AUDIT OF AID COMPLIANCE WITH SECTION 121(D) OF THE FOREIGN ASSISTANCE ACT

AUDIT REPORT NO. 7-625-86-5

March 12, 1986

UNITED STATES GOVERNMENT

memorandum

DATE: March 12, 1986

REPLY TO ATTN OF: James B. Durnil, Deputy Inspector General

SUBJECT: Audit of AID Compliance with Section 121(d) of the Foreign Assistance Act

TO: Mark L. Edelman, Assistant Administrator, Bureau for Africa

This report presents the results of audit of AID compliance with Section 121(d) of the Foreign Assistance Act. The objective was to assess Africa Bureau efforts to improve host country accountability and strengthen financial management.

Audit results showed AID substantially complied with the legislation. The Bureau effectively implemented our prior audit report recommendations, established accountability standards for AID projects, and increased AID monitoring. Sahelian Missions and the Sahel Regional Financial Management Project took considerable time and made efforts to design, install, and review accounting systems, develop training materials, and train host government accountants. These efforts significantly improved accountability for local currencies provided to host governments under the Sahel Development Program. As of March 1985, 43 of 47 projects with local currency funds met AID accountability standards.

Although AID's achievements in complying with FAA 121(d) were commendable, the audit found that accountability in the Sahel could be further improved by (1) establishing accountability standards for procurement and inventories, (2) providing more definitive criteria to identify when funding should be suspended due to accountability problems, (3) expanding Mission reporting to improve Bureau oversight, (4) using resources more efficiently for better control over funds not subject to Section 121(d) FAA, and (5) focusing the Sahel Regional Financial Management Project on higher-level host governments to achieve more long-term financial management benefits.

The report contains two open recommendations on the above issues which will be tracked under the Inspector General's recommendation follow-up system. The Bureau's official comments (included as Appendix 1) and individual Mission comments were considered and appropriate changes were made in the report.

Please advise us within 30 days of any additional information relating to corrective actions planned or taken which we should consider in resolving or closing the report's recommendations. We appreciate the cooperation and courtesy extended to our staff by all Sahelian Mission and Bureau officials during the audit.

EXECUTIVE SUMMARY

From fiscal years 1981 to 1984, AID assistance to the Sahel averaged about $138 million per year. About $13 million of this amount were provided annually to host governments in local currencies from Sahel Development Program funds. Inadequate management of these funds, as disclosed in prior audit reports, led the Congress in 1981 to legislate Section 121(d) of the Foreign Assistance Act. This subsection required AID to certify that foreign governments maintained adequate accounting systems for these funds. The Africa Bureau developed a strategy to improve Sahelian country accountability and strengthen financial management. The Sahel Regional Financial Management Project, established in 1982, was an integral element of this strategy.

The Office of the Regional Inspector General audited AID compliance with Section 121(d) of the Foreign Assistance Act. The objective was to assess Africa Bureau efforts to improve host country accountability and strengthen financial management.

Audit results showed AID substantially complied with the legislation. The Africa Bureau effectively implemented prior Inspector General audit report recommendations, established accountability standards for AID projects, and increased AID monitoring. Sahelian Missions and the Sahel Regional Financial Management Project took considerable time and made efforts to design, install, and review accounting systems, develop training materials, and train host government accountants. These efforts significantly improved accountability for local currencies provided to host governments under the Sahel Development Program. As of March 1985, 43 of 47 projects with local currency funds met AID accountability standards.

Although AID's achievements in complying with FAA 121(d) were commendable, there were additional opportunities to improve the effectiveness of Bureau efforts. The audit found a need to expand accountability and reporting standards and improve oversight. Accountability standards had not been established for procurement and inventories, contributing to poor accountability in these categories on 10 of 21 AID projects reviewed. Inadequate criteria for suspending funding when projects had accountability problems often caused the Sahelian Mission to take inconsistent and sometimes inappropriate actions to avoid suspension. Bureau requirements for reporting on results of Mission accountability reviews were not comprehensive enough to allow effective Bureau oversight.

In addition, Missions applied an inordinate amount of resources to implement the legislation because they had not considered more efficient procedures. Considering the Mission's scarce resources and the fact that the Mission had many other oversight responsibilities with other funds such as those furnished under the Public Law 480 program, efficient procedures were crucial.

The report recommends the Africa Bureau expand accountability and reporting standards, provide Mission's clearer guidance on resolving accountability problems, and ensure efficient Mission oversight efforts. The Africa Bureau agreed to the need for more comprehensive accounting system standards and efficient Mission oversight, but not to the need for improved guidance, reporting, or Bureau oversight.

The Sahel Regional Financial Management Project helped resolve major accounting problems for AID projects but made little progress strengthening financial management in Sahelian countries. Efforts were mostly directed at meeting legislative requirements. Little effort was directed towards the long-term needs of host governments or improvement of indigenous host country accounting systems. Only in The Gambia, and to a lesser extent in Mali, were financial management and accounting practices strengthened at higher levels of government. Such efforts can ensure the continued long-term progress of compliance with the legislation. Opportunities were found in most countries to improve project results. The report recommends the Africa Bureau focus additional effort on long-term strengthening of host country accounting and financial management. The Bureau agreed.

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PART I - INTRODUCTION

A. Background

The Sahel encompasses eight African countries[1/] sharing similar problems and developmental objectives. It is among the poorest and least developed regions in the world, lacking sufficient resources to overcome economic constraints. Since 1978 Congress has funded development assistance through the Sahel Development Program, a special account established in recognition of the region's needs. In addition to this program, food aid has been provided through the Public Law 480 program. Also, in three countries, assistance has been provided through the Economic Support Fund. From fiscal years 1981 to 1984, AID assistance to the Sahel averaged about $138 million annually. About $13 million of this amount each year were estimated to have been provided to host governments, in cash, from the Sahel Development Program. These local currencies were to be used to pay for costs incurred on AID projects such as salaries, maintenance, office supplies and vehicle operations.

Accountability for AID-provided local currencies has been a major problem in the Sahel. Inspector General audits, AID evaluations, and other studies consistently reported inadequate management and control of these monies. In December 1981, Congress legislated a requirement to better control the use of Sahel Development Program local currencies. Section 121(d) of the Foreign Assistance Act (FAA) required that:

> "Funds available to carry out this section (including foreign currencies acquired with funds appropriated to carry out this section) may not be made available to any foreign government for disbursement unless the Administrator of the Agency for International Development determines that the foreign government will maintain a system of accounts with respect to those funds which will provide adequate identification of and control over the receipt and expenditure of those funds."

