures for processing the bank loans and therefore did not know how to process the bank loans. This occurred because TechnoServe was processing the loans and had not instructed the cooperatives (or an alternative entity) on the procedures to process the loans. As a result of this dependency on Technoserve, it is doubtful that the Inventory Credit Program will continue after TechnoServe assistance ends.

> **Recommendation No. 2: We recommend that the Director, USAID/Ghana ensure that TechnoServe develops a means to sustain the Inventory Credit Program after TechnoServe completes its relationship with the farmers service cooperatives.**

As described in TechnoServe's P.L. 480 Title II Multi-Year Operational Plan (MYOP) and Monetization Request FY 1995-97, the Inventory Credit Program is designed to increase the incomes of small farmers of corn by allowing them to store their harvest until the best market price for their crop is available. Members of small farmer cooperatives lease storage space as a group in order to store their produce until well after harvest time when market prices generally increase. To satisfy the farmer's immediate need for cash at market time, these farmers' cooperatives take out commercial loans using their produce as collateral. Individual farmers are then given personal loans equal to 75 percent of the value of their crops at the low

market price. The monetization of P.L. 480 Title II commodities provided 100 percent of the funding for TechnoServe's technical assistance to the farmers' service cooperatives.

USAID's Food Aid and Food Security Policy Paper, which was issued in February 1995, states that USAID is committed to the effective and efficient use of food aid as a resource for sustainable development. Also, as stated in their MYOP, TechnoServe intended that the Inventory Credit Program would be sustained after its technical assistance ended in that the farmer cooperatives would assume responsibility for all aspects of this program.

However, the audit work showed that the success of the Inventory Credit Program may not be sustainable without continued TechnoServe assistance. We visited two of TechnoServe's ten farmers' cooperatives. TechnoServe processes bank loan applications for the farmers' cooperatives that it sponsors and also guarantees these loans. Members of these cooperatives stated that they did not understand the procedures for processing bank loans. TechnoServe was reputed to have told the farmers that they would organize all the farmers cooperatives into a union whereby the union would engage someone to perform the services that TechnoServe presently provides them. Neither this union nor an alternative mechanism were in place in June 1996 when we visited the cooperatives.

Further, the farmers' believe that their own resources would not be sufficient to support the salary, office, and transportation expenses necessary for someone to provide the services presently provided by TechnoServe. (Limited financial means is one of the criteria for inclusion of farmers in this program). On the basis of our audit work, the farmers' assessment of their inability to support the provision of these services appears to be correct. Without a mechanism in place to provide these services to the farmers' cooperatives, the continued success of the Inventory Credit Program after completion of TechnoServe's assistance will be jeopardized.

TechnoServe has not yet put in place a mechanism to provide loans to these farmers after its technical assistance has ended. Unless the farmers can be trained to perform the bank financing procedures necessary to carry out the Inventory Credit Program, or obtain the services of someone to perform these functions at a price that they can afford, the successes of this program will be lost -- as the program would cease to operate.

The Future Viability of the Small Palm Oil Processing Mills Needs to be Determined

The TechnoServe P.L. 480 Title II Program intended to create small palm oil processing mills in order to increase the incomes of small farmer cooperatives. However, since receiving the palm oil processing equipment in 1994 and until June 1996, only 1 of 23 local groups that took out loans to buy palm-oil processing mills could make payments to repay these loans. These loans are accruing at an interest rate of 45 per cent per annum. This low repayment rate occurred because TechnoServe did not anticipate the financial impact that low crop yields would have on the ability of these farmers to repay these loans. Thus, the financial viability and resulting sustainability of TechnoServe's small farmer cooperatives with palm oil processing mills is in question.

> **Recommendation No. 3: We recommend that the Director, USAID/Ghana ensure that a determination is made on whether the program for developing small palm oil processing mills remains financially viable, before any further farmers' groups take on additional credit for these mills.**

TechnoServe's P.L. 480 Title II Multi-Year Operational Plan and Monetization Request for FY 1995-97, its approved program proposal, states that creation of small palm oil processing mills is intended to increase the incomes of the small farmer cooperatives that participate in this project. The objective of this activity is in agreement with USAID's Food Aid and Food Security Policy Paper issued in February 1995 which states that USAID is committed to the effective and efficient use of food aid as a resource for sustainable development. The monetization of P.L. 480 Title II commodities provided 30 percent of the funding for TechnoServe's technical assistance to the farmers' cooperatives involved in edible oil production.

To participate in this program, the small farmer cooperatives were required to purchase palm oil processing equipment with loans financed by the Ghana Agricultural Development Bank. These loans were made at Ghanaian market rates which at June 1996 rates equated to approximately 45 percent per year. As of June 1996, only 1 of the 23 cooperatives that participated in this program has been able to make payments on these loans since receiving the palm oil processing equipment in 1994. These groups were unable to make loan payments due to the low incomes being generated by their oil processing mills from the resulting palm oil product.

