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REV. 58042

AUDIT OF THE USAID/TUNISIA TECHNOLOGY
TRANSFER PROJECT NO. 664-0315

AUDIT REPORT NO. 9-664-88-010

SEPTEMBER 23, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

September 23, 1988

MEMORANDUM FOR DIRECTOR, USAID/TUNISIA, Charles W. Weden, Jr.

FROM: IG/PSA, *Mervin F. Boyer Jr.*
Mervin F. Boyer Jr.

SUBJECT: Audit of the USAID/Tunisia Technology Transfer
Project No. 664-0315, Audit Report No. 9-664-88-010

The Inspector General's Office of Programs and Systems Audits has completed an audit of the USAID/Tunisia Technology Transfer Project No. 664-0315. The audit was requested by USAID/Tunisia because of certain GOT accounting problems and other concerns. Five copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment, and your comments are attached to the report. The report contains one resolved recommendation which will be closed upon receipt of documentation to support the corrective actions taken.

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

Background

The Government of Tunisia (GOT) has stressed education to meet the country's manpower needs. The GOT has allocated about one-third of its national budget to education, including the provision of free tuition for Tunisians enrolled in the national university system. Nonetheless, because of an inability to determine and plan Tunisia's manpower requirements, and limited university capacity and curricula, the GOT has had to depend on costly overseas educational programs to help meet a deficit in trained manpower. Traditionally, the Soviet Union, France and other European nations have financed these programs by providing scholarships for general technical education.

In 1981, A.I.D. authorized a three-year Technology Transfer Project No. 664-0315 to eliminate Tunisia's dependency on these overseas programs. A.I.D. was to provide \$1.4 million

for technical assistance, while the GOT was to provide about \$23.3 million for all other costs. The GOT University and Scientific Mission of Tunisia in Washington D.C., the Ministry of Higher Education and Scientific Research and USAID/Tunisia shared management responsibility.

By April 1987, the project had been extended to August 1989. A.I.D. financing had increased to \$25.1 million of which \$19.6 million had been spent, primarily for U.S. participant training. In February 1988, USAID/Tunisia submitted its eighth project amendment for approval. The Mission requested an additional \$19.9 million to finance participant training through 1992.

Audit Objectives and Scope

This audit was made to determine (1) the need for a non-Federal audit of GOT accounting records supporting the use of A.I.D. funds, and (2) progress in achieving project objectives.

The audit of accounting records was limited to testing the reliability of a 1986 GOT audit report which covered \$12.5 million through June 1986, following up on the deficiencies noted by the GOT audit, and testing \$2.8 million of \$5.6 million for the period July 1986 to June 1987. Audit tests included a judgment sample of 30 of 684 A.I.D.-financed students, and verification of compliance with the Fixed Amount Reimbursement criteria set out in Project Implementation Letters. The audit did not verify GOT contributions. Testing of compliance and internal controls was limited to the conditions disclosed in this report.

The audit was conducted in Tunis during September 1987 and in Washington D.C. from January to February 1988. The audit included interviews with USAID/Tunisia, GOT, Manpower Study Team and Asia/Near East Bureau officials, and reviews of the project paper, amendments, 1986 GOT audit report, 1986 project evaluation, 1987 manpower study, progress reports, and other A.I.D. and GOT records. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

The results of audit showed there was no need for a non-Federal audit of GOT accounting records supporting the use of A.I.D. funds. However, the audit did show there was inadequate progress in achieving project objectives.

Testing of GOT accounting records disclosed no significant issues to warrant financial audit coverage over and above that already being provided by the GOT. The 1986 GOT audit report was sufficiently comprehensive and accurate to provide assurance that amounts expended were adequately accounted for through June 1986. GOT audit follow-up resolved identified issues. Although tests of reported student enrollments disclosed inaccurate data on academic status, supporting files showed that student performance met A.I.D. requirements. While more Mission monitoring could have helped avoid prior problems, reporting had become current.

However, A.I.D. had spent \$18.2 million more than planned by financing activities inconsistent with project objectives. The report recommends that USAID/Tunisia redesign the project to establish more realistic and measurable objectives.

