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**Audit of Environmental Protection Agency's
Activities in Central and Eastern Europe
Implemented Through Interagency Agreements
with USAID, Projects 180-0004 and 180-0039**

Audit Report No. 8-180-95-014
August 18, 1995





U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT
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August 18, 1995

MEMORANDUM

TO: DAA/ENI, Donald L. Pressley

FROM: *Bruce M. Watts for*
RIG/A/B, John P. Competello

SUBJECT: Audit of Environmental Protection Agency's Activities in Central and Eastern Europe Implemented Through Interagency Agreements with USAID, Projects 180-0004 and 180-0039, Audit Report No. 8-180-95-014

This is our report on the subject audit. In preparing the report, we considered your and the Environmental Protection Agency's written comments on our draft report and these are included in their entirety as Appendix II. Based on your comments, we have resolved the five audit recommendations and below we comment on the actions needed to close these.

This report represents our sixth audit concerning activities implemented in Central and Eastern Europe through Interagency Agreements with other Federal agencies. We continue to find problems similar to those found in the prior audits. The repetitive nature of the audit findings indicates a systemic problem in managing and coordinating activities implemented through Interagency Agreements. According to the Bureau for Europe and the New Independent States' (ENI) financial reports, nearly \$521 million had been transferred by USAID to about 21 Federal agencies as of March 31, 1995, and almost \$430 million of that amount was reported as expended. Thus, activities implemented through Interagency Agreements represent 28 percent of the Bureau's obligations for Central and Eastern Europe.

The results of this audit are mixed, but the problems found are similar to those reported previously for Central and Eastern Europe programs. We found that EPA had spent or was spending the funds for activities agreed to in the Interagency Agreements, but we could not readily determine the progress of 13 of the 15 activities covered in this audit. These activities did not have benchmarks or progress indicators as required by the Interagency Agreements signed in September 1993. This lack of benchmarks has hindered USAID's ability to monitor EPA's activity both in Washington and overseas. As you may recall, similar problems have also been reported in our audits concerning oversight of Interagency Agreements in the New Independent States program.

With the advent of the ENI Monitoring and Reporting System (MRS), good communication between USAID and implementing agencies is critical. Measurable impact indicators and targets

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are among the MRS's important tools for measuring the progress of activities. Under the MRS, EPA (as well as other Federal agencies, contractor grantees and recipients) will be required to provide country-specific workplans with measurable indicators and targets. In addition to providing better documentation, the MRS requires that the USAID Representatives also prepare measurable impact indicators and targets for their country-specific workplans. Our review of EPA activities indicates that while some progress has been made in providing the MRS with measurable indicators and targets, there is room for improvement.

We believe that if these problems related to benchmarks and progress indicators are allowed to continue, they will intrude upon your ability to demonstrate the effectiveness of the assistance program in Central and Eastern Europe, and probably in the New Independent States program too. Furthermore, as the Bureau begins to implement its new Monitoring and Reporting System, these problems may erode the potential success and effectiveness of this system. While we closed the audit recommendations of our prior reports based on actions taken on the specific problems noted, we believe that the Bureau needs to look at the repetitive nature of these problems and initiate corrective actions to solve the systemic problems with implementing activities through Interagency Agreements. Therefore, we ask that you not look solely at the EPA activities when initiating actions.

As stated previously, this report contains five recommendations aimed at correcting the causes of the problems found. Based on your comments and promised corrective actions, we have recorded these five recommendations as resolved. To close Recommendation No. 1, we need evidence that the Bureau, in conjunction with EPA, developed plans for the Regional Environmental Center and Hungarian Environmental Management Training Center to achieve financial self-sustainability. These plans should include targets and timeframes and recognize the phase-out of U.S. assistance. To close Recommendations Nos. 2 through 5, we need documentation supporting that your promised actions have been taken.

Within 30 days, please provide us information of any actions planned or taken to close these recommendations.

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

EXECUTIVE SUMMARY

As of March 31, 1995, for its Central and Eastern European programs, USAID had transferred about \$521 million to 21 Federal agencies, including the U.S. Environmental Protection Agency (EPA). Transfers through Interagency Agreements account for 28 percent of USAID's total obligations for the region. This report, while limited in scope to activities implemented by EPA, identifies problems similar to those disclosed in earlier Office of Inspector General and U.S. General Accounting Office audit reports concerning USAID's use of Interagency Agreements in the region. The repetitiveness of disclosed problems indicates systemic problems for USAID in managing and coordinating activities as related to Interagency Agreements. If unchecked, we believe these problems will intrude upon the effectiveness of the assistance program in the region and very likely have an adverse affect on the new Monitoring and Reporting System (MRS) now being implemented by the Bureau for Europe and the New Independent States (ENI). Prior audit recommendations were closed based on specific actions taken by USAID or the other Federal agencies.

Since February 1990, USAID and EPA have entered into annual Interagency Agreements which transferred a total of \$34.5 million from USAID to EPA. With these funds, EPA was to conduct various environmental activities in Central and Eastern Europe. At the time of our audit, EPA had designed 44 projects covering over 80 country-specific activities, which were being or had been carried out in the nine Central and Eastern European countries. EPA had expended \$24.3 million of these funds through March 31, 1995, according to USAID's unaudited financial reports.

The results of this audit were mixed. For example, while EPA had spent or was spending the transferred funds on activities agreed to in the Interagency Agreements, we could not readily determine the progress of 13 of the 15 activities reviewed. These activities did not have benchmarks or progress indicators as required by the Interagency Agreements initiated since September 1993. This lack of benchmarks has hindered USAID's ability to oversee EPA's activities both in Washington and overseas. The problems appears to lie in USAID's inability to ensure EPA compliance with the Agreements' requirements which is intensified by the requirement to revise the workplans annually, and in the poor communication between USAID and EPA about USAID's information needs.

ENI was implementing its new Monitoring and Reporting System (MRS), which utilizes measurable impact indicators and targets to gauge the progress and success of activities. To accomplish the new system's objectives, ENI will require EPA, as well as other Federal agencies, contractors, grantees and recipients, to provide country-specific workplans containing measurable indicators and targets. In addition to EPA providing this information, the MRS requires that the USAID Representatives prepare measurable impact indicators and targets for their country-specific activities. Our limited review indicates that some progress has been made in establishing impact indicators and targets at the USAID Representative level, but more specificity in these seems to be needed for the MRS to be fully effective.

The need for EPA to provide measurable benchmarks and progress indicators becomes more important as the USAID Representatives obtain increased authority to approve budgets for EPA's activities in their countries. With this authority, the USAID Representatives will become more involved with the programs but also add another layer to an already time-consuming process. Further, because the USAID Representatives are overseas they will not be in positions to participate in prolonged discussions concerning the clarity and specificity of benchmarks and progress indicators. With the USAID Representatives' being given increased responsibilities, it may now be an appropriate time for the ENI Bureau to redefine the roles of the USAID Representatives and Bureau project offices.

Notwithstanding any changes, the increased responsibilities make it equally important that the USAID Representatives maintain key documents which they now do not always have. In addition to needing timely benchmarks and progress indicators which are clear and precise, they also need other documentation such as equipment lists and contract scopes-of-work. The lack of key documents adversely impacts the ability of the USAID Representatives to monitor EPA's activities and keep the ENI Bureau properly informed.

In addition to problems discussed above, we found that two activities (the Regional Environmental Center and the Hungarian Environmental Management Training Center) were not likely to achieve financial self-sustainability, as originally planned. These activities represent an investment of about \$5.2 million which we believe could be jeopardized if self-sustainability is not achieved. The ENI Bureau and EPA need to assist these entities in developing specific plans for future self-sustainability.

In their written comments, both the ENI Bureau and EPA agreed with the audit findings and recommendations. Based on their comments, and in recognition of the actions they have taken to improve what had earlier been a somewhat strained working relationship, we have revised sections of the report to recognize the improved situation and to reaffirm the need of each to continue working towards maintaining a positive working relationship. Both agencies believed that the audit was correct in pointing out the need for better workplans, and the Bureau had several specific comments. The ENI Bureau agreed that the workplans' indicators needed to be refined and explicitly recognized the need for further refinement, across all sectors in its report to the Office of Management and Budget in the Spring of 1995. Although the Bureau recognizes that refinements are needed, they believe their earlier efforts to establish indicators should be recognized even though those efforts would not now conform to the more sophisticated approach adopted by the Bureau in the Spring of 1995.

Office of the Inspector General
Office of the Inspector General
August 18, 1995

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INTRODUCTION

Background

To fund its Central and Eastern Europe (CEE) program, the U.S. Agency for International Development (USAID) transferred a large portion of its total funding to other U.S. government agencies using Interagency Agreements (IAA). As of March 31, 1995, USAID had reported transferring almost \$520.7 million to 21 U.S. government agencies, including the U.S. Environmental Protection Agency (EPA). The transferred funds represent approximately 28 percent of USAID obligations for the CEE. Also by March 31, 1995, transfers to EPA had increased from an initial \$10 million in 1990 to \$34.5 million. About \$24.3 million has been reported as expended. With these funds, EPA established regional projects and country-specific activities in the nine CEE countries.

Initial authorization for the environmental program in Central and Eastern Europe came from the Support for East European Democracy (SEED) Act of 1989 (P.L. 101-179), which earmarked \$10 million for EPA to design and implement three projects in Poland and Hungary. Under the SEED Act, EPA was responsible for administering the environmental program with the transferred USAID funds. USAID's role related to the funds transferred to EPA (as well as other Federal agencies) was not clearly defined. Because of reported problems of weak program management and inadequate oversight of program implementation, the Congress¹ added specific language to Fiscal Year 1993 appropriation legislation designating USAID's field representatives to be responsible for coordination and implementation of the overall activities by all Federal agencies in CEE. Thus, EPA is responsible for designing, implementing and managing its programs in CEE, while USAID, in addition to developing its own environmental programs, is responsible for approving EPA's planned activities and coordinating these with other assistance activities.

Beginning with the IAA signed in September 1993, USAID required EPA to provide detailed country-specific workplans, acceptable to USAID, before any activity could be initiated. These workplans were to include benchmark indicators of progress toward achieving the program goals and objectives, identify major activities, and establish indicators for measuring the timing and progress for each activity. The information required in these country-specific workplans is the type of information required by the new ENI Monitoring and Reporting System, which was initiated in early 1995. This new system, along with activity review and reporting functions, will look for progress towards accomplishing targets and program objectives.

¹ Foreign Operations, Export Financing, and Related Programs Appropriation Act, (P.L. 102-391)

Environmental activities are authorized under two USAID projects, the first was initiated under the SEED Act and the second under new authorizations for assistance to CEE:

- 1) **Environmental Initiatives Program in Hungary and Poland**, Project No. 180-0004, whose objectives were to:
 - (a) establish and support a Regional Environmental Center (REC) in Budapest, Hungary which will serve as a source of information and assistance regarding environmental problems, and strengthen the capability of institutions and organizations in the region to address critical environmental problems;
 - (b) increase the capacity and improve the reliability of the water supply and wastewater treatment facilities in Krakow, Poland; and
 - (c) help improve air quality in Krakow by developing an air quality monitoring network which will provide empirical information for emergency and long-term control strategies.