The stated cause of the lower than expected income generation of these mills is the lower than planned crop yields of palm nut kernels from 1993-95. With low crop yields, there are not enough palm oil kernels to process to make the facilities profitable. However, crop yields of palm oil kernels have increased for 1996 and TechnoServe personnel stated that perhaps these cooperatives in the future will generate enough income to start repaying these loans with increased production of palm oil.

A total of 60 of these small mills were planned to be installed throughout the country. However, due to the preponderance of non-performing loans from the first groups that received loans, as cited above, the Ghana Agricultural Development Bank has chosen not to provide any further financing of additional cooperatives out of expected or predicted reflows.

The Ghana Agricultural Development Bank has also financed the construction and assembly of machinery for palm oil processing mills. Thirty sets of machinery were assembled and constructed. However, only 23 cooperatives received this processing equipment because of rising costs and inflation. Initial installation costs rose from 4.6 to 6.0 million cedis ($2,822 to $3,681 at 1,630 cedis per $1 US dollar)--average income in Ghana is $430. In effect, seven sets of equipment have not been used.

As stated above, the contribution of P.L. 480 Title II commodity monetization proceeds to this activity is limited to having provided 30 percent of the funding for TechnoServe's technical assistance to the farmers' cooperatives involved in palm oil production. Even though USAID is a minor contributor to this activity, it is in USAID's interest to ensure that TechnoServe's technical assistance results in sustainable development. In order for this activity to be sustainable, three areas of uncertainty must be resolved: (1) what will happen in the future to the groups that have already received loans; (2) what will happen to the remaining seven sets of mill machinery that have been constructed, but are not in use; and (3) will the goal for constructing a total of 60 mills in Ghana be carried forward or abandoned? We believe that by addressing recommendation No. 3 on the future viability of the small palm oil processing mills, the Mission will be in a better position to resolve these areas of uncertainty.

Management of Agro-forestry
Nurseries Needs to be Improved

In 1994, the Adventist Development Relief Agency, changed the management concept for its Collaborative Community Forestry Initiative program by requiring that tree nurseries participate in activities that will make each nursery self-sufficient and sustainable. This sustainability

concept is in line with USAID's Food Aid and Food Security Policy Paper. Site visits and revenue reports on these nurseries show that they are not presently on track to become self sufficient and sustainable. Because ADRA does not have a system in place to determine the optimal product mix and sales needed for nurseries to reach a break-even point, future profitability and self sufficiency is unlikely.

> **Recommendation No. 4: We recommend that the Director, USAID/Ghana ensure that the Adventist Development Relief Agency conduct an analysis of the product mix and pricing required for its Collaborative Community Forestry Initiative nurseries to break-even and later become profitable.**

The ADRA Development Project Proposal for FY 1996-2000 (its approved program proposal) states that the Collaborative Community Forestry Initiative (CCFI) project should be self-supporting and sustainable. As such, crop and seed gardening, beekeeping and other income generation activities will be incorporated into the project. This action is in line with USAID's Food Aid and Food Security Policy Paper issued in February 1995 which states that USAID is committed to the effective and efficient use of food aid as a resource for sustainable development.

ADRA was to field 30 CCFI agro-forestry nurseries throughout Ghana. In each nursery, ADRA provides funding for start-up costs, employee payrolls, and housing expenses for the Peace Corps Volunteer-Nursery Manager. Twenty-six of these nurseries are now in existence. Though these nurseries are intended to become self-sustaining, to date, none of the nurseries have sufficient cash flow to cover their costs. The yearly payroll for the five-member Ghanaian staff at each nursery is 1,272,000 cedis ($780) per year, and is set nationally by ADRA/Ghana in Accra. The highest reported yearly revenue for a single nursery is 507,000 cedis ($311) per year (for FY 1995, the most recent yearly data available). We believe that this circumstance occurred because ADRA does not have a system in place to determine the product mix and sales needed for nurseries to reach break-even or profitability.

Meetings with ADRA officials and audit site visits to 7 of the 26 nurseries show that ADRA's coordination of the operations from location to location needs to be improved. At present, the operational efficiency and operating procedures of individual nurseries depends upon the individual Peace Corps Volunteer Manager at each site. An example of this need for coordination is the fact that nursery prices are set locally, with some managers even giving away certain seedlings for free, while salaries for nursery personnel are set nationally by ADRA.

Although many nurseries are producing seedlings, they are far from profitable and it is doubtful that they will become self-supporting anytime soon. A possible solution is for ADRA to select model nurseries in each region to experiment with individual income-generation activities. Those income-generation activities found to be most successful could then be replicated at other sites, as appropriate.

USAID/Ghana Needs to Increase
Site Visit Coverage of Food Activities

USAID's guidance requires that Mission personnel make quarterly visits to project sites. However, under the P.L. 480 Title II Program, Mission personnel are not making such visits as frequently as required because all the available personnel are not involved in these site visits. As a result, it is doubtful that Mission personnel have adequate information to monitor the P.L. 480 Title II Program. Even with the use of the additional personnel, the large number of P.L. 480 Title II projects will probably still make it very difficult for the Mission to visit all the projects each quarter. However, with the additional personnel, the Mission should be able to increase its coverage by visiting projects on a cyclical rotating basis and by making site visits to those projects which require more attention. In this way, Mission monitorship of the P.L. 480 Program would be improved.