Need to Redesign the Project to Establish More Realistic and Measurable Objectives - To eliminate Tunisia's dependency on overseas education, A.I.D. initially authorized \$1.4 million to strengthen GOT manpower planning and Tunisia's university system. Although A.I.D. had spent \$18.2 million more than planned, USAID/Tunisia had not used these funds for project objectives. Instead, the funds had been used to finance a growing overseas educational program while enrollments at Tunisian schools declined. This condition was caused by serious flaws in project design and redesign efforts, and other weaknesses in the Mission's system to measure project effectiveness. As a result, Tunisia remained incapable of meeting manpower needs through its university system, and the Mission lacked valid objectives, justification and other controls for the \$25.4 million planned to fund further project activities.

Discussion - From 1980 to 1981, the GOT sought A.I.D. help to establish a U.S. scholarship program, similar to those undertaken in Europe. The GOT wanted the program because of foreign exchange problems, student unrest over limited university capacity, increasing dependency on the Soviet bloc to compensate for fewer available Western scholarships, and a desire to promote ties with the U.S.

A.I.D. did not agree to fund a scholarship program because of: (1) a planned phase out of assistance to Tunisia; (2) a policy that assistance be provided towards a better defined objective than general technical education; (3) a GOT participant selection process which did not afford priority to economically disadvantaged students; and (4) studies which showed that A.I.D. participant training since 1957 had

not helped the manpower deficit because few returned participants stayed in Tunisia to work. Also, a 1980 A.I.D. evaluation of the Tunisia Science and Technology Project No. 664-0300 showed that the future strategy needed to focus on institutional development, particularly on the planning and management of technology transfer, rather than on the technical skills actually transferred.

By August 1981, GOT and A.I.D. differences were not fully resolved, but due to pressure to implement assistance the parties signed a project agreement. To eliminate Tunisia's dependency on overseas educational programs, A.I.D. authorized \$1.4 million to strengthen GOT manpower planning capability and the university system. To address the political need, A.I.D. authorized limited assistance to develop the GOT's student placement process. This minor component was included to minimize the higher cost of U.S. training that the GOT intended to proceed with. USAID/Tunisia justified this component on the basis that this was not an A.I.D. participant training project. Therefore, A.I.D. regulations governing the design, implementation, and monitoring of the training were deemed not applicable, and no further objectives, justification or other controls were established.

By June 1987, A.I.D. had spent \$18.2 million more than planned, but little of this money was used for project objectives. Because of continuing foreign exchange problems, in 1983 the GOT persuaded the U.S. to reverse its decision to phase out assistance. Since then, annual project amendments have provided supplemental financing. By June 1987, A.I.D. financing totaled \$25.1 million of which \$19.6 million had been spent. Moreover, only \$1.5 million had been spent on activities to strengthen GOT manpower planning and the university system.

The remaining funds were used to support a growing U.S. participant training program, while enrollments at Tunisian schools declined. A.I.D. spent \$18.1 million to train Tunisians in the U.S., while planned GOT contributions decreased from \$23.3 million to \$15 million. A.I.D. funds helped the GOT increase the number of U.S. scholarships, principally in engineering, from 209 in 1981/1982 to 521 in 1986/1987. However, according to a recent manpower study, enrollments at Tunisia's principal engineering schools fell from 2,926 students in the 1984-85 school year to 2,478 by 1986-87. Declining enrollments in other disciplines were less pronounced.

A.I.D. funds were not used for project objectives because of serious flaws in project design and redesign efforts, and other weaknesses in USAID/Tunisia's system to measure project effectiveness.

In designing the project, USAID/Tunisia established project purposes and goals which were insufficiently quantified to enable measurement, and were based on erroneous assumptions. For example, the project paper failed to specify which faculty and curricula would eliminate Tunisia's dependency on overseas education. The assumptions were that students would be motivated to return and join Tunisian faculties, and implicitly, that the GOT had the resources to make faculty positions available and to sustain other project efforts to strengthen schools. As shown in Exhibit 1, the assumptions were invalid.

In redesigning the project, USAID/Tunisia maintained the original design flaws. No new objectives were established to show how A.I.D. participant training was to contribute towards the project's goal of eliminating Tunisia's dependency on overseas education. Furthermore, the Mission failed to justify why it believed that participant training was a cost effective alternative to manpower development, or what new information negated the studies of A.I.D. participant training since 1957. Thus, there was no mechanism to control the effectiveness of participant training, as well as the cost and time needed to complete the program.

Notwithstanding flawed project designs, the Mission's project implementation reports contained no interim benchmarks against which A.I.D. could gather and report data needed to show that the objectives were not being met, and therefore, that a better redesign was needed. These reports tended to focus on inputs (i.e. cost of technical assistance) and outputs (i.e. number of participants enrolled), rather than measuring progress in achieving the project purpose.