- 2) **Improved Public Sector Environmental Services Activities in Central and Eastern Europe and the Baltic States**, Project No. 180-0039, whose purpose was to improve environmental quality by strengthening the capacity of governments in the region to provide public sector environmental services. The project consists of four principal components:
 - (a) institutional development;
 - (b) regional activities;
 - (c) mitigation of major environmental problems; and
 - (d) technical guidance.

Both the U.S. General Accounting Office (GAO) and the USAID Office of Inspector General (OIG) have conducted audits of U.S. assistance activities in CEE pointing out the need to clarify USAID's role with respect to funds it transfers to other Federal agencies and identifying areas for management improvement. Appendix III briefly summarizes the results of these audits. As illustrated in this Appendix, the OIG's audits identified recurring problems in activities carried out by two Federal agencies, namely the Departments of Treasury and Labor, with funds transferred by USAID. These audits reported on the need

for management improvements in such areas as: a) formulating plans to ensure activities were financially self-sustaining; b) establishing specific objectives and progress indicators for activities; c) preparing for country-specific workplans; and d) providing key documents to USAID Representatives to augment activity monitoring. As of March 31, 1995, all recommendations relating to these reports had been closed based on actions taken by the ENI Bureau and the other Federal agencies.

Audit Objectives

As part of its fiscal year 1995 audit plan, the Office of the Regional Inspector General for Audit/Bonn audited the Environmental Protection Agency's activities in Central and Eastern Europe and the Baltic States to answer the following questions:

- **What did EPA use USAID funds for and were the desired results achieved?**
- **Did the ENI Bureau and the USAID Representatives carry out their oversight responsibilities for the Environmental Protection Agency interagency agreements in accordance with applicable legislative and USAID requirements?**

Appendix I contains a discussion of the scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

What did EPA use USAID funds for and were the desired results achieved?

Since the SEED Act of 1989, USAID and Environmental Protection Agency (EPA) reports show that about \$34.5 million was transferred to EPA for various environmental activities. As of March 31, 1995, about \$24.3 million was spent, according to USAID financial reports. EPA used these funds to help improve the environmental conditions by establishing programs for demonstration projects, institution-building, technical assistance, and training. As deemed necessary, EPA provided equipment in support of programs or individual activities. These programs were carried out independently or through a combination of EPA personnel, its contractors, grantees and/or recipients of cooperative agreements, and another Federal agency under an IAA with EPA. The following table shows how EPA allocated USAID funds by program category for its activities in the CEE countries.

Program Category	Number of Projects	Number of Individual Activities
Demonstration Projects	14	23
Institution-Building Projects	2	4
Technical Assistance Projects	15	28
Training Programs	13	28
TOTAL	44	83

As discussed later in this report, it was difficult to objectively measure project progress towards overall goals because EPA did not use indicators to compare and report project accomplishments against those planned. This was similar to findings in our prior audits concerning USAID's management of IAAs with other Federal agencies.

Results Not Clearly Determinable, But EPA Provided Assistance in Agreed to Areas

For 15 individual activities reviewed, we found EPA was providing the assistance agreed to in its IAAs with USAID. We found that most of the activities had been launched, were continuing, and the assistance was being put to use. For those activities that included equipment, we found that, for the most part, the equipment had been delivered and was being used as intended. The following is a summary of our observations of the activities reviewed in the four general project categories.

- Demonstration Projects – The six demonstration project activities reviewed had made headway in achieving their broad objectives. They had been well received by both the public and participating institutions. But the impact had not been determined by either EPA or USAID.
- Institution-Building - Our review of the two institution-building activities (the Regional Environmental Center and the Environmental Management Training Center in Hungary) indicated that while they are providing services, they must resolve the issue of obtaining alternative funding sources before they can achieve financial self-sustainability, one of their primary objectives.
- Technical Assistance - For four of five technical assistance activities reviewed, the advice provided was being followed and the equipment, when provided, was being used as intended. We could not verify the reported results for the fifth activity, because the USAID Representative's project specialist overseeing the activity had resigned and other staff within the office were unfamiliar with the activity and unable to provide information.
- Training - Our review of two training activities indicated that the effect of this training is unknown. In Lithuania, one of the three training courses had not been provided as originally planned due to the delay in passage of an environmental law which was to be the basis of the course. Yet in Estonia, we were advised that the training activity had occurred and the project was considered completed. No follow-up with the training participants, however, had taken place in either country.

Our audit also noted certain problems. For example, we could not readily determine if the activities were proceeding as intended because only two of the 15 activities had benchmarks or progress indicators. Based on discussions with participants, it appeared that most of the activities were behind schedule to some degree. In some cases we could not determine the progress because the activity was either just being started or it was too early to make an assessment. For the two institutions created in Hungary which were to be financially self-sustaining at the end of the assistance period, we found it unlikely that sustainability will be achieved, a situation that EPA and USAID need to address further.

The following table presents our assessment of the status of the 15 audited activities.

STATUS	YES	PARTLY	NO	NOT APPLICABLE	TOO EARLY OR JUST STARTING	UNABLE TO DETERMINE
ACTIVITY LAUNCHED	14					1
ACTIVITY CONTINUING	14		1			
ASSISTANCE PUT TO USE	8				4	3
ACTIVITY SELF-SUSTAINING FINANCIALLY			2	13		
ON SCHEDULE	4		7			4
SPECIFIC BENCHMARKS AND PROGRESS INDICATORS ESTABLISHED	2		13			
PROGRESS TOWARDS OBJECTIVE(S)	5	3	1		5	1
EQUIPMENT DELIVERED AND USED AS INTENDED	7	1	1	6		

Appendix IV shows the assessed condition for each activity reviewed by country. Below are some examples of conditions found at five of the 15 activities reviewed:

- The Regional Environmental Center (REC) in Budapest, Hungary, had been established, was collecting and disseminating environmental information, and providing funds to non-governmental organizations in the region for environmental activities. However, the REC was intended to be financially self-sustaining by July 1995. According to the REC, EPA, and USAID officials, this is not likely to occur.
- Air monitoring capability was provided and achieving results in Krakow, Poland and in Teplice and Ostrava, Czech Republic. The countries now have air monitoring capability and the equipment provided in Krakow and Teplice was installed and being

used to some extent. According to EPA, the Krakow Air Quality Project has been completed.

- Geographic Information Systems (GIS) were made available in most of the countries under various activities allowing the countries to collect, analyze and disseminate information on environmentally problematic areas. Designated host-government agencies received the appropriate GIS equipment, which was installed and operating, and personnel were trained.
- The Environmental Management Training Center in Budapest, Hungary, was beginning to provide environmental training and information on environmental management techniques to participants. However, the issue of financial self-sustainability had not been fully addressed and the program was behind schedule.
- Experiments on demonstration farms in Poland had convinced local officials to provide additional funding because the demonstrated western technologies and land management methods were economical and environmentally sound. EPA was in the process of expanding these demonstration projects to other areas of Poland.

Investment in New Institutions Could be Lost if Financial Self-Sustainability Is Not Assured

For the two institution-building activities reviewed, EPA was assisting in the establishment of the Regional Environmental Center in Budapest, Hungary, and an Environmental Management and Training Center (EMTC) in Hungary. USAID had transferred \$5 million to EPA for the REC and also had provided \$175,000 for the Hungarian EMTC. These institutions were to become financially self-sustaining by the end of the assistance period. Assistance to the REC was to end in 1995 and to the EMTC in 1996. Our audit found that while the REC and the EMTC were concerned about attaining financial self-sustainability, they had not developed adequate or specific plans to achieve it.² USAID's investment may be at risk if prompt action is not taken to ensure the institutions' financial sustainability.

Regional Environmental Center

The Regional Environmental Center (REC) was created to address environmental challenges generally common to the Central and Eastern Europe region. It was to provide information and assistance for citizens of the CEE regarding environmental problems and nurture their capability to address critical or persistent local national and regional environmental problems. EPA, and USAID, originally expected that the REC would be financially self-sustaining by

² Similar conditions concerning sustainability of activities conducted by the Departments of the Treasury and Labor were previously reported. See Appendix III and OIG audit reports 8-181-94-01, 8-183-94-003 and 8-180-94-009.

July 1995 when U.S. assistance was to end. However, the REC has concluded that it will need continued support from the United States, and requested continuation of U.S. assistance while it seeks alternative sources of income and funding. This acknowledgement was included in the REC's 3-year business plan for 1995-1997, which was issued in January 1995.

The REC has divided its program into five broad categories. The following table shows the REC budget for these five program areas under its current 3-year business plan.

**Summary of REC Budget by Program Areas
1995 through 1997**

PROGRAM AREAS	BUDGET 1995	BUDGET 1996	BUDGET 1997	TOTAL BUDGET 1995-1997	PERCENT OF TOTAL
GRANTS	\$2,610,720	\$2,526,960	\$2,526,840	\$7,664,520	56%
INFORMATION DISSEMINATION	1,081,320	1,107,600	997,560	3,186,480	23%
REC INITIATIVES	471,720	533,460	516,660	1,521,840	11%
CAPACITY BUILDING	269,280	263,640	264,000	796,920	6%
SPECIAL PROGRAM	619,920	0	0	619,920	4%
TOTAL	\$5,052,960	\$4,431,660	\$4,305,060	\$13,789,680	100%

The REC *Grants* program is designed to support the institutional development of non-governmental organizations (NGOs) by increasing their capacity to involve the public in environmental issues. Under its *Information Dissemination* program, the REC collects and disseminates environmental information among interested people or organizations within the region served. The *REC Initiatives* programs are designed to help address critical environmental issues related to the changes in political and economic systems in the region. Its *Capacity Building* programs attempt to improve the capabilities of NGOs and also offer short-term research opportunities on environmental issues to NGOs, government policy makers, and academics. Under its *Special Programs*, the REC assists donors with specific donor programs, such as EPA's Environmental Management Training Centers. According to the 3-year plan, the REC plans to spend \$13.8 million on these five areas with most of the funds, \$7.7 million (56 percent), budgeted for grant activities.

Also in its description of the 3-year plan, the REC conceded that to continue its operations during the period, it needed the continued financial support of its primary Western donors—the United States, the European Union and Japan—because the REC's original sources of funds would be exhausted after 1995. According to the 3-year plan, these donors have provided the REC with 76 percent of its funds for the four years prior to 1995. The United States is shown as the largest single sponsor by providing 32 percent of the REC's funds. The REC's business plan also stated that long-term funding was a priority but that without continued support from its primary Western donors the REC would not survive. While the REC was addressing financial sustainability in general terms in its 3-year business plan, it has yet to develop a specific plan to attract sufficient assistance from other than its primary Western donors or to collect sufficient fees for its services.

