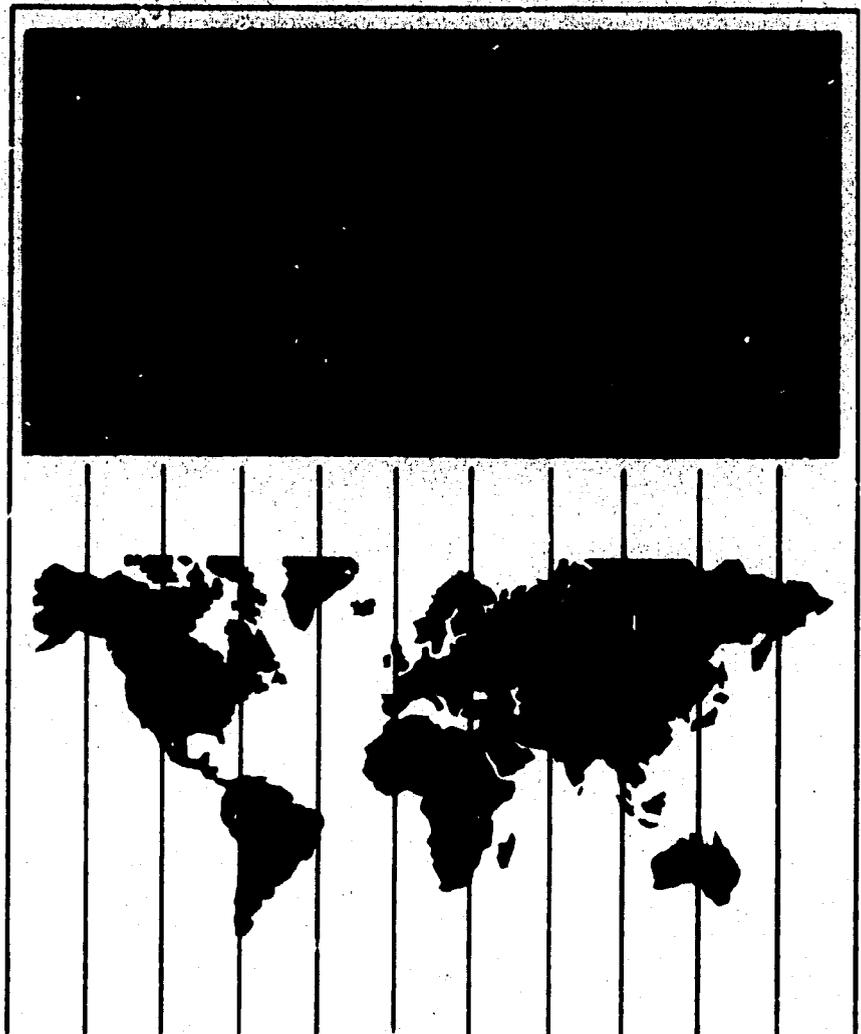


UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE  
INSPECTOR  
GENERAL

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Regional Inspector General for Audit  
DAKAR

PD-AMV-089

SUMMARY REPORT ON  
AUDITS OF REGIONAL PROJECTS

Audit Report No. 7-698-87-5

March 16, 1987

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D C 20523

Deputy  
Inspector General

March 16, 1987

MEMORANDUM FOR AA/AFR, Mark Edelman  
FROM: D/IG, James Durnil  
SUBJECT: Summary Report on Audits of Regional Projects  
(Audit Report No. 7-698-87-5)

This report presents a summary analysis of prior audits made of Africa Bureau regional projects. Please provide us within 30 days any additional information relating to actions planned or taken to implement the recommendation. We thank you and members of your staff for the cooperation and support provided during the course of these audits.

Background

The Africa Bureau is AID's major user of regional projects to help accomplish economic assistance program goals. At the end of fiscal year 1985, the Bureau had 103 active regional projects and sub-projects authorized for \$809 million. Of this amount, \$679 million had been obligated and \$456 million spent. Project activities included agriculture, education and human resources, health and population planning, and selected development activities. Some projects covered specific geographic areas such as the Sahel or Southern Africa; others covered all of sub-Saharan Africa. Regional projects were funded from Development Assistance and Economic Support Funds.

Since fiscal year 1983, the Office of the Regional Inspector General for Audit/West Africa issued ten reports on 25 Africa Bureau regional projects (see Exhibit 1). All audit recommendations have been closed except for those recommendations contained in audits issued since March 1986. Eighteen of the 25 projects are still active and represent about \$238 million of the \$809 million authorized. Projects in the Southern Africa program were not included in the audit reports.

## Audit Objectives and Scope

The objectives of this audit were to (1) summarize the audit results of regional projects, and (2) identify common causes of reported problems.

The audit, made in November 1986, analyzed each regional project report issued since fiscal year 1983. The Africa Bureau was provided a draft of this report in December 1986. Bureau comments, received in February 1987, are included as Appendix 1. The audit was made in accordance with generally accepted government auditing standards.

## Results of Audit

Audit results showed the Africa Bureau had limited success using regional projects to accomplish its economic assistance objectives. Only 2 of the 10 audits reported that regional projects had been highly successful in accomplishing goals and objectives. Others had low to moderate levels of success. Four projects included in the audit reports were terminated either during or shortly after audit. Since regional projects covered several countries and were generally more complex than single country projects, the design and AID management problems found in regional projects had a more widespread effect on accomplishing project objectives and goals. However, such problems are not necessarily limited to regional projects. If single country projects were as complex as the regional projects audited, it is likely that similar problems would be found.

The Combating Childhood Communicable Diseases project and the Sahel Regional Financial Management project were the two projects highly successful in accomplishing goals. Although they shared some problems found in other projects, effective AID management lessened the impact of these problems.

Design and management problems, as reported in most regional project audits, contributed to the limited progress of AID assistance. The audit recommended that other Africa Bureau regional projects be reviewed to determine if similar problems exist.

Design and Management Problems Limited Regional Project Effectiveness - The audited regional projects had limited success achieving their objectives primarily due to design deficiencies and AID management problems. The most common design deficiencies were (1) overoptimistic assumptions and unrealistic project objectives and goals, and (2) inadequate information systems to monitor and measure project progress. Project implementation problems were not addressed because of

AID program and financial management weaknesses. The most common management deficiencies were inadequate (1) regional project management structures, (2) support from participating AID missions, (3) project monitoring and evaluation, and (4) financial controls. These deficiencies were caused in part by the individual AID missions that placed less importance on regional projects than on bilateral ones.

Discussion - Although regional and single country projects require designs based on realistic assumptions and specific, measurable objectives, design and management are generally more complex for regional projects. Designing regional projects is often more complicated because: varied conditions are found in participating countries; activities are more widely dispersed; and it is more difficult for the AID regional project manager to monitor project progress and problems in each country. In short, regional projects must be designed to accomplish regional objectives and goals while also adapting to different conditions in participating countries.

Audits of regional projects showed that most projects achieved only limited success in meeting their objectives. Exhibit 2 highlights the results of those audits. Analyses of these reports showed that project shortfalls were caused primarily by design deficiencies and AID program and financial management problems.