Although evaluations should have identified the design flaws, USAID/Tunisia utilized subjective, rather than objective, methodologies. For example, in 1987 the Mission contracted a team to study constraints to returned participants working in Tunisia, and to reaffirm project direction. However, the study was based on the incorrect premiss that the project objectives were to "transfer American technology and American orientation toward engineering, management, and private enterprise". As a result, the team found no evidence to recommend a redesign.

There were other weaknesses in USAID/Tunisia's system to measure project effectiveness as well. The Mission had not maintained sufficient records on the lessons learned from A.I.D.'s participant training strategy for Tunisia from 1957 to 1981, or on the project's design, accomplishments and

problems from 1981 to 1984. Also, the Mission had not installed a good system to track participants, particularly those who had been dropped or graduated from the program.

Such weaknesses impaired the 1987 manpower study team which, for example, could only ascertain the status of 67 of 240 students who had left the program.

Weaknesses in USAID/Tunisia's system to measure project effectiveness adversely affected the project. As shown in Exhibit 1, Tunisia remained incapable of meeting manpower needs through the national university system, and the Mission lacked valid objectives, justification and other controls for the \$25.4 million planned to fund further participant training.

In conclusion, after nearly seven years of A.I.D. assistance and the expenditure of \$18.2 million more than planned, negligible progress has been made to eliminate Tunisia's dependency on costly overseas training programs. In fact, the project funded more overseas training. The additional \$19.9 million that USAID/Tunisia requested to finance participant training was neither consistent with project objectives nor justified on the basis of a current project design document.

Recommendation No. 1

We recommend that the Director, USAID/Tunisia redesign the Technology Transfer Project to:

- a. provide economic and political justification for U.S. participant training which takes into account the lessons learned from the A.I.D. strategy for Tunisia since 1957;
- b. form project goals and purposes which are clearly defined and consistent with the justification provided;
- c. furnish quantitative interim benchmarks for measuring project goal and purpose indicators;
- d. systematically gather and report data on progress meeting project benchmarks and indicators;
- e. evaluate data to determine if objectives are being met and, if not, identify corrective actions; and
- f. establish methods to ensure compliance with A.I.D. participant training regulations, such as affording priority to economically disadvantaged students.

Appendix 1 provides the full text of USAID/Tunisia comments. The Mission reported that it had significantly redesigned the project following the completion of audit field work. The Mission cited several political and economic factors to justify participant training, including (1) the need to encourage Tunisia's transition to a more democratic republic through economic support and (2) the need for U.S. technology in many Tunisia development areas. Accordingly, the project objectives are now to acquire and incorporate U.S. technology and approaches to problem solving through a critical mass of U.S. trained manpower. The fields of study to be financed are directly supportive of structural adjustment goals and will enable the acquisition of technology more quickly. The quantitative benchmarks needed to measure progress in achieving these objectives were included in the revised project paper. In August 1988, the Mission, incorporated these benchmarks in GOT reporting requirements through the issuance of Project Implementation Letter Number 24. A computerized Mission system to track and evaluate progress in achieving the benchmarks was established in July 1988. Project Implementation Letter Number 24 also requires the GOT to comply with A.I.D. Handbook 10 in implementing the participant training program. Therefore, the Mission requested closure of the Recommendation.

USAID/Tunisia's actions are responsive to the report's recommendation. However, IG standards for closing the recommendation require supporting documentary evidence that the corrective actions have been implemented. Therefore, the recommendation is resolved pending receipt of copies of the revised project paper, Project Implementation Letter Number 24, a GOT project progress report, and a Mission computer generated progress report.

Other Pertinent Matters - USAID/Tunisia records showed that A.I.D. paid the GOT \$64,245 in June 1987. As of February 1988, the GOT had not received this payment. Upon investigation, the Mission Controller stated that the A.I.D. disbursement center had no record of the check's issuance. Mission officials could not explain this discrepancy.