In addition, we observed that the USAID Representatives and the ENI Bureau had not been integrating the REC into their country programs, which is one potential method of supporting the REC and increasing its exposure to countries other than Hungary. According to the USAID Representatives in the countries visited, they were generally aware of the REC and its activities, but had not actively considered incorporating them into environmental program strategy. Further, the USAID Representative in Budapest believed that the Bureau should provide funding for the REC from its regional projects; the Bureau, however, had not endorsed this position. The Bureau has approved additional funding for the REC, but has not addressed incorporating it into its overall environmental program strategy. Thus, we believe that USAID's \$5 million investment in the REC is in jeopardy.³

Environmental Management Training Center

The purpose of the Environmental Management Training Center (EMTC) in Hungary is to provide environmental training and information in environmental management techniques to local nationals in both the public and private sectors. According to the original plan, it was to be established by February 1994 and the first training course to be offered by March 1994. The EPA/USAID assistance period was set at 2 years. However, various delays were encountered and the EMTC was not established until August 1994 and its first course was held in January 1995.

At the time of our visit in February 1995, the EMTC officials stated that they were having difficulty in obtaining other financial support and therefore they were concerned that the EMTC would not become financially self-sustaining by the end of the project period in 2

³ A similar condition was reported concerning the Department of Labor activities in Poland. See Appendix III and *Audit of the Department of Labor's Technical Assistance Activities in Poland*, Report No. 8-181-94-01, dated November 15, 1993 (pp. 6-7).

years.⁴ Hungarians, these officials explained, have come to expect that training will be provided at no cost to the participants or government organizations. Because of these expectations, i.e. free training, and the lack of alternative sources of revenue, the EMTC relies on USAID, through EPA, as their sole source of operating revenue. Thus, the EMTC may not be in a position to be a self-sustaining entity by the end of USAID's assistance. We believe that USAID should protect the investment in the EMTC by having EPA assist in developing a plan for the EMTC's financial sustainability.

Recommendation No. 1: We recommend that the Bureau for Europe and New Independent States, in conjunction with the Environmental Protection Agency:

- 1.1 assist the Regional Environmental Center and the Environmental Management Training Center in Hungary to develop a plan, which includes targets and timeframes for achieving financial self-sustainability and phasing out of U.S. assistance; and**
- 1.2 monitor the Regional Environmental Center's and the Environmental Management Training Center's progress towards achieving self-sustainability.**

Management's Comments and Our Evaluation

Both the ENI Bureau and EPA agreed that it is important for the REC and EMTC to become self-sustaining institutions. The Bureau noted that it and EPA are actively pursuing opportunities to better ensure the long-term financial sustainability of the two institutions. The Bureau also stated that both agencies are closely monitoring the implementation of the REC's 3-year business plan and developing targets and indicators for the REC and the EMTC. However, the Bureau voiced concern about whether the 3-year plan will lead to financial sustainability. While EPA argues that the REC's success can be measured by its ability to attract independent financing to continue operations and activities, EPA did not offer any evidence indicating that the REC had been successful in attracting new sources of funding. Based on the ENI Bureau's and EPA's comments, we have resolved the recommendation.

⁴ A similar condition was reported concerning activities conducted by the Department of the Treasury. See Appendix III and *Audit of the Department of the Treasury's Technical Assistance Activities in Hungary and Poland*, Report No. 8-180-94-009, dated June 29, 1994 (pp. 10-11).

Did the ENI Bureau and the USAID Representatives carry out their oversight responsibilities for the Environmental Protection Agency interagency agreements in accordance with applicable legislative and USAID requirements?

The ENI Bureau and the Offices of the USAID Representatives were attempting to carry out their oversight responsibilities related to EPA's activities in accordance with applicable legislative and USAID requirements. None of these entities, however, was able to ensure EPA's compliance with interagency agreements (IAA) or compare progress of activities against workplans. Their ability to carry out their responsibilities was frustrated by the delays in receiving acceptable reports and workplans from EPA for its activities. Further, the ability of the USAID Representatives to monitor EPA's in-country activity was hindered because they did not always possess key documents.

The ENI Bureau and the five USAID Representatives interviewed were aware of EPA's activities in general. They had ensured that, for the most part, these activities were in compliance with U.S. assistance objectives. The ENI Bureau had reviewed and eventually approved EPA's program for CEE, but not its country-specific workplans for activities funded in the last two fiscal years.⁵ As the Bureau begins to implement the new ENI Monitoring and Reporting System, which relies on workplans and information on progress towards meeting activities objectives, indicators, and targets, the problems mentioned above need to be addressed so that they will not adversely impact the implementation the Bureau's new system.

In previous Office of Inspector General (OIG) audit reports concerning IAAs of other Federal agencies' activities in CEE,⁶ similar problems, such as the lack of country-specific workplans, progress indicators, and key documents, were also reported. In addition, we found that the working relationship between USAID/EPA, previously reported as a problem by the U.S. General Accounting Office (GAO) in May 1994,⁷ is improving but each agency needs to remain alert and sensitive to actions which could retard this progress.

⁵ The ENI Bureau stated it allowed EPA's 1993 workplan activities to proceed because time was being lost in preparing benchmarks and progress indicators. The Bureau did not provide the required formal approval.

⁶ See Appendix III or OIG audit reports 8-185-93-009, 8-181-94-001, 8-183-94-003, 8-180-94-007, 8-180-94-009.

⁷ See Appendix III or *Environmental Issues in Central and Eastern Europe*, U.S. General Accounting Office, (GAO/RCED-94-11) dated May 1994.

Benchmarks and Progress Indicators Had Not Been Established

The ENI Bureau has been unsuccessful in its efforts to obtain fully acceptable country-specific workplans with benchmarks and progress indicators from EPA. Similar conditions were reported in four of the six prior OIG audit reports on IAAs with other Federal agencies with activities in CEE. Beginning in September 1993, USAID's IAAs with EPA specifically required workplans with benchmarks and progress indicators, but it took several months to develop the workplans which USAID finally approved. These workplans still did not contain adequate benchmarks and progress indicators.

Beginning with the IAA signed in September 1993, USAID required EPA to submit:

" . . . annual country-specific workplans. These workplans shall include benchmark indicators of progress toward achieving the program goals and objectives, identifying major activities . . . and indicators for measuring the timing and progress for each activity. . . ." (Emphasis added.)

Also, these plans were to: provide information on each activity by calendar quarter, be submitted within 30 days of signing the IAA, and be approved by USAID prior to initiating activities.

In November 1994, EPA submitted workplans for activities funded with fiscal year 1993 allocations as required by the IAA, but the workplans did not meet the criteria set forth in the IAA. The workplans generally did not contain benchmarks and progress indicators for each activity. The ENI Bureau did not approve the original workplans because of the deficiencies and returned them to EPA for revision. Meanwhile, EPA's overseas activities continued. While no formal approval of the workplans had been issued as required by the IAA, we were advised by both the ENI Bureau and EPA that, after several revisions, the workplans were considered acceptable.

The ENI project officer and EPA officials agreed that developing acceptable workplans has been a very difficult and time-consuming process. The EPA officials stated that they agreed with the detailed workplan concept, but found it very difficult to interpret what USAID really wanted and determine who at USAID was to be involved in the process. Also, EPA officials expressed concern that the program has been very dynamic with changes in project design (benchmarks and progress indicators) and oversight responsibilities, such as the increased role of the USAID Representatives.

We found that the country-specific workplans did not contain the required benchmarks and progress indicators for measuring the timing and progress for the 15 activities reviewed. Examples of deficiencies in country-specific workplans include:

- The workplan for the Czech Republic describes the activities to be implemented for Project Silesia as: ". . . reduction of coke emissions...identification and mitigation of food contamination sources, evaluation of technical processes and market potential for the Biocel pulp and paper plant . . ."
- Indicators for the Czech Republic projects are described in part as: "Regional officials in Northern Moravia and Northern Bohemia able to assume greater responsibility for taking action based on increased capacity to realistically assess (and balance) environmental risks and economic costs/benefits."
- Indicators for the Hungarian EMTC are described in part as: "The training provided had direct results linked to improved capacity of Hungarian participants to make informed decisions based on a prioritization of problems, using risk assessment or some other analytic tool to determine highest risk or most cost effective solutions, as measured by technical soundness of their decision document and other methods."
- The workplan for Hungary describes the activities to be implemented for the EMTC as: "EPA . . . will assist the . . . (REC) and the Hungarian Ministry of Environment's Education Department to develop an Hungarian Environmental Management Training Center, similar to the Poland and Bulgarian EMTCs."

The lack of parameters by which to measure progress towards these benchmark indicators renders them ineffectual. In the first example above concerning reducing coke emissions, information is lacking as regards the level of emissions found when the project began, the level desired, how long it will take and what needs to be done to achieve that level. As regards the indicators in the second example, how does one measure ability to assume greater responsibility? In the third example, how can improved capacity be measured unless the baseline of capacity has been defined? In the fourth example, when will EPA's assistance occur, and how will the improved capacity be measured? The lack of clarity and specificity are problems which hinder USAID's ability to monitor EPA's activities.

In addition to not providing benchmarks and indicators for measuring progress, EPA had initiated and continued activities without obtaining USAID's formal approval of country-specific workplans as required by the IAAs. While the IAAs signed in September 1993 and September 1994 contain essentially the same requirements (that is, requiring benchmarks and progress indicators and obtaining USAID approval before proceeding with the activities), EPA began activities funded from the fiscal year 1993 allocation without receiving USAID's formal acceptance of the plan. According to the ENI Bureau, EPA was allowed to proceed because ENI did not want to further delay the activities for full refinement of benchmarks and progress indicators; a process they expected to be time-consuming. Unfortunately, the approval process is still time-consuming. As of March 31, 1995, the ENI Bureau had not approved EPA's December 1994 submission of county-specific workplans, which were

required by the fiscal year 1994 IAA. Although EPA asserted that it had not begun any activities or spent any funds associated with the 1994 IAA or its country-specific workplans,⁸ we observed that some activities were proceeding without country-specific workplans.

Part of the problem with producing acceptable country-specific workplans seems to lie in the fact that they are revised annually. This requires considerable paperwork on both EPA's and the ENI Bureau's part. It would seem more appropriate for EPA to develop for each of its projects/activities covering the entire project/activity period: a) description of the project/activity objective, b) benchmark indicators of progress toward achieving the program goals and objectives, and c) indicators for measuring the timing and progress for each project/activity to its conclusion. With this approach, the ENI Bureau and the USAID Representatives could approve the long term project/activity benchmarks and progress indicators and monitor these over the length of the activity. Further, they could avoid reconsidering the entire project/activity workplan each year, and thus limit the annual review and approval to the current year's country-specific workplans.