A. Design - The most common design deficiencies reported and examples from audit reports are discussed below. Exhibit 3 illustrates the projects with deficiencies.

-- Design Assumptions, Project Objectives, and Goals - Project designers make certain assumptions when establishing project objectives and goals. If invalid, these assumptions can lead to unrealistic project objectives and faulty decisions which adversely affect accomplishments.

For example, project designers justified AID's assistance to the West Africa Rice Development Association (WARDA) by estimating that annual rice production in West Africa could be increased by 149,000 tons, balance of payment deficits reduced by about \$60 million, and farmer income increased by \$37 million. With an AID grant of only \$12 million these objectives, if accomplished, would have provided an outstanding economic rate of return. However, design assumptions were flawed. The audit showed that results of this magnitude could not be attained, partly because the participating countries did not have the extension services for disseminating research results.

The audit also found that project designers did not consider other constraints to the project's success, such as WARDA's

limited management capability in implementing the AID project. Among design weaknesses noted in a 1984 AID project evaluation were (1) an incorrect assumption that member countries would implement technical packages with appropriate incentive policies, and (2) the lack of specific project objectives.

-- Information Systems - Project design should include an effective information system which allows management to assess project progress against goals and objectives. The audit of the Regional Food Crop Protection (RFCP) project showed that designers did not provide an adequate framework for such a system. The project did not have measurable objectives, bench marks and timeframes, nor was a defined reporting system in place.

For example, the project's primary objective was to reduce crop losses and increase farmer income by strengthening host country institutional capabilities. However, project designers did not establish bench marks, milestones, or a system to report on the (1) number and types of host country trainees, (2) number of courses and time required to train personnel, and (3) type of information to be provided to farmers. In addition, project design did not include plans to help develop the host government's management information system, nor did it include host government input into the project's information system. As a result, project management at the AID regional, USAID, and host country levels did not have enough information to measure the project's progress and impact, or identify problems.

B. Management - The most common AID management problems reported and examples from audit reports are discussed below. Exhibit 4 illustrates the projects with deficiencies.

-- Management Structure - Because several parties are involved in managing and implementing regional projects, it is important to establish well-defined statements of each party's responsibility, authority and accountability. The Entente Fund audit report demonstrated there was confusion as to (1) which party was responsible for project implementation, and (2) what constituted proper accountability.

Management and implementation of the AID-funded Entente Fund project was assigned to (1) AID's Regional Economic Development Services Office, West and Central Africa (REDSO/WCA), (2) the individual host countries, and (3) the Entente Fund itself.

Although responsibilities were broadly defined in project documents, the audit found that the parties did not adequately understand their roles. The audit identified instances where host country officials were unaware of their responsibilities for assuring good accountability of project funds. The Entente

Fund, for example, believed its role was to be an advisor to the host countries, and the host countries were to implement and manage the project. REDSO/WCA, on the other hand, looked to the Entente Fund to implement and account for the project.

Misunderstanding roles added to management problems. The audit report noted inadequate: reporting by the development banks and sub-projects; financial monitoring of the development banks and sub-projects; controls over special accounts; guidance to the development banks and sub-projects; and systems to identify and resolve problems in a timely manner.

-- Management Support from Participating AID Missions - Regional projects did not receive enough attention from participating USAIDs, contributing to implementation problems. For example, USAID/Burkina Faso's management of the Integrated Pest Management Project, was hampered because other USAIDs did not provide timely or complete program and financial reports. The project operated for over five years with the regional project manager having little information on progress, accomplishments, or problems.

The audits of the Regional Food Crop Protection project and Entente Fund showed that although USAIDs were responsible for management, they had little involvement in the projects. Consequently, they were generally unaware of financial, implementation, monitoring, and host government support problems. This lack of involvement occurred primarily because the USAIDs gave more attention to bilateral projects.

-- Project Monitoring and Evaluations - In managing an AID project, one must oversee and monitor all aspects of the project, from conception through design, approval, funding, implementation, and evaluation. On the Semi-Arid Food Grain Research and Development (SAFGRAD) project, USAID/Burkina Faso did not ensure that (1) a viable project management mechanism, or (2) an adequate financial system, had been established. There were indications of grantee mismanagement, including too many people employed, poor financial practices, and questionable transactions. In addition, AID did not act to implement recommendations included in a major project evaluation.

The audit of this project, requested by the USAID, showed that mismanagement still existed five years after the project started because of poor USAID project oversight. For example, the USAID project officer approved financial reports without sufficient review or knowledge of the grantee's financial management practices. Had these approvals been made in the manner required, the project officer would have realized there was no accounting system in place. Further, USAID controller personnel did not review the grantee's financial practices during the project's first four years.

-- Financial Management Controls - AID missions and offices are required to ensure that funds are used and accounted for in accordance with AID regulations and agreements, and U.S. Treasury regulations. Audits disclosed that regional projects had financial management problems because AID's regional project office did not effectively monitor financial performance.

For example, in the Integrated Pest Management Project, the regional project manager provided participating countries excess cash advances amounting to \$2.5 million. In addition, an excess advance of \$200,000 was given to an international organization. Poor USAID monitoring and inadequate reporting by recipients caused the excess cash advances. The monitoring and reporting was so lax that it took 16 months to resolve the matter. Because of this, the U.S. Treasury incurred unnecessary borrowing costs amounting to over \$200,000 to support this project.

In conclusion, since fiscal year 1983, design deficiencies and management problems have been reported in audits of Africa Bureau regional projects. Although the audited projects may not be representative of all projects funded through the Bureau's regional accounts, it is likely that other projects share the same or similar problems. Therefore, the almost \$1 billion portfolio of regional projects should be reviewed as part of the Bureau's overall management system. Such a review could significantly improve the performance and impact of the Bureau's regional projects.

#### Recommendation No. 1

We recommend that the Assistant Administrator, Africa Bureau, as part of the Bureau's oversight responsibility, review all regional projects in the design and implementation stage. The review, to be included in the semiannual review, should determine whether design and management problems reported in the Inspector General audits are found in the other regional projects. If so, appropriate management action should be taken to correct the deficiencies.

The Africa Bureau agreed with the report findings and cited actions already taken and planned to implement the recommendation. The Bureau stated that AID regional projects would continue to play a major role in African development, and that the report was timely and gave impetus to actions already underway to improve regional project performance. In particular, the Assistant Administrator of the Bureau, in November 1986, had instructed project implementation reviews to be made of the regional portfolio. The audit findings were a key consideration in the January 1987 reviews of the Sahel and Africa regional project portfolios. The Bureau planned to

match management capacity with project requirements and design approaches stressing management information systems. The Bureau stated that additional improvements resulting from its reviews would be provided in response to the final audit report.

The Bureau has made an impressive start in reviewing and improving its large regional project portfolio. Significant changes have already been made. When planned actions are implemented, results should further enhance development efforts in Africa. The report recommendation is considered resolved and will be closed when the Bureau provides more details on the implementation and results of planned actions.