Authority for making the required determination was assigned to the Assistant Administrator for Africa and has not been redelegated. The Africa Bureau established a strategy to (1)

1/ Burkina Faso, Cape Verde, Chad, Gambia, Mali, Mauritania, Niger, and Senegal.

achieve accountability over local currencies, (2) improve AID oversight, and (3) strengthen long-term financial and program management capabilities of Sahelian countries. The $5.9 million Sahel Regional Financial Management Project was established in 1982 to facilitate AID's implementation of FAA 121(d).

B. Audit Objectives and Scope

The Office of the Regional Inspector General audited AID compliance with Section 121(d) of the Foreign Assistance Act. The objective was to assess Africa Bureau efforts to improve host country accountability and strengthen financial management.

To accomplish this objective we reviewed Bureau oversight, determined the adequacy of standards established for host country accounting systems, reviewed the validity and sufficiency of Sahel Mission reporting, evaluated the efficiency of Mission procedures to meet FAA 121(d) requirements, and determined results of the Sahel Regional Financial Management project.

Audit work was conducted between January and September 1985 in Washington, D.C., and all Sahelian countries. Emphasis was given to major AID recipients -- Burkina Faso, Mali, Niger, and Senegal. The audit covered the period from December 1981 to September 1985. AID Mission and Africa Bureau personnel were interviewed, as well as other donors and host country officials. We reviewed records and tested host country accounting systems on 21 of 47 projects with local currency funds. Projects audited accounted for $20 million of the estimated $52 million of local currency funds in active AID projects. The audit also considered findings of prior General Accounting Office, Inspector General, and independent accountants' audit reports. Other reviews and tests were performed as considered necessary. The audit was conducted in accordance with generally accepted government auditing standards.

A draft of this report was provided to the Africa Bureau and Sahel Missions. Official Bureau comments (Appendix I) and individual Mission comments were considered and are included in the report as appropriate.

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PART II - RESULTS OF AUDIT

Audit results showed AID substantially complied with Section 121(d) of the Foreign Assistance Act. The Africa Bureau effectively implemented prior Inspector General audit report recommendations, established accountability standards for AID projects, and increased AID monitoring. Sahelian Missions and the Sahel Regional Financial Management Project took considerable time and made efforts to design, install, and review accounting systems, develop training materials, and train host government accountants. These efforts significantly improved accountability for local currencies provided to host governments under the Sahel Development Program. As of March 1985, 43 of 47 projects with local currency funds met AID accountability standards.

Although AID's achievements in complying with FAA 121(d)were commendable, accountability in the Sahel could be further improved by establishing accountability standards for procurement and inventories, providing more definitive criteria to identify when funding should be suspended due to accountability problems, expanding Mission reporting to allowbetter Bureau oversight, identifying more efficient use of oversight resources to allow better control over funds not subject to Section 121(d) FAA, and focusing the Sahel Regional Financial Management Project on higher levels of host government management to achieve more long-term financial management benefits.

The report recommends the Africa Bureau (1) expand accounting system standards to include procurement and inventory controls, (2) provide Missions with clearer guidance in resolving accountability problems, (3) strengthen control over Mission reporting, (4) evaluate Mission efforts devoted to Sahel Development Program local currencies in view of their responsibilities over other funds, and (5) focus additional effort on long-term strengthening of host country accounting and financial management.

A. Findings and Recommendations

1. Need for Africa Bureau to Expand Accountability and Reporting Standards and Improve Oversight

The Africa Bureau needs to expand accountability and reporting standards and improve oversight. Accountability standards were not established for procurement and inventories, contributing to poor accountability in these categories on 10 of 21 AID projects reviewed. Inadequate criteria for suspending funding when projects had accountability problems often caused the Sahelian Mission to take inconsistent and sometimes inappropriate actions to avoid suspension. Bureau reporting requirements of Mission results of accountability reviews were not comprehensive enough to allow effective Bureau oversight.

In addition, Missions applied an inordinate amount of resources to implement Section 121(d) of the Foreign Assistance Act because they had not considered more efficient procedures. Considering the Mission's scarce resources and the fact that the Mission had many accountability responsibilities with other program funds, efficient procedures were crucial.

Recommendation No. 1

We recommend that the Assistant Administrator, Bureau for Africa:

A. establish additional Sahel accounting system standards for procurement and inventories which include supporting documentation demonstrating that expenditures for goods and services correspond to those authorized, ordered, and received;

B. redefine criteria for suspending project funding to ensure consistent Sahelian Mission decisions in resolving accountability problems;

C. expand Sahelian Mission reporting requirements to include the scope of accounting system reviews, problems encountered, and status of corrective actions;

D. establish a system to verify Sahelian Mission efforts on Section 121(d) of the Foreign Assistance Act through evaluations or as a part of Bureau-planned Mission assessments; and

E. require Sahelian Missions to evaluate their efforts on Section 121(d) of the Foreign Assistance Act to identify more efficient procedures, and consider the potential for fraud, waste and abuse of other AID-provided funds.

Discussion

Periodic reviews and certifications of accounting systems were major actions in the Bureau's strategy to ensure control over local currencies. The Bureau designed standards, used by Sahelian Missions, to evaluate accounting systems for AID-financed projects. The Bureau relied on periodic certification reports from Mission Directors to form the required determination of the adequacy of host country accounting systems.

The Bureau required Missions to withhold funds from any project not certified. Missions were also required to submit periodic reviews ensuring that accountability was maintained. If projects failed the test, funding was suspended until deficiencies were corrected and projects recertified.

The audit found that accounting system standards were incomplete; inadequate criteria were provided to Missions to resolve problems; reporting by Missions was not comprehensive enough to allow effective Bureau oversight, and Mission procedures addressing the FAA 121(d) requirements were sometimes inefficient.

Accounting System Standards - The Africa Bureau established the following standards for accounting systems:

-- appropriate internal controls;

-- identification of the receipt of AID funds;

-- expenditure of AID funds in accordance with previously approved budget categories;

-- a method to ensure that expenditures not exceed approved budgets;

-- accurate and timely reporting on the receipt and expenditure of AID funds; and

-- reports supported by entries in accounting records and referenced to source documentation.

