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**AUDIT**  
**OF**  
**THE CANADIAN EMBASSY**  
**KUWAIT**

**January 2000**

Audit Division (SIV)

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## **EXECUTIVE SUMMARY**

An audit of the International Business Development Program, the Political and Economic Relations, and Public Affairs Programs was conducted in Kuwait from May 22 to 24, 1999. A previous audit of the Administrative and Consular Programs was conducted in September 1997 and the completion of action on the recommendations of that audit was confirmed during the May 1999 visit.

### **INTERNATIONAL BUSINESS DEVELOPMENT PROGRAM**

The CB Program Manager plus two LES Commercial Officers (CO), a Commercial Assistant and a Translator (50 percent on Trade activities) actively support the resident Canadian business community which continues to demonstrate some nervousness in relation to Iraq. This group of primary clients has expressed appreciation for the Mission's physical and moral support for their needs which differ from the business environment in neighbouring states. The audit demonstrated a well defined program with each team member effectively delivering their agreed tasks. In the few areas where deficiencies in program delivery were identified, specific recommendations are included in the body of the report.

The similarities of the social and cultural environment of Kuwait to its neighbours in the Gulf make an understanding of the distinctiveness of each of these countries all that much more important. In common with its neighbours, all business involving Canadians must be conducted in conjunction with a local partner. Kuwait differs from its neighbours with more openings for women than in neighbouring states in some sectors such as education and health care. The cultural environment makes it difficult to bring any business negotiations to a conclusion, reinforcing the role of the Mission IBD staff to actively promote dialogue with the local partners of Canadian exporters.

The reconstruction of the country and its economy since the war at the beginning of the decade reflects the reality that neighbouring states have assumed much of the role of entrepot to the hinterland of the Gulf in Africa, Asia, including the former USSR, Iraq and Jordan. Kuwait has not resumed its former role as a Trade Fair location, but more important are its trading linkages to other regional markets through Kuwaiti agents. These agents continue to support the presence of over 3000 Canadians in the geographically small territories of Kuwait and Qatar covered by this Mission.

### **POLITICAL AND ECONOMIC RELATIONS, AND PUBLIC AFFAIRS PROGRAMS**

Riyadh has responsibility for most political and economic reporting on Kuwait (and the UAE ). While it recognizes that the resources of the three Missions are

limited, the Division in DFAIT responsible for the area, GMG, would like to see more economic reporting on the Gulf. To effect this change, Riyadh should complete a MOU for Political and Economic reporting on Kuwait and the UAE, in consultation with GMG, and our Missions in Kuwait and Abu Dhabi. Inter Alia, the MOU should cover "who is responsible for what", reporting priorities and the consultation process which would take place before reports are sent to Ottawa.

## **INTERNATIONAL BUSINESS DEVELOPMENT PROGRAM**

### **1.1 Management of the Program**

1.1.1 This first audit of the IBD Program in Kuwait was conducted from May 22 to 24, 1999. The Program is effectively managed by the Program Manager who is energetic and forward looking. A more structured management approach was implemented in the fall of 1998. The HOM has an accountability agreement with the Program Manager, who in turn has agreements with the two COs. These agreements set out objectives and strategic direction for the officers concerned. The Program management would benefit from the use of tools which quantify or measure outputs. Many indicators already exist within the Mission's records systems for the logging of correspondence in and out.

1.1.2 Approximately 90 percent of Trade efforts are in Kuwait with the balance in Qatar. The Program Manager identified the need for greater focus in the Qatar market but does not have sufficient data to determine either trade prospects or resources required to address that market.