**SUMMARY REPORT ON AUDITS OF REGIONAL PROJECTS**

**EXHIBITS AND APPENDICES**

Schedule of Audit Reports Issued on Regional  
Projects With Project Amounts Authorized,  
Obligated, and Expended as of 9/30/85

| <u>Audit Report Title/<br/>Projects Audited</u><br>(000)   | Amount as of Sept. 30, 1987 |                           |                          |
|--|-----------------------------|---------------------------|--------------------------|
|  | <u>Authorized</u><br>(000)  | <u>Obligated</u><br>(000) | <u>Expended</u><br>(000) |
| 1. <u>"The Administrative and Financial Practices of the SAFGRAD Project Need to be Improved,"</u><br><u>Audit Report No. 7-698-83-1, dated November 16, 1982.</u> |                             |                           |                          |
| Project No. 698-0393 -- Semi-Arid Food<br>Grains Research and Development Project  | \$22,169                    | \$21,846                  | \$19,367                 |
| 2. <u>"AID Assistance to the Entente Fund Is Terminating--Major Issues and Lessons Learned,"</u><br><u>Audit Report No. 7-625-84-2, dated May 18, 1984.</u>        |                             |                           |                          |
| Project No. 626-0203 -- Entente Fund Food<br>Production Project  | 18,180                      | 18,180                    | 17,409                   |
| Project No. 626-0204 -- Entente Fund Live-<br>stock Project  | 9,303                       | 9,303                     | 7,754                    |
| Project No. 625-0717 -- Entente Fund African<br>Enterprises Project  | <u>1/</u>                   | <u>1/</u>                 | <u>1/</u>                |
| 3. <u>"Need to Reassess AID's Strategy for Food Crop Protection in West Africa,"</u><br><u>Audit Report No. 7-625-84-5, dated August 20, 1984.</u>                 |                             |                           |                          |
| Project No. 625-0928 -- Regional Food Crop<br>Protection Project   | <u>2/</u>                   | <u>2/</u>                 | <u>2/</u>                |

1/ Project not active as of 9/30/85

2/ Amount included under the integrated Pest Management Project (See Report No. 7)

Schedule of Audit Reports Issued on Regional  
Projects With Project Amounts Authorized,  
Obligated, and Expended as of 9/30/85

| <u>Audit Report Title/<br/>Projects Audited</u><br>(000)  | Amount as of Sept. 30, 1987 |                           |                          |
|---|-----------------------------|---------------------------|--------------------------|
|   | <u>Authorized</u><br>(000)  | <u>Obligated</u><br>(000) | <u>Expended</u><br>(000) |
| 4. <u>"Strengthening Health Delivery Systems in Sub-Saharan Africa -- Need for Better Evaluations and Financial Management Controls," Audit Report No. 7-698-85-2, dated December 31, 1984.</u>       |                             |                           |                          |
| Project No. 698-0398 -- Strengthening Health Delivery Systems Project   | \$27,176                    | \$26,676                  | \$22,505                 |
| 5. <u>"AID Support of West Africa Rice Development Association -- Need to Reassess Project to Reflect What Can Realistically Be Accomplished," Audit Report No. 7-698-85-6, dated April 30, 1985.</u> |                             |                           |                          |
| Project No. 698-0429 -- West Africa Rice Development Association Project  | 12,000                      | 9,769                     | 8,483                    |
| 6. <u>"Audit of AID Compliance With Section 121(D) of the Foreign Assistance Act," Audit Report No. 7-625-86-5, dated March 12, 1986.</u>   |                             |                           |                          |
| Project No. 625-0950 -- Sahel Regional Financial Management Project   | 7,785                       | 7,476                     | 4,863                    |
| 7. <u>"Audit of the Sahel Regional Integrated Pest Management Project," Audit Report No. 7-625-86-8, dated May 14, 1986.</u>  |                             |                           |                          |
| Project No. 625-0928 -- Integrated Pest Management  | 37,800                      | 34,159                    | 22,415                   |

Schedule of Audit Reports Issued on Regional  
Projects With Project Amounts Authorized,  
Obligated, and Expended as of 9/30/85

| <u>Audit Report Title/<br/>Projects Audited</u><br>(000)   | <u>Amount as of Sept. 30, 1987</u> |                           |                          |
|--|------------------------------------|---------------------------|--------------------------|
|  | <u>Authorized</u><br>(000)         | <u>Obligated</u><br>(000) | <u>Expended</u><br>(000) |
| 8. <u>"Audit of the Manantali Resettlement Project in Mali," Audit Report No. 7-625-86-10, dated September 23, 1986.</u>         |                                    |                           |                          |
| Project No. 625-0955 -- Manantali Resettlement Project   | \$18,335                           | \$18,335                  | \$ 1,819                 |
| 9. <u>"Audit of the Combating Childhood Communicable Diseases Project," Audit Report No. 7-698-87-1, dated November 7, 1986.</u> |                                    |                           |                          |
| Project No. 698-0421 -- Combating Childhood Communicable Diseases Project  | 45,000                             | 29,428                    | 13,725                   |
| 10. <u>"Audit of AID Participation in Sahel River Basin Development," Audit Report No. 7-625-87-4, dated December 31, 1986</u>   |                                    |                           |                          |
| Project No. 625-0012 -- Gambia River Basin Development Project   | 15,865                             | 15,865                    | 12,387                   |
| Project No. 698-0413.11 -- Support to Regional Organizations   | 1,029                              | 1,029                     | 1,029                    |

Schedule of Audit Reports Issued on Regional  
Projects With Project Amounts Authorized,  
Obligated, and Expended as of 9/30/85

| <u>Audit Report Title/<br/>Projects Audited</u><br>(000)         | <u>Amount as of Sept. 30, 1987</u><br><u>Authorized</u><br>(000) | <u>Obligated</u><br>(000) | <u>Expended</u><br>(000) |
|--|--|---------------------------|--------------------------|
| Project No. 625-0616 -- OMVS Agronomic Research I Project        | 1/   | 1/                        | 1/                       |
| Project No. 625-0605 -- OMVS Agronomic Research II Project       | 1/   | 1/                        | 1/                       |
| Project No. 625-0617 -- Environmental Assessment Project         | 1/   | 1/                        | 1/                       |
| Project No. 625-0620 -- OMVS Mapping Project                     | 1/   | 1/                        | 1/                       |
| Project No. 625-0620A -- OMVS Fiscal Allocation                  | 1/   | 1/                        | 1/                       |
| Project No. 625-0621 -- Planning and Policy Development          | 6,000  | 2,000                     | -                        |
| Project No. 625-0929 -- OMVS Socioeconomic Study                 | 1/   | 1/                        | 1/                       |
| Project No. 625-0957 -- OMVS Agricultural Research II Project    | 1,057  | 1,057                     | 11                       |
| Project No. 625-0958 -- OMVS Ground Water Monitoring Project     | 4,651  | 4,651                     | 419                      |
| Project No. 625-0915 -- Niger River Development Planning Project | 500  | 500                       | 446                      |
| Project No. 625-0944 -- Niger River Basin Planning               | 10,500   | 6,714                     | 355                      |
| Project No. 698-0413, 12 -- Support to Regional Organizations    | <u>1,200</u>   | <u>250</u>                | <u>-</u>                 |
| <b><u>TOTAL</u></b>  | <b><u>\$238,550</u></b>  | <b><u>\$207,238</u></b>   | <b><u>\$132,981</u></b>  |

1/ Project not active as of 9/30/85.