The audit disclosed that although these standards helped correct serious problems of host country accounting systems, 10 of 21 project accounting systems reviewed needed improvements on procurements and inventories. The audit was unable to readily verify the receipt and use of AID-financed equipment because such controls as fixed asset cards and receiving reports were not established, or if established were not fully used. Also, there were few inventory controls for materials and high-cost expendables such as fuel and vehicle parts.

Bureau standards also did not define particular documentation for supporting procurements. As a result, Mission requirements for identifying and ensuring that what host governments paid for corresponded to what had been approved for purchase and received were inconsistent. Although all Missions required invoices and evidence of payment to support claimed expenditures, only four Missions required documentation such as purchase orders and receiving reports, needed to substantiate invoices for goods and services. For example, USAID/Mali required only its major projects to establish a system to match the payment function with the system of procurement approval and receipt of goods and services. USAID/Niger required such controls on all of its projects.

Mission personnel agreed that procurement and inventory controls were essential for good accountability and the protection of AID assets. However, some Missions did not require these controls because they believed resources were insufficient. Mission personnel felt that monitoring of procurement and inventory controls was a management intensive activity which became increasingly difficult, if not impossible, as staffing levels were reduced and program activities were increased.

Audit results demonstrated that procurement and inventory controls were too important to be excluded from Mission accountability standards. A significant percentage of the $52 million in local currency expenditures involved procurement and inventories. Had the Bureau established specific standards and defined minimum source documentation, consistent application at all Missions could have been better ensured. Although inventory controls may not have been specifically required by FAA 121(d), prescribed standards were still needed to ensure more comprehensive and consistent accountability.

<u>Criteria For Funding Suspension</u> - Missions generally evaluated accounting systems in accordance with Africa Bureau standards, requiring that: separate bank accounts be established; reporting on funds be accurate, timely, and in accordance with budgets; reports be supported by entries in accounting records and be easily referenced to source documents.

However, Mission actions varied when reviews disclosed projects with accounting problems. Some Missions decertified accounting systems and suspended funding after projects failed to correct deficiencies over an extended period of time. But in general, Missions wanted to avoid decertification and searched for other ways to resolve problems. Some Missions suspended payments without decertifying projects. Others continued payments.

Justifying why they did not decertify projects when problems arose, Mission officials said Bureau standards were unreasonable. Officials stated that suspending funds because of accountability problems seriously affected implementation. They were also concerned that procedures to recertify projects were too long, citing delays of up to three months to obtain Washington clearance after problems had been corrected.

The audit found a lack of definitive criteria on project suspension. Minor accounting errors can result from misunderstanding of instructions, mistakes in judgment, or carelessness. To suspend funding because of relatively minor problem may result in higher costs from discontinuity of project implementation, and may cause ill-will with host governments. Such costs have to be considered when deciding to suspend funding.

Yet, suspension of project funding is appropriate when accounting problems are significant and recur frequently with little or no corrective action by the host government. The audit disclosed that after the initial round of certifications in 1982, Missions might have achieved better corrective action had they decertified problem projects and suspended funding. Examples in Senegal and Burkina Faso illustrate this point:

The Casamance Regional Development Project in Senegal had significant accountability problems which were disclosed in an Inspector General audit report.1/ These problems recurred frequently from 1979 to 1984 without effective corrective action. Previous USAID/Senegal management attributed accountability problems to a lack of motivation by project officials to maintain the accounting system. Nevertheless, the Mission continued project funding and retained the certification. In 1984, new Mission management decertified the project and suspended funding.

In Burkina Faso, significant accountability problems existed for more than four years on the Foundation Seed Project. The Mission was aware of these problems but took little corrective action. Although the Mission occasionally suspended advances to the project, it was never decertified. As a result, such problems as unauthorized expenditures and weak internal controls were not corrected. At the close of our review, the Mission was arranging for an audit to determine the extent project funds were used for unauthorized purposes.

Judgment will continue to be an important factor in deciding the best course of action in any given situation. However, more definitive criteria could have helped Missions decide

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1/ "The Casamance Regional Development Project in Senegal Has Experienced Implementation Constraints" No. 7-685-84-1, November 17, 1983 whether to decertify and suspend funding, or to attempt to resolve minor problems on a routine basis. Such criteria could have also helped the Africa Bureau ensure more consistency in Mission actions to resolve accountability problems.

Reporting And Oversight - The Africa Bureau required Missions to periodically report the results of accounting systems reviews. These reports included certification statements for each project, indicating (1) date of last accounting system review, (2) date of last voucher review, and (3) net amount of advances made to accounting stations. Also reported were those accounting systems which had been decertified, with identification of the disbursing agent.

These reports were used by the Bureau to identify the certification status of each project. However, the reports did not provide sufficient information to identify common problems found in projects, nor permit Bureau oversight of Mission performance of FAA 121(d) responsibilities.

The Bureau did not require Missions to report either problems found as a result of their accounting system reviews or their planned corrective actions. Missions, such as Mali and Niger, already had internal systems to identify and track problems, but this information was not reported to the Bureau. In our view, Mission reporting could have been used by the Bureau to identify common problems and permit broader-based solutions.

For example, an Inspector General audit report1/ disclosed many problems in the Renewable Energy Project in Mali. Cash controls were weak; documentation in support of vouchers did not correspond to periods claimed; invoices lacked purchase orders and receiving reports; and controls were weak for fixed assets and inventories. Although largely documented at the Mission level, these problems, which had existed for more than four years, were not reported to the Bureau.

The review disclosed a number of similar internal control weaknesses in the other 20 projects reviewed (see Exhibit). The Bureau could have obtained better oversight and understanding of the more common Mission problems had information been summarized in a format such as:

1/ "Memorandum Report on The Mali Renewable Energy Project--Accountability for AID Funds" No. 7-688-86-1, October 9, 1985

Problem	Number of Projects
Expenditure in Accordance with Budgets	3
Method to Ensure Expenditures do not Exceed Budgets	2
Accurate and Timely Reporting	6
Reports Supported by Records and Source Documents	5
Procurement Controls	6
Inventories	8
Supportive Attitudes	1
Other Internal Controls	8
TOTALS	39

The audit also found Mission reports did not identify whether or not all Bureau standards had been met in certification. Reports only stated whether or not project accounting systems were adequate and certified. More thorough reporting of problems could have helped the Bureau better oversee Mission performance of FAA Section 121(d) reviews. The most severe problems were found in Senegal, where Mission management did almost nothing to meet FAA 121(d) requirements during the first two years after passage of the legislation. The audit found little or no supporting documentation for USAID/Senegal pre-1984 reviews.

