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AUDIT REPORT
PROGRAM ASSISTANCE GRANT AGREEMENT
JORDAN

Period Covered : February 22, 1971
Through
January 31, 1972

Audit Report No. : 5-278-72-48
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**AUDIT REPORT
PROGRAM ASSISTANCE GRANT AGREEMENT
JORDAN**

For the Period February 22, 1971 Through January 31, 1972

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EXHIBITS

A - Public Services Rehabilitation
Obligations and Releases

B - Distribution of Report

AUDIT REPORT
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I. SCOPE OF EXAMINATION

This initial audit of the A.I.D. Program Assistance Grant to the Government of Jordan (GOJ) was made to determine the overall program status and report on any procedures or problems which may be adversely affecting the progress of program implementation. Our audit included a selective review of program-related documents and correspondence maintained at USAID/Jordan and the various GOJ ministries and offices that benefited from the program. As deemed appropriate and on a selective basis, we visited various GOJ offices and sites to evaluate the utilization of equipment and supplies purchased with program funds, and to determine the adequacy of the GOJ accounting records and internal control procedures.

We have utilized, when calculating the dollar equivalent, the official exchange rate of one Jordanian Dinar (JD) = \$2.80.

The audit covers the period February 22, 1971 through January 31, 1972 and was performed in Jordan by the Office of the Area Auditor General/Near East (AAG/NE) intermittently during December 1971 and January 1972.

II. BACKGROUND INFORMATION

During CY 1970 Jordan suffered from severe political turmoil which culminated in a quasi-civil war in September. The accompanying physical damage and loss of business confidence threatened Jordan's economy. While tax receipts were down, essential GOJ expenditures, particularly for internal defense and reconstruction/rehabilitation requirements, were significantly in excess of planned levels. The GOJ was concerned that domestic financing of this deficit could cause inflationary pressures which, combined with capital flight associated with the unsettled political/security situation, could result in a serious drawdown in Jordan's foreign reserves.

A Program Assistance Grant Agreement (PAGA) was signed February 22, 1971. This agreement provided five million dollars cash grant to help the Government of Jordan meet a portion of the reconstruction/rehabilitation requirements resulting from the September civil war. These requirements were incorporated in the revised 1970 and the 1971 Jordanian budgets. There were rehabilitation requirements unmet that would have resulted in human suffering and political/economic deterioration; the meeting of such requirements was assisted by this PAGA.

The grant was made in the form of an additional contribution to an existing Joint Rehabilitation Fund. The fund is jointly

controlled by USAID/Jordan and the GOJ, and its resources may be used only for reconstruction/rehabilitation projects agreed to by both USAID/Jordan and the GOJ. USAID/Jordan Director and the President of the Jordan National Planning Council were designated as Co-Directors of the Fund.

A project agreement "Public Services Rehabilitation" was entered into by the Co-Directors of the Joint Fund on April 12, 1971, to provide for the specific uses of the \$5,000,000 (JD 1,785,000) through the Joint Fund arrangements. Details of these specific uses are in Exhibit A of this report.

III. SUMMARY OF FINDINGS

Project implementation, monitoring and accomplishments were found satisfactory (Page 4).

Prescribed reporting by GOJ operating agencies has not been accomplished (Page 5).

This report was reviewed by USAID/Jordan officials who expressed no objections.

IV. FOLLOW-UP ON PRIOR AUDITS

This Program Assistance Grant to Jordan has not been previously audited by A.I.D. or any other agency of the United States Government.

V. FINDINGS AND CONCLUSIONS

A. Project Implementation

Project implementation was in general satisfactory.

The Co-Directors of the Joint Fund designated the Operating Agency for each sub-project activity. Each Operating Agency designated a project supervisor who was responsible for administering and supervising the implementation of the activities and reporting to the Co-Directors.

A brief implementation proposal was submitted to the Co-Directors of the Joint Fund by each of the implementing agencies, showing a list of items to be financed together with categorized cost estimates. Based on these implementation proposals, funds were advanced to the responsible Operating Agency. Additional releases up to the total amounts allocated to each sub-project were made upon receipt of certified reports of expenditures supported by copies of payment vouchers and related documents.

In evaluating this procedure and its application we found it to be adequate and properly applied by the various operating agencies.

B. Funding

The Public Services Rehabilitation Project Agreement as amended September 14, 1971 consisted of three sub-projects:

1. Repair and Equipment for Municipal Services and Utilities	JD 573,300
2. Repair and Equipment for Other Public Services and Facilities	JD 873,586
3. Compensation to the Private Sector	JD 338,114

Funds totaling JD 1,745,000 were released to twelve different GOJ ministries or agencies, leaving an unreleased balance of JD 40,000. See details in Exhibit A.