Summary of Audit Reports on Regional Projects

1. "The Administrative and Financial Practices of the SAFGRAD Project Need to be Improved," Audit Report No. 7-698-83-1, dated November 16, 1982.

On May 23, 1977, AID and the Organization for African Unity's Scientific and Technical Research Commission (OAU/STRC), located in Lagos, Nigeria, signed a Grant Agreement under which AID agreed to provide up to \$13.3 million to finance the Semi-Arid Food Grains Research and Development (SAFGRAD) Project. The project, which involved 24 participating countries, was to develop and provide cereal varieties and agricultural practices for use on small semi-arid farms.

The project still had implementation problems five years after the project started because USAID had not exercised adequate project oversight. For example, USAID/Burkina Faso did not ensure that (1) a viable project management mechanism, and (2) an adequate financial system had been established. Therefore, grantee mismanagement occurred, including employment of too many people, poor financial practices, and questionable transactions. In addition, AID had not taken action to formalize implementation actions on a project evaluation. USAID requested the audit as a management tool to address problems.

2. "AID Assistance to the Entente Fund is Terminating -- Major Issues and Lessons Learned," Audit Report 7-625-84-2, dated May 18, 1984.

The Entente Fund is the technical and financial arm of the Entente Council, which consists of five West African countries: Benin, Burkina Faso, Ivory Coast, Niger, and Togo. Since 1964, AID contributed over \$63 million in loans and grants to the Entente Fund which, in turn, provided assistance to the Entente countries. Since 1975, AID assistance focused on two projects: (1) Rural Development and (2) African Enterprises.

The benefits from AID assistance were limited because the Entente Fund, AID, and the Entente countries had problems in carrying out program and management responsibilities. A weak management structure resulted in undefined or misunderstood responsibilities. Also, the individual USAIDs had little involvement in the project. This situation led to (1) confusion between the parties involved, and (2) project implementation and monitoring problems. For example, credit

funds were not effectively used and were poorly managed. Host country accounting systems were weak. AID loan funds amounting to over \$600,000 were not used as intended. After the audit was completed, AID terminated assistance to the Entente Fund.

3. "Need to Reassess AID's Strategy for Food Crop Protection in West Africa," Audit Report No. 7-625-84-5, dated August 20, 1984.

The Regional Food Crop Protection (RFCP) project, authorized in 1975, was primarily an institution-building project to help seven participating countries establish crop protection programs by creating and/or strengthening National Plant Protection Services (NPPS). Project assistance focused on strengthening participating countries' capabilities to extend Integrated Pest Management (IPM) concepts and techniques to food crop farmers.

The RFCP project made little progress in achieving its principal objective to extend IPM techniques to food crop farmers. This occurred primarily because the companion IPM project had not developed technical packages adapted to the needs of each participating country. As a result, IPM had not become, and it was doubtful that it would become, a major host country program to reduce (1) crop losses and (2) pesticide usage.

The project designers did not include a framework for an effective information system which would allow management to periodically assess project progress against goals, objectives, and plans. In addition, USAIDs were not involved in resolving project problems because they were not assigned management responsibilities. The audit concluded that a project evaluation should address constraints to IPM and project management weaknesses. After the audit and evaluation was completed, AID terminated the project in 1985.

4. "Strengthening Health Delivery Systems in Sub-Saharan Africa -- Need for Better Evaluations and Financial Management Controls," Audit Report No. 7-698-85-2, dated December 31, 1984.

AID's Strengthening of Health Delivery Systems (SHDS) project represented a collaborative effort among AID, the African Regional Office of the World Health Organization (WHO/AFRO), and 20 governments of West and Central Africa. The purpose of the project was to improve the capacity of the participating countries to plan, implement, and manage effective and economical primary health care systems. The project's major

focus was to train people in planning and management, nursing, village health care, disease surveillance and applied research.

The project lacked evaluation and management information systems that could monitor its wide range of activities. Internal evaluations were dropped in 1983 due to budget problems. External evaluations were performed, but not as planned; therefore, they were either incomplete or inadequate. The management information system, although improved, was not designed to determine project progress or track project activities. In addition, contrary to AID and U.S. Treasury regulations, AID provided excess cash advances to WHO/AFRO which in turn earned interest on AID grant funds amounting to over \$150,000.

5. "AID Support of West Africa Rice Development Association -- Need to Reassess Project to Reflect What Can Realistically Be Accomplished," Audit Report No. 7-698-85-6, dated April 30, 1985.

The West Africa Rice Development Association was formed by 11 countries in 1970 to promote regional cooperation in rice development and trade, which would lead to collective food security. Starting in 1975, AID provided two grants to the Association to (1) develop new high-yielding rice varieties and agricultural practices, and (2) introduce the varieties and practices to West African farmers and train them on their uses.

The project identified several high-yielding rice varieties through research and field trials at the project's two AID-supported research stations. However, further development of project research and training activities was constrained because of inadequate administrative and financial support by the member countries. Also, the project did not achieve its expected results because project designers did not adequately consider the long-term constraints to project success. These included weak host country extension services and limited host country management capabilities. The project did not develop an effective project measurement system and USAID had not established adequate controls over cash advances.

6. "Audit of AID Compliance With Section 121(D) of the Foreign Assistance Act," Audit Report No. 7-625-86-5, dated March 12, 1986.

Inadequate management of AID funds provided to Sahelian governments in local currencies led the Congress in 1981 to legislate Section 121(d) of the Foreign Assistance Act. This subsection required AID to certify that foreign governments maintained adequate accounting systems for these funds. The Africa Bureau developed a strategy to improve Sahelian country accountability and strengthen financial management. The Sahel Regional Financial Management Project, established in 1982, was an integral element of this strategy.

Audit results showed AID substantially complied with the legislation, established accountability standards for AID projects, and increased AID monitoring. The Sahel Regional Financial Management Project helped resolve major accounting problems for AID projects but made little progress strengthening financial management in Sahelian countries. Efforts were mostly directed at meeting legislative requirements. Little effort was directed towards the long-term needs of host governments or improvement of indigenous host country accounting systems. Only in The Gambia, and to a lesser extent in Mali, were financial management and accounting practices strengthened at higher levels of government. The audit concluded that such efforts can ensure the continued long-term progress of compliance with the legislation.

7. "Audit of the Sahel Regional Integrated Pest Management Project," Audit Report No. 7-625-86-8, dated May 14, 1986.

In the eight Sahelian countries of West Africa, pest infestations have been known to destroy as much as 40 percent of crop yields in a single season. AID's assistance to address this problem focused on two regional projects: the Regional Food Crop Protection project, which terminated in early 1985; and the Integrated Pest Management project. The Integrated Pest Management project was authorized in 1977 to establish and strengthen the Sahelian countries' integrated pest management research capabilities and produce research packages for farmers on combating high priority pests.