> **Recommendation No. 5: We recommend that the Director USAID/Ghana should develop and implement a plan to improve its monitorship of the P.L 480 Title II program through increased use of Mission personnel to visit P.L. 480 Title II projects. (This increased use of personnel could focus on improved monitorship by performing site visits to projects on a rotating cyclical basis and by visiting projects which require greater attention.)**

USAID/Ghana Mission Order No. 620 and USAID Handbooks require that Mission personnel make quarterly visits to project sites.

With more than 700 project sites under the P.L. 480 Title II program, the task of making quarterly site visits becomes enormous and is not achievable from a practical standpoint. Site visit reports and interviews with cooperating sponsor personnel show that only one of the four staff members of the Trade Agriculture and Private Sector (TAPS) programs office makes site visits to the P.L. 480 Title II-funded projects and that it is not possible for one individual to make the required number of quarterly visits. Our audit work determined that all site visits are being conducted by the FSN Food for Peace Officer, who is well qualified but unable to visit the many sites required of him. This situation was confirmed through review

of site visit reports and during field visit interviews. As a result, it is doubtful that Mission personnel have adequate information to monitor the P.L. 480 Title II Program.

Although visiting all project sites is not possible, participation of the other TAPS staff members could expand the number of sites visited. The Mission should be able to increase its coverage by visiting sites on a cyclical rotating basis and by visiting those projects which require coverage (e.g. problems, size, vulnerability, etc.) In this way, Mission monitorship of the P.L. 480 Program would be improved. As an example, in one eight-day field trip to ADRA sites, the Food for Peace Officer was able to visit only 23 activity locations. By making one such trip per quarter, he would still be able to cover only 92 activity locations per year. However, if the other two members of TAPS operational staff made a similar field trip each quarter, they would be able to cover approximately 276 activity sites per year, covering over a third of the 700 project sites. In addition, by making a determination as to which projects require more attention through a vulnerability assessment, needs assessment, etc.; the Mission should be in a good position to improve its monitorship of the P.L 480 Title II program.

Other Matters

Need to Develop a Mission Policy on Private and Voluntary Organizations' Personal Use of USAID-Financed Vehicles

USAID guidance restricts the use of official U.S. Government vehicles for personal use. USAID/Ghana has extended this policy by prohibiting the personal use of vehicles which are provided to the Government of Ghana and financed with local currencies generated from U.S. programs (e.g. P.L. 480 Title II). However, TechnoServe, a cooperating sponsor under the P.L. Title II program, utilizes vehicles financed with P.L. 480 Title II local currencies for the personal use of their staff members in accordance with TechnoServe policy. This is occurring because USAID/Ghana does not have a Mission policy restricting the personal use of U.S. financed vehicles provided to private voluntary organizations. As a result, excess mileage is accruing to USAID-funded vehicles as well as increased fuel, maintenance and depreciation costs. Further, the number of vehicles needed by the PVO to conduct P.L. 480 Title II activities is inflated by this personal usage.

Recommendation No. 6: We recommend that the Director, USAID/Ghana;

6.1 establish Mission Policy on the personal use of vehicles by private voluntary organizations supported by P.L. 480 Title II monetization funds, and ensure that all private voluntary organizations implement this policy;

6.2 ensure that TechnoServe revises its present personnel policy, in respect to the permanent assignment of vehicles to employees with a 1000 kilometer/month personal mileage allowance, or ensure that no costs of this practice are supported through P.L. 480 Title II funding; and

6.3 ensure that TechnoServe's justification for the purchase of new vehicles with P.L. 480 Title II local currencies does not include mileage for the personal use of vehicles.

Chapter 6 of USAID Handbook 23 on Overseas Support explicitly defines 1000 miles of official usage per month per vehicle to justify the purchase and maintenance of vehicles in the motor pool. In addition, this guidance states that "All non-essential personnel support services shall be eliminated or severely restricted". This same guidance further states that "Recreation and home to office and return transportation are not considered valid

factors for establishing vehicle requirements" except for Mission Directors and USAID Representatives. USAID officials agreed with the cited guidance and told us that personal usage of project vehicles is generally not permitted. Based upon their personal experience only contractors in very remote areas have been assigned U.S.-financed vehicles in lieu of personal vehicles.

USAID/Ghana has established a policy restricting the personal use of vehicles provided to the Government of Ghana which are financed by local currencies generated from U.S. programs. However, USAID/Ghana has not established a similar policy which restricts the personal use of vehicles provided to PVOs which are financed by local currencies generated from U.S. programs. As a result, at least one PVO under the P.L. 480 Title II Program (TechnoServe) and maybe one other PVO are utilizing U.S. financed vehicles for personal use.

TechnoServe, a cooperating sponsor under the P.L. 480 Title II program, has established a policy which allows personal use of its vehicles (1000 kilometers per month) equaling 60 percent of the amount required to justify a vehicle by USAID standards. Specifically, each year TechnoServe allows 7,452 miles for the personal use of each of the eight vehicles financed with P.L. 480 Title II local currencies that are assigned to individual staff. The total yearly mileage allowance for personal use for all eight employees amounts to 96,000 kilometers (59,616 miles) per year.