### **Recommendations for Mission**

- 1.1.3 **The work plans and objectives of the COs should be expressed not only in qualitative terms but also contain quantifiable objectives to facilitate performance assessments.**
- 1.1.4 **Projects with a Qatar focus should be identified in the work plans with set sectoral objectives and an identification of the resources and costs required to meet these objectives.**

### **Mission Responses**

- 1.1.3 **Appreciate the recognition for initiative. Accountability Agreements for August 1999 thru July 2000 between the two COs and the Program Manager contain quantifiable objectives for each target sector.**
- 1.1.4 **Projects with a Qatar focus are identified and basic costs to carry out the projects are assigned. An overall strategy is required to fully exploit the opportunities that will arise from the restructuring that has occurred in Qatar over recent years. New HOM and Commercial Program Manager are in the midst of assessing and mapping out a strategy that will increase coverage, focus on key sectors while taking into consideration the existing human and financial resource limitations.**

## **1.2 Client Services**

1.2.1 The HOM is very supportive of the IBD Program and responds positively to requests for intervention and support of the Program, when made by the Manager or the COs. If possible, he meets with any Canadian business client visiting the Embassy.

1.2.2 Comments of local Canadian business clients, who met with the Deputy Inspector General confirmed that the HOM is perceived by these clients to be accessible and supportive. Clients feel that the Trade Section is a good team, and acts in a timely manner where an official intervention is required to facilitate their business activity. They also feel that there is good co-operation within the Section. They were appreciative of the Mission efforts to keep them informed of the local security situation.

## **1.3 Outreach Tools**

1.3.1 There were positive comments regarding the local Business Development Newsletter from the resident Canadian business community, with one suggestion that it could include more general Canadian news (e.g. the creation of Nunavut). This local publication in hard copy has a limited local distribution and is in addition to the Mission's promotion of the Departmental "InfoExport" web site which generates trade enquiries from Canada.

1.3.2 The two COs welcomed the framework of the Accountability agreements and see the document as providing focus for their sector activities. One CO expressed interest in further elaboration of Mission and DFAIT overall Trade objectives. While the two COs have different work styles their skills are complementary, both being service oriented in pursuit of their objectives. In the Mission's description of the core services offered by the IBD Section, care has been taken to enunciate both what each service means and what it does not mean. This approach helps focus efforts towards those activities which are most effective in the promotion of employment in Canada.

1.3.3 The Program Manager, having seen the success of the Canadian Business Council in the UAE is active in his encouragement of Canadian businessmen and their agents resident in Kuwait to launch a similar networking organization in the Mission's territory.

## **1.4 Marketing Tools**

### **InfoExport web site**

1.4.1 The Kuwait and Qatar pages of the InfoExport web site are available to interested exporters, however they do not yet contain significant links to general reference information which would be useful to potential exporters. This might include

coordinates of local banks, customs brokers, legal services, hotels and travel agents. At the same time the Mission might wish to consider the development of a paper on investment barriers and challenges to be addressed by potential investors. The content of such a paper would have to be carefully considered if reference is made to it on the web site.

### **Recommendation for Mission**

**1.4.2 One of the COs should be tasked to regularly review the web site on a 90 day cycle to ensure that the information relating to the Mission territory is up to date and pertinent.**

### **Mission Response**

**1.4.2 CO is assigned the task of visiting our website on a 90-day cycle, beginning 01 November 1999.**

### **Trade Fairs**

1.4.3 While Kuwait, since the Gulf War, has become a less popular location for major Trade Fairs to foster the marketing of foreign goods and services, the Mission has been active in attending both agri-food and education fairs taking place in Qatar and Dubai during the past year. In addition to their personal presence at these fairs, Mission officers were able to encourage the attendance of Kuwaiti buyers who have access to end user markets. Excellent cooperation was seen between the regional Agriculture Canada representative in Dubai and Mission staff.

### **Education Marketing**

1.4.4 The Qatar Education Fair, held under the auspices of the Qatar government, saw Canadian participation led by the Departmentally funded Canadian Education Resource Centre contractor from Abu Dhabi. The presence of the responsible CO from Kuwait was able to reinforce the presence of the Mission at this key marketing function. Follow-up is essential to assist candidates in their applications for admission to Canadian educational institutions given the complexity of the various administrative procedures which must be addressed. The potential long term advantage of this marketing effort in countries such as Kuwait and Qatar hinges on the fact that while there are relatively few local nationals, only local nationals may act as agents of Canadian businesses trading into the country. Those who have received a portion of their education in Canada will have a better understanding of Canadian approaches to business than might otherwise be the case.