Mission management changed in early 1984 and aggressive actions were initiated to review the 10 projects subject to FAA 121(d). USAID/Senegal contracted with two public accounting firms to review the projects' accounting systems and express an opinion on meeting FAA 121(d) certification standards. The contracts for this FAA 121(d) related work amounted to about $55,000. As a result of the public accounting firm reports, the Mission suspended the certifications and funding for five of the 10 projects until the problems were corrected. Public accounting firms and Sahel Regional Financial Management advisors were used extensively to develop and install adequate accounting systems and training.

Without an effective reporting system requiring USAID/Senegal to report more meaningful details of its reviews, including scopes, problems encountered, and planned corrective actions, the Africa Bureau could not verify the certifications. Instead the Bureau measured effectiveness by the speed with which the Mission made certifications. In that regard, in 1982 the Bureau held USAID/Senegal up as a model for other Missions.

Bureau officials believed FAA 121(d) requirements should be carried out similarly to other legislative requirements; and relied on the integrity of Mission Directors in making FAA 121(d) certifications. They believed this approach to be consistent with Agency emphasis on delegating authority to the field. Therefore, Mission reporting formed the basis for the Assistant Administrator's overall certification.

Delegating authority to appropriate field officials and holding them accountable is a management decision. However, the Bureau should have maintained sufficient oversight to assure itself of the quality of field performance. In this instance, the Agency indicated FAA 121(d)'s importance by retaining authority for certifying accounting systems at the Assistant Administrator level, and not the individual Mission level.

The audit showed that more substantive Mission reporting was needed to help the Bureau identify and correct common problems found in projects, and allow verification of the quality of Mission performance. The Bureau could improve reporting, without unduly increasing Mission efforts, by requiring reports to include problem identification and solution checklists like those used by Missions in Mali and Niger. These could also serve as a means to evaluate Mission efforts in FAA 121(d) as part of Bureau evaluations or proposed Mission assessments.

Mission FAA 121(d) Procedures - Local currency funds provided under the Sahel Development Program and subject to FAA 121(d) were only a small part of AID resources to Sahelian countries. Local currency expenditures on 47 active AID projects subject to certification were estimated at $52 million through December 1984--an average of $13 million per year from 1981-84. However, total AID resources provided to the Sahel from fiscal years 1981-84 were $553 million or about $138 million per year, as follows:

AID Assistance to Sahel Countries[1/]
Type of Assistance (millions)

Year	Sahel Development Program	Public Law 480	Economic Support Fund	Total
1981	$ 93	$35		$128
1982	94	27	$ 3	124
1983	85	32	10	127
1984	107	49	18	174
	$379	$143	$31	$553

1/ Source: General Accounting Office Study "Can More Be Done To Assist Sahelian Governments To Plan And Manage Their Economic Development?" GAO/NSIAD-85-87, September 6, 1985.

Although not subject to FAA 121(d), AID must ensure that all funds are properly accounted for and effectively used.

The audit disclosed that Missions made considerable effort performing FAA 121(d) reviews, using a mix of:

-- Sahel Regional Financial Management Project advisors;

-- Mission direct hire personnel;

-- Mission local hire personnel, and

-- Certified Public Accounting firms or other contractors.

Missions did not maintain records needed to analyze the total costs of these resources. However, Mission personnel stated that oversight efforts were frequently out of proportion to the funds involved, and exceeded efforts to monitor and control other funds not subject to FAA 121(d). Nevertheless, the problems previously found in local currencies were so pervasive and complex that added resources and procedures were needed to ensure accounting systems were certified and maintained.

The audit found that Missions generally did not analyze alternatives to fulfill their FAA 121(d) responsibilities. Each of the resources available had varying costs ranging from high (Sahel Regional Financial Management advisors and AID direct hires) to low (Mission local hires). For example, USAID/Mauritania spent approximately $75,000 per year for a financial analyst to control $90,000 in project local currencies. Three of five Missions also relied heavily on the Sahel Regional Financial Management Project. USAID/Mali relied more on locally hired staff resulting in lower costs for their FAA 121(d) effort.

Also, more efficient procedures were not adequately analyzed. For example, USAID/Mauritania and USAID/Niger spent much time verifying 100 percent of voucher documentation in determining the adequacy of project accounting systems. USAID/Mali was more efficient in only sampling local currency expenditures once accounting system reliability had been established.

We recognize that country situations will differ depending on the degree of accounting system reliability, availability of local staff, and other factors. However, as the following illustrates, oversight on other AID funds needed improvement. Oversight resources were potentially available if Missions had used those invested in FAA 121(d) more efficiently.

A General Accounting Office report on Public Law 480 Title III[1] noted several problems in the USAID/Senegal oversight of the three-year $28 million program.

- The Government of Senegal had a shortfall of the equivalent of $3.6 million in the Title III special account.

- Senegal advanced the equivalent of $143,000 in Title III funds to a project not authorized by the Food for Development agreement. Most of this amount was later redeposited.

In addition, the Inspector General's Office had advised the Mission on several occasions that effective systems had not been established to monitor anticipated local currency disbursements of $28 million under Public Law 480 Title III.

Various reports have also shown the need for greater oversight of Public Law 480 Title II funds by other Sahelian Missions. For example, an Inspector General report on Public Law 480 Title II in Burkina Faso[2] showed that the host government fell behind in payments to the special account by about $1.6 million. Also, a General Accounting Office report on Public Law 480 Title II[3] cited several problems in effectively distributing and accounting for program resources in Mali, Mauritania and, to a lesser extent, Senegal.

We recognize that such funds as Public Law 480 Title II were not subject to FAA 121(d) requirements. However, Missions needed to consider the vulnerabilities of such funds together with other needs in allocating resources to FAA 121(d) compliance. Had more monitoring resources been devoted to Public Law 480 funds, Sahelian Missions could have identified and corrected the problems more promptly.

In view of the need for effective oversight on all funds, the Africa Bureau should request all Sahelian Missions to reevaluate their FAA 121(d) efforts to identify lower cost alternatives and more efficient procedures. In so doing, Missions should consider the resources needed to prevent fraud, waste and abuse of other program funds not subject to FAA 121(d).