To illustrate the impact of this policy, TechnoServe's total yearly vehicle mileage allowance for personal use approximately equals the yearly mileage justification for five vehicles (5 vehicles x 12,000 miles per year) under USAID motor vehicle policy. Further, USAID vehicle policy allows the disposal of a vehicle after 60,000 miles of usage. As a result, taken in aggregate, the 59,616 miles that TechnoServe allows each year for personal use is only 384 miles less than that required (60,000 miles) to justify the purchase of one new vehicle per year. To further illustrate, as indicated in its P.L. 480 Title II Multi-Year Operational Plan and Monetization Request for FY 1995-97, TechnoServe intends to purchase additional vehicles with P.L. 480 Title II local currencies:

> "With a staff of 41 Ghanaians, offices in Accra, Techiman and Wa, and a fleet of 18 vehicles, TechnoServe/Ghana has significant local operating costs which are paid in local currency. It is these costs which are covered, in large part, by the CEDI Trust." The CEDI Trust is fully funded by proceeds of the monetization of P.L. 480 Title II commodities.

"By the nature of its work, TechnoServe requires **solid, 4X4 vehicles**as well as computers to support its operations. Vehicles are used for field visits throughout the country."

"Under the proposed program, existing vehicles (currently 18) and computers (currently 13) **will be replaced as necessary using CEDI Trust, ie. USAID Title II funds.** As currently envisaged **one vehicle**, one computer and assorted other items (eg. modem, UPS) will be purchased **in FY 95 and 97. In FY 96, 7-8 vehicles,** 8-12 computer/printers/UPS units and assorted smaller items **will be purchased**, based on the anticipated depreciation of existing equipment due to harsh road conditions and severe electrical fluctuation." (bolding added)

TechnoServe's justification for the purchase of nine new vehicles and the maintenance costs for its present vehicles is overstated by the amount of personal usage of the vehicles in its motor pool. In effect, one of these nine vehicles could be justified by TechnoServe based only on the personal use of its vehicles during one year.

This situation occurred because USAID/Ghana did not have a Mission Order on the use of USAID-funded project vehicles that pertained to the three cooperating sponsors under the P.L. 480 Title II program. As a result, TechnoServe established its personnel policy on motor vehicles which provided perquisites to its management staff far exceeding the transportation allowance to its other employees. At the time of the audit, TechnoServe paid a transportation allowance of 60,000 cedis per month (about $37 a month) to its other employees. We believe that the value of 1000 kilometers per month in personal use of a vehicle greatly exceeds 60,000 cedis ($37). The cost of this benefit is borne by the U.S. Government because TechnoServe's local operating costs are largely paid for by P.L. 480 Title II commodity monetizations.

Another direct impact of TechnoServe's personal mileage allowance policy is the accelerated wear and tear of the vehicles and the associated maintenance costs resulting from mileage for personal use. In addition, it will be extremely difficult to accurately segregate the costs of fuel and oil used for official use as opposed to personal use. In summary, USAID's costs for TechnoServe's P.L. 480 Title II activities are increased as a result of TechnoServe's present personnel policy on motor vehicles, without furthering the aims of the program. Furthermore, this present policy also increases the potential for misuse and/or abuse of vehicles funded under the P.L. 480 Title II project.

During the audit, we also found that ADRA had assigned vehicles to its Director, P.L 480 Program Manager and Financial Manager. ADRA management believes that assigning vehicles to the individuals mentioned above is very helpful when dealing with emergencies arising from the management of the P.L. 480 project activities. ADRA management stated that the assignment of these vehicles to a general motor vehicle pool would not assure that the above personnel would have a vehicle available on call for their individual needs. Although we did not determine that ADRA vehicles were used for personal use, the assignment of vehicles to specific individuals could lead to such personal use.

To preclude any misunderstanding and for achievement of consistency among all three cooperating sponsors under the P.L. 480 Title II program, USAID/Ghana should establish a Mission policy on the personal use of vehicles by PVOs under the P.L. 480 Title II program. Also, USAID should ensure that the cooperating sponsors establish and implement policies on the personal use of USAID-financed vehicles which conform to the established USAID/Ghana policy. In addition, USAID/Ghana should ensure that TechnoServe does not include the mileage for personal use of vehicles as justification for the purchase of new vehicles with local currencies generated from U.S. programs.

Management Comments and Our Evaluation

USAID/Ghana concurred with all of the audit's six recommendations and has taken actions to implement those recommendations.

Regarding Recommendation No. 1, USAID/Ghana stated that CRS has put in place a new distribution system for deliveries of food to centers taking part in its feeding activities. The Mission stated that it is satisfied that CRS deliveries are now being made on a timely basis. Based upon Mission's comments and the supporting documentation provided with its comments, Final Action has taken place on Recommendation No. 1.

