

PD-AAU-985

FOLLOW-UP REVIEW  
RECOMMENDATION NO. 2  
AUDIT REPORT NO. 1-527-86-21  
USAID/PERU AGRICULTURE RESEARCH,  
EXTENSION AND EDUCATION PROJECT,  
DATED JULY 2, 1986

Audit Report No. 1-527-88-13  
April 20, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

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April 20, 1988

MEMORANDUM

TO: USAID/Peru Director, Donor Aion  
FROM: RIG/A/T, *Coing N. Gothard* Coing N. Gothard, Jr.  
SUBJECT: Follow-up Review of Recommendation No. 2, Audit Report No. 1-527-86-21, USAID/Peru Agriculture Research, Extension and Education Project, dated July 2, 1986. This Report is No. 1-527-88-13.

The Regional Inspector General for Audit/Tegucigalpa (RIG/A/T) has made a review of the subject audit recommendation.

A significant audit finding of report 1-527-86-21 was that the Government of Peru had not provided funding and other support for a genetic resources program which was to have been a major part of the Agriculture Research, Extension and Education Project (REE). The finding and Recommendation Number 2 as stated in the original audit report are as follows:

Amendment No. 6 to the project agreement calls for the National Institute for Agricultural Research and Extension (INIPA) to establish a support program to collect, classify, preserve and produce genetic resources. Although a base document was prepared for this support program before 1985, it was considered very ambitious and not within INIPA's capabilities. As a result, North Carolina State University, the technical assistance contractor for the project, and INIPA prepared a new document in 1985 to be used as a basis for establishing the National Center for Genetic Resources. The document called for a \$685,000 budget the first year and \$280,000 the following years. However, this support program was never implemented because the Government of Peru (GOP) did not budget funds for the program. The genetic resources program

was to be used to increase the efficiency of crop production, thus increasing food levels and aiding in the introduction of new food products. Without this program aspect, accomplishments will, in the long run, be limited because of a deficient genetic resource base.

#### Recommendation No. 2

We recommend that USAID/Peru obtain evidence that the National Institute for Agricultural Research and Extension has made available sufficient funding to establish a viable genetic resource program. 1/

#### Discussion

The USAID Project Agreement No. 527-0192 Amendment No. 6 calls for INIPA to establish a program to collect, classify, preserve and produce genetic resources. The program was to focus on non-conventional plants and animals indigenous to Peru. The elements of the program were to include a system of germplasm banks, a national herbarium, a sanitation and quarantine unit, a computer program for genetic materials and a research element linked with other research programs.

Although a base document was prepared for the support program before 1985, it was considered very ambitious and not within INIPA's capabilities. As a result, North Carolina State University, the technical assistance contractor for the project, and INIPA prepared a new document in 1985 to be used as a basis for establishing the National Center for Genetic Resources. The study estimated the operation would cost \$685,000 in the first year and \$280,000 in the next year. According to this document, the National Center for Genetic Resources would be charged with introducing, maintaining, exploring and documenting genetic resources. The organization would be broken into two activities. A headquarters activity would have the responsibility to introduce, conserve and collect seed information and data for the long term. The field activity would maintain, regenerate and do preliminary evaluations on live seeds. However, this support program was never implemented because the GOP did not budget funds for it. Due to the lack of funding for this program, a viable genetic resource program has not been established.

1/ USAID/Peru concurred with this recommendation.

According to USAID/Peru, since INIPA is a relatively new institution, obtaining sufficient GOP funding levels has been a serious problem. The problem has been more severe in 1986 because of the new Peruvian government's interest in cutting costs in the public sector which has particularly affected INIPA's budget and because donor assistance has been uncertain. For example, debt repayment problems between the GOP and the U.S. have held up a \$3.4 million FY86 project obligation until the present time and Interamerican Development Bank support was also terminating. USAID/Peru believes that the new administration of INIPA has correctly chosen to delay the start-up of new activities while concentrating scarce resources on existing National and Regional Production Programs, and at the same time working aggressively to lobby for additional resources. At this writing, it appears that the AID resources mentioned above may become available in late April 1986, that more flexible access to World Bank funding may be forthcoming and that the GOP may increase its support to INIPA considerably.

Current plans call for initial implementation of the genetic resources program to begin in June 1986, with assistance from the International Board for Plant Genetic Resources and resources from the project and the World Bank. Initial activities will consist of the development of the first year's implementation plan and identification of the INIPA personnel to be assigned to the program. The construction of seed bank facilities is planned for later in the year. It is hoped that World Bank resources can be used to contract for long-term technical assistance from the International Board for Plant Genetic Resources.