AUDIT OF THE USAID/TUNISIA TECHNOLOGY
TRANSFER PROJECT NO. 664-0315

EXHIBIT AND APPENDICES

AUDIT OF THE USAID/TUNISIA
TECHNOLOGY TRANSFER PROJECT NO. 664-0315

COMPARISON OF PROJECT OBJECTIVES
WITH PROJECT RESULTS AS OF FEBRUARY 1988 1/

<u>Project Objective</u>	<u>Project Results</u>
1. 480 Tunisian students were successfully pursuing academic degrees in technical fields in U.S. institutions, and graduates were returning to serve on Tunisian faculties.	1. 476 students were currently enrolled in the 1987/1988 school year. 240 former students left the program, of which 237 failed to return to serve on Tunisian faculties 2/. Of the remaining three, two returned to the faculty of a Soviet sponsored school 3/. Budgetary and other constraints have limited the availability of faculty positions. The capability and training of faculties continued to limit Tunisia's ability to provide advanced education.
2. Links between the faculties of Tunisian technical institutions and U.S. institutions	2. Project activities aimed at this objective terminated in August 1986 when the allotted portion of the budget ran out 4/.

1/ Based on best available information.

2/ 66 of the 240 students failed to graduate.

3/ A.I.D. did not authorize assistance to certain schools where the presence of Soviet faculty or support would conflict with a U.S. legislative prohibition against commingling of assistance. For example, after the project had started, Tunisia's largest and most important engineering school was determined ineligible for A.I.D. assistance because school financing and nearly one-third of the faculty were provided by the Soviet Union.

4/ Original estimates were that a \$3.3 million A.I.D. contribution would be required to accomplish project objectives. However, because of a reduction in available funding, the project design provided only \$1.4 million.

<u>Project Objective</u>	<u>Project Results</u>
had been developed to enable a regular flow of published cooperative research between Tunisia and the U.S.	No institutional linkages were established. Although certain personal links were created, these were not sustainable without funding.
3. Academic courses offered in Tunisian technical institutions had increased in quantity, quality and appropriateness to Tunisia's economic development potential.	3. This component also terminated when the allotted portion of the budget was exhausted. Certain courses were improved, but the effectiveness of this activity could not be measured. In any case, curricula were not expanded, and course improvements could not be sustained without institutional linkages. Tunisia remained dependent on overseas education to cover the short-falls in Tunisian curricula.
4. The GOT had the capability to accurately forecast labor needs in the science and technology sector.	4. The GOT was never motivated towards this objective. Educational efforts have produced an oversupply of engineers in some fields, but a deficit in other areas. The GOT continued to lack an updated and comprehensive data base for manpower planning. This limited the effectiveness of a 1987 A.I.D. manpower study, particularly the team's inability to ascertain the degree of Soviet influence ^{5/} on Tunisia's manpower development.

5/ Project design documentation indicated considerable Soviet assistance to certain Tunisian institutions and a Soviet scholarship program for Tunisians which, in 1982-1983, was greater than any other scholarship program.

<u>Project Objective</u>	<u>Project Results</u>
5. The GOT had the capability to screen, place and support students in the U.S.	5. This objective was not sufficiently quantified to enable measurement. The GOT screening process did not afford priority to economically disadvantaged students. The GOT was placing students, but there was a question as to whether students were being placed in programs commensurate with the country's needs. The GOT has lacked the funds to support the U.S. educational program.

ACTION
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APPENDIX 1
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INCOMING
TELEGRAM

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UNCLAS TUNIS 08399

AIDAC FOR MERVIN BOYER IG/PSA

E.O. 12356: N/A
SUBJECT: AUDIT OF THE USAID/TUNISIA TECHNOLOGY TRANSFER
PROJECT NO. 664-031

SUMMARY: MISSION APPRECIATES OPPORTUNITY TO COMMENT ON DRAFT AUDIT REPORT WHICH WAS RECEIVED IN MISSION ON JULY 28. AS A RESULT OF EARLY FEEDBACK FROM IG STAFF CONDUCTING THE AUDIT DATA PROVIDED BY THE DEMAND STUDY PRESENTED TO THE MISSION IN FEBRUARY 1988 AND ECONOMIC ANALYSIS CARRIED OUT DURING THE LAST QUARTER OF 1987 THE PROJECT HAS BEEN SIGNIFICANTLY REDESIGNED. AS A RESULT OF THIS REDESIGN, WHICH IS ARTICULATED IN AMENDMENT NO. 8 TO THE PROJECT PAPER ITS ANNEXES AND CONFIRMED IN THE AMENDED AUTHORIZATION SIGNED BY THE ADMINISTRATOR ON MARCH 25, 1988, WE RECOMMEND THAT RECOMMENDATION NO. 1 BE CLOSED. FURTHER ARTICULATION OF THIS REDESIGN IS CONTAINED IN PIL NO. 24 OF AUGUST 15, 1988. SPECIFIC RESPONSES TO THE VARIOUS ELEMENTS OF RECOMMENDATION 1 ARE PROVIDED BELOW. END SUMMARY.