In addition, USAID and EPA need to continue their efforts to improve their working relationship. The GAO⁹ identified the problems encountered when the roles of the USAID and EPA were redefined beginning in 1991. The redefinition of roles—USAID became the lead agency in providing foreign assistance to CEE—caused some friction between USAID and other agencies, including EPA. However, GAO then noted that it believed the USAID–EPA working relationship was improving as their roles became better defined. We believe there are still some problems in the USAID–EPA relationship. Some of the USAID Representatives were concerned that they were not being kept abreast of EPA's activities in a timely manner. USAID's and EPA's Washington-based staffs stated, however, that they believed their working relationship was good and not the cause of the delays in preparing and approving the workplans. While the Washington-based staffs maintain that their relationships are better, there are still indications of friction. Thus, the two agencies need to remain alert and sensitive to actions which could stymie their improving relationship.

In 1995, the ENI Bureau began implementing its new ENI Monitoring and Reporting System (MRS). The new system calls for a systematic collection of information on the progress being made towards achieving program objectives. The system requires workplans for activities, such as EPA's, as well as targets and indicators for measuring progress towards project goals and objectives. Of the five USAID Representatives we visited, four had developed indicators and targets, and of these, we believe that 12 of the 15 indicators and 18 of the 20 targets related to environmental activities' objectives need additional work. The following examples, we believe demonstrate room for improvement.

⁸ EPA's program officials do not receive official expenditure information. Therefore, they cannot be certain that fiscal year 1994 funds have not been expended.

⁹ See Appendix III or *Environmental Issues in Central and Eastern Europe*, U.S. General Accounting Office, (GAO/RCED-94-41) dated May 1994.

INDICATOR	TARGET(S)	AUDIT OPINION
New policies, laws and regulations supporting the shift from command to free market economies address environmental quality concerns (USAID/Hungary)	To be determined	Target is not specified and thus not acceptable.
Government institutions are strengthened in their capacity to carry out environmental management responsibilities (USAID/Hungary)	Cost effective means of dealing with solid waste and hazardous waste in 6 targeted cities adopted	Indicator and target are vague. How are "strengthened" and "cost effective" measured?
Pollution management problems are resolved through regional cooperation (USAID/Czech Republic)	<p>1) National air pollution levels reduced by 5,000 tons of particulates and 10,000 tons of SO₂ between 1994 and 1995</p> <p>2) Air monitoring data collection and analysis provides accurate and effective pollution warning tool to municipal officials in top 3 most polluted cities over 100,000 population by the end of 1995</p>	Indicator is vague. The first target is detailed, but the second target is vague. How are "accurate and effective" measured?

Subsequent to our site visits to Poland, the USAID Representative in Poland revised its list of environmental impact indicators and targets. Poland's revised impact indicators and targets show improvement, but there seems room for additional refinement related to identifying specific measurable qualities. The following table highlights two of the revised impact indicators and five associated targets for Poland.

INDICATOR	TARGETS	AUDIT OPINION
<p>Demonstrated environmental technologies are replicated (USAID/Poland)</p>	<p>1) Various technology modifications already implemented in 5 chemical, steel and non-ferrous metal sector companies are replicated in 10 new companies in these sectors by 1997</p> <p>2) Various environmentally friendly agricultural practices introduced at the selected demonstration farms in 3 regions of northern Poland by 12/97</p>	<p>The impact indicator does not specify how many technologies, thus it is vague. Both of the targets are vague by their reliance on the word "various." The second target is also vague in using the word "friendly" as a measurable term.</p>
<p>Reduce air and water pollution at industrial and municipal sites (USAID/Poland)</p>	<p>1) Automatic air/water monitoring systems functional in the Krakow region by 12/96</p> <p>2) Improved quality of drinking water for Krakow by 12/96</p> <p>3) Strengthened public awareness reduces specific adverse effects on human health throughout Southern Poland by 12/97</p>	<p>The impact indicator and the targets could be measured, but are vague because they do not measure at what point is a reduction in municipal and industrial pollution acceptable? These could be better if they indicated– 1) How many monitoring systems are enough and what is meant by functional? 2) At what level will the quality of water be considered acceptably improved? 3) How are they going to measure strengthened public awareness and relate that to reduced specific adverse effects on human health? 4) What are the specific adverse effects?</p>

The impact indicators listed above could be considered acceptable if the targets were more specific as to the amount of reduction or improvement needed. Thus, precise targets would compensate for less precise indicators. Increasing the precision of indicators and targets will be required because the MRS system is predicated on the use of workplans from USAID and other agencies which contain measurable indicators and targets. EPA, as well as other Federal agencies and all contractors and grantees, will be required to meet the criteria for the MRS.

According to EPA officials, they were not aware of the new MRS and its requirements. They agreed that it is important for them to understand, and ultimately provide relevant information to USAID for the MRS. A Bureau official stated that USAID needs to develop an understanding of the system before it can educate EPA and incorporate the MRS into the program management process.

The ENI Bureau, in our opinion, must redouble its efforts to obtain workplans which meet the criteria set forth in the IAAs. As part of its efforts, the Bureau needs to ensure that EPA fully understands the purpose and operations of the MRS and that workplans with benchmarks and progress indicators are an integral part of the system. The Bureau also must work with the USAID Representatives to ensure that benchmark and progress indicators and targets for strategic objectives they prepare are clearly and precisely stated.

Recommendation No. 2: We recommend that the Bureau for Europe and New Independent States, in conjunction with the Environmental Protection Agency develop project plans and descriptions which meet the criteria for country-specific workplans and span the length of the project/activity.

Recommendation No. 3: We recommend that the Bureau for Europe and New Independent States include its EPA counterparts in training on the Bureau's Monitoring and Reporting System so that EPA will be better able to develop project/activity plans and/or workplans with measurable benchmark and progress indicators and targets which will help ensure that the Bureau's system will operate effectively.

Enhanced Role for USAID Representatives May Improve Timeliness of Workplan Approval

At the time of our audit, the ENI Bureau project officer was responsible for overall management of EPA's activities, and the USAID Representatives were responsible for monitoring EPA's activities in their respective countries and advising the project office of their findings. Because ENI was responsible for the overall management of EPA's activities under the interagency agreements, the USAID Representatives thus relied on the project officer for direction and consultation with EPA. However, these responsibilities are changing as the USAID Representatives are now involved in the approval of EPA's country-specific workplans and associated budgets. This involvement of the USAID Representatives has added a layer to the already time-consuming process of approving EPA's country-specific workplans. Involvement by USAID Representatives needs to be reviewed to ensure that it does not adversely affect the implementation of EPA's activities.

Due to the implementation of the Monitoring and Reporting System, the USAID Representatives now have or are about to have a Country Strategy Statement by which to manage their activities. The new system places them in a better position than before to judge

whether EPA's project/activity objectives are in concert with USAID's program objectives. Further, the USAID Representatives are also being delegated approval authority over budgets for activities in their countries, and it seems logical that they should be responsible for approving the country workplans and related benchmarks and progress indicators along with the budgets. And now that the Bureau is establishing the MRS which uses both program objectives and workplans, it seems that again the USAID Representatives are in a better position than before to judge EPA's accomplishments.

As the new ENI delegation of authority places new responsibilities on the USAID Representatives to approve individual activity budgets and each office has an approved country strategy, the Bureau may wish to reconsider and clarify the management responsibilities of its project office vis-a-vis its field Representatives. This is of particular concern because the additional layering which results from adding the USAID Representatives also increases the processing time required in an already burdensome and time-consuming approval process. As their management role increased and by being overseas, the USAID Representatives are not in a position to participate in prolonged discussions concerning the clarity and specificity of benchmarks and indicators. EPA has also voiced its concern over the issue of USAID's oversight responsibility because EPA needs to know to whom they respond to. EPA is also concerned that it will not be able to respond in a more timely fashion if USAID cannot clearly identify the responsibilities between the ENI Bureau and the USAID Representatives. As noted earlier in the report, the approval of the annual workplans is a time-consuming process and the time spent needs to be reduced.

In the previous sub-section, we note that the Bureau needs to redouble its efforts to ensure that EPA complies with the IAAs and recommended that the Bureau involve EPA in the Monitoring and Reporting System and emphasize to EPA that workplans are an integral part of this system. USAID and EPA need to better coordinate and account for their programming responsibilities and USAID needs to ensure that the Monitoring and Reporting System can accommodate the exchange of required information in a timely fashion.

Recommendation No. 4: We recommend that the Bureau for Europe and the New Independent States in consultation with USAID Representatives and the Environmental Protection Agency delineate the responsibilities for approving the workplans to streamline the process and take advantage of the increased responsibilities of the USAID Representatives.

Key Documents Needed to Monitor EPA's Activities Were Not Always Available

USAID Representatives were limited in their ability to monitor EPA activities. The USAID Representatives did not have country-specific workplans with benchmarks and progress indicators. The USAID Representatives also lacked other key documents, such as equipment lists and contractor scopes-of-work. As a result, EPA proceeded with implementing its

activities while the USAID Representatives did not have timely knowledge of the scheduling or expected outcomes of these same activities. Without advance notice or a schedule, the USAID Representatives could neither adequately assess EPA's progress nor keep the ENI Bureau properly informed.

According to implementing guidance, ENI Bureau project officers are responsible for providing project-related guidance and information to the USAID Representatives in the field to facilitate their role in monitoring and overseeing in-country project activities. Our audit found that key documents, such as workplans, equipment listings and quarterly progress reports, needed to carry out monitoring and oversight responsibilities for EPA activities were not always available. As a result, the capability of the USAID Representatives to monitor and oversee EPA's activities in their respective countries was impaired.

For example, in the Czech Republic, the USAID Representative did not know when EPA planned trips to visit its activities until he received notice from either the Czech counterpart or EPA. We found that the USAID Representative was not aware as to where specific equipment was to be installed, or if there had been any problems. Unbeknownst to the USAID Representative, one major analytical system valued at over \$55,000 was not fully useful for more than 18 months because of installation errors and a lack of certain reagent standards. The USAID Representative had monitored other aspects of the activity, but was unaware of the purpose of this analytical equipment or when it was to be operating. This occurred because the USAID Representative did not have a complete activity workplan and equipment list to monitor installation and operation of the equipment.

Rarely did we find that the USAID Representatives had the documents necessary to effectively monitor EPA's activities. For example, USAID/Representative files were missing copies of:

- scopes of work for EPA's contractors, IAAs with other Federal agencies, and grants and cooperative agreements;
- EPA's quarterly progress and financial reports; and
- trip reports prepared by EPA officials.

These documents contain information essential for monitoring EPA's activities. Without them, USAID Representatives did not have sufficient information on EPA's activities to carry out their oversight responsibilities properly.