1/ "Financial And Management Improvements Needed In The Food For Development Program" GAO/NSIAD 85-105, August 7, 1985

2/ "Memorandum Report on Government of Burkina Faso Compliance with P.L. 480 Title II Agreements" No. 7-686-86-2, October 9, 1985

3/ "Famine in Africa - Improving Emergency Food Relief Programs" GAO/NSIAD 86-25, March 1986

Management Comments - The Africa Bureau concurred with two of the five parts of the recommendation. The Bureau intended to incorporate procurement and inventory standards within existing FAA 121(d) guidelines. The Bureau indicated that Missions were now taking steps to improve commodity and inventory controls for all project activities, and not only for those where 121(d) was applicable. The Africa Bureau also intended to request Missions to periodically reassess FAA 121(d) efforts. The Bureau indicated that they were urging all Missions to apply rule of reason in complying with the legislative requirements.

The Africa Bureau also agreed to review criteria for suspending funding. However, the Bureau saw a need to maintain flexibility in application of standards by Missions, and to rely on the judgment of Mission personnel knowledgeable and qualified to make the appropriate recommendation to the Assistant Administrator. The Bureau indicated that firmer criteria for all Sahelian countries may not be appropriate.

The Africa Bureau further stated that the present system of reporting and oversight was adequate. The Bureau stated that semi-annual project implementation reports and 121(d) reports were comprehensive and provided sufficient information about project status, problems and planned actions. The Bureau said that on several occasions it delayed making a determination until adequate information was received. Therefore, the Bureau did not agree that additional reporting requirements were needed.

Office of Inspector General Comments - Parts (a) and (e) of the recommendation are considered open but resolved. Those parts will be closed upon Africa Bureau issuance of procurement and inventory standards and a request to Sahelian Missions to reassess FAA 121(d) efforts.

Parts (b), (c), and (d) are considered open and unresolved because there has not yet been agreement on corrective action. We continue to believe that more definitive criteria for suspending funding and a better system of Mission reporting and Bureau oversight are needed to ensure consistent and effective Sahelian Mission actions in resolving accountability problems.

We agree with the Bureau on the need to maintain flexibility in Mission application of standards because decisions to suspend funding must be considered with efficiency and cost effectiveness criteria. We also agree that the judgment of Mission personnel will continue to be an important factor in deciding the best course of action.

However, the Africa Bureau position that the reporting and oversight system works well was not supported by audit results. In our opinion the semi-annual project implementation reports, in conjunction with 121(d) reports have not provided sufficient information to gauge progress. These reports generally did not present the internal control weaknesses listed in the Exhibit. These weaknesses were generally unknown by Bureau officials who were interviewed.

Audit results demonstrated that because Bureau criteria for suspending funding did not consider efficiency or cost effectiveness criteria, Mission actions to resolve problems varied with inconsistent results. Because Bureau reporting requirements and oversight were in need of improvement, these inconsistencies were not detected for broader regional solutions. Nor could the Bureau effectively oversee Mission performance of assigned FAA 121(d) responsibilities. Therefore, we believe the Africa Bureau should reconsider its position.

2. The Sahel Regional Financial Management Project Can Achieve Better Results

The Sahel Regional Financial Management Project helped resolve major accounting problems for AID projects, but made little progress strengthening financial management in Sahelian countries. Efforts were mostly directed at meeting FAA 121(d) requirements. Little effort was directed towards the long-term needs of host governments or improvement of indigenous host country accounting systems. Only in The Gambia, and to a lesser extent in Mali, were financial management and accounting practices strengthened at higher levels of government. Such efforts can ensure the long-term continued progress of compliance with Section 121(d) of the Foreign Assistance Act. Opportunities were found in most countries to improve project results.

Recommendation No. 2

We recommend that the Assistant Administrator, Bureau for Africa: give priority to improving long-term accounting and financial management practices of Sahelian countries; and in doing so, act upon opportunities already identified in Mali and include in project efforts, assessments made by Missions and Sahel Regional Financial Management Project officials.

Discussion

AID established the Sahel Regional Financial Management Project in 1982 to improve accountability of Sahelian development institutions that directly handled AID funds, and to strengthen financial management practices of Sahelian countries. Performance objectives were that (1) all AID projects met FAA 121(d) requirements, and (2) all countries had long-term plans to strengthen financial management practices.

Audit results showed that much more was needed to strengthen financial management practices of Sahelian countries. Of the eight countries, only The Gambia's institutional requirements had been assessed to formulate an appropriate financial management training plan. The Gambia project component concentrated training to the Auditor and Accountant General Offices to improve national accountability and financial management practices. Training in other countries was largely limited to those institutions which AID supported through development projects, and to those which met AID local currency requirements.

Training generally did not address institutional needs to develop qualified accountants and auditors in Sahelian countries. A 1984 General Accounting Office report[1] disclosed that four of the eight West African countries had no indigenous accountants or auditors qualified in terms of internationally accepted standards. Even in those countries with qualified accountants and auditors, the numbers were limited because of the need to improve the curricula and staffs of national schools. According to Mission officials, there were only four qualified auditors in Mali. The General Accounting Office report cited a need to develop Sahelian country capabilities to plan and manage development resources.

Most missions agreed that training should be directed to a larger audience than just AID project accountants. Host government officials who were interviewed showed considerable interest in the Sahel Regional Financial Management Project efforts to improve accounting and auditing capabilities such as was done in The Gambia and within the Ministry of Agriculture in Mali. Missions agreed that if AID developed accounting and internal audit capabilities in Sahelian countries, it's management burden for local currencies would decrease. However, AID had not assessed specific capabilities and needs, nor had it explored what other donors would be willing to support in a more coordinated approach.

The audit also disclosed that the systems used to account for AID local currencies did not consider the use of host country accounting systems, and were not designed to produce financial management information. For example, the AID-designed system did not maintain budgets and costs by project activity, nor did it include other project inputs such as host country contributions, commodities, and technical assistance costs. Such information would have been useful to host countries in better planning, controlling, and assessing costs of project activities.

Also, AID frequently required new accounting systems without considering how to improve upon indigenous systems. This approach caused additional training and some duplication of effort. The Casamance Regional Development Project in Senegal, for example, had an established accounting system which employed a numerical chart of accounts, identified each donor by a code, and contained other elements of a good system of internal control, including periodic Government of Senegal audits. However, problems existed such as the system's inability to provide timely financial information. Instead of finding ways to solve these problems, the Mission set up a parallel system which was not included in host government audit

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1/ "Financial Management Problems in Developing Countries Reduce the Impact of Assistance" GAO/NSIAD-85-19, November 5, 1984 coverage. Our 1983 audit[1/] found that accountability for AID resources was inadequate because project officials assigned secondary importance to maintaining the AID accounting system. Project officials indicated that the requirement of maintaining two accounting systems overburdened staff. Subsequent to that audit, the Sahel Regional Financial Management Project established a more integrated accounting system.