The audit found that the project made limited progress in four of its five objectives, and in achieving its overall purpose of producing research results for farmers. Poor design and implementation problems were at fault. The project operated over five years with little information on its overall progress, accomplishments, and problems because the USAIDs did

not provide timely and complete reports to USAID/Burkina Faso. AID management did not monitor compliance with AID and U.S. Treasury regulations in programming and spending project funds. For example, the regional project manager provided participating countries and other implementing parties excess cash advances amounting to \$2.5 million. During the audit, AID decided to terminate assistance to the Integrated Pest Management project at the completion of its first phase in March, 1987.

8. "Audit of the Manantali Resettlement Project in Mali,"  
Audit Report No. 7-625-86-10, dated September 23, 1986.

Construction of the multi-donor supported Manantali dam started in October 1981 and was to be completed in May 1988. Dam construction would force 8,000 people in 26 villages to find new homes. Although not involved in dam construction, AID, in August 1984, granted the Government of the Republic of Mali \$18.3 million through the Manantali Resettlement Project to help relocate 5,000 villagers to 14 villages. Although this project operated in Mali only, it was funded through the Sahel regional account.

USAID/Mali was attempting to meet the June 1986 target date for relocating 5,000 villagers. However, progress had been delayed due to (1) unrealistic deadlines, (2) inadequate assessment of host country capabilities, (3) delayed negotiations of host country construction contracts, and (4) problems in establishing a system to account for AID funds. USAID/Mali was aware of these problems, and increased technical assistance and work schedules to help relocate the villagers on time. These efforts were likely to achieve some success in moving the first group of villagers by October 1986 - four months later than scheduled. The audit identified several actions whereby USAID/Mali could achieve project objectives and save about \$3.3 million.

9. "Audit of the Combating Childhood Communicable Diseases  
Project," Audit Report No. 7-698-87-1, dated November 7,  
1986.

Each year up to 25 percent of sub-Saharan African children die before the age of five from childhood communicable diseases, diarrhea, and malaria. Through its \$89 million Combating Childhood Communicable Diseases project, AID participated as the lead donor in a \$500 million multi-donor and African government program to help reduce the mortality and morbidity rates among children in 30 to 35 sub-Saharan countries. The objectives of the AID project, authorized in 1981, were to (1)

11

immunize and treat the target population against six childhood diseases, diarrhea, and malaria, and (2) develop host governments' institutional capability to continue project activities.

Progress was made immunizing the target populations against infectious diseases, treating diarrhea and malaria, training, and increasing the number of health care centers. Project management was enhanced because of a good annual evaluation system and the dedicated service to the project by AID/Washington and USAID personnel.

The audit identified several problems which seriously reduce the long-term benefits AID expects from its child survival efforts. AID did not succeed in coordinating donor efforts at the policy level and in the individual countries. Project progress in reducing mortality and morbidity rates was based on indicators rather than precise measurements. Not enough had been done to assure that recipient countries would have the trained people and money to continue the project when donor assistance ended. Also, AID needed to better coordinate activities in individual countries with regional activities.

10. "Audit of AID Participation in Sahel River Basin Development," Audit Report No. 7-625-87-4, dated December 31, 1986.

Since 1975, AID has authorized 14 projects amounting to about \$60 million primarily to help strengthen the planning capabilities of 3 regional organizations in West Africa. The organizations were empowered by their member countries to plan and oversee the development of The Gambia, Niger, and Senegal river basins. In order to carry out these responsibilities, the organizations required (1) data, such as that obtained from basin-wide hydrologic, economic and environmental studies, and (2) the capability to effectively use the data. AID assisted in performing the necessary studies and in developing planning capability within each organization.

Audit results showed that after 11 years, AID assistance had mixed results. While AID succeeded in providing Sahel river basin organizations substantial planning data, the organizations' own weaknesses and slow growth in building their planning capability limited effective use of the data. Also, AID project management needed improvement.

Schedule of Design Deficiencies Identified  
in the Ten Regional Project Audits

| <u>AUDIT REPORT</u>   | <u>DESIGN DEFICIENCIES</u>                   |  |
|---|--|--|
|   | <u>Assumptions, Goals<br/>and Objectives</u> | <u>Management Information<br/>System</u> |
| 1. Safgrad<br>7-698-83-1  | X  |  |
| 2. Entente Fund<br>7-625-84-2   | X  | X  |
| 3. Regional Food Crop<br>Protection<br>7-625-84-5                                 | X  | X  |
| 4. Strengthening Health<br>Delivery Systems<br>7-698-85-2                         |  | X  |
| 5. West Africa Rice<br>Development Association<br>7-698-85-6                      | X  | X  |
| 6. Sahel Regional Financial<br>Management Project --<br>FAA 121 (D)<br>7-625-86-5 | X  |  |
| 7. Integrated Pest Management<br>7-625-86-8                                       | X  | X  |
| 8. Manantali Resettlement<br>Project<br>7-625-86-10                               | X  |  |
| 9. Combating Childhood<br>Communicable Diseases<br>Project<br>7-698-87-1          |  | X  |
| 10. AID Participation in Sahel<br>River Basin Development<br>7-625-87-4           | X  |  |

Schedule of Management Deficiencies Identified  
in the Ten Regional Project Audits

| <u>AUDIT REPORT</u>   | <u>MANAGEMENT DEFICIENCIES</u>  |  |  |                               |
|---|---------------------------------|--|--|-------------------------------|
|   | <u>Management<br/>Structure</u> | <u>Support<br/>From AID<br/>Missions</u> | <u>Project<br/>Monitoring<br/>and<br/>Evaluation</u> | <u>Financial<br/>Controls</u> |
| 1. Safgrad<br>7-698-83-1  | X                               | X  | X  | X                             |
| 2. Entente Fund<br>7-625-84-2   | X                               | X  | X  | X                             |
| 3. Regional Food Crop<br>Protection<br>7-625-84-5                                 | X                               | X  | X  |                               |
| 4. Strengthening Health<br>Delivery Systems<br>7-698-85-2                         |                                 |  | X  | X                             |
| 5. West Africa Rice<br>Development Association<br>7-698-85-6                      |                                 |  | X  | X                             |
| 6. Sahel Regional Financial<br>Management Project --<br>FAA 121 (D)<br>7-625-86-5 |                                 |  | X  |                               |
| 7. Integrated Pest Management<br>7-625-86-8                                       | X                               | X  | X  | X                             |
| 8. Manantali Resettlement<br>Project<br>7-688-86-10                               |                                 |  | X  | X                             |
| 9. Combating Childhood<br>Communicable Diseases<br>Project<br>7-698-87-1          |                                 |  |  |                               |
| 10. AID Participation in Sahel<br>River Basin Development<br>7-625-87-4           |                                 |  | X  | X                             |

ACTION: RIG-2 INFO: DCM

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 CN: 09558  
 CHRG: AID  
 DIST: RIG

AIDAC FOR RIG, JOHN COMPETELLO

E.O. 12356: N/A

SUBJECT: RESPONSE TO DRAFT AUDIT REPORT - "SUMMARY  
 REPORT ON AUDITS OF REGIONAL PROJECTS" (AUDIT REPORT NO.  
 7-698-87-XX)

1. THIS RESPONSE INCORPORATES THE VIEWS OF SEVERAL OFFICES IN THE BUREAU WHICH HAVE HAD DESIGN AND IMPLEMENTATION RESPONSIBILITIES FOR REGIONAL PROJECTS. IT DOES NOT COVER SOUTHERN AFRICA REGIONAL PROJECTS, WHICH WERE, IN ANY CASE, NOT EXAMINED OR CITED BY IG IN THEIR ATTEMPT TO DRAW GENERIC CONCLUSIONS ABOUT THE REGIONAL PROJECT PORTFOLIO WITHIN THE AFRICA BUREAU.