In respect to Recommendation No. 2, the Mission agreed with the recommendation and stated that TechnoServe has begun a process to develop the ability of the local farmers cooperatives to carry out the Inventory Credit Program after it has withdrawn its assistance. TechnoServe is to achieve this goal by developing and training an association of maize cooperatives and has begun implementation of this association. Based upon the Mission's comments and the accompanying supporting documentation, a Management Decision has been reached on Recommendation No. 2. Final Action will occur when both the registration of the association as a separate legal entity under Ghanaian Law and the Mission's assurance that substantial progress has been made in training the association to carry out the Inventory Credit Program without TechnoServe assistance have taken place.

USAID/Ghana concurred with Recommendation No. 3 and has proposed that before the third quarter of fiscal year 1997, an independent assessment would be conducted of TechnoServe's program of developing Small Palm-Oil Processing Plants. The Mission also stated that TechnoServe believes that this program is viable and that 1996 incomes to farmers participating in this program have increased due to increased crop yields. As such, a Management Decision has been reached on Recommendation No. 3 based upon the Mission's plan to conduct an independent assessment of TechnoServe's program of developing Small Palm-Oil Plants. Final Action on this recommendation will take place upon completion of the independent assessment.

The Mission concurred with Recommendation No. 4 and stated that the Small Enterprise Development (SED) unit, set up by ADRA's partners in the Collaborative Community Forestry Initiative (CCFI) nurseries, has already made progress in performing analyses to find ways to make the nurseries self-sufficient and profitable. In its comments, the Mission stated that SED is now finalizing the results of its analyses and will release its findings in a report to be issued in March 1997. With this, a Management Decision has been reached on Recommendation No. 4 based upon the analyses being performed. Final Action will occur on Recommendation No. 4 upon release of the report on the SED analyses and the Mission's assurance of the implementation of the recommended actions in the study.

(Note: The order of Recommendation Nos. 5 and 6 were changed from the draft audit report. Therefore the Mission's comments to Recommendation No. 6 refer to Recommendation No. 5 of the Draft Report. The Mission's comments to Recommendation No. 5 refer to Recommendation No. 6 of the draft report.)

Regarding Recommendation No. 5 (draft report Recommendation No. 6), USAID/Ghana concurred with the recommendation and stated that it has developed a monitoring plan by project category and region for each cooperating sponsor under the P.L. 480 Title II Program. The Mission plans to use both random sampling and increased frequency of site visits to increase its monitoring of P.L. 480 Title II activity sites. The plan will also entail greater use of existing Mission personnel to conduct these site visits. Based upon the Mission's implementation of its new site visit plan, Final Action has taken place on Recommendation No. 5.

Finally, the Mission concurred with Recommendation No. 6 (draft report Recommendation No. 5), stating that by 31 March 1997 it will develop and implement a PVO Vehicle Use Plan for all PVOs supported by P.L. 480 Title II monetization funds. This policy will assure that (1) no costs for the personal use of vehicles will be borne by P.L. 480 Title II funding and (2) justification for future vehicle purchases will not include any mileage for personal use. Therefore, a Management Decision has been reached on Recommendation No. 6 based upon the Mission's plan to implement this new policy on vehicles. Final Action will occur upon the Mission's actual issuance and implementation of this policy.

Scope and Methodology

Scope

The Office of the USAID Regional Inspector General/Dakar audited USAID/Ghana's Non-Emergency Title II Food Aid programs implemented through private voluntary organizations (PVO) and non-governmental organizations in accordance with generally accepted government auditing standards. Our fieldwork was conducted from March through June 1996 and was performed at USAID/Ghana and the Mission's three PVO cooperating sponsors: Adventist Development Relief Agency (ADRA), Catholic Relief Services (CRS) and TechnoServe. We visited seven schools and three maternal child health (MCH) centers under CRS's school-feeding and MCH programs; six farmers service cooperatives under TechnoServe's program; and seven nurseries sponsored by ADRA.

Our audit was limited to the operations and management of Title II program activities of the Mission and the three cooperating sponsors noted above. Our work focused on program activities that occurred primarily in fiscal year 1996. We did not perform a financial audit of (1) the dollar amounts assigned to the P.L. 480 Title II commodities or (2) the local currencies generated from the sale of P.L. 480 Title II commodities (monetized funds). The extent of our work was too limited to provide reasonable assurance that no major losses were occurring. However, for those activities and programs tested, nothing came to our attention, other than those matters reported, to suggest that major losses were occurring or that funds were not being used as intended in the various approved program proposals.

The Director, USAID/Ghana provided our office a Management Representation Letter acknowledging his responsibility for the management of the Mission's P.L. 480 Title II Program and providing assurance that all relevant information related to this program had been provided to the auditors.

Although there are many documents and guidelines for the management of Title II programs, we conducted our audit primarily utilizing the following three: (1) A.I.D. Regulation 11 (May 7, 1992), (2) USAID Food Aid and Food

Security Policy Paper (February 27, 1995), and (3) the program proposals of the three cooperating sponsors.

The following methodology section contains additional information on the sources of information and audit techniques used during the audit.