1. REC. 1A: PROVIDE ECONOMIC AND POLITICAL JUSTIFICATION FOR U.S. PARTICIPANT TRAINING WHICH TAKES INTO ACCOUNT THE LESSONS LEARNED FROM THE A.I.D. STRATEGY FOR TUNISIA SINCE 1957.

COMMENTS: THE TECHNOLOGY TRANSFER PROJECT WAS ORIGINALLY EXPANDED TO INCLUDE A FAR GREATER NUMBER OF PARTICIPANTS AS A RESULT OF FORMER PRESIDENT BOURGUIBA'S REQUEST TO PRESIDENT REAGAN DURING A STATE VISIT IN 1984. AT THAT TIME THE DECISION TO RESPOND POSITIVELY TO PRESIDENT BOURGUIBA WAS PRIMARILY MOTIVATED BY THE FACT THAT TUNISIA WAS ACTIVELY THREATENED BY ITS NEIGHBOR LIBYA, PARTIALLY BECAUSE OF THE MODERATE PRO WESTERN OUTLOOK, AND THE USG WISHED TO SUPPORT A CLOSE FRIEND IN A TIME OF NEED. WHILE THE TENSION HAS LESSENERED SOMEWHAT UNDER THE NEW PRESIDENT BEN ALI, SUPPORT TO TUNISIA, WHICH CONTINUES ITS MODERATE ROLE, CONTINUES TO BE CONSIDERED POLITICALLY IMPORTANT TO THE USG. IT IS FOR THESE REASONS THAT FOR THE PAST FIVE YEARS CONGRESS HAS CONSISTENTLY EARMARKED BETWEEN DOLS. 18-22 MILLION OF ESF FUNDING FOR TUNISIA. CONTINUED POLITICAL SUPPORT FOR TUNISIA DURING ITS TRANSITION FROM A CLOSED ONE PARTY STATE TO A MORE DEMOCRATIC REPUBLIC IS JUDGED BY THE USG TO BE IN OUR BEST INTEREST. CONTACT AND FAMILIARITY WITH THE WORLD'S LEADING DEMOCRACY, THE USA, IS CONSIDERED AN IMPORTANT AND EFFECTIVE WAY TO SUPPORT THIS MOVEMENT TOWARD DEMOCRATIZATION. TECHNOLOGY TRANSFER IS AN IMPORTANT ACTIVITY HELPING TO MEET THIS OBJECTIVE. ECONOMICALLY, THE USG STRATEGY, AS ANTICIPATED IN OUR STRATEGY PAPER REVIEWED AND APPROVED IN OCTOBER AND DECEMBER 1986 IS TO SUPPORT THE ECONOMIC ADJUSTMENT PROGRAM PROMULGATED BY THE TUNISIAN GOVERNMENT IN JUNE 1986. OUR PROGRAM SUPPORTS THE GOT ON TWO LEVELS, PREPARING THEM FOR RENEWED GROWTH AND PROVIDING QUICK DISBURSING RESOURCES TO HELP BRIDGE THE FOREIGN EXCHANGE GAP. THE TECHNOLOGY TRANSFER PROJECT RESPONDS TO BOTH OF

THESE OBJECTIVES. THE PROJECT MEETS UP TO 95 PERCENT OF THE U.S. COSTS OF TRAINING WHICH OTHERWISE WOULD REQUIRE THE GOT TO DRAW DOWN SCARCE FOREIGN EXCHANGE. AS SUCH, IT IS EVERY BIT AS IMPORTANT AS ITS COMPANION RESOURCE TRANSFER PROJECT, THE CIP. FUNDS ARE DISBURSED WITHIN ONE YEAR, EASING IMMEDIATE ECONOMIC PRESSURE. IN LIGHT OF THE ADJUSTMENT PROGRAM AND FOREIGN EXCHANGE SHORTAGES, THE ECONOMIC JUSTIFICATION HAS BEEN AND REMAINS STRONG.