1.4.5 The importance of education services marketing is confirmed by the Canadian Education Resource Centre located in Abu Dhabi as well as the Canadian

Bureau of International Education which plans to set up an office in Dubai. Both have demonstrated an interest in promoting this market in the area covered by the Mission. At the time of the audit, the preliminary field trials of these two organizations with their marketing strategies has yet to arrive at explicit terms of reference for their coverage of this market. Missions throughout the Gulf area including Kuwait, Abu Dhabi, Dubai and Riyadh need to be briefed on the terms of reference, including territorial coverage of either or both Canadian higher education marketing organizations which call upon IBD Program staff of these Missions for support.

### **Recommendation for GMG**

**1.4.6 Provide clarification to all Missions in the Persian Gulf region on how education marketing services currently located in Abu Dhabi will be delivered.**

### **GMG Response**

**1.4.6 The newly created Education Counsellor position in Abu Dhabi has a regional responsibility. The incumbent of this position will be available to travel to the Kingdom of Saudi Arabia, Kuwait, Dubai and other countries of the region as required to organize education promotion events. This will be formalized in the MOU which has been proposed by Riyadh to formalize "hub and spoke" responsibilities for Missions in the region (and referred to in section 2.1.3).**

### **Post Initiative Program Funding**

1.4.7 Given the very limited funding available (\$5000) for direct Program initiatives in the Kuwait market, the Mission took the decision to leverage these funds along with participation from a group of Canadian companies which expressed an interest in expanding into the Kuwait market. This resulted in the creation of a catalogue marketing show addressing both the Kuwait and Qatar markets. This joint funding of trade promotion initiatives is an excellent example of the potential of using limited resources from both public funds and small exporters to launch their products in this market, without embarking on a major promotional venture in this relatively small market. The audit team believes that the Mission should distribute a financial management report to participating companies at the conclusion of the Catalogue show to demonstrate the use of the funds contributed by the participants along with an assessment of the results achieved.



## Recommendation for Mission

- 1.4.8 On completion of the Catalogue show, a formal report to participating companies needs to be prepared including an analysis of the success of the venture and a financial statement showing the distribution of all revenues collected.

## Mission Response

- 1.4.8 Follow-on meetings with the Canadian participants took place in Canada in August, 1999. One-on-one counselling between the Canadian participants and the potential Kuwaiti and Qatari partners continues. Post will be in a position to provide a final financial report to Canadian participants in the coming 6-8 weeks. The overall success of this initiative for our private sector participants is the establishment of effective lines of distribution into Kuwait and Qatar. We should be in a position to report to HQ on the overall effectiveness of this first-ever venture, by the fourth quarter of this fiscal year.

- 1.4.9 Another Mission initiative facilitating the targeting of the Mission market opportunities is its "**Business Development Newsletter**". This periodic circular prepared within the Mission has been distributed to 400 selected local recipients. The Newsletter contains general interest briefs of Canadian news, but is primarily used as a vehicle to attract agents in the local market to carry Canadian products. The Newsletter highlights Canadian products, and provides coordinates for Canadian suppliers which have expressed an active interest in expanding into the Kuwait and Qatar markets.

## Official Hospitality for IBD Program

- 1.4.10 The three IBD Program officers share an \$8,000 hospitality budget. Diaries of activities reviewed showed effective targeting of entertaining activity to the market sectors for which officers have been assigned responsibility. At the time of the audit visit, the Mission had not yet implemented the April 1999 changes to the Official Hospitality Directive, having just been made aware of its presence on the SBD Intranet web site.

## 1.5 Personnel Resource Utilization

### Translation Services

- 1.5.1 During the past year, the Mission Translator has been placed under the direct supervision of the IBD Program Manager in the hopes of being able to make more productive use of the time available to this employee. While he has been tasked

with the management of the Mission unclassified Fax machine, in addition to translating all documentation required by the Mission to and from Arabic, English and French; his workloads have not been logged in a manner which quantify the use of his time.