The audit also disclosed that implementation of the Sahel Regional Financial Management Project was not directed at improving host government institutions because of the more immediate need to meet minimum accountability standards on discrete AID projects. Missions used project resources primarily to certify new projects and maintain accounting systems after certification. For example, Burkina Faso used most project resources to train AID project accountants. Mission officials considered the project essential to preventing serious accountability problems. Because of limited resources and unsupportive host country conditions, the project's efforts to strengthen capabilities outside of AID projects were negligible. Senegal also relied heavily on the project to resolve accountability problems. In some cases, project advisors maintained books and prepared reports at project levels. Because of the need to use project resources to resolve 121(d) problems, development at higher levels was largely limited to seminars in financial management.

Mission officials agreed that project training had responded to immediate needs and not to long-term development of host country management. In their view, the AID-prescribed accounting system was designed to satisfy the legislation, but not to be used as a management tool. As a result, project accountants were essentially trained in specialized bookkeeping skills with few long-term benefits.

In August 1985 the Sahel Regional Financial Management Project was extended to June 1986 with additional funding of $1.6 million until a new five-year project commenced. The audit identified opportunities in several Sahelian countries (Mali, Niger, and Senegal) for the project to provide long-term benefits through higher levels of financial management. These included (1) training for higher level management to influence wider acceptance of financial disciplines, (2) improving existing accounting systems to produce more meaningful financial management information, and (3) providing assistance to schools in Sahelian countries, ministries, and the private sector to develop qualified accountants and auditors.

1/ "The Casamance Regional Development Project in Senegal Has Experienced Implementation Constraints" No. 7-685-84-1, November 17, 1983

The Sahel Regional Financial Management Project should focus on auditing and accounting capabilities at higher governmental levels to foster improved financial management. Without assessments for institution building, the project can only have limited long-term benefits. Project accountants may not continue in accounting after current AID projects end, yet future AID projects will continue to require heavy AID oversight to ensure adequate accountability. If the project is used predominantly for FAA 121(d) certifications, the important long-term development task of institutionalization will not take place.

Management Comments - The Africa Bureau agreed with the thrust of the recommendation but emphasized that such factors as manpower, funding, and supportive host country conditions restricted financial management development efforts. Under a four-year Phase II project, the Bureau intends to strengthen capabilities of host government institutions involved in AID projects, particularly as related to 121(d) needs, and secondly, where possible, provide assistance to other Sahelian schools, ministries, and the private sector.

Office of Inspector General Comments - The recommendation is considered open but resolved. Although the actions are responsive to our recommendation, we defer closure until we receive and evaluate the approved phase II project paper.

B. Compliance and Internal Control

Compliance

Within the scope of the audit, tested items disclosed that the Africa Bureau generally complied with FAA 121(d). Nothing came to our attention as a result of audit procedures that caused us to believe untested items were not in compliance with legislation.

Internal Control

As reported in finding 1, the audit disclosed a need to strengthen administrative controls over implementation of the Africa Bureau strategy to improve Sahelian accountability. These include:

-- Establishing accountability standards for procurement and inventories;

-- Providing more definitive criteria to identify when funding should be suspended due to accountability problems;

-- Expanding Mission reporting requirements for more comprehensive reporting of results and problems, and to allow better Bureau oversight; and

-- Requiring Missions to reassess FAA 121(d) efforts to identify more efficient uses of oversight resources and to allow better controls over other AID - provided funds.

Instances of weakness in internal accounting controls were also identified in most of the 21 projects reviewed. The projects tested and results are included as an Exhibit.

AUDIT OF
AID COMPLIANCE WITH SECTION 121(D)
OF THE FOREIGN ASSISTANCE ACT

PART III - EXHIBIT AND APPENDICES

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LISTING OF INTERNAL CONTROL EXCEPTIONS

Country	Projects Tested Number	Projects Tested Name	Africa Bureau Standards for 121(d) Certification: Appropriate Internal Controls	Ident. of Receipt of AID Funds	Expenditures in Accord w/Budgets	Budgetary System	Accurate & Timely Reporting	Documented Reports	Other Internal Controls: Procurement Controls	Inventory Controls	Supportive Attitudes	Total
Burkina Faso	686-221	Agricultural Human Resources	X		X	X	X		X	X	X	7
	686-251	Rural Health Planning & Mgt.								X		1
Cape Verde	655-006	Soil and Water Conservation	X					X				2
The Gambia	635-205	Gambia Forestry	X					X				2
Mali	688-210	Operation Haute Vallee										0
	688-217	Renewable Energy	X				X	X	X	X		5
	688-225	Training Center for Rural Women										0
Mauritania	682-230	Rural Health Services	X		X	X	X	X	X			6
Niger	683-208	Improving Rural Health					X					1
	683-225	Cereals Research	X				X		X	X		4
	683-226	Rural Health Sector Human Resources Dvlpmt.								X		1
	683-229	Evaluation Asst.			X					X		2
	683-230	Forestry & Land Use Planning										0
	683-234	Agricultural Prod. Support										0
	683-247	Agricultural Sector Grant								X		1

LISTING OF INTERNAL CONTROL EXCEPTIONS—cont.

Country	Projects Tested: Number	Projects Tested: Name	Africa Bureau Standards for 121(d) Certification: Appropriate Internal Controls	Ident. of Receipt of AID Funds	Expenditures in Accord w/Budgets	Budgetary System	Accurate & Timely Reporting	Documented Reports	Other Internal Controls: Procurement Controls	Inventory Controls	Supportive Attitudes	Total
Senegal	685-205	Casamance Reg. Dev. (Hlth Comp)										0
	685-235	Cereals Prod. II										0
	685-256	Rural Mt. Trng.							X			1
Sahel Regional	625-927	Demographic Data Coll. & Analysis										0
	625-928	Integrated Pest Management	X					X	X	X		4
	625-937	Maternal Lang. Texts	X				X					2
	TOTALS		8	0	3	2	6	5	6	8	1	39