LESSONS LEARNED FROM AID STRATEGIES SINCE 1957 ARE MANY AND VARIED. THE MOST RELEVANT ARE THAT A CONSTANCY IN STRATEGY IS NEEDED OVER A PERIOD OF TIME AND THAT U.S. TECHNOLOGY IS MOST APPROPRIATE IN MANY AREAS OF DEVELOPMENT ENDEAVOR. THE EXTENSION OF THE PROJECT UNTIL 1992 TAKES COGNIZANCE OF THE FIRST LESSON, THE BROADENING OF STUDY SUBJECTS TO INCLUDE MORE BUSINESS, ECONOMIC AND COMPUTER TRAINING RESPONSES TO THE SECOND.
2. REC. 1B: FORM PROJECT GOALS AND PURPOSES WHICH ARE CLEARLY DEFINED AND CONSISTENT WITH THE JUSTIFICATION PROVIDED.

COMMENTS: THE OBJECTIVES OF THE PROJECT, AS NOTED IN THE REVISED PP, IS TO ACQUIRE AND INCORPORATE U.S. TECHNOLOGY AND APPROACHES TO PROBLEM SOLVING THROUGH A CRITICAL MASS OF U.S. TRAINED MANPOWER. AS THE PROJECT IS CONTINUING, OBJECTIVES WHICH HAD BEEN ADDRESSED EARLIER IN THE PROJECT LIFE REMAIN ON THE BOOKS. ALTHOUGH NO FURTHER ACTIVITY WILL BE MOUNTED IN THESE AREAS, THE MOST IMPORTANT OF THESE IS THE COMPONENT OF THE PROJECT WHICH TARGETTED

INSTITUTIONAL STRENGTHENING UNDER THIS ELEMENT. FORTY U.S. STUDY TOURS BY TUNISIAN OFFICIALS AND FACULTY MEMBERS WERE ACCOMPLISHED AND OVER 30 U.S. PROFESSORS GAVE SEMINARS AND LECTURES IN TUNISIA. THEY ALSO HAD EXTENSIVE INTERCHANGES WITH TUNISIAN PROFESSORS AND UNIVERSITY ADMINISTRATORS. SUBSEQUENT TO DISCUSSIONS IN PREPARATION FOR THE REVISED PP, THE DESIGN TEAM AND GOT CONCLUDED THAT FURTHER INVESTMENT TO ENCOURAGE FORMAL INSTITUTIONAL LINKAGES WAS NOT OPTIMUM, AND THAT FUNDING SHOULD BE MADE AVAILABLE INSTEAD FOR CONTINUED SUPPORT FOR SCHOLARSHIPS. IT WAS ALSO CONCLUDED THAT LINKAGES BETWEEN U.S. AND TUNISIAN UNIVERSITIES SUFFICIENT TO TUNISIA'S NEEDS WOULD EVOLVE FROM ACTIVITIES OF RETURNED STUDENTS.

THE PROJECT HAS BEEN FURTHER REDESIGNED TO RESPOND TO THE STATED OBJECTIVE BY ELIMINATING NEW STARTS AT THE BACHELORS DEGREE LEVEL, AND RESTRICTING LONG TERM TRAINING TO MASTERS AND PH.D. LEVELS. THE ADVANCED DEGREES TO BE FINANCED UNDER THIS MODIFICATION WILL PERMIT HIGHER TECHNOLOGIES TO BE ACQUIRED MORE QUICKLY. THE PROHIBITION ON FUNDING THIRD DEGREES WHICH WAS INCLUDED IN THE REVISED DESIGN OF PP REVISIONS WILL PERMIT A GREATER NUMBER OF STUDENTS TO BE SUPPORTED, CONTRIBUTING TO A SWIFTER ATTAINMENT OF THE CRITICAL MASS NEEDED TO MEET PROJECT OBJECTIVES. THE ACQUISITION OF THE CRITICAL MASS WILL HELP THE TUNISIANS MORE EFFECTIVELY ACQUIRE AND MANAGE TECHNOLOGY. AS WELL, A LOGICAL FRAMEWORK MATRIX APPENDED TO THE PP NOTED THAT THE FIELDS OF STUDY WOULD BE EXPANDED TO INCLUDE BUSINESS AND AREAS OF ENDEAVOR WHICH ARE DIRECTLY SUPPORTIVE OF STRUCTURAL ADJUSTMENT GOALS. THIS PROCESS OF BROADENING HAS ALREADY STARTED WITH 14 MEAS PRESENTLY IN THE PROGRAM AND MORE PROGRAMMED. DEQB-REOB ACTIONS NOW IN PROCESS WILL PROVIDE FUNDS TO SUPPORT CONTINUATION OF AGRICULTURAL TRAINING, SUPPORTIVE OF STRUCTURAL ADJUSTMENT. THUS, THE PROJECT IS CLEARLY NO LONGER LIMITED TO ENGINEERING AND IS MORE CLEARLY DIRECTED AT THE STATED OBJECTIVES.