2. BACKGROUND: THE DRAFT SUMMARY REPORT STATES THAT THE AFRICA BUREAU IS AID'S MAJOR USER OF REGIONAL PROJECTS TO HELP ACCOMPLISH ECONOMIC ASSISTANCE PROGRAM GOALS. THIS REFLECTS THE NATURE OF THE REGION IN WHICH IT OPERATES, E.G. THERE ARE 34 AID POSTS AND TWO REGIONAL DEVELOPMENT SERVICES OFFICES IN AFR COMPARED TO A/NE'S 19 AND LAC'S 18 FIELD MISSIONS. AFRICA'S HUMAN RESOURCES AND SYSTEMS ARE LIMITED, MOST OF OUR AID POSTS ARE SMALL, WITHOUT A FULL RANGE OF TECHNICAL OR MANAGEMENT SERVICES, AND THE REGION'S ENORMOUS PROBLEMS OFTEN TAKE LITTLE ACCOUNT OF THE BOUNDARIES OF ITS

MINI-STATES. THE COST OF ADDRESSING MANY OF THESE PROBLEMS ON A BILATERAL BASIS WOULD BE HIGHER THAN CONTINUING A REGIONAL APPROACH OF AN APPROPRIATE NATURE.

- THE AFRICA REGIONAL PROGRAM SERVES 46 COUNTRIES IN AN ATTEMPT TO ADDRESS COMMON PROBLEMS THAT REQUIRE COORDINATED ACTION ON A BROADER SCALE THAN BILATERAL EFFORTS. IT SEEMS TO STRENGTHEN CERTAIN REGIONAL ORGANIZATIONS TO SERVICE MEMBER NATION NEEDS AND TO FACILITATE REGIONAL AND MULTI-DONOR EFFORTS TO ADDRESS, E.G., AGRICULTURAL RESEARCH NEEDS WHICH ARE DEFINED MORE BY AGRO-ECOLOGICAL CONDITIONS THAN "NATIONAL" (OR ETHNIC GROUP) CULTURAL PATTERNS. IT PROVIDES DIRECT SUPPORT TO BILATERAL PROGRAMS THROUGH UMBRELLA-TYPE PROJECTS FOR SIMILAR PROBLEMS, E.G., HUMAN RESOURCE DEVELOPMENT AND CHILD SURVIVAL, WHICH REDUCE CERTAIN AID PROCEDURAL REQUIREMENTS AND DELIVER SERVICES MORE

COST-EFFECTIVELY. FINALLY, IT PROVIDES A MEANS TO RESPOND TO AFRICAN PROBLEMS AND CONGRESSIONAL CONCERNS ABOUT THEM WHETHER THEY BE MAJOR ISSUES SUCH AS CHILD SURVIVAL, NATURAL RESOURCE CONSERVATION, POPULATION PRESSURES, AND EMERGENCIES (AIDS, LOCUST/GRASSHOPPER INFESTATIONS OR FAMINE) OR COMPARATIVELY MINOR INTEREST IN SPECIFIC DOMESTIC OR AFRICAN INSTITUTIONS OR APPROACHES. THE REGIONAL PROJECT PORTFOLIO WILL CONTINUE TO BE A MAJOR AID TOOL FOR AFRICAN DEVELOPMENT EFFORTS NOTWITHSTANDING ITS PROBLEMS BECAUSE THERE ARE FEW BETTER ALTERNATIVES AND BECAUSE REDUCED STAFFING AND BUDGET RESOURCES WILL REQUIRE OPTIMIZING THE REGIONAL PROGRAMS POTENTIAL FOR COST-EFFECTIVE SERVICE DELIVERY.

3. A GENERAL RESPONSE TO THE AUDIT FINDINGS: THE AUDIT STATES THAT THE BUREAU HAD LIMITED SUCCESS IN USING REGIONAL PROJECTS TO ACCOMPLISH ECONOMIC ASSISTANCE OBJECTIVES AND ASCRIBES THIS TO DESIGN DEFICIENCIES (GENERALLY, UNREALISTIC ASSUMPTIONS, OVERLY AMBITIOUS OBJECTIVES AND EXCESSIVE COMPLEXITY) AND AID PROGRAM AND FINANCIAL MANAGEMENT WEARNESES (INAPPROPRIATE PROJECT IMPLEMENTATION STRUCTURES, POORLY DEFINED RESPONSIBILITIES OR RELUCTANT ACCEPTANCE OF ASSIGNED ROLES AND DEFICIENT MONITORING AND EVALUATION SYSTEMS, INCLUDING FINANCIAL CONTROLS).

- THESE FINDINGS ARE ACKNOWLEDGED, PARTICULARLY WITH RESPECT TO THE CITED PROJECTS, AND WE AGREE THAT BETTER DESIGN IN TERMS OF THE REALISM OF THE ASSUMPTIONS, MORE SIMPLE AND EXPLICIT DEFINITIONS OF ROLES AND RESPONSIBILITIES AND A SOUND MANAGEMENT INFORMATION SYSTEM IS REQUIRED TO AVOID THE KINDS OF PROBLEMS CITED

IN THE REPORT.

- WITH RESPECT TO MANAGEMENT OF PROJECT IMPLEMENTATION, THE OBSERVATION THAT BETTER AND MORE SYSTEMATIC MANAGEMENT PRACTICES AND REVIEWS MIGHT HAVE HELPED IMPROVE EFFECTIVENESS AND THE DEGREE TO WHICH PROJECTS MET THEIR OBJECTIVES APPEARS APPROPRIATE. THE BUREAU PLANS TO ADDRESS THESE ISSUES THROUGH A REVIEW AND STRENGTHENING OF STAFFING FOR REGIONAL PROJECT IMPLEMENTATION AS WELL AS IMPROVING SYSTEMS.