A long-standing problem in USAID's CEE program has been that USAID Representatives lacked key documents to monitor activities implemented by other U.S. Government agencies. We first reported on this problem in our June 30, 1992, audit report "Audit of the A.I.D. Organizational Structure for Central and Eastern Europe." In that report, we pointed out that USAID Representatives did not have all the means needed to monitor activities effectively,

noting for example, that USAID Representatives did not routinely receive (1) project documentation such as copies of contracts, grants, cooperative agreements, etc., and (2) the progress reports of contractors and grantees. Our audits of U.S. Government agencies' activities in CEE, including this current audit, have demonstrated that the lack of documentation continues to be a problem. The lack of documents has adversely affected the ability of the USAID Representatives to monitor EPA's activities and keep the ENI Bureau properly informed.

Recommendation No. 5: We recommend that the Bureau for Europe and the New Independent States ensure that its Monitoring and Reporting System include the tracking of key documents, such as interagency agreements, contract scopes of work, memoranda of understanding, equipment lists, and EPA's quarterly progress reports and trip reports, to ensure that these documents are received by the cognizant USAID Representative.

Management's Comments and Our Evaluation

Both the ENI Bureau and EPA concurred with the overall findings and the recommendations. The agencies agreed that the improvements in workplans were needed. The Bureau agreed that workplan indicators needed to be refined and stated that it had explicitly recognized the need for further refinement across all sectors, in its report to the Office of Management and Budget in the Spring of 1995. The Bureau thought the draft report was somewhat misleading in that it did not recognize that the effort to develop indicators began in the project office two years prior to the Bureau-wide effort. Although they recognize that refinements are needed, they believe that no one should have been surprised that the earlier efforts did not conform to the more sophisticated approach adopted by the Bureau in the Spring of 1995. Also, the Bureau believed that the report should clarify that there was no Bureau-wide guidance at the time the project office began developing their indicators.

While the Bureau did not have specific guidance on workplans containing benchmarks and progress indicators available in 1993, we feel that the general guidance within the Interagency Agreement (IAA) and other USAID guidance was adequate for developing these. The environmental project office was not the only project office within the Bureau required to establish workplans with benchmarks and progress indicators for activities carried out by other agencies. For all IAAs signed in September 1993, the Bureau required workplans be developed with benchmarks and progress indicators within 30 days after signing the agreement.

Concerning our audit recommendations, the ENI Bureau and EPA promised corrective actions. In response to Recommendation No. 2, the Bureau stated that all workplans would be multi-year and targets and indicators would be developed to span the life of the project or activity. EPA responded by stating that it was hopeful that the multi-year approach would help streamline the approval process. With reference to Recommendation No. 3, the Bureau

said it had provided EPA with a preliminary training session on the Bureau's Monitoring and Reporting System (MRS) and more training would be provided later. EPA believed that training about the MRS was important for its personnel so that they could provide USAID with relevant data. Concerning Recommendation No. 4, the Bureau indicated that the workplan approval process would be streamlined by simultaneous reviews and clearance by the field offices and Washington. EPA said that it was looking forward to the streamlined process. As for implementing Recommendation No. 5, both the Bureau and EPA were concerned about the definition of "key documents." The Bureau noted that although the categories of documents to be tracked by the MRS have not been identified, the categories should be uniform across all sectors.

We believe that the Bureau has taken sufficient action for us to record these four audit recommendations as resolved. Concerning the Bureau's comments on Recommendation No. 5, we believe that while it is understandable for the Bureau to want to define a uniform set of documents, we remain concerned that uniformity may lead to a lowest-common-denominator set of documents which might not provide adequate documentation for individual activities. Further, we are concerned that uniformity, which by definition is inflexible, may limit the field offices' and Bureau's ability to monitor individual activities for specific results, such as ensuring that equipment is delivered and operating.

SCOPE AND METHODOLOGY

Scope

In accordance with generally accepted government auditing standards, we audited 15 of 83 environmental activities in the following five countries: the Czech Republic, Hungary, Poland, Lithuania, and Estonia. We did not review activities in Bulgaria, Latvia, the Slovak Republic, or Romania. Activities were selected judgmentally from four categories: demonstration projects, institution building projects, technical assistance projects, and training projects. The activities implemented under interagency agreements between USAID and the U.S. Environmental Protection Agency (EPA) included 3 activities implemented under USAID Project No. 180-0004 and 12 activities implemented under USAID Project No. 180-0039 (for a listing of the project universe and sample see Appendix IV). Our review included activities implemented during the period from February 1990 through March 1995. Only one activity, Krakow Air Quality, had been completed as of March 1995. We conducted the audit from November 10, 1994 through April 4, 1995.

Visits, including physical inspections, were made to sites in the following cities:

- Prague, Ostrava, and Teplice in the Czech Republic,
- Budapest and Tatabanya in Hungary,
- Warsaw, Krakow, and Ostroleka in Poland,
- Vilnius, Lithuania, and
- Tallinn, Estonia

The purposes of these visits were to: a) inspect the activities, b) interview EPA personnel, if available, and the foreign participants about the progress and effectiveness of the activities, and c) selectively inventory equipment provided as part of the United States' assistance.

We relied on unaudited records for project expenditure and authorization data. EPA's project officers do not receive or maintain official financial data about their projects, so we relied upon unaudited sources, such as unofficial records kept by their project officers. USAID also did not have a record of EPA expenditures which we could rely upon. Authorization amounts for Projects 180-0004 and 180-0039 were taken from the Project Authorizations.

Methodology

In compliance with the 1993 Appropriations Act, we consulted with and received concurrence from EPA's Office of Inspector General about our auditing EPA's activities in Central and Eastern Europe. We also reviewed USAID project documentation, such as the Project Authorization Memorandums, assistance strategies for the five countries visited, and grants, cooperative agreements, and contracts. We also reviewed EPA project documentation, including an interim evaluation report maintained in Washington, D.C. One of EPA's field offices in Research Triangle Park, North Carolina also provided us data related to air quality projects. We reviewed six of our earlier reports about Interagency Agreements with other agencies (report nos. 8-000-93-02, 8-185-93-09, 8-181-94-01, 8-183-94-003, 8-180-94-007, and 8-180-94-009), and the U.S. General Accounting Office report, *Environmental Issues in Central and Eastern Europe*, (GAO/RCED-94-41), dated May 1994. We also reviewed progress and trip reports prepared by USAID and EPA. We selectively inventoried environmental equipment provided to activities reviewed.

In addition to reviewing documentation to gain a better understanding of the individual projects and determining their current status, we interviewed:

- ENI Bureau project officers responsible for the environmental program;
- EPA officials in Washington, D.C. who were materially involved in the various projects;
- USAID/Representatives in the five countries visited and their Project Specialists who have on-site monitoring responsibility for the program;
- EPA officials in Ostrava, Czech Republic and Vilnius, Lithuania who were overseeing, respectively, the implementation of Project Silesia in the Czech Republic, and the Agriculture and Water Protection project activities in Poland and Lithuania;
- governmental and private sector officials in the five countries who were responsible for coordinating, continuing, or assisting the implementation of the activities; and
- Science and Technology Attaches in the U. S. Embassies in Hungary and Poland who were involved with the projects in those countries.

At each project where it was applicable, we selectively inventoried and tested the EPA-funded equipment. We also reviewed project and financial files maintained at the various activities.

APPENDIX I
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We hired independent translators in Krakow, Poland, and Vilnius, Lithuania. In all other instances we used as translators those foreign national employees of the Offices of USAID Representative who accompanied us on site visits.

MANAGEMENT COMMENTS

BUREAU FOR EUROPE AND NEW INDEPENDENT STATES

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THE U.S. ENVIRONMENTAL PROTECTION AGENCY

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

July 14, 1995

TO: ENI/FS, Pamela Callen

From: ENI/EEUD, Nancy Tumavick 

Subject: IG Report of EPA Activities in Central and Eastern Europe

Attached are ENI's comments on the subject draft report dated 14 June, 1995. Overall, the report is well-written and more accurately reflects project implementation and management issues. The IG did incorporate our earlier recommended changes and seemed to address most of EPA's comments as well.

Recognizing that the official response you prepare will be added to the Appendix of the final IG Report, we have limited our comments to bringing closure to the five IG recommendations and any major corrections/omissions still outstanding. The attached does incorporate comments we received from field office staff in Poland, Estonia, Hungary and Slovakia.

Should you have any questions, please contact me.

Draft I Report of EPA's Activities in CEE

USAID/ENI Comments

General Comments

1. Beginning on pg. 11, and intermittently included in subsequent passages of the audit, the IG continues to state their belief that poor working relationships still exist between USAID and EPA, despite the fact that both EPA and USAID staff both agree that relations have improved considerably.

The report does not adequately acknowledge the improved relationship and communication between EPA and USAID. Concerted and sustained actions have been taken by both parties in the past two years to improve communication at the Washington level and in the field. This includes EPA briefing/debriefing USAID field offices when in-country and having more collaboratively developed country specific workplans that more closely fit the USAID Environmental Strategy for each country.

2. The audit consistently highlights the fact that the indicators and targets developed by EPA in its workplans are not adequate. We agree that the indicators need to be refined, and in fact the Bureau explicitly recognized the need for further refinement of indicators, across all sectors, when it submitted its report to OMB in the Spring of 1995.

What is somewhat misleading is that the effort by ENI/EEUD/ENR to develop indicators for the EPA program preceded the Bureau-wide effort by two years. The Bureau-wide effort to develop indicators did not get underway in earnest until the Spring of 1995 when the first Bureau-wide guidance was provided to USAID field and Washington staff.

EPA and ENI/EEUD/ENR developed their first cut at indicators in the 1993 IAA, two years earlier. It should not surprise anyone that this early effort did not, in hindsight, conform to the more sophisticated approach to indicators adopted by the Bureau in 1995. We fully agree that the EPA indicators need to be refined, but the audit report should clarify that at the time these indicators were developed there was no Bureau guidance or standard available.

RECOMMENDATION NO. 1: We recommend that the Bureau for Europe and New Independent States, in conjunction with the Environmental Protection Agency:

1.1 assist the Regional Environmental Center and the Environmental Management Training Center in Hungary to develop a plan, which includes targets and timeframes, to achieve financial self-sustainability and phasing out U.S. assistance;

1.2 monitor the Regional Environmental Center's and the Environmental Management Training Center's progress towards achieving self-sustainability.

RESPONSE: USAID and EPA are monitoring EPA activities closely, especially those related to the 1995-97 Business Plan for the REC. Targets and indicators are being defined for all EPA programs and will be tracked by the Bureau's Monitoring and Reporting System (M&RS). In addition, the ENI Bureau and EPA are exploring links between USAID's Center for Trade and Investment Services and the REC/EMTCs to permit more extensive outreach by the REC to the US business community. Ultimately, we hope that this outreach will result in a demand from the US business community for services and information which the REC may provide on a fee for service basis and thereby diversify their funding base to make them more self sustaining.