ACTION: RIG-2 INFO: DCM

VZCZCTAA952ESC849 LOC: 117
PP RUTADS 23 JAN 86
DE RUEHC #1152/01 0232014 CN: 52535
ZNR UUUUU ZZH CHRG: AID
P R 230011Z JAN 86 DIST: RIG
FM SECSTATE WASHDC
TO RUTADS/AMEMBASSY DAKAR PRIORITY 5739
INFO RUEHNM/AMEMBASSY NIAMEY 5747
RUTADS/AMEMBASSY DAKAR 5739
RUTABM/AMEMBASSY BAMAKO 2395
RUTANK/AMEMBASSY NOUAKCHOTT 5414
RUTAND/AMEMBASSY NDJAMENA 0358
RUFEJL/AMEMBASSY BANJUL 6481
RUFHOC/AMEMBASSY OUAGADOUGOU 5632
RUFHPR/AMEMBASSY PRAIA 3375
RUEHAB/AMEMBASSY ABIDJAN 0732
BT
UNCLAS SECTION 01 OF 02 STATE 021152

JAN 2 9

AIDAC FOR RIG/A/WA

E.O. 12356: N/A
TAGS:
SUBJECT: DRAFT AUDIT REPORT ON AID COMPLIANCE WITH SECTION 121(D) OF THE FOREIGN ASSISTANCE ACT (AUDIT REPORT NO. 7-625-86)

REF: (A) OUAGADOUGOU 7306, (B) BAMAKO 7465, (C) NOUAKCHOTT 5060

1. AFRICA BUREAU APPRECIATES THE OPPORTUNITY TO REVIEW THE DRAFT AUDIT REPORT. FOLLOWING ARE OUR COMMENTS.

2. WE ARE DELIGHTED THAT THE AUDIT RESULTS SHOW THAT THE AFRICA BUREAU'S EFFORTS HAVE IMPROVED ACCOUNTABILITY IN THE SAHEL AND THAT OTHER IG AUDIT RECOMMENDATIONS HAVE ALSO BEEN EFFECTIVELY IMPLEMENTED. THE BUREAU ALSO WELCOMES THE ADDITIONAL OPPORTUNITIES IDENTIFIED IN THE DRAFT AUDIT REPORT FOR FURTHER IMPROVING THE EFFECTIVENESS AND EFFICIENCY OF THE BUREAU'S AND MISSIONS' EFFORTS IN THIS AREA.

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Deleted - Relates to matter not included in final report.

THE FOLLOWING ARE THE AFR/BUREAU'S RESPONSES TO EACH AUDIT RECOMMENDATION.

A. RECOMMENDATION 1.A, ESTABLISH ACCOUNTABILITY STANDARDS FOR PROCUREMENT AND INVENTORIES;

WE AGREE WITH THIS RECOMMENDATION. AS INDICATED BY REFTELS MOST MISSIONS ARE ALREADY TAKING STEPS TO IMPROVE COMMODITY AND INVENTORY CONTROLS FOR ALL PROJECT ACTIVITIES, AND NOT FOR ONLY THOSE WHERE 121(D) IS APPLICABLE. FOR EXAMPLE, USAID/MALI HAS COMPLETED COMMODITY AND INVENTORY WORKSHOPS AND BURKINA FASO IS INCLUDING ADEQUATE CONTROL MEASURES IN ALL PROJECTS. THESE EXPERIENCES AND COURSE MATERIALS WILL BE SHARED WITH THE OTHER MISSIONS FOR THEIR USE. AFRICA BUREAU WILL INCORPORATE THIS RECOMMENDATION WITHIN BUREAU 121(D) GUIDELINES, BUT ALLOW MISSIONS SOME FLEXIBILITY IN HOW THEY APPLY TO THEIR SPECIFIC SITUATIONS.

B. RECOMMENDATION 1.B, PROVIDE MORE DEFINITIVE CRITERIA TO IDENTIFY WHEN FUNDING SHOULD BE SUSPENDED DUE TO ACCOUNTABILITY PROBLEMS;

WE WILL REVIEW THE PRESENT CRITERIA WITH THE OFFICE OF FINANCIAL MANAGEMENT AND SAHEL CONTROLLERS TO DETERMINE IF STRICTER CRITERIA ARE IN FACT WARRANTED. OUR EXPERIENCE, HOWEVER, DOES NOT CALL FOR THE ESTABLISHMENT OF FIRMER CRITERIA FOR ALL SAHELIAN COUNTRIES. THE MISSION DIRECTOR IN COORDINATION WITH THE MISSION CONTROLLER SHOULD BE GIVEN CLEAR RESPONSIBILITY TO RECOMMEND TO AA/AFR A DETERMINATION THAT A GIVEN ACTIVITY IS TO BE CERTIFIED AS BEING IN COMPLIANCE WITH 121(D) OR ALTERNATIVELY TO DE-CERTIFY AN ACTIVITY. MISSION PERSONNEL WOULD HAVE FIRST-HAND KNOWLEDGE OF ALL RELEVANT FACTS AND CIRCUMSTANCES AND THUS BE THE MOST QUALIFIED TO MAKE THE BEST RECOMMENDATION. HOWEVER, MISSIONS MUST HAVE FLEXIBILITY TO APPLY STANDARDS OF SOUND ACCOUNTING PRACTICES, EFFICIENCY AND COST EFFECTIVENESS AND TO JUDGE WHAT CONSTITUTES AN ADEQUATE SYSTEM OF ACCOUNTS FOR A PARTICULAR ACTIVITY.

C. RECOMMENDATIONS 1.C AND 1.D, EXPAND MISSION REPORTING REQUIREMENTS FOR MORE COMPREHENSIVE REPORTING OF RESULTS AND PROBLEMS, AND TO ALLOW BETTER BUREAU OVERSIGHT;

CURRENTLY, MISSIONS SUBMIT COMPREHENSIVE REPORTS TWICE A YEAR AND BEFORE AUTHORIZATION ON THE APPLICABILITY OF 121(D) TO EACH PROJECT AND THE MISSION'S JUDGEMENT ABOUT WHETHER ACTIVITY IS TO BE CERTIFIED OR DE-CERTIFIED. WE ALSO NOTE THAT SOME MISSIONS (E.G. BAMAKO) ARE SENDING MONTHLY REPORTS ON 121(D) VISITS, ETC. IN ADDITION, MISSIONS SEND SEMI-ANNUAL PROJECT IMPLEMENTATION REPORTS (PIR) ON EACH ACTIVE PROJECT. THE PIR WHICH INCLUDES PROJECT STATUS, PROBLEMS AND PLANNED ACTIONS ARE VERY COMPREHENSIVE AND ARE CAREFULLY REVIEWED BY THE BUREAU'S PROJECT COMMITTEE WHICH REGULARLY ADVISES MISSIONS ON

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NEEDED FOLLOW-UP ACTIONS IN ALL AREAS INCLUDING FINANCIAL MANAGEMENT.