- WE AGREE ENTIRELY WITH THE REPORTS OBSERVATIONS ON PAGE 3 OF THE DRAFT THAT "IT IS THE LEVEL OF COMPLEXITY OF THE PROJECTS IN QUESTION, NOT THEIR REGIONAL NATURE, THAT EXACERBATED THE EFFECT OF PROBLEMS. A GROUP OF EQUALLY COMPLEX, BILATERAL PROJECTS MIGHT ALSO LEAD TO SIMILAR DIFFICULTIES." TO PUT IT ANOTHER WAY, WHILE REGIONAL PROJECT PERFORMANCE HAD LIMITED SUCCESS (AS DEFINED IN THEIR OWN, OUTPUT, TERMS) THEY ARE NOT

NECESSARILY LESS EFFECTIVE THAN A COMPARABLE SAMPLING OF COMPLEX BILATERAL PROJECTS.

- THE AUDIT REPORT IS TIMELY IN THAT ITS FINDINGS PARALLEL PERCEPTIONS ON THE PART OF OFFICES (AFR/TR, AFR/SJA, AND REDSO'S OR AID MISSIONS)) RESPONSIBLE FOR IMPLEMENTING REGIONAL PROJECTS. MANY OF THE PROJECTS CITED, OR THOSE SIMILAR TO THE ONES CITED, HAVE BEEN TERMINATED OR ARE BEING DRASTICALLY CUT BACK OR SIGNIFICANTLY REDESIGNED DURING SUBSEQUENT PHASES. THESE ARE:
  - A. SAFGRAD II (698-0452), SUCCESSOR TO THE AUDITED SAFGRAD PROJECT (698-0393). THIS WAS SUBSTANTIALLY REDUCED IN SCOPE, COST AND COMPLEXITY DURING THE DEVELOPMENT OF THE PHASE II PROJECT.
  - B. ENTENTE FUND SUPPORT PROJECTS (625-626, 0203, 0204 AND 625-0717. ALL HAVE BEEN TERMINATED.
  - C. REGIONAL FOOD CROP PROTECTION PROJECT (625-0928). TERMINATED.
  - D. STRENGTHENING HEALTH DELIVERY SYSTEMS IN SUB-SAHARAN AFRICA (698-0398). FINAL FUNDING PROVIDED IN FY 86. A SUCCESSOR EAST-AFRICAN LEADERSHIP TRAINING PROJECT IS BEING PROPOSED. THE ISSUES RAISED IN THE AUDIT REPORT WILL BE CENTRAL IN THE PROJECT REVIEW.
  - E. SUPPORT OF WEST AFRICA RICE DEVELOPMENT ASSOCIATION (698-0429). THIS WAS SUBSTANTIALLY REDUCED IN SCOPE, COST AND COMPLEXITY DURING ITS FINAL PHASE, WITH FINAL FUNDING PROVIDED IN FY 84.
  - F. SAHEL REGIONAL FINANCIAL MANAGEMENT II (625-0974). CONSIDERATION WILL BE GIVEN TO REDUCING OR MODIFYING SUPPORT LEVELS FOR CERTAIN COUNTRIES WHERE INSTITUTIONALIZATION GOALS APPEAR QUESTIONABLE.
  - G. INTEGRATED PEST MANAGEMENT (625-0928). TERMINATING.
  - H. MANANTALI RESETTLEMENT PROJECT (MALI) (625-0955). TERMINATING.
  - I. COMBATING CHILDHOOD COMMUNICABLE DISEASES (A-AFRICA CHILD SURVIVAL INITIATIVES (698-0421). IN RECOGNITION OF THE PROJECT'S PRIORITY IMPORTANCE AND GOOD TRACK RECORD, ADDITIONAL FUNDING IS BEING PROVIDED AND ADDITIONAL EFFORTS ARE UNDERWAY TO ADDRESS THE SUSTAINABILITY OF NATIONAL PROGRAMS WHEN DONOR ASSISTANCE ENDS. IT SHOULD BE NOTED THAT THIS IS THE MAJOR VEHICLE FOR AGENCY AND CONGRESSIONAL COMMITMENT TO CHILD SURVIVAL ACTIVITIES IN AFRICA.
  - J. AID PARTICIPATION IN SAHEL RIVER BASIN DEVELOPMENT (SEVERAL PROJECTS, INCLUDING 625-0212, 0218,

0605, 0617, 0620, 0620A, 0621, 0929, 0957, 0958, 0915, 0944 AND 698-0413.11 AND 0413.12.) PROJECTS 0691 AND 0958 (NOT CITED IN AUDIT REPORT) HAVE BEEN INTEGRATED AND JUSTIFIED AS PART OF THE SENEGAL BILATERAL PROGRAM. PROGRAM MANAGEMENT RESPONSIBILITY HAS BEEN DELEGATED TO THE FIELD. ALL OTHER PROJECTS ARE TERMINATING OR HAVE TERMINATED WITH RESIDUAL FUNDS REPROGRAMMED WHERE POSSIBLE UNDER DEOE/REOF AUTHORITY.

4. RESPONSE TO AUDIT RECOMMENDATION (NO. 1): WITH RESPECT TO THIS SPECIFIC RECOMMENDATION, CERTAIN ACTIONS HAD BEEN TAKEN PRIOR TO RECEIPT OF THE DRAFT AUDIT AS A RESULT OF REVIEWS OF THE SAHEL PROGRAM REGIONAL PORTFOLIO. THE MANAGEMENT ISSUES WERE ADDRESSED DURING THE FY 87 ABS REVIEWS, AND MOST RECENTLY, IN A SEPTEMBER 1986 REGIONAL PROGRAM PORTFOLIO REVIEW. FUNDING DECISIONS AND PRIORITIES WERE WEIGHED AGAINST CRITERIA INCLUDING THE EXTENT TO WHICH PROJECTS (A) DIRECTLY OR INDIRECTLY SUPPORT BILATERAL COUNTRY PROGRAMS, (B) SUPPORT MULTILATERAL PROGRAMS OF SPECIAL CONCERN TO THE UNITED STATES, AND (C) ADHERE TO THE GUIDELINES CONTAINED IN THE SAHEL REGIONAL DEVELOPMENT STRATEGY

STATEMENT. THE REVIEW RESULTED IN DECISIONS TO TERMINATE THE FOOD CROP PROTECTION PROJECT, BEGIN TERMINATING THE NIGER RIVER BASIN AND INTEGRATED PEST MANAGEMENT PROJECTS AND REDUCE DRASTICALLY PLANNED ASSISTANCE TO THE OMVS.

- BECAUSE OF INTEGRATION OF ANOTHER MAJOR REGIONAL PROJECT MANAGEMENT UNIT, AFR/RA, INTO AFR/TR DURING 1986, MORE AD HOC PROCEDURES ADDRESSING REGIONAL PROJECT MANAGEMENT ISSUES WERE USED, INCLUDING VULNERABILITY AND INTERNAL CONTROL REVIEWS AND THE FY 88 ABS EXERCISE.