### **Recommendations for Mission**

- 1.5.2        The translator should maintain logs of daily activities for a defined period, and after review of the logs, Mission management should attempt a rationalization of the use made of this position as well as the development of work objectives which can form the basis of the annual performance appraisal.**
  
- 1.5.3        Organization charts should accurately reflect the reporting relationship of the Translator and updated charts should be provided to SMR and RAM.**

### **Mission Responses**

- 1.5.2        Commencing November 1999, Post will maintain a daily log of activities to assist post management. As of October 1999, the translator has been tasked with the additional role of collecting and assessing the applicability of incoming information via DFAIT Press Releases, OGDs as well as other good news items from many and varied sources in Canada. All information gathered from above noted sources will be re-packaged and disseminated to an ever-growing network of media contacts within Kuwait and Qatar. By tasking the translator with this additional responsibility, not only has his job package been enriched, but the translator will play a vital role in raising the overall level of awareness of Canada in Kuwait and Qatar via media channels.**
  
- 1.5.3        Organization charts have been updated to show that the Translator reports to the IBD Program Manager. However, since this is the only translator position, the incumbent continues to do work for all embassy programs and, as noted above, the responsibilities are being increased.**

### **1.6 Management Information Tools**

**1.6.1        Departmental reporting tools from FINEX/IMS for Financial Management and SOFTEL for telephone usage, are not being used by Mission Program Managers to help in assessing the productivity of staff. This also applies to the use of funding available in the Mission O&M budget and project funds placed at the Mission's disposition for Program support. The origin of this is attributable in part to delivery**

delays of Finex reports being generated by the financial services section in Riyadh. In another area, while the Mission has a computer printing out the detail of each telephone call as it is made, the absence of software which can sort calls by extension and program section of the Mission results in the absence of meaningful management reports on the use of this communications tool.

1.6.2 In addition to more active use of Departmentally provided management tools, a refocusing of some Mission management meetings might be considered to include participation of the COs. This would serve to involve them more directly in setting work priorities and thus ensure their more active buy-in to the expected results.

1.6.3 Program files maintained in the section are well structured and kept up to date. However, distinctions between sensitive and unclassified information may have been overlooked in some cases.

### **Recommendations for Mission**

**1.6.4 Regular and timely financial reports should be requested from Riyadh on Mission budget and headquarters funded projects.**

**1.6.5 The Regional EL should be tasked with programming the telephone call detail recorder to generate usage detail reports at the Program level so managers can better quantify activity levels encountered by their staff.**

**1.6.6 Program Files containing sensitive information should have separate volumes for classified and unclassified material with appropriate storage and access procedures followed by Mission staff.**

### **Mission Responses**

**1.6.4 Program Manager requests and receives financial updates for the various projects and events that Post has received funding for this fiscal year.**

**1.6.5 While the concept is sound and perhaps an issue in other posts, we are concerned with this particular action. Program Manager trusts the COs and although audit team and Program Manager discussed this item, we are concerned that the audit team left Kuwait thinking that we don't trust certain employees in the Commercial Section. This is not the case.**

**This issue was raised with the EL in October. He advised that a new telephone switch will be required in order to generate reports at the**

level mentioned. A new switch has been approved/budgeted by HQ but personnel have not been allocated to install it. Further consideration of this recommendation must wait for the installation of new equipment.

1.6.6 Noted. Files have since been combed thoroughly by Commercial Program Manager and a few files marked Protected have been removed and filed in secure area.

**Audit Comment to 1.6.5**

While call detail records do allow supervisors to recover the cost of personal telephone calls from employees, these records are more useful as a tool to assist managers in quantifying the resources consumed in the delivery of each program initiative.

## **POLITICAL AND ECONOMIC RELATIONS AND PUBLIC AFFAIRS (PERPA) PROGRAMS**

### **2.1 Management of the Program**

2.1.1 The Ambassador's accountability document for 1999-2000 has a few operational priorities related to the PERPA Programs but these activities, most of which relate to Public Diplomacy, are scattered throughout the document making it difficult to get a clear view of the accountability for the PERPA Program. These activities should be reorganized to clarify Program activities and goals. The Mission's responsibilities for economic and political reporting can be included once the action in section 2.1.3 has been completed.