3. REC. 1C: FURNISH QUANTITATIVE INTERIM BENCHMARKS FOR

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MEASURING PROJECT GOAL AND PURPOSE INDICATORS.

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COMMENTS: QUANTITATIVE BENCHMARKS WERE ESTABLISHED IN THE REVISED PP AND ARE REFLECTED IN ANNEX C AND D TO THE PP. THIS INCLUDED NUMBERS OF NEW STUDENTS, GRADUATES BY YEAR AND LEVELS OF ACHIEVEMENT. THE PP ALSO PROJECTED A BENCHMARK BY DEGREE ATTAINED. IN ADDITION, THE LOG FRAME EXPANDED AND BETTER DEFINED THE BENCHMARKS IN RELATION TO ACHIEVEMENT OF GOAL LEVEL OBJECTIVES BY NOTING THAT BUSINESS INSTITUTIONS AND COMPANIES WILL HAVE TECH TRANSFER ALUMNI SERVING IN TECHNICAL AND MANAGERIAL POSITIONS. A TOTAL OF 1000 BENEFICIARIES OF THE PROJECT WERE DEFINED AS THE MAJOR VERIFIABLE PROJECT OBJECTIVE. MONTHLY REPORTS FROM MUST, WHICH WILL BE PROVIDED PURSUANT TO PIL NO. 24 WILL PERMIT THE VERIFICATION OF THESE BENCHMARKS.

4. REC. 10: SYSTEMATICALLY GATHER AND REPORT DATA ON PROGRESS MEETING PROJECT BENCHMARKS AND INDICATORS.

COMMENTS: THE MISSION COMPUTERIZED SYSTEM TO TRACK PARTICIPANTS IS IN PLACE AND DATA WAS ENTERED IN LATE JULY. PIL NO. 24 EARMARKS FUNDS FOR FOLLOW UP AND REPORTING ON STUDENTS, BOTH IN TRAINING AND RETURNED. PIL NO. 24 COMMITS THE GOT TO PROVIDE THE FOLLOWING REPORTS AND DATA:

-- A. ENROLLMENT LISTS OF ALL STUDENTS UNDER THIS PROGRAM.

-- B. MONTHLY LISTS ON ALL CHANGES THAT HAVE OCCURRED IN STUDENTS' STATUS STARTING FROM THE CERTIFICATION LIST OF THE PREVIOUS SEMESTER.

-- C. LISTS OF STUDENTS WHO GRADUATED FROM THEIR RESPECTIVE DEGREE PROGRAMS AT THE END OF EACH SEMESTER OR QUARTER, WHO WILL LEAVE THE PROJECT AND WHOSE NAMES WILL BE REMOVED FROM SUBSEQUENT ENROLLMENT LISTS SENT TO USAID.

-- D. LISTS OF STUDENTS WHO HAVE RETURNED TO TUNISIA.

-- E. LISTS OF STUDENTS WHO REMAIN IN THE U.S. AND THEIR STATUS IN THE U.S.

-- F. LISTS OF ANY STUDENTS WHO ARE DROPPED FROM THE

PROJECT WITH AN EXPLANATION FOR THEIR BEING DROPPED.

-- G. COMPLETE AND UPDATED PARTICIPANT DATA FORMS AND OTHER DATA/INFORMATION WHICH MAY BE REASONABLY REQUESTED BY OIT AND/OR USAID/TUNIS FROM TIME TO TIME. THE GOT HAS AGREED TO REPORT ANY CHANGES IN STUDENT STATUS WITHIN 30 DAYS AFTER THE CHANGES OCCUR.

THE MISSION BELIEVES THAT THE ABOVE REPORTS PERMIT BOTH IT AND THE GOT TO TRACK QUALITATIVE AND QUANTITATIVE PROGRESS TOWARD ACHIEVEMENT OF PROJECT BENCHMARKS.

REC. 10: EVALUATE DATA TO DETERMINE IF OBJECTIVES ARE BEING MET AND, IF NOT, IDENTIFY CORRECTIVE ACTIONS.