- THE AUDIT GAVE IMPETUS TO THE ACTIONS DESCRIBED ABOVE AND TO THE BUREAU'S INTERNAL MONITORING OF PERFORMANCE IN REGIONAL ACTIVITIES. AA/AFR INSTRUCTED

AFR/PD TO INITIATE PROJECT IMPLEMENTATION REVIEWS OR THE REGIONAL PORTFOLIO. THIS WAS ANNOUNCED DURING THE AFRICA AND SAHEL MISSION DIRECTORS CONFERENCES IN NOVEMBER 1986. SPECIFIC REVIEWS WERE HELD FOR THE SAHEL PROGRAM ON JANUARY 14, 1987, AND FOR THE AFR/TR PORTFOLIO, ON JANUARY 21, 1987. THE AUDIT FINDINGS AND RECOMMENDATIONS WERE A KEY CONSIDERATION IN REVIEWING THESE PORTFOLIOS. WE ANTICIPATE A MORE FOCUSED REVIEW DURING THE NEXT 1987 PIR SEMI-ANNUAL SESSIONS.

- IT IS BELIEVED THAT THESE STEPS REFLECT FULL ACCEPTANCE OF AND INITIAL COMPLIANCE WITH THE AUDIT REPORTS RECOMMENDATION AND THAT THE FINDING CAN BE CONSIDERED CLOSED WHEN THE AUDIT REPORT IS ISSUED. ADDITIONAL ACTIONS UNDERWAY ARE DESCRIBED BELOW.

5. CURRENT ACTIONS: THE BUREAU RECOGNIZES THE NEED TO INCREASE MANAGEMENT CAPACITY AND TO MATCH PROJECT REQUIREMENTS WITH THAT CAPACITY. A REVIEW OF MANAGEMENT UNITS AND WORKLOAD IS UNDERWAY. AT THE SAME TIME, EFFORTS ARE UNDERWAY TO EVOLVE A NEW GENERATION OF CORE REGIONAL PROJECTS THAT FOCUSES RESOURCES ON MAJOR, PRIORITY PROBLEMS, ESPECIALLY IN THE AREAS OF HUMAN RESOURCES DEVELOPMENT, NATURAL RESOURCES MANAGEMENT, CHILD SURVIVAL AND FAMILY HEALTH. THESE INITIATIVES HAVE IN COMMON MAJOR DESIGN APPROACHES STRESSING ADEQUATE MANAGEMENT SYSTEMS WHICH WILL AVOID PROBLEMS IDENTIFIED IN THE AUDIT. SPECIFIC ATTENTION IS BEING FOCUSED ON ASSURING THE NECESSARY OVERSIGHT AND MONITORING OF THESE PROJECTS, REVIEW BY SENIOR MANAGEMENT, CLEAR MANAGEMENT AND SOUND INFORMATION SYSTEMS, AND ASSURING COMMITMENT TO THE LEVEL OF EFFORT REQUIRED BY INTENDED BENEFICIARIES.

- CONCURRENT WITH THE EVOLUTION OF THIS MORE FOCUSED CORE FOR THE REGIONAL PORTFOLIO, HARD CHOICES WILL BE MADE TO DEFER OTHER INITIATIVES AS WELL AS CONTINUING TO REDUCE LEVELS OR PHASE OUT SELECTED ACTIVITIES. GREAT EFFORT WILL BE MADE TO CONTAIN SPECIAL INTEREST PROJECTS THAT HAVE TRADITIONALLY FOUND A HOME IN THE REGIONAL PORTFOLIO. GUIDELINES HAVE BEEN LAID OUT FOR AN INFORMATION MANAGEMENT AND EVALUATION SYSTEM THAT WOULD BE APPLIED TO THE REGIONAL PORTFOLIO AS A WHOLE TO: (1) PROVIDE AN IMPROVED KNOWLEDGE BASE TO GUIDE SUBSEQUENT REFINEMENTS TO THE PORTFOLIO; (2) PERMIT EVALUATION TO GUIDE A CONTINUING CONSOLIDATION EXERCISE, AND (3) INSTITUTIONALIZE WITHIN AFR/TR THE CAPACITY TO RELATE INTERNAL CAPACITIES TO WORKLOAD.

- THE BUREAU ALSO RECOGNIZES THAT THE COMPETITION FOR SCARCE RESOURCES BETWEEN REGIONAL AND BILATERAL PROGRAMS HAS CONTRIBUTED TO A COMMON, THOUGH NOT GENERAL RELUCTANCE ON THE PART OF MISSIONS TO GIVE ANY PRIORITY TO MANAGEMENT OF REGIONAL PROJECTS. IN THIS REGARD THE BUREAU IS ADJUSTING ITS APPROACH TO REGIONAL PROGRAM BUDGETING IN A NUMBER OF WAYS:

- (A) THE NEW CORE PROJECTS WILL BE FINANCED THROUGH

A COMBINATION OF REGIONAL AND BILATERAL FUNDS,  
INSTITUTIONALIZING A BUY-IN PROCESS THAT MAKES CONCRETE  
ATTRIBUTION OF REGIONAL ACTIVITIES TO BILATERAL PROGRAMS  
AND OBJECTIVES AND PROVIDING MISSIONS WITH INCENTIVES TO  
ASSUME GREATER ACCOUNTABILITY;

- (B) BRING RECENT EXPERIENCE TO BEAR ON THE DESIGN  
OF UMBRELLA PROJECTS IN TERMS OF COMMON STANDARDS FOR  
DELEGATIONS, APPROVAL PROCESSES, SELECTION CRITERIA AND  
MONITORING REQUIREMENTS; AND

- (C) REDUCE VULNERABILITY OF REGIONAL- ACTIVITIES TO  
BUDGET FLUCTUATIONS BY CLEARLY IDENTIFYING CORE  
ACTIVITIES FOR PRIORITY FUNDING.

6. CONCLUSION: HI-E THE BUREAU MAY DISAGREE WITH  
DETAILS RELATED TO PARTICULAR PROJECTS, THE THRUST OF  
THE SYNTHESIS REPORT IS CONSISTENT WITH THE BUREAU'S OWN  
ANALYSIS. THE CAUSE OF PROBLEMS GO BEYOND DESIGN AND

CAPACITY THAT HAS BEEN PROVIDED TO MANAGE THE REGIONAL  
PORTFOLIO - A CAPACITY THAT IS IN LARGE PART A FUNCTION  
OF PAST PRIORITIES AND APPROACHES TO PROGRAM BUDGETING.  
THIS RESPONSE LAYS OUT SOME OF THE STEPS CURRENTLY BEING  
TAKEN TO ADJUST THAT CAPACITY, MATCH REQUIREMENTS AND

CAPACITY MORE CLOSELY AND INSTITUTIONALIZE A PROCESS FOR  
KEEPING THE TWO FACTORS IN BALANCE. BETTER USE OF THE  
SEMI-ANNUAL REVIEW PROCESS IS BUT A PIECE OF THIS  
STRATEGY. WHEN CALLED UPON TO RESPOND TO THE FINAL  
REPORT OF THIS AUDIT THE BUREAU SHOULD BE MORE ADVANCED  
IN IMPLEMENTING THE ACTIONS DISCUSSED ABOVE AND IN A  
POSITION TO PROVIDE MORE DETAILS ON RESULTS DERIVED.

WHITEHEAD

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| AIG/II                       | 1                        |
| RIG/II/Dakar                 | 1                        |
| RIG/A/Cairo                  | 1                        |
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