2.1.2 While the Mission manages visits and carries out advocacy activities (démarches and representations) efficiently and effectively, there is little political or economic reporting from the Embassy in Kuwait. GMG would like to see economic reporting increased.

2.1.3 Riyadh is responsible for political and economic reporting for its own areas of accreditation (Saudi Arabia, Yemen, Oman and Bahrain) as well as for the UAE, Kuwait and the countries of non-resident accreditation of those two Missions. Riyadh has written a "Hub and Spoke" paper for its regional reporting responsibilities which lists some of the problems with, and suggestions to improve, these activities. As well, Riyadh has written Political and Economic Program objectives for 1998/99 that include priorities for the other countries of responsibility, including Kuwait. Riyadh should use these papers as the basis for discussions with GMG and the two "spoke" Missions and to prepare a formal MOU for political and economic reporting. *Inter alia*, the MOU should cover "who is responsible for what", reporting priorities and the consultation process which would take place with Abu Dhabi and Kuwait before reports are sent to Ottawa. For its part, GMG needs to be more specific in defining to the Missions the reporting priorities for each of the Gulf countries so Riyadh and the two "spoke" Missions can determine what resources are required to fulfil their mandates.

2.1.4 There is good cooperation between Riyadh and Kuwait on political reporting, and the procedures to review draft reports prepared by Riyadh are effective and timely.

2.1.5 The information gleaned from interviews and an examination of employees' diaries indicates that Kuwait's 1997/98 Personnel Utilization Profiles (PUPs) are inaccurate regarding the total amount of time spent by the HOM, CB IBD officer, LES CO and the Mission translator on the PERPA Programs. The total of 1.3 FTEs appears high. This total should be reexamined when the PUPs are next revised.

## **Recommendations for Mission**

- 2.1.6** In consultation with GMG, and our Missions in Kuwait and Abu Dhabi, Riyadh should complete a MOU for Political and Economic reporting on Kuwait and the UAE. *Inter alia*, the MOU should cover "who is responsible for what", reporting priorities and the consultation process which would take place before reports are sent to Ottawa.
- 2.1.7** The Mission should review the figures in the PUPs allocated to the Political, Economic and Public Diplomacy Programs to reflect current allocations of time. Changes to the PUPs should be made where required.

## **Mission Responses**

- 2.1.6** Riyadh has forwarded a draft MOU detailing responsibilities and the process. This draft is currently being reviewed here.
- 2.1.7** The PUPS will be reviewed and, if appropriate, adjusted for the next report.

## **Recommendation for GMD**

- 2.1.8** The HOM's Accountability Document should be revised to make clearer his responsibilities for the PERPA Program.

## **GMD Response**

- 2.1.8** The new Head of Mission has been briefed prior to his departure in August 1999 on what to expect from the Political section. The Accountability Agreement referred to in the Audit Report was prepared by his predecessor and not by Headquarters. Kuwait's update due early in the New Year will provide an opportunity for GMD and the Mission to clarify the Head of Mission's responsibilities for the PERPA program. Finalization of the formal MOU referred to in 2.1.3 between Riyadh and spoke missions will also serve this purpose. GMG is committed to assist in the finalization of these documents in the context of the accountability dialogue early in 2000.

## MISSION RESOURCE FACT SHEET

## Personnel (FTEs)

	<b>CBS</b>	<b>LES</b>	<b>Total</b>
HOM	2	3	5
International Business Development	1	4	5
Consular	0	2	2
Administration	1	7	8
<b>Total</b>	<b>4</b>	<b>16</b>	<b>20</b>

## Physical Resources

<b>ASSETS</b>	<b>OWNED</b>	<b>LEASED</b>
Chancery		1
OR		1
SQs		3
Vehicles	3	

## Financial Information FY 1999/2000

LES Salaries (CV 017)	\$475,557
Operational (CV 014)	821,967
CB Overtime (CV 015)	6,000
Capital (CV 050)	58,200
<b>Total</b>	<b>\$1,361,724</b>