We question the accuracy of the IG report's statement that USAID's investment in EMTCs and REC "may be at risk" if the institutions do not act promptly to ensure their financial sustainability. Although EPA is working closely with the EMTCs in this regard, we feel that they are successful institutions which are having an impact today, and already are proving themselves to be worth our investment.

The REC has developed a specific plan to attract assistance from others. The issue of whether such assistance or any fees for services developed will be "sufficient" is still not clear and seems to be subjective.

RECOMMENDATION 2: We recommend that the Bureau for Europe and New Independent States, in conjunction with the Environmental Protection Agency, develop project plans and descriptions which meet the criteria for country specific workplans and span the length of the project/activity.

RESPONSE: Starting with the 1995 Interagency Agreement, workplans will be multi-year. Targets and indicators will be developed that span the length of the project/activity.

RECOMMENDATION 3: We recommend that the Bureau for Europe and New Independent States include its EPA counterparts in training on

the Bureau's Monitoring and Reporting System so EPA will be better able to develop project/activity plans and workplans with measurable targets and benchmarks which will help ensure that the Bureau's system will operate effectively.

RESPONSE: The ENI Bureau has not yet completed installation of its M&RS system. In fact, only recently was M&RS training provided systematically for Bureau staff. The Bureau has yet to schedule in-depth training in the M&RS system for any contractors.

However, ENI/EEUD/ENR, as a follow up to this audit, already had ENI/PD conduct a special training session on the Bureau's M&RS system for EPA and another major ENR contractor. Once the Bureau's M&RS system is fully operational, additional training will be provided to EPA staff.

RECOMMENDATION 4: We recommend that the Bureau for Europe and the New Independent States, in consultation with USAID Representatives and the Environmental Protection Agency, delineate the responsibilities for approving the workplans to streamline the process and take advantage of the increased responsibilities of the USAID Representatives.

RESPONSE: As more authority for programming and budgeting are delegated to the field, the approach to clearing workplans and other key documents will be streamlined by simultaneous review and clearance by both USAID/Reps and USAID/Washington.

RECOMMENDATION 5: We recommend that the Bureau for Europe and the New Independent States ensure that its Monitoring and Reporting System include the tracking of key documents, such as interagency agreements, contract scopes of work, memoranda of understanding, equipment lists and EPA's quarterly progress reports and trip reports, to ensure that these documents are received by the cognizant USAID Representative.

RESPONSE: The M&RS will be fully implemented in Washington and the field shortly and will help ensure that key documents and reporting are done in a timely manner. Since the system is not fully operational, it is not yet clear what specific project documents will be systematically incorporated into and tracked through the Bureau's M&RS system; but the project documents tracked through the M&RS systems should be uniform across all sectors.



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INTERNATIONAL ACTIVITIES

FAX MESSAGE

July 12, 1995

TO: Andy Olsen, AID/IG/Bonn
David Young, AID/IG/Bonn

FROM: Anna Phillips, EPA/OIA

SUBJECT: AID/IG Report on EPA Programs in Central and Eastern Europe:
EPA Comments on June 12 Draft

PAGES: 1 of 4

Thank you for the opportunity to comment on the draft report (dated June 12, 1995) on your recent review of EPA programs in Central and Eastern Europe (CEE). Attached are EPA's official comments for the record. As requested in your e-mail of June 14, we have also forwarded them directly to AID/ENI/EEUD for transmittal to your office.

cc: Lee Pasarew, EPA/OIA
Dan Thompson, EPA/OIA
Melody Bacha, AID/ENI/W
Alexi Panehal, AID/ENI/W



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

APPENDIX II
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July 12, 1995

MEMORANDUM

TO: John Competello, USAID/RIG/A/Bonn

OFFICE OF
INTERNATIONAL ACTIVITIES

FROM: FOR Lee Pasarew, Acting Director *Anna Phillips*
Central Europe and NIS Programs

SUBJECT: Comments on USAID/IG Draft Report of Audit on EPA Activities in
Central and Eastern Europe

Thank you for the opportunity to comment on the June 12 draft report of your audit of EPA's USAID-funded activities in Central and Eastern Europe. We appreciate the fact that this draft appears to reflect many of the comments which we provided to your staff earlier in this process. However, there are still several issues which we feel require further clarification for the record.

Financial Sustainability (Recommendation #1):

EPA agrees that the issue of sustainability, particularly for the Regional Environmental Center (REC), is an important one, and we will continue our efforts to assist these organizations as they work toward this goal. However, we think that a clear definition of sustainability is needed in order to accurately evaluate progress in this area. For example, while direct cost-recovery strategies (e.g., charging fees for information or services) are important, they should not be considered as the sole means of sustainability. Many Western NGOs consider themselves "sustainable" by virtue of their ability to attract donors who contribute funding, whether it is used to support specific programs or general operating expenses. It seems that the REC and other CEE NGOs should be held to a similar standard.

In addition, it should be noted that the audit only reviewed the Hungarian Environmental Management Training Center (EMTC) which, as a relatively new organization and the youngest EMTC, does not accurately reflect the more advanced sustainability efforts underway in other countries. If the audit had also included the more mature EMTCs in Poland and Bulgaria--which have already begun to develop and implement their own sustainability plans--a very different picture would have emerged.

Finally, although sustainability is important, it is not the only measure by which these organizations can or should be considered "successful." Specifically, we think it is an overstatement to suggest that USAID's investment in the REC and EMTCs may be "at risk" if these institutions do not act promptly to ensure their long-term financial sustainability. Although EPA is working closely with them in this regard, we think that they are successful institutions which are having an impact today, thus already proving themselves worthy of the investment.



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contains at least 60% recycled fiber

Workplan Development (Recommendation #2):

We agree that the idea of multi-year workplans makes sense, and we applaud USAID's efforts to make this a reality in the current FY1995 cycle. We are hopeful that this will set the proper precedent by streamlining the approval process and will result in more EPA/USAID time and energy spent on actual program implementation.

Establishment of Impact Indicators (Recommendation #3):

We agree that it is important to anticipate and articulate the potential impacts of EPA programs. However, our efforts to establish concrete impact indicators have been hindered by a lack of clear guidance from USAID on definition of terminology, what types of indicators should be used, who should develop them, and how they should be applied. We understand that this issue is a subject of ongoing discussion within USAID on which consensus has not yet been reached. In addition, it should be noted that impact indicators were not required until several years into EPA's program implementation, adding to an already complex process the need to "reverse engineer" impacts for ongoing activities.

Although the report's analysis of the sample indicators and targets is instructive, it should be noted that even these examples are still under revision (with "room for additional refinement"), and were never provided to EPA for use as models. In addition, although we understand the motivation, we think that attempting to quantify progress on programs that are inherently qualitative in nature (e.g., designed to improve institutional capacity) will continue to be difficult.

Finally, we agree that it is extremely important for EPA to receive adequate training in order to provide relevant information for USAID's Monitoring & Reporting System (M&RS). We stand ready to begin work on this as soon as the system is finalized. However, we must stress that our ability to effectively contribute to the M&RS will depend greatly on USAID's ability to articulate clearly and consistently what it needs and expects in this regard.

Delineation of Responsibilities of USAID Field Missions (Recommendation #4):

In the five years since EPA programs in CEE began, the structure of and approach to USAID's management and oversight--including but not limited to requirements under various InterAgency Agreements (IAAs)--have changed substantially. However, the most significant (and difficult) shift to date has been the decentralization of authority from Washington to the field missions.

We agree that it is critical for USAID to complete the process of delineating responsibilities between Washington and the field. Lack of clarity in this area has further confused an already complex management structure, and has often hindered both program implementation by EPA and program oversight by USAID.

Tracking of "Key Documents" (Recommendation #5):

It would be helpful for the report to clearly define what is meant by "key documents." In particular, there should be a distinction between those documents actually required under the terms of the IAAs (e.g., quarterly reports and, more recently, country workplans) and other descriptive materials (e.g., trip reports, contractor/grantee scopes of work, and equipment lists) which are not required under the IAAs and, in most cases, are not requested by USAID. It has been our experience that already-overburdened field missions consider it EPA's responsibility to ensure that the essence of these documents is clearly articulated in mutually approved country workplans in order to facilitate USAID oversight.

We should also point out that such written documentation, while important, is not the only source of information available to USAID for its use in program management. Mandatory debriefings at the end of each USAID-funded visit as well as regular communication with EPA project managers and their in-country counterparts also provide USAID with critical and readily accessible sources of up-to-date information on the status of EPA programs.

Effectiveness of Interagency Relationship/Agreements:

Although much has been said (and written) about the ebbs and flows of the EPA-USAID relationship over the past few years, we feel that the relationship on balance has substantially improved--and strengthened--as a result. In spite of the natural tendency to focus more attention on areas of disagreement (many of which were highlighted in the draft report), EPA is committed to maintaining a solid relationship with USAID based on common programmatic goals, open channels of communication and, as necessary, early identification and resolution of any problems which may arise.

However, EPA shares the concerns raised in the draft report about the overall effectiveness of interagency agreements (IAAs) as program delivery vehicles. We were both heartened and disappointed to learn that USAID's difficulty in managing IAAs appears to be widespread, affecting not just its work with EPA but including a broad spectrum of Federal agencies. We think that these problems are systemic and can be attributed in large part to the fact that roles and responsibilities between and within agencies are not clearly articulated; for example, IAAs are signed in Washington but are essentially managed in the field. While we welcome the opportunity to cooperate closely with agencies such as USAID, we think that the entire IAA process as currently executed is one that could benefit greatly from reinvention.

Again, thank you for the chance to provide comments on your draft report. We look forward to receiving the final version when it is available.

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**SYNOPSIS OF USAID OFFICE OF INSPECTOR GENERAL
AND U.S. GENERAL ACCOUNTING OFFICE AUDIT REPORTS
CONCERNING OVERSIGHT OF INTERAGENCY AGREEMENTS**

Office of Inspector General (OIG) Reports Pertaining to Central and Eastern Europe—

Audit of the ENI Bureau's Monitoring, Reporting and Evaluation System
(Report No. 8-000-95-002, Nov. 28, 1994)

ENI Bureau has certain statutory requirements which call for it to develop systems to measure program results. The report pointed out that ENI Bureau officials acknowledged that the Bureau's project portfolio lacked a complete set of quantifiable indicators. One of the difficulties cited in this regard was the fact that a significant amount of USAID funds are transferred to other Federal agencies, and the establishment of performance targets is generally left to the agencies' discretion. The report noted that eight audits reports issued by the OIG on audits of assistance activities being carried out by four Federal agencies in four Central and Eastern Europe (CEE) and New Independent States (NIS) countries contained findings on the lack of performance indicators.

Audit of the U.S. Government's Contribution to the Polish Bank Privatization Fund
(Report No. 8-181-94-016, Sept. 23, 1994)

USAID transferred \$199 million to the Department of the Treasury which in turned used the funds to help establish the Polish Bank Privatization Fund (Bank Fund). The audit found that the funds contributed to the Bank Fund evolved from a successful effort to help stabilize the Polish currency. However the transferred funds had not yet been used to help privatize banks. The audit found that, if the Polish Government used interest earned on these funds for the same purposes as the Bank Fund, the program could benefit.