FOR EXAMPLE, IN THE CASE OF BURKINA FASO'S FOUNDATION SEED PRODUCTION PROJECT (686-0245), THE PIR CONTAINED DETAILED INFORMATION ON THE ACCOUNTING PROBLEM AND PLANNED CORRECTIVE ACTIONS IN THE PROJECT. BESIDES HAVING THE SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT (SRFMP) PERSONNEL WORK WITH THE SEED SERVICE'S ACCOUNTANTS AND PROVIDE ADDITIONAL TRAINING ,THE MISSION STOPPED ADVANCES AND ASKED FOR AN AUDIT OF THE PROJECT IN JULY 1985. THE GOVERNMENT OF BURKINA ALSO APPOINTED A NEW NATIONAL SEED SERVICE DIRECTOR WHO IS WORKING WITH USAID TO RESOLVE THE PROBLEM. FOR THE JANUARY 1986 SEMI-ANNUAL FAA 121(D) CERTIFICATION, THE MISSION IS DEFERRING CERTIFICATION FOR THIS PROJECT FOR 30 DAYS. WE BELIEVE THAT THIS PIR PROCESS EFFECTIVELY COMPLEMENTS/REINFORCES ESTABLISHED 121(D) REPORTING REQUIREMENTS.

BASED ON REVIEWS OF MISSIONS CERTIFICATIONS AND PIRS BY THE BUREAU, THE AA/AFRICA MAKES THE FINAL DETERMINATION ON THE ADEQUACY OF THE PROJECT ACCOUNTING SYSTEMS. THIS RESPONSIBILITY REMAINS WITH THE AA/AFRICA AND HAS NOT BEEN DELEGATED TO THE MISSION DIRECTORS. ON SEVERAL OCCASIONS THE BUREAU HAS DELAYED MAKING A DETERMINATION UNTIL ADEQUATE INFORMATION WAS RECEIVED. THEREFORE, WE BELIEVE THE SYSTEM WORKS WELL NOW. ACCORDINGLY, EXCEPT AS NECESSARY WHEN AID/W MONITORING UNCOVERS PROBLEMS, THE BUREAU DOES NOT AGREE THAT ADDITIONAL REPORTING REQUIREMENTS ARE NEEDED ESPECIALLY FOR COMPLIANCE WITH

SECTION 121(D) FAA.

D. RECOMMENDATION 1.E. REQUIRE MISSIONS TO REASSESS FAA 121(D) EFFORTS TO IDENTIFY MORE EFFICIENT USE OF RESOURCES AND TO ALLOW BETTER CONTROL OVER OTHER AID-PROVIDED RESOURCES;

IN ORDER TO COMPLY WITH 121(D) LEGISLATION, AID PROVIDED EXCEPTIONAL RESOURCES TO INITIATE THE SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT TO PROMPTLY CORRECT PROJECT ACCOUNTING DEFICIENCIES. COSTS INCURRED INITIALLY MAY SOMETIMES HAVE BEEN OUT OF PROPORTION TO THE AMOUNT OF LOCAL CURRENCIES INVOLVED. THE PRESENT COSTS NOW APPEAR TO BE REASONABLE IN MOST MISSIONS AND WE ARE URGING ALL MISSIONS TO APPLY RULE OF REASON IN COMPLYING WITH 121(D) REQUIREMENTS. MONITORING COSTS ARE EXPECTED TO DROP DRAMATICALLY AS U.S. DIRECT HIRE STAFF ARE REDUCED AND LOCAL HIRE STAFF ASSUME MORE MONITORING FUNCTION IN THE SAHELIAN COUNTRIES. HOWEVER, MISSIONS WILL BE ASKED TO REASSESS ON PERIODIC BASIS FAA 121(D) EFFORTS AND TO SHARE THEIR FINDINGS IN COMPLIANCE WITH THIS RECOMMENDATION.

4. RECOMMENDATION 2, WHERE OPPORTUNITIES EXIST, SUCH AS IN MALI AND NIGER, HAVE THE SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT STRESS LONGER LASTING FINANCIAL

MANAGEMENT BENEFITS BY FOCUSING EFFORT ON HIGHER LEVELS OF HOST GOVERNMENTS.

IN PRINCIPLE, WE AGREE WITH THIS RECOMMENDATION TO THE EXTENT PRACTICAL. HOWEVER, AID CANNOT UNDERTAKE THE HUGE TASK OF FINANCIAL MANAGEMENT TRAINING OF ALL SECTORS IN SAHELIAN COUNTRIES. THE SHEER MAGNITUDE OF THE TASK, MANPOWER LIMITATIONS, FUNDING REDUCTIONS AND RAPID TURN OVER IN HOST COUNTRY ACCOUNTANTS/PERSONNEL RESTRICT OUR POSSIBLE INVOLVEMENT IN LARGER-SCALE FINANCIAL MANAGEMENT IN MOST SAHELIAN COUNTRIES BEYOND REASONABLE LIMITS. THROUGH THE SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT, PHASE II, WE WILL CONTINUE FIRST TO STRENGTHEN CAPABILITIES OF HOST GOVERNMENT INSTITUTIONS INVOLVED IN A.I.D. PROJECTS, PARTICULARLY AS RELATED TO 121(D) NEEDS; AND SECONDLY, WHERE POSSIBLE, PROVIDE ASSISTANCE TO OTHER SAHELIAN SCHOOLS, MINISTRIES AND THE PRIVATE SECTOR. THE SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT, PHASE II, A FOUR YEAR PROJECT WHICH HAS ALREADY BEEN AUTHORIZED AND WHOSE CONTRACTOR IS SCHEDULED TO BEGIN IN JUNE, 1988, WILL EMPHASIZE INSTITUTIONALIZATION OF IMPROVED FINANCIAL MANAGEMENT WHERE APPROPRIATE. HOWEVER, AS STATED BY USAID/BF QUOTE THIS CAN ONLY BE ACCOMPLISHED UNDER HOST COUNTRY SUPPORTIVE CONDITIONS, AND SUCH ARE NOT READILY AVAILABLE TO ALL MISSIONS EQUALLY END QUOTE. SHULTZ
BT

Appendix 2

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