Methodology

Audit Objective No. 1

To determine if food aid was targeted to the most needy people, we performed analyses of demographic survey information gathered by independent sources. We then reviewed the cooperating sponsors' program documents and activities to evaluate their strategies, the appropriateness of intervention locations and the method of beneficiary selection. We also reviewed the Mission-sponsored Food Security Strategy for Ghana and the Mission's strategic framework related to food aid.

Additionally, we reviewed the cooperating sponsors' support for their selected ration sizes, number of beneficiaries to be served, and criteria for beneficiary graduation. We also assessed what information the Mission had on other donors' food aid projects.

Audit Objective No. 2

To determine if food aid reached the intended beneficiaries, we reviewed and tested the internal control systems of the four cooperating sponsors. To obtain an understanding of the internal controls, we reviewed operations manuals, interviewed responsible personnel, and performed limited testing of these internal controls. We analyzed the controls over commodities, monetized funds, and program income. In performing our review, we were alert to opportunities to improve the efficiency and effectiveness of the programs.

The interviews and tests were performed at the headquarters offices of the three cooperating sponsors located in Accra, Ghana as well as some of their regional offices located in Tamale (CRS), Sunyani (Technoserve), Techiman (Technoserve), and Bolgatanga (ADRA). We also made numerous site visits to project locations in rural parts of the country to include the Western, North Eastern, Central, Ashanti, Brong Ahafo, and Volta areas.

Audit Objective No. 3

To determine the progress toward achieving intended results, we reviewed the Mission's strategic framework for food aid and certain aspects of the cooperating sponsors' program documents and reporting systems. Specifically, we reviewed baseline information, assessed the methods of data collection and tested the accuracy of reported information.

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MEMORANDUM

NOV 5 1996

TO: Thomas B. Anklewich, RIG/Dakar

FROM: Peter Weisel, A/ Director, USAID/Ghana

SUBJECT: Draft Report: Audit of USAID/Ghana's Non Emergency Title II Food Aid Programs Implemented Through PVOs/CDOs (Audit Report No. 7-641-97-XXX)

DATE: 31 October 1996

The attached memorandum provides the Mission's comments on the subject draft report.

The Mission concurs with all the six Recommendations and therefore requests that RIG/Dakar considers them as resolved.

With respect to Recommendations 1, 2 and 6, action has already been initiated to warrant your consideration of a closure determination. We intend to press forward with the proposed actions on the remaining three Recommendations to have them all closed on or before 30 September 1997.

We very much appreciate your cooperation.

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MEMORANDUM

TO: Thomas B. Anklewich, RIG/Dakar

FROM: Peter Wiesel, A/Director, USAID/Ghana Peter Wiesel

SUBJECT: Draft Report: Audit of USAID/Ghana's Non Emergency Title II Food Aid Programs Implemented Through PVOs/CDOs (Audit Report No. 7-641-97-XXX)

DATE: 31 October 1996

The Mission has reviewed the subject draft report. Our comments are as follows:

RECOMMENDATION No 1: We recommend that the Director, USAID/Ghana ensure that Catholic Relief Services coordinate the actions of its Tamale and Accra Offices to provide for the timely delivery of food to the schools and Maternal Child Health centers in its school-feeding and Maternal Child Health programs so that the food deliveries coincide with the school year.

MISSION COMMENTS/ RESPONSE

Mission concurs with this Recommendation.

CRS concedes that food for the third quarter of FY 1996 was late in getting to a number of centers. The period coincided with the time when CRS had expanded its feeding activities to take care of several new centers in the conflict areas in the North Region. A new system was therefore being put in place to determine the optimal routing of vehicles. The process has now been completed and a new distribution list which takes into account the clusters of new centers in the Northern Region has now been developed. (See Attachments I and IA). With this new list now in place the Mission is satisfied that CRS' food deliveries to the centers are being made on a timely basis.

RECOMMENDATION No 2.

We recommend that the Director, USAID/Ghana ensure that Technoserve develop a means to sustain the Inventory Credit Program after Technoserve completes its relationship with the farmers service cooperatives.

MISSION COMMENTS/ RESPONSE

Mission concurs with this recommendation.

Technoserve has initiated a process for developing local capacity to carry out the Inventory Credit Program after it has withdrawn its assistance. This is being done by supporting the development of an association of the maize cooperatives and training the association as well as the individual cooperatives to work independently. Once associations are well established they can access assistance beyond that which Technoserve can provide directly. The aim is to train associations to take over, in a gradual, phased manner, many of the functions Technoserve currently performs. A copy of the document which provides details of the process that has already been initiated by Technoserve to achieve sustainability is attached. (Attachment II). This process is already taking place and its implementation will ensure that the Inventory Credit Program remains sustainable.

RECOMMENDATION No.3

We recommend that the Director, USAID/Ghana ensure that a determination is made whether the program for developing small palm oil processing mills remains viable, before any further farmer's groups take on additional credit for these mills.

MISSION COMMENTS/RESPONSE

Mission concurs with this Recommendation.

PROPOSED MISSION ACTION

Mission proposes to have an independent assessment to be completed by the third quarter of FY 1997.