The report was issued on July 2, 1986. On January 28, 1987 USAID/Peru reported that the following actions had been taken to correct the deficiencies:

This program was established officially by INIPA in October 1986. Activities completed to date include: (emphasis added)

The arrival of the long term technician from the International Board for Plant Genetic Resources (IBPGR).

The completion of the program base document and 1987 operational plan.

The identification of 102 program professionals to be stationed at INIPA central headquarters and the major research stations located throughout Peru.

The approval of a principal site and subsites for storage of operational and introductory materials.

The purchase of over \$100,000 of laboratory and cold storage equipment with REE funds.

In addition, over 25,000 accessions have been identified and the proper cataloguing has started using the computerized system developed by IBPGR. Program budget for 1987 has not been finalized but is estimated at \$240,000.

In conclusion, Mission believes that INIPA is providing sufficient funding to the genetic resources program and therefore we recommend that this recommendation be closed.

In mid-February 1987 RIG/A/T closed the recommendation based on the actions reported to us by USAID/Peru. During a follow-up review mandated by OMB Circular A-50 the RIG requested and reviewed supporting evidence of the Mission's reported actions in December 1987. Based on the documentation provided the RIG determined that there was still not sufficient funding for hiring the long-term technician full-time (who in fact had never arrived), and that not enough evidence had been provided to show that over \$100,000 in laboratory and cold storage equipment had been purchased with REE funds, or was being used for the genetic resources activity.

RIG's concerns were communicated to USAID/Peru by cable on January 8, 1988. USAID/Peru did not respond to the January 8 cable, but in February 1988 the Mission provided additional information stating that the long-term adviser had not been contracted yet but that the "person will come on-board April 1 with funds from the AID-supported Agricultural Technology Transformation (ATT) project."

The Mission had not adequately cleared the recommendation because the adviser did not arrive as stated in the Mission's reported actions and still has not arrived. Besides, if the adviser does arrive, he will reportedly be funded under a different project.

With regard to the purchase of \$100,000 in equipment, which the Mission reported in its January 1987 cable as purchased, RIG received as evidence purchase orders and other inconclusive and unidentified documentation dated September and October 1987. It was still unclear from the Mission-provided documentation whether or not sufficient equipment was actually in place and being used by and for the genetic resource activity.

In conclusion, since the long-term technician had not been hired and inadequate support was provided to determine the status of the equipment purchase, we formally proposed to reopen the recommendation as of July 2, 1986, the date of audit report issuance. The Mission was provided a draft of this report on February 24, 1988, to which it responded on March 25, 1988.

### Management Comments

On March 25, 1988 USAID/Peru responded to a draft of this report stating, in essence, that it believes that the Genetic Resources Program is an active, on-going, viable sub-project of the Research, Extension and Education Project even though the full complement of equipment is not yet in place.

Management comments are attached as Appendix A.

### Office of Inspector General Comments

Based on the Mission's March 25, 1988 response and its actions in response to audit follow-up inquiries, this recommendation will remain closed. However, the Mission's actions in this matter will be reviewed by audit staff in subsequent visits to Peru.

UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. Coinage N. Gothard  
RIG/A/T-

DATE: 3/25/88

FROM : Donor M. Lion   
Mission Director

SUBJECT: Recommendation No. 2, Audit Report No. 1-527-86-21, Agricultural Research, Extension and Education Project, 527-0192

- REF.: a. 1987 Genetic Resources Final Report (Attached)  
b. 1988 Genetic Resources Operational Plan (Attached)  
c. 1988 Genetic Resources Budget (Attached)  
d. Franklin Export Trading Company (FETCO) February Status Report and Purchase Orders (Attached)

There are some misconceptions and errors in the subject draft audit recommendation which we feel should be corrected:

1. USAID/Peru responded by memo to your January 8, 1988 cable. This memo response was dated February 11, 1988 and referenced the January 8th cable.
2. The draft report leaves the impression that the long-term advisor was to be funded by the REE Project. This is not correct. In our response to the initial recommendation we clearly stated that the adviser was to be supplied by the International Board for Plant Genetic Resources (IBPGR), no funding was contemplated under the REE Project. Further, a long term advisor for genetic resources is not mentioned in any REE Project Documentation. In our January 28, 1987 response we considered that the long-term technical assistance was a further indication that INIAA, (formerly INIPA) was carrying out and supporting a viable program.
3. We never indicated that the \$100,000 in equipment was in place. The information contained in our January 28, 1987 cable was based on information we had received from INIAA. It was correct to the best of our knowledge. The Mission, however, regrets the confusion concerning the purchase of the laboratory equipment. What we should have said was that \$13,678 of facility improvements had been completed at Chincha and Tarapoto and that based on a request from INIPA we had issued a PIO/C for the purchase of the laboratory equipment.