COMMENTS: THE REPORTS NOTED IN PARA 4 ABOVE WILL PROVIDE THE NECESSARY DATA FOR FUTURE EVALUATIONS OF PROGRESS AGAINST THE BENCHMARKS AND OBJECTIVES ESTABLISHED IN THE REVISED PP AND ATTENDANT PILS. THESE DOCUMENTS ARE THEMSELVES THE RESULT OF EVALUATION DATA SUCH AS THE DEMAND STUDY, THE PROJECT REDESIGN PROCESS AND REGULAR REPORTING SYSTEM FROM THE MUST WHICH WAS RECENTLY ESTABLISHED. IN ADDITION, PIL NO. 24 PROVIDES FOR A FULL TIME INDIVIDUAL TO BE FUNDED FROM THE PROJECT FOR AN

INITIAL PERIOD OF ONE YEAR TO BE LOCATED IN USAID WITH RESPONSIBILITY FOR THE FOLLOW UP OF STUDENTS AFTER GRADUATING FROM THE PROGRAM. THIS WILL PROVIDE HARD EVIDENCE ON WHICH THE BENCHMARKS WILL BE FURTHER EVALUATED. THIS EVIDENCE WILL ALSO PERMIT, ON A LONGITUDINAL BASIS, A RETROSPECTIVE JUDGEMENT TO BE MADE ON THE EFFECTIVENESS OF PREVIOUS DECISIONS. THIS SHOULD PROVIDE USEFUL LESSONS LEARNED FOR THE AGENCY OVER THE NEXT 1-3 YEARS.

6. REC. 11: ESTABLISH METHODS TO ENSURE COMPLIANCE WITH A.I.D. PARTICIPANT TRAINING REGULATIONS, SUCH AS AFFORDING PRIORITY TO ECONOMICALLY DISADVANTAGED STUDENTS.

COMMENTS: IN RESPONSE TO THIS RECOMMENDATION, PIL NO. 24 REFLECTS THE AGREEMENT THAT REVISED HANDBOOK 10 WILL BE USED AS A REFERENCE FOR POLICY AND GUIDANCE AND FOR IMPLEMENTATION OF THE TECHNOLOGY TRANSFER PROGRAM; IN CONJUNCTION WITH PROJECT AGREEMENT AMENDMENT NO. 8 AND OTHER PILS SIGNED BY THE GOT. THE VARIOUS REPORTS REFERENCED ABOVE AS WELL AS THE ADDITIONAL STAFF PROVIDED IN APRIL 1988 AND TO BE PROVIDED IN SEPTEMBER 1988 WILL SMOOTH IMPLEMENTATION OF THIS AGREEMENT.

WITH REGARD TO THE RECOMMENDATION THAT THE PROJECT TARGET ECONOMICALLY DISADVANTAGED STUDENTS, ANECDOTAL DATA INDICATES THAT THE STUDENTS UNDER THE PROGRAM REPRESENT A SUBSTANTIAL CROSS SECTION OF TUNISIAN SOCIETY RATHER THAN THE ELITE OR POOREST OF THE POOR. ANY ATTEMPT TO RESTRICT THE DEMOCRATIC, PERFORMANCE-BASED CRITERIA OF THE GOT SELECTION PROCESS WOULD BE COUNTER PRODUCTIVE. THE MISSION STRATEGY OF SUPPORTING THE ECONOMIC ADJUSTMENT PROGRAM RECOGNIZES THE NEED TO PROVIDE ASSISTANCE TO ECONOMICALLY DISADVANTAGED TUNISIANS. IN SUPPORT OF THE STRATEGY, THE MISSION HAS TARGETTED ECONOMICALLY DISADVANTAGED TUNISIANS THROUGH THE REGIONAL WORKS PROGRAM WHICH IMPACTS 35,000 UNEMPLOYED AND POOR TUNISIANS.

7. IN VIEW OF THE ACTIONS TAKEN BY THE GOT AND THE MISSION IN RESPONSE TO THE AUDIT FINDINGS AND THE VARIOUS EVALUATORY STUDIES, REPORTS AND ANALYSES, WE REQUEST HAI RECOMMENDATIONS 1A THROUGH 1F BE CONSIDERED CLOSED. WE VERY MUCH APPRECIATE HAVING BEEN OFFERED THE OPPORTUNITY TO COMMENT.

(DRAFTED AND APPROVED BY A/DIR: JLSPERLING).
BROWN

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