Audit of the Department of the Treasury's Technical Assistance Activities in Hungary and Poland
(Report No. 8-180-94-009, Jun. 29, 1994)

The Department of the Treasury's technical assistance activities in two CEE countries was the subject of this audit, and it was the second of two audit reports

concerning Treasury's activities in CEE. The audit found that Treasury's technical assistance activities being carried out with funds transferred from USAID were achieving some significant results. But the assistance could be improved. For example, the Warsaw School of Banking, which provided training to Polish bank managers and employees, needed to find alternative sources to the funds provided under the IAA; otherwise, sustainability of the school was in doubt. Also, Treasury's technical assistance activities in both Hungary and Poland lacked progress indicators, making it difficult to measure their successes. Finally, the audit found that USAID Representatives in both Hungary and Poland lacked key documents needed to effectively monitor Treasury's activities.

Audits of the Department of Labor's Technical Assistance Activities in Central and Eastern Europe - Summary Report (Report No. 8-180-94-007, Mar. 25, 1994)

This report summarizes the results of OIG audits of Department of Labor (DoL) technical assistance activities in three CEE countries. As reported in the individual country audit reports, DoL's technical assistance activities in Bulgaria and Poland lacked specific objectives and progress indicators making it difficult to measure results of these activities. Also, audit work in Hungary determined that USAID's role and responsibility with respect to DoL's assistance activities needed clarification. The three audits found varying degrees of involvement by the USAID representatives with DoL's assistance activities and that offices in Hungary and Poland lacked key documents needed to monitor DoL's programs. (*For additional details on the audit findings see individual country reports listed below.*)

Audit of the Department of the Treasury's Technical Assistance Activities in Bulgaria (Report No. 8-183-94-003, Feb. 25, 1994)

This was the first report on the Department of the Treasury's technical assistance activities in three CEE countries. The audit found that while Treasury's technical assistance activities were achieving some significant results, assistance being provided to Bulgaria's International Banking Institute had made little progress towards achieving the goal of developing a sustainable banker training institute. The audit also found that Treasury's technical assistance activities lacked progress indicators, making it difficult to measure results. Further, the audit determined that the USAID Representative in Bulgaria lacked key documents needed to facilitate its monitoring responsibilities.

Audit of the Department of Labor's Technical Assistance Activities in Poland
(Report No. 8-181-94-001, Nov. 15, 1993)

Department of Labor's (DoL) interagency agreements with USAID for labor transition activities in CEE countries. Notwithstanding significant results achieved by DoL's activities, the audit identified four areas where DoL's technical assistance can be improved, including: (1) ensuring the two DoL-funded Construction Skills Training Centers develop realistic self-financing plans to ensure their continued operations after U.S. assistance is discontinued; (2) linking the DoL-developed entrepreneurial skills training program with information on start-up capital and follow-up assistance activities; and (3) developing specific objectives and progress indicators for DoL's employment services technical assistance activities. Due to the extensive involvement of the American Embassy's Labor Attache with DoL's technical assistance activities, the audit found that the USAID Representative's oversight role for DoL activities was limited. However, the audit found that files maintained by both the Labor Attache and the USAID Representative lacked key documents essential for monitoring DoL's activities. This report was a third in a series of reports on DoL's activities in CEE.

Audit of the Department of Labor's Technical Assistance Activities in Hungary
(Report No. 8-185-93-009, Sept. 24, 1993)

Department of Labor's (DoL) interagency agreements with USAID provided for labor transition activities in CEE countries. The audit found considerable confusion concerning the merits of DoL's proposed program for Hungary, confusion caused by (1) problems encountered by the then Bureau for Europe in implementing a new requirement for country-specific workplans and (2) uncertainty on the part of DoL over the roles and responsibilities of the USAID Representative for Hungary and USAID's Washington-based project officials for DoL's activities in Hungary. The audit also found that the USAID Representative for Hungary was not fully carrying out its oversight responsibilities for DoL's activities in Hungary because, among other reasons, it lacked essential documents describing DoL's programs. This was the second in a series of reports on DoL's activities in CEE.

Audit of the Department of Labor's Technical Assistance Activities in Bulgaria
(Report No. 8-183-93-006, Aug. 12, 1993)

Department of Labor's (DoL) interagency agreements with USAID provided for labor transition activities in CEE countries. The audit found that Bulgarian officials interviewed believed the assistance provided by DoL has had and will

have a significant impact on improving the operations of Bulgaria's local employment offices and in helping to address the country's growing unemployment problems. However, the absence of specific objectives, along with progress indicators such as targets and timeframes, made it difficult to determine what DoL's assistance was accomplishing. The audit also found that the USAID Representative for Bulgaria was carrying out its oversight responsibilities. This was the second in a series of reports on DoL's activities in CEE.

Audit of A.I.D.'s Oversight Role for Interagency Agreements Under the Central and Eastern Europe and New Independent States Programs (Report No. 8-000-93-002, Feb. 26, 1993)

The audit was conducted to determine the level of financial resources that USAID had transferred to other agencies, and to review USAID's oversight role of assistance programs carried out by participating agencies. The financial resources transferred represented about 38 percent of USAID's CEE program funding and about 49 percent of its NIS program funding. As of September 30, 1992, USAID had transferred about \$451 million to 18 Federal agencies to carry out assistance activities in CEE and the NIS. The audit concluded that USAID's oversight role of the funds transferred was unclear, resulting from different legislative language authorizing the funding, and from a lack of clarity with respect to the role USAID was to play. USAID's oversight role of the New Independent States assistance program was particularly unclear. Both internal and external reports have pointed out that the lack of clarity concerning USAID's role created vulnerabilities with respect to USAID's internal control structure. These vulnerabilities created potentially major coordination problems in the delivery of economic assistance by many agencies.

Audit of the A.I.D. Organizational Structure for Central and Eastern Europe (Report No. 8-180-92-001, Jun. 30, 1992)

This was the first OIG audit of USAID's Eastern European program and described the organizational structure established by USAID to deliver this assistance. The audit found that the USAID organizational structure for CEE was still evolving. The audit found that USAID field representatives did not have all the means to monitor effectively. For example, the field representatives did not routinely receive, among other things, progress reports of other Federal agencies. USAID Representatives were often not aware of assistance activities being carried out by other Federal agencies.

**Related Audit Findings from OIG's Audits Reports Pertaining to
Activities in the New Independent States—**

In addition to the audit reports described above the OIG has conducted audits of three other Federal agencies' activities in the New Independent States (NIS). While USAID's oversight and monitoring role for activities carried out by other Federal agencies differs from its role in CEE countries, the findings of the OIG audits are somewhat similar to those summarized above.

***Audit of the Department of Energy's Nuclear Safety Technical Assistance
Activities in Russia and Ukraine*** (Report No. 8-110-95-001, Oct. 7, 1994)

The audit was made to determine how USAID funds were being used, what results were being achieved, and whether the project was being managed and monitored as required. While the Department of Energy's (DoE) activities were achieving some results, a so-called third-party liability issued had slowed project progress. The audit also found that DoE needed to develop and use quantitative indicators and interim milestones to measure and report project progress to USAID.

***Audit of the Nuclear Regulatory Commission's Technical Assistance Activities
in Ukraine*** (Report No. 8-121-94-013, Aug. 17, 1994)

This was a joint audit conducted with the Office of the Inspector General of the Nuclear Regulatory Commission (NRC). The joint audit found that NRC's program to assist the Ukrainian nuclear regulatory agency had a number of positive effects on the regulation of Ukrainian nuclear power production. The audit also found that NRC program managers were in the process of developing performance indicators to measure program progress and interim milestones to assist in overseeing activities.

***Audit of the Nuclear Regulatory Commission's Technical Assistance Activities
in Russia*** (Report No. 8-118-94-012, Aug. 1, 1994)

This joint audit, conducted with the Office of the Inspector General of the NRC, found that NRC's program in Russia had several notable achievements, including increasing the stature of the Russian nuclear regulatory agency within the Russian nuclear system, improving licensing and inspection procedures, and establishing an emergency support center. The audit also found that NRC's program would benefit from the establishment of interim milestones and performance indicators.

Audit of the Department of Commerce's Consortia of American Businesses in the New Independent States Program (Report No. 8-110-93-011, Sept. 24, 1993)

This audit focused on what Commerce used USAID's funds for and what results were being achieved. Commerce used USAID funds for grants to U.S. trade associations to partially cover costs of opening offices in the former Soviet Union to represent U.S. businesses. The audit was unable to determine the results of the program in relation to its purposes because grantees were not reporting on specific objectives and progress indicators that had been established for grant-supported activities.

Audit of the Department of Commerce's Special American Business Internship Training Program in the New Independent States (Report No. 8-110-93-010, Sept. 24, 1993)

This audit covered Commerce's program to support training internships at U.S. business firms for business managers and scientists from NIS countries with funds transferred from USAID. The audit found that the results and progress of the Commerce program were difficult to measure. Specifically, the program lacked specific objectives for the inclusion of scientists in the program and progress indicators had not been established with which to measure progress and results. Further, improvements were needed in monitoring and following up on NIS interns.

U. S. General Accounting Office (GAO) Reports Pertaining to Assistance in Central and Eastern Europe and Related to Oversight of Interagency Agreements—

Environmental Issues in Central and Eastern Europe: U.S. Efforts to Help Resolve Institutional and Financial Problems (Report No. GAO/RCED-94-41, May 31, 1994)

Information is provided on Central and Eastern Europe's institutional capacity for addressing environmental problems, the uses of U.S. environmental assistance to the region, and any problems in developing and implementing the U.S. environmental program for Central and Eastern Europe. The report points out that under pressure to provide services quickly, USAID's and EPA's initial efforts included multiple projects that were often not well coordinated with U.S. staff or recipient officials in the region. However, USAID has since consolidated the number of activities and strengthened the role of its field staff in coordinating and

monitoring the program. GAO observed that USAID and EPA had also made substantial progress in addressing the initial coordination problems by assigning EPA the responsibility for working with the region's national environment ministries and by jointly developing environmental strategies for each country in the region. The GAO attributed these problems to when the responsibility for managing the bulk of the environmental program shifted from EPA to AID in 1991. This caused friction between USAID and EPA. The FY 1993 Foreign Appropriations Act clarified that AID has the responsibility for coordinating the implementation of the assistance program's activities in the field, including those of other federal agencies. However, GAO noted that it believed the USAID-EPA working relationship was improving as their roles became better defined.