This is in spite of the fact that Technoserve believes that the mills are financially viable, having survived two bad fruiting seasons resulting from unfavorable weather. With a better harvest this year, the groups have repaid more of their loans and expect to make even greater payments after the sale of their palm oil in December. Technoserve indicates that significant payments had been made to the bank on the loans by June 1996. 19 out of the 23 mills which received equipment in 1994 had made loan repayments. (See Attachment III). Furthermore, the inventory loans are now essentially "repaid" before the processors get loans - they must deposit oil worth more than the value of loans as collateral.

The Mission believes that with this collateral system now in place, the program will remain viable.

RECOMMENDATION NO.4

We recommend that the Director, USAID/Ghana ensure that the Adventist Development Relief Agency conduct an analysis of the product mix and pricing required for its Collaborative

Community Forestry Initiative nurseries to break-even and later become profitable.

MISSION COMMENTS/ RESPONSE

Mission concurs with the recommendation.

The analysis suggested in the Recommendation had already begun prior to the commencement of the audit.

The original purpose (in 1988) for establishing tree nurseries under the Collaborative Community Forestry Initiative (CCFI) program in the northern regions was "to rehabilitate the environment, to raise the level of soil fertility and to provide a source of construction poles, fuelwood and other wood products that could be either used in the communities or commercialized". At that time, tree planting was virtually taboo in the Northern Regions.

It was much later (after this taboo has begun to be overcome) that the collaborators began to emphasize income generation to assure sustainability. To facilitate this, the CCFI collaborators set up the Small Enterprise Development (SED) unit which began to carry out feasibility assessments, market analyses, and training in business management. Thus, crop and seed gardening, beekeeping and other income generation activities were incorporated into the project on an experimental basis for the nurseries to determine areas of comparative advantage and profitability. A Phase-Over/Phase-Out plan was drawn up for all nurseries with a view to making them self-supporting through these various support activities. Already, sales figures obtained at the beginning of this current planting season indicate an improved level of self-support for all nurseries: 24% of seedlings produced were sold in August, generating over nineteen million Cedis (¢19,000,000) for 20 nurseries in the three northern regions, with three (3) of the nurseries slated for phase out by 1996 (presently not being managed by Peace Corps Managers).

SED is now in the process of finalizing work on the product mix and profitability analyses required for break-even and profitable operations by the CCFI communities. The results will be available by the end of March 1997, prior to the nursing of new seedlings and the planting of agroforestry plots.

RECOMMENDATION No. 5

We recommend that the Director, USAID/Ghana;

5.1 establish Mission Policy on the personal use of vehicles by private voluntary organizations supported by P.L. 480 Title II monetization funds, and ensure that all private voluntary organizations implement this policy;

5.2 ensure that Technoserve revises its present personnel policy, in respect to the permanent assignment of vehicles to employees with a 1000 kilometer/month personal mileage allowance, or ensure that no costs of this practice are supported through P.L. 480 Title II funding; and

5.3 ensure that Technoserve 's justification for the purchase of new vehicles with P.L. 480 Title II local currencies does not include mileage for the personal use of vehicles.

MISSION COMMENTS/RESPONSE

Mission concurs in the Recommendation.

PROPOSED MISSION ACTION

Mission will develop and implement by 31 March 1997, a PVO Vehicle Use Plan for all PVOs supported by P.L. 480 Title II monetization funds. The Plan will address personal use of vehicles; assure that no costs for personal use are supported through P. L. 480 Title II funding; and that justification for all future vehicle purchases do not include mileage for personal use.

RECOMMENDATION NO. 6

We recommend that the Director, USAID/Ghana should develop and implement a plan to improve its monitorship of the P.L. 480 Title II program through increased use of Mission personnel to visit P.L. 480 Title II projects. (This increased use of personnel could focus on improved monitorship by performing site visits to projects on a rotating cyclical basis and by visiting projects which require greater attention).

MISSION COMMENTS/RESPONSE

Mission concurs in the Recommendation.

PROPOSED MISSION ACTION.

Mission has developed a monitoring plan for each project category, by region, for each cooperating sponsor program. For CY 1996, the plan covered 27 out of the 64 "project category regions" (See attachment IV). For subsequent years, the plan will cover all "project category regions". With random sampling,and an increase in the frequency of site visits by the TAPS/FFP Office, the Mission plans to cover between 15 and 25 percent of project sites. Other staff travelling on other project assignments will be requested to supplement the TAPS/FFP visits by inspecting P.L. 480 projects during their visits.

GENERAL COMMENTS ON THE DRAFT REPORT

PAGE 2, PARAGRAPH 3 LINE 3 "The aim of the school-feeding program is to increase school attendance among rural children...."

MISSION COMMENTS

The aim is to increase school attendance, and reduce dropout rates, especially for girls.

PAGE 2, PARAGRAPH 3 LINE 6 . "...Finally, the Maternal Child Health program aims to rehabilitate malnourished children by providing food to their families."

MISSION COMMENTS

The objective of CRS' MCH program was to use food as an incentive to bring mothers to the MCH centers regularly to take advantage of the services offered, which included growth/health monitoring, counselling, immunizations, health education and the treatment of minor ailments.

It was rather the OCF which was used for the rehabilitation of malnourished children.