Regarding the technical assistance, INIAA decided to substitute short term technical assistance for the long term advisor mentioned



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in our cable of January 28, 1987. This series of short term technical assistance has been documented by Dr. Dale Bandy, Chief of the North Carolina State University (NCSU) technical assistance team which is financed by the REE Project. It is Dr. Bandy's opinion that the short term assistance of four different people was "sufficient and adequately replaced the necessity of having a fulltime consultant in Peru during 1987".

With respect to the equipment, a listing of the equipment is attached along with a complete set of corresponding purchase orders. We also have attached the February status report issued by Franklin Export Trading Co. Inc. (FETCO), the procurement services agent. As you can see by locating the FETCO Reference numbers in the report, much of the equipment is still in route to Peru. However the lack of this equipment has not made the program ineffective but will allow the program to better carry out the "in vitro preservation of roots, tubers and other germplasm materials.

It is the technical judgment of IBPGR, INIAA, NCSU and AID/OARD that the Genetic Resources Program is viable. As we indicated, in our memo of December 17, 1987, the Genetics Resources Program was officially established by INIPA on November 12, 1986 via "Resolución Jefatural No. 576-86-INIPA". We provided you with copies of the program base document, the program logical framework, a list of staff assigned to the program and the 1987 Operational Plan. Attached to this memo are copies of the Program's 1987 annual report and the 1988 Operational Plan and Budget. Among the significant accomplishments of the program since its inception are the following.

- 1) The completion of an inventory of all experiment stations to identify genetic resources, information on genetic resources, human resources available to participate in genetic resources activities, and infrastructure available for use by the genetic resources program. This inventory is included in the 1987 annual report.
- 2) Based on the inventory, crops have been prioritized for collection, identification and preservation.
- 3) The initiation of a computerized list for an estimated 25,000 Andean crop germplasm lines.
- 4) Identification of the relevant responsibilities of the Genetic Resources Programs and the National Crop Production Programs with regard to preservation of germplasm material.
- 5) Establishment of communications with other international germplasm banks for the exchange of germplasm material. (Examples are CIP, CIMMYT, CIAT and IBPGR).

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- 6) The design of a program to develop methodologies for "in vitro" preservation of roots, tubers and fruits has been completed.
- 7) Completion of standardized procedures for tracking the introduction and testing of germplasm material.
- 8) Completion of a catalog of germplasm material for the lupinus genus (Andean legume crops) for use by researchers in the Andean Crops Program.
- 9) Completion of the translation of a variety of documents containing genetic resources information for use by program personnel.

Based on the significant accomplishments noted above, the views of technical assistance personnel and given the human and financial resources that have been placed at the disposal (and continue to be available) since 1986, the genetic resources program at INIAA is viable, producing noteworthy results and able to continue supporting national crop programs. Further, recommendation number two of the original audit report requiring that, "the National Institute for Agricultural Research and Extension has made available sufficient funding to establish a viable genetic resources program" was properly satisfied and continues to be satisfied.

<u>FETCO</u> <u>Reference</u> <u>Number</u>	<u>Description</u>	<u>Total Price FOB</u>
87-10-018	Misc. Laboratory Equip.	\$ 16,559.29
87-10-020	Misc. Laboratory Equip.	1,405.80
87-10-021	Misc. Laboratory Equip.	16,096.23
87-10-22	Misc. Laboratory Chemicals	3,026.25
87-10-023	Misc. Laboratory Equip.	2,190.00
87-10-024	Misc. Laboratory Equip.	941.00
87-10-025	Misc. Laboratory Equip.	1,740.02
87-10-033	Misc. Laboratory Equip.	3,329.55
87-10-034	Misc. Laboratory Equip.	1,732.04
87-10-036	Germinator	554.00
87-10-039	2 Digi-Samplers	1,954.70
87-10-040	12 Dehumidifiers	4,240.20
87-11-002	12 Room Air Conditioners	6,456.00
Subtotal		60,225.05
Plus 15 percent freight insurance and handling		<u>9,033.76</u>
87-07-001	4 Motorcycles (CIF) and spare parts	6,627.60
TOTAL		<u>\$ 75,886.44</u> =====

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