In reviewing the Operating Agencies' records we found that all funds were either expended or obligated within the activity targets provided in the agreements.

C. Project Monitoring and Reporting

The project agreement requires the GOJ to administer and technically monitor the project implementation. Upon completion of the sub-project the Operating Agencies were to prepare and submit to

the Co-Directors accomplishment reports covering the activities carried out under the agreement, including procurement and contracting actions and describing the use of the funds made available. We concluded from our observations and review of the GOJ files that the GOJ was administering and monitoring satisfactorily project implementation. Although most of the allocated funds have been released and expended, accomplishment reports have not been prepared by any of the Operating Agencies. We discussed this matter with the GOJ officials who indicated that accomplishment reports were not submitted due to oversight. The officials indicated further that the required reports would be submitted in the future.

We discussed with USAID/Jordan officials the lack of GOJ reporting. The officials stated that they will request the GOJ to prepare and submit the required reports. The officials stated further that these reports will serve to identify problem areas and thus facilitate their monitoring efforts. In view of this assurance no recommendation is considered necessary.

D. Project Accomplishments

The project has assisted in reducing human suffering and economic deterioration.

This program was a continuation of the rehabilitation phase started by the U.S. Government in November 1970 under the disaster relief program for Jordan. The earlier program provided \$1,800,000 that were spent on essential rehabilitation needs such as repairing and re-equipping public schools, hospitals and other public buildings, and replacing vehicles and specialized equipment for public services. This \$5,000,000 Program Assistance Grant was likewise programmed (now mostly expended) for rehabilitation of municipal and other public services and also reimbursed the GOJ for approved compensation payments made to private individuals who had suffered property loss. The goods and services financed through the Joint Fund assisted in Jordan's rehabilitation and recovery over a period of many months during which civil strife "aftershocks" continued to plague the capital and scattered northern parts of Jordan.

EXHIBIT APUBLIC SERVICES REHABILITATIONOBLIGATIONS AND RELEASES

<u>Sub-Project Number</u>	<u>Obligated Per PROAG JDs</u>	<u>TOTAL Released JDs</u>	<u>Unreleased Obligations JDs</u>
A. Repair and Equipment for Municipal Services	JD <u>573,300</u>	JD 573,300	
1. Within municipal boundaries of Jordanian cities other than Amman	200,000		
2. Amman Water and Electric Supply	303,000		
3. GOJ Air Transportation of Injured and Red Cross Materials	70,300		
B. Repair and Equipment for Other Public Services	<u>873,586</u>		
1. Ministry of Public Works:	<u>123,000</u>	123,000	
(a) New Asphalt Mix Overlay-Road	90,000		
(b) R&E for Public Buildings	33,000		
2. Ministry of Education:	<u>49,446</u>	49,446	
(a) R&E Public Schools-O/S Bills	20,000		
(b) Home Economics Centers - Furniture and Supplies	8,446		
(c) Teachers Training Colleges:F&E	21,000		
3. Ministry of National Economy SIED	<u>73,960</u>	73,960	
(a) Furniture and supplies, various gov. agencies	22,960		
(b) Broadcasting Station - Ministry of Communication	51,000		
4. Ministry of Health - Additional funds to complete started projects	<u>229,487</u>	189,487	40,000
5. Ministry of Communications - Earth T.S.	<u>137,445</u>	137,445	

<u>Sub-Project Number</u>	<u>Obligated Per PROAG JDs</u>	<u>TOTAL Released JDs</u>	<u>Unreleased Obligations JDs</u>
6. Housing Corporation: Housing Units	JD <u>63,238</u>	JD 63,238	
7. Irbid Municipality: Rep. & Public Services	<u>22,150</u>	22,150	
8. Municipality of Amman: Repair & Public Services	<u>100,000</u>	100,000	
9. Public Security Forces: Repair of Building and Equipment	<u>64,860</u>	64,860	
10. Jordan Development Board: Contingencies	<u>10,000</u>	10,000	
3. Compensation to the Private Sector	<u>338,114</u>	<u>338,114</u>	<u> </u>
TOTALS	JD 1,785,000 =====	JD 1,745,000 =====	JD 40,000 =====

AUDIT REPORT
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JORDAN

EXHIBIT B

For the Period February 22, 1971 Through January 31, 1972

DISTRIBUTION OF REPORT

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<u>IIS/NEW DELHI</u>	1
<u>USAID/JORDAN</u>	6
<u>AAG/NE - ANKARA</u>	6