Poland and Hungary: Economic Transition and U.S. Assistance (Report No. GAO/NSIAD-92-102, May 1, 1992)

GAO provides its view of the economic conditions in Poland and Hungary and the effectiveness of U.S. assistance to these countries. GAO found that the decision by the State Department to retain management authority and responsibility for the aid program in Washington rather than delegate it to in-country missions—as is the normal USAID practice—created some management problems. For example, coordination with recipient countries and among U.S. agencies involved in assistance efforts has sometimes been poor, and the ability of U.S. officials to monitor host country conditions and the status of the program has been somewhat limited.

Eastern Europe: Status of U.S. Assistance Efforts (Report No. GAO/NSIAD-91-110, Feb. 26, 1991)

Information is provided on the administration's implementation of the Support for East European Democracy Act of 1989 and related efforts to provide economic assistance to Eastern Europe. GAO found that there were some problems within the coordination process established for the U.S. assistance program. Some U.S. agencies have (1) seen the program as an opportunity to establish an overseas presence and (2) used congressionally earmarked funds to advance their own interests rather than larger U.S. government interest, both of which complicated the coordinating process. Also, USAID believes it is responsible and accountable for all program funds passing through its accounts to other agencies that are implementing programs in Eastern Europe. The implementing agencies have been critical of USAID's attempts to exercise management authority over projects USAID is not implementing.

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LIST OF EPA'S PROJECTS AND ACTIVITIES IN CENTRAL & EASTERN EUROPE
AUDIT UNIVERSE AND AUDIT SAMPLE

AID Project No.	Project Title	Countries with Activity										Activity Budget (\$000)
		B	C	H	P	S	E	La	Li	R		
180-0004	Reg Environmental Ctr			H								\$5,000
"	Krakow Water/Wastewater				P							4,000
180-0039	Project Silesia		C		P							2,000
180-0004	Krakow Air Monitoring				P							1,000
180-0039	No. Bohemia/Silesia Air Qual		C									1,000
"	Ag & Water Protect				P					Li		900
"	Env Mgmt Train Ctrs	B		H	P							175
"	Monit & Inform/GIS	B	C			S						250
"	Mazurian Lakes Wastewater				P							
"	Coal Bed Methane		C		P							
"	Env Action in Amer Exh	B	C		P							
"	Env Monitor Assess Capab						E	La	Li			300
"	Water Tech Exch Prog	B		H	P							117
"	Comm Based Risk Assess	B										
"	Env Educ Curriculum			H			E	La	Li			
"	Env Policy Course	B	C			S						
"	Risk Assess Train I	B	C			S						
"	Env Econ Course	B				S						
"	EIA of Oil-Shale						E					200
"	Env Imp Assess Training				P		E		Li			150
"	Financing Env Invest			H								
"	Hazard Site Ranking Train			H	P							
"	Riga Water Quality Imp							La				
"	Lake Fertorakos Wetlands			H								
"	Principles of Enforcement			H	P							
"	Reg 5 Twinning								Li			
"	Chem Emerg Preparad		C	H		S						
"	Reg 2 Twinning	B										
"	Altaler Watershed			H								
"	Contract Mgmt				P							
"	Joint Env Study	B	C			S						
"	Sustain Devel Workshops	B		H								
"	Enrgy Efficiency Proj				P							
"	Env Journalism		C	H	P	S						
"	Legislative Assistance			H	P							
"	Env Audit				P							
"	Admin Strengthening				P							
"	Katowice/Allegheny Twinning				P							
"	Risk Assess Train II							La	Li			
"	Danube River Basin	B	C	H		S					R	
"	Reg 8 Twinning		C									
"	Info Mgmt Resource Workshop			H								
"	MOZSNiL Org. Assess				P							
"	Terrestrial Monit Prog /Baltics						E					

Country Abbreviations
B= Bulgaria
C = Czech Republic
H = Hungary
P = Poland
S = Slovakia
E = Estonia
La = Latvia
Li = Lithuania
R = Romania

12 of 44 Projects

Selected for Audit (27.3%)

	B	C	H	P	S	E	La	Li	R
83 Country Activities	12	12	15	20	8	5	4	6	1
15 Country Activities Selected (18.1%)	-	3	3	3	-	3	-	3	

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ASSESSMENT OF ACTIVITY STATUS

Hungary

CONDITION ASSESSED	REGIONAL ENVIRONMENTAL CENTER	ENVIRONMENTAL MANAGEMENT TRAINING CENTER	WATER TECHNOLOGY EXCHANGE PROGRAM
DID EPA DELIVER THE PROMISED ASSISTANCE?	YES	YES	COULD NOT DETERMINE
A CONTINUING OR ONE-TIME ACTIVITY?	CONTINUING	CONTINUING	CONTINUING
WAS RECIPIENT UTILIZING EPA'S ASSISTANCE?	YES	YES	COULD NOT DETERMINE
WAS ACTIVITY FINANCIALLY SELF-SUSTAINING?	NO, A PLAN NEEDS TO BE DEVELOPED	NO, A PLAN NEEDS TO BE DEVELOPED	NOT APPLICABLE
WAS ACTIVITY ON SCHEDULE?	NO	NO	COULD NOT DETERMINE
WERE SPECIFIC BENCHMARKS & PROGRESS INDICATORS ESTABLISHED?	YES	NO	NO
PROGRESS TOWARDS BROAD OBJECTIVE(S)?	PARTIALLY	TOO EARLY TO ASSESS	COULD NOT DETERMINE
WERE EQUIPMENT AND MATERIAL DELIVERED AND BEING USED AS INTENDED?	NOT APPLICABLE	YES	NOT APPLICABLE

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ASSESSMENT OF ACTIVITY STATUS

Czech Republic

CONDITION ASSESSED	PROJECT SILESIA	GEOGRAPHIC INFORMATION SYSTEM (MIS/GIS)	NO. BOHEMIA- SILESIA AIR QUALITY
DID EPA DELIVER THE PROMISED ASSISTANCE?	YES	YES	YES
A CONTINUING OR ONE-TIME ACTIVITY?	CONTINUING	CONTINUING	CONTINUING
WAS RECIPIENT UTILIZING EPA'S ASSISTANCE?	YES	YES, BUT NEEDS PLAN FOR USE OF INFORMATION SYSTEMS	YES
WAS ACTIVITY FINANCIALLY SELF-SUSTAINING?	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
WAS ACTIVITY ON SCHEDULE?	YES	NO	YES
WERE SPECIFIC BENCHMARKS & PROGRESS INDICATORS ESTABLISHED?	NO	NO	NO
PROGRESS TOWARDS BROAD OBJECTIVE(S)?	YES, BUT CLEAN-UP AGREEMENTS MAY NOT BE ENFORCED	PARTIALLY	YES
WERE EQUIPMENT AND MATERIAL DELIVERED AND BEING USED AS INTENDED?	YES, BUT NEED PLAN FOR USE OF INFORMATION SYSTEM	YES	YES, BUT INSTALLATION & USE OF ONE MAJOR SYSTEM DELAYED

ASSESSMENT OF ACTIVITY STATUS

Poland

CONDITION ASSESSED	KRAKOW WATER/WASTEWATER MANAGEMENT	KRAKOW AIR MONITORING	AGRICULTURE AND WATER QUALITY
DID EPA DELIVER THE PROMISED ASSISTANCE?	YES	YES	YES
A CONTINUING OR ONE-TIME ACTIVITY?	CONTINUING	NO COMPLETED	CONTINUING
WAS RECIPIENT UTILIZING EPA'S ASSISTANCE?	YES	YES	YES
WAS ACTIVITY FINANCIALLY SELF-SUSTAINING?	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
WAS ACTIVITY ON SCHEDULE?	NO, 2 YEARS BEHIND	YES	YES
WERE SPECIFIC BENCHMARKS & PROGRESS INDICATORS ESTABLISHED?	NO	NO	NO
PROGRESS TOWARDS BROAD OBJECTIVE(S)?	PARTIALLY	YES	YES, LOCAL OFFICIALS SUPPORT THE PROGRAM
WERE EQUIPMENT AND MATERIAL DELIVERED AND BEING USED AS INTENDED?	ALL BUT OZONATION EQUIPMENT	YES	NOT APPLICABLE

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ASSESSMENT OF ACTIVITY STATUS

Lithuania

CONDITION ASSESSED	AGRICULTURE AND WATER QUALITY	ENVIRONMENTAL IMPACT ASSESSMENT TRAINING	ASSESSMENT OF ENVIRONMENTAL MONITORING CAPABILITIES
DID EPA DELIVER THE PROMISED ASSISTANCE?	JUST STARTING	YES	YES
A CONTINUING OR A ONE-TIME ACTIVITY?	CONTINUING	CONTINUING	CONTINUING
WAS RECIPIENT UTILIZING EPA'S ASSISTANCE?	JUST STARTING	COULD NOT DETERMINE	TOO EARLY TO ASSESS
WAS ACTIVITY FINANCIALLY SELF-SUSTAINING?	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
WAS ACTIVITY ON SCHEDULE?	NO	NO	COULD NOT DETERMINE
WERE SPECIFIC BENCHMARKS & PROGRESS INDICATORS ESTABLISHED?	YES	NO	NO
PROGRESS TOWARDS BROAD OBJECTIVE(S)?	JUST STARTING	NO, COURSE OFFERINGS DELAYED	TOO EARLY TO ASSESS
WERE EQUIPMENT AND MATERIALS DELIVERED AND BEING USED AS INTENDED?	YES, AND ESTABLISHING DATA BASE	NOT APPLICABLE	YES, AND ESTABLISHING DATA BASE

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ASSESSMENT OF ACTIVITY STATUS

Estonia

CONDITION ASSESSED	ENVIRONMENTAL IMPACT ASSESSMENT TRAINING	ENVIRONMENTAL IMPACT ASSESSMENT OF OIL-SHALE	ASSESSMENT OF ENVIRONMENTAL MONITORING CAPABILITIES
DID EPA DELIVER THE PROMISED ASSISTANCE?	YES	ON-GOING	ON-GOING
A CONTINUING OR A ONE-TIME ACTIVITY?	CONTINUING	CONTINUING	CONTINUING
WAS RECIPIENT UTILIZING EPA'S ASSISTANCE?	COULD NOT DETERMINE	TOO EARLY TO ASSESS	TOO EARLY TO ASSESS
WAS ACTIVITY FINANCIALLY SELF-SUSTAINING?	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
WAS ACTIVITY ON SCHEDULE?	COULD NOT DETERMINE	NO	COULD NOT DETERMINE
WERE SPECIFIC BENCHMARKS & PROGRESS INDICATORS ESTABLISHED?	NO	NO	NO
PROGRESS TOWARDS BROAD OBJECTIVE(S)?	YES	TOO EARLY TO ASSESS	TOO EARLY TO ASSESS
WERE EQUIPMENT AND MATERIALS DELIVERED AND BEING USED AS INTENDED?	NOT APPLICABLE	NOT APPLICABLE	NO, EQUIPMENT DELIVERED, BUT NOT BEING USED BY EPA PROGRAM COORDINATOR