PAGE 11, PARAGRAPH 2, LINE 2 &FF: "We visited two of Technoserve's ten cooperatives. Technoserve processes bank loan applications for the farmers' cooperatives that it sponsors and guarantees these loans."

MISSION COMMENTS

Technoserve has 18 farmers' cooperatives and not 10 as stated in the draft report.

According to Technoserve, while it is true that at the start of the program it had to provide loan guarantees to the ADB, because the loan repayment rate has been 100% for the past few years, ADB has been readily making the necessary funds available.

The only role that Technoserve plays in arranging loans is to assist the association determine how much credit to set aside for all participating groups based on what the groups indicate they are likely to harvest and put into storage, and inform the Agricultural Development Bank (ADB). ADB proceeds to make this amount available to its branches. Other than the process noted above, there is no application procedure as such. When farmers deliver their maize to the storage location, they secure a chit indicating the quantity delivered, and go themselves to the bank to collect their loans. They also repay their loans directly to the bank.

As noted, an aim of Technoserve is to train associations to take over, in a gradual, phased manner, many of the functions Technoserve currently performs. One of such functions will be to determine groups' credit needs and inform the ADB.

PAGE 11, PARAGRAPH 3 LINE 1 "... the farmers' belief is that their own resources would not be sufficient to support the salary, office, and transportation expenses necessary for someone to provide the services presently provided by Technoserve."

MISSION COMMENTS

TechnoServe has never intended to build associations that mirror TechnoServe or necessarily

have salaried staff, offices or vehicles of their own. By "association", Technoserve means an advocacy group which will provide some services to members without NGO-like expenses. The association may or may not decide to hire staff in future, depending upon members' interests and the availability of financial resources at the time. The associations do need further strengthening, and this is taking place.

PAGE 12, LAST PARAGRAPH "...due to the preponderance of non-performing loans from the first groups that received loans,....the Agricultural Development Bank has chosen not to provide any further financing of additional cooperatives of the expected or predicted flows".

MISSION COMMENTS

According to Technoserve, while it is true that loan payments were not made on time during the 2 bad years, this was not the only reason that the plans were changed. The current plan was modified by TechnoServe and the Project Implementation Committee (involving several Ministry of Food and Agriculture department heads, the ADB and the World Bank) when it was decided that the palm oil sector of the country would be better served by focusing on just 30 of the mills, and by developing an association of palm oil millers, COPALMA. It was thought that a greater impact could be achieved by concentrating efforts on the range of palm oil production, processing and marketing activities (as opposed to doubling the number of mills).

PAGE 13, PARAGRAPH 2, LINE 3: "However, only 23 cooperatives received this processing equipment because of rising costs and inflation."

According to Technoserve, thirty sets of equipment were constructed for the project. The reason that 7 cooperatives did not get mills was not because of "rising costs and inflation". The ADB has had the full amount of loan funds in hard currency from the donor to cover the 60 mills originally projected. In fact, because 30 pieces of equipment were purchased for the project in 1994, the unit cost was less than anticipated. Also, the Cedi value that the groups will have to pay in 1996 will be less than the current "market value" of the equipment, even considering interest costs, as the rate of devaluation of the currency was greater than the interest rate. The ADB has the authority to approve loans for the project. These last seven loan applications were not considered until the second quarter of 1996. The ADB only agreed to release more funds for the final 7 mills in June 1996.

PAGE 15, PARAGRAPH 1 ,LINE 1 & ff: "Technoserve...utilizes vehicles financed with P.L.480 Title II local currencies for the personal use of their staff members in accordance with Technoserve policy"

MISSION COMMENTS

According to TechnoServe, the use of company vehicles for private use is not encouraged. However, a full time professional staff member may be allowed to use a vehicle for personal business with prior written permission of the Country Director.

According to Technoserve, in 1996 these individuals used vehicles for personal use an average of 370km per person per month. Given this minimal private use of vehicles, TechnoServe disputes the argument of accelerated wear and tear on the vehicles as well as the rationale that the justification for the purchase of new vehicles and current maintenance of vehicles is overstated.

PAGE 17, PARAGRAPH 4, LINE 1: "...we also found that ADRA had assigned vehicles to its Director, P.L.480 Program Manager and Financial Manager".

MISSION COMMENTS

According to ADRA, it operated a decentralized system of transport use in the past because it has distinct advantages over the pooling of all vehicles. Vehicles were assigned to Departments headed by the individuals mentioned in the report and not to the individuals personally. According to ADRA, each of the individuals mentioned owns a personal vehicle, all of which were packed in the ADRA parking lot at the time of the auditors' visit. To ensure efficiency and adherence to established rules and regulations, a log book was maintained on each vehicle. Also, according to ADRA, the log reading for the vehicle assigned to the Director's Department for the month of May 1996 was given to the auditors on their request.

Even though ADRA believes that a decentralized transportation system has advantages over pooling, especially in terms of establishing priorities, saving time, and ensuring a higher level of responsibility in the usage of the vehicles, it has, since June 27, 1996, reversed this and placed all vehicles in a pool. (See Attachment V).